U.S.$4,000,000,000
Programme for the Issuance of Loan Participation Notes
to be issued by, but with limited recourse to,
Sibacademfinance plc
for the sole purpose of financing senior and subordinated loans to
JSC URSA Bank (formerly known as Joint Stock Company "Sibacadembank")

Under the Programme for the Issuance of Loan Participation Notes (the "**Programme**") described in this base prospectus (the "**Base Prospectus**"), Sibacademfinance plc (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue loan participation notes (the "**Notes**") on the terms set out herein, as such terms are supplemented by a final terms (each a "**Final Terms**") setting out the specific terms of each issue or in a separate prospectus the "**Drawdown Prospectus**" specific to a Series (as defined herein) as described under "**Final Terms and Drawdown Prospectus**" below. In the case of a Series of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise. The aggregate principal amount of Notes outstanding will not at any time exceed U.S.$4,000,000,000 (or the equivalent in other currencies).

Notes will be issued in Series and the sole purpose of issuing each Series will be to finance either (i) a senior loan (each, a "**Senior Loan**") to JSC URSA Bank ("**URSA Bank**") as borrower, on the terms of a senior facility agreement (the "**Senior Facility Agreement**") between the Issuer and URSA Bank dated 14 May 2007, as amended and supplemented by a senior loan supplement (each, a "**Senior Loan Supplement**") to be entered into by the Issuer and URSA Bank in respect of each Senior Loan on each applicable issue date (each an "**Issue Date**") and the Senior Facility Agreement, as supplemented by a Senior Loan Supplement will constitute a senior loan agreement (each, a "**Senior Loan Agreement**"); or (ii) a subordinated loan (each a "**Subordinated Loan**" and, together with each Senior Loan, each a "**Loan**") to URSA Bank as borrower, on the terms of a subordinated facility agreement (the "**Subordinated Facility Agreement**" and, together with the Senior Facility Agreement, the "**Facility Agreements**" and each a "**Facility Agreement**") between the Issuer and URSA Bank dated 14 May 2007, as amended and supplemented by a subordinated loan supplement (each, a "**Subordinated Loan Supplement**" and, together with each Senior Loan Supplement, a "**Loan Supplement**") to be entered into by the Issuer and URSA Bank in respect of each Subordinated Loan on each applicable Issue Date and the Subordinated Facility Agreement, as supplemented by a Subordinated Loan Supplement will constitute a subordinated loan agreement (each, a "**Subordinated Loan Agreement**" and, together with each Senior Loan Agreement, each a "**Loan Agreement**"). The Issuer will charge, in favour of BNY Corporate Trustee Services Limited (formerly known as J.P.Morgan Corporate Trustee Services Limited) as trustee (the "**Trustee**") for itself and for the benefit of Noteholders of each Series of Notes (the "**Noteholders**"), by way of a first fixed charge as security for its payment obligations in respect of each Series of Notes and under the Trust Deed, certain of its rights and interests under the relevant Loan Agreement and the relevant Account (as defined in the relevant Loan Supplement). In addition, the Issuer will assign certain of its administrative rights under the relevant Loan Agreement to the Trustee.

In each case where amounts of principal, interest and additional amounts (if any) are stated to be payable in respect of a Series of Notes, the obligation of the Issuer to make any such payment shall constitute an obligation only to account to the Noteholders, on each date upon which such amounts of principal, interest and additional amounts (if any) are due in respect of such Series of Notes, for an amount equivalent to all principal, interest and additional amounts (if any) actually received and retained from URSA Bank by or for the account of the Issuer pursuant to the relevant Loan Agreement excluding, however, any amounts paid in respect of Reserved Rights (as defined in the Terms and Conditions of the Notes). 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 and exclusively on the covenants of URSA Bank set out in the relevant Loan Agreement and the credit and financial standing of URSA Bank in respect of the payment obligations of the Issuer under the Notes.

This document constitutes a base prospectus for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005 (the "**Prospectus Regulations**") and the Final Terms shall constitute Final Terms for the purpose of the Prospectus Directive.

Application has been made to the Irish Financial Services Regulatory Authority (the "**Financial Regulator**"), as competent authority under Directive 2003/71/EC for the Base Prospectus to be approved. Application has been made to the Irish Stock Exchange for the Notes issued under the programme during the period of 12 months from the date hereof to be admitted to the Official List (as defined below) and trading on its regulated market. 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.

Such approval relates only to Notes which are to be admitted to trading on a regulated market of the Irish Stock Exchange or, subject to Chapter IV of the Prospectus Directive as implemented in any Member State, such other regulated markets for the purpose of Directive 93/22/EEC or which are to be offered to the public in any Member State of the European Economic Area. The Irish Stock Exchange is a regulated market for the purposes of Directive 93/22/EEC (a "**Regulated Market**"). References in this Base Prospectus to Notes being listed (and all related references) shall mean that such Notes have been admitted to the daily official list of the Irish Stock Exchange (the "**Official List**") and trading on the Irish Stock Exchange's regulated market. It is anticipated that the Notes will be admitted to trading on or about the issue date thereof, however, there can be no assurance that listing will be granted.

Once approved, a copy of the Base Prospectus will be filed with the Irish Companies Registration Office within 14 days pursuant to Regulation 38(1)(b) of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005.

The Programme also permits Notes to be issued on an unlisted basis or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer and URSA Bank. Application may also be made to have Rule 144A Notes designated as eligible for trading in the Private Offering, Resales and Trading through Automated Linkages ("**PORTAL**") System of the National Association of Securities Dealers, Inc., as specified in the applicable Final Terms. The Financial Regulator has only approved this document in relation to Notes which are to be listed on the Irish Stock Exchange or another Regulated Market, and the Financial Regulator has neither reviewed nor approved this document in relation to any unlisted Notes.

AN INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CAREFULLY CONSIDER THE RISK FACTORS BEGINNING ON PAGE 20 BEFORE INVESTING.

Arranger

ABN AMRO

Dealers

ABN AMRO	**Citi**	**Deutsche Bank**
HSBC	**JPMorgan**	**UBS Investment Bank**

The date of this Base Prospectus is 14 May 2007.

THE NOTES AND THE LOANS (TOGETHER, THE "SECURITIES") HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), 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 OF EACH SERIES MAY BE OFFERED AND SOLD (I) WITHIN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS ("QIBs"), AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), THAT ARE ALSO QUALIFIED PURCHASERS ("QPs"), AS DEFINED IN SECTION 2(A)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940 (THE "INVESTMENT COMPANY ACT") IN RELIANCE ON THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144A (THE "RULE 144A NOTES") AND (II) TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S (THE "REGULATION S NOTES"). THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS, SEE "SUBSCRIPTION AND SALE" AND "TRANSFER RESTRICTIONS."

Regulation S Notes of each Series will initially be represented by interests in a permanent global note in fully registered form (each a "**Regulation S Global Note**") without interest coupons, which will be deposited with a common depositary for, and registered in the name of a nominee of, Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), on its Issue Date. Beneficial interests in a Regulation S Global Note will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear or Clearstream, Luxembourg and their respective participants. Rule 144A Notes of each Series will initially be represented by interests in a permanent global note in fully registered form (each a "**Rule 144A Global Note**" and, together with any Regulation S Global Note for the relevant Series of Notes, the "**Global Notes**") without interest coupons, which will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("**DTC**") on its Issue Date. Beneficial interests in a Rule 144A Global Note will be shown on, and transfers thereof will be effected only through records maintained by, DTC and its participants. See "Summary of 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 Notes will be in denominations in aggregate principal amount, for Rule 144A Notes, of at least U.S.$100,000 (or the equivalent in other currencies) and integral multiples of U.S.$1,000 (or the equivalent in other currencies) in excess thereof, and for Regulation S Notes, of at least €50,000 (or the equivalent in other currencies) and integral multiples of €1,000 (or the equivalent in other currencies) in excess thereof, save that unless otherwise permitted by then current laws and regulations, Notes which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise would constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") will have a minimum denomination of £100,000 (or its equivalent in other currencies). The Central Bank of Ireland requires that Notes which have a maturity of less than one year have a minimum denomination of €300,000 or the foreign currency equivalent. See "Summary—Overview of the Programme—Form".

Each Senior Loan will rank pari passu in right of payment with URSA Bank's other outstanding unsecured and unsubordinated indebtedness. The claims of the Issuer under each Subordinated Loan, excluding the Reserved Rights, constitute the direct, unconditional and unsecured subordinated obligations of URSA Bank and will rank at least equally with all other unsecured and subordinated obligations of URSA Bank (whether actual or contingent) having a fixed maturity from time to time outstanding save only for such obligations as may be preferred by mandatory provisions of applicable law and will be senior to the claims of holders of (a) URSA Bank's share capital (including preference shares) and (b) all other obligations ranking junior to the claims of the Issuer pursuant to applicable law or otherwise (excluding the Reserved Rights). Other than as described in this Base Prospectus and the Trust Deed, Noteholders have no proprietary or other direct interest in the Issuer's rights under or in respect of the relevant Loan Agreement or the relevant Loan. Subject to the terms of the Trust Deed, no Noteholder will have any rights to enforce any of the provisions in the relevant Loan Agreement or have direct recourse to URSA Bank except through action by the Trustee.

Each Subordinated Loan is intended to qualify as Additional Capital (as defined in the Subordinated Facility Agreement) of URSA Bank under regulations of the Central Bank of the Russian Federation (the "**CBR**"). Under the terms of each Subordinated Loan Agreement, and except as otherwise provided in the applicable Subordinated Loan Supplement, URSA Bank shall be entitled to prepay any Subordinated Loan in whole but not in part, plus accrued and unpaid interest (a) at 101 per cent. at any time after the applicable Approval Date (as defined in the Subordinated Facility Agreement), if the CBR does not unconditionally approve such Subordinated Loan as Additional Capital on or before such Approval Date; or (b) at par at any time after the applicable Approval Date, if, as a result of any amendment to, clarification of or change in (including a change in interpretation or application of) the Additional Capital Regulation (as defined in the Subordinated Facility Agreement) or other applicable requirements of the CBR such Subordinated Loan would cease to qualify as Additional Capital; or (c) where a Step-Up Rate of Interest is specified in the relevant Subordinated Loan Agreement as being applicable, subject to the prior written consent of the CBR, at par on the Step-Up Date (as defined in the Subordinated Facility Agreement). In addition, if it becomes illegal for the Issuer to allow such Subordinated Loan or the Notes to remain outstanding, or for URSA Bank to owe funds under such Subordinated Loan, URSA Bank must, subject to the prior consent of the CBR, prepay such Subordinated Loan in whole but not in part. As at the date of this Base Prospectus, the Subordinated Facility Agreement (as set out in "The Subordinated Facility Agreement" herein) has not been reviewed by the CBR. Prior to the issuance of any Notes under the Programme to finance a Subordinated Loan to URSA Bank, URSA Bank will be required to submit the relevant Subordinated Loan Agreement to the CBR for review.

URSA Bank, having made all reasonable enquiries, confirms that (i) this Base Prospectus contains all information with respect to URSA Bank, the Loan Agreements and the Notes that is material in the context of the issue and offering of the Notes; (ii) the statements contained in the Base Prospectus are in every material respect true and accurate and not misleading; (iii) the opinions, expectations and intentions expressed in this Base Prospectus are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts with respect to URSA Bank, the Loan Agreements or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Base Prospectus misleading in any material respect; and (v)all reasonable enquiries have been made by URSA Bank to ascertain such facts and to verify the accuracy of all such information and statements.

Each of URSA Bank and the Issuer accepts responsibility for all information in this Base Prospectus. To the best of the knowledge and belief of URSA Bank and the Issuer (which have taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

No representation or warranty, express or implied, is made by ABN AMRO Bank N.V. (the "**Arranger**"), any Dealer (as defined herein), the Issuer (save for the above responsibility statement), the Trustee or any of their respective affiliates or any person acting on their behalf as to the accuracy or completeness of the information contained in this Base Prospectus.

Certain information and data contained in this Base Prospectus relating to the Russian banking sector and the competitors of URSA Bank (which may include estimates and approximations) was derived from publicly available information, including press releases and filings under various regulatory and securities laws. Each of URSA Bank and the Issuer accepts responsibility that such publicly available information and data has been accurately reproduced and, as far as URSA Bank and the Issuer are aware and are able to ascertain from information published by such third parties, no facts have been omitted which would render such information inaccurate or misleading. However, each of URSA Bank and the Issuer has relied on the accuracy of such publicly available information and data without carrying out an independent verification. In addition, URSA Bank has derived some of the information contained in this Base Prospectus from official data published by Russian government agencies, such as the CBR. Each of URSA Bank and the Issuer accepts responsibility that such official data have been accurately reproduced and, as far as URSA Bank and the Issuer are aware and able to ascertain from information published by such Russian government agencies, no data have been omitted which would render such information inaccurate or misleading. However, the official data published by Russian federal, regional and local governments are substantially less complete or researched than data published by governmental agencies of Western countries. Official statistics may also be compiled on different bases than those used in Western countries. Any discussion of matters relating to the Russian Federation in this Base Prospectus may, 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.

See "Risk Factors—Risks Related to the Russian Federation—The official data upon which prospective investors may base their investment decision may not be as reliable as equivalent data from official sources in the West".

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, URSA Bank, the Arranger, the Trustee or the Dealers to subscribe for or purchase any Series of Notes. The distribution of this Base Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer, URSA Bank, the Arranger, the Trustee and the Dealers to inform themselves about and to observe any such restrictions. In particular, the Notes have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Notes may not be offered or sold in the United States or to, or for the account or benefit of, US persons. For a description of certain further restrictions on offers and sales of the Notes and distribution of this Base Prospectus, see "Subscription and Sale".

Neither the Issuer nor URSA Bank intends to provide any post-issuance transaction information regarding the Notes or the performance of any Loan. No person is authorised to provide any information or to make any representation not contained in this Base Prospectus, and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, URSA Bank, the Trustee, the Arranger or the Dealers. The delivery of this document at any time does not imply that the information contained in it is correct as at any time subsequent to its date. Without limitation to the generality of the foregoing, the contents of URSA Bank's website as at the date hereof or as at any other date do not form any part of this Base Prospectus (and, in particular, are not incorporated by reference herein).

The Issuer is not and will not be regulated by the Financial Regulator as a result of issuing any Notes. Any investment in any 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.

IN CONNECTION WITH THE ISSUE OF ANY SERIES OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN THE APPLICABLE FINAL TERMS MAY OVER ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF A STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN AT ANY TIME AFTER THE ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE RELEVANT SERIES OF NOTES AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT SERIES OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT SERIES OF NOTES.

ANY STABILISING ACTION MUST BE CONDUCTED BY THE RELEVANT STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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FORWARD-LOOKING STATEMENTS

Some statements in this Base Prospectus, as well as written and oral statements that URSA Bank and its officers make from time to time in reports, filings, news releases, conferences, teleconferences, web postings or otherwise, may be deemed to be "forward-looking statements". Forward-looking statements include statements concerning URSA Bank's plans, objectives, goals, strategies and future operations and performance and the assumptions underlying these forward-looking statements. URSA Bank uses the words "estimates", "expects", "believes", "intends", "plans", "may", "will", "should" and other similar expressions to identify forward-looking statements. These forward-looking statements are contained in "Risk Factors", "Business" and other sections of this Base Prospectus. URSA Bank has based these forward-looking statements on the current views of its management with respect to future events and financial performance. These views reflect the best judgment of URSA Bank's management, but involve uncertainties and are subject to certain risks, the occurrence of which could cause actual results to differ materially from those URSA Bank predicts in its forward-looking statements and from its past results, performance or achievements.

Although URSA Bank believes that the estimates and the projections reflected in its forward-looking statements are reasonable, if one or more risks or uncertainties were to materialise or occur, including those which URSA Bank has identified in this Base Prospectus, or if any underlying assumptions prove to be incomplete or inaccurate, its results of operations may vary from those it expected, estimated or projected.

Forward-looking statements that URSA Bank may make from time to time (but that are not included in this document) may also include projections or expectations of interest income, net interest income, operating income (or loss), net profit (or loss) (including on a per share basis), dividends, capital structure or other financial items or ratios.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- inflation, interest rate fluctuations and exchange rate fluctuations in Russia;
- prices for securities issued by Russian entities;
- the health of the Russian economy, including the Russian banking sector;
- the effects of, and changes in, the policy of the federal government of Russia and regulations promulgated by the CBR;
- the effects of competition in the geographic and business areas in which URSA Bank conducts its operations;
- the effects of changes in laws, regulations and taxation or accounting standards or practices in the jurisdictions where URSA Bank conducts its operations;
- URSA Bank's ability to maintain or increase market share for its products and services and control expenses;
- the management of the rapid growth of URSA Bank's business and assets;
- acquisitions or divestitures;
- technological changes; and
- URSA Bank's success at managing the risks associated with the aforementioned factors.

This list of important factors is not exhaustive. When reviewing forward-looking statements, prospective purchasers of the Notes should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which URSA Bank operates. Such forward-looking statements speak only as of the date on which they are made. Accordingly, URSA Bank is not obliged to, and does not intend to, update or revise any forward-looking statements made in this Base Prospectus whether as a result of new information, future events or otherwise except as otherwise required by applicable law or under the Prospectus Directive and the relevant implementing measures in Ireland. All subsequent written or oral forward-looking statements attributable to URSA Bank, or persons acting on URSA Bank's behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Base Prospectus. As a result of these risks, uncertainties and assumptions, a prospective purchaser of the Notes should not place reliance on these forward-looking statements.

ENFORCEABILITY OF JUDGMENTS

URSA Bank is a joint stock company organised under the laws of the Russian Federation. The majority of URSA Bank's directors and executive officers named in this Base Prospectus reside in the Russian Federation.

Moreover, substantially all the assets of URSA Bank and of such persons are located in the Russian Federation. As a result, the Trustee, acting on behalf of the Noteholders, may not be able to effect service of process in the United Kingdom or the United States on URSA Bank or any of URSA Bank's directors or executive officers named in this Base Prospectus. Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce any provisions of the relevant Loan Agreement, or have direct recourse to URSA Bank, except through action by the Trustee.

The Trustee will not be required to enter into proceedings to enforce payment from URSA Bank under the Loan Agreements, unless it has been indemnified and/or secured by the relevant Noteholders to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses, which it may incur in connection therewith.

Similarly, the Trustee may not be able to obtain or enforce English or U.S. court judgments in the Russian Federation against URSA Bank or its directors or executive officers. Courts in the Russian Federation will only recognise judgments rendered by a court in any jurisdiction outside the Russian Federation if an international treaty providing for the recognition and enforcement of judgments in civil cases exists between the Russian Federation and the country where the judgment is rendered. No such treaty for the reciprocal enforcement of foreign court judgments in civil and commercial matters exists between the Russian Federation and most Western jurisdictions (including the United Kingdom and the United States), which may require new proceedings to be brought in the Russian Federation in respect of a judgment already obtained in any such jurisdiction against URSA Bank or its directors or executive officers. In addition, Russian courts have limited experience in the enforcement of foreign court judgments. The limitations described above, including the general procedural grounds set out in Russian legislation for the refusal to recognise and enforce foreign court judgments in the Russian Federation, may significantly delay the enforcement of any such judgment, or deprive the Noteholders or the Trustee of effective legal recourse for claims under the Notes relating to the relevant Loan.

Each Loan Agreement will be governed by English law, and will provide that if any dispute or proceeding were to arise from or in connection with such Loan Agreement, the Issuer may elect, by notice in writing to URSA Bank, to settle the claim by arbitration in accordance with the Rules of the International Chamber of Commerce. The place of such arbitration shall be London, England. The Russian Federation and the United Kingdom are parties to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**"). Consequently, Russian courts should generally recognise and enforce in the Russian Federation an arbitral award from an arbitral tribunal in the United Kingdom, on the basis of the rules of the New York Convention (subject to qualifications provided for in the New York Convention and compliance with Russian procedural regulations and other procedures and requirements established by Russian legislation). However, it may be difficult to enforce arbitral awards in the Russian Federation due to:

- the inexperience of the Russian courts in international commercial transactions;
- official and unofficial political resistance to the enforcement of awards against Russian companies in favour of foreign investors; and
- the inability of Russian courts to enforce such awards.

Moreover, in September 2002, the new arbitrazh procedural code of the Russian Federation (the "**Arbitrazh Procedural Code**") came into force. The Arbitrazh Procedural Code established the procedure for Russian courts to refuse to recognise and enforce any such arbitral award. The Arbitrazh Procedural Code and other Russian procedural legislation could change; therefore, *inter alia*, other grounds for Russian courts to refuse the recognition and enforcement of foreign courts' judgments and foreign arbitral awards could arise in the future. In practice, reliance upon international treaties may meet with resistance or a lack of understanding on the part of a Russian court or other officials, thereby introducing delay and unpredictability into the process of enforcing any foreign judgment or any foreign arbitral award in the Russian Federation.

Ireland is currently subject to the provisions contained in Council Regulation (EC) 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and

commercial matters (the "**Regulation**"), which unifies the rules of conflict of jurisdiction in civil and commercial matters and simplifies the formalities with a view to rapid and simple recognition and enforcement of judgments from European Union member states and remains a contracting party to the conventions of Lugano and Brussels on jurisdiction and the enforcement of judgments in civil and commercial matters. According to the Regulation and to the Lugano Convention, judgments of courts of the European Union and certain other Lugano Convention states in civil and commercial law are recognised and enforceable throughout the territory of the European Union and Lugano member states. The same applies to the recognition and enforcement of judgments between Ireland and Denmark, which is not governed by the Regulation but by the Brussels Convention instead. In order to enforce in Ireland a judgment of a court of a third country, the foreign judgment expressly has to be declared enforceable by Irish courts. The Irish court will declare such judgment enforceable if:

- the judgment is valid and enforceable in the country of origin; and
- Ireland and the third country are on a basis of reciprocity in respect of the enforcement of judgments and the reciprocity is guaranteed by international treaties or by special ordinance of the Irish Minister of Justice.

There is no bilateral treaty between the United States of America and Ireland concerning the reciprocal recognition and enforcement of judgments.

Ireland is a party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. A foreign arbitral award obtained in a state which is party to that convention should be recognised and enforced by an Irish court (subject to the qualifications provided for in the convention and compliance with Irish civil procedure regulations).

SUPPLEMENTAL BASE PROSPECTUS

URSA Bank and the Issuer will each agree to comply with any undertakings it gives from time to time to the Irish Stock Exchange in connection with listed Notes and, without prejudice to the generality of the foregoing, URSA Bank and the Issuer will each, so long as any of its Notes remains outstanding and admitted to trading on the Irish Stock Exchange's regulated market, if required by the listing guidelines, the Prospectus Directive or applicable law, prepare and make available an appropriate amendment or supplement to this Base Prospectus or a further prospectus as may be required by the listing guidelines, the Prospectus Directive or by such law which in respect of any subsequent issue of Notes to be listed on and admitted to trading on the Irish Stock Exchange's regulated market constitutes a supplemental prospectus as required by such rules, directive or law.

URSA Bank has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment by investors of any Notes and the corresponding Loan and which inclusion in this Base Prospectus or removal is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and URSA Bank and the rights attaching to such Notes and such Loan, URSA Bank shall prepare an amendment or supplement to this Base Prospectus or publish a replacement base prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer (copied to the Trustee) such number of copies of such supplement hereto as such Dealer may reasonably request.

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

INCREASE IN PROGRAMME SIZE

In May 2007, the maximum aggregate amount of all Notes that may from time to time be outstanding under the Programme was increased from U.S.$2,000,000,000 to U.S.$4,000,000,000 in accordance with the terms of the Dealer Agreement dated 10 May 2006 between the Issuer, the Borrower and the Dealers named therein.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

Certain financial information as of and for the years ended 31 December 2006, 2005 and 2004 as set out herein has been extracted without material adjustment from URSA Bank's financial statements (the "**Financial Statements**") as of and for the years ended 31 December 2006 and 2005 that are set out beginning on page F-1 of this Base Prospectus. These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board, which differ in certain respects from generally accepted accounting principles applied in the United States ("US GAAP").

URSA Bank adopted the revised versions of IFRS that were effective for accounting periods beginning on 1 January 2005, which resulted in changes to the presentation of certain items in the Financial Statements.

In the Financial Statements of URSA Bank as of and for the year ended 31 December 2005, the corresponding figures as of and for the year ended 31 December 2004 were adjusted to conform to the changes in presentation in the Financial Statements as of and for the year ended 31 December 2005 as required by IFRS. The most significant changes in presentation relate to the reclassification of "investment securities available for sale" and "trading securities" to "financial instruments at fair value through profit and loss". In addition, "investments in unconsolidated subsidiaries" were included in the caption "other assets", and cash flows in respect of investment securities available-for-sale and investments in unconsolidated subsidiaries were reclassified from "investing activities" to "operating activities" in the statement of cash flows. See Note 3 to the Financial Statements as of and for the year ended 31 December 2005.

For comparability, the 2006 and 2005 financial information included in this Base Prospectus has been based on the presentation adopted in the Financial Statements as of and for the year ended 31 December 2006. In particular, prior to 2006, URSA Bank presented segmental information for commercial banking and retail banking as reportable business segments. Starting 1 January 2006, URSA Bank identified its treasury and investments business as a reportable business segment. In addition, among its segments URSA Bank redefined the allocation of certain income and expenses items, primarily staff costs and operating expenses. Furthermore, prior to 2006, URSA Bank presented information for overdue loans by disclosing the overdue part of the principal loan amount at the applicable reporting date. Starting from 1 January 2006, URSA Bank presents the full principal loan amounts including accrued interest of any overdue loans as overdue at the applicable reporting date in order to provide more meaningful disclosure. URSA Bank has restated the comparative financial information for 2005 in the consolidated financial statements included in this Base Prospectus to reflect such changes. The Financial Statements as of and for the year ended 31 December 2004 do not include the changes in presentation described above.

On 22 December 2006, URSA Bank completed its acquisition of all of the outstanding shares of Uralvneshtorgbank, which had significant banking operations in the Urals Federal District of the Russian Federation. This base prospectus contains unaudited financial information for Uralvneshtorgbank for the period ended 22 December 2006.

Auditors

ZAO KPMG independent auditors, whose registered address is 11 Gogolevsky Boulevard, Moscow 119019, Russian Federation ("**KPMG**"), have audited URSA Bank's Financial Statements as of and for the years ended 31 December 2006, 2005 and 2004, included in this Base Prospectus. KPMG's reports are also included in this Base Prospectus. KPMG is a corporate member of the Institute of Professional Accountants of Russia and a member of the Audit Chamber of Russia.

Currency

In this Base Prospectus, the following currency terms are used:

- "**Russian Rouble**", "**Rouble**" or "**RUB**" means the lawful currency of the Russian Federation;
- "**U.S. dollar**", "**Dollar**" or "**U.S.$**" means the lawful currency of the United States of America;

- "**Euro**", "**EUR**" or "**€**" means the lawful currency of the member states of the European Union that adopted the single currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Union, as amended;
- "**CHF**" means the lawful currency of Switzerland; and
- "**Sterling**" or "**£**" means the lawful currency of the United Kingdom.

Effective 1 January 2003, the Russian economy ceased to be considered hyperinflationary. URSA Bank considers the Russian rouble to be its functional currency because the majority of balances and operations of URSA Bank are either priced, incurred, payable or otherwise measured in Russian rouble. URSA Bank prepares its financial statements in Russian roubles in accordance with the requirements of Russian statutory accounting and tax legislation.

Accounting Policies

For a discussion of the accounting policies which URSA Bank believes are most critical, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies". For other policies, see Note 4 to the Financial Statements as of and for the year ended 31 December 2006.

Exchange Rates

The following table sets out, for the periods indicated, the high, low, average and period-end interbank exchange rates, in each case for the purchase of Roubles, all expressed in Roubles per U.S. dollar. Solely for the convenience of the reader, and except as otherwise stated, this Base Prospectus contains translations of some Rouble amounts into U.S. dollars at the official exchange rate quoted by the CBR on 31 December, as applicable, of the relevant year. For 2004, the translation rate was RUB27.7487 to U.S.$1.00, which was the official exchange rate quoted by the CBR on 31 December 2004. For 2005, the translation rate was RUB28.7825 to U.S.$1.00, which was the official exchange rate quoted by the CBR on 31 December 2005. For 2006, the translation rate was RUB26.33 to U.S.$1.00, which was the official exchange rate quoted by the CBR on 31 December 2006. URSA Bank and the Issuer do not make any representation that the Rouble amounts referred to in this Base Prospectus could have been or could be exchanged into U.S. dollars at the above translation rate, at any other rate or at all. On 8 May 2007, the Rouble to U.S. dollar exchange rate as quoted by the CBR on that day was RUB25.74=U.S.$1.00.

U.S. dollar/Rouble Interbank Exchange Rate

	High	Low	Average	Period End
	(Roubles per U.S. dollar)			
2007 (up to and including 31 March 2007)	26.58	25.97	26.31	26.01
2006	28.48	26.18	27.18	26.33
2005	29.00	27.46	28.22	28.78
2004	29.45	27.75	28.81	27.75
2003	31.88	29.25	30.68	29.45
2002	31.86	30.14	31.35	31.78

Source: www.cbr.ru (Central Bank of the Russian Federation).

Rounding

Some numerical and percentage amounts included in this Base Prospectus have been subject to rounding adjustments. Accordingly, numerical and percentage amounts shown as totals in certain tables may not be an arithmetic aggregation of the amounts that preceded them. Unless otherwise specified, all percentages have been rounded to the nearest one-tenth of one per cent.

URSA Bank Market Share Information

URSA Bank has calculated its market share information set out in this Base Prospectus on the basis of market data regularly published by the CBR.

ADDITIONAL INFORMATION

Neither the Issuer nor URSA Bank is required to file periodic reports under Section 13 or 15 of the US Securities Exchange Act of 1934 (the "**Exchange Act**"). For so long as either the Issuer or URSA Bank is not a reporting company under Section 13 or 15(d) of the Exchange Act, or exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Issuer or URSA Bank will, upon request, furnish to each holder or beneficial owner of Notes that are "**restricted securities**" (within the meaning of Rule 144(a)(3) under the Securities Act) and to each prospective purchaser thereof designated by such holder or beneficial owner upon request of such holder, beneficial owner or prospective purchaser, in connection with a transfer or proposed transfer of any such Notes pursuant to Rule 144A under the Securities Act or otherwise, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

SUMMARY

This summary may not contain all the information that may be important to prospective purchasers of the Notes. Prospective purchasers of the Notes should read this entire Base Prospectus, including the more detailed information regarding URSA Bank's business and operations and the Financial Statements included elsewhere in this Base Prospectus. Investing in the Notes involves risks, and prospective purchasers of the Notes should carefully consider the information set forth under "Risk Factors". Certain statements in this Base Prospectus include forward-looking statements that also involve risks and uncertainties, as described under "Forward-Looking Statements".

Business Overview

URSA Bank is a full-service bank occupying a leading position in its regional banking markets. URSA Bank is headquartered in Novosibirsk, Russia, and according to the CBR has the second largest network of branches of any bank in the Urals Federal District ("**UFD**") and Siberian Federal District ("**SFD**") after Sberbank as of 31 March 2007. The UFD and SFD comprise 22 regions of Russia, accounting for approximately 40.5 per cent. of the territory of Russia and, as of 31 March 2007, had approximately 33.4 million inhabitants. URSA Bank had 21 regional headquarters and 243 branches, 4 representative offices, 360 automated teller machines ("**ATMs**") and approximately 10,000 employees as of 31 March 2007. As of 31 March 2007, URSA Bank's client base consisted of 2.8 million retail clients, over 12,000 SME clients and over 2,000 large corporate clients.

URSA Bank offers both retail and corporate banking services. URSA Bank offers its retail clients a wide range of term, savings and current deposit accounts in addition to credit card consumer lending products as well as mortgages and car loans. URSA Bank's corporate banking activities include lending, deposit taking, trade finance and project finance as well as settlement operations, payroll services and corporate bankcards, foreign exchange and other corporate banking services. URSA Bank also conducts financial markets operations.

Based on its consolidated financial statements, URSA Bank's net income amounted to RUB500.6 million for the year ended 31 December 2005 and RUB1,464.5 million for the year ended 31 December 2006 and URSA Bank's total assets amounted to RUB28,718.5 million as of 31 December 2005 and RUB111,610.8 million as of 31 December 2006.

URSA Bank was created as a result of the combination of Joint Stock Company "Sibacadembank" ("**Sibacadembank**") and Joint Stock Company "Uralvneshtorgbank" ("**Uralvneshtorgbank**"). On 22 December 2006 Sibacadembank acquired all of the outstanding shares of Uralvneshtorgbank through a conversion of Uralvneshtorgbank's shares into shares of Sibacadembank. Sibacadembank subsequently changed its name to URSA Bank. See "Risk Factors—URSA Bank may have difficulty integrating Sibacadembank and Uralvneshtorgbank, and realising the anticipated benefits of the combination".

Before the combination, Sibacadembank had an extensive branch network in the SFD and Uralvneshtorgbank had a large branch network in the UFD. The Sibacadembank and Uralvneshtorgbank networks were contiguous, but non-overlapping. URSA Bank's management expect this regional diversification to provide the combined bank with a larger market for its corporate and retail banking products, synergies in the distribution and promotion of its products and greater insulation from market downturns in any one region. In its core banking markets of the SFD and the UFD, URSA Bank is the second largest bank in terms of total assets behind Sberbank. However, URSA Bank has overtaken Sberbank in its core Novosibirsk region, where it is the leading bank measured by total assets.

The principal shareholders of URSA Bank comprise both foreign institutional investors, such as the EBRD, Deutsche Investments—und Enturcklungs gesellschaft mbH ("**DEG**"), a German bank that is a member of the KfW Banken gruppe, and Clariden Leu AG, a Swiss private bank ("**Clariden**"), and Russian individuals, including Mr. Igor Kim, Mr. Andrey Bekarev and Mr. Alexander Taranov, who have significant experience in the Russian banking market. See "Business—Major Shareholders".

Market Position and Competitive Advantages

In its core banking markets of the SFD and the UFD, URSA Bank is the second largest bank in terms of total assets behind Sberbank. URSA Bank believes that it enjoys a strong position in the Russian

banking market and has a number of competitive advantages over other banks in the SFD and UFD markets:

- local expertise and extensive client base;
- wide distribution network;
- balanced geographic structure of its business;
- proven track record in accessing international capital markets;
- high quality shareholder base;
- high operating efficiency;
- emphasis on transparency and corporate governance best practices; and
- experienced senior management

Strategy

URSA Bank's strategy is to continue its development as a full-service, universal bank offering corporate and retail services in its core regions of UFD, SFD and the Russian Far East. URSA Bank plans to increase its share of both the corporate and retail market to maintain its position as the largest bank after Sberbank in its core regions and to become one of the ten largest banks in Russia in the medium term. The main components of URSA Bank's growth strategy are as follows:

- cross-selling of retail products to existing customers;
- rebalancing of the retail loan portfolio towards lower risk products such as mortgages and revolving credit cards;
- expansion of credit product range for corporate clients;
- lending to small and medium-size enterprises (SMEs);
- maintenance of a balanced and diversified funding base;
- measured expansion of the distribution network, with increased focus on efficiency;
- evaluation of growth opportunities through acquisitions.

Risk Factors

An investment in the Notes involves a high degree of risk. There are risks relating to URSA Bank's operations, the banking industry, to Russia and other emerging markets and to the Notes and the trading market. Among the risks relating to URSA Bank are:

- URSA Bank may be unable to assess adequately the credit risk of potential borrowers.
- The robustness of URSA Bank's rapidly growing portfolios of loans to retail borrowers and small- and medium-sized businesses ("SMEs") has not been tested in a weakening economic cycle.
- URSA Bank faces certain risks due to its growth strategy.
- URSA Bank may have difficulty integrating Sibacadembank and Uralvneshtorgbank and realising the anticipated benefits of the combination.
- URSA Bank may fail to make planned acquisitions, integrate planned or future acquisitions or manage its growth properly.
- URSA Bank's purchases of loan assets from other banks may increase its credit risk and negatively affect its interest rate margin.
- URSA Bank has increased its investments in higher risk, non-governmental securities.
- URSA Bank faces increasing competition in the retail, SME and corporate lending sectors.
- URSA Bank faces certain risks due to the regional focus of its operations.
- Instability of the Russian banking system could have a material adverse effect on URSA Bank's financial condition.

- URSA Bank has a relatively high individual corporate borrower concentration.
- If URSA Bank's access to the capital markets were curtailed, its growth could be limited or reversed.
- URSA Bank is subject to significant currency risks.
- The interests of Noteholders may conflict with the interests of URSA Bank's shareholders.
- URSA Bank depends on highly-qualified employees, who are difficult to attract and retain.
- URSA Bank is sensitive to interest rate changes.
- Mandatory disclosure of effective interest rate on retail loans may have a negative effect on URSA Bank's retail lending business.
- Recent legislative and regulatory reforms could have a negative effect on the Russian banking sector.
- URSA Bank may experience difficulty in enforcing its rights.
- URSA Bank relies on CBR licences to operate.
- URSA Bank operates in a highly regulated business.
- Growth of URSA Bank's mortgage business may be limited due to insufficient development of mortgage securitisation market.

The foregoing is not a comprehensive list of the risks and uncertainties to which URSA Bank is subject. Investors should carefully consider all of the information in this Base Prospectus, including, the information included under "Risk Factors", prior to making an investment in the Notes.

Overview of the Programme

Description:	Programme for the issuance of Loan Participation Notes.
Issuer:	Sibacademfinance plc.
Borrower:	URSA Bank.
Programme Limit:	Up to U.S.$4,000,000,000 (or its equivalent in other currencies at the date of issue) aggregate principal amount of Notes outstanding at any one time. URSA Bank may increase the amount of the Programme in accordance with the Dealer Agreement (as defined herein). In this respect, for the purpose of calculating the aggregate principal amount of Notes outstanding, Notes issued at a premium shall be treated as having been issued at the amount of their net proceeds received by the Issuer.
Arranger:	ABN AMRO Bank N.V
Dealers:	ABN AMRO Bank N.V., Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, HSBC Bank plc, J.P. Morgan Securities Ltd. and UBS Limited and any other Dealer appointed from time to time by the Issuer and URSA Bank either generally in respect of the Programme or in relation to a particular Series of Notes.
Trustee:	BNY Corporate Trustee Services Limited.
Principal Paying Agent:	JPMorgan Chase Bank, N.A. (to become The Bank of New York as of 21 May 2007)
Paying Agents:	BNY Fund Services (Ireland) Limited, The Bank of New York, The Bank of New York (Luxembourg) S.A.
Registrars:	The Bank of New York (Luxembourg) S.A. in respect of Regulation S Notes and The Bank of New York in respect of Rule 144A Notes. A register of the Notes shall be kept at the registered office of the Issuer.
Transfer Agents:	JPMorgan Chase Bank, N.A. (to become The Bank of New York as of 21 May 2007), BNY Fund Services (Ireland) Limited, The Bank of New York (Luxembourg) S.A.
Calculation Agent:	JPMorgan Chase Bank, N.A. (to become The Bank of New York as of 21 May 2007) unless otherwise stated in the relevant Final Terms.
Issue Price:	Notes may be issued at their principal amount or at a discount or premium to their principal amount.
Maturities:	Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer, URSA Bank and the relevant Dealer(s).

Where the Issuer wishes to issue Notes with a maturity of less than one year, it shall ensure that it is in full compliance with the notice by the Central Bank of Ireland of exemptions granted under section 8(2) of the Central Bank Act, 1971 (as amended) of Ireland, including that the Notes comply with, *inter alia*, the following criteria:

(a) at the time of issue, the Notes must be backed by assets to at least 100 per cent. of the value of the Notes issued;

(b) at the time of issue, the Notes must be rated at least investment grade by one or more recognised rating agencies;

(c) the Notes must be issued and transferable in minimum denominations of €300,000 or the foreign currency equivalent;

(d) the Notes state on their face that they are issued in accordance with an exemption granted by the Financial Regulator under Section 8(2) of the Central Bank Act, 1971, inserted by Section 31 of the Central Bank Act, 1989, as amended by Section 70(d) of the Central Bank Act, 1997 each amended by the Central Bank and Financial Services Regulatory Authority of Ireland Act, 2003;

(e) it must be stated explicitly on the face of the Notes and, where applicable, in the contract between the Issuer and the holders of the Notes that the investment does not have the status of a bank deposit, is not within the scope of the Deposit Protection Scheme operated by the Financial Regulator and that the Issuer is not regulated by the Financial Regulator arising from the issue of the Notes; and

(f) any issue of Notes which is guaranteed must carry a statement to the effect that it is guaranteed and identify the guarantor by name.

Interest Periods and Rates: The length of the interest periods for the Notes and the applicable interest rate may differ from time to time or be constant for any Series. Notes may be issued on a fixed rate or floating rate basis (as further described below) and may have a maximum interest rate, a minimum interest rate, or both. Notes may also have a step-up rate of interest. All such information will be set out in the relevant Final Terms.

Fixed Rate Notes: Each Fixed Rate Note will bear interest on the outstanding principal amount from (and including) the Interest Commencement Date (as specified in the relevant Final Terms) and thereafter from (and including) each Interest Payment Date, to (but excluding) the next Interest Payment Date at the rate(s) per annum (expressed as a percentage) equal to the Rate(s) of Interest specified on the Note, which

shall be equal to the rate per annum at which interest under the relevant Loan accrues, such interest being payable in arrear on each Interest Payment Date.

Floating Rate Notes: Each Floating Rate Note will bear interest on its outstanding principal amount from (and including) the Interest Commencement Date (as specified in the relevant Final Terms) and thereafter from (and including) each Interest Payment Date, to (but excluding) the next Interest Payment Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest specified on the Note, which shall be equal to the rate per annum at which interest under the relevant Loan accrues, such interest being payable in arrear on each Interest Payment Date.

Method of Issue: The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "Series") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest) to the Notes; the Notes of each Series being intended to be fungible with all other Notes of that Series. Each Series of Notes may be issued either (i) pursuant to this Base Prospectus and associated Final Terms or (ii) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Series of Notes will be the Terms and Conditions of the Notes as supplemented, amended and/or replaced to the extent described in the relevant Final Terms or, as the case may be the relevant Drawdown Prospectus.

Limited Recourse: The Notes are limited recourse secured obligations of the Issuer. The Notes will constitute the obligation of the Issuer to apply the proceeds from the issue of the Notes solely for the purpose of financing the relevant Loan to URSA Bank pursuant to the terms of the corresponding Loan Agreement. The Issuer will only account to the Noteholders for all amounts equivalent to those (if any) received and retained from URSA Bank under such Loan Agreement or held on deposit in the Account less amounts in respect of the Reserved Rights (as defined in the Terms and Conditions of the Notes), all as more fully described under "Terms and Conditions of the Notes".

Status of the Notes: The Notes of each Series constitute limited recourse, secured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves, all as more fully described under "Terms and Conditions of the Notes—Status".

Status of each Subordinated Loan: Any claims of the Issuer under the provisions of each Subordinated Loan Agreement, excluding the Reserved Rights, will be subordinated upon a Bankruptcy Event (as defined in the Subordinated Facility Agreement) in accordance with the Federal Law "On Insolvency (Bankruptcy) of Credit Organisations" No. 40-FZ dated 25 February 1999 (as

amended), will rank at least equally with the claims of other subordinated creditors of URSA Bank and will be senior to the claims of holders of (a) URSA Bank's share capital (including preference shares) and (b) all other obligations ranking junior to the claims of the Issuer pursuant to applicable law or otherwise (excluding the Reserved Rights), all as more fully described in "The Subordinated Facility Agreement".

Security: Each Series of Notes will be secured by a first fixed charge in favour of the Trustee for the benefit of itself and the Noteholders of (i) certain of the Issuer's rights and interests as lender under the relevant Loan Agreement, and (ii) the Issuer's rights, title and interest in and all sums held on deposit in the Account (as defined in the relevant Loan Agreement) (in each case, other than the Reserved Rights), all as more fully described under "Terms and Conditions of the Notes". In addition, the Issuer with full title guarantee will assign absolutely its administrative rights under the relevant Loan Agreement (save for the rights charged or excluded as described above) to the Trustee for the benefit of itself and the Noteholders, as more fully described under "Terms and Conditions of the Notes".

Form: Each Series of Notes will be issued in registered form. The Notes will be in denominations in aggregate principal amount, for Rule 144A Notes, of at least U.S.$100,000 (or its equivalent in other currencies) and integral multiples of U.S.$1,000 (or its equivalent in other currencies) in excess thereof and for Regulation S Notes, of at least €50,000 (or the equivalent in other currencies), and integral multiples of €1,000 (or the equivalent in other currencies) in excess thereof, save that unless otherwise permitted by then current laws and regulations, Notes which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise would constitute a contravention of section 19 of the FSMA will have a minimum denomination of €300,000 (or its equivalent in other currencies).

Notes of each Series will be represented by interests in one or more Global Notes. The Global Notes will only be exchangeable for definitive certificates in the limited circumstances described under "Summary of Provisions Relating to the Notes in Global Form". Each series of Notes offered and sold outside the United States to non-US persons in offshore transactions in reliance on Regulation S under the Securities Act will be represented by interests in a Regulation S Global Note. Each Series of Notes offered and resold in the United States to QIBs that are also QPs in reliance on Rule 144A will be represented by interests in one or more Rule 144A Global Notes.

Early Redemption at the Option of URSA Bank or the Issuer:	Each Series of Notes relating to a Senior Loan will be redeemed in whole, but not in part, at any time, upon notice having been given to the Noteholders, at their principal amount together with accrued and unpaid interest to the date of redemption and any additional amounts (if any) then due if URSA Bank elects to prepay the corresponding Senior Loan for tax reasons or by reason of increased costs or, at the option of the Issuer, in the event that it becomes unlawful for the Issuer to fund such Senior Loan or to allow it to remain outstanding under such Senior Loan Agreement, all as more fully described in each Senior Loan Agreement. Each Series of Notes relating to a Subordinated Loan will be redeemed in whole, but not in part, at any time, upon notice having been given to the Noteholders, at their principal amount together with accrued and unpaid interest to the date of redemption and any additional amounts (if any) then due, but subject to URSA Bank obtaining the prior written consent from the CBR, if URSA Bank elects to prepay the corresponding Subordinated Loan for tax reasons or by reason of increased costs, or, at the option of the Issuer, in the event that it becomes unlawful for the Issuer to fund the Subordinated Loan or to allow the Subordinated Loan or the Notes to remain outstanding, all as more fully described in the Subordinated Loan Agreement and subject to the relevant prepayment clauses being specified in the relevant Subordinated Loan Supplement as applicable. If a Series of Notes bears a step-up rate of interest, except as otherwise provided, the corresponding Subordinated Loan Agreement may not be terminated prior to the Step-up Date (as specified in the relevant Final Terms). See Condition 6 (Redemption) of the "Terms and Conditions of the Notes".
Subordinated Loan Prepayment Option:	In addition, under the terms of each Subordinated Loan Agreement, and except as otherwise provided in the applicable Subordinated Loan Supplement, URSA Bank shall be entitled to prepay any Subordinated Loan in whole but not in part, plus accrued and unpaid interest (a) at 101 per cent. at any time after the applicable Approval Date, if the CBR does not unconditionally approve such Subordinated Loan as Additional Capital on or before such Approval Date; or (b) at par at any time after the applicable Approval Date, if, as a result of any amendment to, clarification of or change in (including a change in interpretation or application of) the Additional Capital Regulation or other applicable requirements of the CBR such Subordinated Loan would cease to qualify as Additional Capital; or (c) where a Step-Up Rate of Interest is specified in the relevant Subordinated Loan Supplement as being applicable, subject to the prior written consent of the

CBR, at par on the Step-Up Date, whereupon the Notes of the applicable Series shall be correspondingly redeemed. See Clause 5 (Repayment and Prepayment) of the Subordinated Facility Agreement.

Certain Covenants:

As long as any of the Notes remains outstanding, the Issuer will not, without the prior written consent of the Trustee, agree to any amendment to or any modification or waiver of, or authorise any breach or proposed breach of, the terms of a Loan Agreement, except as otherwise expressly provided in the Trust Deed or such Loan Agreement.

Clause 10.1 (Negative Pledge) of the Senior Facility Agreement contains a negative pledge in relation to the creation of Liens (as defined in the Senior Facility Agreement) (other than Permitted Liens (as defined in the Senior Facility Agreement)) by URSA Bank. The Senior Facility Agreement also contains in Clause 10 (Covenants), among other things, covenants limiting mergers and disposals by URSA Bank, transactions between URSA Bank and its Affiliates (as defined in the Senior Facility Agreement) and a covenant by URSA Bank to maintain a ratio of Capital to Risk Weighted Assets (each as defined in the Senior Facility Agreement) at certain levels specified in the Senior Facility Agreement.

Clause 10 (Covenants) of the Subordinated Facility Agreement contains a covenant limiting disposals by URSA Bank, a covenant by URSA Bank to maintain certain authorisations and a covenant by URSA Bank as to capital treatment.

Relevant Event/Event of Default/Bankruptcy Event:

In the case of a Relevant Event that is continuing (as defined in the Trust Deed) the Trustee may, subject to the provisions of the Trust Deed, enforce the security created in the Trust Deed in favour of the Noteholders.

Under the terms of each Senior Loan Agreement, in the case of an Event of Default (as defined in each of the Senior Facility Agreements) that is continuing, the Trustee may, subject to the provisions of the Trust Deed, declare all amounts payable by URSA Bank under such Senior Loan Agreement to be due and payable. Upon repayment of such Senior Loan following an Event of Default, the Notes will be redeemed or repaid at their principal amount together with interest accrued to the date fixed for redemption and any additional amounts then due (if any), and thereupon shall cease to be outstanding.

Under the terms of each Subordinated Loan Agreement, if a Bankruptcy Event (as defined in the Subordinated Facility Agreement) has occurred and is continuing (a) the Issuer will be entitled by giving notice in writing to URSA Bank (i) to declare such

Subordinated Loan Agreement to be cancelled; and/or (ii) to declare all amounts payable under such Subordinated Loan by URSA Bank to be immediately due and payable and (b) the Trustee will be entitled, subject to the provisions of the Trust Deed, to declare all amounts payable by URSA Bank under such Subordinated Loan Agreement to be due and payable. Upon repayment of such Subordinated Loan following a Bankruptcy Event, the Notes will be redeemed or repaid at their principal amount, together with interest accrued to the date fixed for redemption and any additional amounts then due (if any), and thereupon shall cease to be outstanding.

Further Issues: The Issuer may from time to time issue further Notes of any Series on the same terms as existing Notes and such further Notes shall be consolidated and form a single Series with such existing Notes of the same Series. In the event of such further issuance the relevant Loan will be correspondingly increased. Noteholders should refer to the section entitled "Taxation—Certain US Federal Income Tax Considerations—Fungible Issue" for a discussion of the tax treatment of a further issuance of Notes.

Rating: Series of Notes issued under this Programme may be rated or unrated. Where a Series of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Programme.

Credit ratings assigned to the Notes or the Programme do not necessarily mean that the Notes are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Similar ratings on different types of notes do not necessarily mean the same thing. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes, the Programme or URSA Bank could adversely affect the price that a subsequent purchaser would be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.

Withholding Tax: All payments of interest and principal to be made by URSA Bank under the relevant Loan Agreement will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges by any Taxing Authority (as defined in the relevant Facility Agreement), save as required by law.

All payments of interest and principal to be made by the Issuer under the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges by the Russian Federation or

	Ireland or any taxing authority thereof, save as required by law. Where any deduction or withholding is required by law in relation to the Notes, the Issuer shall (subject to certain exceptions and to receipt of the relevant funds under the relevant Loan Agreement as described below) pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received had no such deduction or withholding been required. In such circumstances, URSA Bank will be required to increase the sum payable under the relevant Loan Agreement to the extent necessary to ensure that the Issuer receives and retains a net sum sufficient to pay to the Noteholders such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received had no such deduction or withholding been made or required to be made. The sole obligation of the Issuer in this respect will be to account to the Noteholders for the sums equivalent to the sums received and retained from URSA Bank. See "Terms and Conditions of the Notes". In the event that (i) URSA Bank is required to pay additional amounts under a Loan Agreement as a result of tax imposed by any Taxing Authority or (ii) the Issuer is required to pay additional amounts under the Notes as a result of tax imposed by any taxing authority in the Russian Federation or Ireland, URSA Bank will have the right to prepay the Loan made pursuant to such Loan Agreement, upon not less than 30 days' notice to the Issuer, in whole (but not in part) at any time save that, in the case of a Subordinated Loan, such right to prepay is subject to the prior written consent of the CBR and to the relevant prepayment clauses being specified in the relevant Subordinated Loan Supplement as being applicable. In such circumstances, the Issuer will exercise its rights to redeem the corresponding Series of Notes. URSA Bank will have the right to prepay the Loan made pursuant to such Loan Agreement in whole (but not in part) at any time, upon not less than 30 days' notice to the Issuer. In such circumstances, the Issuer will exercise its rights to redeem the corresponding Series of Notes.
Use of Proceeds:	The proceeds of each Series of Notes will be used by the Issuer for the sole purpose of financing the corresponding Loan to URSA Bank. In connection with the receipt of each Loan, URSA Bank will pay an arrangement fee, as reflected in the relevant Loan Supplement.
Admission to Trading:	Application has been made to the Financial Regulator, as competent authority under the Prospectus Directive for the Base Prospectus to be approved. Applications will be made, where specified

	in the applicable Final Terms, to the Irish Stock Exchange for a Series of Notes to be admitted to the Official List and trading on its regulated market and/or such other competent authority, stock exchange and/or quotation system as specified in the relevant Final Terms or, as applicable, Drawdown Prospectus. Notes may be issued on the basis that the Notes will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system. Application may be made for trading of Rule 144A Notes in PORTAL, as specified in the applicable Final Terms.
Selling Restrictions:	The Notes have not been, and will not be, registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, US persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meaning ascribed to them by Regulation S under the Securities Act. The Notes may be sold in other jurisdictions (including the United Kingdom, the Russian Federation and Ireland) only in compliance with applicable laws and regulations. See "Subscription and Sale".
ERISA Considerations:	A Series of Notes issued under the Programme may be regarded for ERISA purposes as equity interests in a separate entity whose sole asset is the relevant Loan. Accordingly, the Notes may not be acquired by or transferred to any plan or any entity whose assets are treated as plan assets. Each purchaser and/or holder of Notes and each transferee therefore will be deemed to have made certain representations as to its status under ERISA and certain similar laws. Potential purchasers should read the sections entitled "Certain ERISA Considerations" and "Transfer Restrictions".
Governing Law:	The Notes, the Senior Loan Agreement, the Subordinated Loan Agreement and the Trust Deed will be governed by English law.
Initial Delivery of Notes:	On or before the Issue Date for each Series, the Rule 144A Global Note will be deposited with a custodian for DTC, and the Regulation S Global Note will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. The Rule 144A Notes will be registered in the name of a nominee of DTC, and the Regulation S Notes will be registered in the name of a nominee of the common depository for Euroclear and Clearstream, Luxembourg. Global Notes may also be deposited with any other clearing system or may be delivered outside any clearing system, provided that the method of such delivery has been agreed in advance by the Issuer, URSA Bank, the Paying Agents, the Trustee and the relevant Dealer(s). Notes that are to be

	credited to one or more clearing systems on issue will be registered in the name of a nominee or nominees for such clearing systems.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, URSA Bank and the relevant Dealer(s). Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

RISK FACTORS

An investment in the Notes involves a high degree of risk. Prospective investors should consider carefully, among other things, the risks set forth below and the other information contained in this document prior to making any investment decision with respect to the Notes. The risks highlighted below could have a material adverse effect on URSA Bank's business, financial condition, results of operations or prospects which, in turn, could have a material adverse effect on its ability to service its payment obligations under the Facility Agreement and, as a result, the ability of the Issuer to make payments under the Notes. In addition, the value of the Notes could decline due to any of these risks, and prospective investors may lose some or all of their investment.

Prospective investors should note that the risks described below are not the only risks URSA Bank faces. These are the risks URSA Bank considers material. There may be additional risks that URSA Bank currently considers immaterial or of which it is currently unaware, and any of these risks could have similar effects to those described in this section.

Risks Related to URSA Bank's Business and the Banking Sector

URSA Bank may be unable to assess adequately the credit risk of potential borrowers

Due to the unpredictability of economic conditions in Russia and abroad and the lack of reliable information in Russia about potential borrowers, particularly medium and small businesses and individuals, it is difficult for URSA Bank to assess accurately its credit risks. In addition, the Russian economy has been generally liberalising only since 1991 and, as a result, many businesses in the Russian Federation have less experience in operating in competitive market conditions than their Western counterparts. Accordingly, the financial performance of Russian companies is generally more volatile and their credit quality is less predictable than those of similar companies in more mature markets and economies. Financial statements of most corporate clients of URSA Bank operating in Russia are not prepared in accordance with US generally accepted accounting principles ("US GAAP") or IFRS and are not audited in accordance with auditing standards generally accepted in the United States or International Standards on Auditing. In addition, Russia does not yet have fully-functioning independent credit bureaus and little prospective borrower information is available from third parties or externally verifiable. Furthermore, the retail lending market in Russia is relatively undeveloped and limited resources are available to Russian banks to ascertain the credit history of individual borrowers. As a result, the financial condition of private individuals transacting business with URSA Bank is difficult to assess and predict.

URSA Bank attempts to reduce credit risk by conducting thorough investigations of prospective borrowers. In addition, it requires regular disclosure of client financial information. However, such investigations and disclosure may not always present a complete and comparable picture of each client's economic condition. Furthermore, URSA Bank has increased its lending volumes to companies in historically underserved Russian industry segments, medium and small businesses and individuals, and few such companies and individuals have credit histories. As a result, URSA Bank must rely primarily on information provided by such borrowers in making its credit decisions. In addition, these clients are more likely to default on their loans, necessitating higher loan impairment provisions and reducing the overall credit quality of URSA Bank's loan portfolio. Therefore, in spite of the credit risk determination procedures that URSA Bank has in place, it may be unable to evaluate correctly the current economic condition of each prospective borrower and to determine its long-term economic outlook. If the credit risk of potential borrowers is not assessed correctly or if the financial condition of a significant number of URSA Bank's clients deteriorates because of a general economic downturn in Russia, economic declines in particular sectors of the Russian economy or for any other reason, it may have a material adverse effect on URSA Bank's business, financial condition or results of operations.

The robustness of URSA Bank's rapidly growing portfolios of loans to retail borrowers and small- and medium-sized businesses ("SMEs") has not been tested in a weakening economic cycle

Over the past three years URSA Bank's retail and SME loan portfolios have been rapidly expanding and during the same period the Russian economy has continued to expand. URSA Bank cannot assure prospective investors that URSA Bank's loan portfolios would exhibit the same positive performance characteristics in the face of a weakening Russian economy. Although URSA Bank invests substantial time and effort in its risk management strategies, there can be no guarantee that such risk strategies protect URSA Bank from increased levels of non-performing loans, particularly when confronted with risks that URSA Bank did not identify or anticipate. Furthermore, risk methodologies and techniques may not take

all risks into account. If circumstances or risks were to occur that URSA Bank did not identify or anticipate in developing their risk management methods, URSA Bank's non-performing loan levels, provisioning levels and write-offs could be greater than expected, which could have a material adverse effect on URSA Bank's business, financial condition or results of operations.

URSA Bank recorded significantly higher provisions in respect of its loan portfolio in 2006 than in 2005. URSA Bank recorded a provision for loan impairment of RUB1,331.5 million in 2006 as compared to a provision of RUB196.1 million in 2005, as well as a separate provision for loans acquired in connection with its business combination with Uralvneshtorgbank in the aggregate amount of RUB1,127.4 million in 2006. The provisions relate principally to URSA Bank's consumer finance loan portfolio. URSA Bank also recorded a significant increase in overdue consumer finance loans in 2006 as compared to 2005. As consumer finance loans are generally unsecured, they are typically riskier than URSA Bank's secured forms of retail lending, such as mortgages and car loans. While URSA Bank plans to increase its secured retail lending, it will only be able to do so effectively if it enhances its collateral management capabilities. To the extent that URSA Bank were to experience higher levels of non-performing consumer finance loans, or were required to take greater provisions with respect to its consumer finance lending portfolio, it could have a material adverse effect on URSA Bank's business, financial condition and results of operations.

URSA Bank faces certain risks due to its growth strategy

URSA Bank has experienced significant growth in recent years, particularly in the size of its overall loan portfolio, which increased by over 1,030 per cent. (gross of provision for loan impairment) from 31 December 2004 to 31 December 2006, and in the size of its distribution network. URSA Bank intends to continue to concentrate on expanding its loan portfolio as part of its strategic objectives.

URSA Bank's ability to increase its customer base and expand its loan portfolio will depend on, amongst other things, the successful implementation of its credit policies, as well as expansion of its capital base in order to maintain its capital adequacy requirements. If URSA Bank were to accept a higher degree of credit risk to achieve growth in the future, it could suffer material adverse consequences to its financial performance and results of operations.

The overall growth of URSA Bank's business also requires greater allocation of management resources away from daily operations. In addition, the management of such growth will require, among other things, continued development of URSA Bank's financial and information management control systems, the ability to integrate new branches or newly acquired financial services businesses with existing operations, the ability to attract and retain sufficient numbers of qualified management and other personnel, the continued training of such personnel, the presence of adequate supervision and the maintenance of consistency of customer services. If URSA Bank were to fail to manage its growth properly, such failure could have a material adverse effect on its business, financial condition, results of operations or prospects. In addition, the expansion of URSA Bank's network may entail significant investment and increased operating costs. There can be no assurance that URSA Bank will achieve positive returns on any investment that it makes in the development of its network.

URSA Bank may have difficulty integrating Sibacadembank and Uralvneshtorgbank and realising the anticipated benefits of the combination

The integration process of Sibacadembank and Uralvneshtorgbank is still in its early stages. URSA Bank may face difficulties integrating the businesses, operations and personnel of the two banks in a timely and efficient manner. In particular, URSA Bank is still integrating the risk management functions of Uralvneshtorgbank and Sibacadembank as well as the two banks' IT platforms and systems. As a result, URSA Bank may not be able to achieve the expected synergies and other benefits of the combination or may not be able to achieve them within the expected timescale. Members of URSA Bank's management team may also have difficulty implementing the combined company's strategy. In addition, there is a risk that the combination will divert management's attention away from other ongoing business concerns. URSA Bank's management team has not previously been involved in an integration task of the size and complexity of the Sibacadembank-Uralvneshtorgbank combination, and there can be no assurance that URSA Bank's management will be able to effect the integration. There can be no assurance that integration issues will not result in a delay or a reduction in the synergy benefits that URSA Bank expects to derive from the combination.

URSA Bank may fail to make planned acquisitions, integrate planned or future acquisitions or manage its growth properly

As part of its growth strategy, URSA Bank may seek to participate in the ongoing consolidation of the Russian banking industry through acquisitions or other business combinations. To implement this strategy, URSA Bank expects to review acquisition prospects, as well as proposals for business combinations that may complement URSA Bank's existing business. There can be no assurance that URSA Bank will be able to complete any planned or potential acquisitions, integrate the planned or any future acquisitions successfully or achieve a positive return on its investments in any banks or companies that it acquires. The integration of acquired businesses and the management of the growth of URSA Bank's business requires significant allocation of management resources, continued development of URSA Bank's financial and information management control systems, continued training of management and other personnel, adequate supervision and maintenance of consistency of client services. In addition, there is a risk that any potential acquisition or business combination will fail to achieve the synergies sought and that management's attention will be diverted away from other ongoing business concerns. If URSA Bank fails to manage its growth while at the same time maintaining an adequate focus on current operations, this failure may have a material adverse effect on its business, financial condition, results of operations and prospects.

URSA Bank's customer account growth is slower than its loan portfolio growth

The growth in URSA Bank's loan portfolio over the last three years has been higher than the growth in its customer accounts resulting in a net loans to customers to total customer accounts ratio of 71.9 per cent., 142.8 per cent. and 184.7 per cent. as at 31 December 2004, 2005 and 2006, respectively. In particular, due to significant competition for lower cost term deposits, URSA Bank has experienced difficulties increasing the level of its term deposits. This has caused URSA Bank to look for other sources to fund the growth of its loan portfolio, primarily debt securities and subordinated debt that at 31 December 2004, 2005 and 2006 comprised 5.4 per cent., 33.5 per cent. and 39.9 per cent. of URSA Bank's total liabilities, respectively. As a result, URSA Bank has become more reliant on the international and domestic capital markets for its funding needs. There can be no assurance that URSA Bank will be able to access funding from the capital markets at rates it deems acceptable in the future.

While URSA Bank is seeking to increase its term deposit base, there can be no assurance that it will be able to do so. In addition, URSA Bank's greater reliance on funding in the international debt capital markets subjects it to higher funding costs than term deposit funding. As a consequence, if corporate and retail banking lending interest rate levels were to decrease significantly in Russia and URSA Bank could not raise additional funding through customer accounts, this could negatively affect URSA Bank's ability to manage liquidity and to fund further profitable growth.

URSA Bank's purchases of loan assets from other banks may increase its credit risk and negatively affect its interest rate margin

In 2005 and 2006, URSA Bank acquired consumer finance loans and car loans from related and non-related banks. As of 31 December 2006, the principal amount of the purchased loans outstanding was RUB5,062.5 million which represented 7.2 per cent. of URSA Bank's loan portfolio as compared to RUB4,395.3 million which represented 21.5 per cent. of URSA Bank's loan portfolio (gross of allowance for loan impairment) as of 31 December 2005. Prior to 2005, URSA Bank did not engage in purchases of loan assets from other banks. The banks that sell loan assets to URSA Bank retain a certain portion of interest the borrowers pay in respect of the loans sold and, in return, provide a guarantee to URSA Bank for the value of principal and interest amounts on the loans sold.

URSA Bank's purchase of loan assets from other banks exposes URSA Bank to certain risks. Among other things, URSA Bank potentially exposes itself to greater credit risk, as it has no guarantee that the loans it is purchasing are subject to loan origination policies that are as stringent as those of URSA Bank. To the extent that the purchased portfolio is subject to higher rates of default, and the guarantees provided by the selling banks are ineffective, URSA Bank may suffer from higher loan losses. In addition, URSA Bank also exposes itself to greater counterparty risk, as the selling banks retain the obligation to service the loans and the guarantees provided by the selling banks to URSA Bank with respect to the transferred loan assets are dependent on the solvency and regulatory capital levels of such banks. In particular, the guarantees provided by the third party banks are limited by the CBR requirements on

counterparty exposures applicable to such banks, and there can be no assurance that the regulatory capital of such banks will be sufficient to support significant losses in the purchased loan portfolios. In addition, as part of the arrangements between URSA Bank and the selling banks, such selling banks retain a certain portion of the interest paid on such loans, which reduces the interest income URSA Bank derives from purchased loans in comparison to the percentage of income URSA Bank derives from originated loans.

URSA Bank has increased investments in higher risk, non-governmental securities

In recent years URSA Bank has been expanding the percentage of its non-governmental securities in its proprietary portfolio. As of 31 December 2006, the book value of URSA Bank's corporate debt instruments portfolio was RUB6,947.4 million which represented 6.2 per cent. of URSA Bank's total assets as compared to RUB1,076.7 million which represented 3.8 per cent. of URSA Bank's total assets as of 31 December 2005. In addition, in late 2006, URSA Bank commenced mezzanine finance operations, through which it participates as a lender/investor in projects that it determines represent an interesting investment activity. In the first quarter of 2007, URSA Bank made its first mezzanine finance investment in a project involving the development of a chain of hypermarkets in Russia. While its current mezzanine investment portfolio currently represents only a very small percentage of its total assets, its mezzanine finance investment activities will involve it in the acquisition of non-governmental securities, including equity securities, of unlisted companies that are riskier than those in which it has traditionally invested. Non-governmental securities generally are subject to greater risks than Russian government securities due to, among other things, the lower credit quality of the issuers of such securities, the relatively limited liquidity of the Russian corporate securities market and the greater volatility in the prices of such securities. As a result, URSA Bank may experience increased fluctuations in the income it derives from its investment securities portfolio in the future.

URSA Bank faces increasing competition in the retail, SME and corporate lending sectors

The Russian market for financial services is highly competitive. According to the CBR, as of 31 December 2006, 1,189 banks and non-banking credit organisations were operating in the Russian Federation. In particular, competition is increasing in the market of the provision of banking services to SMEs.

Additionally, competition between Russian banks and subsidiaries of foreign banks in Russia is increasing. In particular, the deregulation of the Russian financial markets and abolition of restrictions on foreign capital in the Russian banking sector, which may take place in connection with Russia's expected accession to the World Trade Organisation, and the very rapid expansion of the markets for banking products and services are likely to lead to an increase in the number of foreign banks operating in Russia. Foreign banks have historically had a number of advantages when competing against domestic banks for banking business in Russia, including higher credit ratings, stronger capitalisation, better access to low cost funding in the international capital and interbank markets and higher-profile, which has helped such banks to gain significant deposit-taking and lending market share in Russia. Increased competition from foreign banks may result in a decrease in interest rate margins and a decline in growth rates and adversely affect the profitability and financial condition of Russian banks, including URSA Bank.

URSA Bank currently engages principally in the retail and corporate banking business in the SFD, the UFD and the Russian Far East. In the retail banking market, in common with other Russian retail banks, URSA Bank principally competes with Sberbank, the former monopoly retail bank of the Soviet Union, which has significantly greater resources than URSA Bank. Sberbank held approximately 41.8 per cent. of total retail deposits in Russia as of 31 December 2006 (compared to approximately 1.9 per cent. for the Bank of Moscow, the next largest competitor, as of 31 December 2006), according to the CBR. Furthermore, Sberbank has been further strengthened as a result of its large equity offering in the beginning of 2007, which significantly strengthened its capital base. URSA Bank also faces a certain degree of competition in the retail sector from relatively small banks in each region in which URSA Bank operates. There has also been an increase in the number of Moscow-based banks that compete with URSA Bank for customers in the SFD and the UFD, primarily in the area of consumer finance. In addition, URSA Bank believes that some foreign banks that already operate branches in Russia, such as Raiffeisenbank Austria, are planning to expand into the Siberian retail banking market, which would further increase the competition that URSA Bank faces.

In the corporate banking market, URSA Bank principally competes with a number of other national and regional banks, some of which have a broader geographic reach, more branches and greater capital

resources than URSA Bank. URSA Bank expects the Russian banking market to become increasingly competitive as a result of the deregulation of the banking industry. URSA Bank expects this trend to contribute to increased competition in both deposit-taking and lending activities, which could narrow spreads between deposit and loan rates, which could have an adverse impact on URSA Bank's profitability. Many large corporations with operations in URSA Bank's core SFD and UFD regions currently deposit their funds outside of the region, with cash management policy decisions often being taken at the level of such corporations' Moscow offices. While URSA Bank has recently opened an office in Moscow that will focus on, among other things, attracting corporate deposits, there can be no assurance that this will enhance URSA Bank's ability to attract corporate deposits.

If URSA Bank is unable to continue to compete successfully in the corporate banking or retail banking sector, it could have a material adverse effect on URSA Bank's business and results of operations.

URSA Bank faces certain risks due to the regional focus of its operations

URSA Bank is likely to continue to operate primarily within the SFD and UFD boundaries, where the economy is growing swiftly, but where the gross regional product and real disposable income per capita are still lower than the averages for Russia as a whole. Since URSA Bank has not significantly expanded its business and its retail and corporate loan portfolio beyond its home regions, its business is particularly sensitive to the health of the SFD and UFD regional economies. If the economic growth of either the SFD or the UFD were to slow, such decrease will have a material adverse effect on its business, financial condition, results of operations or prospects.

Instability of the Russian banking system could have a material adverse effect on URSA Bank's financial condition

From April to July 2004, the Russian banking sector experienced its first significant turmoil since the financial crisis of August 1998. As a result of the revocation by the CBR of the banking licences of several Russian banks in 2004 (including Guta-Bank, one of the 20 largest banks in Russia) several Russian privately-owned banks collapsed or significantly limited their operations, principally as a result of liquidity problems and the inability to attract funds on the interbank market or from their clients or shareholders. Many Russian banks were unable to attract funds on the interbank market when they experienced liquidity problems, precipitated by large withdrawals of deposits by both retail and corporate customers. Although URSA Bank believes that the turmoil in the Russian banking market that occurred in 2004 has not and will not have any material adverse effect on its business, URSA Bank may face losses as a result of the bankruptcy of other Russian banks or their inability to perform their obligations if any further instability occurs. In addition, URSA Bank may be directly affected by defaults by corporate clients that suffer from the problems of other Russian banks, or if similar turmoil in the banking market were to occur in the future, affecting the overall economic situation in Russia. Such an event could have a material adverse effect on URSA Bank's financial condition and results of operations.

In addition, in 2006 and the first part of 2007, the CBR excluded several banks from the deposit insurance system based on suspicions of money laundering and revoked a number of banking licences for violations of reporting requirements under Federal Law No. 115-FZ "On Combating of the Legalisation of Illegal Earnings (Money Laundering) and Terrorism Financing" (the "**Anti-Money Laundering Law**"). A number of bankers believe that the CBR applies the Anti-Money Laundering Law, which has detailed technical requirements, selectively resulting in the selective revocation of banking licences. Although URSA Bank believes that it fully complies with the reporting requirements under the Anti-Money Laundering Law, it may, among other things, fail to submit anti-money laundering reports timely due to technical problems in its reporting system. Such technical or other breaches of the Anti-Money Laundering Law could have a material adverse effect on URSA Bank's operations.

URSA Bank has a relatively high individual corporate borrower concentration

URSA Bank's corporate loan portfolio has relatively high individual corporate borrower concentration. As of 1 January 2007, the largest ten of URSA Bank's borrowers collectively accounted for approximately 9.5 per cent. of URSA Bank's total loan portfolio (gross of allowance for loan impairment) and approximately 17.5 per cent. of URSA Bank's corporate loan portfolio (gross of allowance for loan impairment). An impairment in the ability of one or more of these borrowers to service or repay their loans could have a material adverse effect on URSA Bank's financial condition and results of operations.

The CBR imposes a limit on a bank's exposure to a single borrower or group of related borrowers. This limit is set at 25 per cent. of a bank's regulatory capital, which URSA Bank must review daily. See "Overview of the Banking Sector and Banking Regulation in the Russian Federation—Regulation of the Russian Banking Sector—Mandatory Economic Ratios". URSA Bank's ratio continues to comply with the CBR's limit. However, if URSA Bank's ratio were to rise above this limit, either due to a change in the composition of URSA Bank's loan portfolio, a change in the CBR's limit or a change in how the CBR interprets or applies its limit with respect to a single borrower or group of related borrowers, it could result in URSA Bank's violation of the CBR's exposure limits. The sanctions for failure to comply with this requirement could include fines, temporary administration of URSA Bank by the CBR or revocation of URSA Bank's banking license. If URSA Bank were to be in violation of this ratio and the CBR were to take such steps, URSA Bank's business, financial condition or results of operations could be materially adversely affected.

URSA Bank relies on retail loans and deposits

A key part of URSA Bank's strategic focus has historically been on retail banking products and services. This focus increases the credit risk exposure in the loan portfolio. Retail customers typically have less financial strength, and negative developments in the Russian economy could affect such borrowers more significantly, than large corporate borrowers. According to the CBR, the amount of bad debt in the Russian retail sector has increased significantly since 2004. Furthermore, retail deposits, even if term deposits, can be withdrawn at any time under Russian law at the request of the respective depositors. As a result, all such deposits are effectively short term deposits, which potentially exposes URSA Bank to liquidity problems if retail customers were to withdraw large amounts of deposits. See "Instability of the Russian Banking System".

If URSA Bank's access to the capital markets were curtailed, its growth could be limited or reversed

URSA Bank is increasing its reliance on the capital markets as a source of funding, resulting in a decrease in the ratio of deposits to loans. There have been recent periods in which Russian issuers have had significantly reduced access to capital markets. In the face of a rapidly deteriorating economic situation, the Russian Federation defaulted on its Rouble-denominated securities in 1998, the CBR stopped its support of the Rouble, and temporary restrictions were 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. In addition, from April to July 2004, the Russian banking sector experienced turmoil, forcing several privately owned Russian banks to file for bankruptcy. Many Russian banks were unable to attract funds on the interbank market during this turmoil when they experienced liquidity problems precipitated by large withdrawals of deposits by both retail and corporate customers. There is no assurance that similar events may not occur in the future. If URSA Bank were unable to rely on the capital markets as a source of funding, its growth could be limited or reversed.

URSA Bank is subject to significant currency risks

URSA Bank's loan and other assets are denominated principally in Russian Roubles. Beginning in 2005, URSA Bank began obtaining significant U.S. dollar denominated funding from the international capital and syndicated loan markets. In the event that the U.S. dollar were to appreciate against the Russian Rouble, URSA Bank would be subject to higher interest payments on its U.S. dollar-denominated liabilities when calculated in Russian Rouble terms. While URSA Bank used currency forward positions to hedge this negative US dollar currency position, there is no guarantee that such hedging strategies will effectively hedge such interest rate risk, or that URSA Bank will be able to continue such currency hedging strategy at an acceptable cost in the future or at all.

The interests of Noteholders may conflict with the interests of URSA Bank's shareholders

Mr. Igor Kim is the largest shareholder of URSA Bank. Circumstances could arise in which the interests of Mr. Kim and other large shareholders of URSA Bank and the interests of the Noteholders may differ, especially with regard to potential transactions involving URSA Bank and other banks with which Mr. Kim and such other shareholders may have an interest, and the Noteholders may be disadvantaged by the ability of the large shareholders to take actions contrary to the Noteholders' interests.

URSA Bank depends on key management personnel

URSA Bank is dependent on its senior management, including its CEO, Mr. Kirill Brel, and its Chairman of the Board of Directors, Mr. Igor Kim, who is also the largest shareholder of URSA Bank, for the implementation of its strategy and the operation of its day to day activities. In addition, certain business relationships of members of senior management are important to the conduct of URSA Bank's business. There can be no assurance that key members of senior management will remain at URSA Bank or that such business relationships will continue.

URSA Bank depends on highly-qualified employees, who are difficult to attract and retain

URSA Bank depends on highly-qualified employees to fill key positions that are essential to its banking operations. Given the competition for such personnel, URSA Bank's key staff could leave, which could disrupt URSA Bank's ability to achieve its goals. There is an increasing demand for such personnel, and such competition, combined with the regional locations of URSA Bank's headquarters and branches which such personnel may find less suitable in comparison to other opportunities, makes it difficult for URSA Bank to hire and retain such personnel.

URSA Bank is sensitive to interest rate changes

URSA Bank is exposed to interest rate risk, principally as a result of lending and making advances to customers and other banks at fixed interest rates and in amounts and for periods which may differ from URSA Bank's funding sources (customer deposits, bank borrowings and securities offerings). While URSA Bank monitors interest rates with respect to its assets and liabilities and seeks to match its interest rate positions, interest rate movements may adversely affect URSA Bank's business, financial condition and results of operations.

Mandatory disclosure of effective interest rate on retail loans may have a negative effect on URSA Bank's retail lending business

In December 2006, the CBR introduced a number of amendments affecting, among other things, existing rules for the creation of loan impairment provisions in respect of loans extended to individuals. One of the effects of these amendments is that, from 1 July 2007, Russian banks will need to disclose the effective interest rate on their retail loans, which incudes, in addition to the base interest rate, fees and commissions in connection with the extension and maintenance of such loans. See "Overview of the Banking Sector and Banking Regulation in the Russian Federation—Regulation of the Russian Banking Sector—Provisioning and Loss Allowances". Such mandatory disclosure of effective interest rates on retail loans may have a negative effect on URSA Bank's retail lending business.

Recent legislative and regulatory reforms could have a negative effect on the Russian banking sector

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). See "Overview of the Banking Sector and Banking Regulation in the Russian Federation—Banking Reform". As part of the Russian banking reform, the law "On Insurance of Retail Deposits Placed by Retail Individuals with Banks in the Russian Federation" (the "**Deposits Insurance Law**") came into force in December 2003 and requires mandatory insurance of deposits placed by individuals in Russian banks (the "**Deposit Insurance System**"). The Deposits Insurance Law, with its ensuing CBR regulations (the "**New Deposit Regime**"), has introduced new requirements for banks in Russia wishing to participate in the Deposit Insurance System.

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

All banks wishing to continue to accept individuals' deposits in Russia and participate in the Deposit Insurance System were required to apply to the CBR prior to 27 June 2004 for a certificate confirming

compliance with the New Deposit Regime. URSA Bank was accepted into the Deposit Insurance System in September 2004. As a member of the Deposit Insurance System, URSA Bank is required to comply with the relevant requirements on an on-going basis. Failure to meet these requirements in certain instances may lead to the expulsion of URSA Bank from the Deposit Insurance System and revocation of its license to accept deposits from individuals. This would cause URSA Bank to lose its individual client base and would have a significant adverse effect on its business. See "Overview of the Banking Sector and Banking Regulation in the Russian Federation—Banking Reform".

Although such changes generally are viewed as beneficial reforms to the Russian banking system and are considered by the management of URSA Bank to be beneficial to it, it is uncertain whether such reforms might adversely impact Russian banks, including URSA Bank, and their approach to business. Without a clearer understanding of what legislative steps and structural changes are to be implemented as part of the CBR's banking reform package, it is difficult to identify or estimate how such reforms might adversely impact URSA Bank and its business, financial condition, results of operations and/or prospects.

In addition, in July 2006, the Russian President signed into law new anti-monopoly legislation, Federal Law No. 135 FZ "On Protection of Competition" effective as of October 2006, which may affect the way URSA Bank and its affiliated entities transact or agree to transact banking business with each other. Due to the recent adoption of this legislation there is little by way of judicial practice, official clarifications or authoritative academic commentaries regarding the interpretation of various untested provisions of such law and, as a result, it is too early to determine how such legislation may affect URSA Bank.

URSA Bank may experience difficulty in enforcing its rights

The current status of the Russian legal system makes it uncertain whether URSA Bank would be able to enforce its rights in disputes with any of its contractual counterparties. Furthermore, the dispersion of regulatory power among a number of state agencies in the Russian Federation has resulted in inconsistent or contradictory regulations and unpredictable enforcement. The Russian government has in recent years rapidly introduced laws and regulations and has changed its legal structure in an effort to make the Russian economy more market-oriented, resulting in considerable legal confusion, and the Russian government is continuing to develop new banking legislation. No assurance can be given that local laws and regulations will stabilise in the future. URSA Bank's ability to operate in the Russian Federation could be adversely affected by difficulties in protecting and enforcing its rights and by future changes to local laws and regulations. Further, its ability to protect and enforce such rights is dependent on the Russian courts which are underdeveloped, inefficient and, in places, corrupt. Judicial precedent generally has no binding effect on subsequent decisions. Enforcement of court orders can in practice be very difficult in the Russian Federation. Additionally, court orders are not always enforced or followed by law enforcement agencies.

URSA Bank may have difficulty enforcing pledges over goods and securities in the context of its corporate lending procedures. See "Lending Policies and Procedures—Corporate Lending Policies and Procedures—Collateral for Corporate Loans". Under Russian law, pledges are considered secondary obligations which automatically terminate if the secured obligation becomes void. Furthermore, enforcement of a pledge under Russian law generally requires a court order and a public sale of the relevant collateral. A court may in its discretion delay such public sale for a period of up to one year upon a pledgor's application. Russian law has no pledge perfection system for collateral other than mortgages, which contributes to the incidence of unexpected and/or conflicting claims of secured creditors upon the pledged property. Therefore, URSA Bank may have difficulty enforcing pledges when clients default on their loans.

Although Russian bankruptcy laws contain certain provisions relating to the bankruptcy of individuals, there are no mechanics in place for the initiation of bankruptcy proceedings with respect to individuals.

URSA Bank relies on CBR licences to operate

All banking and various related operations in the Russian Federation require CBR licences. URSA Bank has obtained the licences required for its banking operations. Although URSA Bank has been successful in obtaining CBR licences, there is no assurance that it will be able to obtain or maintain such licences in the future. In the event that URSA Bank loses a CBR licence, applying for a new CBR licence is a burdensome and time-consuming process. The CBR may, in its discretion, impose additional requirements or deny any request by URSA Bank for licences, which could adversely affect its business, financial condition, results of operations or prospects. The loss of a CBR licence, a breach of the terms of a

CBR licence by URSA Bank and its failure to obtain CBR licences in the future could result in URSA Bank being unable to continue some or all of its banking activities and in penalties such as fines imposed by the CBR on URSA Bank. Any such failures could, in turn, affect URSA Bank's ability to fulfill payment obligations, either generally or under the Loan Agreement, and could have a material adverse effect on URSA Bank's business, financial condition, results of operations or prospects.

URSA Bank relies on the proper functioning of complex information technology systems

URSA Bank's financial performance and its ability to meet its strategic objectives will depend to a significant extent upon the functionality of its information technology ("IT") and its ability to increase systems capacity. In particular, as a result of the combination of Sibacadembank and Uralvneshtorgbank, URSA Bank is in process of implementing a combined IT platform, processing centre and database for use by the combined bank during 2007. To the extent that URSA Bank is unable to implement a unified IT platform for the combined bank in 2007, it may hinder the integration of the two banks and impede the growth of URSA Bank. In addition, there can be no assurance that a disruption (even short term) to the normal operation of URSA Bank's IT systems, or delays in increasing the capacity of the IT systems, will not have a material adverse effect on the business, financial condition, results of operations or prospects of URSA Bank. For more information, see "—The robustness of URSA Bank's rapidly growing portfolios of loans to retail borrowers and small- and medium-sized businesses ("SMEs") has not been tested in a weakening economic cycle".

URSA Bank operates in a highly regulated business

Legislative drafting in Russia has not always kept pace with the demands of the market. Russian commercial practices and legal and regulatory frameworks differ significantly from practices in other jurisdictions. As a result, it is often difficult to attract qualified management and accounting staff who can ensure compliance with changing regulatory requirements.

See "Overview of the Banking Sector and Banking Regulation in the Russian Federation". The CBR establishes and enforces compliance with mandatory financial ratios for banks and requires them to file periodic reports. Russian authorities, including the CBR, have the right to, and do, conduct periodic inspections of URSA Bank's operations throughout the year. Inspections by regulatory bodies could conclude retrospectively that URSA Bank has violated laws, decrees or regulations, and URSA Bank could be unable to refute any such allegations or prevent or remedy any such violations. Moreover, in the event of unlawful or arbitrary government action, violations may be alleged where there are none or where these are minimal. See "Risks Related to the Russian Legal System and Legislation—Unlawful or arbitrary government action in Russia could have an adverse affect on URSA Bank's business". Such findings could result in the imposition of fines, penalties or more severe sanctions, including the suspension, amendment or termination of URSA Bank's licences, any of which could increase costs or materially adversely affect URSA Bank's business, financial condition, results of operations or prospects.

Growth of URSA Bank's mortgage business may be limited due to insufficient development of the mortgage securitisation market

The Russian securitisation market is not well developed or regulated. The recently enacted Russian Law on Mortgage-Backed Securities represents an important first step in Russia's attempts to introduce new legal concepts to promote securitisations of mortgage loans in the Russian market. While the law is intended to cover a wide range of asset classes, the scope of receivables eligible for securitisation is much narrower compared to other jurisdictions. The ability of URSA Bank and other Russian market participants to successfully effect mortgage securitisation transactions depends largely on whether Russian law allows them to use instruments and mechanisms which are typical of such transactions. Lack of legal regulations and relevant practical experience in the Russian Federation may adversely affect URSA Bank's ability to successfully effect mortgage securitisations in the future, which could negatively affect the growth of URSA Bank's mortgage portfolio.

Risks Related to the Russian Federation

URSA Bank is a Russian bank, and virtually all of its assets are located in the Russian Federation. The following are some of the risks associated with an investment in the Russian Federation:

A worsening of the political climate in the Russian Federation may have a material adverse effect on URSA Bank's business, financial condition, results of operations and prospects

Political conditions in the Russian Federation were highly volatile in the 1990s, as evidenced by the frequent conflicts among executive, legislative and judicial authorities which negatively affected Russia's business and investment climate. While Russia's current President, Vladimir Putin, re-elected for a second presidential term in March 2004, has maintained the stability of the Russian federal government (the "**Government**") and introduced policies generally oriented towards the continuation of economic reforms, URSA Bank cannot assure prospective investors that there will be no material changes to Government policies or to economic or regulatory reforms. The State Duma (the lower chamber of the Russian parliament) elections in December 2003 resulted in an increase in the percentage of the aggregate vote received by the "United Russia" party and other members of the State Duma allied with the President. Furthermore, President Putin replaced the Prime Minister and changed the composition of the Government just prior to President Putin's re-election. URSA Bank's business, financial condition, results of operations or prospects could be materially affected if political instability were to recur or if reform policies were to reverse or lose effectiveness.

In addition, ethnic, religious, historical and other divisions have, on occasion, given rise to tensions and, in certain cases, military conflict. Russian military and paramilitary forces have been engaged in the Chechen Republic in the recent past and continue to maintain a presence there. Groups associated with the Chechen opposition have committed various acts of terrorism in population centres within the Russian Federation, resulting in significant loss of life, injury and damage to property. One such attack was a siege of a school in Beslan in 2004, which resulted in many casualties. The spread or intensification of violence could have significant political consequences, including the imposition of a state of emergency in part or all of the Russian Federation. In early 2004, President Putin dismissed his entire cabinet and issued a presidential decree reducing the number of ministries from 30 to 14 and overhauling governmental structures, dividing the government into three levels: ministries, services and agencies. In addition to restructuring the Russian federal government, President Putin has implemented reforms under which the population no longer directly elects the governors of the Russian Federation's sub-federal units. Furthermore, President Putin has proposed to eliminate single member district elections for the State Duma, so that voters would only cast ballots for political parties.

In addition, some commentators believe the conviction of Mikhail Khodorkovsky on charges of fraud and tax evasion in May 2005, the attachment of approximately 42 per cent. of the shares of Yukos Oil Company ("**Yukos**") alleged to be beneficially owned by him, tax claims the Government brought against Yukos and the sale in 2004 of Yukos's principal production subsidiary, Yuganskneftegas, were largely politically motivated. This has led some commentators to question the progress of market and political reforms in Russia, and caused significant fluctuations in the market prices of Russian securities.

Legislation to protect against nationalisation and expropriation may not be enforced in the event of a nationalisation or expropriation of URSA Bank's assets

Although the Russian Government has enacted legislation to protect property against expropriation and nationalisation and to provide fair compensation if such events were to occur, there is no certainty that such protections will be enforced. This uncertainty is due to several factors, including the lack of state budgetary resources, the lack of an independent judicial system and sufficient mechanisms to enforce judgments, and corruption among Russian state officials.

The concept of property rights is not well developed in the Russian Federation, and there is not a great deal of experience in enforcing legislation enacted to protect private property against nationalisation and expropriation. As a result, URSA Bank may not be able to obtain proper redress in the courts, and may not receive adequate compensation if in the future the Russian Government decides to nationalise or expropriate some or all of URSA Bank's assets. The expropriation or nationalisation of any of URSA Bank's or its subsidiaries' assets without fair compensation may amount to an Event of Default under the Loan Agreement and may have a material adverse effect on URSA Bank's business, financial condition, results of operations or prospects.

The Russian economy is less stable than those of most Western countries

Since the dissolution of the former Soviet Union in the early 1990s, Russia's society and economy have been undergoing a rapid transformation from a one-party state with a centrally planned economy to a pluralist democracy with a market-oriented economy. This transformation has been marked by periods of significant instability, and the Russian economy at various times has experienced:

- significant declines in gross domestic product;
- hyperinflation;
- an unstable currency;
- high levels of state debt relative to gross domestic product;
- a weak banking system providing limited liquidity to Russian enterprises;
- high levels of loss-making enterprises that continued to operate due to the lack of effective bankruptcy proceedings;
- significant use of barter transactions and illiquid promissory notes to settle commercial transactions;
- widespread tax evasion;
- growth of a black and grey market economy;
- pervasive capital flight;
- high levels of corruption and the penetration of organised crime into the economy;
- significant increases in unemployment; and
- the impoverishment of a large portion of the Russian population.

The Russian economy has been subject to abrupt downturns. In particular, the Government's decision to suspend support of the Rouble in August 1998 caused the currency to collapse. At the same time, the state defaulted on much of its short-term domestic debt and imposed a 90-day moratorium on foreign debt and other payments by Russian companies. These actions resulted in an immediate and severe devaluation of the Rouble, a near collapse of the Russian banking system, 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.

There can be no assurance that recent positive trends in the Russian economy, such as an increase in the gross domestic product, a relatively stable Rouble and a reduced rate of inflation, will continue or will not be abruptly reversed. Moreover, the strengthening of the Rouble in real terms relative to the U.S. dollar and the consequences of a relaxation in monetary policy, or other factors, could have an adverse effect on Russia's economy and/or URSA Bank's business, financial condition, results of operations or prospects in the future.

There is a lack of consensus as to the scope, content and pace of economic and political reform. URSA Bank cannot assure prospective investors that the Government will continue to implement reform policies and, if implemented, will be successful, that the Russian Federation will remain receptive to foreign investment, or that the economy of the Russian Federation will continue to improve. Any failure or reversal of the current policies of economic reform and stabilisation could have a material adverse effect on URSA Bank's business, financial condition, results of operations or prospects.

Banking activity risks could affect the value of investments in the Russian Federation

Russian companies often face significant liquidity problems due to a limited supply of domestic savings, few foreign sources of funds, relatively high taxes, limited lending by the banking sector to the industrial sector and other factors. Some Russian companies cannot make timely payments for goods or services and owe large amounts of overdue federal, regional and local taxes, as well as wages, although this situation has improved in recent years. A re-emergence of liquidity problems that have disrupted the Russian banking sector in the past, or a deterioration of the Russian banking system generally, could have a material adverse effect on URSA Bank's business, financial condition, results of operations and prospects.

The Russian banking sector remains nascent compared to its Western counterparts. It is unclear how legal and regulatory developments may affect the competitive banking landscape in the Russian Federation. The regulatory environment in which URSA Bank operates could change in a manner that has a material adverse effect on URSA Bank's ability to compete and thus on its business and financial condition.

Emerging markets such as the Russian Federation are subject to greater risks than more developed markets, and turmoil in any emerging market could adversely affect the value of investments in the Russian Federation

Emerging markets such as the Russian Federation are subject to greater risk than more developed markets, including, in some cases, increased political, economic and legal risks. Generally, investment in emerging markets is only suitable for sophisticated investors who appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Emerging markets such as the Russian Federation are subject to rapid change, and the information set out herein may become quickly outdated.

Moreover, financial turmoil in any emerging market country tends to affect the value of investments in all emerging market countries adversely as investors move their money to more stable, developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in the Russian Federation and adversely affect the Russian economy. In addition, during such times, emerging market companies can face severe liquidity constraints as foreign funding sources are withdrawn. Thus, even if the Russian economy initially were to remain relatively stable, financial turmoil in any emerging market country could seriously disrupt the business of companies operating in the Russian Federation, as well as result in a decrease in the price of the Notes.

Fluctuations in the global or Russian economies may have an adverse effect on URSA Bank's ability to attract future capital as well as on its financial condition and prospects

Russia's economy could be adversely affected by market downturns and economic slowdowns elsewhere in the world. As has happened in the past, financial problems outside the Russian Federation 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. Additionally, because the Russian Federation produces and exports large volumes of oil and gas, the Russian economy is particularly sensitive to the price of oil and gas on the world market, and a decline in the price of oil and gas could have a significant negative effect on the Russian economy. These developments could severely limit URSA Bank's access to capital and could adversely affect URSA Bank's business, financial condition, results of operations or prospects.

Recent terrorist activity and the recent armed conflicts in the Middle East have had a significant effect on international and domestic finance and commodity markets. Any future acts of terrorism or armed conflicts in the Russian Federation or internationally could have an adverse effect on the financial and commodities markets and the global economy. As 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, thus, adversely affect URSA Bank's business, financial condition, results of operations or prospects.

If Russia were to return to heavy and sustained inflation, URSA Bank's results of operations could be adversely affected

According to Government estimates, the inflation rate (CPI) in the Russian Federation was 19 per cent. in 2001, 15 per cent. in 2002, 12 per cent. in 2003, just under 12 per cent. in 2004, 10.9 per cent. in 2005 and 9.0 per cent. in 2006. Although the rate of inflation has been declining, any return to heavy and sustained inflation could lead to market instability, new financial crises, reductions in consumer purchasing power and erosion of consumer confidence. Any one of these events could lead to decreased demand for URSA Bank's products and services.

Exchange rates, exchange controls and repatriation restrictions could adversely affect the value of investments in the Russian Federation

Since 2000, the Rouble has been stable relative to the U.S. dollar, unlike in the period immediately following the crisis of August 1998, when the Rouble experienced significant depreciation relative to the U.S. dollar.

The ability of the Russian government and the CBR to maintain low volatility of the Rouble, which has been achieved in recent years, depends on many political and economic factors, including their ability to control inflation and the availability of foreign currency.

A market exists within the Russian Federation for the conversion of Roubles into other currencies, but it is limited in size and is subject to rules governing such conversion. Such a market might not continue indefinitely. Currently, 10 per cent. of foreign currency revenues from export sales must be converted into Roubles, although the CBR has recently announced reduction of this ratio to zero in the near future. The relative stability of the exchange rate of the Rouble against the U.S. dollar since 2000 has mitigated the risks associated with a forced conversion, but such stability might not continue indefinitely. Moreover, the Russian banking system is not as developed as its Western counterparts, and considerable delays may occur in the transfer of funds within, and the remittance of funds out of, the Russian Federation.

The official data upon which prospective investors may base their investment decision may not be as reliable as equivalent data from official sources in the West

Official statistics and other data published by the CBR, Russian federal, regional and local governments, and federal agencies may be substantially less complete or researched and, consequently, less reliable than those published by comparable bodies in other jurisdictions. Accordingly, URSA Bank cannot assure prospective investors that the official sources from which URSA Bank has drawn some of the information set out herein are reliable or complete. Russian state entities may produce official statistics on bases different from those used by comparable bodies in other jurisdictions. Any discussion of matters relating to the Russian Federation herein may, therefore, be subject to uncertainty due to concerns about the completeness or reliability of available official and public information.

Russia's physical infrastructure is in very poor condition, which could disrupt normal business activity

Russia's physical infrastructure largely dates back to the Soviet era, and has not been adequately funded and maintained since. Particularly affected are pipeline, rail and road networks, power generation and transmission, and communication systems. The Government is actively considering plans to reorganise the nation's rail, electricity and telephone systems. Any such reorganisation may result in increased charges and tariffs while failing to generate the anticipated capital investment needed to repair, maintain and improve these systems. The continued deterioration of Russia's physical infrastructure may harm the national economy, disrupt the transportation of goods and supplies, add costs to doing business in the Russian Federation and may interrupt business operations, all of which could have a material adverse effect on URSA Bank's business, financial condition, results of operations or prospects. In particular, URSA Bank relies on Internet connections and the proper functioning of Russia's telephone system. Any disruption of service as a result of the poor condition of Russia's telephone systems could have a material adverse effect on URSA Bank's results of operations and prospects.

Crime and corruption could disrupt URSA Bank's ability to conduct business and could adversely affect its business, financial condition, results of operations or prospects

The political and economic changes in the Russian Federation since the early 1990s have resulted in reduced policing of society and increased lawlessness. The Russian and international press have reported high levels of organised criminal activity and corruption of officials in the Russian Federation and other countries of the former Soviet Union. Press reports have also described instances in which state officials have engaged in selective investigations and prosecutions to further commercial interests of select constituencies. Additionally, published reports indicate that a significant proportion of the Russian media regularly publishes biased articles in return for payment. URSA Bank's business, financial condition, results of operations or prospects could be materially adversely affected by illegal activities, corruption or claims alleging involvement in illegal activities.

Social instability in the Russian Federation, coupled with difficult economic conditions, the failure of the state and main private enterprises to make full and timely payment of salaries on a regular basis and the failure of salaries and benefits generally to keep pace with the rapidly increasing cost of living have led in the past, and could lead in the future, to labour and social unrest and increased support for a renewal of centralised authority, increased nationalism, restrictions on foreign involvement in the economy, and increased violence. Any of these could restrict URSA Bank's operations and lead to a loss of revenue.

Risks Relating to the Russian Legal System and Legislation

Weaknesses relating to the Russian legal system and legislation create an uncertain environment for investment and business activity which could affect URSA Bank

The Russian Federation is still developing an adequate legal framework required for the proper functioning of a market economy. Several fundamental Russian laws have only recently become effective. The recent nature of much of Russian legislation and the rapid evolution of the Russian legal system place the enforceability and underlying constitutionality of laws in doubt and result in ambiguities, inconsistencies and anomalies in their application. The following aspects of Russia's legal system, many of which do not exist in countries with more developed legal systems, create uncertainty with respect to many of the legal and business decisions that URSA Bank's management make:

- Since 1991, Soviet law has been largely, but not entirely, replaced by a new legal regime as established by the 1993 Federal Constitution, the Civil Code and by other federal laws, and by decrees, orders and regulations issued by the President, the Government and federal ministries which are, in turn, complemented by regional and local rules and regulations. There may be inconsistencies between such laws, presidential decrees, state resolutions and ministerial orders, and between local, regional and federal legislation and regulations.
- Decrees, resolutions and regulations may be adopted by state authorities and agencies in the absence of a sufficiently clear constitutional or legislative basis and with a high degree of discretion. There is a risk that the state may arbitrarily nullify or terminate contracts, withdraw licences, conduct sudden and unexpected tax audits, initiate criminal prosecutions and civil actions and use common defects in accounting or share issues and registration as pretexts for court claims and other demands to liquidate companies or invalidate such issues and registrations and/or to void transactions.
- Substantial gaps in the regulatory structure may be created by the delay or absence of regulations implementing certain legislation.
- There is a lack of judicial and administrative guidance on interpreting applicable rules and limited precedential value of judicial decisions.
- The Russian Federation has a judiciary with limited experience in interpreting and applying market-oriented legislation and which is vulnerable to economic and political influence.
- The Russian Federation has weak enforcement procedures for court judgments and there is no guarantee that a foreign investor will obtain effective redress in a Russian court.

The independence of the judicial system and its immunity from economic, political and nationalistic influences in the Russian Federation remains largely untested. The court system is understaffed and under funded. Judges and courts in the Russian Federation are generally inexperienced in the area of business and corporate law. In addition, most court decisions are not readily available to the public. Enforcement of court judgments can in practice be very difficult in the Russian Federation. All of these factors make judicial decisions in the Russian Federation difficult to predict and effective redress uncertain. Additionally, court claims are often used to further political aims. URSA Bank may be subject to these claims and may not be able to receive a fair hearing. Additionally, court judgments are not always enforced or followed by law enforcement agencies.

Unlawful or arbitrary government action in Russia could have an adverse effect on URSA Bank's business

State authorities have a high degree of discretion in Russia and at times exercise their discretion arbitrarily, without conducting a hearing or giving prior notice, and sometimes illegally. Moreover, the state also has the power in certain circumstances, by regulation or act, to interfere with the performance of, nullify or terminate contracts. Unlawful or arbitrary state actions have included withdrawal of licences, sudden and unexpected tax audits, criminal prosecutions and civil actions. Federal and local government entities have also used immaterial defects in financing documentation as pretexts for court claims and other demands to invalidate such activities and/or to void transactions, often for political purposes. Unlawful or arbitrary state action, if directed at URSA Bank, could have a material adverse effect on its business, financial condition, results of operations or prospects.

The Russian taxation system is relatively undeveloped

The Russian Government has initiated reforms of the tax system that have resulted in some improvement in the tax climate. The cornerstone of this reform was a complete redrafting of the Russian Tax Code; this included a reduction of the corporate profits tax rate from 35 per cent. for most companies and 43 per cent. for financial institutions, insurance and intermediary companies to 24 per cent. for all companies from 1 January 2002 and also allowed for a broader range of deductible expenses. Personal income tax has been reduced substantially for individuals who are tax residents in Russia; the current tax rate for such individuals is generally 13 per cent. The general rate of VAT has been reduced to 18 per cent., and certain minor taxes have been abolished—such as road users' tax (abolished from 1 January 2003) and sales tax (abolished from 1 January 2004).

Russian tax laws, regulations and court practice are subject to frequent change, varying interpretation and inconsistent and selective enforcement. For example, there is a possibility that the current three-year statute of limitations for the assessment of taxes pursuant to a tax audit could be significantly extended. In accordance with the Constitution of the Russian Federation, laws which introduce new taxes or worsen a taxpayer's position can not be applied retroactively. However, there were several instances when such laws were introduced and applied retroactively.

Despite the Russian Government's taking steps to reduce the overall tax burden in recent years in line with its objectives, Russia's largely ineffective tax collection system and continuing budgetary funding requirements increase the likelihood that the Russian Federation will impose arbitrary or onerous taxes and penalties in the future, which could have a material adverse effect on URSA Bank's business, financial condition, results of operations or prospects. Additionally, tax has been utilised as a tool for significant state intervention in certain key industries.

In addition to the usual tax burden imposed on Russian taxpayers, these conditions complicate tax planning and related business decisions. These uncertainties could possibly expose URSA Bank to significant fines and penalties and to potentially severe enforcement measures despite its best efforts at compliance, and could result in a greater than expected tax burden and could have a material adverse effect on URSA Bank's business, financial condition, results of operations or prospects.

Transfer-pricing legislation became effective in the Russian Federation on 1 January 1999. This legislation allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all "controlled" transactions, provided that the transaction price differs from the market price by more than 20 per cent. "Controlled" transactions include transactions with related parties, barter transactions, foreign trade transactions and transactions with unrelated parties with significant price fluctuations (i.e. if the price of such transactions differs from the prices on similar transactions by more than 20 per cent. within a short period of time). Transfer pricing adjustments are also applicable to the trading of securities and derivatives. There has been no formal guidance (although some court practice is already available) as to how these rules will be applied. Moreover, the Ministry of Finance of the Russian Federation is in the process of drafting proposed amendments to the transfer pricing legislation, which may come into force in 2008. Such amendments, if adopted, are expected to result in stricter transfer pricing rules. If the tax authorities were to impose significant additional tax liabilities as a result of transfer pricing adjustments, it could have a material adverse impact on URSA Bank's business, financial condition, results of operations or prospects.

It is expected that Russian tax legislation will become more sophisticated, which may result in the introduction of additional revenue raising measures. Although it is unclear how these measures would operate, the introduction of such measures may affect URSA Bank's overall tax efficiency and may result in significant additional taxes becoming payable. URSA Bank cannot offer prospective investors any assurance that additional tax exposures will not arise while the Notes are outstanding. Additional tax exposures could have a material adverse effect on URSA Bank's business, financial condition, results of operations or prospects.

Russian corporate governance and disclosure laws apply to URSA Bank

The corporate affairs of URSA Bank are regulated by the laws governing companies incorporated in the Russian Federation and by URSA Bank's charter. The rights of shareholders and the responsibilities of members of the Board of Directors and the Management Board under Russian law are different from, and may be subject to certain requirements not generally applicable to, corporations organised in the United States, the United Kingdom and other jurisdictions.

A principal objective of the securities laws of the United States and the United Kingdom and other countries is to promote the full and fair disclosure of all material corporate information to the public. URSA Bank is subject to Russian law requirements, which oblige it to publish, among other things, annual financial statements and information on material events relating to URSA Bank (such as major acquisitions and increases in charter capital). However, there is less information publicly available about URSA Bank than about comparable companies in the United States, the United Kingdom or certain other jurisdictions.

Risks Related to the Notes and the Trading Market

As payments under any Series of Notes are limited to certain payments received under the relevant Loan Agreement, Noteholders' recourse is limited

The Issuer will only be obliged to make payments under the Notes to Noteholders in an amount equivalent to sums of principal, interest and additional amounts, if any, it actually receives and retains by or for its account under the relevant Loan Agreement, less any amounts in respect of the Reserved Rights. Consequently, if URSA Bank were to fail to meet its obligations fully under any Loan Agreement, the relevant Noteholders could receive less than the full amount of principal, interest and/or additional amounts (if any) on the relevant due date.

The Noteholders have no direct recourse to URSA Bank

Except as otherwise disclosed in the Terms and Conditions of the Notes and in the Trust Deed, no proprietary or other direct interest in the Issuer's rights under or in respect of any Loan exists for the benefit of the Noteholders. Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce any of the provisions of the Loan Agreement or have direct recourse to URSA Bank, except through action by the Trustee under the Security Interests (as defined in Terms and Conditions of the Notes). Pursuant to the Security Interests (as defined in Terms and Conditions of the Notes) the Trustee shall not be required to enter into proceedings to enforce payment under the Loan Agreement, unless it has been indemnified and/or secured by the Noteholders to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith.

Payment of principal and/or interest by URSA Bank under any Loan Agreement to, or to the order of, the Trustee or the Principal Paying Agent will satisfy *pro tanto*, the Issuer's obligations in respect of the corresponding Notes. Consequently, Noteholders will have no further recourse against the Issuer or URSA Bank after such payment is made.

The risk of prepayment of a loan is assumed in part by the Noteholders

Under the terms of each Loan Agreement except, in the case of any Subordinated Loan Agreement, as otherwise provided therein, URSA Bank may, subject to certain conditions, prepay the relevant Loan if it is required to increase its payments for tax reasons regardless of whether the increased payment obligations result from any change in the applicable tax laws or treaties or from the change in application of existing tax laws or treaties or from enforcement of the security provided for in connection with the corresponding Notes. URSA Bank may also prepay the relevant Loan if it is required to indemnify the Lender in respect of certain increased costs to the Lender (as set out in the relevant Loan Agreement). In the event that it becomes unlawful for the Lender to allow the relevant Loan to remain outstanding under the relevant Loan Agreement, to allow the corresponding Notes to remain outstanding, to maintain or give effect to any of its obligations under the relevant Loan Agreement and/or to charge or receive or to be paid interest at the rate then applicable to the relevant Loan, the Lender may require URSA Bank to repay the relevant Loan in full. In case of any such prepayment, all outstanding corresponding Notes would be redeemable at par with accrued interest and/or additional amounts payable (if any).

The Issuer shall have no right to accelerate payments under any Subordinated Loan Agreement in the case of a default in payments of principal, interest or other amounts due under such Subordinated Loan Agreement or for breaches of representations or covenants.

Any Notes issued to finance Subordinated Loans may be redeemed prior to their scheduled maturity due to uncertainties surrounding Russian regulatory capital regulations

With respect to regulatory capital for banks and subordinated loans in particular, the concept of subordinated debt is relatively new in Russia, and the rules governing subordinated debt may be subject to further review, clarification and development. In particular, the regulatory capital regulations of the CBR are currently rudimentary as compared with regulatory capital legislation enacted in other jurisdictions, which could lead to uncertainty and a lack of clarity in the interpretation and application of such regulations. Furthermore, the CBR regulations do not currently address certain important concepts such as call options, step-up coupons and other issues relating to subordinated debt, which are generally accepted as standard in the world's more developed markets.

Under the Regulation No.215-P "On the Methodology of Calculation of Net Worth (Capital) of Credit Organisations" of 10 February 2003 ("Regulation 215-P"), URSA Bank will be required to submit a draft of any Subordinated Loan Agreement to the CBR for review. To obtain an approval from the CBR, URSA Bank is required, among other things, to submit to the CBR a copy of each executed Subordinated Loan Agreement and documents confirming disbursement of funds to be received by URSA Bank under such Subordinated Loan Agreement to URSA Bank's account. An approval does not have the effect of law, and as such it may, at any time, be revised, revoked and/or disapplied. As at the date of this Base Prospectus, the Subordinated Facility Agreement (as set out in the section entitled "The Subordinated Facility Agreement" elsewhere in this Base Prospectus) has not been reviewed by the CBR.

On the basis of the above URSA Bank expects the CBR to deliver its approval and conclusion on the regulatory capital treatment of any Subordinated Loan within 30 days after the issue date of the corresponding Notes issued to finance such Subordinated Loan. There can, however, be no guarantee that such approval and conclusion will be granted. If the CBR does not grant such approval and conclusion before the applicable Approval Date, URSA Bank will have the right (described below) under the relevant Subordinated Loan Agreement to prepay the relevant Subordinated Loan, which would result in early repayment of the corresponding Notes.

There is a risk either that the interpretation of such capital treatment could change or that the regulatory capital rules could subsequently be amended or clarified. As a result, URSA Bank could lose the regulatory capital treatment granted to a Subordinated Loan Agreement and, therefore, exercise the right (described below) to prepay the relevant Subordinated Loan, which would result in the early repayment of the corresponding Notes issued to finance such Subordinated Loan.

Clause 5.2 of each Subordinated Facility Agreement provides that, except as otherwise provided in the applicable Subordinated Loan Supplement, URSA Bank shall be entitled to prepay the relevant Subordinated Loan in whole but not in part, plus accrued and unpaid interest: (a) at 101 per cent. at any time after the applicable Approval Date, if the CBR does not unconditionally approve such Subordinated Loan as Additional Capital on or before such Approval Date; or (b) at par at any time after the applicable Approval Date, if, as a result of any amendment to, clarification of or change in (including a change in interpretation or application of) the Additional Capital Regulation or other applicable requirements of the CBR such Subordinated Loan would cease to qualify as Additional Capital; or (c) where a Step-Up Rate of Interest is specified in the relevant Subordinated Loan Supplement as being applicable, subject to the prior written consent of the CBR, at par on the Step-Up Date. If a Subordinated Loan is prepaid pursuant to this provision, the corresponding Notes will become due and repayable at the appropriate proportion of their principal amount plus accrued and unpaid interest on such proportion of the principal amount.

Prepayment of any Subordinated Loan may require the CBR's consent

Certain of the provisions of each Subordinated Facility Agreement providing for the repayment of the relevant Subordinated Loan are subject to the consent of CBR. There can be no guarantee that the CBR will render such consent even if the relevant Subordinated Loan would otherwise be subject to prepayment pursuant to such provisions and, consequently, that URSA Bank will be able to prepay at the due time.

The lack of public market for the Notes could reduce their value

The Issuer intends to apply for the Notes to be admitted to the Official List of the Irish Stock Exchange and to be admitted to trading on its regulated market. However, an active trading market in the Notes may not develop or be maintained after such a listing. If an active trading market were not to develop or could not be maintained, this could have a material adverse effect on the liquidity and the

trading price of the Notes. In addition, markets in recent years have experienced significant price fluctuations. These fluctuations were often unrelated to the operating performance of the companies whose securities were traded on such markets. Market fluctuations as well as adverse economic conditions have negatively affected the market price of many securities and may affect the market price of the Notes.

Payments on a Loan may be subject to Russian withholding tax

In general, interest payments on borrowed funds made by a Russian legal entity to a non-resident are subject to Russian withholding tax at a rate of 20 per cent. for legal entities, unless such withholding is reduced or eliminated pursuant to the terms of an applicable double tax treaty. Based on professional advice, URSA Bank believes that interest payments on any Loan made to the Issuer should not be subject to withholding tax under the terms of the applicable double tax treaty between the Russian Federation and Ireland. However, there can be no assurance that such double tax treaty relief will be available or will continue to be available throughout the term of such Loan.

If any payments under any Loan are subject to any Russian or Irish withholding tax, URSA Bank will be obliged to increase the amounts payable as may be necessary to ensure that the recipient receives a net amount equal to the amount it would have received in the absence of such withholding taxes. In addition, payments in respect of the Notes will, except in certain limited circumstances, be made without deduction or withholding for or on account of Irish taxes except as required by law. Based on professional advice, URSA Bank believes that payments in respect of the Notes will only be subject to deduction or withholding for or on account of Irish taxes as described in "Taxation—Ireland". In the event of such a deduction or withholding, the Issuer will only be required to increase payments to the extent that it receives corresponding amounts from URSA Bank under the Loan Agreement. While each Loan Agreement provides for URSA Bank to pay such corresponding amounts in these circumstances, there are some doubts as to whether a tax gross up clause such as that contained in such Loan Agreement is enforceable under Russian law. Due to the limited recourse nature of the Notes, if URSA Bank fails to pay any such gross-up amounts, the amount payable by the Issuer under the Notes will be correspondingly reduced. Any failure by URSA Bank to increase such payments would constitute an Event of Default under such Loan Agreement. In certain circumstances (including following enforcement of the security upon the occurrence of a Relevant Event as defined in the Trust Deed), in the event that URSA Bank is obliged to increase the amounts payable, it may prepay the principal amount of the relevant Loan together with accrued interest and/or additional amounts payable (if any) thereon, and all outstanding Notes would be redeemed by the Issuer (to the extent that it has actually received the relevant funds from URSA Bank).

The Issuer will grant security over certain of its rights in each Loan Agreement to the Trustee in respect of its obligations under the Notes. The security under the Trust Deed will become enforceable upon the occurrence of an Event of Default, a Relevant Event or a Bankruptcy Event, as further described under "Terms and Conditions of the Notes". In these circumstances, payments under such Loan Agreement (other than in respect of Reserved Rights) would be required to be made to, or to the order of, the Trustee. Under Russian tax law, payments of interest and other payments made by URSA Bank to the Trustee will in general be subject to Russian income tax withholding at a rate of 20 per cent. (or, potentially, 30 per cent. in respect of individual Noteholders). It is not expected that the Trustee will, or will be able to, claim a withholding tax exemption under any double tax treaty. In addition, while it may be possible for some Noteholders who are eligible for an exemption from Russian withholding tax under double taxation treaties to claim a refund of tax withheld, there would be considerable practical difficulties in obtaining any such refund.

If, during the life of the Notes, the Issuer ceases to be resident for tax purposes in Ireland and becomes resident for tax purposes in another jurisdiction, in the event that such jurisdiction requires the Issuer to effect deduction for or on account of any taxes (other than taxes of Ireland or the Russian Federation) in respect of payments which the Issuer is obliged to make under or in respect of the Notes, under the terms of the relevant Loan Agreement URSA Bank will be under no obligation to increase payments to the Issuer under such Loan Agreement in respect of such withholding or deduction for or on account of any taxes (other than taxes of Ireland or the Russian Federation). In such circumstances, the Noteholders will receive payments under the Notes net of such withholding or deduction and will have no right to require that their Notes be repaid.

As indicated above, it is currently unclear whether the provisions obliging URSA Bank to gross-up payments will be enforceable in the Russian Federation. If, in the case of litigation in the Russian Federation, a Russian court does not rule in favour of the Issuer or the Trustee and Noteholders, there is a

risk that the tax gross-up for withholding tax will not take place and that payments made by URSA Bank under the relevant Loan Agreement will be reduced by Russian income tax withheld by URSA Bank at a rate of 20 per cent. (or, potentially, 30 per cent. in respect of individual Noteholders).

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

If a non-resident Noteholder that is a legal person or organisation, which in each case is not organised under Russian law and which holds and disposes of the Notes otherwise than through a permanent establishment in Russia, sells Notes and receives proceeds from a source within the Russian Federation, there is a risk that any part of the payment that represents accrued interest may be subject to a 20 per cent. Russian withholding tax. Where proceeds from a disposal of the Notes are received from a source within the Russian Federation by a non-resident Noteholder that is an individual, there is a risk that Russian withholding tax would be charged at a rate of 30 per cent. on gross proceeds from such disposal of the Notes less any available cost deduction. The imposition or risk of imposition of this withholding tax could adversely affect the value of the Notes. See "Taxation—Russian Federation".

In the event of URSA Bank's insolvency, Russian bankruptcy law could adversely affect the ability of the Issuer, the Trustee or the Noteholders to recover sums owed under the relevant Loan Agreements

Russian bankruptcy laws are relatively new and are subject to varying interpretations. The most recent Law on Insolvency (Bankruptcy) came into force in late 2002. The relevant amendments to the Law on Insolvency (Bankruptcy) of Credit Organisations came into force in late 2004. As a result of limited court practice it is not possible to predict with certainty how claims of the Issuer and/or the Trustee or the Noteholders under the Loan Agreement against URSA Bank would be resolved in case of URSA Bank's bankruptcy. Under the new Law on Insolvency (Bankruptcy) and Law on Insolvency (Bankruptcy) of Credit Organisations, unsecured creditors' claims are generally subordinated to current liabilities (i.e., claims which arose after the initiation of bankruptcy proceedings and costs related to bankruptcy litigation) and the following claims ("**Priority Claims**"): (a) injury and moral damages obligations; (b) claims of individuals under cash deposits and balances on current accounts (except for individual entrepreneurs holding such deposits or accounts for business purposes); (c)claims of the Agency for Insurance of Bank Deposits transferred to it pursuant to the Retail Deposit Insurance Law; (d) recourse claims of the CBR if it paid compensation to the retail depositors of a bank which does not participate in the retail deposit insurance system and; (e) claims arising in connection with severance payments and other employment related obligations and royalties.

In accordance with the Law on Insolvency (Bankruptcy) of Credit Organisations, claims of creditors secured by a pledge are satisfied from the proceeds from the sale of pledged assets in priority to other creditors' claims, except for Priority Claims. 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.

Generally, under the Law on Insolvency (Bankruptcy), taxes and other payment obligations to the Government are satisfied *pari passu* with the claims of unsecured creditors. These provisions, however, contradict the Civil Code of the Russian Federation, and their application remains untested.

As a result of circumstances such as the foregoing, in the event of the insolvency of URSA Bank, Russian bankruptcy law could adversely affect the ability of the Issuer, the Trustee or the Noteholders to recover sums owed by URSA Bank under the relevant Loan Agreements.

Risks Related to Irish Law

The Issuer is subject to certain legal risks, including the appointment of an examiner, claims of preferred creditors under Irish law and floating charges

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 recent decision by the European Court of Justice ("**ECJ**") in relation to Eurofood IFSC Limited, the ECJ restated the presumption in Council Regulation (EC) No. 1346/200 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.

An examiner may be appointed to an Irish company in circumstances where it is unable, or likely to be unable, to pay its debts. One of the effects of such an appointment is that during the period of appointment, there is a prohibition on the taking of enforcement action by any creditors of the company. Given that the Issuer is a special purpose entity, the limited recourse nature of the Issuer's liabilities and the structure of the transaction, it is unlikely that an examiner would be appointed to the Issuer.

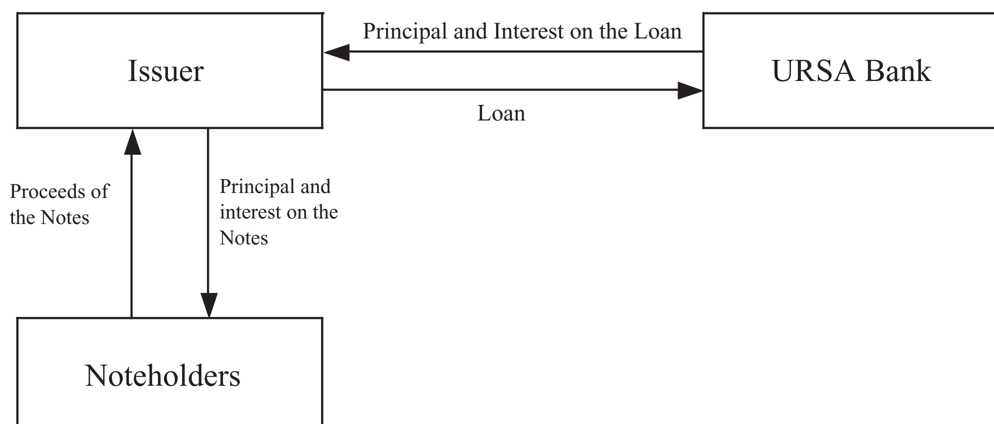
In the event of the Issuer's insolvency, the claims of certain preferential creditors (including the Irish Revenue Commissioners for certain unpaid taxes) will rank in priority to claims of unsecured creditors and claims of creditors holding floating charges. In addition, the claims of creditors holding fixed charges may rank behind other "super" preferential creditors (including expenses of any examiner appointed and certain capital gains tax liabilities) and, in the case of fixed charges over book debts, may rank behind claims of the Irish Revenue Commissioners.

In certain circumstances, a charge which purports to be taken as a fixed charge may take effect as a floating charge. Under Irish law, for a charge to be characterised as a fixed charge, the charge holder is required to exercise the requisite level of control over the assets purported to be charged and the proceeds of such assets including any bank account into which such proceeds are paid.

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

DESCRIPTION OF THE TRANSACTIONS

The following summary description should be read in conjunction with, and is qualified in its entirety by, the information set out under "Terms and Conditions of the Notes" and "The Senior Facility Agreement" and "The Subordinated Facility Agreement", as applicable, appearing elsewhere in this Base Prospectus.



Each transaction relating to a Series of Notes will be structured as either a senior loan or a subordinated loan to URSA Bank by the Issuer under the relevant Loan Agreement as applicable. The Issuer will issue a Series of Notes, which will be secured limited recourse loan participation notes issued for the sole purpose of funding the corresponding Loan to URSA Bank. Each Loan will be made on the terms of the relevant Facility Agreement as amended and supplemented by the relevant Loan Supplement and will have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. Each Series of Notes will be constituted by, subject to, and have the benefit of the principal trust deed dated 14 May 2007 as supplemented and amended in respect of such Series of Notes by a Supplemental Trust Deed (together, the "**Trust Deed**"), each entered into between the Issuer and the Trustee. The obligations of the Issuer to make payments under the Notes shall constitute an obligation only to account to the Noteholders for an amount equal to the sums of principal, interest and/or additional amounts (if any) the Issuer actually receives and retains by or for its account from URSA Bank pursuant to the relevant Loan Agreement or that are deposited in the Account (as defined below), less any amounts in respect of the Reserved Rights.

As provided in the Trust Deed, the Issuer will charge in favour of the Trustee for the benefit of itself and the Noteholders as security for its payment obligations in respect of a Series of Notes (a) its rights to all principal, interest and additional amounts (if any) payable by URSA Bank under the corresponding Loan Agreement, (b) its right to receive all sums which may be or become payable by URSA Bank under any claim, award or judgment relating to the corresponding Loan Agreement and (c) its rights, title and interest in and to all sums of money now or in the future deposited in an account with the Principal Paying Agent with respect to such Series of Notes in the name of the Issuer, together with the debt represented thereby (the "**Account**") (collectively, the "**Charged Property**"), in each case other than the Reserved Rights and amounts relating thereto. The Issuer will assign absolutely certain administrative rights under the relevant Loan Agreement to the Trustee for the benefit of itself and the Noteholders of the applicable Series. URSA Bank will be obliged to make payments under the relevant Loan to the Issuer in accordance with the terms of the relevant Loan Agreement to the Account or as otherwise instructed by the Trustee following a Relevant Event.

The Issuer has covenanted not to agree to any amendments to or any modification or waiver of, or authorise any breach or potential breach of, the terms of the relevant Loan Agreement unless the Trustee has given its prior written consent (in each case except in relation to the Reserved Rights). The Issuer (save as expressly provided in the Trust Deed, the relevant Loan Agreement or with the written consent of the Trustee) shall not pledge, charge or otherwise deal with the relevant Loan or the relevant Charged Property or any right or benefit either present or future arising under or in respect of the relevant Loan Agreement or the Account or any part thereof or any interest therein or purport to do so (in each case except in relation to the Reserved Rights). Any amendments, modifications, waivers or authorisations made with the Trustee's prior written consent shall be notified by the Issuer to the Noteholders of the

applicable Series in accordance with Condition 14 (Notices) of the "Terms and Conditions of the Notes" and will be binding on the Noteholders of such Series.

The Issuer will have no other financial obligations under the relevant Series of Notes and no other assets of the Issuer (including the Issuer's rights with respect to any Loan relating to any other Series of Notes) will be available to such Noteholders. Accordingly, all payments to be made by the Issuer under each Series of Notes will be made only from and to the extent of such sums received or recovered and retained by or on behalf of the Issuer or the Trustee from the assets securing such Series. Noteholders shall look solely to such sums for payments to be made by the Issuer under such Notes, the obligation of the Issuer to make payments in respect of such Notes will be limited to such sums and Noteholders will have no further recourse to the Issuer or any of the Issuer's other assets in respect thereof. In the event that the amount due and payable by the Issuer under such Notes exceeds the sums so received and retained or recovered, the right of any person to claim payment of any amount exceeding such sums shall be extinguished and Noteholders may take no further action to recover such amounts. No Noteholder shall have any recourse against any director, shareholder, or officer of the Issuer in respect of any obligations, covenants or agreement entered into or made by the Issuer in respect of the Notes, except to the extent that such person acts in bad faith or is negligent in the context of its obligation.

The security under the Trust Deed will become enforceable upon the occurrence of a Relevant Event, as further described in "Terms and Conditions of the Notes".

Payments in respect of the Notes will be made without any deduction or withholding for, or on account of, taxes of Ireland or the Russian Federation except as required by law. See "Terms and Conditions of the Notes—Taxation". In that event, the Issuer will only be required to pay an additional amount to the extent it receives corresponding amounts from URSA Bank under the relevant Loan Agreement. Each Loan Agreement provides for URSA Bank to pay such corresponding amounts in these circumstances. In addition, payments under the relevant Loan Agreement will be made without any deduction or withholding for, or on account of, any taxes imposed by any Taxing Authority (as defined in the relevant Loan Agreement), except as required by law, in which event URSA Bank will be obliged to increase the amounts payable under the relevant Loan Agreement. See "Risk Factors—Risks Related to the Notes and the Trading Market".

Under the terms of each Loan Agreement, in certain circumstances, URSA Bank may at its option prepay the corresponding Loan at its principal amount, together with accrued interest and additional amounts (if any), in the event that URSA Bank is required to increase the amount payable or to pay additional amounts on account of taxes of a relevant Taxing Authority or required to pay additional amounts on account of certain costs incurred by the Issuer save that, in the case of a Subordinated Loan, such right to prepay is subject to the prior written consent of the CBR and to the relevant prepayment clauses being specified in the relevant Subordinated Loan Supplement as being applicable. The Issuer may require URSA Bank to prepay such Loan if it becomes unlawful for such Loan or the Notes to remain outstanding, as set out in the relevant Facility Agreement save that, in the case of a Subordinated Loan, such prepayment is subject to the prior written consent of the CBR and to the relevant prepayment clause being specified in the relevant Subordinated Loan Supplement as being applicable. In each case (to the extent that the Issuer has actually received the relevant funds from URSA Bank), the Issuer will prepay the Notes together with accrued interest and additional amounts (if any) thereon. See "The Senior Facility Agreement—Repayment and Prepayment", "The Subordinated Facility Agreement—Repayment and Prepayment" and "Terms and Conditions of the Notes—Redemption".

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression "necessary information" means, in relation to any Series of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and URSA Bank and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme the Issuer and URSA Bank have endeavoured to include in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Series of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Series of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus. Such information will be contained in the relevant Final Terms unless any of such information constitutes a significant new factor relating to the information contained in this Base Prospectus in which case such information, together with all of the other necessary information in relation to the relevant series of Notes, will be contained in a Drawdown Prospectus.

For a Series of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Series only, supplement this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Series of Notes which is the subject of Final Terms are the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Series of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Series of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

USE OF PROCEEDS

The Issuer will use the proceeds from the offering of each Series of Notes solely to finance the corresponding Loan to URSA Bank. URSA Bank will use the proceeds from such Loan to fund its lending activities, for general banking purposes (unless otherwise specified in the relevant Final Terms), as well as for potential acquisitions, mergers or other forms of strategic alliances. In connection with the receipt of such Loan, URSA Bank will pay an arrangement fee, as reflected in the relevant Loan Supplement.

SELECTED FINANCIAL AND OPERATING INFORMATION

The following tables present selected financial information as of and for the years ended 31 December 2006, 2005 and 2004 which, with respect to URSA Bank, has been derived from, and should be read in conjunction with, URSA Bank's Financial Statements as of and for the years ended 31 December 2006 and 2005, prepared in accordance with IFRS, and the notes thereto included elsewhere in this Base Prospectus as well as the sections entitled "Capitalisation and Indebtedness" and "Management's Discussion and Analysis of Financial Condition and Results of Operations". IFRS differs from generally accepted accounting principles applied in the United States ("US GAAP").

URSA Bank adopted the revised versions of IFRS that were effective for accounting periods beginning on 1 January 2005, which resulted in changes to the presentation of certain items in the Financial Statements.

In the Financial Statements of URSA Bank as of and for the year ended 31 December 2005, the corresponding figures as of and for the year ended 31 December 2004 were adjusted to conform to the changes in presentation in the Financial Statements as of and for the year ended 31 December 2005 as required by IFRS. The most significant changes in presentation relate to the reclassification of "investment securities available for sale" and "trading securities" to "financial instruments at fair value through profit and loss". In addition, "investments in unconsolidated subsidiaries" were included in the caption "other assets", and cash flows in respect of investment securities available-for-sale and investments in unconsolidated subsidiaries were reclassified from "investing activities" to "operating activities" in the statement of cash flows. See Note 3 to the Financial Statements as of and for the year ended 31 December 2005.

For comparability, the 2006 and 2005 financial information included in this Base Prospectus has been based on the presentation adopted in the Financial Statements as of and for the year ended 31 December 2006. In particular, prior to 2006, URSA Bank presented segmental information for commercial banking and retail banking as reportable business segments. Starting 1 January 2006, URSA Bank identified its treasury and investments business as a reportable business segment. In addition, among its segments URSA Bank redefined the allocation of certain income and expenses items, primarily staff costs and operating expenses. Furthermore, prior to 2006, URSA Bank presented information for overdue loans by disclosing the overdue part of the principal loan amount at the applicable reporting date. Starting from 1 January 2006, URSA Bank presents the full principal loan amounts including accrued interest of any overdue loans as overdue at the applicable reporting date in order to provide more meaningful disclosure. URSA Bank has restated the comparative financial information for 2005 in the consolidated financial statements included in this Base Prospectus to reflect such changes.

Income Statement Data

	Year ended 31 December		
	2006	2005	2004
	(thousands of Roubles)		
Interest income	7,593,112	2,582,686	1,237,761
Interest expense	(3,549,836)	(1,222,420)	(514,272)
Net interest income before provision for loan impairment	**4,043,276**	**1,360,266**	**723,489**
Provision for loan impairment	(1,331,475)	(196,107)	(145,465)
Net interest income after provision for loan impairment	**2,711,801**	**1,164,159**	**578,024**
Net (loss)/income on securities trading	(4,351)	110,960	11,518
Net foreign exchange income	134,271	34,213	48,743
Fee and commission income	2,135,756	693,863	469,578
Fee and commission expense	(139,233)	(40,754)	(17,462)
Recovery of/(provision for) impairment on credit related commitments	5,364	1,989	(7,353)
Other operating income	113,947	29,632	23,839
Operating income	**4,957,555**	**1,994,062**	**1,106,887**
Operating expenses	(1,534,557)	(723,376)	(450,301)
Staff costs	(1,508,415)	(628,338)	(382,312)
Income before taxation	**1,914,583**	**642,348**	**274,274**
Income tax expense	(450,089)	(141,726)	(75,134)
Net income	**1,464,494**	**500,622**	**199,140**

Balance Sheet Data

	As at 31 December		
	2006	2005	2004
	(thousands of Roubles)		
Assets			
Cash and cash equivalents	7,880,645	3,123,368	2,013,097
Mandatory cash balances with the CBR	1,095,115	312,749	209,279
Financial instruments at fair value through profit or loss	12,298,476	3,014,489	925,305
Due from other banks	13,376,797	962,028	467,906
Loans to customers	67,405,820	19,944,386	5,949,349
Other assets	629,502	229,593	94,436
Goodwill	6,494,241	—	—
Deferred tax asset	154,782	30,582	19,169
Premises and equipment	2,275,394	1,101,295	678,412
Total assets	**111,610,772**	**28,718,490**	**10,356,953**
Liabilities			
Financial instruments at fair value through profit or loss	539,718	15,859	—
Due to other banks	17,523,530	3,132,113	368,647
Customer accounts	36,502,241	13,963,720	8,270,865
Debt securities in issue	36,124,731	7,579,131	491,317
Subordinated debt	5,559,284	1,092,558	7,000
Other liabilities	340,445	79,150	55,450
Total liabilities	**96,589,949**	**25,862,531**	**9,193,279**
Shareholders' equity			
Share capital	1,434,920	936,491	756,491
Share premium	11,496,500	1,246,780	289,180
Revaluation reverse for premises and equipment	5,045	53,718	—
Retained earnings	2,084,358	618,970	118,003
Total shareholders' equity	**15,020,823**	**2,855,959**	**1,163,674**
Total liabilities and shareholders' equity	**111,610,772**	**28,718,490**	**10,356,953**

Financial Ratios

	Year ended 31 December		
	2006	2005	2004
	(per cent. rounded)		
Performance Ratios[1]:			
Net interest margin (before provisions for loan impairment)[2]	8.6	9.2	13.1
Net interest income (before provisions for loan impairment) to total assets	4.6	4.7	7.0
Non-interest income to operating income[3]	45.3	41.6	47.8
Cost income ratio[4]	48.4	61.7	66.5
Operating income/average total assets[5]	9.0	10.6	13.8
Operating income/average equity[6]	69.8	111.8	141.8
Balance Sheet Ratios (at period end):			
Customer accounts to loans to customers	54.2	70.0	139.0
Loans to customers to total assets	60.4	69.4	57.4
Shareholders' equity to loans to customers	22.3	14.3	19.6
Shareholders' equity to loans to customers (gross)	21.4	14.0	18.7
Tier I capital adequacy ratio[7]	10.1	11.7	15.3
Total capital adequacy ratio[7]	15.1	15.9	15.4
Asset Quality (at period end):			
Overdue loans to customers to total loans to customers (gross)[8]	5.6	3.0	1.5
Provisions for loan impairment to total loans to customers (gross)[9]	4.2	2.3	4.4
Overdue loans to customers to provision for loan impairment[9]	135.7	129.6	33.3
Funding (at period end):			
Customer accounts to individuals/total liabilities	27.2	42.9	63.9

(1) As the acquisition of Uralvneshtorgbank by URSA Bank was completed on 22 December 2006, for purposes of the performance ratios, URSA Bank has excluded the effect of the assets and liabilities of the Uralvneshtorgbank business included in the consolidated balance sheet of URSA Bank as of 31 December 2006 because URSA Bank's management believes that by doing so the performance ratios give a more accurate reflection of the income statement performance trends URSA Bank experienced for the year ended 31 December 2006.

(2) Net interest income (before provision for loan impairment) divided by average interest-earning assets. Interest-earning assets consist of the following interest-earning assets: due from other banks, loans to customers and financial instruments at fair value through profit or loss. For purposes of this table, the average interest-earning assets information was calculated by adding the opening, mid-year and closing balances for interest-earning assets of each year and dividing by three.

(3) Net non-interest income divided by operating income.

(4) Operating expenses and staff costs divided by operating income (before provision for loan impairment).

(5) Operating income divided by average total assets. For purposes of this table, the average total assets information was calculated by adding the opening, mid-year and closing balances for total assets of each year and dividing by three.

(6) Operating income divided by average equity. For purposes of this table, the average equity information was calculated by adding the opening, mid-year and closing balances for shareholders' equity of each year and dividing by three.

(7) Calculated in accordance with Basel Capital Accord standards.

(8) Prior to 2006, URSA Bank presented information for overdue loans by disclosing the overdue part of the principal loan amount at the applicable reporting date. Starting from 1 January 2006, URSA Bank presents the full principal loan amounts including accrued interest of any overdue loans as overdue at the applicable reporting date in order to provide more meaningful disclosure. URSA Bank has restated the comparative financial information for 2005 to reflect such changes, but has not restated financial information for 2004.

(9) Provisions for loan impairment represents the balance of the loan impairment provision as at the year end.

Acquisition of Uralvneshtorgbank

On 22 December 2006, URSA Bank completed its acquisition of the outstanding shares of Uralvneshtorgbank. For purposes of the preparation of URSA Bank's Financial Statements as of and for the year ended 31 December 2006, the acquisition of Uralvneshtorgbank has been accounted for using the purchase method of accounting as of the date of acquisition.

Unaudited Combined Income Statement

As the acquisition of Uralvneshtorgbank by URSA Bank occurred on 22 December 2006, the effect of the acquisition on the consolidated income statement of URSA Bank for the year ended 31 December 2006 was not significant.

For illustrative purposes only, URSA Bank has prepared the table below to present the combined income statements of URSA Bank and Uralvneshtorgbank for the year ended 31 December 2006. For purposes of the preparation of the combined income statement contained in the table below the approach adopted is a simple aggregation of URSA Bank's audited consolidated income statement for the year ended 31 December 2006 and Uralvneshtorgbank's unaudited income statement for the period ended 22 December 2006 which has been adjusted for the effect of intercompany transactions.

The combined income statement has been presented for illustrative purposes only and does not purport to:

- represent what URSA Bank's results of operations would have been had the acquisition of Uralvneshtorgbank occurred as of 1 January 2006; or
- predict the results of URSA Bank's operations for any future period or its financial condition for any future date.

	Year ended 31 December 2006			
	URSA Bank, for the year ended 31 December 2006, Audited	**Uralvneshtorgbank, for the period ended 22 December 2006, Unaudited**	**Intercompany eliminations, Unaudited**	**Combined, Unaudited**
		(thousands of Roubles)		
Interest income	7,593,112	3,558,862	(945)	11,151,029
Interest expense	(3,549,836)	(1,409,730)	945	(4,958,621)
Net interest income	**4,043,276**	**2,149,132**	**—**	**6,192,408**
Provision for loan impairment	(1,331,475)	(818,475)	—	(2,149,950)
Net interest income after provision for loan impairment	**2,711,801**	**1,330,657**	**—**	**4,042,458**
Fee and commission income	2,135,756	463,431	(7,638)	2,591,549
Fee and commission expense	(139,233)	(56,439)	7,638	(188,034)
Net foreign exchange income	134,271	82,411	—	216,682
Net loss from securities trading	(4,351)	(60,946)	—	(65,297)
Recovery of impairment on credit related commitments	5,364	—	—	5,364
Other operating income	113,947	238,307	—	352,254
Operating income	**4,957,555**	**1,997,421**	**—**	**6,954,976**
Staff costs	(1,508,415)	(720,439)	—	(2,228,854)
Operating expenses	(1,534,557)	(737,515)	—	(2,272,072)
Income before tax	**1,914,583**	**539,467**	**—**	**2,454,050**
Income tax	(450,089)	(144,679)	—	(594,768)
Net income	**1,464,494**	**394,788**	**—**	**1,859,282**

CAPITALISATION AND INDEBTEDNESS

The following table sets forth URSA Bank's capitalisation and indebtedness as of 31 December 2006. Prospective investors should read this information in conjunction with "Business—Funding", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements included elsewhere in this Base Prospectus.

	As of 31 December 2006
	(thousands of Roubles)
Long-term debt	
Long-term loan participation notes with contractual maturity over one year	21,949,767
Domestic bonds with contractual maturity over one year	8,834,462
Subordinated debt	5,559,284
Total long-term debt	**36,343,513**
Share capital:	
Ordinary shares	1,242,884
Preference shares	192,036
Share premium	11,496,500
Revaluation reserve for premises and equipment	5,045
Retained earnings	2,084,358
Total shareholders' equity	**15,020,823**
Total capitalisation	**51,364,336**

In February 2007, URSA Bank issued RUB5,000 million 9.125 per cent. loan participation notes due 26 February 2010 under its debt issuance programme.

On 12 April 2007, URSA Bank's shareholders resolved that the Bank would make the following dividend payments with respect to its preference shares for the year ended 31 December 2006:

- an aggregate amount of RUB15,000 with respect to its Class I preference shares;
- an aggregate amount of RUB68.4 million with respect to its Class II preference shares;
- an aggregate amount of U.S.$3.6 million with respect to its Class III preference shares;
- an aggregate amount of RUB141,528 with respect to its Class IV preference shares;
- an aggregate amount of RUB1,210 with respect to its Class V preference shares; and
- an aggregate amount of RUB23,595 with respect to its Class VI preference shares.

In early May 2007, URSA Bank repurchased its Rouble-denominated bonds in the principal amount of approximately RUB657 million that were a part of a series of RUB1,500 million Rouble-denominated bonds due December 2008. The repurchase of the bonds was carried out pursuant to the contractual terms of the bonds, under which the coupon on the bonds was reset from 10 per cent. to 7.65 per cent. The Rouble-denominated bonds so repurchased were subsequently resold to institutional investors at a coupon of 7.65 per cent.

Except as described above, there has been no material change in URSA Bank's capitalisation and indebtedness since 31 December 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Investors should read the following discussion and analysis of URSA Bank's financial condition and results of operations as of 31 December 2006, 2005 and 2004 and for the years then ended in conjunction with the Financial Statements as of and for the years ended 31 December 2006 and 2005 included elsewhere in this Base Prospectus. Such financial statements and the related notes thereto have been prepared in accordance with IFRS, which differ in certain respects from generally accepted accounting principles applied in the United States ("US GAAP"). See also "Forward-Looking Statements" and "Presentation of Financial and other Information". For a discussion of URSA Bank's significant accounting policies, see "—Overview—Critical Accounting Policies" below and Note 4 to the Financial Statements as of and for the year ended 31 December 2006.

Overview

Principal Activities

URSA Bank is full-service bank occupying a leading position in its regional banking market, the SFD and the UFD. URSA Bank offers both retail and corporate services. URSA Bank provides its retail clients with a wide range of term, savings and current deposit accounts as well as retail lending products such as consumer financial loans, car purchase loans, mortgages and credit cards. URSA Bank's corporate banking activities include lending, deposit taking and trade finance project finance and mezzanine finance as well as settlement operations, payroll services and corporate bankcards, foreign exchange and other corporate banking services. URSA Bank also conducts financial markets operations. As of 31 March 2007, URSA Bank's network consisted of 21 regional headquarters and 243 branches in the Russian Federation, predominantly in the SFD and the UFD. For a more detailed description of the business activities of URSA Bank, see "Business".

General Market Conditions and Operating Environment in Russia

URSA Bank's assets are concentrated in Russia. As a result, URSA Bank is substantially influenced by Russian macroeconomic and microeconomic conditions. While there have been improvements in recent years in the economic situation in Russia, its economy continues to display certain characteristics of an emerging market, including, for instance, a currency that is not freely convertible in most countries outside Russia, a volatile securities market and inflation rates higher than those in more developed countries. See "Risk Factors—Risks Related to the Russian Federation".

The following table sets forth key Russian economic indicators as of the years ended 31 December 2006, 2005 and 2004:

	As at or for the year ended 31 December		
	2006	2005	2004
Gross domestic product (billions of RUB)[1]	26,781.1	21,620.1	17,048.1
Foreign currency reserves (billions of U.S. dollars)[2]	303.7	182.2	124.5
Inflation (per cent.)[1]	9.0	10.9	11.7
Nominal (appreciation) depreciation of the RUB against the US dollar (year-to-year) (per cent.)[2]	4.0	1.9	(6.5)
Real appreciation of the RUB against the US dollar (year-to-year) (per cent.)[2]	10.7	10.8	15.1

(1) Russian Federal State Statistics Service.

(2) CBR.

In 2006, the Russian Federation enjoyed its seventh consecutive year of economic expansion. The continuing rebound of domestic demand from the depressed levels immediately following the financial crisis of August 1998, along with high market prices for key export commodities, particularly oil and gas, sustained economic growth and led to an increase in foreign currency reserves. In 2003, the Russian economy ceased to be hyperinflationary, as the inflation rate in the Russian Federation over the preceding years declined significantly below the levels indicating hyperinflation and the purchasing power of the Russian Rouble strengthened. The significant cash inflows resulting from exports of commodities at high prices also led to the strengthening of the Russian Rouble against the U.S. dollar. Currently, the Russian

economy generates large amounts of excess liquidity, which has resulted in significant competition among banks for borrowers with good credit.

The following table presents the average interest rates earned by banks based in Russia on U.S. dollar and Russian Rouble-denominated loans to corporate clients, which represents approximately half of URSA Bank's loan portfolio, and average interest rates paid by such banks on U.S. dollar and Russian Rouble-denominated deposits from retail clients, which represent the majority of URSA Bank's customer accounts for the years ended 31 December 2006, 2005 and 2004. These interest rates were calculated on the basis of statistical information published by the CBR.

	For the year ended 31 December		
	2006	2005	2004
Loans to clients in U.S. dollars (on loans of less than one year)	8.4	9.2	8.5
Loans to clients in RUB (on loans of less than one year)	11.1	11.2	10.8
Deposits from retail clients in RUB (on deposits of less than one year, including demand deposits)	3.7	3.6	3.8

Source: CBR.

As noted above, during the periods under review, average interest rates on loans to corporate clients declined, while average interest rates on Russian Rouble deposits from retail clients increased slightly. URSA Bank has also experienced declining interest rate margins on its overall lending activities. See "Selected Statistical and Other Information—Average Balance Sheet and Interest Rate Data". The increasingly competitive market in which URSA Bank operates may result in further downward pressure on its interest margins in future periods. To the extent that such a trend affects URSA Bank and is not offset by growth of average interest-earning assets, URSA Bank may experience periods of flat or declining net interest income in the future. See "Risk Factors—Risks Relating to URSA Bank's Business and the Banking Sector—URSA Bank is sensitive to interest rate changes".

Combination of Sibacadembank and Uralvneshtorgbank

On 22 December 2006, Sibacadembank completed its acquisition of all of the outstanding shares of Uralvneshtorgbank, pursuant to which the ordinary and preference shares of Uralvneshtorgbank were converted into ordinary and preference shares of Sibacadembank, respectively. See "Business—History of the Combination".

URSA Bank determined the cost for the acquisition of Uralvneshtorgbank by reference to the valuation of the Uralvneshtorgbank shares that were exchanged for the newly issued ordinary and preference shares of URSA Bank. URSA Bank valued the Uralvneshtorgbank shares at the date of acquisition at RUB8,659.0 million. URSA Bank recorded the fair value of Uralvneshtorgbank's net assets at the date of acquisition at RUB2,164.7 million and recorded goodwill of RUB6,494.2 million. See Note 28 to the Financial Statements.

Critical Accounting Policies

The accounting policies of URSA Bank are integral to understanding its results of operations and financial condition. Its significant accounting policies are described in Note 4 to the Financial Statements appearing in this Base Prospectus. The preparation of the Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expense during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including those related to the provision for loan impairment, investments, income taxes, contingencies, litigation and arbitration. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and conditions, and such differences may be material.

Provision for loan impairment. URSA Bank reviews its loans for impairment on a regular basis. A loan is impaired and impairment losses are only 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, and that event (or events) has an impact on the estimated future cash flows of the loan that can be reliably estimated. The amount of the provision is the difference between the carrying amount and estimated

recoverable amount, calculated as the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the instrument's original effective interest rate.

The provision for loan impairment also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. The provision for loan impairment represents management's estimate of such probable losses. These losses have been estimated based upon historical patterns of losses and delinquencies in each component and reflect the current economic environment in which the borrowers operate. Changes in such estimates may have an effect on URSA Bank's recorded levels of loan impairment provisions. In particular, as retail banking is relatively new to Russia, URSA Bank and the industry have limited historical experience in this type of lending on which to base its estimates for calculating the provision for loan impairment, and changes in such estimates may affect URSA Bank's recorded levels of provisions for retail loans. See Notes 4 and 8 to URSA Bank's Financial Statements as of and for the year ended 31 December 2006.

Changes in provisions are reported in the statement of income for the related period. When a loan is deemed uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the provision for loan impairment in the statement of income. If the amount of the provision for loan impairment subsequently decreases due to an event occurring after the provision for loan impairment has been recognised, the release of the provision is credited to the provision for loan impairment in the statement of income.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of URSA Bank's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition. URSA Bank recorded goodwill of RUB6,494.2 million as of 31 December 2006 in connection with the acquisition of Uralvneshtorgbank.

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. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of a cash-generating unit is less than the carrying amount, an impairment loss is recognised.

The cost of the Uralvneshtorgbank's acquisition was determined by reference to the valuation of Uralvneshtorgbank shares which were exchanged for newly issued ordinary and preference shares of URSA Bank. The valuation of 100 per cent. of Uralvneshtorgbank shares at the date of acquisition amounted to RUB8,659.0 million, giving rise to a share premium of RUB8,250.6 million. The basis and key assumptions in determining the value of the Uralvneshtorgbank shares were as follows:

- cash flows were projected based on the three-year business plan;
- growth of total assets was projected at 137 per cent. in the first year of the business plan and 70 per cent. and 28 per cent. in the second and third years respectively;
- a discount rate of 17 per cent. was applied in determining the net present value of future cash flows. The discount rate was estimated based on a risk-free rate of 4.22 per cent. and overall risk-premium rate of 12.78 per cent.; and
- the cash flows of Uralvneshtorgbank were forecast to the end of 2009, after which terminal cash flows have been estimated based on the assumption of no further growth of net income in real terms.

Reclassification of 2004 Financial Information

URSA Bank adopted the revised versions of IFRS that were effective for accounting periods beginning on 1 January 2005, which resulted in changes to the presentation of certain items in the Financial Statements.

In the Financial Statements of URSA Bank as of and for the year ended 31 December 2005, the corresponding figures as of and for the year ended 31 December 2004 were adjusted to conform to the changes in presentation in the Financial Statements as of and for the year ended 31 December 2005 as required by IFRS. The most significant changes in presentation relate to the reclassification of "investment

securities available for sale" and "trading securities" to "financial instruments at fair value through profit and loss". In addition, "investments in unconsolidated subsidiaries" were included in the caption "other assets", and cash flows in respect of investment securities available-for-sale and investments in unconsolidated subsidiaries were reclassified from "investing activities" to "operating activities" in the statement of cash flows.

For comparability, the 2004 financial information included in this Base Prospectus has been based on the presentation adopted in the Financial Statements as of and for the year ended 31 December 2006. The Financial Statements as of and for the year ended 31 December 2004 do not include the changes in presentation described above. See Note 3 to the Financial Statements as of and for the year ended 31 December 2005.

Reclassification of 2005 Financial Information

Prior to 2006, URSA Bank presented segmental information for commercial banking and retail banking as reportable business segments. Due to the growth of its treasury and investments business, starting 1 January 2006, URSA Bank identified its treasury and investments business as a reportable business segment. In addition, among its segments URSA Bank redefined the allocation of certain income and expenses items, primarily staff costs and operating expenses. URSA Bank has restated the comparative financial information for 2005 in the Financial Statements as of and for the year ended 31 December 2006 to reflect such changes.

Prior to 2006, URSA Bank presented information for overdue loans by disclosing the overdue part of the principal loan amount at the applicable reporting date. Starting from 1 January 2006, URSA Bank presents the full principal loan amounts including accrued interest of any overdue loans as overdue at the applicable reporting date in order to provide more meaningful disclosure. URSA Bank has restated the comparative financial information for 2005 in the Financial Statements as of and for the year ended 31 December 2006 to reflect such change.

Recent Developments

Rouble Bond Issuance

In February 2007, URSA Bank issued RUB5,000 million 9.125 per cent. loan participation notes due 26 February 2010 under its debt issuance programme.

Approval of Dividends

On 12 April 2007, URSA Bank's shareholders resolved that the Bank would make the following dividend payments with respect to its preference shares for the year ended 31 December 2006:

- an amount of RUB15,000 with respect to its Class I preference shares;
- an amount of RUB68.4 million with respect to its Class II preference shares;
- an amount of U.S.$3.6 million with respect to its Class III preference shares;
- an amount of RUB141,528 with respect to its Class IV preference shares;
- an amount of RUB1,210 with respect to its Class V preference shares; and
- an amount of RUB23,595 with respect to its Class VI preference shares.

Repurchase and Subsequent Resale of Rouble Denominated Bonds

In early May 2007, URSA Bank repurchased its Rouble-denominated bonds in the principal amount of approximately RUB657 million that were a part of a series of RUB1,500 million Rouble-denominated bonds due December 2008. The repurchase of the bonds was carried out pursuant to the contractual terms of the bonds, under which the coupon on the bonds was reset from 10 per cent. to 7.65 per cent. The Rouble-denominated bonds so repurchased were subsequently resold to institutional investors at a coupon of 7.65 per cent.

Potential Business Combination

URSA Bank is currently in the preliminary stages of considering a potential merger, acquisition or other form of business combination with Vostochny Express Bank, a bank with operations principally in the

Far East and Eastern Siberian regions of Russia. As of 31 December 2006, Vostochny Express Bank reported total assets of RUB9,548 million, total loans to customers of RUB5,642 million and total shareholders' equity of RUB1,518 million. For the year ended 31 December 2006, Vostochny Express Bank reported net income of RUB910 million. The principal individual shareholders of URSA Bank, Messrs. Kim, Taranov and Bekarev, together also hold a majority interest in Vostochny Express Bank. URSA Bank previously owned a majority interest in Vostochny Express Bank between 2001 and 2004 and has also purchased significant amounts of consumer finance loans from Vostochny Express Bank since 2005. As of the date of this Base Prospectus, URSA Bank has begun to evaluate, on a preliminary basis, a potential business combination with Vostochny Express Bank, and neither URSA Bank's shareholders nor its board of directors has taken any formal decision to pursue any such potential business combination. Accordingly, there can be no assurance that such a merger, acquisition or other form of business combination will or will not proceed nor can any assurance be given as to the form or terms of any such potential merger, acquisition or business combination, if implemented, would take.

Results of Operations

Year ended 31 December 2006 compared with the year ended 31 December 2005

Summary

The following table sets forth the principal components of URSA Bank's net income for the years indicated:

	For the year ended 31 December		% change between 2006 and 2005
	2006	2005	
	(thousands of Roubles)		
Interest income	7,593,112	2,582,686	194.0%
Interest expense	(3,549,836)	(1,222,420)	190.4%
Net interest income before provision for loan impairment	**4,043,276**	**1,360,266**	**197.2%**
Provision for loan impairment	(1,331,475)	(196,107)	579.0%
Net interest income after provision for loan impairment	**2,711,801**	**1,164,159**	**132.9%**
Net (loss)/income on securities trading	(4,351)	110,960	(103.9%)
Net foreign exchange income	134,271	34,213	292.5%
Fee and commission income	2,135,756	693,863	207.8%
Fee and commission expense	(139,233)	(40,754)	241.6%
Recovery of impairment on credit related commitments	5,364	1,989	169.7%
Other operating income	113,947	29,632	284.5%
Operating income	**4,957,555**	**1,994,062**	**148.6%**
Operating expenses	(1,534,557)	(723,376)	112.1%
Staff costs	(1,508,415)	(628,338)	140.1%
Income before taxation	**1,914,583**	**642,348**	**198.1%**
Income tax expense	(450,089)	(141,726)	217.6%
Net income	**1,464,494**	**500,622**	**192.5%**

For purposes of the analysis of URSA Bank's results of operations for the year ended 31 December 2006 as compared with the year ended 31 December 2005, URSA Bank has excluded the effect of the acquisition of Uralvneshtorgbank on the consolidated balance sheet of URSA Bank as of 31 December 2006 and the corresponding effect on URSA Bank's average balance and average interest rates during 2006. See "Selected Statistical Information for the Years ended 31 December 2006, 2005 and 2004" for a description of the manner in which URSA Bank calculated its average balance sheet and interest rate data for the year ended 31 December 2006. Management believes that by excluding the balance sheet effect of the acquisition of Uralvneshtorgbank on URSA Bank's financial statements for purposes of the analysis of URSA Bank's results of operations for the year ended 31 December 2006 compared with the results of operations for the year ended 31 December 2005, the discussion below more accurately reflects the average balance and average interest rate trends experienced by URSA Bank during 2006.

If the acquisition of Uralvneshtorgbank had occurred on 1 January 2006, URSA Bank estimates that its net income for the year would have been RUB1,859.3 million and the operating income before loan impairment charge would have been RUB9,099.6 million. See Note 28 to the Financial Statements.

Net Interest Income

URSA Bank's net interest income before provisions for loan impairment for the year ended 31 December 2006 increased by approximately 197.2 per cent. to RUB4,043.3 million from net interest income before provisions for loan impairment of RUB1,360.3 million for the year ended 31 December 2005. This increase resulted from an overall increase in interest income (due to significant growth in URSA Bank's loan portfolio and other interest generating activities) that exceeded the absolute growth in interest expense.

The following table sets forth the principal components of URSA Bank's interest income and interest expense for the years ended 31 December 2006 and 2005:

	Year ended 31 December		% change between 2006 and 2005
	2006	2005	
	(thousands of Roubles)		
Interest income			
Loans to customers	6,995,782	2,338,381	199.2%
Financial instruments at fair value through profit or loss	476,916	196,334	142.9%
Due from other banks	120,414	47,971	151.0%
Total interest income	**7,593,112**	**2,582,686**	**194.0%**
Interest expense			
Customer accounts	(1,329,105)	(847,075)	56.9%
Debt securities in issue	(1,482,752)	(235,405)	529.9%
Due to other banks	(410,482)	(83,660)	390.7%
Subordinated debt	(327,497)	(56,280)	481.9%
Total interest expense	**(3,549,836)**	**(1,222,420)**	**190.4%**
Net interest income	**4,043,276**	**1,360,266**	**197.2%**

Interest Income

Interest income includes all interest income from loans to customers, due from other banks and from financial instruments at fair value through profit or loss. Total interest income increased by 194.0 per cent. to RUB7,593.1 million for the year ended 31 December 2006 from RUB2,582.7 million for the year ended 31 December 2005.

Interest income from loans to customers. Interest income from loans to customers (retail and corporate) increased by 199.2 per cent. from RUB2,338.4 million for the year ended 31 December 2005 to RUB6,995.8 million for the year ended 31 December 2006. This increase resulted primarily from the growth in URSA Bank's loan portfolio (excluding the effect of the acquisition of Uralvneshtorgbank) of 159.1 per cent. as of 31 December 2006 as compared to 31 December 2005. In addition, URSA Bank recorded average interest rates on loans to customers (excluding the effect of the acquisition of Uralvneshtorgbank) of 19.73 per cent. in 2006 as compared to average interest rates of 19.12 per cent. in 2005. This increase was principally related to the increase in SME loans as a percentage of URSA Bank's overall corporate loan portfolio, as SME loans typically have higher interest rates than loans to large corporate customers, as well as a decrease in 2006 as compared to 2005 of purchased loans, which generally carry lower interest rates than loans originated by URSA Bank, as a percentage of URSA Bank's total retail loan portfolio.

URSA Bank expects that in the future interest rates in the domestic markets will continue to be influenced by various competing factors such as a potential increase in global interest rates, greater competition in the domestic banking market and foreign currency inflows resulting from the current account surplus of the Russian Federation. URSA Bank believes that average interest rates on its loan portfolio will decline in 2007. URSA Bank further believes that loan balances will continue to grow in 2007 as a result of the expansion of its distribution network and the balanced growth of both its retail and corporate customer base.

Interest income from due from other banks. Interest income from due from other banks increased by 151.0 per cent. from RUB48.0 million for the year ended 31 December 2005 to RUB120.4 million for the

year ended 31 December 2006 primarily due to higher levels of interbank loans and deposits placed with other banks in 2006 as compared to 2005. The principal reason for such increase relates to a deposit of RUB10,654.4 million URSA Bank made with Raiffeisenbank at the end of 2006. The deposit was part of an arrangement with Raiffeisenbank pursuant to which URSA Bank deposited Euro 300 million that it received in connection with an issuance of Euro 300 million loan participation notes in November 2006 with Raiffeisenbank, and Raiffeisenbank, in turn, deposited the equivalent amount in U.S. dollars with URSA Bank on the same date. The Raiffeisenbank deposit with URSA Bank is reflected in URSA Bank's liabilities as of 31 December 2006 as a term placement of other banks in the amount of RUB9,751.8 million. URSA Bank entered into the deposit and offsetting placement arrangement with Raiffeisenbank to effectively swap its Euro 300 million in proceeds from the issuance of loan participation notes in November 2006 into U.S. dollars as part of URSA Bank's efforts to balance its overall currency position. Such increase also reflects the increased amount of interbank lending and greater overall liquidity of URSA Bank in 2006, as compared to 2005. The average interest rates earned on due from other banks (excluding the effect of the acquisition of Uralvneshtorgbank), however, declined from 8.8 per cent. in 2005 to 2.6 per cent. in 2006, primarily as a result of the effects of the deposits and offsetting placement arrangements with Raiffeisenbank, which occurred at the end of November 2006, and the distorting effect such arrangement had on the calculation of average interest rates on interest due from banks.

Interest income from financial instruments at fair value through profit or loss. Interest income from financial instruments at fair value through profit or loss for the year ended 31 December 2006 increased by 142.9 per cent. to RUB476.9 million from RUB196.3 million for the year ended 31 December 2005. This increase resulted primarily from an increase in financial instruments at fair value through profit or loss held by URSA Bank (excluding the effect of the acquisition of Uralvneshtorgbank) of 302.1 per cent. in 2006 as compared to 2005. URSA Bank's financial instruments at fair value through profit or loss consist largely of Russian government debt instruments and Russian corporate bonds. URSA Bank (excluding the effect of the acquisition of Uralvneshtorgbank) recorded average interest rates on financial instruments at fair value through profit or loss of 6.8 per cent. in 2006 compared to average interest rates of 10.1 per cent. in 2005, principally due to an overall decline in Russian bond yields since 2005.

Interest Expense

Total interest expense increased by 190.4 per cent. to RUB3,549.8 million for the year ended 31 December 2006 from RUB1,222.4 million for the year ended 31 December 2005. The increase in total interest expense was primarily attributable to increases in URSA Bank's debt securities in issue as well as an increase in interest expense related to customer accounts due to an increase in URSA Bank's deposit base, higher levels of borrowings from other banks and URSA Bank's issuances in 2006 of subordinated debt securities.

Interest expenses related to customer accounts. Expenses related to customer accounts increased by 56.9 per cent. for the year ended 31 December 2006 to RUB1,329.1 million from RUB847.1 million for the year ended 31 December 2005. This increase resulted from an increase in deposits by both corporate and individual customers reflecting the growth (excluding the effect of the acquisition of Uralvneshtorgbank) in URSA Bank's customer base, growth of its regional operations and expansion of its retail activities, offset in part by a decline in recorded average interest rates paid on customer accounts of 7.5 per cent. in 2006 as compared to average interest rates of 7.8 per cent. in 2005 for URSA Bank.

Interest expenses related to debt securities in issue. Interest expense related to debt securities in issue for the year ended 31 December 2006 increased by 529.9 per cent. to RUB1,482.8 million from RUB235.4 million for the year ended 31 December 2005. This resulted from a significant increase in the amount of debt securities in issue by URSA Bank in 2006 as compared to 2005 primarily due to the issuance of a significant amount of long-term loan participation notes and Rouble-denominated bonds by URSA Bank in 2006. Average interest rates paid on debt securities in issue by URSA Bank (excluding the effect of the acquisition of Uralvneshtorgbank) were 7.9 per cent. in 2006 compared to average interest rates of 7.7 per cent. in 2005 principally as a result of the issuance of longer-term securities in 2006.

Interest expenses related to due to other banks. Interest expenses related to due to other banks for the year ended 31 December 2006 increased by 390.7 per cent. to RUB410.5 million from RUB83.7 million for the year ended 31 December 2005. This increase resulted from an increase in borrowings by URSA Bank from other banking institutions, including syndicated loans, in 2006. In particular, Raiffeisenbank made a term placement of RUB9,751.8 million with URSA Bank at the end of 2006. The placement was part of an arrangement with Raiffeisenbank pursuant to which URSA Bank deposited Euro 300 million that it

received in connection with an issuance of Euro 300 million loan participation notes in November 2006 with Raiffeisenbank, and Raiffeisenbank, in turn, deposited the equivalent amount in U.S. dollars with URSA Bank on the same date. URSA Bank entered into the deposit and offsetting placement arrangement with Raiffeisenbank to effectively swap its Euro 300 million in proceeds from the issuance of loan participation notes in November 2006 into U.S. dollars as part of balancing its overall currency position. In addition, URSA Bank (excluding the effect of the acquisition of Uralvneshtorgbank) recorded average interest rates paid to other banks of 4.9 per cent. in 2006 as compared to average interest rates of 3.5 per cent. in 2005.

Interest expenses related to subordinated debt. Interest expense related to subordinated debt for the year ended 31 December 2006, increased by 481.9 per cent. to RUB327.5 million from RUB56.3 million for the year ended 31 December 2005. URSA Bank completed its first issuance of subordinated debt in the international capital markets in June 2005 (an issuance of loan participation notes supporting a subordinated loan), and had a total of RUB1,092.6 million in subordinated debt outstanding as of 31 December 2005 as compared to RUB4,771.9 million outstanding as of 31 December 2006 on a stand-alone basis. Average interest rates paid on subordinated debt were 12.3 per cent. in 2006 as compared to 8.5 per cent. in 2005, such increase being attributable to the manner in which URSA Bank has calculated average rates for purposes of this Base Prospectus (based on opening, mid-year and closing balances for 2005 and on a quarterly balance basis for 2006) and the timing of the issuances of the subordinated debt in 2005. The annual contractual rates of interest on the subordinated debt issued by URSA Bank in 2005 ranged from 11.0 to 12.3 per cent. while on the subordinated debt issued by URSA Bank in 2006 the rates ranged from LIBOR plus 6 per cent. to LIBOR plus 6.75 per cent. for variable rate debt and 12.0 per cent. for fixed rate debt.

Provision for Loan Impairment

The following table sets forth details of changes in the provisions for loan impairment during the years ended 31 December 2006 and 2005.

	Year ended 31 December		% change between 2006 and 2005
	2006	2005	
	(thousands of Roubles)		
Provision for loan impairment as at 1 January	**469,210**	**274,303**	**71.1%**
Loans written off during the period as uncollectible	(725)	(1,200)	(39.6%)
Provision for loan impairment for the year	1,331,475	196,107	579.0%
Provision for loan impairment acquired in business combination	1,127,383	—	N/A
Provision for loan impairment as at 31 December	**2,927,343**	**469,210**	**523.9%**

The increase in provision for loan impairment for the year ended 31 December 2006 was RUB1,331.5 million compared to an increase in the provision for loan impairment of RUB196.1 million for the year ended 31 December 2005. In addition, URSA Bank recorded a provision for loan impairment of RUB1,127.4 million in connection with the acquisition of Uralvneshtorgbank's loan portfolio in 2006. The increase in provision for loan impairment for the year ended 31 December 2006 was primarily attributable to both the significant increase in the size of the overall portfolio and increases in overdue loans.

Non-interest Income

The following table sets forth certain information regarding URSA Bank's non-interest income for the years ended 31 December 2006 and 2005:

	Year Ended 31 December		% change between 2006 and 2005
	2006	2005	
	(thousands of Roubles)		
Net (loss)/income on securities trading	(4,351)	110,960	(103.9%)
Net foreign exchange income	134,271	34,213	292.5%
Fee and commission income	2,135,756	693,863	207.8%
Fee and commission expense	(139,233)	(40,754)	241.6%
Recovery of impairment on credit related commitments	5,364	1,989	169.7%
Other operating income	113,947	29,632	284.5%
Total non-interest income	**2,245,754**	**829,903**	**170.6%**

URSA Bank's non-interest income increased by 170.6 per cent. for the year ended 31 December 2006 to RUB2,245.8 million from RUB829.9 million for the year ended 31 December 2005. The increase in URSA Bank's non-interest income resulted principally from an increase in fee and commission income, partially offset by an increase in fees and commission expense and the fact that URSA Bank recorded a small loss on income from securities trading in 2006 as compared to income from securities trading in 2005.

Net loss on securities trading. URSA Bank recorded a net loss on securities trading for the year ended 31 December 2006 of RUB4.4 million as compared to net income of RUB111.0 million for the year ended 31 December 2005 due to fluctuations in the Russian bond markets in 2006.

Net foreign exchange income. Net foreign exchange income increased from RUB34.2 million for the year ended 31 December 2005 to RUB134.3 million for the year ended 31 December 2006, primarily as a result of gain from revaluation of liabilities denominated in foreign currencies resulting from the appreciation of the Russian Rouble against major foreign currencies in 2006.

Net fee and commission income. The following table sets forth certain information regarding URSA Bank's net fee and commission income for the years ended 31 December 2006 and 2005:

	Year Ended 31 December		% change between 2006 and 2005
	2006	2005	
	(thousands of Roubles)		
Fee and commission income			
Commission on settlement transactions	747,639	372,758	100.6%
Commission on cash transactions	1,167,491	265,218	340.2%
Other	220,626	55,887	294.8%
Total fee and commission income	**2,135,756**	**693,863**	**207.8%**
Fee and commission expense			
Commission on settlement transactions	(96,998)	(24,894)	289.6%
Commission on cash transactions	(3,348)	(6,161)	(45.7%)
Other	(38,887)	(9,699)	300.9%
Total fee and commission expense	**(139,233)**	**(40,754)**	**241.6%**
Net fee and commission income	**1,996,523**	**653,109**	**205.7%**

URSA Bank derives fee and commission income and expense principally from (i) settlement transactions, which includes, among other things, fees and expenses relating to electronic money transfers, account opening fees, issuances of guarantees and letters of credit, and provision of bank statements and (ii) cash transactions, including fees and expenses related to cash withdrawal fees and expenses, currency exchanges and ATM fees and expenses. Net fee and commission income for the year ended 31 December 2006 increased by 205.7 per cent. to RUB1,996.5 million from RUB653.1 million for the year ended 31 December 2005. This increase was primarily attributable to an increase in net fee and commission income from settlement and cash transactions. The increase in net fee and commission income resulted from the expansion of URSA Bank's customer base.

Commissions on settlement transactions increased by 100.6 per cent. to RUB747.6 million in 2006 from RUB372.8 million in 2005, while commissions on cash transactions increased by 340.2 per cent. to RUB1,167.5 million from RUB265.2 million in 2005. The increase in commissions on cash transactions in 2006 as compared to 2005 is due to the growth in URSA Bank's client base and volumes of cash transactions and increased commissions for certain cash withdrawals.

Other operating income. Other operating income principally includes fines and penalties URSA Bank charged its customers, such as fines and penalties for late payment of retail loans and late payment of interest on corporate loans, as well as charges for processing documents for customers. Other operating income increased by 284.5 per cent. to RUB113.9 million for the year ended 31 December 2006 compared to RUB29.6 million for the year ended 31 December 2005, primarily resulting from an increase in fines and penalties received from overdue loans and in relation to other transactions.

Operating Expenses

The following table sets forth the major components of URSA Bank's operating expenses for the years ended 31 December 2006 and 2005:

	Year Ended 31 December		% change between 2006 and 2005
	2006	2005	
	(thousands of Roubles)		
Rental expenses	246,897	145,454	69.7%
Advertising and marketing	223,296	55,775	300.4%
Expenses related to premises and equipment	222,801	83,427	167.1%
Depreciation of premises and equipment	122,204	73,914	65.3%
Professional services	119,242	71,425	66.9%
Supplies	86,828	40,235	115.8%
Taxes other than on income	83,685	19,459	330.1%
Deposit insurance	73,580	59,031	24.6%
Business trips and representation	62,741	23,530	166.6%
Security	54,184	31,974	69.5%
Charity	8,663	21,168	(59.1%)
Other	230,436	97,984	135.2%
Total operating expenses	**1,534,557**	**723,376**	**112.1%**

URSA Bank's operating expenses increased by 112.1 per cent. to RUB1,534.6 million for the year ended 31 December 2006 from RUB723.4 million for the year ended 31 December 2005, primarily as a result of higher rental expenses, higher advertising and marketing expenses, higher premise and equipment expenses and high professional services expenses and certain other expenses, principally reflecting the overall growth of URSA Bank's operations. Rental expense increased by 69.7 per cent. to RUB246.9 million for the year ended 31 December 2006 from RUB145.5 million for the year ended 31 December 2005, due to increases in rent prices during 2006 and the increased rental space requirements of URSA Bank in connection with its branch expansion. Advertising and marketing expenses increased by 300.4 per cent. to RUB223.3 million for the year ended 31 December 2006 from RUB55.8 million for the year ended 31 December 2005, due to increases in URSA Bank's overall branch expansion and as a consequence of URSA Bank's rebranding campaign, which commenced in the fourth quarter of 2006, in connection with the Bank's name change as a result of the acquisition of Uralvneshtorgbank by Sibacadembank. Professional services expenses, which includes, among other things, investment advisory services, IT consultants and legal services, increased by 66.9 per cent. to RUB119.2 million for the year ended 31 December 2006 from RUB71.4 million for the year ended 31 December 2005, due in part to consulting work relating to the expansion of URSA Bank's IT systems and in connection with URSA Bank's increased activity in the international loan and capital markets.

Staff Costs

URSA Bank's staff costs increased by 140.1 per cent. to RUB1,508.4 million for the year ended 31 December 2006 from RUB628.3 million for the year ended 31 December 2005. The increase in staff costs (which includes remuneration to employees as well as social taxes (i.e., payments made by Russian employers to the State Social Security Fund and the Federal Medical Insurance Fund)) is principally attributable to an approximately two-fold increase in the number of employees of URSA Bank (excluding

the acquisition of Uralvneshtorgbank) during the year ended 31 December 2006 as compared to the prior year as well as salary increases that exceeded inflation.

Income Tax Expense

For the year ended 31 December 2006, URSA Bank's income tax expense increased by 217.6 per cent. to RUB450.1 million from RUB141.7 million for the year ended 31 December 2005. The statutory income tax rate applicable to the majority of URSA Bank's income was 24 per cent. for each fiscal year. The increase in income tax expense of URSA Bank is attributable in part to a corresponding increase in URSA Bank's income before taxation, which grew by 198.1 per cent. for the year ended 31 December 2006 as compared to the year ended 31 December 2005.

The following table sets out URSA Bank's income tax expense for the years ended 31 December 2006 and 2005:

	Year Ended 31 December		% change between 2006 and 2005
	2006	2005	
	(thousands of Roubles)		
Income before taxation	**1,914,583**	**642,348**	**198.1%**
Income tax expense using the applicable tax rate	459,500	154,164	198.1%
Effect of non-deductible expenses	13,734	1,870	634.4%
Effect of lower tax rates	(21,132)	(12,447)	69.8%
Income tax over accrued in previous years	—	(1,861)	(100.0%)
Other effects	(2,013)	—	N/A
Income tax expense for the year	**450,089**	**141,726**	**217.6%**

See Note 21 to the Financial Statements as of and for the year ended 31 December 2006 for additional details regarding URSA Bank's income tax expenses.

Net income

For the year ended 31 December 2006, URSA Bank's net income increased by 192.5 per cent. to RUB1,464.5 million, compared to RUB500.6 million for the year ended 31 December 2005.

Year ended 31 December 2005 compared with the year ended 31 December 2004

Summary

The following table sets forth the principal components of URSA Bank's net income for the years indicated:

	Year Ended 31 December		% change between 2005 and 2004
	2005	2004	
	(thousands of Roubles)		
Interest income	2,582,686	1,237,761	108.7%
Interest expense	(1,222,420)	(514,272)	137.7%
Net interest income before provision for loan impairment	**1,360,266**	**723,489**	**88.0%**
Provision for loan impairment	(196,107)	(145,465)	34.8%
Net interest income after provision for loan impairment	**1,164,159**	**578,024**	**101.4%**
Net income on securities trading	110,960	11,518	863.4%
Net foreign exchange income	34,213	48,743	(29.8%)
Fee and commission income	693,863	469,578	47.8%
Fee and commission expense	(40,754)	(17,462)	133.4%
Recovery of/(provision for) impairment on credit-related commitments	1,989	(7,353)	(127.1%)
Other operating income	29,632	23,839	24.3%
Operating income	**1,994,062**	**1,106,887**	**80.2%**
Operating expenses	(723,376)	(450,301)	60.6%
Staff costs	(628,338)	(382,312)	64.4%
Income before taxation	**642,348**	**274,274**	**134.2%**
Income tax expense	(141,726)	(75,134)	88.6%
Net income	**500,622**	**199,140**	**151.4%**

Net Interest Income

URSA Bank's net interest income before provisions for loan impairment for the year ended 31 December 2005 increased by approximately 88.0 per cent. to RUB1,360.3 million from net interest income before provisions for loan impairment of RUB723.5 million for the year ended 31 December 2004. This increase resulted from an overall increase in interest income (due to significant growth in URSA Bank's loan portfolio and other interest generating activities) that exceeded the absolute growth in interest expense, although the growth in interest expense exceeded that of interest income in percentage terms.

The following table sets forth the principal components of URSA Bank's interest income and interest expense for the years ended 31 December 2005 and 2004:

	Year Ended 31 December		% change between 2005 and 2004
	2005	2004	
	(thousands of Roubles)		
Interest income			
Loans to customers	2,338,381	1,150,260	103.3%
Financial instruments at fair value through profit or loss	196,334	68,331	187.3%
Due from other banks	47,971	19,170	150.2%
Total interest income	**2,582,686**	**1,237,761**	**108.7%**
Interest expense			
Customer accounts	(847,075)	(471,748)	79.6%
Debt securities in issue	(235,405)	(30,845)	663.2%
Due to other banks	(83,660)	(11,679)	616.3%
Subordinated debt	(56,280)	—	N/A
Total interest expense	**(1,222,420)**	**(514,272)**	**137.7%**
Net interest income	**1,360,266**	**723,489**	**88.0%**

Interest Income

Interest income includes all interest income from loans to customers, due from other banks and from financial instruments at fair value through profit or loss. Total interest income increased by 108.7 per cent. to RUB2,582.7 million for the year ended 31 December 2005 from RUB1,237.8 million for the year ended 31 December 2004.

Interest income from loans to customers. Interest income from loans to customers (retail and corporate) increased by 103.3 per cent. from RUB1,150.3 million for the year ended 31 December 2004 to RUB2,338.4 million for the year ended 31 December 2005. This increase resulted primarily from the significant growth in loans outstanding. The average balance of URSA Bank's loans to customers was RUB12,231.1 million in 2005 as compared to RUB4,680.5 million in 2004. On the other hand, URSA Bank recorded average interest rates on loans to customers of 19.12 per cent. in 2005, a 22.2 per cent. decline compared to average interest rates of 24.58 per cent. in 2004. The decline in interest rates is principally due to the increase in corporate loans and the increase in retail loans URSA Bank purchased from related and unrelated banks, which tend to have lower interest rates than retail loans originated by URSA Bank, as a percentage of URSA Bank's total loan portfolio. In particular, loans to corporate entities (gross) increased by 252.6 per cent. to RUB10,568.2 million as of 31 December 2005 from RUB2,997.2 million as of 31 December 2004. In addition, URSA Bank purchased a total of RUB4,926.0 million retail loans from other banks in 2005, an activity it did not engage in previously. These loans typically have a lower interest rate than loans originated by URSA Bank, because the selling banks retain a portion of the interest paid by the borrowers under the loans pursuant to their arrangements with URSA Bank.

Interest income from due from other banks. Interest income from due from other banks increased by 150.2 per cent. from RUB19.2 million for the year ended 31 December 2004 to RUB48.0 million for the year ended 31 December 2005 primarily due to higher levels of interbank loans and deposits placed with other banks in 2005 as compared to 2004. Average amounts due from other banks increased to RUB547.1 million in 2005 from RUB266.5 million in 2004. Such increase reflects the increased amount of interbank lending and greater overall liquidity of URSA Bank in 2005, as compared to 2004, where URSA Bank's interbank lending was affected by the beginning of the "mini-banking crisis" of 2004 that

resulted in temporarily lower interbank lending activity across Russia. In May 2004, Guta Bank, a large Russian bank, had its banking licence revoked and shortly thereafter stopped making payments on its obligations. Interbank lending volumes in Russia shrank considerably for a period beginning in June 2004 in response to these and related developments. The average interest rates on the interbank market also declined in 2004 due to macroeconomic developments such as the decline in the rates of inflation.

Interest income from financial instruments at fair value through profit or loss. Interest income from financial instruments at fair value through profit or loss for the year ended 31 December 2005 increased to RUB196.3 million from RUB68.3 million for the year ended 31 December 2004. This increase resulted primarily from an increase in the average balances of URSA Bank's financial instruments at fair value through profit or loss to RUB1,941.9 million in 2005 as compared to RUB572.0 million in 2004. URSA Bank's financial instruments at fair value through profit or loss consist largely of Russian government debt instruments and Russian corporate bonds. On the other hand, URSA Bank recorded average interest rates on financial instruments at fair value through profit or loss of 10.11 per cent. in 2005, a 15.4 per cent. decline compared to average interest rates of 11.95 in 2004, principally due to an overall decline in Russian bond yields in 2005 as compared to 2004.

Interest Expense

Total interest expense increased by 137.7 per cent. to RUB1,222.4 million for the year ended 31 December 2005 from RUB514.3 million for the year ended 31 December 2004. The increase in total interest expense was primarily attributable to an increase in interest expense related to customer accounts due to an increase in URSA Bank's deposit base as well as increases in URSA Bank's debt securities in issue, higher levels of borrowings from other banks and the issuances in 2005 of subordinated debt.

Interest expenses related to customer accounts. Expenses related to customer accounts increased by 79.6 per cent. for the year ended 31 December 2005 to RUB847.1 million from RUB471.7 million for the year ended 31 December 2004. This increase resulted from an increase in deposits by both corporate and individual customers reflecting the growth in URSA Bank's customer base, growth of its regional operations and expansion of its retail activities. Average amounts of customer accounts increased to RUB10,850.6 million in 2005 from RUB6,368.4 million in 2004. URSA Bank also recorded average interest rates paid on customer accounts of 7.81 per cent. in 2005, a 5.4 per cent. increase compared to average interest rates of 7.41 per cent. in 2004.

Interest expenses related to debt securities in issue. Interest expense related to debt securities in issue for the year ended 31 December 2005, increased by 663.2 per cent. to RUB235.4 million from RUB30.9 million for the year ended 31 December 2004. This resulted from a significant increase in the amount of URSA Bank's debt securities in issue in 2005 as compared to 2004, primarily due to the issuance of a significant amount of long-term loan participation notes and rouble-denominated bonds by URSA Bank in 2005. Average amounts of debt securities in issue increased to RUB3,043.6 million in 2005 from RUB460.6 million in 2004. In addition, average interest rates paid on debt securities in issue were 7.73 per cent. in 2005, a 15.4 per cent. increase compared to average interest rates of 6.70 per cent. in 2004, principally due to the issuance of longer term securities in 2005.

Interest expenses related to due to other banks. Interest expenses related to due to other banks for the year ended 31 December 2005, rose by 616.3 per cent. to RUB83.7 million from RUB11.7 million for the year ended 31 December 2004. This increase resulted from an increase in borrowings by URSA Bank from other banking institutions, including syndicated loans, in 2005. Average amounts due to other banks increased to RUB2,421.8 million in 2005 from RUB325.3 million in 2004. On the other hand, URSA Bank recorded average interest rates paid to other banks of 3.45 per cent. in 2005, a 3.9 per cent. decrease compared to average interest rates of 3.59 per cent. in 2004.

Interest expenses related to subordinated debt. Interest expense related to subordinated debt amounted to RUB56.3 million in 2005 as compared to zero in 2004. URSA Bank completed its first issuance of subordinated debt in the international capital markets in June 2005 (an issuance of loan participation notes supporting a subordinated loan), and had a total of RUB1,092.6 million in subordinated debt outstanding as of 31 December 2005.

Provision for Loan Impairment

The following tables sets forth details of changes in the provisions for loan impairment during the years ended 31 December 2005 and 2004:

	Year Ended 31 December		% change between 2005 and 2004
	2005	2004	
	(thousands of Roubles)		
Provision for loan impairment as at 1 January	**274,303**	**142,166**	92.9%
Loans written off during the period as uncollectible	(1,200)	(13,328)	(91.0%)
Provision for loan impairment for the year	196,107	145,465	34.8%
Provision for loan impairment as at 31 December	**469,210**	**274,303**	71.1%

The increase in provision for loan impairment for the year ended 31 December 2005 was RUB196.1 million compared to an increase in the provision for loan impairment of RUB145.5 million for the year ended 31 December 2004. The increase in provision for loan impairment for the year ended 31 December 2005 was primarily attributable to an increase in the loan portfolio.

Non-interest Income

The following table sets forth certain information regarding URSA Bank's non-interest income for the years ended 31 December 2005 and 2004:

	Year Ended 31 December		% change between 2005 and 2004
	2005	2004	
	(thousands of Roubles)		
Net income on securities trading	110,960	11,518	863.4%
Net foreign exchange income	34,213	48,743	(29.8%)
Fee and commission income	693,863	469,578	47.8%
Fee and commission expense	(40,754)	(17,462)	133.4%
Recovery of/(provision for) impairment on credit-related commitments	1,989	(7,353)	(127.1%)
Other operating income	29,632	23,839	24.3%
Total non-interest income	**829,903**	**528,863**	**56.9%**

URSA Bank's non-interest income increased by 56.9 per cent. for the year ended 31 December 2005 to RUB829.9 million from RUB528.9 million for the year ended 31 December 2004. The increase in URSA Bank's non-interest income resulted principally from an increase in net income on securities trading and fee and commission income, partially offset by a decrease in net foreign exchange income and an increase in fees and commission expense.

Net income on securities trading. Net income on securities trading for the year ended 31 December 2005 increased to RUB111.0 million from RUB11.5 million for the year ended 31 December 2004, primarily as a result of significant market value increases in URSA Bank's debt securities portfolio for the year ended 31 December 2005 in large part due to the strong performance of the Russian securities markets in 2005.

Net foreign exchange income. Net foreign exchange income decreased from RUB48.7 million for the year ended 31 December 2004 to RUB34.2 million for the year ended 31 December 2005, primarily as a result of a decrease of foreign exchange trading volume during 2005 in part due to fewer transactions requiring exchange for currency control purposes.

Net fee and commission income. The following table sets forth certain information regarding URSA Bank's net fee and commission income for the years ended 31 December 2005 and 2004:

	Year Ended 31 December		% change between 2005 and 2004
	2005	2004	
	(thousands of Roubles)		
Fee and commission income			
Commission on settlement transactions	372,758	376,370	(1.0%)
Commission on cash transactions	265,218	79,518	233.5%
Other	55,887	13,690	308.2%
Total fee and commission income	**693,863**	**469,578**	**47.8%**
Fee and commission expense			
Commission on settlement transactions	(24,894)	(8,717)	185.6%
Commission on cash transactions	(6,161)	(6,845)	(10.0%)
Other	(9,699)	(1,900)	410.5%
Total fee and commission expense	**(40,754)**	**(17,462)**	**133.4%**
Net fee and commission income	**653,109**	**452,116**	**44.5%**

URSA Bank derives fee and commission income and expense principally from (i) settlement transactions, which includes, among other things, fees and expenses relating to electronic money transfers, account opening fees, issuances of guarantees and letters of credit, and provision of bank statements and (ii) cash transactions, including fees and expenses related to cash withdrawal fees and expenses, currency exchanges and ATM fees and expenses. Net fee and commission income for the year ended 31 December 2005 increased by 44.5 per cent. to RUB653.1 million from RUB452.1 million for the year ended 31 December 2004. This increase was primarily attributable to an increase in net fee and commission income from settlement and cash transactions. The increase in net fee and commission income resulted from the expansion of URSA Bank's customer base. URSA Bank's customer account balances increased by 68.8 per cent. to RUB13,963.7 million as of 31 December 2005, from RUB8,270.9 million as of 31 December 2004, which in turn led to an increase in the volume of client transactions.

Commissions on settlement transactions decreased by 1.0 per cent. to RUB372.8 million in 2005 from RUB376.4 million in 2004, while commissions on cash transactions increased to RUB265.2 million from RUB79.5 million in 2004. The slight decline in commissions on settlement transactions relates principally to special offers by URSA Bank to customers including rebates on account opening services and interbank services at different periods in 2005. The increase in commissions on cash transactions in 2005 as compared to 2004 is due to the growth in URSA Bank's client base and volumes of cash transactions and increased commissions for certain cash withdrawals.

Other operating income. Other operating income principally includes fines and penalties URSA Bank received, such as fines and penalties for late payment of retail loans and late payment of interest on corporate loans, as well as charges for processing documents for customers. Other operating income increased by 24.3 per cent. to RUB29.6 million for the year ended 31 December 2005 compared to RUB23.8 million for the year ended 31 December 2004, primarily resulting from an increase in fines and penalties received from overdue loans and in relation to other transactions.

Operating Expenses

The following table sets forth the major components of URSA Bank's operating expenses for the years ended 31 December 2005 and 2004:

	Year Ended 31 December		% change between 2005 and 2004
	2005	**2004**	
	(thousands of Roubles)		
Rental expenses	145,454	102,786	41.5%
Other expenses related to premises and equipment	83,427	66,115	26.2%
Depreciation of premises and equipment	73,914	51,256	44.2%
Professional services	71,425	42,696	67.3%
Advertising and marketing	55,775	32,449	71.9%
Deposit insurance expenses	59,031	—	N/A
Low value items written off	40,235	26,886	49.7%
Security	31,974	25,594	24.9%
Business trips and representation expenses	23,530	11,353	107.3%
Taxes other than on income	19,459	22,281	(12.7%)
Charity	21,168	—	N/A
Other expenses	97,984	68,885	42.2%
Total operating expenses	**723,376**	**450,301**	**60.6%**

URSA Bank's operating expenses increased by 60.6 per cent. to RUB723.4 million for the year ended 31 December 2005 from RUB450.3 million for the year ended 31 December 2004, primarily as a result of higher rental expenses, high professional services expenses, higher advertising and marketing expenses, deposit insurance expenses and certain other expenses, principally reflecting the overall growth of URSA Bank's operations. Rental expense increased by 41.5 per cent. to RUB145.5 million for the year ended 31 December 2005 from RUB102.8 million for the year ended 31 December 2004, due to increases in rent prices during 2005 and the increased rental space requirements of URSA Bank. Professional services expenses, which includes, among other things, investment advisory services, IT consultants and legal services, increased by 67.3 per cent. to RUB71.4 million for the year ended 31 December 2005 from RUB42.7 million for the year ended 31 December 2004, due in part to consulting work relating to the expansion of URSA Bank's IT systems and in connection with URSA Bank's increased activity in the international loan and capital markets. URSA Bank also recorded deposit insurance expenses of RUB59.0 million in the year ended 31 December 2005. On 21 September 2004, the CBR approved URSA Bank's application to join Russia's first deposit insurance system as of 1 January 2005. URSA Bank did not participate (and therefore had no such deposit insurance expenses) in the year ended 31 December 2004.

Staff Costs

URSA Bank's staff costs increased by 64.4 per cent. to RUB628.3 million for the year ended 31 December 2005 from RUB382.3 million for the year ended 31 December 2004. The increase in staff costs (which includes remuneration to employees as well as social taxes (i.e., payments made by Russian employers to the State Social Security Fund and the Federal Medical Insurance Fund)) is principally attributable to a 78.7 per cent. increase in the average number of employees in 2005 as compared to 2004.

Income Tax Expense

For the year ended 31 December 2005, URSA Bank's income tax expense increased by 88.6 per cent. to RUB141.7 million from RUB75.1 million for the year ended 31 December 2004. The statutory income tax rate applicable to the majority of URSA Bank's income was 24 per cent. for each fiscal year. The increase in income tax expense of URSA Bank is attributable in part to a corresponding increase in URSA Bank's income before taxation, which grew by 134.2 per cent. for the year ended 31 December 2005 as compared to the year ended 31 December 2004. The increase in URSA Bank's income tax expense in 2005 was less than the growth in its income before taxation as recorded under IFRS due in part to higher income from Russian state and municipal securities trading, which is subject to lower income tax rates of 9 per cent. to 15 per cent., and the fact that URSA Bank had certain non-deductible expenses in 2004 that increased its effective tax rate.

The following table sets out URSA Bank's income tax expense for the years ended 31 December 2005 and 2004:

	Year Ended 31 December		% change between 2005 and 2004
	2005	2004	
	(thousands of Roubles)		
Income before taxation	**642,348**	**274,274**	134.2%
Income tax expense using the applicable tax rate of 24 per cent.	154,164	65,826	134.2%
Effect of lower tax rates	(12,447)	(3,037)	309.8%
Non-deductible expenses	1,870	12,345	(84.9%)
Income tax over accrued in previous years	(1,861)	—	N/A
Income tax expense for the year	**141,726**	**75,134**	**88.6%**

See Note 22 to the Financial Statements as of and for the year ended 31 December 2005 for additional details regarding URSA Bank's income tax expenses.

Net income

For the year ended 31 December 2005, URSA Bank's net income increased by 151.4 per cent. to RUB500.6 million, compared to RUB199.1 million for the year ended 31 December 2004.

Cash Flows

The following table sets forth URSA Bank's main sources of cash for the years ended 31 December 2006, 2005 and 2004:

	As of the year ended 31 December		
	2006	2005	2004
	(thousands of Roubles)		
Net cash flows from/(used in) operating activities	(28,878,125)	(7,597,376)	262,712
Net cash flows from/(used in) investing activities	4,742,633	(446,243)	(269,994)
Net cash flows from financing activities	28,910,763	9,155,363	484,877
Net increase in cash and cash equivalents	4,757,277	1,110,271	479,640
Cash and cash equivalents, at beginning of the year	3,123,368	2,013,097	1,533,457
Cash and cash equivalents, at end of the year	7,880,645	3,123,368	2,013,097

Year ended 31 December 2006 compared with the year ended 31 December 2005

Operating Activities

For the year ended 31 December 2006, net cash used in URSA Bank's operating activities was RUB28,878.1 million, compared to RUB7,597.4 million for the year ended 31 December 2005. This change resulted primarily from a significant increase in loans to customers in 2006, which resulted in significant cash outflow from URSA Bank.

Investing Activities

For the year ended 31 December 2006, URSA Bank recorded net cash from investing activities of RUB4,742.6 million, compared to net cash used in investing activities of RUB446.2 million for the year ended 31 December 2005. URSA Bank recorded net cash from investing activities in 2006 primarily due to the acquisition by Sibacadembank of Uralvneshtorgbank, which had cash assets of RUB5,433.6 million on the date of the acquisition.

Financing Activities

For the year ended 31 December 2006, net cash from financing activities was RUB28,910.8 million compared to RUB9,155.4 million from financing activities for the year ended 31 December 2005. The increase in net cash from financing activities during 2006 resulted principally from URSA Bank's increased debt financing in 2006 as compared to 2005. See "—Liquidity".

Cash and Cash Equivalents

Cash and cash equivalents as of 31 December 2006 and 2005 were RUB7,880.6 million and RUB3,123.4 million, respectively.

Year ended 31 December 2005 compared with the year ended 31 December 2004

Operating Activities

For the year ended 31 December 2005, net cash used in URSA Bank's operating activities was RUB7,597.4 million, compared to RUB262.7 million of net cash from operating activities for the year ended 31 December 2004. This change resulted primarily from a significant increase in loans to customers in 2005, which resulted in significant cash outflow from URSA Bank.

Investing Activities

For the year ended 31 December 2005, net cash used in investing activities was RUB446.2 million, compared to net cash used in investing activities of RUB270.0 million for the year ended 31 December 2004. The increase in net cash used in investing activities in 2005 resulted primarily from additional investments in premises and office equipment.

Financing Activities

For the year ended 31 December 2005, net cash from financing activities was RUB9,155.4 million compared to RUB484.9 million from financing activities for the year ended 31 December 2004. The increase in net cash from financing activities during 2005 resulted from URSA Bank's higher levels of issuances of debt securities as well as equity and subordinated debt financing in 2005 as compared to 2004. See "—Liquidity".

Cash and Cash Equivalents

Cash and cash equivalents as of 31 December 2004 and 2005 were RUB2,013.1 million and RUB3,123.4 million, respectively.

Liquidity

URSA Bank's principal sources of funding are customer accounts of individuals and corporate clients, which, as of 31 December 2006, amounted to RUB36,502.2 million, and issuances of debt securities on the international and domestic debt markets, which, as of 31 December 2006 amounted to RUB36,124.7 million. In addition, as of 31 December 2006, due to other banks amounted to RUB17,523.5 million, and subordinated debt amounted to RUB5,559.3 million. URSA Bank also funds its operations through capital increases.

URSA Bank has a large and diverse funding base, servicing, as of 31 March 2007, approximately 2.8 million retail clients, over 12,000 SME clients and over 2,000 large corporate clients. Total customer accounts increased to RUB36,502.2 million, as of 31 December 2006, compared to RUB13,963.7 million as of 31 December 2005, and RUB8,270.9 million as of 31 December 2004.

As of 31 December 2006, URSA Bank had debt securities in issue of RUB36,124.7 million as compared to debt securities in issue of RUB7,579.1 million as of 31 December 2005 and RUB491.3 million as of 31 December 2004. In addition, as of 31 December 2006, URSA Bank had borrowings from other banks of RUB17,523.5 million as compared to RUB3,132.1 million as of 31 December 2005 and RUB368.6 million as of 31 December 2004.

URSA Bank's debt and equity issuances in 2005-2007 include:

- On 7 April 2005, URSA Bank issued RUB470 million Rouble-denominated bonds due April 2007. Interest on the Rouble-denominated bonds is payable semi-annually at a rate of 10.59 per cent. per annum.
- On 19 May 2005, URSA Bank issued U.S.$100 million (RUB2,919.8 million) of 9.75 per cent. loan participation notes due May 2008. On 13 December 2005, URSA Bank issued an additional U.S.$75 million (RUB2,100.0 million) of these notes. Interest on the notes is payable semi-annually at a rate of 9.75 per cent. per annum.

- On 29 June 2005, URSA Bank issued U.S.$30 million (RUB863.6 million) of subordinated loan participation notes due July 2010. Interest on the subordinated loan is payable semi-annually at a rate of 12.25 per cent.
- On 12 December 2005, URSA Bank issued RUB1,500 million Rouble-denominated bonds due December 2008. Interest on the Rouble-denominated bonds is payable semi-annually at a rate of 10 per cent.

In early May 2007, URSA Bank repurchased approximately RUB657 million of such bonds, pursuant to the contractual terms of the bonds, under which the coupon on the bonds was reset from 10 per cent. to 7.65 per cent. The Rouble-denominated bonds so repurchased were subsequently resold to institutional investors at a coupon of 7.65 per cent.

- In December 2005, URSA Bank issued 90 million of its ordinary shares with a nominal value of RUB1 per share at the price of RUB6.32 per share and 90 million of its Class II preference shares at a nominal value of RUB1 per share at the price of RUB6.32 per share, resulting in total proceeds of RUB1,137.6 million. The preference shares carry no voting rights but rank senior to the ordinary shares in the event of liquidation of URSA Bank. The 90 million Class II preference shares issued in December 2005 paid dividends at the rate of 75.84 per cent. of nominal value per share. Class II preference shares were not redeemable and were converted into ordinary shares on 1 April 2007.
- In May 2006, URSA Bank established a U.S.$1 billion programme, the limit on which was subsequently increased to U.S.$4 billion in May 2007, for the issuance of loan participation notes to be issued by, but with a limited recourse to, Sibacademfinance plc for the sole purpose of financing senior and subordinated loans to URSA Bank. Under the programme, URSA Bank issued:
  - (i) in May 2006, U.S.$350.9 million (approximately RUB9,200.6 million) 9 per cent. loan participation notes due 2009;
  - (ii) in June and September 2006, respectively, U.S.$40 million 12 per cent. subordinated loan participation notes due 31 December 2011 and U.S.$90 million (approximately RUB3,436.1 million in the aggregate) 12 per cent. subordinated loan participation notes due 30 December 2011 (to be consolidated and form a single series with the U.S.$40 million 12 per cent. loan participation notes);
  - (iii) in September 2006, HUF 4,384.6 million (approximately RUB617.9 million) 11.66 per cent. loan participation notes due 2009;
  - (iv) in November 2006, EUR300 million (approximately RUB10,468.7 million) 8.30 per cent. fixed rate loan participation notes due 16 November 2011; and
  - (v) in February 2007, URSA Bank issued RUB5,000 million 9.125 per cent. loan participation notes due 26 February 2010.
- In August 2006, URSA Bank issued 90.0 million of its Class III preference shares at a nominal value of RUB1 per share at the offering price of U.S.$0.9 per share, resulting in total proceeds of U.S.$81.0 million (approximately RUB2,172.3 million). The preference shares carry no voting rights but rank senior to the ordinary shares and subordinated to Class I and Class II preference shares in the event of liquidation of URSA Bank. Every owner of Class III preference shares is entitled to receive an annual per share dividend which shall be the greater of: (a) nine per cent of the placement price per share of the Class III preference shares; or (b) the amount of the dividend to be paid on the ordinary shares of URSA Bank.
- In December 2006, as a result of conversion of all of the outstanding shares of Uralvneshtorgbank into ordinary and preference shares of URSA Bank, URSA Bank issued 404,460,100 additional ordinary shares at a nominal value of RUB1 per share, 1,415,280 Class IV preference shares at a nominal value of RUB1 per share, 1,210 Class V preference shares at a nominal value of RUB1 per share, 21,450 Class VI preference shares at a nominal value of RUB1 per share and 2,530,800 Class VII preference shares at a nominal value of RUB1 per share.

Highly liquid assets (comprising cash and cash equivalents, due from other banks and financial assets classified as held for trading) represented 30.1 per cent. of URSA Bank's balance sheet assets as of 31 December 2006 compared to 24.7 per cent. and 32.9 per cent. as of 31 December 2005 and 31 December 2004, respectively. Although cash and cash equivalents, due from other banks and financial

assets classified as held for trading have increased in absolute terms, they represent a relatively smaller percentage of total assets due to the significant increase in the size of the loan portfolio.

Total Assets

Year ended 31 December 2006 compared with the year ended 31 December 2005

The following table sets forth URSA Bank's total assets as of 31 December 2006 and 2005:

	As of 31 December	
	2006	2005
	(thousands of Roubles)	
Assets		
Cash and cash equivalents	7,880,645	3,123,368
Mandatory cash balances with the CBR	1,095,115	312,749
Financial instruments at fair value through profit or loss	12,298,476	3,014,489
Due from other banks	13,376,797	962,028
Loans to customers	67,405,820	19,944,386
Other assets	629,502	229,593
Goodwill	6,494,241	—
Deferred tax asset	154,782	30,582
Premises and equipment	2,275,394	1,101,295
Total assets	**111,610,772**	**28,718,490**

URSA Bank's assets increased by 288.6 per cent. to RUB111,610.8 million as of 31 December 2006, from RUB28,718.5 million as of 31 December 2005. The increase in total assets was due to organic growth as well as the acquisition of Uralvneshtorgbank. The total assets of Uralvneshtorgbank were RUB23,664.9 million as of 22 December 2006, which accounted for 21.2 per cent. of URSA Bank's total assets as of 31 December 2006. More specifically the overall growth included a 238.0 per cent. increase in net loans to customers, a 308.0 per cent. increase in financial instruments at fair value through profit and loss, a 1,290.5 per cent. increase in due from other banks as well as goodwill of RUB6,494.2 million that URSA Bank recorded in 2006 in connection with the acquisition of Uralvneshtorgbank.

Cash and cash equivalents

As of 31 December 2006, cash and cash equivalents increased by 152.3 per cent. from RUB3,123.4 million as of 31 December 2005 to RUB7,880.6 million. The increase is primarily due to the acquisition of Uralvneshtorgbank, which held cash of RUB 5,433.6 million at the time of acquisition, at the end of 2006.

Financial instruments at fair value through profit or loss

URSA Bank's portfolio of financial instruments at fair value through profit or loss increased by 308.0 per cent. from RUB3,014.5 million as of 31 December 2005 to RUB12,298.5 million as of 31 December 2006, reflecting the growth of URSA Bank's government and corporate debt portfolio.

Due from other banks

As of 31 December 2006, due from other banks increased by 1,290.5 per cent. to RUB13,376.8 million from RUB962.0 million as of 31 December 2005. The principal reason for the increase in due from other banks as of 31 December 2006 as compared to 31 December 2006 relates to a deposit of RUB10,654.4 million with Raiffeisenbank made at the end of 2006. The deposit was part of an arrangement with Raiffeisenbank pursuant to which URSA Bank deposited Euro 300 million that it received in connection with an issuance of Euro 300 million loan participation notes in November 2007 with Raiffeisenbank, and Raiffeisenbank, in turn, deposited the equivalent amount in U.S. dollars with URSA Bank on the same date. The Raffeisenbank deposit with URSA Bank is reflected in URSA Bank's liabilities as of 31 December 2006 as a term placement of other banks in the amount of RUB9,751.8 million. URSA Bank also pledged its deposit with Raiffeisenbank as security against the term placement made by Raiffeisenbank. URSA entered into the deposit and offsetting placement arrangement with Raiffeisenbank to effectively swap its Euro 300 million in proceeds from the issuance of loan participation notes in November 2006 into U.S. dollars as part of balancing its overall currency position.

Loans to customers

Net loans to customers increased to RUB67,405.8 million as of 31 December 2006, from RUB19,944.4 million as of 31 December 2005. Net loans to customers accounted for 60.4 per cent. of URSA Bank's total assets as of 31 December 2006. The growth in net loans to customers from 31 December 2005 to 31 December 2006 was due to several principal factors, including the acquisition of Uralvneshtorgbank, which accounted for 23.3 per cent. of URSA Bank's total net loans as of 31 December 2006, the growth in originated loans to retail and corporate customers, and the purchase of loan portfolio from third parties.

Goodwill

URSA Bank recorded goodwill of RUB6,494.2 million as of 31 December 2006, arising from the acquisition of Uralvneshtorgbank on 22 December 2006. URSA Bank did not record any goodwill as of 31 December 2005. Goodwill represents the excess of the cost of the acquisition of Uralvneshtorgbank, which was determined by reference to the Uralvneshtorgbank shares which were exchanged for newly issued ordinary and preference shares of URSA Bank, over the fair value of URSA Bank's share of the net identifiable assets of Uralvneshtorgbank at the date of the acquisition. See Note 28 to URSA Bank's Financial Statements as of and for the year ended 31 December 2006.

Premises and equipment

Premises and equipment increased by 106.6 per cent. to RUB2,275.4 million as of 31 December 2006, from RUB1,101.3 million as of 31 December 2005 due to costs associated with a new headquarters building and the continued expansion of URSA Bank's branch network.

Year ended 31 December 2005 compared with the year ended 31 December 2004

The following table sets forth URSA Bank's total assets as of 31 December 2005 and 2004:

	As of 31 December	
	2005	2004
	(thousands of Roubles)	
Assets		
Cash and cash equivalents	3,123,368	2,013,097
Mandatory cash balances with the CBR	312,749	209,279
Financial instruments at fair value through profit or loss	3,014,489	925,305
Due from other banks	962,028	467,906
Loans to customers	19,944,386	5,949,349
Other assets	229,593	94,436
Deferred tax asset	30,582	19,169
Premises and equipment	1,101,295	678,412
Total assets	**28,718,490**	**10,356,953**

URSA Bank's assets increased by 177.3 per cent. to RUB28,718.5 million as of 31 December 2005, from RUB10,357.0 million as of 31 December 2004. The increase in total assets was primarily due to a 235.2 per cent. increase in net loans to customers and a 225.8 per cent. increase in financial instruments at fair value through profit and loss.

Cash and cash equivalents

As of 31 December 2005, cash and cash equivalents increased by 55.2 per cent. from RUB2,013.1 million as of 31 December 2004 to RUB3,123.4 million. The increase is primarily attributable to an additional issue of shares in 2005 that was held as cash at the end of the year.

Financial instruments at fair value through profit or loss

URSA Bank's portfolio of financial instruments at fair value through profit or loss increased by 225.8 per cent. from RUB925.3 million as of 31 December 2004 to RUB3,014.5 million as of 31 December 2005, reflecting the growth of URSA Bank's government and corporate debt portfolio.

Due from other banks

As of 31 December 2005, due from other banks increased by approximately 105.6 per cent. to RUB962.0 million from RUB467.9 million as of 31 December 2004. Changes in amounts due from other banks is largely a function of URSA Bank's liquidity position at any particular point in time.

Loans to customers

Net loans to customers increased to RUB19,944.4 million as of 31 December 2005, from RUB5,949.3 million as of 31 December 2004. Net loans to customers accounted for 69.4 per cent. of URSA Bank's total assets as of 31 December 2005. The growth in net loans to customers from 31 December 2004 to 31 December 2005 was primarily attributable to URSA Bank's regional expansion, the growth of its customer base and URSA Bank's purchase of loans to individuals.

Premises and equipment

Premises and equipment increased by 62.3 per cent. to RUB1,101.3 million as of 31 December 2005, from RUB678.4 million as of 31 December 2004 due to costs associated with a new headquarters building and the continued expansion of URSA Bank's branch network.

Loan Portfolio

As of 31 December 2006, URSA Bank had outstanding a total of RUB70,333.2 million in loans to customers (gross of provision for loan impairment and including accrued interest). URSA Bank's corporate lending products include loans denominated in roubles and foreign currency (principally U.S. dollars).

Loans by type

The following table sets out details of URSA Bank's loans by type, as at the dates indicated:

	As of 31 December					
	2006		2005		2004	
	Amount	per cent. of loan portfolio	Amount	per cent. of loan portfolio	Amount	per cent. of loan portfolio
	(thousands of Roubles, except percentages)					
Loans to individuals	32,804,745	46.6	9,845,446	48.2	3,226,476	51.8
Loans to corporate entities	36,948,497	52.6	10,568,150	51.8	2,997,176	48.2
Finance lease receivable	579,921	0.08	—	—	—	—
Total loans (gross)	70,333,163	100.0	20,413,596	100.0	6,223,652	100.0

Loans by economic sector

The following table sets out details of URSA Bank's loans by economic sector, as at the dates indicated:

	As of 31 December			
	2006		2005	
	Amount	per cent. of loan portfolio	Amount	per cent. of loan portfolio
Individuals	32,804,743	47	9,845,446	48
Trade	13,162,756	19	4,518,753	22
Production	5,268,983	7	1,520,648	8
Finance	4,600,983	7	873,584	4
Construction	3,660,695	5	1,012,380	5
Farming	3,020,492	4	253,160	1
Mining	2,357,738	3	269,526	1
Trade finance	852,993	1	461,357	2
Service sector	791,956	1	560,208	3
Energy	373,104	1	129,993	1
Government bodies	46,547	—	111,000	1
Transport	20,082	—	192,050	1
Other	3,372,091	5	665,491	3
Total loans (gross)	**70,333,163**	**100**	**20,413,596**	**100**

Geographical concentration of loans

URSA Bank has a significant geographical concentration of loans issued to borrowers in Novosibirsk and the Novosibirsk region. However, URSA Bank was able to maintain this concentration at approximately 24.0 per cent. of the total loan portfolio as of 31 December 2006, compared to approximately 23.0 per cent. as of 31 December 2005 and approximately 47.0 per cent. as of 31 December 2004, through the acquisition of Uralvneshtorgbank, which carried out most of its lending activities in the UFD, and by increasing the lending activities of its branches in other regions.

Loans by amount and number of borrowers

As of 31 December 2006, URSA Bank's top ten borrowers collectively accounted for a total gross exposure of URSA Bank of RUB6,688.5 million (representing approximately 9.5 per cent. of URSA Bank's total gross loan portfolio and approximately 17.5 per cent. of URSA Bank's gross corporate loan portfolio). See "Certain Risk Factors—Risks Related to URSA Bank's Business and the Banking Sector—Loan and Deposit Concentration".

The following table represents a list of URSA Bank's ten largest borrowers by industry as of 31 December 2006:

Rank by loan size	Exposure size	Borrower's Industry
	(millions of Roubles)	
1	1,769.4	Financial Services
2	1,053.2	Mining
3	603.2	Mining
4	491.0	Trade
5	735.0	Construction
6	446.5	Construction
7	427.4	Financial Services
8	420.1	Financial Services
9	388.2	Trade
10	354.6	Mining

Total Liabilities

Year ended 31 December 2006 compared with the year ended 31 December 2005

The following table sets forth URSA Bank's liabilities as of 31 December 2006 and 2005:

	As of 31 December	
	2006	2005
	(thousands of Roubles)	
Liabilities		
Financial instruments at fair value through profit or loss	539,718	15,859
Due to other banks	17,523,530	3,132,113
Customer accounts	36,502,241	13,963,720
Debt securities in issue	36,124,731	7,579,131
Subordinated loan	5,559,284	1,092,558
Other liabilities	340,445	79,150
Total liabilities	**96,589,949**	**25,862,531**

URSA Bank's total liabilities grew by 273.5 per cent. to RUB96,589.9 million as of 31 December 2006, from RUB25,862.5 million as of 31 December 2005. The increase in total liabilities was primarily due to the acquisition of Uralvneshtorgbank (which accounted for approximately 22.3 per cent. of URSA Bank's total liabilities as of 31 December 2006), as well as significant increases in debt securities in issue, due to other banks and subordinated debt in 2006.

Due to other banks

The following table sets forth amounts due to other banks as of 31 December 2006 and 2005:

	As of 31 December	
	2006	2005
	(thousands of Roubles)	
Term placements of other banks	14,684,377	1,935,742
Syndicated loans	2,740,453	1,174,413
Correspondent accounts of other banks	98,700	21,958
Total due to other banks	**17,523,530**	**3,132,113**

Amounts due to other banks increased by 459.5 per cent. from RUB3,132.1 million as of 31 December 2005 to RUB17,523.5 million as of 31 December 2006. The principal reason for the increase in due to other banks as of 31 December 2006 as compared to 31 December 2005 relates to a term placement of other banks of RUB9,751.8 million made by Raffeisenbank with URSA Bank. The term placement was part of an arrangement with Raiffeisen Bank pursuant to which URSA Bank made an offsetting deposit of Euro 300 million that it received in connection with an issuance of Euro 300 million loan participation notes in November 2007 with Raffeisenbank. See "—Total Assets-Due from other banks".

Customer accounts

The following table sets forth the composition of URSA Bank's customer account portfolio as of 31 December 2006 and 2005:

	As of 31 December	
	2006	2005
	(thousands of Roubles)	
Individuals		
Term deposits	22,741,882	9,301,728
Current and demand accounts	3,508,494	1,795,216
Corporate customers		
Term deposits	4,514,878	1,135,724
Current and settlement accounts	5,736,987	1,731,052
Total customer accounts	**36,502,241**	**13,963,720**

Current and demand accounts of individuals increased by 95.4 per cent. from RUB1,795.2 million as of 31 December 2005 to RUB3,508.5 million as of 31 December 2006, reflecting the overall expansion of URSA Bank's customer base as well as the acquisition of Uralvneshtorgbank, the customer accounts of which constituted approximately 41 per cent. of URSA Bank's total customer accounts as of 31 December 2006. Current and settlement accounts of corporate customers increased by 231.4 per cent. from RUB1,731.1 million as of 31 December 2005 to RUB5,737.0 million as of 31 December 2006, again reflecting the overall expansion of URSA Bank's customer base. Term deposits of individuals increased by 144.5 per cent. from RUB9,301.7 million as of 31 December 2005 to RUB22,741.9 million as of 31 December 2006, reflecting the overall expansion of URSA Bank's customer base and the introduction of new types of deposit accounts for individuals in 2006. Corporate term deposits increased by 297.5 per cent. from RUB1,135.7 million as of 31 December 2005 to RUB4,514.9 million as of 31 December 2006, due to the introduction in 2006 of different terms of deposits for corporate customers.

Subordinated debt

Subordinated debt increased from RUB1,092.6 million as of 31 December 2005 to RUB5,559.3 million as of 31 December 2006, primarily due to the issuance in 2006 of long-term subordinated loan participation notes due 2011 and the acquisition of Uralvneshtorgbank, from which URSA Bank assumed RUB787.4 million of subordinated loans as detailed in the table below:

Principal amount (in thousand)	Interest rate	Issue date	Maturity date	31 December 2006	31 December 2005
130,000 USD	12.00%	30 June 2006	30 December 2011	3,436,142	—
30,000 USD	12.25%	29 June 2005	6 July 2010	822,152	900,282
7,500 USD	Libor +6.75%	15 August 2006	15 October 2013	201,368	—
6,000 USD	Libor +8.00%	30 September 2005	30 September 2010	156,105	170,276
5,000 USD	Libor +6.75%	15 August 2006	15 October 2013	134,093	—
15,000 RUB	11.00%	16 June 2005	16 June 2010	15,000	15,000
7,000 RUB	12.00%	20 April 2004	20 April 2009	7,000	7,000
10,000 USD	Libor +6.50%	28 November 2006	15 September 2013	263,139	—
20,000 USD	Libor +6.00%	25 October 2006	25 October 2013	524,285	—
			Total subordinated debt	**5,559,284**	**1,092,558**

Debt securities in issue

The following table sets forth URSA Bank's debt securities in issue as of 31 December 2006 and 2005:

	As of 31 December	
	2006	2005
	(thousands of Roubles)	
Long-term loan participation notes	24,904,049	5,051,536
Domestic bonds	9,313,654	1,988,573
Promissory notes	1,896,896	473,223
Deposit certificates	10,132	65,799
Total debt securities in issue	**36,124,731**	**7,579,131**

Total debt securities in issue increased from RUB7,579.1 million as of 31 December 2005 to RUB36,124.7 million as of 31 December 2006, primarily due to the issuance by URSA Bank of nearly U.S.$900 million long-term loan participation notes and RUB7,256.1 million in Rouble-denominated bonds in 2006.

Year ended 31 December 2005 compared with the year ended 31 December 2004

The following table sets forth URSA Bank's liabilities as of 31 December 2005 and 2004:

	As of 31 December	
	2005	**2004**
	(thousands of Roubles)	
Liabilities		
Financial instruments at fair value through profit or loss	15,859	—
Due to other banks	3,132,113	368,647
Customer accounts	13,963,720	8,270,865
Debt securities in issue	7,579,131	491,317
Subordinated debt	1,092,558	7,000
Other liabilities	79,150	55,450
Total liabilities	**25,862,531**	**9,193,279**

URSA Bank's total liabilities grew by 181.3 per cent. to RUB25,862.5 million as of 31 December 2005, from RUB9,193.3 million as of 31 December 2004. The increase in total liabilities was primarily due to a 68.8 per cent. increase in customer accounts, the issuance of loan participation notes and domestic bonds of RUB7,040.1 million, a 749.6 per cent. increase in due to other banks, and the issuance of RUB1,085.6 million of subordinated loans in 2005.

Due to other banks

URSA Bank engages in short-term interbank borrowings, primarily as part of its correspondent banking business and to regulate its liquidity.

The following table sets forth amounts due to other banks as of 31 December 2005 and 2004:

	As of 31 December	
	2005	**2004**
	(thousands of Roubles)	
Term placements of other banks	1,935,742	303,660
Syndicated loans	1,174,413	—
Correspondent accounts of other banks	21,958	64,987
Total due to other banks	**3,132,113**	**368,647**

Amounts due to other banks increased by 749.6 per cent. from RUB368.6 million as of 31 December 2004 to RUB3,132.1 million as of 31 December 2005.

Customer accounts

The following table sets forth the composition of URSA Bank's customer account portfolio as of 31 December 2005 and 2004:

	As of 31 December	
	2005	**2004**
	(thousands of Roubles)	
Individuals		
Term deposits	9,301,728	4,886,322
Current and demand accounts	1,795,216	984,125
Corporate customers		
Term deposits	1,135,724	1,406,705
Current and settlement accounts	1,731,052	993,713
Total customer accounts	**13,963,720**	**8,270,865**

Current and demand accounts of individuals increased by 82.4 per cent. from RUB984.1 million as of 31 December 2004 to RUB1,795.2 million as of 31 December 2005, reflecting the overall expansion of URSA Bank's customer base. Term deposits of individuals increased by 90.4 per cent. from RUB4,886.3 million to RUB9,301.7 million, also reflecting the overall expansion of URSA Bank's

customer base. Current and settlement accounts of corporate customers increased by 74.2 per cent. from RUB993.7 million as of 31 December 2004 to RUB1,731.1 million as of 31 December 2005, reflecting the overall expansion of URSA Bank's customer base. Corporate term deposits declined in 2005 as compared to 2004, principally due to lower interest rates on such accounts which corporate customers found less attractive.

Subordinated debt

The following table sets forth URSA Bank's issued subordinated debt as of 31 December 2005 and 2004:

	As of 31 December	
	2005	**2004**
	(thousands of Roubles)	
Long-term subordinated loan participation notes	900,282	—
Placements of corporate investors	192,276	7,000
Total subordinated debt	1,092,558	7,000

Subordinated debt increased from RUB7.0 million as of 31 December 2004 to RUB1,092.6 million as of 31 December 2005, primarily due to the issuance in 2005 of long-term subordinated loan participation notes due 2010.

Debt securities in issue

The following table sets forth URSA Bank's debt securities in issue as of 31 December 2005 and 2004:

	As of 31 December	
	2005	**2004**
	(thousands of Roubles)	
Long-term loan participation notes	5,051,536	—
Domestic bonds	1,988,573	—
Promissory notes	473,223	368,570
Deposit certificates	65,799	122,747
Total debt securities in issue	**7,579,131**	**491,317**

Total debt securities in issue increased from RUB491.3 million as of 31 December 2004 to RUB7,579.1 million as of 31 December 2005, primarily due to the issuance by URSA Bank of its long-term loan participation notes due 2008 and its Rouble-denominated bonds due 2007 and 2008.

Analysis by Segment

URSA Bank has three business segments: commercial banking, retail banking and treasury and investments.

The following tables set out certain segment information for URSA Bank's reportable business segments for the periods shown. Revenues, as indicated in the following tables, comprises all items of income that are included in operating income including interest income, fees and trading gains. In addition, net revenue from other segments, as shown in two tables below, represents income and expense from lending and borrowing between segments, charged at internally calculated rates. For additional information regarding URSA Bank's business segments see Note 26 to the Financial Statements as of and for the year ended 31 December 2006.

Segment information for URSA Bank's main reportable business segments for the year ended 31 December 2006 is set out below:

	For the year ended 31 December 2006				
	Commercial Banking	**Retail Banking**	**Treasury and Investment**	**Unallocated**	**Total**
			(thousands of Roubles)		
External revenue	2,980,092	6,241,660	683,646	67,337	9,972,735
Net revenue from other segments	(1,601,850)	(392,494)	1,994,344	—	—
Revenue	**1,378,242**	**5,849,166**	**2,677,990**	**67,337**	**9,972,735**
Provision for impairment	(12,504)	(1,313,607)	—	—	(1,326,111)
Interest expense	(160,126)	(1,392,213)	(1,997,497)	—	(3,549,836)
Fee and commission expense	(124,053)	—	(15,180)	—	(139,233)
Staff costs and operating expenses	(585,374)	(2,421,126)	(36,472)	—	(3,042,972)
Segment result	**496,185**	**722,220**	**628,841**	**67,337**	**1,914,583**
Income tax expense					(450,089)
Net income					**1,464,494**
Other segment items					
Capital expenditure	**133,710**	**553,030**	**8,331**	**—**	**695,071**
Depreciation charge	**23,972**	**97,231**	**1,001**	**—**	**122,204**

Segment information for URSA Bank's main reportable business segments for the year ended 31 December 2005 is set out below:

	For the year ended 31 December 2005				
	Commercial Banking	**Retail Banking**	**Treasury and Investment**	**Unallocated**	**Total**
			(thousands of Roubles)		
External revenue	1,116,512	1,944,246	360,964	29,632	3,451,354
Net revenue from other segments	(433,747)	176,607	257,140	—	—
Revenue	**682,765**	**2,120,853**	**618,104**	**29,632**	**3,451,354**
Provision for impairment	(92,913)	(101,205)	—	—	(194,118)
Interest expense	(98,530)	(748,545)	(375,345)	—	(1,222,420)
Fee and commission expense	(27,008)	—	(13,746)	—	(40,754)
Staff costs and operating expenses	(301,479)	(1,030,960)	(19,275)	—	(1,351,714)
Segment result	**162,835**	**240,143**	**209,738**	**29,632**	**642,348**
Income tax expense					(141,726)
Net income					**500,622**
Other segment items					
Capital expenditure	135,587	463,664	8,669	—	607,920
Depreciation charge	16,431	56,429	1,054	—	73,914

Each of URSA Bank's commercial banking, retail banking and treasury and investment activities are important components of URSA Bank's revenues and profitability. For the year ended 31 December 2006, retail banking was the largest component of URSA Bank's profitability followed by treasury and investments and commercial banking. In 2006, URSA Bank's retail banking operations recorded a segment result of RUB722.2 million, its treasury and investments operations recorded a segment result of RUB628.8 million and its commercial banking operations recorded a segment result of RUB496.2 million. The retail sector result is attributable to traditionally higher margins, while the result from treasury and investments operations is principally due to the significant growth of URSA Bank's portfolio of financial instruments and associated increase in interest income. For the year ended 31 December 2005, retail banking was the principal component of URSA Bank's profitability, recording a segment result of RUB240.1 million as compared to a treasury and investments result of RUB209.7 million and a commercial banking result of RUB162.8 million. In 2005, retail banking recorded higher revenues than commercial banking principally due to higher interest rates charged on retail loans than commercial loans.

Prior to 2005, URSA Bank did not record the results of its treasury and investment operations separately. For the year ended 31 December 2004, retail banking was the main component of URSA Bank's profitability, recording a segment result of RUB356.1 million as compared to a commercial bank negative segment result of RUB107.7 million. The negative segment result generated by URSA Bank's commercial banking operations related principally to the significant build-up of URSA Bank's commercial operations, including the hiring of new staff.

Capital Expenditures

URSA Bank recorded capital expenditures of RUB186.0 million in 2004, RUB607.9 million in 2005 and RUB695.1 million in 2006, including expenditures relating to IT equipment, buildings, automobiles, ATMs and other items. URSA Bank finances essentially all of its capital expenditures from internally generated funds. URSA Bank expects to record capital expenditures of RUB695.1 million for the purpose of developing its IT infrastructure in 2007.

Contingencies and Commitments

URSA Bank enters into certain financial instruments with off-balance sheet risk in the normal course of business to meet the needs of its clients. Such instruments, which include guarantees, letters of credit, and undrawn credit lines, involve varying degrees of credit risk. The primary purpose of these instruments is to ensure that funds are available to clients as required.

Capital commitments

URSA Bank had no material capital commitments as of 31 December 2006 or 2005.

Operating lease commitments

URSA Bank had future minimum lease payments, with URSA Bank as lessee, under non-cancellable operating leases as of the dates indicated as follows:

	As of 31 December	
	2006	2005
	(thousands of Roubles)	
Less than one year	184,290	—
Between one and five years	402,973	—
More than five years	16,815	—
Total operating lease commitments	**604,078**	**—**

URSA Bank leases a number of premises and equipment under operating leases. The leases typically run for an initial period of five to ten years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rates.

During the year ended 31 December 2006, URSA Bank recognised RUB246.9 million as an expense in its consolidated income statement in respect of operating leases as compared to RUB145.5 million for the year ended 31 December 2005.

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to customers as required. Guarantees and standby letters of credit, which represent irrevocable assurances that URSA Bank 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 URSA Bank on behalf of a customer authorising a third party to draw drafts on URSA Bank up to a stipulated amount under specific terms and conditions, are usually collateralised by

the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing. Outstanding credit related commitments as of the dates indicated were as follows:

	As of 31 December		
	2006	2005	2004
	(thousands of Roubles)		
Undrawn credit lines	5,629,648	1,269,859	595,292
Import letters of credit	817,989	72,820	86,581
Guarantees issued	858,880	243,551	99,897
Total credit-related commitments	**7,306,517**	**1,586,230**	**781,770**

The total outstanding contractual amount of guarantees and letters of credit does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Movements in the provision for losses on credit-related commitments for the years indicated were as follows:

	Year ended 31 December		
	2006	2005	2004
	(thousands of Roubles)		
Provision for losses on credit related commitments as of 1 January	5,364	7,353	—
(Recovery of)/provision for losses on credit related commitments during the period	(5,364)	(1,989)	7,353
Provision for losses on credit related commitments as of 31 December	—	5,364	7,353

Derivative financial instruments

URSA Bank uses forward and spot contracts to hedge economically against fluctuations in the U.S. dollar/Rouble exchange rate. URSA Bank hedges a large portion of the U.S. dollar amounts raised through the issuance of securities and loans by buying Rouble-denominated forward and spot contracts. URSA Bank sometimes retains U.S. dollar funding in U.S. dollars for the purpose of lending to customers or other general banking activities, and does not therefore require hedges for these amounts. URSA Bank has a maximum open currency exposure of 20 per cent. of equity on aggregate positions and 10 per cent. on each currency position in accordance with CBR requirements.

The principal or agreed amounts and fair values of derivative instruments held by URSA Bank as of 31 December 2006 are set out in the following table:

	Notional amount	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss
	(thousands of Roubles)		
Foreign exchange contracts	27,326,464	4,816	539,718

The principal or agreed amounts and fair values of derivative instruments held by URSA Bank as of 31 December 2005 are set out in the following table:

	Notional amount	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss
	(thousands of Roubles)		
Foreign exchange contracts	6,144,070	3,540	15,859

Capital Adequacy

URSA Bank is required to comply with capital adequacy guidelines promulgated by the CBR. These guidelines require a bank to maintain an adequate level of regulatory capital against risk-weighted assets

and off-balance sheet exposures. For the purposes of calculating URSA Bank's capital adequacy ratio according to the CBR's requirements, the principal component of URSA Bank's share capital and assets are divided into five categories with different risk weightings. The minimum capital adequacy ratio required by the CBR is currently 10 per cent. for banks whose capital is €5 million or more. URSA Bank's capital ratios currently comply with CBR's requirements. However, URSA Bank plans to further improve its capital ratios and increase its shareholders' equity by attracting capital from third party investors.

The following table sets forth URSA Bank's regulatory capital amounts and capital adequacy ratios as of the dates presented, based on URSA Bank's Russian statutory accounts.

	As at 31 December		
	2006	2005	2004
	(unaudited) *(thousands of Roubles, except ratios)*		
Regulatory (statutory) capital	12,721,090	3,945,440	1,202,892
Capital adequacy ratio	14.8	16.1	15.3

URSA Bank also complies with the Basel Capital Accord standards established by URSA Bank for International Settlements ("**BIS**"). In accordance with the Basel Capital Accord standards, URSA Bank must maintain a total capital ratio in excess of 8 per cent. URSA Bank's medium-term minimum target BIS capital adequacy ratio is 12 per cent.

The following table sets forth an analysis of URSA Bank's capital base, based on Basel Capital Accord Standards, as of the dates indicated.

	As at 31 December		
	2006	2005	2004
	(unaudited) *(thousands of Roubles, except ratios)*		
Share capital[1]	1,434,920	936,491	756,491
Share premium	11,496,500	1,246,780	289,180
Retained earnings	2,084,546	618,970	118,003
Tier I capital	8,521,538	2,802,241	1,163,674
Tier II capital	4,265,814	1,010,072	5,950
Total capital	**12,725,999**	**3,764,511**	**1,169,624**
Risk-weighted assets	84,492,402	24,150,349	7,615,047
Tier I ratio[2] (%)	10.1	11.6	15.3
Total capital ratio[3] (%)	15.1	15.6	15.4

(1) Comprising common stock and preference stock, if applicable, as of each of the dates indicated.

(2) Tier I capital divided by risk-weighted assets.

(3) Net total capital divided by risk-weighted assets.

SELECTED STATISTICAL INFORMATION FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

The following selected statistical and other financial information is derived, where applicable, from URSA Bank's Financial Statements.

Average Balance Sheet and Interest Rate Data

The following table sets forth the average balances of assets and liabilities of URSA Bank for the periods indicated and, for interest-earning assets and interest-bearing liabilities, sets forth the amount of interest income or expense and the average rate of such interest for such assets and liabilities. For the purposes of this table, the average balances of assets and liabilities represent the average of the opening, mid-year and closing balances for each of the periods indicated. The results of this analysis would likely be different if alternative averaging balance methods were used.

On 22 December 2006, URSA Bank completed its acquisition of the outstanding shares of Uralvneshtorgbank. For purposes of the preparation of URSA Bank's Financial Statements as of and for the year ended 31 December 2006, the acquisition of Uralvneshtorgbank has been accounted for using the purchase method of accounting as of the date of acquisition.

As the acquisition of Uralvneshtorgbank by URSA Bank was completed on 22 December 2006, for purposes of the average balance sheet and interest rate tables below, URSA Bank has excluded the effect of the assets and liabilities of the Uralvneshtorgbank business included in the consolidated balance sheet of URSA Bank as of 31 December 2006. Because URSA Bank's income statement for the year ended 31 December 2006 does not reflect the results of operations of Uralvneshtorgbank, the inclusion of Uralvneshtorgbank's assets and liabilities in URSA Bank's balance sheet as of 31 December 2006 would have the effect of increasing URSA Bank's average balances, while leaving the 2006 income and expenses of URSA Bank unchanged, thus lowering the average interest rates below the rates that URSA Bank actually recorded in 2006. Management believes that by excluding both the income statement and the balance sheet effect of the acquisition of Uralvneshtorgbank on URSA Bank's financial statements for

purposes of the tables below, the tables present a more accurate reflection of the average balance and average interest rate trends experienced by URSA Bank during 2006.

	For the year ended 31 December								
	2006			2005			2004		
	Average Balance	**Income/ Expense**	**Average Interest Rate[1]**	**Average Balance**	**Income/ Expense**	**Average Interest Rate[1]**	**Average Balance**	**Income/ Expense**	**Average Interest Rate[1]**
	(thousands of Roubles, except percentages)								
Assets									
Interest-earning assets									
Due from other banks[2]	4,675,250	120,414	2.58%	547,075	47,971	8.77%	266,456	19,170	7.19%
Loans to customers[2]	35,465,658	6,995,782	19.73%	12,231,141	2,338,381	19.12%	4,680,474	1,150,260	24.58%
Financial instruments at fair value through profit or loss[3]	7,060,884	476,916	6.75%	1,941,899	196,334	10.11%	571,951	68,331	11.95%
Total	**47,201,792**	**7,593,112**	**16.09%**	**14,720,115**	**2,582,686**	**17.55%**	**5,518,881**	**1,237,761**	**22.43%**
Cash and cash equivalents	2,785,295			2,775,533			1,616,794		
Mandatory cash balances with the CBR	585,662			273,412			318,568		
Other assets	313,759			231,207			82,998		
Deferred tax asset	83,287			34,169			23,650		
Premises and equipment	1,341,557			816,364			550,889		
Total average assets	**54,926,003**			**18,838,531**			**8,013,508**		
Liabilities and Shareholders' Equity									
Interest-bearing liabilities									
Due to other banks	8,412,123	410,482	4.88%	2,421,759	83,660	3.45%	325,254	11,679	3.59%
Customer accounts	17,798,020	1,329,105	7.47%	10,850,588	847,075	7.81%	6,368,447	471,748	7.41%
Debt securities in issue	18,755,158	1,482,752	7.91%	3,043,561	235,405	7.73%	460,557	30,845	6.70%
Subordinated debt	2,657,872	327,497	12.32%	660,574	56,280	8.52%	2,333	—	—
Total	**47,623,173**	**3,549,836**	**7.45%**	**16,976,482**	**1,222,420**	**7.20%**	**7,156,591**	**514,272**	**7.19%**
Other liabilities	195,233			78,621			76,476		
Shareholders' equity	7,107,597			1,783,428			780,441		
Total average liabilities and shareholders' equity	**54,926,003**			**18,838,531**			**8,013,508**		
Net interest spread[4]			8.63%			10.35%			15.24%
Net interest income before provisions for loan impairment	4,043,276			1,360,266			723,489		
Net interest margin[5]			8.57%			9.24%			13.11%

(1) Average interest rate on interest-earning assets was calculated as total interest income divided by interest-earning assets representing the average of the opening, mid-year and closing balances for each of 2005 and 2004 and of the opening, first quarter, mid-year, nine months and closing balances for 2006. Average interest rate on interest-bearing liabilities was calculated as total interest expense divided by interest-bearing liabilities representing the average of the opening, mid-year and closing balances for each of 2005 and 2004 and of the opening, first quarter, mid-year, nine months and closing balances for 2006. For a description of the data used in the preparation of the table for the year ended 31 December 2006, see "—Average Balance Sheet and Interest Rate Data" above.

(2) Prior to deducting provision for impairment.

(3) Excludes equity securities and equity investments in non-consolidated banks and companies, as these securities and investments are not interest-earning.

(4) The difference between the average interest rate on interest-earning assets and the average interest rate on interest-bearing liabilities.

(5) Net interest income before provision for loan impairment expressed as a percentage of average interest-earning assets.

Net Changes in Interest Income and Expense—Volume and Rate Analysis

The following table provides a comparative analysis of net changes in interest earned and interest paid by reference to changes in average volume and rates for the periods indicated. Net changes in net interest income are attributed to either changes in average balances (volume change) or changes in average rates (rate change) for earning assets and sources of funds on which interest is received or paid. Volume change is calculated as the change in volume multiplied by the current rate, while rate change is calculated as the change in rate multiplied by the previous volume. Average balances represent the average of the opening, mid-year and closing balances for each of the periods indicated.

For purposes of the table below, URSA Bank has excluded the effect the acquisition of Uralvneshtorgbank on the consolidated balance sheet of URSA Bank as of 31 December 2006 because URSA Bank's management believes that by doing so the tables give a more accurate reflection of the net

changes in interest income and expense attributable to volume changes and rate changes URSA Bank experienced for the year ended 31 December 2006.

	For the year ended 31 December								
	2006/2005 Increase/(decrease) due to changes in			2005/2004 Increase/(decrease) due to changes in			2004/2003 Increase/(decrease) due to changes in		
	Volume	**Rate**	**Net Change**	**Volume**	**Rate**	**Net Change**	**Volume**	**Rate**	**Net Change**
					(thousands of Roubles)				
Interest Income									
Due from other banks	106,324	(33,881)	72,433	24,606	4,195	28,801	9,540	(18,647)	(9,107)
Loans to customers	4,583,127	74,274	4,657,401	1,443,556	(255,435)	1,188,121	527,105	152,842	679,947
Financial instruments at fair value through profit or loss	345,754	(65,172)	280,582	138,507	(10,504)	128,003	52,342	2,837	55,179
Total	**5,035,204**	**(24,779)**	**5,010,426**	**1,606,670**	**(261,745)**	**1,344,925**	**588,988**	**137,031**	**726,019**
Interest Expense									
Due to other banks	292,309	34,513	326,822	72,424	(443)	71,981	1,903	1,426	3,329
Customer accounts	518,814	(36,784)	482,030	349,908	25,419	375,327	226,406	28,580	254,986
Subordinated debt	246,103	25,114	271,217	56,081	199	56,280	0	0	0
Debt securities in issue	1,242,133	5,124	1,247,347	199,783	4,777	204,560	5,577	(2,453)	3,124
Total	**2,299,359**	**28,057**	**2,327,416**	**678,197**	**29,951**	**708,148**	**233,886**	**27,553**	**261,439**
Net change	**2,735,845**	**(52,836)**	**2,683,010**	**928,473**	**(291,696)**	**636,777**	**355,102**	**109,478**	**464,580**

BUSINESS

Overview

URSA Bank is a full-service bank occupying a leading position in its regional banking markets. URSA Bank is headquartered in Novosibirsk, Russia and according to the CBR has the second largest network of branches of any bank in UFD and SFD after Sberbank as of 31 March 2007. The UFD and SFD comprise 22 regions of Russia, accounting for approximately 40.5 per cent. of the territory of Russia and, as of 31 March 2007, had approximately 33.4 million inhabitants. URSA Bank had 21 regional headquarters and 243 branches, 4 representative offices and approximately 10,000 employees as of 31 March 2007. As of 31 March 2007, URSA Bank's client base consisted of 2.8 million retail clients, over 12,000 SME clients and over 2,000 large corporate clients.

URSA Bank offers both retail and corporate banking services. URSA Bank offers its retail clients a wide range of term, savings and current deposit accounts in addition to credit card consumer lending products as well as mortgages and car loans. URSA Bank's corporate banking activities include lending, deposit taking, trade finance and project finance, as well as settlement operations, payroll services and corporate bankcards, foreign exchange and other corporate banking services. URSA Bank also conducts financial markets operations.

Based on its financial statements, URSA Bank's net income amounted to RUB500.6 million for the year ended 31 December 2005 and RUB1,464.5 million for the year ended 31 December 2006 and URSA Bank's total assets amounted to RUB28,718.5 million as of 31 December 2005 and RUB111,610.8 million as of 31 December 2006.

URSA Bank was created as a result of the combination of Sibacadembank and Uralvneshtorgbank. On 22 December 2006 Sibacadembank acquired all of the outstanding shares of Uralvneshtorgbank through a conversion of Uralvneshtorgbank's shares into shares of Sibacadembank, and Sibacadembank subsequently changed its name to URSA Bank. See "—History of the Combination".

Before the combination, Sibacadembank had an extensive branch network in the SFD and Uralvneshtorgbank had a large branch network in the UFD. The Sibacadembank and Uralvneshtorgbank networks were contiguous, but non-overlapping. URSA Bank's management expect this regional diversification to provide the combined bank with a larger market for its corporate and retail banking products, synergies in the distribution and promotion of its products and greater insulation from market downturns in any one region. In its core banking markets of the SFD and the UFD, URSA Bank is the second largest bank in terms of total assets behind Sberbank. However, URSA Bank has overtaken Sberbank in its core Novosibirsk region, where it is the leading bank measured by total assets.

URSA Bank's strategy is to continue its development as a full-service, universal bank offering corporate and retail services in its core regions of the UFD, the SFD and the Russian Far East. URSA Bank plans to increase its share of both the corporate and retail market to maintain its position as the largest bank after Sberbank in its core regions and to become one of the ten largest banks in Russia in the medium term.

In March 2005, Moody's issued Sibacadembank a "B1" long term foreign currency rating, a "not prime" (NP) short term foreign currency deposit rating and an "E+" financial strength rating with a stable outlook. In February 2006, Moody's upgraded its stable outlook to positive. In April 2006, Fitch upgraded Sibacadembank's international long term credit rating to "B", and confirmed Sibacadembank's international short term credit rating of "B", individual rating of "D" and support rating of "5". In May 2007, Moody's upgraded URSA Bank's foreign currency senior unsecured debt rating to "Ba3" from "B1" and its foreign currency subordinated debt rating to "B1" from "B2".

URSA Bank was established on 25 June 1990 under the name of Sibacadembank and is organised as an open joint stock company under the laws of the Russian Federation with its registered office and its head office at 18 Lenina Street, Novosibirsk 630004, Russian Federation, telephone number +7 (383) 223-9810. URSA Bank holds General Licence No. 323 of the CBR dated 22 December 2006 and Banking Licence No. 323 of 22 December 2006 (relating to deposit taking, precious metal deposition and other transactions in precious metals). URSA Bank is licensed by the Federal Service on Financial Markets of the Russian Federation to act as a broker (No. 054-09514-100000 of 10 October 2006), a dealer (No. 054-09520-010000 of 10 October 2006), a professional participant in the securities market for securities management (No. 054-09527-001000 of 10 October 2006) and depositary (No. 054-08253-000100 of 13 January 2005) in the Russian securities market. URSA Bank is recorded in the Unified Registry of Legal Entities with the Russian Federal Tax Service registration number 1025400001571.

URSA Bank is authorised in accordance with article 3 of its charter, and its banking licence among other things, to take deposits from individuals and corporations, invest deposited funds, open and maintain bank accounts for individuals and corporations, effect settlement operations, provide cash services, buy and sell foreign currency, carry out operations with precious metals, issue guarantees and perform banking transfers.

History and Development of URSA Bank

Sibacadembank (renamed URSA Bank in December 2006) was established as a commercial bank and registered with the CBR in 1990. Russkiy Narodniy Bank (Russian People's Bank Ltd.) and Kuzbass Transport BankLtd. acceded to Sibacadembank in 1998 and 2001 respectively. In 2001, Sibacadembank acquired a controlling interest in OJSC Dalvneshtorgbank (now called OJSC Vostochny Express Bank) ("**Vostochny Express Bank**") in the Russian Far East which it subsequently disposed of in 2004. In 2003, Sibacadembank acquired 100 new automated teller machines ("**ATM**") from Wincor Nixdorf International GMBH, Germany. In 2003, Sibacadembank also acquired a 57.8 per cent. interest in the Western Siberian Insurance Company "**ZHASO**" for RUB33.8 million, which URSA Bank holds principally as a financial investment and with which URSA Bank has a non-exclusive business relationship. On 22 December 2006, URSA Bank acquired all of the outstanding shares of Uralvneshtorgbank through a conversion of Uralvneshtorgbank's shares into shares of Sibacadembank, and Sibacadembank subsequently changed its name to URSA Bank. See "—History of the Combination".

In addition to actively working with international commercial banks, URSA Bank has worked closely with certain large International Financial Institutions ("**IFIs**") during the past four years. In 2003, the EBRD provided a U.S.$3 million loan to Sibacadembank to onlend to micro and small enterprises. In 2004, the EBRD increased this loan to U.S.$13 million in the aggregate, and provided a separate U.S.$3 million trade finance facility to Sibacadembank. In 2004, Sibacadembank entered into a five-year U.S.$7 million loan agreement with the International Finance Corporation ("**IFC**") and in January 2005 Kreditantstalt für Wiederaufbau ("**KfW**") extended a seven-year U.S.$6.1 million credit facility to Sibacadembank for on-lending to small and medium sized enterprises. In 2005, the IFC extended a five-year U.S.$6 million subordinated loan to Sibacadembank for the purpose of increasing Sibacadembank's capitalisation.

DEG and Clariden became shareholders of Sibacadembank in December 2005 and EBRD increased its equity investment in Sibacadembank to 28.44 per cent.

History of the Combination

On 17 May 2006, a joint meeting of Uralvneshtorgbank's Supervisory Board and Sibacadembank's Board of Directors was held to discuss a potential combination between Uralvneshtorgbank and Sibacadembank. At the joint meeting, the Supervisory Board of Uralvneshtorgbank and the Board of Directors of Sibacadembank approved the concept of a combination and certain parameters regarding the proposed terms of the merger including the relative values of the ordinary and preference shares of Uralvneshtorgbank and Sibacadembank in connection with such combination.

In September 2006, the extraordinary general shareholders' meetings of both Sibacadembank and Uralvneshtorgbank approved the combination together with the accession agreement and other relevant documentation necessary to formalise the combination.

On 22 December 2006, Sibacadembank completed its acquisition of all of the outstanding shares of Uralvneshtorgbank, pursuant to which the ordinary and preference shares of Uralvneshtorgbank were converted into ordinary and preference shares of Sibacadembank, respectively.

In connection with the combination, URSA Bank issued 404,460,100 ordinary shares, representing 41.7 per cent. of its aggregate ordinary shares, 1,415,280 Class IV preference shares, 1,210 Class V preference shares, 21,450 Class VI preference shares and 2,530,800 Class VII preference shares. As a result, upon completion of the combination, URSA Bank had a share capital of RUB1,153,128,840 consisting of 969,010,100 ordinary shares, 150,000 Class I preference shares, 90,000,000 Class II preference shares, 90,000,000 Class III preference shares, 1,415,280 Class IV preference shares, 1,210 Class V preference shares, 21,450 Class VI preference shares and 2,530,800 Class VII preference shares. All of URSA Bank's preference shares have a par value of RUB1 per share and carry no voting rights but rank ahead of its ordinary shares in the event of liquidation.

URSA Bank determined the cost for the acquisition of Uralvneshtorgbank by reference to the valuation of the Uralvneshtorgbank shares that were exchanged for the newly issued ordinary and preference shares of URSA Bank. URSA Bank valued the Uralvneshtorgbank shares at the date of acquisition at RUB8,659.0 million. URSA Bank recorded the fair value of Uralvneshtorgbank's net assets at the date of acquisition at RUB2,164.7 million and recorded goodwill of RUB6,494.2 million. See Note 28 to the Financial Statements as of and for the year ended 31 December 2006.

Upon completion of the acquisition of Uralvneshtorgbank by Sibacadembank, the EBRD, which had previously owned and controlled at least 25 per cent. plus one share of the issued and outstanding voting share capital of Sibacadembank, ceased to own or control at least 25 per cent. of plus one share of the issued and outstanding voting share capital of URSA Bank, thus triggering a change of control as defined in the amended and restated loan agreement by and between URSA Bank (then Sibacadembank) and Dresdner Bank Aktiengesellschaft, as lender, made as of 16 May 2005 and restated on 12 December 2005 allowing holders of Sibacadembank's U.S.$175 million loan participation notes to put the notes to Dresdner Bank, with Dresdner Bank having a corresponding right under the amended and restated loan agreement to require URSA Bank to prepay the related loan in an amount which corresponds to the aggregate principal amount of notes in relation to which the put option has been duly exercised. Holders of the notes had the option to require Dresdner Bank to redeem such notes through 8 April 2007. None of the noteholders exercised their put option and, accordingly, none of such notes were redeemed.

Sibacadembank and Uralvneshtorgbank each had a large network of branches in different regions of the Russian Federation. Sibacadembank had a large branch network in the SFD and Uralvneshtorgbank had a large branch network in the UFD. The Sibacadembank and Uralvneshtorgbank networks were contiguous, but non-overlapping. This regional diversification is expected to provide the combined bank with a larger market for its corporate and retail banking products, synergies in the distribution and promotion of its products and greater insulation from economic downturns in any one region. In its core banking markets of the SFD and the UFD, URSA Bank is the second largest bank in terms of total assets behind Sberbank. However, URSA Bank has overtaken Sberbank in its core Novosibirsk region, where it is the leading bank measured by total assets.

Although the legal procedures relating to the combination of Sibacadembank and Uralvneshtorgbank were completed on 22 December 2006, there are a number of outstanding matters related to the merger that must be completed during 2007, including unification of product ranges, including product terms, implementation of consistent deposit taking and loan extension processes and requirements, employment policies, the transition to a unified IT platform, processing centre and database storage for URSA Bank's network in the UFD and SFD and the completion of the rebranding campaign. See "Risk Factors—URSA Bank may have difficulty integrating Sibacadembank and Uralvneshtorgbank and realising the anticipated benefits of the combination".

Major Shareholders

The principal shareholders of URSA Bank as of 1 April 2007 are indicated in the table below:

Shareholder	Percentage of Shares
Mr. Igor Kim	35.54
EBRD	17.59
Capital Finance	14.02
Mr. Alexander Taranov	8.28
Mr. Andrey Bekarev	8.28
DEG	6.37
Clariden	4.25
SM Profit	2.23
Mr. Oleg Kirillov	1.41
Mr. Yury Koropachinski	1.32
Other	0.71
Total	**100%**

The EBRD is a multinational financial organisation that invests in a large number of institutions and projects in Central Europe and Central Asia.

Mr. Igor Kim is currently the Chairman of the Board of Directors of URSA Bank. Mr. Igor Kim has previously served as Chairman of Uralvneshtorgbank's Supervisory Board and General Director and Chairman of Sibacadembank's Management Board. Mr. Kim is a significant shareholder in five other Russian banks including JSC Zheldorbank, Etalonbank, Vostochny Express Bank, Bank "Yuzhny region" and Mass Media Bank.

Mr. Andrey Bekarev currently serves as a member of the Board of Directors of an insurance company. See "Management".

Mr. Alexander Taranov is a member of URSA Bank's Board of Directors. He previously served as a First Deputy General Director and as a member of Sibacadembank's Management Board. Mr. Taranov currently serves as a Chairman of the Board of Directors of JSC Zheldorbank. See "Management".

DEG is a member of KfW Bankengruppe, which is majority owned by the Federal Republic of Germany. DEG finances investments of private companies in developing and transitioning economies.

Clariden was founded in 1955 and is a member of the Credit Suisse Group. Its core business is private banking and financial product management.

Capital Finance is an investment holding company jointly controlled by two shareholders of Uralvneshtorgbank, Mr. Oleg Kirillov and Mr. Yury Koropachinski.

Mr. Kirillov has served as a member of the Board of Directors of URSA Bank since April 2007.

Mr. Koropachinski served as the Head of AGCO-SM Limited (Great Britain) in 2006.

SM Profit is a Moscow based investment group, that is related to the shareholders of Capital Finance.

Organisational Structure

URSA Bank conducts its banking operations through its network of branches in the UFD, the SFD and the Russian Far East as well as through bank representatives providing point-of-sale financing at locations throughout the UFD, the SFD and the Russian Far East. URSA Bank's day-to-day activities are managed by the Management Board and Chairman of the Management Board under the supervision of the Board of Directors. See "Management". The principal operational committees within URSA Bank are the Credit Committee and ALCO which are supported by the Legal Department, the Security Department, the Planning and Analysis Department and the Control Department. URSA Bank's principal business units are the Corporate Banking Department, the Retail Banking Department, the Treasury, the Regional Development Department and the International Relations Department.

Market Position and Competitive Advantages

The banking sector in Russia is highly fragmented and very competitive. There were 1,189 banks and non-banking credit organisations operating in Russia as of 31 December 2006. However, a small number of large banks dominate the national Russian banking industry, foremost of which is the CBR controlled Sberbank. As of 31 December 2006, the five largest banks accounted for 43.1 per cent. of the total value of banking assets in Russia, and the twenty largest banks accounted for 63.4 per cent.

Based on CBR figures, as of 31 December 2006, nationally, URSA Bank ranked 18th in terms of total assets, and 6th in terms of the size of its retail loan portfolio. For reference, before their combination, as of 30 September 2006, Sibacadembank ranked 27th and Uralvneshtorgbank ranked 63th in terms of total assets and 13th and 35th, respectively, in terms of the size of their retail loan portfolios.

In its core markets of the SFD and the UFD, URSA Bank is the second largest bank in terms of total assets behind Sberbank. However, URSA Bank has overtaken Sberbank in its core Novosibirsk region, where it is the leading bank measured by total assets.

The banking sector in Russia is fragmented geographically, with different large banks having strong market presence in different geographic regions. URSA Bank believes that in the UFD it faces a relatively higher level of competition than in the SFD. URSA Bank's main competitors in the UFD are Sberbank, Bank Severnaya Kazna and the Urals Bank for Reconstruction and Development. In the SFD URSA Bank's main competitor is Sberbank.

URSA Bank believes that it enjoys a strong position in the Russian banking market and has a number of sustainable competitive advantages over other banks in its core Urals, Siberian and Far Eastern markets:

Local expertise and extensive client base. URSA Bank's management believes that one of URSA Bank's competitive advantages is URSA Bank's familiarity with its local markets in the UFD, SFD and the Russian Far East. This familiarity allows URSA Bank to distribute its products more efficiently, to evaluate better the credit quality of potential borrowers and to understand better the product needs of potential customers. URSA Bank has accumulated significant experience in the retail, SME and large corporate client segments in its core markets. After Sberbank, URSA Bank's client base is the largest in the regions in which it operates. As of 31 March 2007, URSA Bank's client base consisted of 2.8 million retail clients, over 12,000 SME clients and over 2,000 large corporate clients.

Wide distribution network. With a network of 21 regional headquarters, 243 branches and 4 representative offices, URSA Bank has the largest branch network of all regional banks in the UFD, SFD and the Russian Far East after Sberbank. The reach of URSA Bank's distribution network provides it with strong brand recognition and a wide presence in its geographic area of focus.

Balanced geographic structure of its business. URSA Bank's customer funding and lending activities are relatively evenly distributed among its core geographic markets. Unlike many of URSA Bank's Moscow based competitors, URSA Bank is not heavily dependent on a single geographic region in terms of sourcing customer funding or allocation of funds.

Proven track record in accessing international capital markets. Since the beginning of 2005, URSA Bank has raised a total of U.S.$1,518.3 million on the international capital markets through syndicated loans, Eurobond and subordinated debt placements and the placement of preference shares. In addition, URSA Bank has established strong relationships with important international financial institutions, including the EBRD, FMO, the IFC and KfW, which provide URSA Bank with long-term financing primarily in relation to URSA Bank's SME lending programme. Management believes that URSA Bank's track record in the international capital markets and with international financial institutions markedly differentiates URSA Bank from its regional competitors and provides it with increased funding flexibility.

High quality shareholder base. At present, foreign institutions (the EBRD, Clariden and DEG) together own 28.2 per cent. of URSA Bank's voting shares. URSA Bank believes that these institutions have played an important role in the development of URSA Bank's operations by providing assistance in areas such as risk management, corporate governance, SME lending and trade finance. In addition, the three Russian shareholders who together hold a controlling stake in URSA Bank are experienced bankers and have been involved in URSA Bank's operations and expansion for the past decade. Management believes that the combined banking experience of its shareholders provides URSA Bank with a significant competitive advantage over competitors, which often have shareholders which are less actively involved in their businesses.

High operating efficiency. In 2006, URSA Bank achieved a cost to income ratio of 48 per cent. As measured by this ratio, URSA Bank is one of the most efficient banks among the 20 largest Russian banks in terms of total assets. This high level of operational efficiency allows URSA Bank to price its products more competitively than its main competitors and to generate superior margins.

Emphasis on transparency and corporate governance best practices. URSA Bank has consistently implemented best practices of transparency and corporate governance. The main steps taken in this direction have included the preparation of IFRS standard audited accounts since 2002, regular provision of full disclosure of performance and ownership to the financial community and the provision of three seats to representatives of foreign investors and two seats to independent directors on URSA Bank's eleven-member Board of Directors.

Experienced senior management. URSA Bank's senior management has significant experience working in the Russian banking sector. Kiril Brel, who serves as the Chairman of URSA Bank's Management Board, has been working in the Russian banking sector since 1998, and Vladislav Khokhlov, who serves as our General Director in charge of Treasury Operations and Planning, worked in Uralvneshtorgbank from 1996 to 2005, before joining URSA Bank in 2005.

Strategy

URSA Bank's strategy is to continue its development as a full-service, universal bank offering corporate and retail services in its core regions of UFD, SFD and the Russian Far East. URSA Bank plans

to increase its share of both the corporate and retail market to maintain its position as the largest bank after Sberbank in its core regions and to become one of the ten largest banks in Russia in the medium term. The main components of URSA Bank's growth strategy are as follows:

Cross-selling of retail products to existing customers. URSA Bank's retail customer base, including current customers and customers who have used URSA Bank's services in the past, consists of 2.8 million people and is one of URSA Bank's main competitive advantages. While in previous years URSA Bank's retail strategy focused almost entirely on attracting new customers to URSA Bank, going forward URSA Bank is placing significant emphasis on selling new products to individuals with whom URSA Bank already has a relationship. Given URSA Bank's deeper understanding of these clients' potential needs and credit history, cross-selling to them is expected to result in better product targeting and improved quality of the loan portfolio. In addition, URSA Bank plans to expand its retail business by cross-selling products to employees of its corporate clients. While URSA Bank will continue to evaluate, on a case-by-case basis, opportunities to purchase large retail loan portfolios similar to those it acquired during 2005 and 2006, these are expected to play a decreasing role in the expansion of URSA Bank's retail loan book compared with organic growth.

Rebalancing of the retail loan portfolio towards lower risk products such as mortgages and revolving credit cards. Prior to 2006 the rapid growth of URSA Bank's retail loan portfolio was achieved mainly through the extension of consumer finance loans and, to a lesser extent, car loans. Starting in 2006 URSA Bank has shifted its focus towards lower risk retail credit products such as mortgages, car loans and revolving credit card loans. This strategy has resulted in a significant change in the mix of URSA Bank's retail loan portfolio. For example, as a percentage of URSA Bank's overall retail loan portfolio, the share of consumer finance loans decreased from 85 per cent. as of 31 December 2005 to 75 per cent. as of 31 December 2006, while the share of mortgage loans has increased from 1.1 per cent. as of 31 December 2005 to 17.1 per cent. as of 31 December 2006. In developing its mortgage lending business, URSA Bank plans to continue to take advantage of its leading regional presence in the SFD, as URSA Bank is often the only bank offering mortgage loans in a particular region or locale.

Expansion of credit product range for corporate clients. URSA Bank is continuing to develop new credit product lines designed to attract new corporate customers and to increase revenues from existing corporate customers. In response to demand from its customers, in 2006 URSA Bank launched several new products such as project finance, leasing and mezzanine financing. See "—Banking Services and Activities—Business Areas". URSA Bank believes it can achieve higher margins on these operations than from its traditional banking products. The new product offerings are expected to facilitate the growth of its corporate loan portfolio and to enhance margins without compromising credit quality.

Lending to small and medium-size enterprises (SMEs). URSA Bank has been actively lending to SMEs since 2003 and plans to continue to grow its SME lending business. SME lending is one of the fast growing segments of URSA Bank's corporate business, and it is an area where URSA Bank's local presence and expertise management believes provide it with a clear competitive advantage. Since launching its various SME programs, URSA Bank has developed considerable expertise in SME lending and plans to take advantage of the relatively limited competition in this segment in its core regions. As of 31 March 2007, URSA Bank had a total of 12,000 SME borrowers and a total SME loan portfolio of RUB 5,555.7 million.

Maintenance of a balanced and diversified funding base. URSA Bank's funding strategy is to access and maintain sustainable and cost-effective sources of funding. URSA Bank aims to combine the stability and cost effectiveness of a large deposit base with the flexibility of capital markets based financing. As part of this strategy, URSA Bank aims to continue to increase its customer deposit base, which accounted for 37.8 per cent. of total liabilities as of 31 December 2006. Specifically, URSA Bank sees growing opportunities to attract funds from existing and new corporate clients. Recognising that the principal source of corporate deposits in the Russian banking market are typically large Moscow based corporations, URSA Bank has established a branch in Moscow which is responsible for attracting deposits and other business from large corporate clients with surplus liquidity. At the same time, URSA Bank intends to capitalise on its successful fund raising activity in the domestic and international capital markets in the past two years by continuing to obtain (i) short and medium term financing in the rouble bond market through the issuance of rouble bonds and promissory notes and (ii) medium term senior and subordinated debt financing through its correspondent banking relationships and through financings in the international syndicated loan and debt capital markets and by refinancing portions of its mortgage and car loan portfolios through securitisation programs in the international capital markets.

Measured expansion of the distribution network, with increased focus on efficiency. URSA Bank's distribution network plays a critical role in expanding URSA Bank's customer base in the retail and SME segments which are of particular strategic importance. In a rapid network expansion during 2006 URSA Bank opened 54 new branches, of which 28 were opened by Uralvneshtorgbank and 26 were opened by Sibacadembank. As of 31 March 2007, URSA Bank's distribution network consisted of 243 branches and 360 ATMs. With an average retail loan balance per branch of RUB120.9 million as of 31 December 2006, URSA Bank's branch network is one of the most efficient among retail oriented banks in Russia. While URSA Bank plans to continue to expand its branch network in the future, it will also place more emphasis on improving the efficiency of its existing network which is expected to lead to more selective branch openings and the closing down of inefficient branches. As a result, URSA Bank expects a more moderate growth in its branch network in 2007 than in previous years. URSA Bank also aims to outsource certain of the functions currently carried out in-house, such as collections, with the goal of improving operating performance.

Evaluation of growth opportunities through acquisitions. URSA Bank will continue evaluating opportunities, as they arise, to expand into new regions of Russia or to enhance its positions in its existing markets through potential acquisitions, mergers or other forms of strategic alliances. Any contemplated acquisition will have to meet strict evaluation criteria in terms of shareholder value and strategic rationale.

Banking Services and Activities

Overview

URSA Bank's two main business lines are retail banking and corporate banking. Retail banking currently accounts for the majority of URSA Bank's net interest income and deposits and about one-half of its outstanding loans. However, in accordance with its strategy, URSA Bank plans to increase its corporate banking operations in line with its retail operations. URSA Bank also conducts financial markets operations (principally for its own liquidity purposes).

As of 31 December 2006, URSA Bank had outstanding a total of RUB70,333.2 million in total loans to customers (gross of provision for loan impairment and including accrued interest). As of 31 December 2006, URSA Bank had a total of RUB36,502.2 million in customer accounts.

Business Areas

Retail Banking

Development of retail banking is a key focus of URSA Bank. In recent years, Sibacadembank and Uralvneshtorgbank have actively pursued retail customers through the significant expansion of their branch networks and by broadening their ranges of products. URSA Bank offers its clients a wide range of both savings products, such as term, savings and current deposits, and credit products, such as personal loans, mortgages, car loans and revolving credit card loans. As of 31 March 2007 URSA had a total of 2.8 million individual customers, comprising both lending and deposit customers. URSA Bank currently distributes its retail products principally through its branch network and network of point of sale kiosks. Additionally, URSA Bank utilises cross selling synergies with its corporate client base by selling its retail products, primarily payroll services, to its corporate customers. URSA Bank distributes certain of its products through Internet and mobile phone channels.

Retail loans. URSA Bank currently offers only Rouble-denominated retail loans. URSA Bank's total loans to retail customers (gross of provisions for loan impairment and including accrued interest) amounted to RUB32,804.7 million as of 31 December 2006, representing approximately 46.6 per cent. of URSA Bank's total loan portfolio to customers. At present, URSA Bank offers personal loans to finance purchases of consumer goods and services, i.e., consumer finance loans, car purchase loans, overdraft facilities to holders of payroll cards, mortgage loans and credit card loans. URSA Bank's car loans and mortgage loans are secured, whereas URSA Bank's consumer finance loans and credit card loans are unsecured. As of 31 December 2006, unsecured loans such as consumer finance loans and credit card loans comprised the majority of URSA Bank's retail loan portfolio. Beginning in 2006, however, URSA Bank's focus has switched to a greater emphasis on its secured retail lending products, including, in particular, mortgages and car loans. As of 31 December 2006, secured loans comprised 25 per cent. of URSA Bank's retail loan portfolio, an increase from 16 per cent. of total retail loans as of 31 December 2005.

URSA Bank is also rapidly expanding its mortgage lending programme. As of 31 December 2006, URSA Bank's mortgage loan portfolio was approximately RUB5,618.3 million as compared to

RUB93.2 million as of 31 December 2005. In developing its mortgage lending business, URSA Bank plans to take advantage of its leading regional presence as URSA Bank is often the only bank offering mortgage loans in a particular region or locale. However, URSA Bank's ability to expand its mortgage business depends largely on its ability to obtain access to longer-term funding and securitise its existing mortgage portfolio and to attract the relatively limited number of customers who have sufficient assets to meet down-payment requirements. The typical initial loan-to-value ratio of URSA Bank's mortgage products as of the date of the extension of the loan is 80 per cent; however, URSA Bank also offers higher-interest mortgages with initial loan-to-value ratios of as high as 90 per cent.

Another area of active development for URSA Bank is credit card lending. The share of credit card loans in URSA's retail loan portfolio increased form 17 per cent. as of 31 December 2005 to 31 per cent. as of 31 December 2006. URSA Bank offers both revolving and non-revolving credit card loans. Non-revolving credit card loans are viewed as another means of extending consumer finance loans. Credit cards are distributed through URSA Bank's regional branch network. In the beginning of 2007, URSA Bank launched a new retail credit card lending product for its loyal retail customers, consisting of a RUB50,000 revolving credit line that can be accessed via credit cards issued by URSA Bank. URSA Bank has been able to leverage its extensive payroll client base by offering them revolving credit card loans. URSA Bank offers one-month overdraft credit to certain of its payroll card holders. This overdraft credit is secured by the individual's future payroll deposits.

As part of its consumer finance activities, URSA Bank also has bank employees at over 424 locations throughout URSA Bank's area of operations, primarily in the UFD and SFD, where its employees offer consumer financing services at the point-of-sale. To increase the efficiency of its retail lending operations, URSA Bank has decreased the overall number of the point-of-sale locations and retained only remote point-of-sale locations that offer car loans.

Current accounts and deposits. URSA Bank offers retail customers a wide range of term, savings and current deposits. As of 31 December 2006, total customer accounts of individuals amounted to RUB26,250.4, representing 71.9 per cent. of URSA Bank's total customer accounts as of that date. Representing around 27.2 per cent. of URSA Bank's total liabilities and equity as of 31 December 2006, individual customer accounts are an important source for funding for URSA Bank. Of the total customer accounts of individuals, term deposits represented 86.6 per cent. and current demand accounts represented 13.4 per cent. URSA Bank does not charge borrowers fees for early withdrawal of term deposits. However, depending on the type of term deposit product, URSA Bank might significantly reduce the interest rate on the account in the event of an early withdrawal.

Payroll cards. At present, URSA Bank's most widespread retail product is a debit card called "payroll cards". Companies deposit employee salaries into accounts with URSA Bank, which issues payroll cards to employees to access these funds. As of 31 March 2007, URSA Bank had issued about 1,000,000 payroll cards. These payroll cards allow holders access to the Zolotaya Korona ("Golden Crown") network which operates only within the Russian Federation. URSA Bank also issues co-branded MasterCard and Golden Crown cards which can be used internationally through the MasterCard international payment system.

International bankcards. URSA Bank offers retail customers VISA and MasterCard credit and debit cards which are accepted for payment worldwide. Customers can use their bankcards to purchase merchandise using credit and to withdraw cash at any branch, mini branch or ATM of URSA Bank. As of 31 March 2007, URSA Bank had 11,120 MasterCard International cards and 59,149 VISA International cards in issue.

Corporate Banking

URSA Bank's corporate banking activities include lending, customer account and deposit taking, leasing, trade finance, project finance and mezzanine finance as well as settlement operations, payroll services and corporate cards, foreign exchange and corporate banking services. As of 31 March 2007, URSA Bank had over 30,000 corporate customers. URSA Bank's domestic corporate customer base includes wholesale and retail companies, institutions of higher education, the Russian national railway and companies in the manufacturing, machine building, mining, telecommunications, food processing, finance and insurance, export, mechanical engineering, tourism and trade sectors. URSA Bank's customers comprise both large, medium, and small sized enterprises.

Lending. As of 31 December 2006, total loans to corporate customers (gross of allowance for loan losses and including accrued interest) amounted to RUB36,948.5 million, representing 52.6 per cent. of total loans to customers (gross of allowance for loan losses and including accrued interest). URSA Bank offers a wide range of corporate loans in Roubles, U.S. dollars and Euro, including short-term loans for working capital purposes, medium term loans for purchasing stock, raw materials and vehicles and longer term loans to finance investment projects. URSA Bank also offers its corporate clients other types of corporate lending services, principally:

- loans and credit lines to open letters of credit;
- overdraft facilities;
- purchasing and guaranteeing promissory notes;
- debt factoring;
- issuing guarantees;
- trade finance; and
- project finance.

The terms of URSA Bank's corporate loans extend up to five years, with an average term of approximately one year. In almost all instances, URSA Bank requires collateral to support the loan.

SME and Microfinancing. URSA Bank has had a programme to extend loans to MSEs since 2003 and it is an important and fast growing part of its corporate lending activities. As of 31 Decemebr 2006, URSA Bank had RUB5,555.7 million in loans outstanding to SMEs, which represented approximately 14.5 per cent of its gross corporate loan portfolio, as compared to RUB2.2 billion in SME loans outstanding as of 31 December 2005, which represented approximately 20.0 per cent. of its gross corporate loan portfolio. In developing its MSE lending activities, URSA Bank has acted in close cooperation with the EBRD. In particular, URSA Bank has received financing from the EBRD to support its MSE activities under the aegis of the EBRD's "Russian Small Business Fund" programme. The EBRD has also historically provided staff to monitor and train URSA Bank's MSE personnel. URSA Bank offers four different types of loans under its SME lending programme: express-micro, micro, small and medium loans.

- Express-micro loans are for amounts of up to U.S.$10,000 for terms of up to 18 months at fixed interest rates to businesses employing not more than 150 persons.
- Micro loans are for amounts of up to U.S.$30,000 for terms of up to three years at fixed interest rates to sole proprietors and legal entities which employ fewer than 150 persons.
- Small loans range from U.S.$10,000 to U.S.$200,000 for terms of up to five years at fixed interest rates to sole proprietors and legal entities who employ not more than 300 persons.
- Medium loans range from U.S.$200,000 to U.S.$500,000 for terms of up to five years at fixed interest rates to sole proprietors and legal entities that employ not more than 300 persons.

Due to the higher interest rates URSA Bank charges in connection with MSE loans relative to standard corporate loans, the lack of significant competition in this area from other banks (Sberbank recently determined to discontinue its MSE lending operations in the SFD) and the favourable credit the EBRD and the other development banks provide for this type of loan, URSA Bank intends to continue to expand rapidly in this area.

Trade finance. URSA Bank offers a wide range of trade finance products, which include the provision of pre-export financing, import financing, issuing and confirming letters of credit and the provision of guarantees. URSA Bank advises customers on payments under import-export contracts, international loans, Rouble-denominated payments by non-residents and participation in international tenders for domestic goods. URSA Bank has established relationships with foreign export agencies such as Hermes Kreditversicherungs-Aktiengesellschaft of Germany, the Export-Import Bank of the United States and Atradius of the Netherlands, foreign commercial banks such as Wachovia Bank, Citibank, Dresdner Bank Aktiengesellschaft, American Express Bank and Commerzbank Aktiengesellschaft, and Russian and foreign clearing banks to facilitate the transfer of funds. As of 31 December 2006, trade finance lending accounted for 2 per cent. of URSA Bank's total corporate loan portfolio.

Project Finance. In addition to providing its corporate customers with an array of standard loan products, URSA Bank also provides loans to finance the projects of its customers. Project finance is an

important aspect of URSA Bank's commitment to its corporate customers. URSA Bank's project finance activities include the special-purpose financing of projects of its corporate customers, principally in the chemical, mining, transportation, metallurgical, manufacturing and construction industries. URSA Bank's project finance lending is generally secured by the proceeds derived from the project. As of 31 December 2006, project finance lending accounted for 14 per cent. of URSA Bank's total corporate loan portfolio.

Mezzanine Finance. URSA Bank established its mezzanine finance operations in 2006 and extended its first mezzanine facility in the first quarter of 2007. Through its mezzanine finance operations, URSA Bank participates as a lender/investor in projects that URSA Bank has determined represent an interesting investment opportunity. The loans made by URSA Bank's mezzanine finance department typically have an equity component, with URSA Bank taking an equity interest in the proposed project. URSA Bank has budgeted an amount up to RUB 2 billion for its mezzanine finance activities. URSA Bank carries out an especially high-level of due diligence with respect to its mezzanine finance operations and typically nominates a member to the board of directors of the corporate customer. URSA Bank's first mezzanine finance project was an investment in the development of a chain of hypermarkets across Siberia in which it invested RUB20 million. URSA Bank is also currently considering making an investment in a producer of CD-ROM products in the UFD.

Deposit taking. URSA Bank offers promissory notes (both interest bearing and discounted), term deposits, current accounts, deposit certificates and minimum deposit (limited withdrawal) bank accounts. URSA Bank updates its interest rates on a quarterly basis but can adjust its interest rates at shorter intervals if market conditions so dictate. As of 31 December 2006, URSA Bank had RUB10,251.9 million in corporate customer accounts, representing 28.1 per cent. of total customer accounts.

Settlement operations. URSA Bank offers rouble and foreign currency settlement operations to is customers through the CBR's clearing system, its own branch network and network of correspondence banks, and provides specially designed systems that enable its major customers to identify the sources of fund transfers. URSA Bank also offers a cash delivery service and the ability for corporate customers to manage their accounts remotely.

Payroll services and corporate cards. URSA Bank offered payroll and remittance services, which enable employers to reduce the costs of paying salaries to their employees, who are able to withdraw cash using plastic payroll cards at each of URSA Bank's branches, mini branches or ATMs. In developing its payroll services business, URSA Bank plans to take advantage of its leading regional branch and ATM network. As of 31 March 2007, URSA Bank had installed 360 ATMs specifically to service its corporate payroll customers. In addition, URSA Bank provides corporate customers corporate credit and debit cards using the MasterCard International, American Express and VISA International systems for employees' business travel and related expenses, although the number of cards in issue is currently insignificant.

Other corporate banking services. URSA Bank also provides brokerage services and depositary services to its corporate customers.

Treasury Operations

URSA Bank's treasury operations are focused primarily on achieving optimally priced funding for URSA Bank and to lower URSA Bank's overall cost of funding over time. URSA Bank's treasury operations include the overall funding of URSA Bank's operations and the management of URSA Bank's liquidity position on a day-to-day basis by acting for its own account on the Russian securities and money markets. URSA Bank's treasury department arranges funding for URSA Bank in a number of currencies, including U.S. dollars, Roubles and Euro, and may also enter into hedging or swapping arrangements to reduce URSA Bank's cost of funding. URSA Bank trades corporate and government securities for its own account on the major Russian stock exchanges and the over-the-counter market. The majority of URSA Bank's financial instruments at fair value through profit and loss consist of Russian corporate bonds, bonds of the Russian Federation and regional governments, as well as a small percentage of foreign exchange contracts to manage its Rouble-Dollar and Rouble-Euro exchange rate risks. URSA Bank also carries out a range of money market operations, including repo activities, which involves the short-term borrowing and lending against delivery of government and corporate securities, conversion operations and foreign exchange sales and purchases, principally for its corporate clients.

URSA Bank does not currently have any corporate equities in its portfolio of financial assets held for trading. As of 31 December 2006, URSA Bank's financial instruments at fair value through profit or loss portfolio amounted to RUB12,298.5 million.

The following table summarises URSA Bank's portfolio of trading assets as of 31 December 2006:

	As of 31 December 2006	
	Position size	**per cent. of total**
	(thousands of Roubles)	
Russian Federal loan bonds (OFZ)	3,469,318	28.2
Bonds of the Russian regions	1,876,946	15.3
Corporate bonds	6,872,887	55.9
Promissory notes	74,509	0.6
Foreign exchange contracts	4,816	0.0
Total	**12,298,476**	**100.0**

Foreign exchange. URSA Bank trades foreign currency with its corporate customers, including effecting the mandatory purchase of Russian exporters' foreign currency proceeds from its customers.

The following table sets out details of URSA Bank's consolidated net income from securities trading and foreign exchange operations for the years ended 31 December 2006 and 2005:

	Year ended 31 December	
	2006	**2005**
	(thousands of Roubles)	
Net (loss)/income on securities trading	4,351	110,960
Net foreign exchange income	134,271	34,213
Total	**129,920**	**145,173**

Funding

URSA Bank's principal sources of funding are demand and term deposits from individuals and corporate clients, which, as of 31 December 2006, amounted to RUB36,502.2 million representing 32.7 per cent. of total liabilities and equity, and debt securities issued on the international and domestic debt markets, which, as of 31 December 2006 amounted to RUB36,124.7 million. Debt securities represent an increasingly important source of funding for URSA Bank. From 31 December 2005 to 31 December 2006 the share of debt securities as a percentage of URSA Bank's total liabilities and equity increased from 26.4 per cent. to 32.4 per cent. In addition, as of 31 December 2006, due to other banks amounted to RUB17,523.5 million, and subordinated debt amounted to RUB5,559.3 million.

One of the primary functions of the treasury department is to lower URSA Bank's overall cost of funding. The Treasury department's overall target is to obtain approximately half of URSA Bank's funding from customer accounts and half from other sources. While customer funding is currently more expensive than funding on the international capital markets, URSA Bank believes that customer funding is an important means of getting closer to its clients and enhancing customer loyalty.

URSA Bank's funding strategy is to increase its rouble and foreign currency deposit base through the expansion of its network and its retail and corporate customer base. URSA Bank intends to continue to obtain short and medium term financing in the rouble bond market through the issue of rouble bonds and promissory notes. URSA Bank also intends to continue to obtain medium term financing through its correspondent banking relationships and through financings in the international markets (including in the syndicated loan and capital markets).

IFIs are an important source of funding to URSA Bank. The following provides a brief description of URSA Bank's principal loan facilities with IFIs.

EBRD loans

In February 2003, the EBRD provided a U.S.$3.0 million loan (the "First Loan") to URSA Bank. In October 2004, the EBRD increased this loan by U.S.$10.0 million (the "Additional Loan"). The First Loan

consisted of two tranches of equal principal amount and the Additional Loan consisted of two tranches of equal principal amount. URSA Bank's onlends funds borrowed under the EBRD loans to MSEs under the RSBF program (see "Business—Banking Services and Activities—Business Areas—Corporate Banking—SME Lending and Microfinance"). Interest on the Second Loan is payable semi-annually at a rate equal to LIBOR plus a spread of 3 per cent. per annum until October 2007.

In October 2004 URSA Bank entered into a Trade Facilitation Agreement for U.S.$3.0 million under which URSA Bank's documentary credits could be eligible to be guaranteed by the EBRD for up to two years. In 2005 the limit was increased up to U.S.$9.0 million and the maturity was extended up to 3 years. As of 31 December 2006 the limit amounted to U.S.$15.0 million.

On 19 October 2005 the EBRD entered into a U.S.$4.0 million loan agreement with URSA Bank to provide financing for SMEs. The maturity date of the loan is 25 October 2008.

In October 2006 the EBRD extended a U.S.$20 million subordinated loan to URSA Bank due 2013, subject to extension to 2015. The loan provides for the repayment of principal in equal semi-annual installments. The maturity date is December 2013 but it can be extended up to 2015.

In November 2006, URSA Bank entered into a seven-year U.S.$15.0 million loan agreement with the EBRD for the purpose of financing mortgage programmes. The loan was jointly arranged by the EBRD and Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. ("FMO"). The EBRD is the lender of record for the full amount and has provided U.S.$5.0 million of its own funds. The remaining has been extended by FMO. URSA Bank is required to pay the interest in semi-annual installments.

The EBRD loans contain covenants relating to on-lending obligations and financing requirements as well as certain financial covenants relating to, among others, capital adequacy, liquidity ratios, overdue loan ratios, operating expense ratios, compliance with CBR ratios, as well as covenants restricting the creation of security interests and unsecured indebtedness.

IFC loans

In November 2004, the IFC entered into a U.S.$7.0 million loan agreement with URSA Bank to provide financing for privately owned SMEs. The IFC loan consisted of two tranches: a Regular Tranche of U.S.$3 million payable in equal semi-annual installments and a Stand-by Tranche of U.S.$4 million.

In September 2005 the IFC extended a U.S.$6.0 million subordinated loan to URSA Bank for a five year term for the purpose of increasing URSA Bank's capitalisation in accordance with CBR regulations. The Stand-by Tranche from the loan noted in the paragraph above was included in this subordinated loan.

In March 2006 IFC provided a loan of U.S.$10.0 million for SME-lending. Interest on the loan is payable semi-annually. The maturity date of the loan is September 2011.

In November 2006 the IFC provided a subordinated loan in the amount of U.S.$10.0 million to URSA Bank. The loan provides for repayment of principal in equal semi-annual installments, the last becoming due on 15 September 2013.

The IFC loans are subject to certain financial covenants relating to, among others, risk weighted capital adequacy, client exposure ratios and fixed assets and equity participations ratio, as well as covenants restricting the creation of security interests and unsecured indebtedness.

KfW Credit Facility

In January 2005, KfW extended a U.S.$6.1 million credit facility to URSA Bankk for the purpose of onlending to SMEs. The loan provides for repayment of principal in equal semi-annual installments at a rate of 5.5 per cent. over LIBOR, the first becoming due on the third anniversary of the first disbursement made under the loan agreement.

Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. ("FMO") SME Term Facility and Subordinated Term Facility

In November 2005, FMO extended a term facility in the aggregate amount of U.S.$7.5 million to URSA Bank for the purpose of providing financing to SMEs. The rate of interest for this term facility is 4 per cent. over LIBOR per annum and URSA Bank is required to repay the term facility in six month instalments starting on 15 April 2007 and ending on 15 April 2011.

In August 2006, FMO extended subordinated term facilities for general banking purposes to URSA Bank in the amount of U.S.$7.5 million and U.S.$5 million. The loans shall be repaid in full seven years after the date of the agreements.

National City Bank Term Facility

In November 2005, National City Bank of Cleveland, Ohio, United States, extended a term facility in the aggregate amount of U.S.$14 million to URSA Bank for the purpose of expanding URSA Bank's retail loan portfolio. URSA Bank is required to pay the interest in semi-annual installments. URSA Bank will repay the principal of the term facility in eight semi-annual installments of U.S.$1.75 million starting 18 months after the initial drawdown. The Overseas Private Investment Corporation, a US federal agency, has provided National City Bank a partial guarantee of this term facility.

Wachovia Bank Loan

In July 2006 Wachovia Bank provided URSA Bank with a U.S.$20.0 million loan for 3 years for the purpose of providing financing to SMEs. URSA Bank is required to pay the interest in annual installments. The Overseas Private Investment Corporation, a US federal agency, has provided Wachovia Bank a partial guarantee of this term facility.

Outstanding Syndicated Loans

In August 2006 Commerzbank Aktiengesellschaft and Standard Bank Plc, the Mandated Lead Arrangers and Bookrunners, signed a U.S.$102.0 million syndicated trade related term loan facility agreement for URSA Bank. The term of the loan is 364 days and the rate of interest is 2.5 per cent. over LIBOR.

On 15 December 2006 the European Bank for Reconstruction and Development, ING Bank N.V. and Raiffeisen Zentralbank Österreich AG and a consortium of lenders extended URSA Bank a U.S.$60.0 million syndicated facility under the EBRD A/B Loan structure. The A/B Facility is composed of a 4 year A-Loan of U.S.$20.0 million held by the EBRD and a 2 year B-Loan of U.S.$40.0 million syndicated to commercial banks. The loan facility is used for corporate and retail lending. The rate of interest for the loan facility is 1.7 per cent. over LIBOR per annum.

Outstanding debt obligations

On 7 April 2005, URSA Bank issued its first Rouble-denominated bonds. URSA Bank raised an aggregate of RUB470 million in connection with the bond offering. The bonds have a term of 728 days but are callable at the election of investors after one year and pay quarterly interest at the rate of 10.59 per cent. per annum.

URSA Bank issued its debut loan participation notes on 19 May 2005 and raised an aggregate of U.S.$100 million. These loan participation notes have an interest rate of 9.75 per cent. per annum and a maturity date of 19 May 2008. On 13 December 2005, URSA Bank issued an additional U.S.$75 million loan participation notes which form a single series of notes with U.S.$100 million Eurobond loan participation notes issued on 19 May 2005.

On 29 June 2005, URSA Bank raised an aggregate of U.S.$30 million in connection with loan participation notes which were issued by Dresdner Bank Aktiengesellschaft to finance a subordinated loan to URSA Bank. These loan participation notes have an interest rate of 12.25 per cent. per annum and a maturity date of 6 July 2010.

On 12 December 2005, URSA Bank issued its second Rouble-denominated bonds. URSA Bank raised an aggregate of RUB1.5 billion in connection with the bond offering. These bonds have an interest rate of 10 per cent. per annum. These bonds have a maturity of three years but are callable at the election of investors after 18 months.

In early May 2007, URSA Bank repurchased approximately RUB657 million of such bonds, pursuant to the contractual terms of the bonds, under which the coupon on the bonds was reset from 10 per cent. to 7.65 per cent. The Rouble-denominated bonds so repurchased were subsequently resold to institutional investors at a coupon of 7.65 per cent.

In May 2006, URSA Bank established a U.S.$1 billion programme, the limit on which was subsequently increased to U.S.$4 billion in May 2007, for the issuance of loan participation notes to be

issued by, but with a limited recourse to, Sibacademfinance plc for the sole purpose of financing senior and subordinated loans to URSA Bank. Under the programme, URSA Bank issued:

(i) in May 2006, U.S.$350.9 million (approximately RUB9,200.6 million) 9 per cent. loan participation notes due 2009;

(ii) in June and September 2006, respectively, U.S.$40 million 12 per cent. subordinated loan participation notes due 31 December 2011 and U.S.$90 million (approximately RUB3,436.1 million in the aggregate) 12 per cent. subordinated loan participation notes due 30 December 2011 (to be consolidated and form a single series with U.S.$40 million 12 per cent. loan participation notes);

(iii) in September 2006, HUF 4,384.6 million (approximately RUB617.9 million) 11.66 per cent. loan participation notes due 2009;

(iv) in November 2006, EUR300 million (approximately RUB10,468.7 million) 8.30 per cent. fixed rate loan participation notes due 16 November 2011;

(v) in February 2007, URSA Bank issued RUB5,000 million 9.125 per cent. loan participation notes due 26 February 2010.

On 8 June 2006, URSA Bank issued its third Rouble-denominated bonds. URSA Bank raised an aggregate of RUB3.0 billion in connection with the bond offering. These bonds have an interest rate of 9.6 per cent. per annum. The maturity date of the bonds is 4 June 2009.

On 24 October 2006, URSA Bank issued its fourth rouble-dominated bonds. URSA Bank raised an aggregate of RUB3 billion in connection with the bond offering. The bonds have a maturity of five years and pay quarterly interest at the rate of 10.05 per cent. per annum.

The following table sets forth an analysis of URSA Bank's liabilities as of the dates listed:

	As of 31 December		
	2006	2005	2004
	(thousands of Roubles)		
Financial instruments at fair value through profit or loss	539,718	15,859	—
Due to other banks			
Term placements of other banks	14,684,377	1,935,742	303,660
Syndicated loans	2,740,453	1,174,413	—
Correspondent accounts of other banks	98,700	21,958	64,987
Total due to banks	**17,523,530**	**3,132,113**	**368,647**
Customer accounts			
Individual			
Term deposits	22,741,882	9,301,728	4,886,322
Current/demand accounts	3,508,494	1,795,216	984,125
Corporate customers			
Term deposits	4,514,878	1,135,724	1,406,705
Current/settlement accounts	5,736,987	1,731,052	993,713
Total customer accounts	**36,502,241**	**13,963,720**	**8,270,865**
Subordinated debt	**5,559,284**	**1,092,558**	**7,000**
Debt securities in issue			
Long-term loan participation notes	24,904,049	5,051,536	—
Domestic bonds	9,313,654	1,988,573	—
Deposit certificates and promissory notes	1,907,028	539,022	491,317
Total debt securities in issue	**36,124,731**	**7,579,131**	**491,317**
Other liabilities	**340,445**	**79,150**	**55,450**
Total liabilities	**96,589,949**	**25,862,531**	**9,193,279**

As of 31 December 2006, current/demand accounts of individuals and current/settlement accounts of companies represented 9.6 per cent. and 15.7 per cent. of total deposits, respectively, while term deposits of individuals and term deposits of companies, represented 62.3 per cent. and 12.4 per cent. of total deposits, respectively. As of 31 December 2006, current accounts and deposits from customers represented approximately 37.8 per cent. of URSA Bank's total liabilities and interbank deposits represented 18.1 per cent. of its total liabilities. As of 31 December 2006, total securities issued represented 37.4 per cent. of URSA Bank's total liabilities.

URSA Bank accepts deposits in roubles and foreign currencies. As of 31 December 2006, approximately 37.2 per cent. of URSA Banks's total current accounts and deposits from customers and banks were in foreign currencies, principally in U.S. dollars, with the remainder being in roubles.

Interest is paid on balances at rates determined by URSA Bank from time to time. Banks in Russia are free to set interest rates paid on deposits without restriction by the CBR or any other government agency. During the year ended 31 December 2006, the rates of interest on the majority of such accounts ranged from 0.1 per cent. per annum (on current accounts) to 11.5 per cent. per annum (on time deposits) in roubles and from 0.1 per cent. (on current accounts) to 10.0 per cent. per annum (on time deposits) in foreign currencies.

Interbank Deposits

URSA Bank participates in the interbank money market in Russia, usually on an overnight basis, based on URSA Bank's liquidity management requirements. Although URSA Bank uses the interbank money market in Russia for the purposes of managing its liquidity position, its general policy is that interbank financing should not constitute a significant part of its general funding. The CBR provides URSA Bank with an additional interest-bearing credit line for liquidity management purposes.

Branch Network

URSA Bank has succeeded in building the largest private branch network in the UFD and SFD and the sixth overall largest branch network in Russia, according to CBR data. As of 31 March 2007, URSA Bank had 243 branches and 360 ATMs. URSA Bank opened a total of 97 branches in 2006.

Employees

As of 31 March 2007, URSA Bank employed approximately 10,000 persons at URSA Bank's head office and at its branches. URSA Bank acquired approximately 3,000 employees from Uralvneshtorgbank in connection with the combination of Sibacadembank and Uralvneshtorgbank in December 2006. URSA Bank plans to hire 500 additional employees by 1 January 2008. The following table sets forth the average number of URSA Bank's employees in 2006, 2005 and 2004, including staff employed by URSA Bank's regional branches:

	2006	2005	2004
Average Number of Employees[(1)]	5,996	2,700	1,523
Percentage Change from Prior Year	122.1	77.3	32.7

(1) The average number of employees is based on the number of employees at the end of 31 March, 30 June, 30 September and 31 December for each year and divided by four.

URSA Bank views the training and professional development of its staff as a priority. For personnel training purposes, URSA Bank runs a number of internal courses and provides opportunities for its management and staff to study at institutes of higher education or attend courses organised by the EBRD. URSA Bank seeks to promote staff and enable them to develop their careers within URSA Bank where possible. Approximately 75 per cent. of URSA Bank's employees have university diplomas. To the knowledge of URSA Bank's management none of its employees is a member of a trade union or labour collective. URSA Bank considers its relationship with its employees to be good.

Information Technology

URSA Bank sees technical support of its operations as a priority. URSA Bank aims to achieve reliability, safety, quality and efficiency in its information and computer systems. All major computer systems of URSA Bank have backup resources. URSA Bank has a modern core IT system that helps to increase its capacity, improve fault tolerance, and reduce downtime.

In June 2005 Sibacadembank and Uralvneshtorgbank hired Gartner, an IT-consulting firm, to review the banks' current IT systems and to develop recommendations for improvement. Gartner's report was completed in January 2006. Over the past several months, both banks have implemented most of the Gartner's recommendations.

Today the activity of URSA Bank's IT Department is based on URSA Bank's Information Technology Development Strategy for 2007-2009, approved by the Management Board on 21 December 2006. URSA Bank's plans for the near future include, for example, the installation of in-house processing centre, transition to one common core banking system for retail and corporate business. The Strategy allocated an amount of U.S.$28 million for these activities in 2007.

As of the date of this Base Prospectus, URSA Bank employed over 200 persons in its IT Department and may hire additional employees as its business grows.

In 2006, URSA Bank recorded capital expenditures of U.S.$22.5 million for IT development projects and about U.S.$3.5 million for the maintenance of soft and hardware, work stations and communication channels.

Premises

URSA Bank's principal premises include its head office building located in Novosibirsk and several of its branch buildings. The net book value of URSA Bank's premises as of 31 December 2006 was RUB1,472.9 million.

Material Contracts

Shareholders' Agreement

URSA Bank is a party to an amended and restated shareholders' agreement, dated 13 December 2005, by and among Messrs. Igor Kim, Andrei Bekarev and Alexander Taranov (collectively, the "majority shareholders"), the EBRD, DEG and URSA Bank. It is not expected that Capital Finance, which acquired an approximate 14 per cent. interest in URSA Bank as a result of the combination of Sibacadembank and Uralvneshtorgbank, will become a party to the shareholder's agreement. The shareholders' agreement provides, among other things, that the Board of Directors of URSA Bank shall consist of a minimum of three directors and a maximum of nine directors, and that each of the EBRD and DEG shall each have the right to nominate one member of the Board of Directors. The following shareholder resolutions require (i) the prior approval of the Board of Directors, together with the approval of each of the directors nominated by the EBRD and DEG, (ii) a quorum of at least 50 per cent. of the shareholders and (iii) an affirmative vote of not less than 75 per cent. of all of the shareholders present or represented: resolutions to effect (a) charter amendments, (b) capital increases, or (c) a reorganisation or a liquidation of URSA Bank. In addition, any shareholder resolution with respect to, among other things, the payment of dividends, the replacement of URSA Bank's auditors or the nomination of the General Director of URSA Bank requires the prior approval of each of the directors nominated by the EBRD and DEG. URSA Bank and the majority shareholders also undertake, among other things, to implement an institution building plan, aimed at strengthening URSA Bank's corporate governance, strategic focus, operations and internal procedures.

Under the shareholders' agreement each of the majority shareholders agree that they will, so long as DEG and EBRD remain shareholders of URSA Bank, not dispose of any of the shares in URSA Bank other than to the EBRD, DEG, the other majority shareholders or to a qualified strategic investor that the EBRD and DEG reasonably believe has an acceptable business reputation and sufficient financial, technical and organisational resources to meet URSA Bank's development objectives, subject to the transfer being done pursuant to the right of first refusal, tag-along rights and drag-along rights provisions contained in the agreement. For so long as the EBRD and DEG hold shares in URSA Bank, and unless the EBRD and DEG otherwise agree in writing, each of the majority shareholders grant the EBRD and DEG with the right of first refusal and tag along rights. In addition, to the extent that the EBRD and DEG receive an offer to transfer to a third party purchaser more than 51 per cent. of the shares of URSA Bank at any time following 2 December 2008 and such third party desires to acquire more shares than those owned collectively by the EBRD and DEG, then EBRD and DEG shall have the right to compel the majority shareholders to sell their shares to such third party purchaser on the same terms and conditions as were offered to the EBRD and DEG. The tag-along and drag-along rights may be suspended in certain cases, including the listing of URSA Bank on the London or New York stock exchanges. The agreement

further provides that each of the majority shareholders, EBRD and DEG shall have pre-emptive rights to subscribe rateably to any new issuance of shares by URSA Bank.

Put and Call Option Agreement

The EBRD, DEG and the majority shareholders are parties to an amended and restated put and call option agreement. Pursuant to the agreement, each of EBRD and DEG shall have the right to put their shares to the majority shareholders in the event of the occurrence of certain put events, including misrepresentations or breaches of material obligations by the majority shareholders or URSA Bank related to, among other things, the shareholders' agreement or the subscription agreements pursuant to which the EBRD and DEG acquired their shares in URSA Bank, and URSA Bank's insolvency.

Agreements relating to Purchases of Consumer Finance Loan Portfolios

In 2005 and 2006, URSA Bank also entered into a series of agreements with Vostochny Express Bank pursuant to which it acquired consumer finance loan portfolios in the aggregate principal amount of RUB2,419 million and RUB7,161 million, respectively, at a price equal to the principal amount of such loans. As of 31 December 2006, the aggregate principal amount of the purchased loans under these agreements outstanding was RUB5,045.3 million. Under the terms of the agreements, Vostochny Express Bank continues to be responsible for servicing the loans, including the collection of principal and interest payments from borrowers with respect to the purchased loans. In addition, as part of the agreements, Vostochny Express Bank has provided a guarantee to URSA Bank to support the performance of the borrowers under the purchased loans and URSA Bank pays Vostochny Express Bank a service commission of RUB1 thousand per month. Under the terms of the guarantee, Vostochny Express Bank is obligated to pay principal and interest on the purchased loans in the event that the borrowers fail to pay. As of 31 December 2006, the principal amount of the guarantee provided by Vostochny Express Bank in connection with existing outstanding purchased loans amounted to RUB100.0 million. In addition, to the extent that the amounts paid by Vostochny Express Bank in connection with the guarantee were to exceed such guarantee limit, Vostochny Express Bank would be required to provide additional guarantees to URSA Bank in increments of RUB100 million to the extent legally permissible under the CBR capital adequacy and other regulations up to the full value of the outstanding loans, or to pay a penalty of 3 per cent. of the outstanding loans plus accrued interest. Under the terms of the agreements, URSA Bank is entitled to receive interest equal to 18 per cent. per annum on the principal amounts of the purchased loans, with Vostochny Express Bank retaining the remainder of the interest payments on the purchased loans. The agreements may be terminated on the mutual agreement of Vostochny Express Bank and URSA Bank.

Litigation

URSA Bank has been, and continues to be, the subject of legal proceedings and adjudications from time to time, none of which has had, or is expected to have, individually or in aggregate, a material adverse effect on URSA Bank. There are no and have not been any legal or arbitration proceedings against or affecting URSA Bank or any of its assets or revenues, nor is URSA Bank aware of any pending or threatened proceedings of such kind, which may have or have had during the 12 months prior to the date of this Base Prospectus a significant effect on the financial position of URSA Bank.

LENDING POLICIES AND PROCEDURES

Corporate Lending Policies and Procedures

General

URSA Bank specialises in lending to small and medium-sized companies. URSA Bank's lending activities generally focus on the regions where it is represented via its branches. While URSA Bank does not favour borrowers in any particular industry, it generally grants loans to those companies which add value to their respective industries, including manufacturers, service providers and large wholesalers/distributors selling exclusive products.

URSA Bank has established procedures for approving loans and monitoring loan quality and for extensions and refinancing of existing loans, which comply with Russian law, the CBR requirements and agreements reached between URSA Bank and its international partners. These procedures are set out in the Credit Policy approved by the Management Board. The Credit Policy sets forth the following goals for URSA Bank's lending business:

- effective utilisation of URSA Bank's resources, i.e., creation of a higher quality and profitable loan portfolio in the short-term and long-term;
- creation of the credit culture conforming to international standards; and
- creation of a diversified loan portfolio based on individual limits to companies or groups of companies, and industry, collateral and currency considerations.
- The loan approval process involves the following officers/divisions of URSA Bank:
- Loan officers within the Corporate Lending Departments, whose primary responsibilities include business development and management of the loan portfolio;
- Risk analysts within the Risk Management Department, whose primary responsibilities include financial analysis and loan monitoring;
- Appraisal Department, whose primary responsibilities include independent collateral appraisal and certification, as well as management and quality control of independent appraisers;
- Security Department, whose primary responsibilities include background checks of the potential borrowers and their managers/owners; and
- Legal Department, whose primary responsibilities include the review of corporate documentation, confirmation of authorisations, capacities, ownership rights and validity of collateral.

Credit decisions in URSA Bank may be taken either collectively (involving the above divisions of URSA Bank) or individually (the General Director and persons authorised to do so by the relevant internal order of the General Director). The Problem Loan Department holds primary responsibility for the management of problem loans.

Collateral for Corporate Loans

In general, URSA Bank requires credit support or collateral as security for the loans and credit facilities that it grants to corporate customers. The main forms of credit support and collateral are real estate, equipment, vehicles, inventory, marketable securities, and other types of collateral that URSA Bank deems appropriate. A discount may be applied to the market value of the collateral. URSA Bank may require that the lives of a borrower's managers and/or any pledged property are insured. Under URSA Bank's internal guidelines, collateral should be provided (where it is required) to cover outstanding liabilities during the duration of a transaction. As of 31 March 2007, substantially all of URSA Bank's corporate loan portfolio was collateralised.

Corporate Loan Risk Rating System

Each of URSA Bank's corporate loans are rated according to nine credit risk ratings that are based on management's estimate of the borrower's financial solvency.

Standard Credit Risk

Risk Rating 1: Practically No Risk. The borrower is an industry leader or a "blue chip" company.

Risk Rating 2: Low Risk. The company's cash flow is sufficient for repayment of the loan. The company's capitalisation, profitability and liquidity are high for their industry and are stable through economic downturns.

Risk Rating 3: BelowAverage Risk. The company's cash flow is sufficient for loan repayment. Within their industry, the company maintains a relatively stable position in terms of size and financial condition. The loan requires a low-level of monitoring from the loan manager.

Risk Rating 4: Acceptable Risk. The company's ability to make interest and principal payments are acceptable. However, the financial condition of the borrower indicates a heightened level of risk which requires a standard level monitoring by the loan manager.

Average Credit Risk

Risk Rating 5: Borderline Risk. The company's cash flow is at the minimum acceptable level for repayment of the loan's interest and principal payments. The company's capitalisation and liquidity are acceptable. The loan requires a higher level of monitoring by the loan manager. This is the minimum allowable credit risk rating for new loans issued by URSA Bank.

Risk Rating 6: Monitored Loans. The company has identifiable financial weaknesses which requires monthly or more frequent monitoring of the situation by the loan manager and, as a consequence, the loan is placed on the list of monitored loans. The responsible loan manager draws up an work plan for the company to improve the probability of repayment and submits monthly progress reports to the Director of Risk Management. The company's failure to comply with the work plan will result in a lowered risk rating.

Non-performing Loans

Risk Rating 7: Doubtful Repayment. The company's solvency and capital adequacy are questionable. The company has identifiable financial weaknesses which make it probable that a portion of the loan will not be repaid.

Risk Rating 8: Problem Loan. It is highly doubtful or impossible that the loan will be fully repaid. A guarantee or other secondary source of credit is the only method of recovering the loan amount.

Bad Debts

Risk Rating 9: No primary or secondary sources of repayment. URSA Bank will not recover the loan.

Such a risk rating system serves the following purposes:

- creation of a uniform approach to evaluating credit risks;
- improvement of loan portfolio management;
- creation of a high-standard credit culture;
- motivation of personnel involved in the loan extension process; and
- maintenance of loan loss reserves in accordance with IFRS.

The risk ratings are assigned to companies in connection with a limited number of credit products, namely loans, leases, bank guarantees and letters of credit.

To ensure an unbiased approach and to avoid the conflict of interests in the process of the evaluation of credit risks and the assignment of risk ratings, URSA Bank has separated the functions of credit managers (responsible for the development of new business) and risk analysts (responsible for the evaluation of risks).

The process of risk rating involves the following officers/divisions:

- credit managers;
- risk analysts;
- credit committees;
- the Problem Loan Department; and
- the Internal Audit Service.

Each of the credit managers and risk analysts assign their preliminary risk ratings to a borrower and submit these for the approval of the relevant credit committee. The relevant credit committee considers the preliminary risk ratings proposed by the credit manager and the risk analyst and assigns its initial rating. The Internal Audit Service reviews a random sample of the initial ratings. The judgment of the Internal Audit Service on a risk rating is considered to be final. Frequent discrepancies between the risk ratings assigned by the Internal Audit Service and those assigned by a credit officer/risk analyst may affect the evaluation of the performance of the relevant officer.

The system of risk management does not envisage any fixed set of criteria for the assignment of risk ratings, but allows for a flexible approach towards each borrower. When assigning risk ratings, URSA Bank's professionals are generally expected to exercise their professional judgment and rely on their experience. They are also expected to take into account, among other things, the borrower's credit history, financial standing and turnover, quality of the borrower's management, collateral provided and the relationship between the borrower and URSA Bank.

Retail Lending Policies and Procedures

General

URSA Bank relies upon the loan application submitted by the borrower which includes various details about the borrower including the borrower's age, place and length of employment, place of residence, income and assets. Based on the borrower's loan application, the Retail Lending Department determines whether URSA Bank will extend a loan to the individual and the interest rate for the loan. URSA Bank generally assesses a high level of risk to new clients and correspondingly higher interest rate for retail loans and this gradually decreases depending the borrower's financial performance and credit history over time.

URSA Bank is in the process of completing the implementation of an automated credit risk scoring system for unsecured retail loans. All retail loan applications (excluding mortgage loans) received by URSA Bank are expected to be analysed using a automated scoring algorithm process which is intended to calculate the risk profile of the applicant using the Experian-Scorex scoring system and generate credit parameters for the applicant's credit (including the amount, term and interest rate of the loan). The scoring system may give either a preliminary or a final decision as to whether URSA Bank can extend credit to the applicant to the applicable loan manager.

Collateral for Retail Loans

Car finance loans and home mortgages are issued on a secured basis with the purchased asset serving as collateral. All other retail loans are unsecured.

Definitions of Overdue and Non-performing Loans

Corporate Loans

Any corporate loan where the borrower is one day late on a principal payment is considered to be an overdue loan. Corporate performing loans that are placed within credit risk rating categories 7 to 9, as described above, are considered to be non-performing loans.

SME Loans

Any SME loan where the borrower is one day late on a principal payment is considered an overdue loan. Loans to SMEs are considered non-performing loans if interest or principal payments are overdue for more than 90 calendar days.

Retail Loans

If a borrower's repayment of principal is at least one day late, the loan is considered overdue. If the principal amount of an overdue loan is lower than a predetermined economically material threshold, it is automatically considered to be an non-performing loan. If the principal amount of an overdue loan is higher than the predetermined economically material threshold, it is considered a non-performing loan if the term of the loan has expired, neither the borrower nor any of the borrower's relatives are willing to repay the loan and any of the following criteria are met:

- Security Department personnel have investigated the borrower and determined that the borrower cannot repay the loan;

- the borrower is deceased and there is no available information regarding the borrower's estate or heirs;
- the borrower has moved to another country or region of the Russian Federation and cannot be located;
- the borrower has been clinically diagnosed as suffering from a mental illness and is undergoing treatment;
- the borrower has been clinically diagnosed as suffering from alcohol or drug addiction and does not have any financial resources;
- the borrower has been determined to be legally incompetent by a court; or
- the borrower is unable to repay the loan due to being a victim of fraud as evidenced by the commencement of criminal proceedings against third parties.

Once a loan is identified as a non-performing loan, a group comprising representatives from management (a branch director, for example), the Legal Department and the Security Department make a collective determination as to whether to submit the non-performing loan to the Credit Committee with a recommendation to write-off the loan.

See "Risk Management—Credit Risk" for additional details regarding URSA Bank's experience with overdue and non-performing loans.

RISK MANAGEMENT

Overview

Risk management is fundamental to the banking business and is an essential element of URSA Bank's operations. URSA Bank's risk management and control system addresses the following types of banking risks:

- credit risk;
- liquidity risk;
- operational risk; and
- market risk (including foreign exchange risk and interest rate risk).

URSA Bank's risk management policies and procedures in respect of the above risks are designed to identify and analyse those risks, prescribe appropriate limits to various risk areas and to monitor the level and incidence of such risks on an on-going basis. Among URSA Bank's risk management tools is a system of limits on risks that is based on CBR prudential requirements. URSA Bank regularly reviews its risk analysis procedures in order to adapt to the growth of its business and the varying nature of the risks which URSA Bank faces in its day-to-day business.

Organisation

URSA Bank's risk management is based on the system of managerial reporting. The divisions that are responsible for the risk management activities prepare reports as specified in URSA Bank's internal documents on risk management. URSA Bank's primary internal document on risk management is its Risk Management Policy. The Risk Management Policy is approved by the Management Board and sets out URSA Bank's risk management goals and methodologies.

Responsibility for URSA Bank's risk management activities is divided among the following units: the Risk Management Department, the Asset and Liabilities Committee (ALCO), Credit Committees (at the level of URSA Bank and each of its branches), the Treasury Department and the Internal Audit Service.

Risk Management Department. The Risk Management Department is responsible for:

- preparing internal documents on URSA Bank's risk management procedures, including the identification, evaluation and control of risks;
- independently analysing and evaluating all types of risk to which URSA Bank is exposed, including risks associated with its credit products;
- independently monitoring the financial and business situation of URSA Bank's clients (corporates and financial institutions);
- evaluating and monitoring collateral; and
- monitoring the repayment of problem loans.

The composition of the Risk Management Department is approved by the General Director of URSA Bank. The Corporate Credit Risk Management Department is staffed by 44 professionals and is headed by Ms. Tatyana Cherepanova.

ALCO. The ALCO is responsible for the implementation of URSA Bank's risk management policy, including:

- managing the structure of assets and liabilities;
- approving interest rate policy;
- setting limits for the balance sheet structure and for interest rates on deposits and loans;
- approving internal documents on risk identification, evaluation and management; and
- approving the policy on the management of medium-term and long-term liquidity.

The composition of the ALCO is approved by the General Director of URSA Bank. The ALCO is currently staffed by ten professionals and is headed by Mr.Vladislav Khoklov.

Credit Committees. The system of URSA Bank's credit committees (the "**Credit Committees**") includes the Credit Committee of Siberian Bank (the "**Siberian Credit Committee**"), the Credit Committee of Urals Bank (the "**Urals Credit Committee**") and the Credit Committees of URSA Bank's branches (the "**Branch Credit Committees**"). The distribution of responsibilities between the Credit Committees is set out in URSA Bank's internal documents. The Branch Credit Committees take credit decisions on the basis of the powers conferred to them for terms of up to twelve months by the Siberian or Urals Credit Committee, depending on the branch location or the General Director. Within such powers, the Branch Credit Committees are free to act independently subject to various limits established in relation to their credit decisions (such as the maximum exposure, tenor or interest rate under a credit facility, etc.). The Branch Credit Committees report to the Siberian Credit Committee or to the Urals Credit Committee, depending on the branch location, and the Siberian Credit Committee or the Urals Credit Committee report to the General Director.

The Credit Committees are responsible for the management of URSA Bank's credit risks, including:

- determining and approving the terms of credit products;
- determining categories of credit risks;
- setting requirements for collateral; and
- considering issues related to problem loans.

The composition of the Credit Committee is approved by the General Director and includes senior managers whose activities involve risk assessment (e.g., specialists of the Risk Management Department). The Credit Committee is usually chaired by the Deputy Head of the Risk Management Department. The composition of the Branch Credit Committees is considered by the Credit Committee upon the recommendation of the head of the respective branch and is subject to final approval by the General Director. The Branch Credit Committees are usually chaired by the Head or the Deputy Head of the relevant branch.

The Siberian Credit Committee is staffed by ten professionals and is headed by Ms. Tatyana Cherepanova, the Head of the Corporate Credit Risk Management Department.

The Urals Credit Committee is staffed by ten professionals and is headed by Mr. Konstantin Khlysov, the Head of the Treasury Department.

The Treasury Department. The Treasury Department is primarily responsible for managing URSA Bank's short-term and current liquidity and its currency position within URSA Bank's applicable requirements and limits. The Treasury Department is staffed by 19 professionals and is headed by Mr. Konstantin Khlysov.

URSA Bank's limit for the volume of transactions it conducts with other banks in 2006, primarily interbank lending and conversion transactions, is 10 per cent. of URSA Bank's net asset value. The Treasury Department monitors this limit on a daily basis. URSA Bank has transaction volume limits which vary depending on the size of the thirdparty bank and the Credit Committee's evaluation of a given bank's financial situation. The schedule of counterparty bank credit limits for 2006 based on the bank's financial situation as determined by URSA Bank's credit committee are described in the table below:

Individual Counterparty Bank's Net Assets	Exposure Limit			
	Excellent	**Good**	**Satisfactory**	**Unsatisfactory**
(billions of Roubles)	*(millions of Roubles)*			
Above 100	450	300	150	0
45 to 100	300	150	75	0
25 to 45	150	120	60	0
15 to 25	120	90	45	0
10 to 15	90	60	30	0

URSA Bank will not generally conduct interbank lending and conversions transactions with banks having less than RUB10 billion in net assets. Furthermore, URSA Bank will only enter into forward transactions with non-Russian banks and swap transactions with counterparty banks having net assets larger than RUB45billion.

The Internal Audit Service. The Internal Audit Service reports to the Board of Directors, which appoints the head of the Internal Audit Service (currently, Mr.Boris Semenchuk). The Internal Audit

Service is responsible for URSA Bank's compliance with all applicable legislation and internal regulations and resolutions. The Internal Audit Service is staffed by 38 professionals, who may not occupy any other positions in URSA Bank. The activities of the Internal Audit Service are governed by URSA Bank's charter and the relevant internal regulations.

Credit Risk

As with any other bank, URSA Bank is exposed to credit risk, which is the risk that a borrower or a counterparty will be unable to pay amounts in full when due. URSA Bank aims to diversify its credit portfolio in order to avoid credit risk over-concentration. According to URSA Bank's Credit Policy, its exposure to a single borrower should not exceed 25 per cent. of URSA Bank's regulatory capital, which is in line with the mandatory requirements of the CBR. URSA Bank's largest single credit exposure is 14.9 per cent. of URSA Bank's regulatory capital.

URSA Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to individual borrower or groups of borrowers, and economic sectors. Limits on the level of credit risk by borrower (or group of borrowers) and economic sectors are approved by URSA Bank's Credit Committee on a regular basis.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees.

URSA Bank's maximum exposure to credit risk is primarily reflected in the carrying amounts of financial assets on the balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. URSA Bank uses the same procedures and methodologies, as defined by its credit policy, for approving credit related commitments (credit lines, letters of credit and guarantees) as it does for on balance sheet credit obligations (loans).

URSA Bank assesses risk associated with a particular counterparty pursuant to its risk rating system (see "Lending Policies and Procedures—Risk Rating System").

Prior to 2006, URSA Bank presented information for overdue loans by disclosing the overdue part of the principal loan amount at the applicable reporting date. Starting from 1 January 2006, URSA Bank presents the full principal loan amounts including accrued interest of any overdue loans as overdue at the applicable reporting date in order to provide more meaningful disclosure.

For corporate loans, URSA Bank's overdue and loans written off during the year as uncollectible for the years ended 31 December 2006, 2005 and 2004 were as follows:

	Year ended 31 December			Change from Prior Year	
	2006	2005	2004	2006	2005
	(thousands of Roubles, except percentages)				
Current loans to corporate entities	36,679,971	10,481,687	2,918,431	249.9%	259.2%
Overdue loans to corporate entities	**268,526**	**86,463**	**78,745**	**210.6%**	**9.8%**
Gross loans to corporate entities	36,948,497	10,568,150	2,997,176	249.6%	252.6%
Less: provision for loan impairment	536,482	297,529	206,863	80.3%	43.8%
Total	**36,412,015**	**10,270,621**	**2,790,313**	**254.5%**	**268.1%**
Provision for loan impairment as a percentage of total loans to corporate entities	1.5%	2.9%	7.4%		
Provision for loan impairment as a percentage of overdue loans to corporate entities	199.8%	362.0%	262.7%		
Overdue loans as a percentage of net total loans to corporate entities	0.7%	0.8%	2.8%		
Loans to corporate entities written off during the year as uncollectible	**—**	**1,200**	**13,328[1]**	**(100.0)%**	**(91.0)%**
Provision for loan impairment as a percentage of loans written off as uncollectible	n/a	24,794.1%	1,552.1%		
Loans written off during the year as a percentage of total loans to corporate entities	0.0%	0.0%	0.5%		

(1) A single write-off involved one RUB10 million loan.

For retail loans that URSA Bank originated, URSA Bank's overdue and loans written off during the year as uncollectible for the years ended 31 December 2006, 2005 and 2004 were as follows:

	Year ended 31 December			Change from Prior Year	
	2006	2005	2004	2006	2005
	(thousands of Roubles, except percentages)				
Current loans to individuals	24,040,146	4,928,568	3,213,991	387.8%	53.3%
Overdue loans to individuals	3,702,131	521,573	12,485	609.8%	4,077.6%
Gross loans to individuals	27,742,277	5,450,141	3,226,476	409.0%	68.9%
Less: provision for loan impairment	2,390,239	171,681	67,440	1,292.3%	154.6%
Total	**25,352,038**	**5,278,460**	**3,159,036**	**380.3%**	**67.1%**
Provision for loan impairment as a percentage of total loans to individuals	8.6%	3.2%	2.1%		
Provision for loan impairment as a percentage of overdue loans to individuals	64.6%	32.9%	540.2%		
Overdue loans as a percentage of total loans to individuals	13.3%	9.6%	0.4%		
Loans to individuals written off during the period as uncollectible	**725**	**—**	**—**		

Market Risk

URSA Bank is exposed to market risks (including foreign exchange risk and interest rate risk) which arise from losses caused by fluctuations in the market price of financial instruments. To manage market risks, URSA Bank implements stresstesting, which is carried out at least quarterly. The stresstesting technique is based on a scenario analysis involving a forecast of URSA Bank's financial performance as affected by various negative factors. One of the stresstesting techniques—the "worst-case scenario"—is based on an analysis of the impact of a combination of the most negative factors. The parameters of the scenario analysis are suggested by the risk division within the Treasury (the "Treasury Risk Division"). Such parameters contain quantitative standards for analysing the ratios generated by the forecast. Depending on the purpose of the stress testing, up to three scenarios may be analysed at a time.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. URSA Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. URSA Bank's ALCO sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily by the Treasury Department, which provides additional position and limit control to support ALCO.

URSA Bank's exposure to currency risk is measured on the basis of its open currency position, the limit of which ALCO sets. URSA Bank's exposure to currency risk is measured on the basis of its open currency position, the limit of which the CBR sets under RAR, and may not exceed 20 per cent. of URSA Bank's aggregate capital in all currencies, or 10 per cent. of capital denominated in certain currencies, including the balancing Russian Rouble-denominated position, which is the difference between the amount of all open short currency positions expressed in Roubles and the amount of all open long currency positions expressed in Roubles. The CBR monitors URSA Bank's open currency position on a daily basis, and as of the date of this Base Prospectus URSA Bank meets the CBR's requirements with respect to control of its open currency position.

As a whole, URSA Bank is exposed to potentially significant risk from sudden fluctuations in the exchange rates of currencies in which it has significant net balance sheet positions. URSA Bank's major net balance sheet positions are concentrated in Roubles and U.S. dollars. However, URSA Bank's net balance sheet positions in U.S. dollars are substantially lower than its Rouble positions. See "Risk Factors—URSA Bank is subject to significant currency risks".

The tables below summarise URSA Bank's exposure to foreign currency exchange rate risk as of the dates indicated. Included in the table are URSA Bank's assets and liabilities at carrying amounts, categorised by currency. The off-balance sheet net notional position represents the difference between the notional amounts of foreign currency derivative financial instruments. The structure of URSA Bank's

assets and liabilities denominated in various currencies and translated into Roubles as of 31 December 2006 was as follows:

	RUB	U.S.$	Other currencies	Total
		(thousands of Roubles)		
Assets				
Cash and cash equivalents	4,456,186	2,961,195	463,264	7,880,645
Mandatory cash balances with the CBR	1,095,115	—	—	1,095,115
Financial instruments at fair value through profit or loss	11,344,478	953,998	—	12,298,476
Due from other banks	776,239	1,172,268	11,428,290	13,376,797
Loans to customers	60,328,501	6,004,825	1,072,494	67,405,820
Other assets	618,815	9,091	1,596	629,502
Goodwill	6,494,241	—	—	6,494,241
Deferred tax asset	154,782	—	—	154,782
Premises and equipment	2,275,394	—	—	2,275,394
Total assets	**87,543,751**	**11,101,377**	**12,965,644**	**111,610,772**
Liabilities				
Financial instruments at fair value through profit or loss	539,718	—	—	539,718
Due to other banks	328,930	16,380,758	813,842	17,523,530
Customer accounts	33,620,321	1,102,663	1,779,257	36,502,241
Debt securities in issue	11,198,334	14,451,330	10,475,067	36,124,731
Subordinated debt	22,000	5,537,284	—	5,559,284
Other liabilities	330,149	9,877	419	340,445
Total liabilities	**46,039,452**	**37,481,912**	**13,068,585**	**96,589,949**
Net balance sheet position	**41,504,299**	**(26,380,535)**	**(102,941)**	**15,020,823**
Net off-balance sheet position	**(26,328,245)**	**26,353,936**	**(25,691)**	**—**

The structure of URSA Bank's assets and liabilities denominated in various currencies and translated into Roubles as of 31 December 2005 was as follows:

	RUB	U.S.$	Other currencies	Total
		(thousands of Roubles)		
Assets				
Cash and cash equivalents	2,673,504	374,220	75,644	3,123,368
Mandatory cash balances with the CBR	312,749	—	—	312,749
Financial instruments at fair value through profit or loss	2,815,198	199,291	—	3,014,489
Due from other banks	129,208	650,630	182,190	962,028
Loans to customers	17,617,819	1,872,528	454,039	19,944,386
Other assets	224,112	5,481	—	229,593
Deferred tax asset	30,582	—	—	30,582
Premises and equipment	1,101,295	—	—	1,101,295
Total assets	**24,904,467**	**3,102,150**	**711,873**	**28,718,490**
Liabilities				
Financial instruments at fair value through profit or loss	15,859	—	—	15,859
Due to other banks	515,236	2,166,164	450,713	3,132,113
Customer accounts	12,705,770	992,174	265,776	13,963,720
Debt securities in issue	2,514,185	5,064,946	—	7,579,131
Subordinated debt	22,000	1,070,558	—	1,092,558
Other liabilities	74,176	4,974	—	79,150
Total liabilities	**15,847,226**	**9,298,816**	**716,489**	**25,862,531**
Net balance sheet position	**9,057,241**	**(6,196,666)**	**(4,616)**	**2,855,959**
Net off-balance sheet position	**(6,144,070)**	**6,144,070**	**—**	**—**
Net position	**2,913,171**	**(52,596)**	**(4,616)**	**2,855,959**

Interest rate risk

URSA Bank is exposed to interest rate risk, principally as a result of lending to customers and other banks, at fixed interest rates, in amounts and for periods that differ from those of term deposits and issuances of debt securities at fixed interest rates.

The Board of Directors sets limits on the level of interest rate mismatch which may be undertaken. The Treasury Department prepares a monthly review of interest rates indicating currency trends and moves by competitors. ALCO reviews these reports regularly and makes a formal recommendation as to interest rates on a quarterly basis (or more often as needed if required by market conditions).

The table below summarises the effective interest rate, by major currencies, for major monetary financial instruments for the fiscal years ending 31 December 2006 and 2005. The analysis has been

prepared on the basis of weighted average interest rates for the various financial instruments using period end effective interest rates.

	2006		2005	
	RUB	Foreign Currency	RUB	Foreign Currency
	(%)			
Assets				
Financial instruments at fair value through profit or loss	8.1%	8.2%	7.8%	6.6%
Due from other banks	7.5%	3.1%	2.7%	3.7%
Loans to corporate entities	13.5%	10.8%	15.5%	10.3%
Loans to individuals originated by URSA Bank	36.2%	12.1%	40.4%	—
Loans to individuals purchased by URSA Bank	18.4%	—	20.3%	—
Liabilities				
Due to other banks	4.3%	5.7%	6.5%	6.6%
Customer accounts	8.0%	7.7%	8.4%	5.4%
Debt securities in issue	9.6%	8.8%	8.4%	9.7%
Subordinated debt	11.3%	12.0%	11.3%	12.2%

The table below summarises the effective interest rate, by major currencies, for major monetary financial instruments for the fiscal years ending 31 December 2005 and 2004. The analysis has been prepared on the basis of weighted average interest rates for the various financial instruments using period end effective interest rates.

	2005		2004	
	RUB	Foreign Currency	RUB	Foreign Currency
	(%)			
Assets				
Financial instruments at fair value through profit or loss	8	7	8	—
Due from other banks	3	4	4	—
Loans to corporate entities	16	10	18	13
Loans to individuals originated by URSA Bank	40	—	35	—
Loans to individuals purchased by URSA Bank	20	—	—	—
Liabilities				
Due to other banks	6	7	2	5
Customer accounts	8	5	9	5
Debt securities in issue	8	10	4	8
Subordinated debt	11	12	12	—

Securities portfolio risk

Securities portfolio risk is the risk of changes in the value of securities as a result of interest rate or market price movements. URSA Bank's main source of securities portfolio risk is its corporate debt securities portfolio. For its financial assets held for trading, URSA Bank has in place portfolio limits on various types of securities and securities transactions, including limits on foreign currency and Russian Rouble-denominated Russian government securities, Russian regional and municipal securities, Russian corporate debt securities, foreign investmentgrade corporate debt securities, limits on derivative, repo and reverse-repo transactions, as well as single issuer limits, which allow it to maintain its securities portfolio risk at a level that URSA Bank deems acceptable given its current level of capital. The ALCO also assigns stop-loss limits and open position limits as well as VaR and stress test limits for URSA Bank's overall position which are monitored on a daily basis. If URSA Bank exceeds the overall limits ALCO sets, URSA Bank takes appropriate measures, including, but not limited to, selling securities, closing out positions and halting the transactions that led to such limit violations. No material limit violations have taken place in the past three years.

Liquidity Risk

Liquidity risk is the risk resulting from a difference in the maturities of assets and liabilities, which may result in URSA Bank being unable to meet its obligations in a timely manner. URSA Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments. URSA Bank does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds is predictable with a high level of certainty. Liquidity risk is supervised by ALCO, which sets liquidity risk limits that are monitored on a daily basis by the Treasury department.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of URSA Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interestbearing liabilities as they mature, are important factors in assessing the liquidity of URSA Bank and its exposure to changes in interest and exchange rates.

The table below shows assets and liabilities as of 31 December 2006 according to their remaining contractual maturity, unless there is evidence that any of these assets are impaired and will be settled after their contractual maturity dates, in which case the expected date of settlement is used.

	Overdue	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**No stated maturity**	**Total**
				(thousands of Roubles)				
Assets								
Cash and cash equivalents	—	7,880,645	—	—	—	—	—	7,880,645
Mandatory cash balances with the CBR	—	375,210	262,950	250,799	206,091	65	—	1,095,115
Financial instruments at fair value through profit or loss	—	49,114	260,356	117,585	11,429,684	441,737	12,298,476	
Due from other banks	—	9,566,784	3,688,514	121,499	—	—	—	13,376,797
Loans to customers	1,773,462	5,510,387	12,174,296	12,365,332	30,032,916	5,549,427	—	67,405,820
Other assets	—	56,425	158,021	202,359	13,489	2,594	196,614	629,502
Goodwill	—	—	—	—	—	—	6,494,241	6,494,241
Deferred tax asset	—	—	—	—	—	—	154,782	154,782
Premises and equipment	—	—	—	—	—	—	2,275,394	2,275,394
Total assets	**1,773,462**	**23,438,565**	**16,544,137**	**13,057,574**	**41,682,180**	**5,993,823**	**9,121,031**	**111,610,772**
Liabilities								
Financial instruments at fair value through profit or loss	—	41,196	471,077	19,138	8,307	—	—	539,718
Due to other banks	—	6,746,764	3,773,916	3,510,019	3,295,348	197,483	—	17,523,530
Customer accounts	—	12,470,819	8,788,283	8,562,234,	6,678,953	1,952	—	36,502,241
Debt securities in issue	—	1,598,348	587,958	3,044,435,	30,893,990	—	—	36,124,731
Subordinated debt	—	50,961	10,851	—	4,370,800	1,126,672	—	5,559,284
Other liabilities	—	177,804	153,348	768	29	8,496	—	340,445
Total liabilities	**—**	**21,085,892**	**13,785,433**	**15,136,594**	**45,247,427**	**1,334,603**	**—**	**96,589,949**
Net gap	**1,773,462**	**2,352,673**	**2,758,704**	**(2,079,020)**	**(3,565,247)**	**4,659,220**	**9,121,031**	**15,020,823**
Cumulative gap as at 31 December 2006	**1,773,462**	**4,126,135**	**6,884,839**	**4,805,819**	**1,240,572**	**5,899,792**	**15,020,823**	

The table below shows assets and liabilities as of 31 December 2005 according to their remaining contractual maturity, unless there is evidence that any of these assets are impaired and will be settled after their contractual maturity dates, in which case the expected date of settlement is used.

	Overdue	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	No stated maturity	Total
				(thousands of Roubles)				
Assets								
Cash and cash equivalents	—	3,123,368	—	—	—	—	—	3,123,368
Mandatory cash balances with the CBR	—	110,298	63,092	83,984	50,587	4,788	—	312,749
Financial instruments at fair value through profit or loss	—	62,599	94,037	72,038	1,824,446	961,369	—	3,014,489
Due from other banks	—	510,031	420,726	31,271	—	—	—	962,028
Loans to customers	276,786	1,486,658	4,821,606	4,689,372	8,505,910	164,054	—	19,944,386
Other assets	—	116,853	61,676	3,016	246	—	47,802	229,593
Deferred tax asset	—	—	—	—	—	—	30,582	30,582
Premises and equipment	—	—	—	—	—	—	1,101,295	1,101,295
Total assets	**276,786**	**5,409,807**	**5,461,137**	**4,879,681**	**10,381,189**	**1,130,211**	**1,179,679**	**28,718,490**
Liabilities								
Financial instruments at fair value through profit or loss	—	15,859	—	—	—	—	—	15,859
Due to other banks	—	102,196	592,418	1,379,370	884,408	173,721	—	3,132,113
Customer accounts	—	4,924,635	2,816,955	3,749,756	2,258,610	213,764	—	13,963,720
Debt securities in issue	—	369,281	205,197	31,118	6,973,535	—	—	7,579,131
Subordinated debt	—	55,324	2,351	—	1,034,883	—	—	1,092,558
Other liabilities	—	73,683	3,172	1,380	915	—	—	79,150
Total liabilities	**—**	**5,540,978**	**3,620,093**	**5,161,624**	**11,152,351**	**387,485**	**—**	**25,862,531**
Net gap	**276,786**	**(131,171)**	**1,841,044**	**(281,943)**	**(771,162)**	**742,726**	**1,179,679**	**2,855,959**
Cumulative gap	**276,786**	**145,615**	**1,986,659**	**1,704,716**	**933,554**	**1,676,280**	**2,855,959**	**—**

Management believes that in spite of a substantial portion of customer accounts being of a short-term nature, diversification of these deposits by number and type of depositors, and URSA Bank's past experience would indicate that these customer accounts provide a relatively stable source of funding for URSA Bank. In 2005, approximately 40 per cent. of URSA Bank's term deposits of one year or longer that matured in 2005 were rolled over at maturity into new term deposits. However, in accordance with the Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of URSA Bank's commitments because URSA Bank generally does not expect the third party to draw funds under such arrangements.

Operational Risk

In line with the proposed BaselII banking regulatory reforms, URSA Bank defines operational risk as the risk of loss resulting from inadequate or ineffective internal processes, persons and systems or from external events. This definition 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. URSA Bank is focused on regular monitoring of its operational risk profiles and material exposures to operational losses. URSA Bank's system of regular reporting of information to senior management and the Board of Directors supports the proactive management of operational risk, which the Basel Committee has required in its "sound practices" paper.

The Operational Risk Management ("**ORM**") department carries out risk-audit activities and assessments of operational risks and prepares recommendations for risk mitigation. ORM has implemented a number of tools recommended by the Basel committee including: internal loss data collection and reporting, key risk indicators, external loss data collection and control and risk self-assessments. ORM is responsible for analysing new products and intra-bank regulations.

Each year, URSA Bank obtains an international comprehensive banking risk insurance policy, a "banker's blanket bond" ("**BBB**") that covers its professional activities world-wide and insures it against, among other things, forgery, electronic and computer crimes and employees' unlawful actions. On 9 February 2007, URSA Bank renewed the BBB until 8 February 2008. The amount of indemnity coverage provided by the policy is limited to U.S.$500,000 for BBB coverage and computer crime and RUB2.8 million for general liability and property damage to third parties arising on URSA Bank's premises.

Anti-Money Laundering Measures

As a member state of the Financial Action Task Force on Money Laundering, Russia adopted a federal law in 2001 "On counteraction of the legalisation (laundering) of the proceeds of crime and the financing of terrorism" (the "**Anti-Money Laundering Law**"). Subsequent to the passage of the Anti-Money Laundering Law, the CBR promulgated a number of regulations (the "**Regulations**") in this field specifically for the banking sector.

Management believes that URSA Bank's internal policies and procedures, which have been approved by the CBR, comply fully with the provisions of Anti-Money Laundering Law and applicable Regulations.

URSA Bank's anti-money laundering policy requires, among other things, risk-based identification of every client, verification of each client's documents, monitoring of each client's operations, detection and reporting of operations according to suspicious/obligatory control criteria, record keeping and staff training. URSA Bank's Compliance Department must report all detected suspicious operations and operations that are subject to obligatory control on a daily basis to the CBR for further reporting to the Russian State Committee for Financial Monitoring and Control (State Financial Intelligence Unit).

Anti-Terrorism Measures

Every new URSA Bank customer is screened against the Russian State Committee for Financial Monitoring and Control List of Designated Extremists. In addition, all outgoing international payments are checked by URSA Bank's Compliance Department against the lists of all the major sanctioning bodies, such as the United Nations, the US Office of Foreign Asset Controls, the European Union and the Bank of England, law enforcement agencies and financial regulators around the world.

MANAGEMENT

Management Structure

In line with other Russian banks, URSA Bank is managed through a multi-tier system of governing bodies comprised of the General Shareholders' Meeting, the Board of Directors, the Management Board and the General Director (Chairman of the Management Board). The following chart sets out URSA Bank's management and internal business divisions, as of 1 April 2007:

The General Shareholders' Meeting is the supreme governing body of URSA Bank. The General Shareholders' Meeting elects the Board of Directors, which is responsible for the general management of the bank, including coordination of its overall strategy and general supervision, and also appoints the General Director, who acts as the chief executive officer of URSA Bank. The Board of Directors appoints the members of the Management Board, which is the collective executive body of the bank. Day-to-day activities of URSA Bank are overseen by the General Director and the Management Board. Certain powers are delegated by the General Director to his or her deputies, members of the Management Board, department heads and various committees. A brief description of each of the General Shareholders' Meeting, the Board of Directors, the Management Board and the General Director is set out below.

General Shareholders' Meeting

The General Shareholders' Meeting is the supreme governing body of URSA Bank. The powers of the General Shareholders' meeting are set forth in the Joint Stock Companies Law, URSA Bank's charter and the Regulations on the General Shareholders' Meeting. General Shareholders' Meetings are convened at least once a year pursuant to the Joint Stock Companies Law and URSA Bank's charter. Among issues that the shareholders have the power to decide are as follows:

- amendments to URSA Bank's charter and approval of a new version of URSA Bank's charter;
- reorganisation or liquidation of URSA Bank, appointment of a commission to liquidate URSA Bank and approval of preliminary and final liquidation balances;
- determination of the number of members of the Board of Directors, election and removal of members of the Board of Directors;
- determination of the number, the nominal value and the class/type of authorised shares and the rights granted by such shares;

- changes in URSA Bank's share capital (other than those changes specifically enumerated as powers of the Board of Directors);
- appointment and removal of the General Director;
- appointment and removal of the members of URSA Bank's audit commission;
- approval of URSA Bank's external auditor;
- approval of URSA Bank's annual reports and financial statements, distribution of profits, including payment of dividends and covering of losses of URSA Bank with respect to the results of the corresponding financial year;
- determination of the procedure for holding the general shareholders' meeting;
- approval of certain interested party transactions and major transactions;
- split or consolidation of URSA Bank's shares;
- repurchase by URSA Bank of issued shares in cases envisaged by the Joint Stock Companies Law;
- approval of URSA Bank's participation in financial and industrial groups, associations and other groups of commercial organisations;
- approval of internal regulations on URSA Bank's governing bodies; and
- other issues, as provided for by the Joint Stock Companies Law.

Decisions of the General Shareholders' Meeting are generally adopted by a simple majority of voting shareholders who are present at the meeting (subject to a minimum quorum requirement of 50 per cent. of the voting shareholders). However, pursuant to the Joint Stock Companies Law, the following decisions must be approved by a three-quarters majority vote of the voting shares present at the General Shareholders' meeting of URSA Bank:

- amendments to URSA Bank's charter;
- reorganisation or liquidation of URSA Bank, appointment of a commission to liquidate URSA Bank and approval of preliminary and final liquidation balances;
- determination of the number, the nominal value and the class/type of authorised shares and the rights granted by such shares;
- issuance of new ordinary or preference shares by way of a closed subscription or issuance of new ordinary shares by way of an open subscription if the number of such ordinary shares exceeds 25 per cent. of URSA Bank's previously issued and outstanding ordinary shares;
- repurchase by URSA Bank of its issued shares.

The annual General Shareholders' Meeting must be convened by the Board of Directors between 1 March and 30 June of each year.

Board of Directors

The Board of Directors is responsible for matters of general management, with the exception of those matters which are within exclusive authority of the General Shareholders' Meeting. The activities of the Board of Directors should be carried out in accordance with URSA Bank's charter, Regulations on the Board of Directors and applicable law. The Board of Directors meets as often as necessary and exercises exclusive authority over certain matters. Such matters include:

- determination of URSA Bank's business priorities;
- convening of annual and extraordinary General Shareholders' Meetings, except in certain circumstances specified in the Joint Stock Companies Law;
- approval of the agenda of a General Shareholders' Meeting, determination of the record date for shareholders entitled to participate in a shareholders' meeting and other issues in connection with, preparation for, and holding of General Shareholders' Meetings;
- adoption of a decision to increase URSA Bank's share capital by the issuance of additional shares to the extent permitted by URSA Bank's charter;

- placement of URSA Bank's bonds and other securities in circumstances specified in the Joint Stock Companies Law; adoption of any decision on the placement of shares by way of an open subscription of securities convertible into ordinary shares which constitute less than 25 per cent. of previously issued and placed ordinary shares;
- determination of the price of URSA Bank's property (for the purposes of approving major and/or interested party transactions) and of its securities to be placed or repurchased, as provided for by the Joint Stock Companies Law;
- repurchase of URSA Bank's shares, bonds and other securities in certain circumstances provided for by the Joint Stock Companies Law;
- determination of the number of members of the Management Board, election and removal of members of the Management Board;
- adoption of regulations on reserve funds, development funds and other funds created out of URSA Bank's net income;
- receipt of certain information from the executive bodies of URSA Bank for the proper operation of the Board of Directors;
- approval of pledge agreements or other kinds of encumbrance of URSA Bank's property, unless such encumbrance is made in the ordinary course of its business or in accordance with applicable law;
- recommendations on the amount of remuneration to be paid to members of its audit commission and on the fees payable for the services of an external auditor;
- determination of dividend policy and recommendations on the amount of dividends to be paid to shareholders and the payment procedure;
- the use of URSA Bank's reserve fund and other funds;
- approval of URSA Bank's internal documents, except for those documents whose approval falls within the competence of its shareholders or executive bodies;
- the establishment of branches and representative offices;
- approval of major and interested party transactions as provided for by the Joint Stock Companies Law;
- approval of transactions having the value of more than 10 per cent. of the balance sheet value of URSA Bank's assets (as determined under Russian accounting standards), except for transactions concluded by URSA Bank in its ordinary course of business;
- appointment of URSA Bank's share registrar, approval of the terms of the agreement with the registrar and termination of the agreement with the registrar;
- amendments to URSA Bank's charter, concerning the information about branches and representative offices and about changes in of URSA Bank's share capital;
- appointment and removal of the Chief of Internal Audit Service;
- approval of annual financial and business plans;
- establishment of qualification requirements and amount of remuneration to the General Director and members of the Management Board;
- approval of employment agreements between URSA Bank and the General Director or members of the Management Board;
- review of the Management Board reports;
- approval of placement reports in respect of the securities issuances;
- adoption of a decision on a write-off of uncollectible loans;
- preliminary approval of the General Director and approval of such candidary with the CBR;
- approval of the environment protection measures;

• other issues, as provided for by the Joint Stock Companies Law and URSA Bank's charter.

According to the Joint Stock Companies Law, the election of its entire Board of Directors at the General Shareholders' Meeting should be conducted through cumulative voting. Under cumulative voting, each shareholder may cast an aggregate number of votes equal to the number of shares held by such shareholder multiplied by the number of members on URSA Bank's Board of Directors, and the shareholder may give all such votes to one candidate or spread them between two or more candidates. Before the expiration of their term, the directors may be removed as a group at any time without cause by a majority vote of the General Shareholders' Meeting.

Members of the Management Board may not comprise more than a quarter of the members of the Board of Directors. URSA Bank's charter provides that its Board of Directors should consist of not fewer than seven members and not more than eleven members. The General Shareholders' Meeting on 12 April 2007 elected the following nine members to URSA Bank's Board of Directors.

The name, position and certain other information for each member of the Board of Directors of URSA Bank are set out below.

Andrey Bekarev has served as a member of the Board of Directors since July 1997 and since February 2005 as Deputy Chairman of the Board of Directors of URSA Bank. Mr. Bekarev graduated from Novosibirsk State University in 1993. From July 1998 to April 2003, Mr. Bekarev served as URSA Bank's First Deputy General Director and as a member of the Management Board. From April 2002 to January 2005, he has served as the General Director (Chairman of the Management Board) of URSA Bank. He also served as an adviser to the General Director of URSA Bank since February 2005 until February 2006.

Kirill Brel has served as a member of the Board of Directors and as a General Director of URSA Bank since February 2005. Mr. Brel graduated from Kemerovo State University in 1993 (faculty of history) and in 1998 (faculty of economics). He received a second higher education degree in finance and credit. From 2002 to 2005, Mr. Brel held various positions in URSA Bank, including a member of Management Board and a Deputy General Director of URSA Bank.

Igor Kim has served as a Chairman of the Board of Directors and as an Adviser to the General Director of URSA Bank since April 2002. Mr. Kim graduated from the Novosibirsk State University in 1990. From November 1998 to April 2002 Mr. Kim served as the General Director and as the Chairman of the Management Board of URSA Bank. From 2000 to 2003 and from 2005 to 2006, he held various positions in Mezhtorgbank (JSC). From 2002 to 2004 Mr. Kim served as a Chairman of the Management Board and as a member and a Chairman of the Board of Directors in Bank Caspian. From 2001 to 2003, he also served as a member of the Council of the Association of Russian Regional Banks.

Alexander Taranov has served as a member of the Board of Directors of URSA Bank since July 1997 and as an Adviser to the General Director of URSA Bank since January 2003. Mr. Taranov graduated from Novosibirsk State University in 1984. From November 1998 until January 2003, Mr. Taranov served as a member of the Management Board and as a First Deputy General Director of URSA Bank. From May 2002 until February 2002, he was a member of the Board of Directors of Mezhtorgbank (JSC) and from February 2002 until March 2006 as the Chairman of the Board of Directors of CB Mezhtorgbank. Mr. Taranov also served as a member of the Board of Directors of the Association of Russian Regional Banks from May 2005 until May 2006.

Yury Vavilov has served as a member of the Board of Directors since September 2006 and as a Deputy General Director responsible for growth and regional relations since April 2001. Mr. Vavilov graduated from the Novosibirsk Institute for the National Economy with a degree in finance and credit in 1985. Since 2005 he has served as a member of the Management Board of URSA Bank and since 2006 as a member of Board of Director of Sibacademnak.

Gueorgui Vassilev has served as a member of the Board of Directors since February 2006. Mr. Vassilev graduated from the Institute of International Studies in Geneva with a degree in International Law in 1993. Mr. Vassilev served as Senior Vice President of Coutts (Geneva) since January 2000 until December 2002. He served as Executive Vice President of Clariden Bank (Geneva) from 2003 to 2006 and since 2005 serves as a Board Member of OJSC Nutrinvestholding.

Arvid Turkner has served as a member of the Board of Directors since February 2006. Mr. Turkner graduated from the Free University of Berlin with a degree in banking and finance in August 2000. From 2001 to 2002 he served as an Junior Investment Manager in DEG and from 2002 until 2004 as a Donor

Relations Analyst in the United Nations Development Programme. Mr. Turkner has been an Investment Manager in DEG since 2004.

Susan Gail Buyske has served as a member of the Board of Directors of URSA Bank since April 2007. Ms. Buyske received her PhD from Columbia University in 1997. From 1999 to 2006 she served as Chairman of the Supervisory Board of KMB Bank, Russia. From 2002 to 2004 she served as a member of Board of Directors of Credit Bank Ukraine and from 2006 to March 2007 she served as a member of Board of Directors of DAI Europe, London. She is currently a member of Board of Directors of Kazkommercbank.

Ingrida Bluma has served as a member of the Board of Directors of URSA Bank since April 2007. Ms. Bluma graduated from the University of Latvia in 1983. From 1996 until 2006 she served as Chairman of Management Board of Hansabanka (formerly Hansabank-Latvija). From 1998 to 2006 she served as a member of the Board of Directors of Hansapank, Estonia.

Ruben Vardanyan has served as a member of Board of Directors since April 2007. Since 1997 he also served as Chairman of the Board of Directors of Troika Dialog. He graduated from Moscow State University in 1992. Since 2005 he has served as a member of Board of Directors of Novatek (open joint stock company). Since March 2007 he has served as an International Advisory Board member of Marsh & McLennan Companies and a member of Board of Directors of RusSpecStal (closed joint stock company).

Oleg Kirillov has served as a member of Board of Directors of URSA Bank since April 2007. Mr. Kirillov graduated from Siberian University of Technology in 1985. From 2001 to 2002 he served as a Vice-President of Sibmashholding and from 2004 to 2006 he served as a President of Sibmashholding. He is currently a Chairman of Board of Directors of Stromcombank.

Management Board and General Director

The day-to-day management of URSA Bank is carried out by the General Director and the Management Board of URSA Bank. The General Director is the Chairman of the Management Board and is the Chief Executive Officer of URSA Bank. Together with the Management Board, the General Director is responsible for implementing decisions of the General Shareholders' Meeting and the Board of Directors. The General Director is authorised, among other things, to act on behalf of URSA Bank without any express grant of authority, to dispose URSA Bank's property in accordance with URSA Bank's charter, to determine the guidelines of the internal audit and control systems in URSA Bank, and to issue internal orders concerning URSA Bank's day-to-day operations. The General Director is elected by the General Shareholders' Meeting for the period of four years.

The Management Board is URSA Bank's collective executive body. Its members are appointed by the Board of Directors for the period of two years. Together with the General Director, the Management Board is responsible for URSA Bank's day-to-day management and administration. Its activities are coordinated by the General Director (Chairman of the Management Board) and are regulated by applicable Russian law, URSA Bank's charter and Regulations on the Management Board. The Management Board meets as often as necessary and makes its decisions by a simple majority vote (subject to a 50 per cent. quorum requirement).

Functions that are not allocated to the General Shareholders' Meeting, the Board of Directors or the General Director (Chairman of the Management Board) remain within the purview of the Management Board. In particular, the Management Board is charged, *inter alia*, with the following functions:

- developing principles of URSA Bank's management;
- implementing strategies determined by URSA Bank's shareholders and the Board of Directors;
- preparing and submitting reports on URSA Bank's activities to the General Shareholders' Meeting, the Board of Directors and to the CBR;
- submitting proposals on amendments and alterations to URSA Bank's charter;
- considering the results of operations of URSA Bank's divisions for the relevant reporting period;
- approving instructions, rules, regulations and other internal documents, including without limitation, credit, accounting, marketing, labour, financing and other policies except for those that are within the responsibility of other governing bodies of URSA Bank;
- approving the quarterly reports in respect of the issued securites;

• preparing operation reports to shareholders, the Board of Directors and the CBR; and

• developing remuneration systems and qualification requirements.

URSA Bank's charter provides that its Management Board should consist of not fewer than five members. Currently, the Management Board consists of nine members. The name, position and certain other information for each member of the Management Board are set out below. URSA Bank's charter prohibits the members of the Management Board from holding positions in other banks or insurance companies, companies licensed as professional participants in the Russian securities market, as well as in leasing companies or affiliates of URSA Bank.

Kirill Brel has served as Chairman of the Management Board since February 2005. He has also served as a member of the Board of Directors and as General Director of URSA Bank since February 2005. See "Board of Directors" for additional biographical information regarding Mr. Brel.

Yuri Vavilov has served as a member of the Management Board since February 2005 and as a Deputy General Director responsible for growth and regional relations since April 2001 and as a member of the Board of Directors since 2006. See "Board of Directors" for additional biographical information regarding Mr. Vavilov.

Petr Morsin has served as a member of the Management Board since June 2006 and as a Managing Director of URSA Bank since June 2006. Mr. Morsin graduated from the Novosibirsk State Academy of Economics and Management in 1999. Prior to joining URSA Bank he held various positions in Vostochny Express, including Director of the Development Department and Deputy Chairman of the Management Board. Mr. Morsin served as the Director of URSA Bank's branches from 2005 until 2006.

Daniil Sandler has served as a member of the Management Board since September 2006 and as Deputy General Director of URSA Bank since September 2006. Mr. Sandler graduated from Urals State University in 1996. Prior to joining URSA Bank Mr. Sandler held a number of top management positions in the Commercial Bank Vuz-Bank. In 2005, he served as a Vice President of Uralvneshtorgbank and as a Deputy Chairman of the Management Board of Uralvneshtorgbank.

Oleg Novolodskii has served as a member of the Management Board since August 2006 and as a Management Director of URSA Bank since April 2006. Mr. Novolodskii graduated from Novosibirsk State University in 1994. From 2000 until 2006 he has served in the CBR in the Novosibirsk Region.

Olga Novikova has served as a member of the Management Board since August 2006. Ms. Novikova graduated from the Novosibirsk State Academy of Economics and Management in 1995. From March 2001 to January 2002, Ms. Novikova held a position of Assistant General Director. She has served as the Director of Advertisement and Public Relations Department of URSA Bank since October 2006.

Svetlana Mironova has served as a member of the Management Board and a Deputy General Director of URSA Bank since 2005. Ms. Mironova graduated from the Novosibirsk Engineering Construction Institute in 1993. Since 1995, she has held various positions at URSA Bank including Deputy Chief Accountant of URSA Bank. Since April 2005, Ms. Mironova has served as the Bank's Deputy General Director.

Ilya Mitelman has served as a member of the Management Board since February 2005. Mr. Mitelman graduated from Kemerovo State University with a degree in jurisprudence in 1995. Mr. Mitelman has previously worked as the head of the Internal Audit Service of URSA Bank and as a Deputy General Director of the bank (compliance controller). Since April 2001, Mr. Mitelman has served as a Deputy General Director of the Moscow Representative office of URSA Bank.

Kirill Nikulin has been a member of the Management Board and a Deputy General Director since February 2005. Mr. Nikulin graduated from the Urals State Forest and Technical Academy with a degree in machinery and forest complex equipment in 1990. Prior to joining URSA Bank, Mr. Nikulin held various positions in Uralvneshtorgbank, including the positions of Deputy Head of the Credit and Investment Department and Head of the International Relations Department. From December 2004 to January 2005, Mr. Nikulin served as Managing Director of URSA Bank.

Tatyana Nosova has served as a member of the Management Board and as a Managing Director since 2005. Ms. Nosova graduated from the Economics Institute with a specialty in economics and planning. From 1994 to 1999, Ms. Nosova worked at Sibirsky Bank as its Chief Economist. Ms. Nosova joined URSA Bank as a Director of the Plastic Cards Division in 2002 and was appointed to the position of Managing Director in charge of Retail Banking in 2004.

Vladislav Khokhlov graduated from State Technical University in 2000, specialising in mathematical methods and research operations in economics. Mr. Khokhlov worked for several years at Uralvneshtorgbank from 1996 until 2005 holding various positions including the Head of Treasury Operations and Vice President. Mr. Khokhlov was hired by URSA Bank in 2005 as the First Deputy General Director and is in charge of Treasury Operations and Planning.

Business Address of Management

The business address of the Board of Directors and the Management Board is URSA Bank (open joint-stock company), 54 Inskaya Street, Telephone: +7 (383) 227-7599, Novosibirsk 630102, Russian Federation.

Conflicts of Interest

There are no potential conflicts of interest between the private interests of each of the members of the Board of Directors and the Management Board and their respective duties to URSA Bank.

Internal Audit Service

The Director of the Internal Audit Service is B.E. Semenchuk and the Chief Auditor is A.L. Pokrovsky who supervises a team comprised of seven auditors and one specialist.

The goals and objectives of the Internal Audit Service are defined in URSA Bank's Charter and the Regulation of the CBR No. 242-P "On Organisation of Internal Control in Credit Organisations and Banking Groups", dated 16 December 2003.

The Internal Audit Service is tasked to provide an independent and objective assessment of the financial and operational systems and procedures of URSA Bank with professional competence and confidentiality and to report its findings, analysis and recommendations to URSA Bank's senior management and the Board of Directors.

Specifically, the areas of operations which Internal Audit Service must evaluate include: compliance with Russian laws and CBR's regulations, the structure and implementation of URSA Bank's risk management systems, the procedures for protecting URSA Bank's assets, the accuracy and reliability of information systems generating information for external and internal reporting, the procedures for evaluating the quality of new products, systems and operations and the adequacy and efficiency of URSA Bank's compliance with shareholder resolutions and meeting minutes.

Corporate Governance

URSA Bank fully complies with the Russian Federation's corporate governance regime. The Internal Audit Service of URSA Bank operates by the guidelines provided by the Regulation of the CBR No. 242-P "On Organisation of Internal Control in Credit Organisations and Banking Groups", dated 16 December 2003. URSA Bank does not currently have a functioning audit committee.

SHAREHOLDING

As of date of the Base Prospectus, the share capital of URSA Bank was RUB1,153,128,840 comprised of 1,059,010,100 ordinary registered shares with a nominal value of RUB1 each, 150,000 Class I preference shares, 90,000,000 Class III preference shares, 1,415,280 Class IV preference shares, 1,210 Class V preference shares, 21,450 Class VI preference shares and 2,530,800 Class VII preference shares. All of URSA Bank's preference shares have a par value of RUB1.

The principal shareholders of URSA Bank as of 1 April 2007 are indicated in the table below:

Shareholder	Percentage of Shares
Mr. Igor Kim	35.54
EBRD	17.59
Capital Finance	14.02
Mr. Alexander Taranov	8.28
Mr. Andrey Bekarev	8.28
DEG	6.37
Clariden Bank	4.25
SM profit	2.23
Mr. Kirillov	1.41
Mr. Yuri Korapachinski	1.32
Others	0.71
Total	**100%**

The EBRD is a multinational financial organisation that invests in a large number of institutions and projects in Central Europe and Central Asia.

As is shown in the table above, no individual shareholder has a controlling interest in URSA Bank. See "Business—Major Shareholders."

Rights of URSA Bank's shareholders

Under URSA Bank's charter and Russian legislation, URSA Bank's shareholders have the right to:

- participate in and vote at General Shareholders' Meetings on all matters which fall within its competence;
- receive dividends;
- receive a share in the proceeds upon URSA Bank's liquidation;
- demand that part or all of their shares be bought back by URSA Bank in cases stipulated by the Russian law and URSA Bank's charter; and
- exercise other rights provided by Russian law and URSA Bank's charter.

RELATED PARTY TRANSACTIONS

Related parties, as defined by IFRS, are those counterparties that represent:

(a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);

(b) associates—enterprises in which URSA Bank has significant influence and which is neither a subsidiary nor a joint venture of the investor;

(c) individuals owning, directly or indirectly, an interest in the voting power of URSA Bank that gives them significant influence over URSA Bank, and anyone expected to influence, or be influenced by, that person in their dealings with URSA Bank;

(d) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of URSA Bank, including directors and officers of URSA Bank and close members of the families of such individuals; and

(e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of URSA Bank and enterprises that have a member of key management in common with URSA Bank.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The following tables set forth the outstanding balances and transactions with related parties as of and for the years ended 31 December 2006 and 2005:

URSA Bank's outstanding balances as at 31 December 2006 with related parties were as follows:

	31 December 2006				
	Shareholders	Key management personnel	Companies with significant shareholders in common	Other	Total
			(thousands of Roubles)		
Cash and cash equivalents					
Correspondent accounts	—	—	1	—	**1**
Due from other banks					
Term placements	—	—	50,049	—	**50,049**
Financial instruments at fair value through profit or loss					
Promissory note	—	—	25,541	—	**25,541**
Loans to customers					
Loans outstanding (gross)	24,271	27,756	112,007	910	**164,944**
Loan impairment	(408)	(153)	(855)	(5)	**(1,421)**
Other assets					
Investments in unconsolidated subsidiary	—	—	—	61,353	**61,353**
Due to other banks					
Term placements of other banks	2,315,593	—	—	—	**2,315,593**
Correspondent accounts of other banks	—	—	4,628	—	**4,628**
Customer accounts					
Term deposits	101,230	42,012	9,250	35,551	**188,043**
Current/demand accounts	1,064	—	5,538,	52,232	**58,834**
Subordinated debt	530,424	—	—	22,000	**552,424**
Credit related commitments	5,062	4,448	118,010	—	**127,520**
Guarantees received	7,327	35,188	36,931	37,036	**116,482**

During the year ended 31 December 2006, URSA Bank purchased consumer finance loans to individuals in the principal amount of RUB7,161.0 million from Vostochny Express Bank, a related party. Under the agreement with Vostochny Express Bank, Vostochny Express Bank continues to service the

loans and URSA Bank pays Vostochny Express Bank a service commission of RUB1 thousand per month. In addition, under the terms of the agreement, Vostochny Express Bank has provided a guarantee pursuant to which it is obligated to pay principal and interest on the purchased loans in the event that the borrowers fail to pay. As of 31 December 2006, the principal amount of this guarantee provided by Vostochny Express Bank in connection with existing outstanding purchased loans amounted to RUB100.0 million. In addition, to the extent that the amounts Vostochny Express Bank paid in connection with the guarantee were to exceed such guarantee limit, Vostochny Express Bank would be required to provide additional guarantees to URSA Bank, in increments of RUB100.0 million up to the full value of the outstanding loans, to the extent legally permissible under the CBR's capital adequacy and other regulations, or to pay a penalty of 3 per cent. of the outstanding loans plus accrued interest. Under the terms of the agreements, URSA Bank is entitled to receive interest equal to 18.0 per cent. per annum on the principal amounts of the purchased loans, with Vostochny Express Bank retaining the remainder of the interest payments on the purchased loans.

As at 31 December 2005 URSA Bank had commitments to purchase RUB3,993.0 million of consumer finance or car loans to individuals from one counterparty. As at 31 December 2006, URSA Bank did not have any such commitments.

URSA Bank's results of transactions with related parties for the period ended 31 December 2006 were as follows:

	For the year ended 31 December 2006				
	Shareholders	**Key management personnel**	**Companies with significant shareholders in common**	**Other**	**Total**
			(thousands of Roubles)		
Interest income on loans to customers	623	1,684	13,432	65	**15,804**
Interest income on due from other banks	—	—	11,114	—	**11,114**
Interest income on financial instruments at fair value through profit or loss	—	—	1,107	—	**1,107**
Interest expense on due to other banks	(43,096)	—	(563)	(29,332)	**(72,991)**
Interest expense on term deposits	(11,793)	(2,570)	(826)	(2,280)	**(17,469)**
Interest expense on subordinated debt	—	—	—	(3,420)	**(3,420)**
Provision for loan impairment	15	(96)	4,279	(5)	**4,193**
Net fee and commission income	6	—	68,874	5,098	**73,978**
Other income	—	—	127	2,880	**3007**
Operating expenses	(8,240)	—	(56,090)	(12,837)	**(77,167)**

URSA Bank's outstanding balances as at 31 December 2005 with related parties were as follows:

	As at 31 December 2005				
	Shareholders	Key management personnel	Companies with significant shareholders in common	Other	Total
			(thousands of Roubles)		
Cash and cash equivalents					
Correspondent accounts	—	—	66,621	—	66,621
Due from other banks					
Term placements	—	—	85,192	—	85,192
Loans to customers					
Loans outstanding (gross)	871	6,957	172,172	10,128	190,128
Loan impairment	(15)	(57)	(4,504)	—	(4,576)
Other assets					
Investments in unconsolidated subsidiary	—	—	—	47,802	47,802
Due to other banks					
Term placements of other banks	374,270	—	—	—	374,270
Correspondent accounts of other banks	—	—	11,193	—	11,193
Customer accounts					
Term deposits	96,628	4,022	6,520	17,290	124,460
Current/demand accounts	—	—	17,161	19,781	36,942
Subordinated debt	—	—	—	22,000	22,000
Credit related commitments	2,960	875	9,025	701	13,561
Guarantees issued	720	287	1,178	—	2,185
Guarantees received	14,027	22,911	397,424	2,586	436,948

During the year ended 31 December 2005, URSA Bank purchased consumer finance loans to individuals of RUB2,419.0 million in principal amount from Vostochny Express Bank, a related party. Under the agreement with Vostochny Express Bank, Vostochny Express Bank continues to service the loans and URSA Bank pays Vostochny Express Bank a service commission of RUB1 thousand per month. In addition, under the terms of the agreement, Vostochny Express Bank has provided a guarantee pursuant to which it is obligated to pay principal and interest on the purchased loans in the event that the borrowers fail to pay. As of 31 December 2005, the principal amount of this guarantee provided by Vostochny Express Bank in connection with existing outstanding purchased loans amounted to RUB50.0 million. In addition, to the extent that the amounts Vostochny Express Bank paid in connection with the guarantee were to exceed such guarantee limit, Vostochny Express Bank would be required to provide additional guarantees to URSA Bank, in increments of RUB50 million up to the full value of the outstanding loans, to the extent legally permissible under the CBR's capital adequacy and other regulations, or to pay a penalty of 3 per cent. of the outstanding loans plus accrued interest. Under the terms of the agreements, URSA Bank is entitled to receive interest equal to 22.5 per cent. per annum on the principal amounts of the purchased loans, with Vostochny Express Bank retaining the remainder of the interest payments on the purchased loans.

URSA Bank's results of transactions with related parties for the period ended 31 December 2005 were as follows:

	For the year ended 31 December 2005				
	Shareholders	Key management personnel	Companies with significant shareholders in common	Other	Total
			(thousands of Roubles)		
Interest income on loans to customers	123	620	14,245	563	15,551
Interest income on due from other banks	—	—	7,924	—	7,924
Interest expense on due to other banks	(15,243)	—	(228)	—	(15,471)
Interest expense on term deposits	(4,534)	(374)	(524)	(2,629)	(8,061)
Provision for loan impairment	(15)	(53)	(3,800)	—	(3,868)
Net fee and commission income	—	—	12,937	1,069	14,006
Other income	—	—	7,376	392	7,768
Operating expenses	(1,422)	—	(18,476)	(10,147)	(30,045)

URSA Bank's outstanding balances as at 31 December 2004 with related parties were as follows:

	As at 31 December 2004				
	Shareholders	Key management personnel	Companies with significant shareholders in common	Other	Total
			(thousands of Roubles)		
Cash and cash equivalents					
Correspondent accounts and overnight deposits	—	—	96,402	—	96,402
Due from other banks					
Term placements	—	—	197,663	—	197,663
Loans to customers					
Loans outstanding (gross)	2,800	927	35,200	2,058	40,985
Loan impairment	—	(4)	(704)		(708)
Other assets					
Investments in unconsolidated subsidiary	—	—	—	34,867	34,867
Due to other banks					
Term placements of other banks	138,744	—	—	—	138,744
Correspondent accounts of other banks	—	—	104	38,607	38,711
Customer accounts					
Term deposits	98,535	5,161	5,600	44,104	153,400
Current/demand accounts	13,306	—	14,556	8,674	36,536
Subordinated debt	7,000	—	—	—	7,000
Debt securities in issue					
Promissory notes issued	—	—	3,480	—	3,480
Credit related commitments	2,081	489	40,145	45,496	88,211
Guarantees issued	570	3,277	41,623	—	45,470
Guarantees received	14,121	8,765	1,626,298	44,039	1,693,223

As at 31 December 2004, guarantees received by URSA Bank included amounts received from OOO Tairis ("**Tairis**") and other related party credit agencies with whom URSA Bank worked under risk sharing agreements. All such agreements were terminated in 2005.

Until the end of 2004, URSA Bank was a party to agency and risk sharing agreements with Tairis and other related party credit agencies through which Tairis and such other parties participated in certain of

URSA Bank's consumer finance lending operations. As part of such operations, Tairis and such other related party credit agencies cooperated in marketing URSA Bank's consumer lending services to potential consumer finance customers and shared in certain of the financial risks and rewards of any loans generated through such cooperation. In particular, these credit agencies issued guarantees that covered the interest and principal amount on certain loans that were generated through the cooperation with URSA Bank. In 2004 and 2005, at the EBRD's request, URSA Bank severed its relations with Tairis and such other related party credit agencies, terminating such agency and risk sharing agreements. In addition, the principal shareholders of URSA Bank who were also shareholders in Tairis and such other credit agencies disposed of their interests in Tairis and such other agencies. As part of this severance arrangement, Tairis acquired five lending offices that were previously jointly operated by URSA Bank and Tairis. URSA Bank now conducts most of its consumer finance operations directly with customers.

URSA Bank's results of transactions with related parties for the period ended 31 December 2004 were as follows:

	For the year ended 31 December 2004				
	Shareholders	**Key management personnel**	**Companies with significant shareholders in common**	**Other**	**Total**
	(thousands of Roubles)				
Interest income on loans to customers	32	214	517	3,066	3,829
Interest income on due from other banks	—	—	7,427	3,651	11,078
Interest expense on due to other banks	(137)	—	—	(802)	(939)
Interest expense on term deposit	(5,806)	(415)	(562)	(324)	(7,107)
Provision for loan impairment	—	(4)	(688)	—	(692)
Net fee and commission income	515	—	6,624	1,301	8,440
Other income	3	—	1,221	2,403	3,627
Operating expenses	(2,114)	—	(1,379)	(9,614)	(13,107)

THE ISSUER

Introduction

Sibacademfinance plc (the "**Issuer**") was incorporated in Ireland on 5 April 2006, with registered number 418098 as a public company with limited liability under the Companies Acts 1963-2005 of Ireland (the "Companies Acts"). The Issuer's registered office is 4th Floor, Hanover Building, Windmill Lane, Dublin 2 and its phone number is +353 1 542 7920.

The authorised share capital of the Issuer is EUR 40,000 divided into 40,000 ordinary shares of par value EUR 1 each (the "Shares"). The Issuer has issued 40,000 Shares, all of which are fully paid and are held on trust by BNY Corporate Trustee Services Limited (formerly known as J.P.Morgan Corporate Trustee Services Limited) (the "Share Trustee") under the terms of a declaration of trust (the "Declaration of Trust") dated 13 April 2006, under which the Share Trustee holds the Shares on trust for charity. The Share Trustee has no beneficial interest in and derives no benefit (other than any fees for acting as Share Trustee) from its holding of the Shares. The Share Trustee will apply any income derived from the Issuer solely for the above purposes.

J.P. Morgan Bank (Ireland) plc (the "Corporate Services Provider"), an Irish company, acts as the corporate services provider for the Issuer. Pursuant to the terms of the corporate services agreement entered into on 13 April 2006 between the Issuer and the Corporate Services Provider (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. 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 30days 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 180 days written notice to the other party. A termination will not become effective unless a successor Corporate Services Provider is appointed.

The Corporate Services Provider's principal office is JPMorgan House, JFSC, Dublin 1.

Principal Activities

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

The Issuer is organised as a special purpose company. The Issuer was established to raise capital by the issue of Notes and to use an amount equal to the proceeds of such issuance to make Loans to URSA Bank on the terms of the relevant Loan Agreement.

Since its incorporation, the Issuer has engaged in activities relating to the authorisation of the Programme and the matters contemplated in this Base Prospectus, the authorisation of the other documents relating to the Programme and the issuance of the loan participation notes for the sole purpose of financing senior and subordinated loans to URSA Bank (formerly Sibacadembank).

The Issuer has no employees.

Directors and Company 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 of the Issuer and their business addresses as of the date hereof are as follows:

Director	Business Address
Roddy Stafford	6 Winton Road, Dublin 6, Ireland
Christian Currivan	31A Wainsfort Manor Green, Terenure, Dublin6W,Ireland

The directors do not hold any direct, indirect, beneficial or economic interest in any of the Shares. The directorship of the directors is provided as part of the Corporate Service Provider's overall corporate administration service provided to the Issuer pursuant to the Corporate Services Agreement.

The directors of the Issuer may engage in other activities and have other interests which may conflict with the interests of the Issuer.

The Company Secretary is J.P.Morgan Bank (Ireland) PLC.

Save as disclosed herein, there has been no significant change in the financial position or prospects of the Issuer since its date of its incorporation. Save for the issues of Notes under the Programme and related arrangements, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

Financial Statements

As at the date hereof, no financial statements have been prepared. The Issuer intends to publish its first audited financial statements in respect of the period ending on 31 December 2006 in June 2007. The Issuer will not prepare interim financial statements. The financial year of the Issuer ends on 31 December in each year.

Each year, a copy of the audited profit and loss account and balance sheet of the Issuer together with the report of the directors and the auditors thereon is required to be filed in the Irish Companies Registration Office within 28 days of the annual return date of the Issuer and is available for inspection. The profit and loss account and balance sheet can be obtained free of charge from the registered office of the Issuer. The Issuer must hold its first annual general meeting within 18 months of the date of its incorporation (and no more than 9 months after the financial year end) and thereafter the gap between its annual general meetings must not exceed 15 months.

The Issuer's auditors are KPMG of 1 Stokes Place, St.Stephens Green, Dublin 2, Ireland, who are chartered accountants and are members of the Institute of Chartered Accountants and registered auditors qualified to practice in Ireland.

THE AMENDED AND RESTATED SENIOR FACILITY AGREEMENT

The following is the text of the Amended and Restated Senior Facility Agreement:

THIS SENIOR FACILITY AGREEMENT is made on 14 May 2007 between:

(1) **JSC URSA BANK**, a company established under the laws of the Russian Federation whose registered office is at 18 Lenina Street, Novosibirsk 630004 Russian Federation (the "**Borrower**"); and

(2) **SIBACADEMFINANCE PLC**, a public company with limited liability incorporated in Ireland whose registered office is at 4th Floor, Hanover Building, Windmill Lane, Dublin 2, Ireland (the "**Lender**").

WHEREAS:

(A) The Lender has at the request of the Borrower, agreed to make available to the Borrower senior and subordinated loan facilities in the maximum amount of the Programme Limit (as defined below). The senior loan facility is to be made available on the terms and subject to the conditions of this Agreement, as amended and supplemented in relation to each Senior Loan (as defined below) by a Senior Loan Supplement dated the relevant Closing Date substantially in the form set out in Schedule 1 hereto (each, a "**Senior Loan Supplement**");

(B) On 10 May 2006 Sibacademfinance plc entered into a senior facility agreement (the "**Original Senior Facility Agreement**") relating to the US$1,000,000,000 Loan Participation Note Programme;

(C) The parties hereto wish to amend and restate the Original Senior Facility Agreement in order to effect certain technical changes, including the increase in the Programme Limit; and

(D) It is intended that, concurrently with the extension of any Senior Loan under this senior loan facility, the Lender will issue certain loan participation notes in the same nominal amount and bearing the same rate of interest as such Senior Loan.

Now it is hereby agreed as follows:

1. **DEFINITIONS AND INTERPRETATION**

1.1 **Definitions**

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

"**Account**" means an account in the name of the Lender with the Principal Paying Agent as specified in the relevant Senior Loan Supplement;

"**Affiliate**" of any specified person means (i) any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person, (ii) any other person who is a director or officer (A) of such specified person, (B) of any Subsidiary of such specified person or (C) of any person described in Clause (i) or (ii) above. For the purpose of this definition, "**control**" when used with respect to any person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing;

"**Agency**" means any agency, authority, central bank, department, government, legislature, minister, official or public statutory person (whether autonomous or not) of, or of the government of, any state or supra-national body;

"**Agency Agreement**" means the paying agency agreement relating to the Programme dated 14 May 2007 between the Lender, the Borrower, the Trustee and the agents named therein, as may be amended or supplemented from time to time;

"**Agreement**" means this Agreement as originally executed or as it may be amended from time to time;

"**Arranger**" means ABN AMRO Bank N.V.;

"**Auditors**" means the auditors of the Borrower's IFRS financial statements (consolidated if the same are then prepared) or, if they are unable or unwilling to carry out any action requested of them under this Agreement, such other internationally recognised firm of accountants as may be nominated by the Borrower and approved in writing by the Lender for this purpose;

"**Base Prospectus**" has the meaning ascribed to it in the Trust Deed;

"**BIS Guidelines**" means the guidelines on capital adequacy standards (including the constituents of capital included in the capital base, the risk weights by category for on-balance-sheet assets, the credit conversion factors for off-balance-sheet items, and the target standard ratio) for international banks contained in the July 1998 text of the Basel Capital Accord, published by the Basel Committee on Banking Supervision (as amended, updated or supplemented from time to time), without any amendment or other modification by any other Agency;

"**Borrower Account**" means an account in the name of the Borrower as specified in the relevant Senior Loan Supplement for receipt of Senior Loan funds;

"**Borrower Agreements**" means this Agreement, the Subordinated Facility Agreement, the Agency Agreement and the Dealer Agreement and, in relation to each Senior Loan, the foregoing agreements together with the relevant Subscription Agreement and Senior Loan Supplement;

"**Business Day**" means (save in relation to Clause 4 (*Interest*)) a day (other than a Saturday or Sunday) on which (a) banks and foreign exchange markets are open for business generally in the relevant place of payment, and (b) if on that day a payment is to be made in a Specified Currency other than euro hereunder, where payment is to be made by transfer to an account maintained with a bank in the Specified Currency, foreign exchange transactions may be carried on in the Specified Currency in the principal financial centre of the country of such Specified Currency and (c) if on that day a payment is to be made in euro hereunder, a day on which the TARGET System is operating and (d) in relation to a Senior Loan corresponding to a Series of Notes to be sold pursuant to Rule 144A under the Securities Act, banks and foreign exchange markets are open for business generally in New York City;

"**Calculation Agent**" means, in relation to a Senior Loan, JPMorgan Chase Bank, N.A. (to become The Bank of New York as of 21 May 2007), or any person named as such in the relevant Senior Loan Supplement or any successor thereto;

"**Capital**" means the Borrower's Capital as such term is defined in the BIS Guidelines;

"**Capital Stock**" means, with respect to any person, any and all shares, interests, participations, rights to purchase, warrants, options, or other equivalents (however designated) of capital stock of a corporation and any and all equivalent ownership interests in a person other than a corporation; in each case whether now outstanding or hereafter used;

"**Central Bank**" means the Central Bank of the Russian Federation;

"**Closing Date**" means the date specified as such in the relevant Senior Loan Supplement;

"**Conditions**" has the meaning ascribed to it in the Trust Deed;

"**Day Count Fraction**" has the meaning specified as such in the relevant Senior Loan Supplement;

"**Dealer Agreement**" means the dealer agreement relating to the Programme dated 14 May 2007 between the Lender, the Borrower, the Arranger and the other dealers appointed pursuant to it, as may be amended or supplemented from time to time;

"**Definitive Notes**" means the definitive notes in fully registered form representing the Notes to be issued in limited circumstances pursuant to the Trust Deed;

"**Dollars**", "**$**", "**US dollars**" and "**US$**" means the lawful currency of the United States of America;

"**Euro**" or "**€**" means the lawful currency of the member states of the European Union that adopted the single currency in accordance with the Treaty of Rome, as amended;

"**Event of Default**" has the meaning assigned to such term in Clause 11.1 (*Events of Default*) hereof;

"**Fee Side Letter**" means the letter specified as such in the relevant Senior Loan Supplement;

"**Fiscal Period**" means any fiscal period for which the Borrower or the Group (if consolidated accounts are then prepared) has produced financial statements in accordance with IFRS which have either been audited or reviewed by the Auditors;

"**Fitch**" means Fitch Ratings Ltd.;

"**Fixed Rate Senior Loan**" means a Senior Loan specified as such in the relevant Senior Loan Supplement;

"**Floating Rate Senior Loan**" means a Senior Loan specified as such in the relevant Senior Loan Supplement;

"**Global Notes**" has the meaning assigned to it in the Trust Deed;

"**Group**" means the Borrower and its Subsidiaries taken as a whole at any given time;

"**Guarantee**" means any financial obligation, contingent or otherwise, of any person directly or indirectly guaranteeing any Indebtedness or other obligation of any other person and any obligation, direct or indirect, contingent or otherwise, of such person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise) or (b) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however, that* the term "**Guarantee**" will not include endorsements for collection or deposit in the ordinary course of business. The term "**Guarantee**" used as a verb has a corresponding meaning;

"**IFRS**" means the International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time);

"**incur**" means issue, assume, guarantee, incur or otherwise become liable for; *provided, however, that* any Indebtedness or Capital Stock of a person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) or is merged into a Subsidiary will be deemed to be incurred or issued by such Subsidiary at the time it becomes or is so merged into a Subsidiary;

"**Indebtedness**" means any indebtedness, in respect of any person for, or in respect of, moneys borrowed or raised including, without limitation, any amount raised by acceptance under any acceptance credit facility; any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument; any amount raised pursuant to any issue of shares which are expressed to be redeemable either on a compulsory basis or at the option of the shareholder; any amount raised under any other transaction (including, but without limitation to, any forward sale or purchase agreement) having the economic or commercial effect of a borrowing; and the amount of any liability in respect of any Guarantee or indemnity for any of the items referred to above;

"**Interest Payment Date**" means the date(s) specified as such in the relevant Senior Loan Supplement, or, in the event of a prepayment in whole (but not in part) in accordance with Clauses 5.2 (*Prepayment in the event of Taxes or Increased Costs*) or 5.3 (*Prepayment in the event of Illegality*) the date set for such redemption in respect of the Senior Loan;

"**Interest Period**" means each period beginning on (and including) an Interest Payment Date or, in the case of the first Interest Period, the Interest Commencement Date, and ending on (but excluding) the next Interest Payment Date;

"**Lead Manager(s)**" means the Relevant Dealer(s) specified as such in the relevant Subscription Agreement;

"**Lender Agreements**" means the Dealer Agreement, this Agreement, the Subordinated Facility Agreement, the Agency Agreement, the Principal Trust Deed and together with, in relation to each Senior Loan, the relevant Subscription Agreement, Senior Loan Supplement and Supplemental Trust Deed;

"**Lien**" means any mortgage, pledge, encumbrance, easement, restriction, covenant, right-of-way, servitude, lien, charge or other security interest or adverse claim of any kind (including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction and any conditional sale or other title retention agreement or lease in the nature thereof);

"**Material Adverse Effect**" means a material adverse effect on (a) the business, condition (financial or otherwise) or results of operations of the Borrower or the Group or; (b) the Borrower's ability to

perform or comply with its obligations under the Borrower Agreements or (c) the validity or enforceability of the Borrower Agreements or the rights or remedies of the Lender thereunder;

"**Material Subsidiary**" means (i) any Affiliate of the Borrower which, would be included in the Borrower's consolidated financial statements under IFRS; or (ii) at any given time, a Subsidiary of the Borrower which in either case:

(a) has gross income representing 10 per cent. or more of the consolidated gross income of the Group for the most recent Fiscal Period; or

(b) has total assets representing 10 per cent. or more of the consolidated total assets of the Group,

in each case calculated on a consolidated basis in accordance with IFRS, as consistently applied;

Compliance with the conditions set out in paragraphs (a) and (b) above shall be determined by reference to the latest audited or unaudited consolidated annual or, as the case may be, audited or unaudited consolidated interim financial statements of that Subsidiary and the latest audited consolidated annual or, as the case may be, audited or unaudited consolidated interim financial statements of the Group, *provided however*, that an Officers' Certificate that a Subsidiary of the Borrower is or is not a Material Subsidiary, accompanied by a report by the Auditors addressed to the directors of the Borrower as to proper extraction of the figures used in the Officers' Certificate in determining the Material Subsidiaries of the Borrower and mathematical accuracy of the calculations shall, in the absence of manifest error, be conclusive and binding on all parties;

"**Moody's**" means Moody's Investors Service, Inc;

"**Noteholder**" means, in relation to a Note, the person in whose name such Note is registered from time to time in the register of the noteholders (or in the case of joint holders, the first named holder thereof);

"**Notes**" means the loan participation notes that may be issued from time to time by the Lender under the Programme in Series, each Series corresponding to a Senior Loan or a Subordinated Loan and, in relation to a Senior Loan, as defined in the relevant Senior Loan Supplement and in relation to a Subordinated Loan, as defined in the relevant Subordinated Loan Supplement;

"**Officers' Certificate**" means a certificate signed on behalf of the Borrower by two officers of the Borrower at least one of whom shall be the principal executive officer, principal accounting officer or principal financial officer of the Borrower substantially, in the form set out in Schedule 2 hereto;

"**Opinion of Counsel**" means a written opinion from international legal counsel who is reasonably acceptable to the Lender;

"**Permitted Liens**" means:

(a) any Lien over or affecting any asset acquired by a member of the Group after the date hereof and subject to which such asset is acquired, if:

    (i) such Lien was not created in contemplation of the acquisition of such asset by a member of the Group; and

    (ii) the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition of such asset by a member of the Group.

(b) any Lien over or affecting any asset of any company which becomes a member of the Group after the date hereof, where such Lien is created prior to the date on which such company becomes a member of the Group, if:

    (i) such Lien was not created in contemplation of the acquisition of such company; and

    (ii) the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition of such company.

(c) any Lien upon, or with respect to, any securitisation of such property or assets or similar financing structure in relation to such property or assets where the primary source of payment of any obligations secured by such property or assets is linked to the proceeds of such property or assets (or where payment of such obligations is otherwise supported by such property or assets), but may make provision for rights of recourse on an unsecured basis (apart from the property or assets subject to the securitisation or financing structure) which may arise upon any failure to

perform or default by the obligors in relation to such property or assets; and provided that the aggregate outstanding amount of such obligations secured, does not, at any such time, exceed 15 per cent. of the total consolidated assets of the Group, as determined at any time by reference to the most recent consolidated balance sheet of the Group prepared in accordance with IFRS;

(d) any netting or set-off arrangement entered into by any member of the Group in the normal course of its banking arrangements for the purpose of netting debit and credit balances;

(e) any Lien arising by operation of law and in the normal course of business;

(f) any Lien in existence on the date of this Agreement;

(g) any Lien granted by a Subsidiary of the Borrower in favour of the Borrower;

(h) Liens incurred, or pledges and deposits in connection with workers' compensation, unemployment insurance and other social security benefits, and leases, appeal bonds and other obligations of like nature in the ordinary course of business;

(i) Liens for ad valorem, income or property Taxes or assessments and similar charges which either are not delinquent or are being contested in good faith by appropriate proceedings for which the Borrower has set aside in its books of account reserves to the extent required by IFRS, as consistently applied;

(j) easements, rights of way, restrictions (including zoning restrictions), reservations, permits, servitudes, minor defects or irregularities in title and other similar charges or encumbrances in each case not interfering in any material respect with the business of the Borrower and its Subsidiaries taken as a whole;

(k) (i) bankers' Liens in respect of deposit accounts, (ii) statutory landlords' Liens, (iii) deposits to secure the performance of bids, trade contracts, government contracts, leases, statutory obligations, surety and appeal bonds, performance and return-of-money bonds or liabilities to insurance carriers under insurance or self-insurance arrangements and other obligations of like nature (so long as, in each case with respect to items described in (i), (ii) and (iii) above of this paragraph (l), such Liens (X) do not secure obligations constituting Indebtedness for borrowed money and (Y) are incurred in the ordinary course of business), and (iv) Liens arising from any judgment, decree or other order which does not constitute an Event of Default;

(l) Liens arising pursuant to any agreement (or other applicable terms and conditions) which is standard or customary in the relevant market in connection with:

   (i) the Borrower's foreign exchange dealings or other proprietary trading activities, including, without limitation, "Lombard" credits extended by the Central Bank and Repo transactions;

   (ii) insurance deposits placed by the Borrower securing the guarantees issued in respect of the export-import operations of the Borrower's clients;

   (iii) the establishment of margin deposits and similar arrangements in connection with interest rate and foreign currency hedging operations and trading in government securities; and

   (iv) any other derivative transaction entered into by the Borrower in connection with protection against or benefit from fluctuation in any rate or price;

(m) Liens arising pursuant to any title transfer or retention of title arrangement entered into by a member of the Group in the normal course of its business activities on the counterparty's standard or usual terms; and

(n) any other Lien where the aggregate value of the assets or revenues subject to such Lien does not exceed US$25,000,000;

"**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;

"**Potential Event of Default**" means any event which is, or after notice or passage of time or after making any determinations under this Agreement (or any combination of the foregoing) would be, an Event of Default;

"**Principal Trust Deed**" means the principal trust deed dated 14 May 2007 between the Lender and the Trustee, as it may be amended or supplemented from time to time;

"**Programme**" means the programme for the issuance of loan participation notes of the Lender;

"**Programme Limit**" means US$4,000,000,000 or its equivalent in other currencies, being the maximum aggregate principal amount of Notes that may be issued and outstanding at any time under the Programme as may be increased in accordance with the Dealer Agreement;

"**Rate of Interest**" has the meaning assigned to such term in the relevant Senior Loan Supplement;

"**Registrar**" has the meaning assigned to it in the Trust Deed;

"**Related Party**" means with respect to any person, (a) an Affiliate of such person or (b) any of its Affiliates or (c) a group of its Affiliates;

"**Relevant Event**" has the meaning assigned to it in the Trust Deed;

"**Relevant Time**" means, in relation to a payment in a Specified Currency, the time in the principal financial centre of such Specified Currency and, in relation to a payment in Euro, Brussels time;

"**Repayment Date**" has the meaning assigned to such term in the relevant Senior Loan Supplement;

"**Repo**" means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities lending or rental agreement or any agreement relating to securities which is similar in effect to any of the foregoing and for the purposes of this definition, the term "securities" means any capital stock, share, debenture or other debt or equity instrument, or derivative thereof, whether issued by any public or private company, any government or Agency or instrumentality thereof or any supranational, international or multinational organisation;

"**Reserved Rights**" has the meaning assigned to such term in the Trust Deed;

"**Risk Weighted Assets**" means the aggregate of the Borrower's or, if consolidated financial statements are then prepared, the Group's consolidated balance sheet assets and off-balance sheet engagements weighted for credit and market risk in accordance with the BIS Guidelines;

"**Roubles**" means the lawful currency of the Russian Federation;

"**Same-Day Funds**" means funds for payment, in the Specified Currency as the Lender may at any time determine to be customary for the settlement of international transactions in the principal financial centre of the country of the Specified Currency or, as the case may be, euro funds settled through the TARGET System or such other funds for payment in euro as the Lender may at any time reasonably determine to be customary for the settlement of international transactions in Brussels of the type contemplated hereby;

"**Securities Act**" means the US Securities Act of 1933;

"**Senior Loan**" means each senior loan to be made pursuant to, and on the terms specified in this Agreement and the relevant Senior Loan Supplement, and includes each Fixed Rate Senior Loan and Floating Rate Senior Loan;

"**Senior Loan Agreement**" means this Agreement and (unless the context requires otherwise), in relation to a Senior Loan, means this Agreement as amended and supplemented by the relevant Senior Loan Supplement;

"**Series**" means a series of Notes that (except in respect of the first payment of interest and their issue price) have identical terms on issue and are expressed to have the same series number;

"**Specified Currency**" means the currency specified as such in the relevant Senior Loan Supplement;

"**Standard & Poor's**" means Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc;

"**Subordinated Facility Agreement**" means the subordinated facility agreement relating to the Programme dated 14 May 2007 between the Lender and the Borrower, as may be amended or supplemented from time to time;

"**Subordinated Loan**" means each subordinated loan to be made pursuant to, and on the terms specified in the Subordinated Facility Agreement and the relevant subordinated loan supplement;

"**Subscription Agreement**" means the agreement specified as such in the relevant Senior Loan Supplement;

"**Subsidiary**" of any specified person means any corporation, partnership, joint venture, association or other business or entity, whether now existing or hereafter organised or acquired, (a) in the case of a corporation, of which more than 50 per cent. of the total voting power of the Voting Stock is held by such first-named person and/or any of its Subsidiaries and such first-named person or any of its Subsidiaries has the power to direct the management, policies and affairs thereof; or (b) in the case of a partnership, joint venture, association, or other business or entity, with respect to which such first-named person or any of its Subsidiaries has the power to direct or cause the direction of the management and policies of such entity by contract or otherwise if (in each case) in accordance with IFRS, as consistently applied, such entity would be consolidated with the first-named person for financial statement purposes;

"**Supplemental Trust Deed**" means a supplemental trust deed in respect of a Series of Notes which constitutes and secures, *inter alia*, such Series dated the relevant Closing Date and made between the Lender and the Trustee (substantially in the form set out in Schedule 10 of the Principal Trust Deed);

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereof;

"**Taxes**" means any present or future taxes, levies, duties, assessments or other governmental charges of whatever nature (including interest and penalties or addition thereon), no matter how they are levied or determined, and the terms "**Tax**" and "**taxation**" shall be construed accordingly;

"**Taxing Authority**" means any body having authority to levy Taxes;

"**Trust Deed**" means the Principal Trust Deed as supplemented by the relevant Supplemental Trust Deed and specified as such in the relevant Senior Loan Supplement;

"**Trustee**" means BNY Corporate Trustee Services Limited, as trustee under the Trust Deed and any other trustee or trustees thereunder;

"**Voting Stock**" means, in relation to any person, Capital Stock entitled (without the need for the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof; and

"**Warranty Date**" means the date hereof, the date of each Senior Loan Supplement, each Closing Date, each date on which the Base Prospectus is amended, supplemented or replaced and each date on which the Programme Limit is increased.

1.2 **Other Definitions**

Unless the context otherwise requires, terms used in this Agreement which are not defined in this Agreement but which are defined in the Principal Trust Deed, the relevant Notes, the Agency Agreement, the Dealer Agreement or the relevant Senior Loan Supplement shall have the meanings assigned to such terms therein.

1.3 **Interpretation**

Unless the context or the express provisions of this Agreement otherwise require, the following shall govern the interpretation of this Agreement:

1.3.1 all references to "**Clause**" or "**sub-Clause**" are references to a Clause or sub-clause of this Agreement;

1.3.2 the terms "hereof", "herein" and "hereunder" and other words of similar import shall mean the relevant Senior Loan Agreement as a whole and not any particular part hereof;

1.3.3 words importing the singular number include the plural and vice versa; and

1.3.4 the table of contents and the headings are for convenience only and shall not affect the construction hereof.

2. **SENIOR LOANS**

2.1 **Senior Loans**

On the terms and subject to the conditions set forth herein and, as the case may be, in each Senior Loan Supplement, the Lender hereby agrees to make available to the Borrower Senior Loans up to,

together with any Subordinated Loans the Lender agrees to make available to the Borrower under the Subordinated Facility Agreement, the total aggregate amount equal to the Programme Limit.

2.2 **Purpose**

The proceeds of each Senior Loan will be used to fund the Borrower's lending activities and for general banking purposes (unless otherwise specified in the relevant Senior Loan Supplement) and, accordingly, the Borrower shall apply all amounts raised by it hereunder to fund such activities and purposes, but the Lender shall not be concerned with the application thereof.

2.3 **Separate Senior Loans**

It is agreed that with respect to each Senior Loan, all the provisions of this Agreement and the Senior Loan Supplement shall apply mutatis mutandis separately and independently to each such Senior Loan and the expressions "**Account**", "**Arrangement Fee**", "**Closing Date**", "**Day Count Fraction**", "**Interest Payment Date**", "**Senior Loan Agreement**", "**Notes**", "**Rate of Interest**", "**Repayment Date**", "**Specified Currency**", "**Subscription Agreement**" and "**Trust Deed**", together with all other terms that relate to such a Senior Loan shall be construed as referring to those of the particular Senior Loan in question and not of all Senior Loans unless expressly so provided, so that each such Senior Loan shall be made pursuant to this Agreement and the relevant Senior Loan Supplement, together comprising the Senior Loan Agreement in respect of such Senior Loan and that, events affecting one Senior Loan shall not affect any other.

3. **DRAWDOWN**

3.1 **Drawdown**

On the terms and subject to the conditions set forth herein and, as the case may be, in each Senior Loan Supplement, on the Closing Date thereof the Lender shall make a Senior Loan to the Borrower and the Borrower shall make a single drawing in the full amount of such Senior Loan.

3.2 **Senior Loan Arrangement Fee**

In consideration of the Lender's undertaking to make a Senior Loan available to the Borrower, the Borrower hereby agrees that it shall, one Business Day before each Closing Date, pay to or to the order of the Lender, in Same-Day Funds by 10 a.m. (Relevant Time) an Arrangement Fee (as defined in the relevant Senior Loan Supplement) in connection with the financing of such Senior Loan. The total amount of the Arrangement Fee will be as specified in the relevant Senior Loan Supplement.

3.3 **Disbursement**

Subject to the conditions set forth herein and, as the case may be, in each Senior Loan Supplement, on each Closing Date the Lender shall transfer the full amount of the relevant Senior Loan to the Borrower Account specified in the relevant Senior Loan Supplement.

3.4 **Ongoing Fees and Expenses**

In consideration of the Lender establishing and maintaining the Programme and agreeing to make Senior Loans to the Borrower, the Borrower shall pay on demand to the Lender as and when such payments are due an amount or amounts to reimburse the Lender for its expenses relating to its management and operation in servicing the Senior Loans as set forth to the Borrower in an invoice from the Lender (including, for the avoidance of doubt and without limitation, the fees and expenses of the Lender's counsel, auditors, corporate services providers and agents and any taxes of the Issuer).

4. **INTEREST**

4.1 **Rate of Interest for Fixed Rate Senior Loans**

Each Fixed Rate Senior Loan bears interest on its outstanding principal amount from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the applicable Rate of Interest.

If a Fixed Amount or a Broken Amount is specified in the relevant Senior Loan Supplement, the amount of interest payable on each Interest Payment Date will amount to the Fixed Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount, will be payable on the particular Interest Payment Date(s) specified in the relevant Senior Loan Supplement.

4.2 **Payment of Interest for Fixed Rate Senior Loans**

Interest at the Rate of Interest shall accrue on each Fixed Rate Senior Loan from day to day, starting from (and including) the Interest Commencement Date and thereafter from (and including) each Interest Payment Date, to (but excluding) the next Interest Payment Date and shall be paid in arrear by the Borrower to the Account not later than 10.00 a.m. (Relevant Time) one Business Day prior to each Interest Payment Date.

4.3 **Interest for Floating Rate Senior Loans**

4.3.1 *Interest Payment Dates*: Each Floating Rate Senior Loan bears interest on its outstanding principal amount from (and including) the Interest Commencement Date and thereafter from (and including) each Interest Payment Date, to (but excluding) the next Interest Payment Date at the rate per annum (expressed as a percentage) equal to the applicable Rate of Interest, which interest shall be paid in arrear by the Borrower to the relevant Account not later than 10.00 a.m. (Relevant Time) one Business Day prior to each Interest Payment Date. Such Interest Payment Date(s) is/are either shown in the relevant Senior Loan Supplement as Specified Interest Payment Date(s) or, if no Specified Interest Payment Date(s) is/are shown in the relevant Senior Loan Supplement, Interest Payment Date shall mean each date which falls the number of months or other period shown in the relevant Senior Loan Supplement as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

4.3.2 *Business Day Convention*: If any date referred to in the relevant Senior Loan Supplement that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

4.3.3 *Rate of Interest for Floating Rate Senior Loans*: The Rate of Interest in respect of Floating Rate Senior Loans for each Interest Accrual Period shall be determined in the manner specified in the relevant Senior Loan Supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the relevant Senior Loan Supplement.

(a) *ISDA Determination for Floating Rate Senior Loans*

Where ISDA Determination is specified in the relevant Senior Loan Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (i), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option is as specified in the relevant Senior Loan Supplement;

(ii) the Designated Maturity is a period specified in the relevant Senior Loan Supplement; and

(iii) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Senior Loan Supplement.

For the purposes of this sub-paragraph (a), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(b) *Screen Rate Determination for Floating Rate Senior Loans*

Where Screen Rate Determination is specified in the relevant Senior Loan Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of such Interest Accrual Period in accordance with the following:

(i) if the Primary Source for Floating Rate is a Page, subject as provided below, the Rate of Interest shall be:

(1) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one entity); or

(2) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page,

in each case appearing on such Page at the Relevant Time on the Interest Determination Date;

(ii) if the Primary Source for the Floating Rate is Reference Banks or if sub-paragraph (a)(I) above applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (a)(II) above applies and fewer than two Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent; and

(iii) if paragraph (b) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Specified Currency that at least two out of five leading banks selected by the Calculation Agent in the Relevant Financial Centre of the country of the Specified Currency or, if the Specified Currency is Euro, in Europe as selected by the Calculation Agent are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (I) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Relevant Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in the Relevant Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Rate of Interest applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).

4.4 **Accrual of Interest**

Interest shall cease to accrue on each Senior Loan on the due date for repayment unless payment is improperly withheld or refused, in which event interest shall continue to accrue (before or after any judgment) at the applicable Rate of Interest to, but excluding, the date on which payment in full of the principal thereof is made.

4.5 **Margin, Maximum/Minimum Rates of Interest, Rate Multipliers and Rounding**

4.5.1 If any Margin or Rate Multiplier is specified in the relevant Senior Loan Supplement (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Clause 4.3 (*Interest for Floating Rate Senior Loans*) above by adding (if a positive number) or subtracting the

absolute value (if a negative number) of such Margin or multiplying by such Rate Multiplier, subject always to the next paragraph.

4.5.2 If any Maximum or Minimum Rate of Interest is specified in the relevant Senior Loan Supplement, then any Rate of Interest shall be subject to such maximum or minimum, as the case may be.

4.5.3 For the purposes of any calculations required pursuant to a Senior Loan Agreement (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

4.6 **Calculations**

The amount of interest payable in respect of any Senior Loan for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding principal amount of such Senior Loan by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in the relevant Senior Loan Supplement in respect of such period, in which case the amount of interest payable in respect of such Senior Loan for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

4.7 **Determination and Notification of Rates of Interest and Interest Amounts**

As soon as practicable after the Relevant Time on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation in accordance with the Senior Loan Agreement, it shall determine such rate and calculate the Interest Amounts in respect of such Floating Rate Senior Loan for the relevant Interest Accrual Period, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to the Borrower, the Trustee, the Lender, each of the Paying Agents and any other Calculation Agent appointed in respect of such Floating Rate Senior Loan that is to make a further calculation upon receipt of such information. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to sub-Clause 4.3.2 of Clause 4.3 (*Interest for Floating Rate Senior Loans*), the Interest Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made with the consent of the Borrower and the Lender by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If such Floating Rate Senior Loan becomes due and payable under Clause 11 (*Limited Acceleration Rights*), the accrued interest and the Rate of Interest payable in respect of such Floating Rate Senior Loan shall nevertheless continue to be calculated as previously in accordance with this Clause. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

4.8 **Determination or Calculation by Trustee**

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Period or any Interest Amount in relation to a Floating Rate Senior Loan, the Lender and the Borrower request that such determination or calculation may be made by or at the direction of the Trustee. The Trustee shall incur no liability to any person in respect of any such determination or calculation it chooses (in its absolute discretion) to make.

4.9 **Definitions**

In this Clause 4 (*Interest*), unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Benchmark**" has the meaning specified in the relevant Senior Loan Supplement;

"**Business Day**" means:

(i) in the case of a Specified Currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such Specified Currency; and/or

(ii) in the case of Euro, a day on which the TARGET system is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of a Specified Currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres;

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Senior Loan for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the "**Calculation Period**");

(i) if "**Actual/365**" or "**Actual/Actual—ISDA**" is specified in the relevant Senior Loan Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified in the relevant Senior Loan Supplement, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/360**" is specified in the relevant Senior Loan Supplement, the actual number of days in the Calculation Period divided by 360;

(iv) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the relevant Senior Loan Supplement, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

(v) if "**30E/360**" or "**Eurobond Basis**" is specified in the relevant Senior Loan Supplement, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Repayment Date, the Repayment Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and

(vi) if "**Actual/Actual-ICMA**" is specified in the relevant Senior Loan Supplement:

  (a) If the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x)the number of days in such Determination Period and (y)the number of Determination Periods normally ending in any year; and

  (b) if the Calculation Period is longer than one Determination Period, the sum of:

    (i) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1)the number of days in such Determination Period and (2)the number of Determination Periods normally ending in any year; and

    (ii) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1)the number of days in such Determination Period and (2)the number of Determination Periods normally ending in any year

  where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date;

"**Determination Date**" means the date specified in the relevant Senior Loan Supplement or, if none is so specified, the Interest Payment Date;

"**Effective Date**" means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as such in the relevant Senior Loan Supplement or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates;

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date;

"**Interest Amount**" means the amount of interest payable, and in the case of Fixed Rate Senior Loans, means the Fixed Amount or Broken Amount, as the case may be;

"**Interest Commencement Date**" means the Closing Date or such other date as may be specified in the relevant Senior Loan Supplement;

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the relevant Senior Loan Supplement or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London and for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro;

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified herein;

"**ISDA Definitions**" means the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association,Inc., unless otherwise specified in the relevant Senior Loan Supplement;

"**Page**" means such page, section, caption, column or other part of a particular information service (including, but not limited to, Reuters Markets 3000 ("**Reuters**") and Telerate ("**Telerate**")) as may be specified for the purpose of providing a Relevant Rate, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to that Relevant Rate;

"**Reference Banks**" means the institutions specified as such in the relevant Senior Loan Supplement or, if none, four major banks selected by the Calculation Agent in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that are most closely connected with the Benchmark (which, if EURIBOR is the relevant Benchmark, shall be Europe);

"**Relevant Financial Centre**" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre as may be specified as such in the relevant Senior Loan Supplement or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR, shall be Europe) or, if none is so connected, London;

"**Relevant Rate**" means the Benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to the Benchmark) equal to the Specified Duration commencing on the Effective Date;

"**Relevant Time**" means, with respect to any Interest Determination Date or Repayment Date, the local time in the Relevant Financial Centre specified in the relevant Senior Loan Supplement or, if no time is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Specified Currency in the interbank market in the Relevant Financial Centre and for this purpose "local time" means, with respect to Europe as a Relevant Financial Centre, 11.00 hours, Brussels time;

"**Representative Amount**" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the amount specified as such in the relevant Senior Loan Supplement or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time; and

"**Specified Duration**" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the duration specified in the relevant Senior Loan Supplement or, if none is specified, a period of time equal to the relevant Interest Accrual Period, ignoring any adjustment pursuant to sub-Clause 4.3.2 of Clause 4.3 (*Interest for Floating Rate Senior Loans*).

4.10 **Calculation Agent and Reference Banks**

The Lender (failing which the Borrower) shall procure that there shall at all times be specified no less than four Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and appointed one or more Calculation Agents if provision is made for them in a Senior Loan Supplement and for so long as any amount remains outstanding under a Senior Loan Agreement. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Lender shall (with the prior approval of the Borrower) appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of a Senior Loan, references in the relevant Senior Loan Agreement to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the relevant Senior Loan Agreement. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, or to comply with any other requirement pursuant to the Senior Loan Agreement, the Lender shall (with the prior approval of the Borrower) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid. Both the Borrower and the Lender agree that such successor Calculation Agent will be appointed on the terms of the Agency Agreement in relation to the relevant Senior Loan Agreement.

4.11 **Dual Currency Provisions**

This Clause 4.11 is applicable only if the Dual Currency Provisions are specified in the relevant Senior Loan Supplement as being applicable. If the rate or amount of interest applicable to any Senior Loan falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Senior Loan Supplement.

5. **REPAYMENT AND PREPAYMENT**

5.1 **Repayment**

Except as otherwise provided herein and in the applicable Senior Loan Supplement, the Borrower shall repay each Senior Loan not later than 10.00 a.m. (Relevant Time) one Business Day prior to the Repayment Date therefor.

5.2 **Prepayment in the event of Taxes or Increased Costs**

If, as a result of the application of or any amendments or clarification of, or change (including a change in interpretation or application) in, the double tax treaty between the Russian Federation and Ireland or the laws or regulations of the Russian Federation or Ireland or of any political sub-division thereof or any Taxing Authority therein or the enforcement of the security provided for in any Trust Deed, (i) the Borrower would thereby be required to make or increase any payment due pursuant to a Senior Loan Agreement as provided in Clauses 6.2 (*No Set-Off, Counterclaim or Withholding; Gross Up*) or 6.3 (*Withholding on Notes*) or (ii) if (for whatever reason) the Borrower would have to or has been required to pay additional amounts pursuant to Clause 8 (*Change in Law or Increase in Cost*), and in any such case, such obligation cannot be avoided by the Borrower taking reasonable measures available to it, then the Borrower may (without premium or penalty), upon not less than 30 days' notice to the Lender (which notice shall be irrevocable), prepay the Senior Loan

relating to such Senior Loan Agreement in whole (but not in part) on any Interest Payment Date, in the case of a Floating Rate Senior Loan, or at any time, in the case of a Fixed Rate Senior Loan.

No such notice of prepayment shall be given earlier than 90 days prior to the earliest date on which the Borrower would be obliged to pay such additional amounts or increase such payment if a payment in respect of the Senior Loan were then due.

Prior to giving any such notice in the event of an increase in payment pursuant to Clause 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*), the Borrower shall deliver to the Lender (copied to the Trustee) an Officers' Certificate confirming that it would be required to increase the amount payable and that the obligation to make such payment cannot be avoided by the Borrower taking reasonable measures available to it, supported by an opinion of an independent tax adviser addressed to the Lender (copied to the Trustee).

5.3 **Prepayment in the event of Illegality**

If, at any time after the date of the relevant Senior Loan Supplement, by reason of the introduction of, or any change in any applicable law or regulation or regulatory requirement or directive of any Agency, the Lender reasonably determines (such determination being accompanied by an Opinion of Counsel with the cost of such Opinion of Counsel being borne solely by the Borrower) that it is or would be unlawful or contrary to any applicable law, regulation, regulatory requirement or directive of any Agency of any state or otherwise for the Lender to make, fund or allow all or part of the Senior Loan relating to such Senior Loan Supplement or the corresponding Series of Notes to remain outstanding or for the Lender to maintain or give effect to any of its obligations in connection with the relevant Senior Loan Agreement and/or to charge or receive or to be paid interest at the rate then applicable to such Senior Loan (an "**Event of Illegality**") then the Lender shall, after becoming aware of the same, deliver to the Borrower a written notice, setting out in reasonable detail the nature and extent of the relevant circumstances, to that effect and:

5.3.1 if any amount of such Senior Loan has not then been made, the Lender shall not thereafter be obliged to make such amount of such Senior Loan; and

5.3.2 if such Senior Loan is then outstanding, then upon notice by the Lender to the Borrower in writing, the Borrower and the Lender shall consult in good faith as to a basis that eliminates the application of such Event of Illegality. If a basis has not been agreed between the Borrower and the Lender by the earlier of the latest date permitted by the relevant law or 30 days after the date on which the Lender notified the Borrower of such illegality, then upon written notice by the Lender to the Borrower and the Trustee, the Borrower shall prepay (without premium or penalty) such Senior Loan in whole (but not in part), on the next Interest Payment Date therefor, in the case of a Floating Rate Senior Loan, or in the case of a Fixed Note Senior Loan, on the next Interest Payment Date or on such earlier date as the Lender shall (acting reasonably) certify to be necessary to comply with such requirements.

5.4 **Reduction of a Senior Loan Upon Cancellation of Corresponding Notes**

The Borrower may from time to time deliver to the Lender Definitive Notes held by it, having an aggregate principal value of at least US$1,000,000 (or its equivalent in a Specified Currency), together with a request for the Lender to present such Definitive Notes to the Registrar for cancellation, and may also from time to time procure the delivery to the Registrar of the relevant Global Notes with instructions to cancel a specified aggregate principal amount of Notes (being at least US$1,000,000 or its equivalent in a Specified Currency) represented thereby (which instructions shall be accompanied by evidence satisfactory to the Registrar that the Borrower is entitled to give such instructions), whereupon the Lender shall, pursuant to Clause 8.1 of the Agency Agreement, request the Registrar to cancel such Notes (or specified aggregate principal amount of Notes represented by the relevant Global Notes). Upon any such cancellation by or on behalf of the Registrar, the principal amount of the Senior Loan corresponding to the principal amount of such Notes together with accrued interest and other amounts (if any) thereon shall be extinguished for all purposes as of the date of such cancellation.

5.5 **Payment of Other Amounts**

If a Senior Loan is to be prepaid by the Borrower pursuant to any of the provisions of Clauses 5.2 (*Prepayment in the event of Taxes or Increased Costs*), 5.3 (*Prepayment in the event of Illegality*) or pursuant to the terms of the relevant Senior Loan Agreement, the Borrower shall, simultaneously

with such prepayment, pay to the Lender accrued interest thereon to the date of actual payment and all other sums payable by the Borrower pursuant to the relevant Senior Loan Agreement. For the avoidance of doubt, if the principal amount of such Senior Loan is reduced pursuant to the provisions of Clause 5.4 (*Reduction of a Senior Loan Upon Cancellation of Corresponding Notes*), then no interest shall accrue or be payable during the Interest Period in which such reduction takes place in respect of the amount by which such Senior Loan is so reduced and the Borrower shall not be entitled to any interest in respect of the cancelled Notes. The Borrower shall indemnify the Lender on demand against any costs and expenses reasonably incurred and properly documented by the Lender on account of any prepayment made in accordance with this Clause 5 (*Repayment and Prepayment*).

5.6 **Provisions Exclusive**

The Borrower shall not prepay or repay all or any part of any Senior Loan except at the times and in the manner expressly provided for in accordance with the relevant Senior Loan Agreement. Any amount prepaid or repaid may not be reborrowed under such Senior Loan Agreement.

6. **PAYMENTS**

6.1 **Making of Payments**

All payments of principal, interest and additional amounts (other than those in respect of Reserved Rights) to be made by the Borrower under each Senior Loan Agreement shall be made unconditionally by credit transfer to the Lender not later than 10.00 a.m. (Relevant Time) one Business Day prior to each Interest Payment Date, the Repayment Date or on the relevant prepayment date (as the case may be) in Same-Day Funds to the relevant Account or as the Trustee may otherwise direct following the occurrence of a Relevant Event. The Borrower shall, before 10.00 a.m. (Relevant Time) on the second Business Day prior to each Interest Payment Date, the Repayment Date or on the relevant prepayment date or (as the case may be), procure that the bank effecting such payments on its behalf confirms to the Principal Paying Agent by tested telex or authenticated SWIFT the payment instructions relating to such payment.

The Lender agrees with the Borrower that it will not deposit any other monies into such Account and that no withdrawals shall be made from such Account other than as provided for and in accordance with the relevant Trust Deed and the Agency Agreement.

6.2 **No Set-Off, Counterclaim or Withholding; Gross-Up**

All payments to be made by the Borrower under each Senior Loan Agreement shall be made in full without set-off or counterclaim and (except to the extent required by law) free and clear of and without deduction for or on account of any Taxes imposed by any Taxing Authority. If the Borrower shall be required by applicable law to make any deduction or withholding from any payment under a Senior Loan Agreement for or on account of any such Taxes, it shall, on the due date for such payment, increase any payment of principal, interest or any other payment due under such Senior Loan Agreement to such amount as may be necessary to ensure that the Lender receives and retains (free from any liability in respect of such deduction, withholding or additional amount received) a net amount in the Specified Currency equal to the full amount which it would have received had payment not been made subject to such Taxes, shall promptly account to the relevant authorities for the relevant amount of such Taxes so withheld or deducted within the time allowed for such payment under the applicable law and shall deliver to the Lender without undue delay evidence reasonably satisfactory to the Lender of such deduction or withholding and of the accounting therefor to the relevant Taxing Authority. If the Lender pays any amount in respect of such Taxes, the Borrower shall reimburse the Lender in the Specified Currency for such payment on demand, subject to the receipt of relevant supporting documentation.

6.3 **Withholding on Notes**

Without prejudice to the provisions of Clause 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*), if the Lender notifies the Borrower that it has become obliged to make any withholding or deduction for or on account of any Taxes of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Russian Federation, Ireland or any political subdivision or any authority thereof or therein having the power to tax from any payment which it is obliged to make under or in respect of a Series of Notes, the Borrower agrees to pay to the Lender, not later than 10.00 a.m. (Relevant Time) one Business Day prior to the date on which payment is due to the

Noteholders of such Series in Same-Day Funds to the relevant Account, such additional amounts as are equal to the additional amounts which the Lender would be required to pay in order that the net amounts received by the Noteholders, after such withholding or deduction, will equal the respective amounts which would have been received by the Noteholders in the absence of such withholding or deduction; *provided, however, that* the Lender shall procure that immediately upon receipt from any Paying Agent of any reimbursement of the sums paid pursuant to this provision, to the extent that any Noteholders of such Series, as the case may be, are not entitled to such additional amounts pursuant to the Conditions of such Series of Notes, pay such amounts received by way of such reimbursement to the Borrower (it being understood that neither the Lender, the Trustee, nor the Principal Paying Agent nor any Paying Agent shall have any obligation to determine whether any Noteholder of such Series or such other Party is entitled to any such additional amount).

Any notification by the Lender to the Borrower in connection with this Clause 6.3 (*Withholding on Notes*) shall be given as soon as reasonably practicable after the Lender becomes aware of any obligation on it to make any such withholding or deduction.

6.4 **Reimbursement**

6.4.1 To the extent that the Lender subsequently obtains or uses any tax credit or allowance or other reimbursements relating to a deduction or withholding with respect to which the Borrower has made a payment pursuant to this Clause 6 (*Payments*), it shall pay to the Borrower so much of the benefit it received as will leave the Lender in substantially the same position as it would have been in had no additional amount been required to be paid by the Borrower pursuant to this Clause 6 (*Payments*); *provided, however, that* the question of whether any such benefit has been received, and accordingly, whether any payment should be made to the Borrower, the amount of any such payment and the timing of any such payment, shall be determined in the reasonable judgement of the Lender, *provided that* the Lender shall notify the Borrower promptly upon determination that it has received any such benefit. Subject to Clauses 6.6 (*Mitigation*) and 6.7 (*Tax Treaty Relief*), the Lender shall decide, in its reasonable judgement, whether, and in what order and manner, it claims any credits or refunds available to it, and the Lender shall in no circumstances be obliged to disclose to the Borrower any information regarding its tax affairs or computations.

6.4.2 If as a result of a failure to obtain relief from deduction or withholding of any Taxes referred to in Clause 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*) imposed by a Taxing Authority (i) such Taxes are deducted or withheld by the Borrower and pursuant to Clause 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*) an increased amount is paid by the Borrower to the Lender in respect of such deduction or withholding and (ii) following the deduction or withholding of Taxes as referred to above the Lender (upon instructions by the Borrower) applies to the competent Taxing Authority for a Tax refund and such Tax is refunded or repaid by the relevant Taxing Authority, the Lender shall as soon as reasonably practicable notify the Borrower of the receipt of such withholding tax refund and promptly transfer the amount of Tax refund actually received in the currency actually received and less any applicable costs to a bank account of the Borrower specified for that purpose by the Borrower if and to the extent that the Lender determines in its reasonable opinion that to do so will leave it (after the payment and after the deduction of costs and expenses incurred in relation to the refund) in no worse an after-Tax position than it would have been in had there been no failure to obtain relief from such withholding or deduction and if and to the extent the Lender is able to make such transfer under applicable laws and regulations.

6.5 **Notification**

6.5.1 The Lender agrees upon becoming aware of such, promptly to notify the Borrower if it ceases to be resident in Ireland for taxation purposes or opens a permanent establishment in Russia.

6.5.2 If the Lender ceases, as a result of the Lender's actions, to be tax resident in a jurisdiction for the purposes of a double taxation treaty between the Russian Federation and such jurisdiction, and such cessation results in the Borrower being required to make payments pursuant to Clause 6.2, (*No Set-Off, Counterclaim or Withholding; Gross-Up*) then, except in circumstances where the Lender has ceased to be tax resident in such jurisdiction by reason

of any change of law (as described in Clause 5.3 (*Prepayment in the event of Illegality*) (including, without limitation, a change in a double taxation treaty or in such law or treaty's application or interpretation), the Borrower may require the Lender to seek the substitution of the Lender as issuer of the Notes and as lender under any Senior Loan Agreement pursuant to and in accordance with the provisions of Clause 17 of the Trust Deed. The Borrower shall bear all costs and expenses relating to or arising out of such substitution.

6.6 **Mitigation**

If at any time either party hereto becomes aware of circumstances which would or might, then or thereafter, give rise to an obligation on the part of the Borrower or the Lender to make any deduction, withholding or payment as described in Clauses 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*) or 6.3 (*Withholding on Notes*), then, without in any way limiting, reducing or otherwise qualifying the Lender's rights, or the Borrower's obligations, under such Clauses, such party shall, upon becoming aware of the same, notify the other party thereof and, in consultation with the Borrower and to the extent it can lawfully do so and without prejudice to its own position, the Lender shall take all reasonable steps to remove such circumstances or mitigate the effects of such circumstances; *provided that* the Lender shall be under no obligation to take any such action if, in its reasonable opinion, to do so might reasonably be expected to have any adverse effect upon its business, operations or financial condition or might be in breach of any provision of the Trust Deed, the Agency Agreement or the Notes.

6.7 **Tax Treaty Relief**

The Lender shall, *provided that* in each case a corresponding request from the Borrower is received by the Lender no earlier than 65 Business Days but no later than 30 Business Days prior to the first Interest Payment Date or, as applicable, the beginning of each calendar year, and at the Borrower's cost, to the extent it is able to do so under applicable law including, without limitation, Russian laws, use commercially reasonable efforts to obtain and to deliver to the Borrower no later than 10 Business Days before the first Interest Payment Date or, as applicable, the beginning of each calendar year a certificate issued and certified (as applicable) by the competent Taxing Authority in Ireland confirming that the Lender is tax resident in Ireland in the calendar year of such Interest Payment Date and such other information or forms (including application forms) as may need to be duly completed and delivered by the Lender to enable the Borrower to apply to obtain relief from deduction or withholding of Russian Taxes after the date of this Agreement or, as the case may be, to apply to obtain a tax refund if a relief from deduction or withholding of Russian Taxes has not been obtained.

The certificate or such other information or forms referred to in this Clause 6.7 shall be duly signed by the Lender (if applicable), stamped or otherwise approved by the competent Taxing Authority in Ireland and apostilled or legalised (as applicable) with a notarised Russian translation attached thereto (an "**Authenticated Certificate**").

The Lender shall not be responsible for any failure to provide, or any delays in providing an Authenticated Certificate as a result of any action or inaction of any authority of Ireland *provided that* the Lender uses commercially reasonable efforts to obtain such Authenticated Certificate. The Lender shall in no circumstances be obliged to disclose to the Borrower any information regarding its tax affairs or computations.

If a relief from deduction or withholding of Russian taxes under this Clause 6.7 (*Tax Treaty Relief*) has not been obtained and further to an application of the Borrower to the relevant Russian taxing authorities the latter requests the Lender's rouble bank account details, the Lender shall at the request of the Borrower (a) use its commercially reasonable efforts, at the Borrower's cost, to procure that such rouble bank account of the Lender is duly opened and maintained, and (b) thereafter furnish the Borrower with the details of such rouble bank account.

7. **CONDITIONS PRECEDENT**

7.1 **Documents to be Delivered**

The obligation of the Lender to make each Senior Loan shall be subject to the receipt by the Lender on or prior to the relevant Closing Date of evidence that the person mentioned in Clause 18 (*Law and Jurisdiction*) hereof have agreed to receive process in the manner specified therein.

7.2 Further Conditions

The obligation of the Lender to make each Senior Loan shall be subject to the further conditions precedent that as of the relevant Closing Date (a) the representations and warranties made and given by the Borrower in Clause 9 (*Representations and Warranties*) shall be true and accurate as if made and given on the relevant Closing Date with respect to the facts and circumstances then existing, (b) there shall be no Event of Default or Potential Event of Default, (c) the Borrower shall not be in breach of any of the terms, conditions and provisions of the relevant Senior Loan Agreement, (d) the relevant Subscription Agreement, Trust Deed, Fee Side Letter and the Agency Agreement shall have been executed and delivered, and the Lender shall have received the full amount of the proceeds of the issue of the corresponding Series of Notes pursuant to such Subscription Agreement and (e) the Lender shall have received in full the amount referred to in Clause 3.2 (*Senior Loan Arrangement Fee*), if due and payable, above, as specified in the relevant Senior Loan Supplement.

8. CHANGE IN LAW OR INCREASE IN COST

8.1 Compensation

In the event that after the date of a Senior Loan Agreement there is any change in or introduction of any Tax, law, regulation, regulatory requirement or official directive (whether or not having the force of law but, if not having the force of law, the observance of which is in accordance with the generally accepted financial practice of financial institutions in the country concerned) or in the interpretation or application thereof by any person charged with the administration thereof and/or any compliance by the Lender in respect of the Senior Loan with any request, policy or guideline (whether or not having the force of law but, if not having the force of law, the observance of which is in accordance with the generally accepted financial practice of financial institutions in the country concerned) from or of any central bank or other fiscal, monetary or other authority, agency or any official of any such authority (including, for the avoidance of doubt, but not limited to, any recommendations regarding capital adequacy standards published by the Basel Committee on Banking Regulations and Supervisory Practices at the Bank for International Settlements), which:

8.1.1 subjects or will subject the Lender to any Taxes with respect to payments of principal of or interest on such Senior Loan or any other amount payable under such Senior Loan Agreement other than any Taxes referred to in Clause 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*) or any Taxes referred to in Clause 6.3 (*Withholding Notes*), or

8.1.2 increases or will increase the taxation of or changes or will change the basis of taxation of payments to the Lender of principal of or interest on such Senior Loan or any other amount payable under such Senior Loan Agreement (other than any such increase or change which arises as a result of any Taxes referred to in Clause 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*) or any Taxes referred to in Clause 6.3 (*Withholding Notes*), or

8.1.3 imposes or will impose on the Lender any other condition affecting such Senior Loan Agreement or such Senior Loan,

and if as a result of any of the foregoing:

(i) the cost to the Lender of making, funding or maintaining such Senior Loan is increased; or

(ii) the amount of principal, interest or additional amounts payable to or received by the Lender under such Senior Loan Agreement is reduced; or

(iii) the Lender makes any payment or foregoes any interest or other return on or calculated by reference to the gross amount of any sum receivable by it from the Borrower hereunder or makes any payment or foregoes any interest or other return on or calculated by reference to the gross amount of such Senior Loan,

then subject to the following, and in each such case:

(A) the Lender shall, as soon as practicable after becoming aware of such increased cost, reduced amount or payment made or foregone, give written notice to the Borrower, together with a certificate describing in reasonable detail the introduction or change or request which has occurred and the country or jurisdiction concerned and the nature and date thereof and

demonstrating the connection between such introduction, change or request and such increased cost, reduced amount or payment made or foregone and setting out in reasonable detail the basis on which such amount has been calculated, and providing all relevant supporting documents evidencing the matters set out in such certificate; *provided that* nothing herein shall require the Lender to disclose any confidential information relating to the organisation of its or any other person's affairs; and

(B) the Borrower, in the case of Clauses (i) and (iii) above, shall, on demand, pay to the Lender such additional amount as shall be necessary to compensate the Lender for such increased cost, and, in the case of Clause (ii) above, at the time the amount so reduced would otherwise have been payable, pay to the Lender such additional amount as shall be necessary to compensate the Lender for such reduction, payment or foregone interest or other return; *provided, however, that* the amount of such increased cost, reduced amount or payment made or foregone shall be deemed not to exceed an amount equal to the proportion which is directly attributable to this Agreement, and *provided, further, that* the Lender will not be entitled to such additional amount where such reduction, payment or foregone interest or other return arises as a result of the gross negligence or wilful default of the Lender.

8.2 **Mitigation**

In the event that the Lender becomes entitled to make a claim pursuant to Clause 8.1 (*Compensation*), then, without in any way limiting, reducing or otherwise qualifying the rights of the Lender or the Borrower's obligations under the above mentioned provision, the Lender shall, upon becoming aware of the same, notify the Borrower thereof and, in consultation with the Borrower and to the extent it can lawfully do so and without prejudice to its own position, and subject to the Borrower reimbursing it for its full costs and expenses in relation thereto, take all reasonable steps to remove such circumstances or mitigate the effects of such circumstances; *provided that* the Lender shall be under no obligation to take any such action if, in its reasonable opinion, to do so might be expected to have any adverse effect upon its business, operations or financial condition or might be in breach of provision of the Trust Deed, the Agency Agreement or the Notes.

9. **REPRESENTATIONS AND WARRANTIES**

9.1 **The Borrower's Representations and Warranties**

The Borrower does, and on each Warranty Date shall be deemed to, represent and warrant to the Lender, with the intent that such shall form the basis of each Senior Loan Agreement, that:

9.1.1 the Borrower is duly organised and incorporated and validly existing under the laws of the Russian Federation, is not in liquidation or receivership and has the power and legal right to own its property, to conduct its business as currently conducted and, to enter into and to perform its obligations under each Senior Loan Agreement and to borrow Senior Loans; the Borrower has (or, where applicable, will have taken prior to the date of the relevant Senior Loan Supplement) taken all necessary corporate, legal and other action required to authorise the borrowing of Senior Loans on the terms and subject to the conditions of each Senior Loan Agreement and to authorise the execution and delivery of each Senior Loan Agreement and all other documents to be executed and/or delivered by it in connection with each Senior Loan Agreement, and the performance of each Senior Loan Agreement in accordance with its respective terms;

9.1.2 the Senior Loan Agreement, including each Senior Loan Supplement in relation thereto, has been (or, where applicable, will have been prior to the date of the relevant Senior Loan Supplement) duly executed by the Borrower and constitutes (or, where applicable, will upon execution constitute) a legal, valid and binding obligation of the Borrower enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium and similar laws affecting creditors' rights generally, and subject, as to enforceability, (i) to general principles of equity, (ii) to the fact that the gross-up provisions contained in Clause 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*) or 6.3 (*Withholding on Notes*) may not be enforceable under Russian law and (iii) with respect to the enforceability of a judgment, to the laws of the relevant jurisdiction where such judgment must be enforced and whether there is a treaty in force relating to the mutual recognition of foreign judgments;

9.1.3 the execution and performance of each Senior Loan Agreement including each Senior Loan Supplement in relation thereto, by the Borrower will not conflict with or result in any breach or violation of (i) any law or regulation or any order of any governmental, judicial, arbitral or public body or authority in the Russian Federation, (ii) the constitutive documents, rules and regulations of the Borrower or the terms of the general banking licence granted to the Borrower by the Central Bank or (iii) any agreement or other undertaking or instrument to which the Borrower is a party or which is binding upon the Borrower or any of its respective assets, nor result in the creation or imposition of any Liens on any of its assets pursuant to the provisions of any such agreement or other undertaking or instrument except for the creation or imposition of any Liens that would not have a Material Adverse Effect;

9.1.4 all consents, licences, notifications, authorisations or approvals of, or filings with, any governmental, judicial or public bodies or authorities of the Russian Federation (including, without limitation, the Central Bank), if any, required in order to ensure (i) the due execution, delivery and performance by the Borrower of each Senior Loan Agreement and (ii) the legality, validity, enforceability, and admissibility in evidence of each Senior Loan Agreement have been obtained or effected and are and shall remain in full force and effect;

9.1.5 no event has occurred that constitutes, or that, with the giving of notice or the lapse of time, or both, would constitute an Event of Default or a default under any agreement or instrument evidencing any Indebtedness of the Borrower and no such event will occur upon the making of the relevant Senior Loan;

9.1.6 there are no judicial, arbitral or administrative actions, proceedings or claims (including, but without limitation to, with respect to Taxes) which have been commenced or are pending or, to the knowledge of the Borrower, threatened, against the Borrower or any of its Subsidiaries, the adverse determination of which would have a Material Adverse Effect;

9.1.7 except for Liens of the types referred to in the definition of Permitted Liens in Clause 1.1 (*Definitions*), the Borrower has good title to its property free and clear of all Liens, except where the failure to do so would not individually or in the aggregate have a Material Adverse Effect, and the Borrower's obligations under the Senior Loan Agreement will rank at least pari passu with all its other unsecured and unsubordinated Indebtedness except as otherwise provided by mandatory provisions of applicable law;

9.1.8 the latest audited IFRS financial statements of the Borrower:

(a) were prepared in accordance with IFRS, as consistently applied;

(b) unless not required by IFRS, as consistently applied, disclose all liabilities (contingent or otherwise) and all unrealised or anticipated losses of the Borrower; and

(c) save as disclosed therein, present fairly in all material respects the assets and liabilities of the Borrower as at that date and the results of operations of the Borrower during the relevant financial year;

9.1.9 there has been no material adverse change since the date of the latest audited IFRS financial statements of the Borrower in the condition (financial or otherwise), results of business, operations or immediate prospects of the Borrower or on the Borrower's ability to perform its obligations under any Senior Loan Agreement;

9.1.10 the execution, delivery and enforceability of each Senior Loan Agreement is not subject to any tax, duty, fee or other charge, including, but without limitation to, any registration or transfer tax, stamp duty or similar levy, imposed by or within the Russian Federation or any political subdivision or taxing authority thereof or therein;

9.1.11 neither the Borrower nor its property has any right of immunity from suit, execution, attachment or other legal process on the grounds of sovereignty or otherwise in respect of any action or proceeding relating in any way to each Senior Loan Agreement;

9.1.12 the Borrower and its Subsidiaries are in compliance in all respects with all applicable provisions of law, except where the failure to be in so compliance would not have a Material Adverse Effect;

9.1.13 the Borrower is in compliance in all respects with the mandatory ratio of the Central Bank with respect to a bank's exposure to a single borrower or group of related borrowers;

9.1.14 there are no strikes or other employment disputes against the Borrower which have been started or are pending or, to its knowledge, threatened which would have Material Adverse Effect;

9.1.15 save as disclosed in the Base Prospectus, in any proceedings taken in the Russian Federation in relation to each Senior Loan Agreement, the choice of English law as the governing law of each Senior Loan Agreement and any arbitration award obtained in England in relation to each Senior Loan Agreement will be recognised and enforced in the Russian Federation after compliance with the applicable procedures and rules and all other legal requirements in Russia;

9.1.16 subject to the performance by the relevant parties of the relevant established procedures in connection with the obtaining of an applicable withholding tax exemption for payments hereunder, no withholding in respect of any Taxes is required to be made from any payment by the Borrower under each Senior Loan Agreement;

9.1.17 all licences, consents, examinations, clearances, filings, registrations and authorisations which are or may be necessary to enable the Borrower to own its assets and carry on its business are in full force and effect, and the Borrower is conducting such business in accordance with such licences, consents, examinations, clearances, filings registrations and authorisations;

9.1.18 the Borrower is subject, without reservation, to civil and commercial law with respect to its obligations under each Senior Loan Agreement, and its execution of each Senior Loan Agreement constitutes, and its exercise of its rights and performance of its obligations thereunder will constitute, private and commercial acts done and performed for private and commercial purposes; and

9.1.19 the Borrower has no overdue tax liabilities, other than those that would not have a Material Adverse Effect.

9.2 **Lender's Representations and Warranties**

The Lender represents and warrants to the Borrower as follows:

9.2.1 the Lender is duly incorporated under the laws of Ireland and has full power and capacity to execute the Lender Agreements and to undertake and perform the obligations expressed to be assumed by it herein and therein and the Lender has taken all necessary action to approve and authorise the same;

9.2.2 the execution of the Lender Agreements and the undertaking and performance by the Lender of the obligations expressed to be assumed by it herein and therein will not conflict with, or result in a breach of or default under, the laws of Ireland or any agreement or instrument to which it is a party or by which it is bound or in respect of indebtedness in relation to which it is a surety;

9.2.3 the Lender Agreements have been duly executed by and constitute legal, valid and binding obligations of the Lender enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, liquidation, administration, moratorium, re-organisation and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity;

9.2.4 all authorisations, consents and approvals required by the Lender for or in connection with the execution of the Lender Agreements, the performance by the Lender of the obligations expressed to be undertaken by it herein and therein have been obtained and are in full force and effect; and

9.2.5 the Lender is a resident of Ireland for taxation purposes. The Lender will be liable for Irish Taxes on its Irish source income as well as on its foreign source income. The Lender may also benefit from tax treaties signed by Ireland, including the double tax treaty concluded on 29 April 1994 between Ireland and the Russian Federation. At the date hereof, the Lender reasonably believes that it does not have a permanent establishment in the Russian

Federation save for that which may be created solely as a result of the Lender entering into this Agreement.

10. COVENANTS

So long as any amount remains outstanding under a Senior Loan Agreement:

10.1 Negative Pledge

The Borrower shall not, and shall not permit any of its Material Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Liens, other than Permitted Liens, on any of its assets, now owned or hereafter acquired, or any income or profits therefrom, securing any Indebtedness, unless, at the same time or prior thereto, the Borrower's obligations hereunder are to the satisfaction of the Trustee, (i)secured equally and rateably with such other Indebtedness or (ii)have the benefit of such other security or other arrangement which is equivalent in all material respects to any such Lien and which is approved by the Trustee.

10.2 Mergers

(i) The Borrower shall not enter into any merger, accession, division, separation or transformation as these terms are construed by applicable Russian legislation, or any other reorganisation under Russian law but excluding, for the avoidance of doubt, a change in the shareholdings in the Borrower alone (each a "**Reorganisation Event**"), and (ii) the Borrower shall ensure that, without the prior written consent of the Lender, no Material Subsidiary (A) enters into any Reorganisation Event or (B) in the case of a Material Subsidiary incorporated in a jurisdiction other than the Russian Federation participates in any event analogous under the legislation of the relevant jurisdiction to a Reorganisation Event, if (in the case of either (i) or (ii) above) any such reorganisation or other type of corporate reconstruction would have a Material Adverse Effect. For the avoidance of doubt, a Reorganisation Event will not be considered to be capable of having a Material Adverse Effect for the purposes of this Clause 10.2 in the event that it does not lead to a downgrading of either the senior unsecured issuer rating given to the Borrower by Fitch or Moody's or, in the circumstances under (i) above where the Borrower is not the surviving entity following such Reorganisation Event, the ratings granted to such surviving entity immediately following such reorganisation by Moody's and Fitch are no less than the ratings granted to the Borrower by each of Moody's and Fitch immediately prior to the Reorganisation Event.

10.3 Disposals

The Borrower shall not and shall ensure that its Material Subsidiaries do not sell, lease, transfer or otherwise dispose of, by one or more transactions or series of transactions (whether related or not), the whole or any part (the book value of which is 10 per cent. or more of the book value of the whole) of its assets unless such transaction(s) is/are (a) on an arm's length basis and on commercially reasonable terms and (b) does/do not have a Material Adverse Effect and (c) has/have been approved by a resolution of the appropriate decision making body of the Borrower or the relevant Material Subsidiary, as the case may be, resolving that the transaction complies with the requirements of this Clause 10.3 (Disposals) and such resolution has been adopted by a majority of the members of such appropriate decision making body disinterested with respect to such transaction or series of transactions. For the avoidance of doubt, this Clause 10.3 shall not apply to any assets (or any part thereof) the subject of any securitisation of such property or assets or similar financing structure in relation to such property or assets where the primary source of payment of any obligations secured, by such property or assets is linked to the proceeds of such property or assets (or where payment of such obligations is otherwise supported by such property or assets), but may make provision for rights of recourse on an unsecured basis (apart from the property or assets subject to the securitisation or similar financing) which may arise upon any failure to perform or default by the obligors in relation to such property or assets, provided that the aggregate value of assets or revenues which are the subject of all such securitisations or similar financing structure, when added to the aggregate value of assets or revenues subject to any Lien described under (c) in the definition of "Permitted Liens" and permitted under the terms of this Agreement, does not at any time exceed 15 per cent. of total consolidated assets of the Group, as determined at any such time by reference to the consolidated balance sheet for the most recent Fiscal Period.

10.4 **Transactions with Affiliates**

The Borrower shall not and shall ensure that none of its Subsidiaries shall, directly or indirectly, conduct any business, enter into or permit to exist any transaction or series of related transactions (including, without limitation, the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) with, or for the benefit of, any Affiliate (an "**Affiliate Transaction**") including, without limitation, intercompany loans unless (a) the terms of such Affiliate Transaction are no less favourable to the Borrower or such Subsidiary, as the case may be, than those that could be obtained in a comparable arm's length transaction with a person that is not an Affiliate of the Borrower or such Subsidiary; or (b) such Affiliate Transaction is made pursuant to a contract existing on the date of this Agreement (excluding any amendments or modifications thereof).

The Borrower shall not and shall ensure that its Subsidiaries do not carry out any Affiliate Transaction (except for transactions in the ordinary course of the Borrower's banking business other than loans) involving aggregate payments or value in excess of US$25,000,000 (or its equivalent in other currencies), unless such Affiliate Transaction has been approved by a resolution of the appropriate decision making body of the Borrower or the relevant Subsidiary, as the case may be, resolving that such Affiliate Transaction is fair, from a financial point of view, to the Borrower or the relevant Subsidiary, as the case may be and such resolution has been adopted by a majority of the members of such appropriate decision making body disinterested with respect to such Affiliate Transaction.

In no event for so long as any Senior Loan remains outstanding shall the aggregate amount of loans by the Borrower or any of its Subsidiaries to any of their respective Affiliates exceed 10 per cent. of the Group's total gross loans to customers as determined at any time by reference to the consolidated balance sheet for the most recent Fiscal Period.

This Clause 10.4 (Transactions with Affiliates) does not apply to (a) compensation or employee benefit arrangements with any officer or director of the Borrower or a Subsidiary, as the case may be, arising as a result of their employment contract, or (b) any Affiliate Transaction between the Borrower and any of its Subsidiaries or between any Subsidiaries of the Borrower.

10.5 **Maintenance of Authorisations**

The Borrower shall, and shall procure that each of its Material Subsidiaries shall, take all necessary action to obtain and do or cause to be done all things reasonably necessary, in the opinion of the Borrower or the relevant Material Subsidiary, to ensure the continuance of its corporate existence, its business and intellectual property relating to its business and the Borrower shall take all necessary action to obtain, and do or cause to be done all things reasonably necessary to ensure the continuance of, all consents, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, which may at any time be required to be obtained or made in the Russian Federation for the execution, delivery or performance of the Senior Loan Agreements or for the validity or enforceability thereof, *provided that*, in any case if the Borrower and/or the relevant Material Subsidiary, as the case may be, can remedy any failure to comply with this Clause 10.5 (*Maintenance of Authorisations*) within 90 days of such failure or of the occurrence of such event, then this covenant shall be deemed not to have been breached.

10.6 **Maintenance of Property**

The Borrower shall, and shall ensure that its Material Subsidiaries will, cause all property used in the conduct of its or their business to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as, in the reasonable judgment of the Borrower or any Material Subsidiary, may be reasonably necessary so that the business carried on in connection therewith may be properly conducted at all times, *provided that* if the Borrower or any such Material Subsidiary can remedy any failure to comply with the above within 90 days or any failure relates to property with a value not exceeding US$10,000,000 (or its equivalent in other currencies), this covenant shall be deemed not to have been breached.

10.7 **Payment of Taxes and Other Claims**

The Borrower shall, and shall ensure that its Material Subsidiaries will, pay or discharge or cause to be paid or discharged, before the same shall become overdue and without incurring penalties, (a) all

Taxes, assessments and governmental charges levied or imposed upon, or upon the income, profits or property of, the Borrower and its Material Subsidiaries and (b) all lawful claims for labour, materials and supplies which, if unpaid, would reasonably be expected by law become a Lien (other than a Permitted Lien) upon the property of the Borrower or any of its Material Subsidiaries; *provided, however, that* none of the Borrower nor any Material Subsidiary shall be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim (i) whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with IFRS, as consistently applied or other appropriate provision has been made, or (ii) whose amount, together with all such other unpaid or undischarged Taxes, assessments, charges and claims, does not in the aggregate exceed US$10,000,000 (or its equivalent in other currencies).

10.8 **Withholding Tax Exemption**

The Borrower shall give to the Lender all the assistance it reasonably requires to ensure that, prior to the first interest payment and at the beginning of each calendar year the Lender can provide the Borrower with the documents required under Russian laws for the relief of the Lender from Russian withholding tax in respect of payments hereunder.

10.9 **Maintenance of Insurance**

So long as any amount remains outstanding under any Senior Loan Agreement, the Borrower shall and shall ensure that each of its Material Subsidiaries will, keep those of their properties which are of an insurable nature insured with insurers of good standing against loss or damage to the extent that property of similar character is usually so insured by corporations in the same jurisdictions similarly situated and owning like properties in the same jurisdictions.

10.10 **Financial Information**

10.10.1 The Borrower shall as soon as the same become available, but in any event within 150 days after the end of each of its financial years, deliver to the Lender and the Trustee the consolidated financial statements of the Group for such financial year, if prepared, or if consolidated financial statements are not prepared, the unconsolidated financial statements of the Borrower for such financial years, in each case audited by the Auditors and accompanied by a report thereon of the Auditors.

10.10.2 The Borrower shall as soon as the same become available, but in any event within 100 days after the end of each half of each of its financial years, deliver to the Lender and the Trustee, consolidated financial statements of the Group for such period, if prepared, or if consolidated financial statements are not prepared, its unconsolidated financial statements for such period.

10.10.3 The Borrower shall, so long as any amount remains outstanding under any Senior Loan Agreement, deliver to the Lender and the Trustee, without undue delay, such additional information regarding the financial position or the business of the Borrower and its Subsidiaries as the Lender may reasonably request including providing certification to the Trustee pursuant to the Trust Deed.

10.10.4 The Borrower shall ensure that each set of unconsolidated and consolidated financial statements of the Group delivered by it pursuant to this Clause 10.10 (*Final Information*) is:

(a) prepared in accordance with IFRS and consistently applied; and

(b) in the case of the statements provided pursuant to sub-Clause 10.10.2 certified by an Authorised Signatory of the Borrower as giving a true and fair view, in all material respects, of its unconsolidated or, as the case may be, the Group's consolidated financial condition as at the end of the period to which those unconsolidated or, as the case may be, consolidated financial statements relate and of its or, as the case may be, the Group's operations during such period.

10.11 **Financial covenants**

The Borrower shall (except as otherwise specifically provided or agreed by the Lender) at all times (save in respect of sub-clause 10.11.2 below, which will apply in respect of the time periods set out therein) maintain:

10.11.1 compliance in all material respects with mandatory ratios (normatives) and other requirements of the Central Bank applicable to banks; and

10.11.2 a ratio of Capital to Risk Weighted Assets:

(a) at any time that (a) the long-term foreign currency rating given to the Borrower is below BB (in the case of Fitch or Standard & Poor's, if a rating from Standard & Poor's is applied for and obtained) and the long-term bank deposits-foreign currency rating is below Ba2 (in the case of Moody's) or (b) neither Moody's nor Fitch is rating the Borrower, of not less than 11 per cent; or

(b) at any time that the long-term foreign currency rating given to the Borrower is at BB or above (in the case of Fitch or Standard & Poor's, if a rating from Standard & Poor's is applied for and obtained) and the long-term bank deposits-foreign currency rating is at Ba2 or above (in the case of Moody's), of not less than 10 per cent.

10.12 **Change of business**

The Borrower shall procure that no material change is made to the general nature of the business of itself from that carried on at the date of this Agreement, being the banking business.

10.13 **Ranking of Claims**

The Borrower shall ensure that at all times the claims of the Lender against it under each Senior Loan Agreement rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors, save those whose claims are preferred by any bankruptcy, insolvency, liquidation or similar laws of general application.

10.14 **Restricted Payments**

10.14.1 Subject to sub-clause 10.14.2 below, the Borrower shall not, and shall not permit any of its Material Subsidiaries to, directly or indirectly:

(a) declare or pay dividends, in cash or otherwise, or make any other distributions (whether by way of redemption, acquisition or otherwise) in respect of its share capital, other than dividends or distributions payable to the Borrower or any of its Material Subsidiaries; or

(b) voluntarily purchase, redeem or otherwise retire for value any Capital Stock of the Borrower or, prior to scheduled maturity or scheduled repayment, subordinated debt of the Borrower or any Material Subsidiary of the Borrower (except for the repayment of inter-company debt owed by any member of the Group to any other member of the Group front time to time),

any such action being referred to herein as a "**Restricted Payment**".

10.14.2 The Borrower and any of its Material Subsidiaries may make a Restricted Payment if at the time of such payment no Event of Default has occurred and is continuing or would result therefrom and the aggregate amount of all Restricted Payments of the Group for the most recent Fiscal Period does not exceed 50 per cent. of the Borrower's net profit or, if consolidated financial statements are produced at the relevant time, consolidated net profit (in each case calculated in accordance with IFRS) for such period.

10.15 **Officers' Certificates**

On each Interest Payment Date (other than a final Interest Payment Date that falls on a Repayment Date) or promptly upon request by the Lender or the Trustee (and in any event within 10 Business Days after such request), the Borrower shall deliver to the Lender and the Trustee, written notice in the form of an Officers' Certificate stating whether any Potential Event of Default or Event of Default has occurred and, if it has occurred, what action the Borrower is taking or proposes to take with respect thereto.

On each Interest Payment Date (other than a final Interest Payment Date that falls on a Repayment Date) or promptly upon request by the Lender or the Trustee (and in any event within 10 Business Days after such request), the Borrower shall deliver to the Lender and the Trustee written notice in the form of an Officers' Certificate listing its Material Subsidiaries, accompanied by a report by the Auditors addressed to the directors of the Borrower as to the proper extraction of the figures used in the Officers' Certificate, as described in the definition of "Officers' Certificate" in Clause 1.1 (*Definitions*).

10.16 **Notes Held by the Borrower**

Upon being so requested in writing by the Lender or the Trustee, the Borrower shall deliver to the Lender and the Trustee an Officers' Certificate of the Borrower setting out the total number of Notes which, at the date of such certificate, are held by the Borrower (or any Subsidiary of the Borrower) and have not been cancelled and are retained by it for its own account or for the account of any other company.

11. **EVENTS OF DEFAULT**

11.1 **Events of Default**

If one or more of the following events of default (each, an "**Event of Default**") shall occur, the Lender shall be entitled to the remedies set forth in Clause 11.3 (*Default Remedies*).

11.1.1 The Borrower fails to pay any amount payable under a Senior Loan Agreement as and when such amount becomes payable in the currency and in the manner specified herein, provided such failure to pay continues for more than seven Business Days.

11.1.2 The Borrower fails to perform or observe any covenant or agreement under a Senior Loan Agreement to be performed or observed by it, provided such failure continues for more than 30 Business Days.

11.1.3 Any representation or warranty of the Borrower or any statement deemed to be made by the Borrower in connection with a Senior Loan Agreement or any other document, certificate or notice delivered by the Borrower in connection with the Lender Agreements or the issue of Notes proves to have been inaccurate, incomplete or misleading in any material respect in the opinion of the Lender at the time it was made or repeated or deemed to have been made or repeated.

11.1.4

(a) Any Indebtedness of the Borrower or any of its Material Subsidiaries is not paid when due (after the expiry of any applicable grace period); or

(b) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Borrower or (as the case may be) the relevant Material Subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such Indebtedness,

provided that the amount of Indebtedness referred to in sub-paragraph (a) and/or sub-paragraph (b) above, individually or in the aggregate, exceeds US$10,000,000 (or its equivalent amount in any other currency or currencies).

11.1.5 The occurrence of any of the following events: (i) any of the Borrower, or any of its Material Subsidiaries seeking or consenting to the introduction of proceedings for its liquidation or the appointment of a liquidation commission (*likvidatsionnaya komissiya*) or a similar officer of any of the Borrower, or any of its Material Subsidiaries as the case may be; (ii) the presentation or filing of a petition in respect of any of the Borrower or its Material Subsidiaries in any court, arbitration court or before any agency alleging, or for, the bankruptcy, insolvency, dissolution, liquidation (or any analogous proceedings) of any of the Borrower or its Material Subsidiaries, unless such petition is demonstrated to the reasonable satisfaction of the Lender to be vexatious or frivolous; (iii) the institution of the supervision (*nablyudeniye*), financial rehabilitation (*finansovoye ozdorovlenie*), external management (*vneshneye upravleniye*), bankruptcy management (*konkursnoye proizvodstvo*) over the Borrower or any of its Material Subsidiaries, (iv) the entry by the Borrower or any of its Material Subsidiaries into, or the agreeing by the Borrower or any of its Material

Subsidiaries to enter into, amicable settlement (*mirovoe soglashenie*) with its creditors, as such terms are defined in the Federal Law of Russia No. 127-FZ "On Insolvency (Bankruptcy)" dated 26 October 2002 (as amended or replaced from time to time); (v) the institution, at the request of the Central Bank, of financial rehabilitation (*finansovoye ozdorovlenie*), temporary administration (*vremennaya administratsiya*) or reorganisation (*reorganizatsiya*) with respect to the Borrower or any of its Material Subsidiaries as such terms are defined in the Federal Law of the Russian Federation No- 40-FZ "On Insolvency (Bankruptcy) of Credit Organisations" dated 25 February 1999 (as amended or replaced from time to time); and/or (vi) any judicial liquidation, dissolution liquidation or winding up in respect of the Borrower or any of its Material Subsidiaries;

11.1.6 The Borrower or any of its Material Subsidiaries is unable or admits inability to pay its debts as they fall due, generally suspends making payments on its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling a material portion of its Indebtedness; the value of the assets of any of the Borrower or its Material Subsidiaries is less than its liabilities; and/or a moratorium is declared in respect of any Indebtedness of any of the Borrower or its Material Subsidiaries.

11.1.7 Any expropriation, attachment, sequestration, execution or distress is levied against, or an encumbrancer takes possession of or sells, the whole or any material part of, the property, undertaking, revenues or assets of the Borrower or any of its Material Subsidiaries.

11.1.8 Any governmental authorisation necessary for the performance of any obligation of the Borrower under the Senior Loan Agreement fails to be in full force and effect, if such failure is not remedied within 30 days of its occurrence.

11.1.9 Any government, Agency or court takes any action that has a Material Adverse Effect on the Borrower or any of its Material Subsidiaries, including, without prejudice to the foregoing: (i) all or a majority of the issued shares of any member of the Borrower or any Material Subsidiaries or the whole or any part (the book value of which is 20 per cent. or more of the book value of the whole) of its revenues or assets is seized, nationalised, expropriated or compulsorily acquired; or (ii) the Borrower's general banking licence is revoked or the Borrower is prohibited from conducting any substantial part of its banking operations envisaged in its banking license.

11.1.10 The aggregate amount of unsatisfied judgments, decrees or orders of courts or other appropriate law-enforcement bodies for the payment of money against the Borrower and other Material Subsidiaries in the aggregate exceeds US$10,000,000, or the equivalent thereof in any other currency or currencies and there is a period of 60 days following the entry thereof during which such judgment, decree or order is not appealed, discharged, waived or the execution thereof stayed and such default continues for 10 Business Days after the notice specified in Clause 11.2 (*Notice of Default*).

11.1.11 At any time it is or becomes unlawful for the Borrower to perform or comply with any or all of its obligations under the Senior Loan Agreement or any of such obligations (subject as provided in sub-Clause 9.1.2 of Clause 9.1 (*The Borrower's Representations and Warranties*)) are not, or cease to be, legal, valid, binding and enforceable and such unlawfulness or cessation has a Material Adverse Effect.

11.1.12 The Borrower or any of its Material Subsidiaries ceases to carry on the principal business carried on by the Borrower at the date hereof being the banking business.

11.1.13 The Borrower repudiates or evidences in writing an intention to repudiate any of the Lender Agreements.

11.1.14 Any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing sub-Clauses.

11.2 **Notice of Default**

The Borrower shall deliver to the Lender and the Trustee within (i) 10 days of any written request by the Lender or the Trustee, or (ii) within 30 days after the occurrence thereof, written notice in the form of an Officers' Certificate, substantially in the form set out in Schedule 2, stating whether any Potential Event of Default or Event of Default has occurred, its status and what action the Borrower is taking or proposes to take with respect thereto.

11.3 Default Remedies

If any Event of Default shall occur and be continuing, the Lender may, by notice in writing to the Borrower, (a) declare the obligations of the Lender under the relevant Senior Loan Agreement to be terminated, whereupon such obligations shall terminate, and (b) declare all amounts payable under such Senior Loan Agreement by the Borrower that would otherwise be due after the date of such termination to be immediately due and payable, whereupon all such amounts shall become immediately due and payable, all without diligence, presentment, demand of payment, protest or notice of any kind, which are expressly waived by the Borrower; *provided, however, that* if any event of any kind referred to in sub-clause 11.1.5 or 11.1.6 of Clause 11.1 (*Events of Default*), occurs, the obligations of the Lender under such Senior Loan Agreement shall immediately terminate, and all amounts payable under such Senior Loan Agreement by the Borrower that would otherwise be due after the occurrence of such event shall become immediately due and payable, all without diligence, presentment, demand of payment, protest or notice of any kind, which are expressly waived by the Borrower.

11.4 Right of Set-Off

If any amount payable by the Borrower hereunder is not paid as and when due, the Borrower authorises the Lender to proceed, to the fullest extent permitted by applicable law, without prior notice, by right of set-off, banker's lien, counterclaim or otherwise, against any assets of the Borrower in any currency that may at any time be in the possession of the Lender, at any branch or office, to the full extent of all amounts payable to the Lender hereunder.

11.5 Rights Not Exclusive

The rights provided for in the Senior Loan Agreement are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

12. INDEMNITY

12.1 Indemnification

The Borrower undertakes to the Lender, that if the Lender or any of its Affiliates, each director, officer, employee or agent of the Lender and each person controlling the Lender within the meaning of the United States securities laws (each an "**indemnified party**") incurs any loss, liability, cost, claim, charge, expense (including without limitation taxes, legal fees, costs and expenses), demand or damage (a "**Loss**") as a result of or in connection with the Senior Loan, the Senior Loan Agreement (or enforcement thereof), and/or the issue, constitution, sale, listing and/or enforcement of the Notes and/or the Notes corresponding to such Senior Loan or Senior Loan Agreement being outstanding, the Borrower shall pay to the Lender on demand an amount equal to such Loss and all costs, charges and expenses which it or any indemnified party may pay or incur in connection with investigating, disputing or defending any such action or claim as such costs, charges and expenses are incurred unless such Loss was either caused by such indemnified party's negligence or wilful misconduct or arises out of a breach of the representations and warranties of the Lender contained herein or in the Dealer Agreement. The Lender shall not have any duty or obligation whether as fiduciary or trustee for any indemnified party or otherwise, to recover any such payment or to account to any other person for any amounts paid to it under this Clause.

12.2 Independent Obligation

Clause 12.1 (*Indemnification*) constitutes a separate and independent obligation of the Borrower from its other obligations under or in connection with each Senior Loan Agreement or any other obligations of the Borrower in connection with the issue of the Notes by the Lender and shall not affect, or be construed to affect, any other provision of any Senior Loan Agreement or any such other obligations.

12.3 Evidence of Loss

If requested by the Borrower, the Lender shall use its reasonable endeavours to provide the Borrower with a certificate of the Lender setting forth the amount of losses, expenses and liabilities described in Clause 12.1 (*Indemnification*) and specifying in full detail the basis therefore. Any such certificate shall, in the absence of manifest error, be conclusive evidence of the amount of such losses, expenses and liabilities.

12.4 **Currency Indemnity**

To the fullest extent permitted by law, the obligation of the Borrower under this Agreement and any Subscription Agreement in respect of any amount due in the currency (the "**first currency**") in which the same is payable shall, notwithstanding any payment in any other currency (the "**second currency**") (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in the first currency that the Relevant Dealer may, acting reasonably and in accordance with normal banking procedures, purchase with the sum paid in the second currency (after any premium and costs of exchange) on the Business Day immediately following the day on which the Relevant Dealer receives such payment. If the amount in the first currency that may be so purchased for any reason falls short of the amount originally due the Borrower hereby agrees to indemnify and hold harmless each Relevant Dealer against any deficiency in the first currency. Any obligation of the Borrower not discharged by payment in the first currency shall, to the fullest extent permitted by applicable law, be due as a separate and independent obligation and, until discharged as provided in this Agreement and any Subscription Agreement, shall continue in full force and effect.

13. **SURVIVAL**

The obligations of the Borrower pursuant to Clauses 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*), 6.3 (*Withholding on Notes*), 12 (*Indemnity*), 15.2 (*Stamp Duties*) and 26 (*Limited Recourse and Non-Petition*) shall survive the execution and delivery of each Senior Loan Agreement and the drawdown and repayment of the relevant Senior Loan, in each case by the Borrower.

14. **EXPENSES**

14.1 **Reimbursement of Front-end Expenses for the Extension of the Senior Loan by the Lender**

The Borrower shall reimburse the Lender in the Specified Currency for all reasonable costs and expenses incurred by the Lender in connection with the negotiation, preparation and execution of each Senior Loan Agreement and all related documents and other expenses connected with the extension of each Senior Loan, including, without limitation, the reasonable fees and expense of its counsel.

14.2 **Payment of Ongoing Expenses**

In addition, the Borrower hereby agrees to pay to or to the order of the Lender on demand in the Specified Currency all ongoing commissions, costs, fees and expenses and taxes (including, without limitation, enforcement costs), payable by the Lender under or in respect of the Lender Agreements and the letter entered into between the Borrower, the Lender, the Trustee and the Agents dated 14 May 2007 in respect of the Programme (the "**Fee Side Letter**"). The Borrower shall also pay the Lender for, or pay to the order of the Lender for, any indemnification or other payment obligations of the Lender under or in respect of the Agency Agreement, Trust Deed and/or the Fee Side Letter (other than the obligation of the Lender to make payments of principal, interest or additional amounts in respect of the corresponding Series of Notes). Payments to the Lender or to the order of the Lender referred to in this Clause 14.2 (*Payment of Ongoing Expenses*) shall be made by the Borrower at least one Business Day before the relevant payment is to be made or expense incurred.

15. **GENERAL**

15.1 **Evidence of Debt**

The entries made in the relevant Account shall, in the absence of manifest error, constitute prima facie evidence of the existence and amounts of the Borrower's obligations recorded therein.

15.2 **Stamp Duties**

14.2.1 The Borrower shall pay all stamp, registration and documentary Taxes or similar charges (if any) imposed on the Borrower by any person in the United Kingdom, the Russian Federation, Ireland or the United States of America which may be payable or determined to be payable in connection with the execution, delivery, performance, enforcement, or admissibility into evidence of any Senior Loan Agreement and shall indemnify the Lender against any and all costs and expenses which may be incurred or suffered by the Lender with respect to, or resulting from, delay or failure by the Borrower to pay such Taxes or similar charges.

15.2.2 The Borrower agrees that if the Lender incurs a liability to pay any stamp, registration and documentary Taxes or similar charges (if any) imposed by any person in the United Kingdom, the Russian Federation, Ireland or the United States of America which may be payable or determined to be payable in connection with the execution, delivery, performance, enforcement, or admissibility into evidence of any Senior Loan Agreement and any documents related thereto, the Borrower shall repay the Lender on demand an amount equal to such stamp or other documentary taxes or duties and shall indemnify the Lender against any and all costs and expenses which may be incurred or suffered by the Lender with respect to, or resulting from, delay or failure by the Borrower to procure the payment of such Taxes or similar charges.

15.3 **Waivers**

No failure to exercise and no delay in exercising, on the part of the Lender or the Borrower, any right, power to privilege under any Senior Loan Agreement, and no course of dealing between the Borrower and the Lender shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other right, power or privilege. The rights and remedies provided in each Senior Loan Agreement are cumulative and not exclusive of any rights, or remedies provided by applicable law.

15.4 **Prescription**

Subject to the Lender having received the principal amount thereof or interest thereon from the Borrower, the Lender shall forthwith repay to the Borrower the principal amount or the interest amount thereon, respectively, of any Series of Notes upon such Series of Notes becoming void pursuant to Condition 11 of such Notes.

16. **NOTICES**

All notices, requests, demands or other communications to or upon the respective parties to each Senior Loan Agreement shall be given or made in the English language by fax or otherwise in writing and shall be deemed to have been duly given or made at the time of delivery, if delivered by hand or courier or if sent by facsimile transmission or by airmail, to the party to which such notice, request, demand or other communication is required or permitted to be given or made under such Senior Loan Agreement addressed as follows:

16.1.1 if to the Borrower:

JSC URSA Bank
31/1 Serebrennikovskaya Street
630099 Novosibirsk
Russian Federation
Tel: +7 383 334 0066
Fax: +7 383 227 7599
Attention: Yana Konnova, Legal Department Head

16.1.2 if to the Lender:

Sibacademfinance plc
4th Floor, Hanover Building, Windmill Lane, Dublin 2
Ireland
Fax: +353 1 542 6999
Attention: The Directors-Sibacademfinance plc

16.1.3 if to the Trustee:

BNY Corporate Trustee Services Limited
One Canada Square
London E14 5AL
United Kingdom
Fax: +44 207 964 2536
Attention: Manager, Trustee Administration

or to such other address or fax number as any party may hereafter specify in writing to the other.

17. ASSIGNMENT

17.1 General

Each Senior Loan Agreement shall inure to the benefit of and be binding upon the parties, their respective successors and any permitted assignee or transferee of some or all of a party's rights or obligations under such Senior Loan Agreement. Any reference in a Senior Loan Agreement to any party shall be construed accordingly and, in particular, references to the exercise of rights and discretions by the Lender, following the enforcement of the security and/or assignment referred to in Clause 17.3 (*By the Lender*) below, shall be references to the exercise of such rights or discretions by the Trustee (as Trustee). Notwithstanding the foregoing, the Trustee shall not be entitled to participate in any determinations by the Lender, or any discussions between the Lender and the Borrower or any agreements of the Lender or the Borrower pursuant to Clauses 6.4 (*Reimbursement*) or 6.5 (*Notification*) or Clause 8 (*Change in Law or Increase in Cost*).

17.2 By the Borrower

The Borrower shall not to be entitled to assign or transfer all or any part of its rights or obligations hereunder to any other person.

17.3 By the Lender

Subject to Clause 23 of the Trust Deed, the Lender may not assign or transfer, in whole or in part, any of its rights and benefits or obligations under any Senior Loan Agreement (other than the Reserved Rights) except (i) the charge by way of first fixed charge granted by the Lender in favour of the Trustee (as Trustee) of certain of the Lender's rights and benefits under such Senior Loan Agreement and (ii) the absolute assignment by the Lender to the Trustee of certain rights, interests and benefits under such Senior Loan Agreement, in each case, pursuant to Clause 6.2 of the relevant Supplemental Trust Deed.

18. LAW AND JURISDICTION

18.1 Governing Law

Each Senior Loan Agreement and all matters arising from or connected with it are governed by, and shall be construed in accordance with, English law.

18.2 Arbitration

The parties hereby agrees that subject to Clause 18.5 (*English Courts*), any dispute (a "**Dispute**") arising out of or in connection with each Senior Loan Agreement including any question regarding the existence, validity or termination of each Senior Loan Agreement or the consequences of its nullity shall be referred to and finally resolved by arbitration under the Rules of the LCIA (formerly the London Court of International Arbitration) (the "**LCIA**") (the "**Rules**") which Rules are deemed to be incorporated by reference to this sub-Clause 18.2.

18.3 Procedure

The place of arbitration shall be London, England and the language of the arbitration shall be English. The number of arbitrators shall be three, each of whom shall have no interest in the proceedings relating to a Dispute ("**Proceedings**") or Disputes, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions. Each party shall nominate an arbitrator, who, in turn, shall nominate the Chairman of the Tribunal. If Proceedings or Disputes shall involve more than two parties, the parties thereto shall attempt to align themselves in two sides (i.e. claimant and respondent) each of which shall appoint an arbitrator as if there were only two sides to such Proceedings or Disputes. If such alignment and appointment shall not have occurred within twenty (20) calendar days after the initiating party serves the arbitration demand or if a Chairman has not been selected within thirty (30) calendar days of the selection of the second arbitrator, the Arbitration Court of the LCIA shall appoint the three arbitrators or the Chairman, as the case may be. The parties and the Arbitration Court may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. The arbitrators shall have no authority to award punitive or other punitive type damages and may not, in any event, make any ruling, finding or award that does not conform to the terms and conditions of this Agreement.

18.4 **Costs**

Costs of the arbitration (excluding each party's preparation, travel, attorneys' fees and similar costs) shall be borne in accordance with the decision of the arbitrators. The decision of the arbitrators shall be final, binding and enforceable upon the parties and judgment upon any award rendered by the arbitrators may be entered in any court having jurisdiction thereof. In the event that the failure of a party to comply with the decision of the arbitrators requires any other party to apply to any court for enforcement of such award, the non-complying party shall be liable to the other for all costs of such litigation, including reasonable attorneys' fees.

18.5 **English Courts**

The Borrower hereby agrees that, at the option of the Lender, any Proceedings or Disputes brought by any party against another party or arising out of or relating to any Senior Loan Agreement may be heard by a court of law. In this case, the courts of England shall have exclusive jurisdiction to settle any such Dispute.

18.6 **Appropriate Forum**

The parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes between them and, accordingly, that they will not argue to the contrary.

18.7 **Right of Lender to Take Proceedings Outside England**

Clause 18.2 (*Arbitration*) and Clause 18.5 (*English Courts*) are for the benefit of the Lender only. As a result nothing in Clause 18.2 (*Arbitration*) and Clause 18.5 (*English Courts*) prevents the Lender from taking Proceedings in any other courts with jurisdiction. To the extent allowed by law, the Lender may take concurrent Proceedings in any number of jurisdictions.

18.8 **Lender's Process Agent**

The Lender irrevocably appoints Law Debenture Corporate Services Limited of Fifth Floor, 100 Wood Street, London EC2V 7EX to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Lender). If such person is not or ceases to be effectively appointed to accept service of process on the Lender's behalf, the Lender shall, on the written demand of the Borrower, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Borrower shall be entitled to appoint such a person by written notice to the Lender, at the Borrower's cost. Nothing in this Clause shall affect the right of the Borrower to serve process in any other manner permitted by law.

18.9 **Borrower's Process Agent**

The Borrower irrevocably appoints its London Representative Office, URSA Bank, 60 Cannon Street, London EC4N 6NP to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Borrower). If such person is not or ceases to be effectively appointed to accept service of process on the Borrower's behalf, the Borrower shall, on the written demand of the Lender, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Lender shall be entitled to appoint such a person by written notice to the Borrower, at the Borrower's cost. Nothing in this Clause shall affect the right of the Lender to serve process in any other manner permitted by law.

20. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

A person who is not a party to a Senior Loan Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of such Senior Loan Agreement.

21. **COUNTERPARTS**

Each Senior Loan Agreement may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same agreement.

22. **LANGUAGE**

The language which governs the interpretation of each Senior Loan Agreement is the English language.

23. **AMENDMENTS**

Except as otherwise provided by its terms, each Senior Loan Agreement may not be varied except by an agreement in writing signed by the parties hereto.

24. **PARTIAL INVALIDITY**

The illegality, invalidity or unenforceability to any extent of any provision of each Senior Loan Agreement under the law of any jurisdiction shall affect its legality, validity or enforceability in such jurisdiction to such extent only and shall not affect its legality, validity or enforceability under the law of any other jurisdiction, nor the legality, validity or enforceability of any other provision.

25. **SEVERABILITY**

In case any provision in or obligation under any Senior Loan Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

26. **LIMITED RECOURSE AND NON PETITION**

Neither the Borrower nor any other person acting on its behalf shall be entitled at any time to institute against the Lender, or join in any institution against the Lender of, any bankruptcy, administration, moratorium, reorganisation, controlled management, arrangement, insolvency, examinership, winding-up or liquidation proceedings or similar insolvency proceedings under any applicable bankruptcy or similar law in connection with any obligation of the Lender under this Agreement, save for lodging a claim in the liquidation of the Lender which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Lender.

The Borrower hereby agrees that it shall have recourse in respect of any claim against the Lender only to sums in respect of principal, interest or other amounts (if any), as the case may be, received and retained by or for the account of the Lender pursuant to this Loan Agreement (the "**Lender Assets**"), subject always (1) to the Security Interests (as defined in the Trust Deed) and (2) to the fact that any claims of the Dealers (as defined in the Dealer Agreement) pursuant to the Dealer Agreement shall rank in priority to any claims of the Borrower hereunder, any such claim by any and all such Dealers or the Borrower shall be reduced pro rata so that the total of all such claims does not exceed the aggregate value of the Lender Assets after meeting claims secured on them. The Trustee having realised the same, neither the Borrower nor any person acting on its behalf shall be entitled to take any further steps against the Lender to recover any further sums and no debt shall be owed by the Lender to such person in respect of any such further sum. In particular, the Borrower shall not be entitled to institute, or join with any other person in bringing, instituting or joining, insolvency proceedings (whether court based or otherwise) in relation to the Lender.

The Borrower shall have no recourse against any director, shareholder, or officer of the Lender in respect of any obligations, covenants or agreement entered into or made by the Lender in respect of this Agreement, except to the extent that any such person acts in bad faith or is negligent in the context of its obligations.

IN WITNESS WHEREOF, the parties hereto have caused this Senior Facility Agreement to be executed on the date first written above.

For and on behalf of

JSC URSA BANK:

By: ____

Title: ____

By: ____

Title: ____

Signed by a duly authorised attorney of

SIBACADEMFINANCE PLC

By: ____

SCHEDULE 1
FORM OF SENIOR LOAN SUPPLEMENT

[DATE]

JSC URSA BANK
and
SIBACADEMFINANCE PLC
SENIOR LOAN SUPPLEMENT
to be read in conjunction with a Senior Facility Agreement dated 14 May 2007

in respect of
a Senior Loan of [●]
Series [●]

THIS SENIOR LOAN SUPPLEMENT is made on [SIGNING DATE],

BETWEEN:

(1) **SIBACADEMFINANCE PLC** a public company with limited liability incorporated in Ireland whose registered office is at 4th Floor, Hanover Building, Windmill Lane, Dublin 2, Ireland (the "**Lender**"); and

(2) **JSC URSA BANK**, a company established under the laws of the Russian Federation whose registered office is at 18 Lenina Street, Novosibirsk 630004, Russian Federation ("**the Borrower**").

WHEREAS:

(A) The Borrower has entered into a senior facility agreement dated 14 May 2007 (the "**Senior Facility Agreement**") with the Lender in respect of the Borrower's US$4,000,000,000 Programme for the Issuance of Loan Participation Notes (the "**Programme**").

(B) the Borrower proposes to borrow [●] (the "**Senior Loan**") and the Lender wishes to make such Senior Loan on the terms set out in the Senior Facility Agreement and this Senior Loan Supplement.

IT IS AGREED as follows:

1. **Definitions**

   Capitalised terms used but not defined in this Senior Loan Supplement shall have the meaning given to them in the Senior Facility Agreement save to the extent supplemented or modified herein.

2. **Additional Definitions**

   For the purpose of this Senior Loan Supplement, the following expressions used in the Senior Facility Agreement shall have the following meanings:

   "**Account**" means the account in the name of the Lender with the Principal Paying Agent (account number [●], [●]) or such other account as may from time to time be agreed between the Lender and the Trustee pursuant to the Trust Deed and notified to the Borrower in writing at least 5 Business Days in advance of such change;

   "**Borrower Account**" means the account in the name of the Borrower (account number [●][*insert further details*]);

   "**Calculation Agent**" means JPMorgan Chase Bank, N.A. (to become The Bank of New York as of 21 May 2007);

   "**Closing Date**" means [●];

   "**Notes**" means [●] [[●] per cent.][Floating Rate] Loan Participation Notes due [●] issued by the Lender as Series [●] under the Programme;

   "**Repayment Date**" means [●] [*amend as required for Floating Rate Notes*];

   "**Senior Loan Agreement**" means the Senior Facility Agreement as amended and supplemented by this Senior Loan Supplement;

   "**Specified Currency**" means [●];

   "**Subscription Agreement**" means an agreement between the Lender, the Borrower and [*insert names of managers*] dated [●] relating to the Notes; and

   "**Trust Deed**" means the Principal Trust Deed between the Lender and the Trustee dated 14 May 2007 as amended and supplemented by a Supplemental Trust Deed dated constituting and securing the Notes.

3. **Incorporation by Reference**

   Except as otherwise provided, the terms of the Senior Facility Agreement shall apply to this Senior Loan Supplement as if they were set out herein and the Senior Facility Agreement shall be read and construed, only in relation to the Senior Loan constituted hereby, as one document with this Senior Loan Supplement.

4. **The Senior Loan**

4.1 **Drawdown**

Subject to the terms and conditions of the Senior Loan Agreement, the Lender agrees to make the Senior Loan on the Closing Date to the Borrower and the Borrower shall make a single drawing in the full amount of the Senior Loan.

4.2 **Interest**

The Senior Loan is a [Fixed Rate][Floating Rate] Senior Loan. Interest shall be calculated, and the following terms used in the Senior Facility Agreement shall have the meanings, as set out below:

4.2.1	**Fixed Rate Senior Loan Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
(i)	Interest Commencement Date	[●]
(ii)	Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually] in arrear]
(iii)	Interest Payment Date(s):	[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "**Business Day**"*]/not adjusted]
(iv)	Fixed [●] per Amount[(s)]:	[●] per [●] in principal amount
(v)	Broken Amount:	[*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Amount [(s)] and the Interest Payment Date(s) to which they relate*]
(vi)	Day Count Fraction (Clause 4.9 (*Definitions*)):	[●] (*Day count fraction should be Actual/Actual—ICMA for all fixed rate senior loans other than those denominated in US dollars, unless specified*)
(vii)	Determination Date(s) (Clause 4.9 (*Definitions*)):	[●] in each year. [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last interest period*][1]
(viii)	Other terms relating to the method of calculating interest for Fixed Rate Senior Loans:	[Not Applicable/*give details*]
4.2.2	**Floating Rate Senior Loan Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
(i)	Interest Commencement Date	[●]
(ii)	Interest Period(s):	[●]
(iii)	Specified Interest Payment Dates:	[●]
(iv)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]

[1] Only to be completed for a Senior Loan where Day Count Fraction is Actual/Actual—ICMA.

(v)	Business Centre(s) (Clause 4.9 (*Definitions*)):	[●]
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
(vii)	Interest Period Date(s):	[Not Applicable/*specify dates*]
(viii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	
(ix)	Screen Rate Determination (sub-clause 4.3.3 of Clause 4.3 (*Interest for Floating Rate Senior Notes*)):	
	—Relevant Time:	[●]
	—Interest Determination Date:	[*[●] [TARGET] Business Days in [specify city] for [specify currency] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]*]
	—Primary Source for Floating Rate:	[*Specify relevant screen page and rate or* "Reference Banks"]
	—Reference Banks (if Primary Source is "Reference Banks"):	[*Specify four*]
	—Relevant Financial Centre:	[*The financial centre most closely connected to the Benchmark—specify if not London*]
	—Benchmark:	[*LIBOR, LIBID, LIMEAN, EURIBOR or other benchmark*]
	—Representative Amount:	[*Specify if screen or Reference Bank quotations are to be given in respect of a transaction of a specified notional amount*]
	—Effective Date:	[*Specify if quotations are not to be obtained with effect from commencement of Interest Accrual Period*]
	—Specified Duration:	[*Specify period for quotation if not duration of Interest Accrual Period*]
(x)	ISDA Determination (Clause 4.3 (*Interest for Floating Rate Senior Loans*):	
	—Floating Rate Option:	[●]
	—Designated Maturity:	[●]
	—Reset Date:	[●]
	—ISDA Definitions: (if different from those set out in the Conditions)	[●]
(xi)	Margin(s):	[+/][●] per cent. per annum
(xii)	Minimum Rate of Interest:	[●] per cent. per annum
(xiii)	Maximum Rate of Interest:	[●] per cent. per annum
(xiv)	Day Count Fraction (Clause 4.9 (*Definitions*)):	[●]
(xv)	Rate Multiplier:	[●]

(xvi)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Senior Loans, if different from those set out in the Senior Facility Agreement:	[●]]

4.2.3 **Dual Currency Provisions** [Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)

(i)	Rate of Exchange/method of calculating Rate of Exchange:	[Give details]
(ii)	Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[ ]
(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[ ]
(iv)	Person at whose option Specified Currency(ies) is/are payable:	[ ]

5. **Fees and Expenses**

Pursuant to Clause 3.2 (*Senior Loan Arrangement Fee*) of the Senior Facility Agreement and in consideration of the Lender making the Senior Loan to the Borrower, the Borrower hereby agrees that it shall, one Business Day before the Closing Date, pay to or to the order of the Lender, in Same-Day Funds, the total amount of [●], being the "**Arrangement Fee**" in respect of the Senior Loan, as set forth in Clause [●] of the Subscription Agreement, pursuant to an invoice submitted by, or at the request of, the Lender to the Borrower in the total amount.

5. **Governing Law**

This Senior Loan Supplement and all matters arising from or connected with it are governed by, and shall be construed in accordance with, English law.

This Senior Loan Supplement has been entered into on the date stated at the beginning.

JSC URSA BANK

By: By:

Signed by a duly authorised attorney of

SIBACADEMFINANCE PLC

By:

SCHEDULE 2
FORM OF OFFICERS' CERTIFICATE

To: BNY Trustee Services Limited
One Canada Square
London E14 5AL

From: JSC URSA Bank

Dated:

Dear Sirs

JSC URSA Bank—Senior Facility Agreement dated 14 May 2007 **(the "Senior Facility Agreement")**

We refer to the Senior Facility Agreement. Terms defined therein shall mean the same herein. This is an Officers' Certificate for the purposes thereof:

For and on behalf of JSC URSA Bank

Signed:	______________________________	______________________________
	principal executive officer/principal accounting officer/principal financial officer of JSC URSA Bank	[officer] of JSC URSA Bank

[**encl:**] [*Auditors' report as to extraction*]

THE AMENDED AND RESTATED SUBORDINATED FACILITY AGREEMENT

THE SUBORDINATED FACILITY AGREEMENT SET OUT BELOW HAS NOT BEEN REVIEWED BY THE CBR

The following is the text of the Amended and Restated Subordinated Facility Agreement:

THIS SUBORDINATED FACILITY AGREEMENT is made on 14 May 2007 between:

(1) **JSC URSA BANK**, a company established under the laws of the Russian Federation whose registered office is at 18 Lenina Street, Novosibirsk 630004 Russian Federation (the "**Borrower**"); and

(2) **SIBACADEMFINANCE PLC**, a public company with limited liability incorporated in Ireland whose registered office is at 4th Floor, Hanover Building, Windmill Lane, Dublin 2, Ireland (the "**Lender**").

WHEREAS:

(A) The Lender has at the request of the Borrower, agreed to make available to the Borrower senior and subordinated loan facilities in the maximum amount of the Programme Limit (as defined below). The subordinated loan facility is to be made available on the terms and subject to the conditions of this Agreement, as amended and supplemented in relation to each Subordinated Loan (as defined below) by a subordinated loan supplement dated the relevant Closing Date substantially in the form set out in Schedule 1 hereto (each, a "**Subordinated Loan Supplement**");

(B) On 10 May 2006 Sibacademfinance plc entered into a subordinated facility agreement (the "**Original Subordinated Facility Agreement**") relating to the US$1,000,000,000 Loan Participation Note Programme;

(C) The parties hereto wish to amend and restate the Original Subordinated Facility Agreement in order to effect certain technical changes, including the increase in the Programme Limit; and

(D) It is intended that, concurrently with the extension of any Subordinated Loan under this subordinated loan facility, the Lender will issue certain loan participation notes in the same nominal amount and bearing the same rate of interest as such Subordinated Loan.

Now it is hereby agreed as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

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

"**Account**" means an account in the name of the Lender with the Principal Paying Agent as specified in the relevant Subordinated Loan Supplement;

"**Additional Capital**" means additional capital as determined under the Additional Capital Regulation;

"**Additional Capital Regulation**" means Regulation No. 215-P "On the Methodology of Calculation of Net Worth (Capital) of Credit Organisations" dated 10 February 2003 issued by the Central Bank, as the same may be amended or replaced from time to time;

"**Affiliate**" of any specified person means (i) any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person, (ii) any other person who is a director or officer (A) of such specified person, (B) of any Subsidiary of such specified person or (C) of any person described in Clause (i) or (ii) above. For the purpose of this definition, "**control**" when used with respect to any person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing;

"**Agency**" means any agency, authority, central bank, department, government, legislature, minister, official or public statutory person (whether autonomous or not) of, or of the government of, any state or supra-national body;

"**Agency Agreement**" means the paying agency agreement relating to the Programme dated 14 May 2007 between the Lender, the Borrower, the Trustee and the agents named therein, as may be amended or supplemented from time to time;

"**Agreement**" means this Amended and Restated Subordinated Facility Agreement as originally executed or as it may be amended from time to time;

"**Approval Date**" means the date following 60 days after the date of the relevant Subordinated Loan Supplement;

"**Arranger**" means ABN AMRO Bank N.V.;

"**Auditors**" means the auditors of the Borrower's IFRS financial statements (consolidated if the same are then prepared) or, if they are unable or unwilling to carry out any action requested of them under this Agreement, such other internationally recognised firm of accountants as may be nominated by the Borrower and approved in writing by the Lender for this purpose;

"**Bankruptcy Event**" means an entry into force of a final decision of a competent Russian court finding the Borrower a bankrupt;

"**Bankruptcy Proceedings**" means any proceeding in a competent Russian court relating to bankruptcy or any other proceedings including, but not limited to, the revocation of a banking license or appointment of temporary administration, which could reasonably lead to an occurrence of a Bankruptcy Event;

"**Base Prospectus**" has the meaning ascribed to it in the Trust Deed;

"**Borrower Account**" means an account in the name of the Borrower as specified in the relevant Subordinated Loan Supplement for receipt of Subordinated Loan funds;

"**Borrower Agreements**" means this Agreement, the Senior Facility Agreement, the Agency Agreement and the Dealer Agreement and, in relation to each Subordinated Loan, the foregoing agreements together with the relevant Subscription Agreement and Subordinated Loan Supplement;

"**Business Day**" means (save in relation to Clause 4 (*Interest*) a day (other than a Saturday or Sunday) on which (a) banks and foreign exchange markets are open for business generally in the relevant place of payment, and (b) if on that day a payment is to be made in a Specified Currency other than Euro hereunder, where payment is to be made by transfer to an account maintained with a bank in the Specified Currency, foreign exchange transactions may be carried on in the Specified Currency in the principal financial centre of the country of such Specified Currency and (c) if on that day a payment is to be made in Euro hereunder, a day on which the TARGET System is operating and (d) in relation to a Subordinated Loan corresponding to a Series of Notes to be sold pursuant to Rule 144A under the Securities Act, banks and foreign exchange markets are open for business generally in New York City;

"**Calculation Agent**" means, in relation to a Subordinated Loan, JPMorgan Chase Bank, N.A. (to become The Bank of New York as of 21 May 2007), or any person named as such in the relevant Subordinated Loan Supplement or any successor thereto;

"**Capital Stock**" means, with respect to any person, any and all shares, interests, participations, rights to purchase, warrants, options, or other equivalents (however designated) of capital stock of a corporation and any and all equivalent ownership interests in a person other than a corporation; in each case whether now outstanding or hereafter used;

"**Central Bank**" means the Central Bank of the Russian Federation;

"**Closing Date**" means the date specified as such in the relevant Subordinated Loan Supplement;

"**Conditions**" has the meaning ascribed to it in the Trust Deed;

"**Day Count Fraction**" has the meaning specified as such in the relevant Subordinated Loan Supplement;

"**Dealer Agreement**" means the dealer agreement relating to the Programme dated 9 May 2007 between the Lender, the Borrower, the Arranger and the other dealers appointed pursuant to it, as may be amended or supplemented from time to time;

"**Definitive Notes**" means the definitive notes in fully registered form representing the Notes to be issued in limited circumstances pursuant to the Trust Deed;

"**Dollars**", "**$**", "**US dollars**" and "**US$**" means the lawful currency of the United States of America;

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

“**Fee Side Letter**” means the letter specified as such in the relevant Subordinated Loan Supplement;

“**Fiscal Period**” means any fiscal period for which the Borrower or the Group (if consolidated accounts are then prepared) has produced financial statements in accordance with IFRS which have either been audited or reviewed by the Auditors;

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

“**Floating Rate Subordinated Loan**” means a Subordinated Loan specified as such in the relevant Subordinated Loan Supplement;

“**Global Notes**” has the meaning assigned to it in the Trust Deed;

“**Group**” means the Borrower and its Subsidiaries taken as a whole at any given time;

“**Guarantee**” means any financial obligation, contingent or otherwise, of any person directly or indirectly guaranteeing any Indebtedness or other obligation of any other person and any obligation, direct or indirect, contingent or otherwise, of such person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise) or (b) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however, that* the term “**Guarantee**” will not include endorsements for collection or deposit in the ordinary course of business. The term “**Guarantee**” used as a verb has a corresponding meaning;

“**IFRS**” means the International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board (“**IASB**”) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time);

“**incur**” means issue, assume, guarantee, incur or otherwise become liable for; *provided, however, that* any Indebtedness or Capital Stock of a person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) or is merged into a Subsidiary will be deemed to be incurred or issued by such Subsidiary at the time it becomes or is so merged into a Subsidiary;

“**Indebtedness**” means any indebtedness, in respect of any person for, or in respect of, moneys borrowed or raised including, without limitation, any amount raised by acceptance under any acceptance credit facility; any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument; any amount raised pursuant to any issue of shares which are expressed to be redeemable either on a compulsory basis or at the option of the shareholder; any amount raised under any other transaction (including, but without limitation to, any forward sale or purchase agreement) having the economic or commercial effect of a borrowing; and the amount of any liability in respect of any Guarantee or indemnity for any of the items referred to above;

“**Initial Interest Term**” has the meaning assigned to such term in the relevant Subordinated Loan Supplement;

“**Interest Payment Date**” means the date(s) specified as such in the relevant Subordinated Loan Supplement, or, in the event of a prepayment in whole (but not in part) in accordance with Clause 5.3 (*Prepayment in the event of Illegality*) or Clause 5.4 (*Prepayment in the event of Taxes or Increased Costs*) the date set for such redemption in respect of the Subordinated Loan;

“**Interest Period**” means each period beginning on (and including) an Interest Payment Date or, in the case of the first Interest Period, the Interest Commencement Date, and ending on (but excluding) the next Interest Payment Date;

“**Initial Rate of Interest**” has the meaning assigned to such term in the relevant Subordinated Loan Supplement;

"**Lead Manager(s)**" means the Relevant Dealer(s) specified as such in the relevant Subscription Agreement;

"**Lender Agreements**" means the Dealer Agreement, this Agreement, the Senior Facility Agreement, the Agency Agreement, the Principal Trust Deed and together with, in relation to each Subordinated Loan, the relevant Subscription Agreement, Subordinated Loan Supplement and Supplemental Trust Deed;

"**Lien**" means any mortgage, pledge, encumbrance, easement, restriction, covenant, right-of-way, servitude, lien, charge or other security interest or adverse claim of any kind (including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction and any conditional sale or other title retention agreement or lease in the nature thereof);

"**Material Adverse Effect**" means a material adverse effect on (a) the business, condition (financial or otherwise) or results of operations of the Borrower or the Group or; (b) the Borrower's ability to perform or comply with its obligations under the Borrower Agreements or (c) the validity or enforceability of the Borrower Agreements or the rights or remedies of the Lender thereunder;

"**Material Subsidiary**" means (i) any Affiliate of the Borrower which, would be included in the Borrower's consolidated financial statements under IFRS; or (ii) at any given time, a Subsidiary of the Borrower which in either case:

(a) has gross income representing 10 per cent. or more of the consolidated gross income of the Group for the most recent Fiscal Period; or

(b) has total assets representing 10 per cent. or more of the consolidated total assets of the Group,

in each case calculated on a consolidated basis in accordance with IFRS, as consistently applied;

Compliance with the conditions set out in paragraphs (a) and (b) above shall be determined by reference to the latest audited or unaudited consolidated annual or, as the case may be, audited or unaudited consolidated interim financial statements of that Subsidiary and the latest audited consolidated annual or, as the case may be, audited or unaudited consolidated interim financial statements of the Group, *provided however, that* an Officers' Certificate that a Subsidiary of the Borrower is or is not a Material Subsidiary, accompanied by a report by the Auditors addressed to the directors of the Borrower as to proper extraction of the figures used in the Officers' Certificate in determining the Material Subsidiaries of the Borrower and mathematical accuracy of the calculations shall, in the absence of manifest error, be conclusive and binding on all parties;

"**Noteholder**" means, in relation to a Note, the person in whose name such Note is registered from time to time in the register of the noteholders (or in the case of joint holders, the first named holder thereof);

"**Notes**" means the loan participation notes that may be issued from time to time by the Lender under the Programme in Series, each Series corresponding to a Senior Loan or a Subordinated Loan and, in relation to a Subordinated Loan, as defined in the relevant Subordinated Loan Supplement and in relation to a Senior Loan, as defined in the relevant Senior Loan Supplement (as defined in the Senior Facility Agreement);

"**Officers' Certificate**" means a certificate signed on behalf of the Borrower by two officers of the Borrower at least one of whom shall be the principal executive officer, principal accounting officer or principal financial officer of the Borrower substantially, in the form set out in Schedule 2 hereto;

"**Opinion of Counsel**" means a written opinion from international legal counsel who is reasonably acceptable to the Lender;

"**Permitted Liens**" means:

(a) any Lien over or affecting any asset acquired by a member of the Group after the date hereof and subject to which such asset is acquired, if:

    (i) such Lien was not created in contemplation of the acquisition of such asset by a member of the Group; and

    (ii) the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition of such asset by a member of the Group.

(b) any Lien over or affecting any asset of any company which becomes a member of the Group after the date hereof, where such Lien is created prior to the date on which such company becomes a member of the Group, if:

  (i) such Lien was not created in contemplation of the acquisition of such company; and

  (ii) the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition of such company.

(c) any Lien upon, or with respect to, any securitisation of such property or assets or similar financing structure in relation to such property or assets where the primary source of payment of any obligations secured by such property or assets is linked to the proceeds of such property or assets (or where payment of such obligations is otherwise supported by such property or assets), but may make provision for rights of recourse on an unsecured basis (apart from the property or assets subject to the securitisation or financing structure) which may arise upon any failure to perform or default by the obligors in relation to such property or assets; and provided that the aggregate outstanding amount of such obligations secured, does not, at any such time, exceed 15 per cent. of the total consolidated assets of the Group, as determined at any time by reference to the most recent consolidated balance sheet of the Group prepared in accordance with IFRS;

(d) any netting or set-off arrangement entered into by any member of the Group in the normal course of its banking arrangements for the purpose of netting debit and credit balances;

(e) any Lien arising by operation of law and in the normal course of business;

(f) any Lien in existence on the date of this Agreement;

(g) any Lien granted by a Subsidiary of the Borrower in favour of the Borrower;

(h) Liens incurred, or pledges and deposits in connection with workers' compensation, unemployment insurance and other social security benefits, and leases, appeal bonds and other obligations of like nature in the ordinary course of business;

(i) Liens for ad valorem, income or property Taxes or assessments and similar charges which either are not delinquent or are being contested in good faith by appropriate proceedings for which the Borrower has set aside in its books of account reserves to the extent required by IFRS, as consistently applied;

(j) easements, rights of way, restrictions (including zoning restrictions), reservations, permits, servitudes, minor defects or irregularities in title and other similar charges or encumbrances in each case not interfering in any material respect with the business of the Borrower and its Subsidiaries taken as a whole;

(k) (i) bankers' Liens in respect of deposit accounts, (ii) statutory landlords' Liens, (iii) deposits to secure the performance of bids, trade contracts, government contracts, leases, statutory obligations, surety and appeal bonds, performance and return-of-money bonds or liabilities to insurance carriers under insurance or self-insurance arrangements and other obligations of like nature (so long as, in each case with respect to items described in (i), (ii) and (iii) above of this paragraph (l), such Liens (X) do not secure obligations constituting Indebtedness for borrowed money and (Y) are incurred in the ordinary course of business), and (iv) Liens arising from any judgment, decree or other order which does not constitute an Event of Default;

(l) Liens arising pursuant to any agreement (or other applicable terms and conditions) which is standard or customary in the relevant market in connection with:

  (i) the Borrower's foreign exchange dealings or other proprietary trading activities, including, without limitation, "Lombard" credits extended by the Central Bank and Repo transactions;

  (ii) insurance deposits placed by the Borrower securing the guarantees issued in respect of the export-import operations of the Borrower's clients;

  (iii) the establishment of margin deposits and similar arrangements in connection with interest rate and foreign currency hedging operations and trading in government securities; and

  (iv) any other derivative transaction entered into by the Borrower in connection with protection against or benefit from fluctuation in any rate or price;

(m) Liens arising pursuant to any title transfer or retention of title arrangement entered into by a member of the Group in the normal course of its business activities on the counterparty's standard or usual terms; and

(n) any other Lien where the aggregate value of the assets or revenues subject to such Lien does not exceed US$25,000,000;

"**person**" means any individual, corporation, partnership, limited liability company, joinint 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;

"**Principal Trust Deed**" means the principal trust deed dated 9 May 2007 between the Lender and the Trustee, as it may be amended or supplemented from time to time;

"**Programme**" means the programme for the issuance of loan participation notes of the Lender;

"**Programme Limit**" means US$4,000,000,000 or its equivalent in other currencies, being the maximum aggregate principal amount of Notes that may be issued and outstanding at any time under the Programme as may be increased in accordance with the Dealer Agreement;

"**Rate of Interest**" has the meaning assigned to such term in the relevant Subordinated Loan Supplement and shall include, where the context so requires, the relevant Initial Rate of Interest and the relevant Step-Up Rate of Interest;

"**Registrar**" has the meaning assigned to it in the Trust Deed;

"**Related Party**" means with respect to any person, (a) an Affiliate of such person or (b) any of its Affiliates or (c) a group of its Affiliates;

"**Relevant Event**" has the meaning assigned to it in the Trust Deed;

"**Relevant Time**" means, in relation to a payment in a Specified Currency, the time in the principal financial centre of such Specified Currency and, in relation to a payment in Euro, Brussels time;

"**Repayment Date**" has the meaning assigned to such term in the relevant Subordinated Loan Supplement;

"**Repo**" means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities lending or rental agreement or any agreement relating to securities which is similar in effect to any of the foregoing and for the purposes of this definition, the term "securities" means any capital stock, share, debenture or other debt or equity instrument, or derivative thereof, whether issued by any public or private company, any government or Agency or instrumentality thereof or any supranational, international or multinational organisation;

"**Reserved Rights**" has the meaning assigned to such term in the Trust Deed;

"**Roubles**" means the lawful currency of the Russian Federation;

"**Same-Day Funds**" means funds for payment, in the Specified Currency as the Lender may at any time determine to be customary for the settlement of international transactions in the principal financial centre of the country of the Specified Currency or, as the case may be, euro funds settled through the TARGET System or such other funds for payment in euro as the Lender may at any time reasonably determine to be customary for the settlement of international transactions in Brussels of the type contemplated hereby;

"**Securities Act**" means the US Securities Act of 1933;

"**Senior Facility Agreement**" means the amended and restated senior facility agreement relating to the Programme dated 14 May 2007 between the Lender and the Borrower, as may be amended or supplemented from time to time;

"**Senior Loan**" means each senior loan to be made pursuant to, and on the terms specified in the Senior Facility Agreement and the relevant loan supplement;

"**Series**" means a series of Notes that (except in respect of the first payment of interest and their issue price) have identical terms on issue and are expressed to have the same series number;

"**Specified Currency**" means the currency specified as such in the relevant Subordinated Loan Supplement;

"**Step-Up Date**" has the meaning assigned to such term in the relevant Subordinated Loan Supplement;

"**Step-Up Interest Term**" has the meaning assigned to such term in the relevant Subordinated Loan Supplement;

"**Step-Up Rate of Interest**" means, unless otherwise specified in the relevant Subordinated Loan Supplement, the rate which is a rate per annum (as reported in writing to the Lender and the Borrower by the Calculation Agent (and rounded, if necessary, to the third decimal place (0.0005 being rounded upwards)) which is the aggregate of (a) the number of basis points above the Treasury Rate, as specified in the relevant Subordinated Loan Supplement, and (b) the Step-Up Related Margin;

"**Step-Up Related Margin**" has the meaning assigned to such term in the relevant Subordinated Loan Supplement;

"**Subordinated Loan**" means each Subordinated Loan to be made pursuant to, and on the terms specified in this Agreement and the relevant Subordinated Loan Supplement, and includes each Fixed Rate Subordinated Loan and Floating Rate Subordinated Loan;

"**Subordinated Loan Agreement**" means this Agreement and (unless the context requires otherwise), in relation to a Subordinated Loan, means this Agreement as amended and supplemented by the relevant Subordinated Loan Supplement;

"**Subscription Agreement**" means the agreement specified as such in the relevant Subordinated Loan Supplement;

"**Subsidiary**" of any specified person means any corporation, partnership, joint venture, association or other business or entity, whether now existing or hereafter organised or acquired, (a) in the case of a corporation, of which more than 50 per cent. of the total voting power of the Voting Stock is held by such first-named person and/or any of its Subsidiaries and such first-named person or any of its Subsidiaries has the power to direct the management, policies and affairs thereof; or (b) in the case of a partnership, joint venture, association, or other business or entity, with respect to which such first-named person or any of its Subsidiaries has the power to direct or cause the direction of the management and policies of such entity by contract or otherwise if (in each case) in accordance with IFRS, as consistently applied, such entity would be consolidated with the first-named person for financial statement purposes;

"**Supplemental Trust Deed**" means a supplemental trust deed in respect of a Series of Notes which constitutes and secures, *inter alia*, such Series dated the relevant Closing Date and made between the Lender and the Trustee (substantially in the form set out in Schedule 10 of the Principal Trust Deed);

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereof;

"**Taxes**" means any present or future taxes, levies, duties, assessments or other governmental charges of whatever nature (including interest and penalties or addition thereon), no matter how they are levied or determined, and the terms "**Tax**" and "**taxation**" shall be construed accordingly;

"**Taxing Authority**" means any body having authority to levy Taxes;

"**Treasury Rate**" means, unless otherwise specified in the relevant Subordinated Loan Supplement, a rate equal to the yield, as published by the Board Of Governors Of The Federal Reserve System, on the Benchmark Treasury. If there is no such publication of this yield during the week preceding the relevant calculation date, the Treasury Rate will be calculated by reference to quotations from selected primary US Treasury securities dealers in New York City selected by the Calculation Agent. The Treasury Rate will be calculated on the third business day in New York (being a day, other than a Saturday or Sunday, on which banks and foreign exchange markets are open for business generally in New York) preceding the Step-Up Date;

"**Trust Deed**" means the Principal Trust Deed as supplemented by the relevant Supplemental Trust Deed and specified as such in the relevant Subordinated Loan Supplement;

"**Trustee**" means BNY Corporate Trustee Services Limited, as trustee under the Trust Deed and any other trustee or trustees thereunder;

"**Voting Stock**" means, in relation to any person, Capital Stock entitled (without the need for the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof; and

"**Warranty Date**" means the date hereof, the date of each Subordinated Loan Supplement, each Closing Date, each date on which the Base Prospectus is amended, supplemented or replaced and each date on which the Programme Limit is increased.

1.2 **Other Definitions**

Unless the context otherwise requires, terms used in this Agreement which are not defined in this Agreement but which are defined in the Principal Trust Deed, the relevant Notes, the Agency Agreement, the Dealer Agreement or the relevant Subordinated Loan Supplement shall have the meanings assigned to such terms therein.

1.3 **Interpretation**

Unless the context or the express provisions of this Agreement otherwise require, the following shall govern the interpretation of this Agreement:

1.3.1 all references to "**Clause**" or "**sub-Clause**" are references to a Clause or sub-clause of this Agreement;

1.3.2 the terms "hereof", "herein" and "hereunder" and other words of similar import shall mean the relevant Subordinated Loan Agreement as a whole and not any particular part hereof;

1.3.3 words importing the singular number include the plural and vice versa; and

1.3.4 the table of contents and the headings are for convenience only and shall not affect the construction hereof.

2. **SUBORDINATED LOANS**

2.1 **Subordinated Loans**

On the terms and subject to the conditions set forth herein and, as the case may be, in each Subordinated Loan Supplement, the Lender hereby agrees to make available to the Borrower Subordinated Loans up to, together with any Senior Loans the Lender agrees to make available to the Borrower under the Senior Facility Agreement, the total aggregate amount equal to the Programme Limit.

2.2 **Purpose**

The proceeds of each Subordinated Loan will be used to fund the Borrower's lending activities and for general banking purposes (unless otherwise specified in the relevant Subordinated Loan Supplement) and, accordingly, the Borrower shall apply all amounts raised by it hereunder to fund such activities and purposes, but the Lender shall not be concerned with the application thereof.

2.3 **Subordination**

2.3.1 *Subordination*: The claims of the Lender under this Agreement, excluding the Reserved Rights, constitute the direct, unconditional and unsecured subordinated obligations of the Borrower and will rank at least equally with all other unsecured and subordinated obligations of the Borrower (whether actual or contingent) having a fixed maturity from time to time outstanding save only for such obligations as may be preferred by mandatory provisions of applicable law and will be senior to the claims of holders of (a) the Borrower's share capital (including preference shares) and (b) all other obligations ranking junior to the claims of the Lender pursuant to applicable law or otherwise (excluding the Reserved Rights). The Reserved Rights constitute the direct, unconditional, unsecured and unsubordinated obligations of the Borrower and will rank at least equally with other unsecured and unsubordinated obligations of the Borrower save only for such obligations as may be preferred by mandatory provisions of applicable law.

2.3.2 *Bankruptcy Event*: Upon the occurrence of a Bankruptcy Event and so long as such Bankruptcy Event is continuing, the claims of the Lender under this Agreement, excluding the Reserved Rights, shall be subordinated in right of payment to the claims of all Senior Creditors (as defined below).

As used in this Agreement, "**Senior Creditors**" means all creditors of the Borrower other than creditors whose claims are in respect of (i) the share capital of the Borrower (including preference shares) or (ii) other obligations ranking junior to the claims of the Lender pursuant to applicable law or otherwise (excluding the Reserved Rights).

The Lender agrees that so long as any Bankruptcy Event has occurred and is continuing, any amounts that would otherwise be due to the Lender under this Agreement, other than amounts in respect of the Reserved Rights, will only be paid after the payment in full of all claims of the Senior Creditors (including interest and other amounts in respect of such claims accruing after the date of commencement of such Bankruptcy Event). Thereafter, such amounts that would otherwise be paid to the Lender under this Agreement will be paid equally and rateably, together with all obligations of the Borrower ranking equally in right of payment with the liabilities of the Borrower under this Agreement.

2.3.3 *No Set-Off*: The Lender shall not be entitled to offset any liabilities of the Borrower under this Agreement, excluding the Reserved Rights, against any liabilities owing by the Lender to the Borrower.

2.3.4 *Reclassification*: If, by the Approval Date, the Central Bank has not finally and unconditionally approved this Agreement and the Loan as a subordinated loan eligible for inclusion the Additional Capital of the Borrower, the Subordinated Loan shall be treated as senior in priority to any subordinated debt or class of equity of the Borrower and Clause 2.3 shall be disregarded.

2.4 **Separate Subordinated Loans**

It is agreed that with respect to each Subordinated Loan, all the provisions of this Agreement and the Subordinated Loan Supplement shall apply mutatis mutandis separately and independently to each such Subordinated Loan and the expressions "**Account**", "**Arrangement Fee**", "**Closing Date**", "**Day Count Fraction**", "**Interest Payment Date**", "**Subordinated Loan Agreement**", "**Notes**", "**Rate of Interest**", "**Repayment Date**", "**Specified Currency**", "**Subscription Agreement**" and "**Trust Deed**", together with all other terms that relate to such a Subordinated Loan shall be construed as referring to those of the particular Subordinated Loan in question and not of all Subordinated Loans unless expressly so provided, so that each such Subordinated Loan shall be made pursuant to this Agreement and the relevant Subordinated Loan Supplement, together comprising the Subordinated Loan Agreement in respect of such Subordinated Loan and that events affecting one Subordinated Loan shall not affect any other.

3. DRAWDOWN

3.1 Drawdown

On the terms and subject to the conditions set forth herein and, as the case may be, in each Subordinated Loan Supplement, on the Closing Date thereof the Lender shall make a Subordinated Loan to the Borrower and the Borrower shall make a single drawing in the full amount of such Subordinated Loan.

3.2 Subordinated Loan Arrangement Fee

In consideration of the Lender's undertaking to make a Subordinated Loan available to the Borrower, the Borrower hereby agrees that it shall, one Business Day before each Closing Date, pay to or to the order of the Lender, in Same-Day Funds by 10 a.m. (Relevant Time) an Arrangement Fee (as defined in the relevant Subordinated Loan Supplement) in connection with the financing of such Subordinated Loan. The total amount of the Arrangement Fee, will be as specified in the relevant Subordinated Loan Supplement.

3.3 Disbursement

Subject to the conditions set forth herein and, as the case may be, in each Subordinated Loan Supplement, on each Closing Date the Lender shall transfer the full amount of the relevant Subordinated Loan to the Borrower Account specified in the relevant Subordinated Loan Supplement.

3.4 **Ongoing Fees and Expenses**

In consideration of the Lender establishing and maintaining the Programme and agreeing to make Subordinated Loans to the Borrower, the Borrower shall pay on demand to the Lender as and when such payments are due an amount or amounts to reimburse the Lender for its expenses relating to its management and operation in servicing the Subordinated Loans as set forth to the Borrower in an invoice from the Lender (including, for the avoidance of doubt and without limitation, the fees and expenses of the Lender's counsel, auditor's, corporate services providers and agents and any taxes).

4. **INTEREST**

4.1 **Rate of Interest for Fixed Rate Subordinated Loans**

Each Fixed Rate Subordinated Loan bears interest on its outstanding principal amount from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the applicable Rate of Interest.

If a Fixed Amount or a Broken Amount is specified in the relevant Subordinated Loan Supplement, the amount of interest payable on each Interest Payment Date will amount to the Fixed Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified in the relevant Subordinated Loan Supplement.

4.2 **Payment of Interest for Fixed Rate Subordinated Loans**

Interest at the Rate of Interest shall accrue on each Fixed Rate Subordinated Loan from day to day, starting from (and including) the Interest Commencement Date and thereafter from (and including) each Interest Payment Date, to (but excluding) the next Interest Payment Date and shall be paid in arrear by the Borrower to the Account not later than 10.00 a.m. (Relevant Time) one Business Day prior to each Interest Payment Date.

4.3 **Interest for Floating Rate Subordinated Loans**

4.3.1 *Interest Payment Dates*: Each Floating Rate Subordinated Loan bears interest on its outstanding principal amount from (and including) the Interest Commencement Date and thereafter from (and including) each Interest Payment Date, to (but excluding) the next Interest Payment Date at the rate per annum (expressed as a percentage) equal to the applicable Rate of Interest, which interest shall be paid in arrear by the Borrower to the relevant Account not later than 10.00 a.m. (Relevant Time) one Business Day prior to each Interest Payment Date. Such Interest Payment Date(s) is/are either shown in the relevant Subordinated Loan Supplement as Specified Interest Payment Date(s) or, if no Specified Interest Payment Date(s) is/are shown in the relevant Subordinated Loan Supplement, Interest Payment Date shall mean each date which falls the number of months or other period shown in the relevant Subordinated Loan Supplement as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

4.3.2 *Business Day Convention*: If any date referred to in the relevant Subordinated Loan Supplement that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

4.3.3 *Rate of Interest for Floating Rate Subordinated Loans*: The Rate of Interest in respect of Floating Rate Subordinated Loans for each Interest Accrual Period shall be determined in the manner specified in the relevant Subordinated Loan Supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the relevant Subordinated Loan Supplement.

(a) *ISDA Determination for Floating Rate Subordinated Loans*

Where ISDA Determination is specified in the relevant Subordinated Loan Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (i), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option is as specified in the relevant Subordinated Loan Supplement;

(ii) the Designated Maturity is a period specified in the relevant Subordinated Loan Supplement; and

(iii) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Subordinated Loan Supplement.

For the purposes of this sub-paragraph (a), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(b) *Screen Rate Determination for Floating Rate Subordinated Loans*

Where Screen Rate Determination is specified in the relevant Subordinated Loan Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of such Interest Accrual Period in accordance with the following:

(i) if the Primary Source for Floating Rate is a Page, subject as provided below, the Rate of Interest shall be:

(1) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one entity); or

(2) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page,

in each case appearing on such Page at the Relevant Time on the Interest Determination Date;

(ii) if the Primary Source for the Floating Rate is Reference Banks or if sub-paragraph (a)(I) above applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (a)(II) above applies and fewer than two Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent; and

(iii) if paragraph (b) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Specified Currency that at least two out of five leading banks selected by the Calculation Agent in the Relevant Financial Centre of the country of the Specified Currency or, if the Specified Currency is Euro, in Europe as selected by the Calculation Agent are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (I)to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (II)to leading banks carrying on business in the Relevant Financial Centre; except that, if fewer than two of such banks are so quoting to leading

banks in the Relevant Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Rate of Interest applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).

4.4 **Step-Up**

4.4.1 *Step-Up Rate of Interest*: If a Step-Up Rate of Interest is specified in the relevant Subordinated Loan Supplement as being applicable, each Fixed Rate Subordinated Loan or Floating Rate Subordinated Loan, as applicable, will bear interest on its outstanding principal amount at the Initial Rate of Interest during the Initial Interest Term and at the Step-Up Rate of Interest during the Step Up Interest Term.

4.4.2 *Publication of Step-Up Rate of Interest*: If a Step-Up Rate of Interest is specified in the relevant Subordinated Loan Supplement as being applicable, the Lender and the Borrower shall (unless the Subordinated Loan has been prepaid in accordance with Clause 5 (Repayment and Prepayment)) give notice of the Step-Up Rate of Interest to the Trustee, the Principal Paying Agent, the Irish Stock Exchange and, in accordance with the Conditions, the Noteholders, as soon as practicable after its determination but, in any event, not later than the Step-Up Date.

4.5 **Accrual of Interest**

Interest shall cease to accrue on each Subordinated Loan on the due date for repayment unless payment is improperly withheld or refused, in which event interest shall continue to accrue (as before or after any judgment) at the applicable Rate of Interest to, but excluding, the date on which payment in full of the principal thereof is made.

4.6 **Margin, Maximum/Minimum Rates of Interest, Rate Multipliers and Rounding**

4.6.1 If any Margin or Rate Multiplier is specified in the relevant Subordinated Loan Supplement (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Clause 4.3 (*Interest for Floating Rate Subordinated Loans*) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin or multiplying by such Rate Multiplier, subject always to the next paragraph.

4.6.2 If any Maximum or Minimum Rate of Interest is specified in the relevant Subordinated Loan Supplement, then any Rate of Interest shall be subject to such maximum or minimum, as the case may be.

4.6.3 For the purposes of any calculations required pursuant to a Subordinated Loan Agreement (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

4.7 **Calculations**

The amount of interest payable in respect of any Subordinated Loan for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding principal amount of such Subordinated Loan by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in the relevant Subordinated Loan Supplement in respect of such period, in which case the amount of interest payable in respect of such Subordinated Loan for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

4.8 **Determination and Notification of Rates of Interest and Interest Amounts**

As soon as practicable after the Relevant Time on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation in accordance with the Subordinated Loan Agreement, it shall determine such rate and calculate the Interest Amounts in respect of such Floating Rate Subordinated Loan for the relevant Interest Accrual Period, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to the Borrower, the Trustee, the Lender, each of the Paying Agents and any other Calculation Agent appointed in respect of such Floating Rate Subordinated Loan that is to make a further calculation upon receipt of such information. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to sub-Clause 4.3.3 of Clause 4.3 (*Rate of Interest for Floating Rate Subordinated Loans*), the Interest Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made with the consent of the Borrower and the Lender by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If such Floating Rate Subordinated Loan becomes due and payable under Clause 11 (*Limited Acceleration Rights*), the accrued interest and the Rate of Interest payable in respect of such Floating Rate Subordinated Loan shall nevertheless continue to be calculated as previously in accordance with this Clause. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

4.9 **Determination or Calculation by Trustee**

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Period or any Interest Amount in relation to a Floating Rate Subordinated Loan, the Lender and the Borrower request that such determination or calculation may be made by or at the direction of the Trustee. The Trustee shall incur no liability to any person in respect of any such determination or calculation it chooses (in its absolute discretion) to make.

4.10 **Definitions**

In this Clause 4 (*Interest*), unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Benchmark**" has the meaning specified in the relevant Subordinated Loan Supplement;

"**Business Day**" means:

(i) in the case of a Specified Currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such Specified Currency; and/or

(ii) in the case of euro, a day on which the TARGET system is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of a Specified Currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres;

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Subordinated Loan for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the "Calculation Period");

(i) if "**Actual/365**" or "**Actual/Actual-ISDA**" is specified in the relevant Subordinated Loan Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified in the relevant Subordinated Loan Supplement, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/360**" is specified in the relevant Subordinated Loan Supplement, the actual number of days in the Calculation Period divided by 360;

(iv) if "**30/360**", "**360/360**" or "Bond Basis" is specified in the relevant Subordinated Loan Supplement, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

(v) if "**30E/360**" or "Eurobond Basis" is specified in the relevant Subordinated Loan Supplement, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Repayment Date, the Repayment Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and

(vi) if "**Actual/Actual—ICMA**" is specified in the relevant Subordinated Loan Supplement:

(a) If the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(i) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(ii) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date;

"**Determination Date**" means the date specified in the relevant Subordinated Loan Supplement or, if none is so specified, the Interest Payment Date;

"**Effective Date**" means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as such in the relevant Subordinated Loan Supplement or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates;

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date;

"**Interest Amount**" means the amount of interest payable, and in the case of Fixed Rate Subordinated Loans, means the Fixed Amount or Broken Amount, as the case may be;

"**Interest Commencement Date**" means the Closing Date or such other date as may be specified in the relevant Subordinated Loan Supplement;

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the relevant Subordinated Loan Supplement or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London and for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Euro or (iii) the day falling

two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is Euro;

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified herein;

"**ISDA Definitions**" means the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association,Inc., unless otherwise specified in the relevant Subordinated Loan Supplement;

"**Page**" means such page, section, caption, column or other part of a particular information service (including, but not limited to, Reuters Markets 3000 ("**Reuters**") and Telerate ("**Telerate**")) as may be specified for the purpose of providing a Relevant Rate, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to that Relevant Rate;

"**Reference Banks**" means the institutions specified as such in the relevant Subordinated Loan Supplement or, if none, four major banks selected by the Calculation Agent in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that are most closely connected with the Benchmark (which, if EURIBOR is the relevant Benchmark, shall be Europe);

"**Relevant Financial Centre**" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre as may be specified as such in the relevant Subordinated Loan Supplement or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR, shall be Europe) or, if none is so connected, London;

"**Relevant Rate**" means the Benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to the Benchmark) equal to the Specified Duration commencing on the Effective Date;

"**Relevant Time**" means, with respect to any Interest Determination Date or Repayment Date, the local time in the Relevant Financial Centre specified in the relevant Subordinated Loan Supplement or, if no time is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Specified Currency in the interbank market in the Relevant Financial Centre and for this purpose "**local time**" means, with respect to Europe as a Relevant Financial Centre, 11.00 hours, Brussels time;

"**Representative Amount**" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the amount specified as such in the relevant Subordinated Loan Supplement or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time; and

"**Specified Duration**" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the duration specified in the relevant Subordinated Loan Supplement or, if none is specified, a period of time equal to the relevant Interest Accrual Period, ignoring any adjustment pursuant to sub-Clause 4.3.2 of Clause 4.3 (*Rate of Interest for Floating Rate Subordinated Loans*).

4.11 **Calculation Agent and Reference Banks**

The Lender (failing which the Borrower) shall procure that there shall at all times be specified no less than four Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and appointed one or more Calculation Agents if provision is made for them in a Subordinated Loan Supplement and for so long as any amount remains outstanding under a Subordinated Loan Agreement. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Lender shall (with the prior approval of the Borrower) appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of a Subordinated Loan, references in the relevant Subordinated Loan Agreement to the Calculation Agent shall be

construed as each Calculation Agent performing its respective duties under the relevant Subordinated Loan Agreement. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, or to comply with any other requirement pursuant to the Senior Loan Agreement, the Lender shall (with the prior approval of the Borrower) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid. Both the Borrower and the Lender agree that such successor Calculation Agent will be appointed on the terms of the Agency Agreement in relation to the relevant Subordinated Loan Agreement.

4.12 **Dual Currency Provisions**

This Clause 4.12 is applicable only if the Dual Currency Provisions are specified in the relevant Subordinated Loan Supplement as being applicable. If the rate or amount of interest applicable to any Subordinated Loan falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Subordinated Loan Supplement.

5. REPAYMENT AND PREPAYMENT

5.1 **Repayment**

Except as otherwise provided herein and in the applicable Subordinated Loan Supplement:

5.1.1 the Borrower shall repay each Subordinated Loan not later than 10.00 a.m. (Relevant Time) one Business Day prior to the Repayment Date therefor or as contemplated in Clause 11 (*Limited Acceleration Rights*);

5.1.2 the Borrower shall not prepay all or any part of any Subordinated Loan (except with the prior written consent of the Central Bank);

5.1.3 in respect of any Subordinated Loan (where no Step Up Rate of Interest is specified in the relevant Subordinated Loan Supplement as being applicable to such Subordinated Loan), this Agreement may not be terminated earlier than the Repayment Date for such Subordinated Loan; and

5.1.4 in respect of any Subordinated Loan (where a Step-Up Rate of Interest is specified in the relevant Subordinated Loan Supplement as being applicable to such Subordinated Loan), this Agreement may not be terminated earlier than the Step-Up Date for such Subordinated Loan.

5.2 **Prepayment by the Borrower**

Notwithstanding the provisions of Clause 5.1 (*Repayment*) and except as otherwise provided in the applicable Subordinated Loan Supplement, the Borrower shall be entitled, at its option, to prepay any Subordinated Loan in whole but not in part:

5.2.1 at any time after the applicable Approval Date, if the Central Bank does not unconditionally approve such Subordinated Loan as Additional Capital on or before such Approval Date;

5.2.2 at any time after the applicable Approval Date, if, as a result of any amendment to, clarification of or change in (including a change in interpretation or application of) the Additional Capital Regulation or other applicable requirements of the Central Bank such Subordinated Loan would cease to qualify as Additional Capital; or

5.2.3 where a Step-Up Rate of Interest is specified in the relevant Subordinated Loan Supplement as being applicable to such Subordinated Loan, subject to the prior written consent of the Central Bank, on the Step-Up Date,

in an amount equal to the principal amount of such Subordinated Loan to be prepaid (in the case of a prepayment pursuant to Clause 5.2.2 or Clause 5.2.3) or in an amount equal to 101 per cent. of the principal amount of such Subordinated Loan to be prepaid (in the case of a prepayment pursuant to Clause 5.2.1) plus, in each case, accrued and unpaid interest upon the Borrower giving not less than 30 nor more than 60 days' prior notice to the Lender (which notice shall be irrevocable).

5.3 **Prepayment in the event of Illegality**

If this Clause 5.3 is specified in the relevant Subordinated Loan Supplement as being applicable, notwithstanding Clause 5.1 (*Repayment*), if, at any time after the date of the relevant Subordinated Loan Supplement, by reason of the introduction of, or any change in any applicable law or regulation or regulatory requirement or directive of any Agency, the Lender reasonably determines (such determination being accompanied by an Opinion of Counsel with the cost of such Opinion of Counsel being borne solely by the Borrower) that it is or would be unlawful or contrary to any applicable law, regulation, regulatory requirement or directive of any Agency of any state or otherwise for the Lender to make, fund or allow all or part of the Subordinated Loan relating to such Subordinated Loan Supplement or the corresponding Series of Notes to remain outstanding or for the Lender to maintain or give effect to any of its obligations in connection with the relevant Subordinated Loan Agreement and/or to charge or receive or to be paid interest at the rate then applicable to such Subordinated Loan (an "**Event of Illegality**") then the Lender shall, after becoming aware of the same, deliver to the Borrower a written notice, setting out in reasonable detail the nature and extent of the relevant circumstances, to that effect and:

(a) if any amount of such Subordinated Loan has not then been made, the Lender shall not thereafter be obliged to make such amount of such Subordinated Loan; and

(b) if such Subordinated Loan is then outstanding, then upon notice by the Lender to the Borrower in writing, the Borrower and the Lender shall consult in good faith as to a basis that eliminates the application of such Event of Illegality. If a basis has not been agreed between the Borrower and the Lender by the earlier of the latest date permitted by the relevant law or 30 days after the date on which the Lender notified the Borrower of such illegality, then upon written notice by the Lender to the Borrower and the Trustee, the Borrower shall, if it obtains the prior written consent of the Central Bank, prepay (without premium or penalty) such Subordinated Loan in whole (but not in part), on the next Interest Payment Date therefor, in the case of a Floating Rate Subordinated Loan, or in the case of a Fixed Note Subordinated Loan, on the next Interest Payment Date or on such earlier date as the Lender shall (acting reasonably) certify to be necessary to comply with such requirements.

5.4 **Prepayment in the event of Taxes or Increased Costs**

If this Clause 5.4 is specified in the relevant Subordinated Loan Supplement as being applicable, notwithstanding Clause 5.1 (*Repayment*), if, as a result of the application of or any amendments or clarification of, or change (including a change in interpretation or application) in, the double tax treaty between the Russian Federation and Ireland or the laws or regulations of the Russian Federation or Ireland or of any political sub-division thereof or any Taxing Authority therein or the enforcement of the security provided for in any Trust Deed, (i) the Borrower would thereby be required to make or increase any payment due pursuant to this Agreement as provided in Clauses 6.2 (*No Set-Off, Counterclaim or Withholding; Gross Up*) or 6.3 (*Withholding on Notes*) (other than, in each case, where the increase in payment is in respect of any amounts due or paid pursuant to Clause 3 (*Drawdown*) or (ii) if (for whatever reason) the Borrower would have to or has been required to pay additional amounts pursuant to Clause 8 (*Change in Law or Increase in Cost*), and in any such case such obligation cannot be avoided by the Borrower taking reasonable measures available to it, then the Borrower may (without premium or penalty), upon not less than 30 days' notice to the Lender (which notice shall be irrevocable), if it obtains the prior written consent of the Central Bank prepay the Subordinated Loan relating to such Subordinated Agreement in whole (but not in part) on any Interest Payment Date, in the case of a Floating Rate Subordinated Loan, or at any time, in the case of a Fixed Rate Subordinated Loan.

No such notice of prepayment shall be given earlier than 90 days prior to the earliest date on which the Borrower would be obliged to pay such additional amounts or increase such payment if a payment in respect of the Subordinated Loan were then due.

Prior to giving any such notice in the event of an increase in payment pursuant to Clause 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*), the Borrower shall deliver to the Lender (copied to the Trustee) an Officers' Certificate confirming that it would be required to increase the amount payable and that the obligation to make such payment cannot be avoided by the Borrower taking reasonable measures available to it, supported by an opinion of an independent tax adviser addressed to the Lender (copied to the Trustee).

5.5 **Payment of Other Amounts**

If a Subordinated Loan is to be prepaid by the Borrower pursuant to any of the provisions of Clauses5.2 (*Prepayment by the Borrower*) or 5.3 (*Prepayment in the event of Illegality*) or pursuant to the terms of the relevant Subordinated Loan Agreement, the Borrower shall, simultaneously with such prepayment, pay to the Lender accrued interest thereon to the date of actual payment and all other sums payable by the Borrower pursuant to the relevant Subordinated Loan Agreement. The Borrower shall indemnify the Lender on demand against any costs and expenses reasonably incurred and properly documented by the Lender on account of any prepayment made in accordance with this Clause 5 (*Repayment and Prepayment*).

5.6 **Provisions Exclusive**

The Borrower shall not prepay or repay all or any part of any Subordinated Loan except at the times and in the manner expressly provided for in accordance with the relevant Subordinated Loan Agreement. Any amount prepaid or repaid may not be reborrowed under such Subordinated Loan Agreement.

6. **PAYMENTS**

6.1 **Making of Payments**

All payments of principal, interest and additional amounts (other than those in respect of Reserved Rights) to be made by the Borrower under each Subordinated Loan Agreement shall be made unconditionally by credit transfer to the Lender not later than 10.00 a.m. (Relevant Time) one Business Day prior to each Interest Payment Date, the Repayment Date or the relevant prepayment date (as the case may be) in Same-Day Funds to the relevant Account or as the Trustee may otherwise direct following the occurrence of a Relevant Event. The Borrower shall, before 10.00 a.m. (Relevant Time) on the second Business Day prior to each Interest Payment Date, the Repayment Date or on the relevant payment date or (as the case may be), procure that the bank effecting such payments on its behalf confirms to the Principal Paying Agent by tested telex or authenticated SWIFT the payment instructions relating to such payment.

The Lender agrees with the Borrower that it will not deposit any other monies into such Account and that no withdrawals shall be made from such Account other than as provided for and in accordance with the relevant Trust Deed and the Agency Agreement.

6.2 **No Set-Off, Counterclaim or Withholding; Gross-Up**

All payments to be made by the Borrower under each Subordinated Loan Agreement shall be made in full without set-off or counterclaim and (except to the extent required by law) free and clear of and without deduction for or on account of any Taxes imposed by any Taxing Authority. If the Borrower shall be required by applicable law to make any deduction or withholding from any payment under a Subordinated Loan Agreement for or on account of any such Taxes, it shall, on the due date for such payment, increase any payment of principal, interest or any other payment due under such Subordinated Loan Agreement to such amount as may be necessary to ensure that the Lender receives and retains (free from any liability in respect of such deduction, withholding or additional amount received) a net amount in the Specified Currency equal to the full amount which it would have received had payment not been made subject to such Taxes, shall promptly account to the relevant authorities for the relevant amount of such Taxes so withheld or deducted within the time allowed for such payment under the applicable law and shall deliver to the Lender without undue delay evidence reasonably satisfactory to the Lender of such deduction or withholding and of the accounting therefor to the relevant Taxing Authority. If the Lender pays any amount in respect of such Taxes the Borrower shall reimburse the Lender in the Specified Currency for such payment on demand, subject to the receipt of relevant supporting documentation.

6.3 **Withholding on Notes**

Without prejudice to the provisions of Clause 6.2 (*No Set-Off, Counterclaim or Withholding: Gross Up*), if the Lender notifies the Borrower that it has become obliged to make any withholding or deduction for or on account of any Taxes of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Russian Federation, Ireland or any political subdivision or any authority thereof or therein having the power to tax from any payment which it is obliged to make under or in respect of a Series of Notes, the Borrower agrees to pay to the Lender, not later than 10.00 a.m. (Relevant Time)

one Business Day prior to the date on which payment is due to the Noteholders of such Series in Same-Day Funds to the relevant Account, such additional amounts as are equal to the additional amounts which the Lender would be required to pay in order that the net amounts received by the Noteholders, after such withholding or deduction, will equal the respective amounts which would have been received by the Noteholders in the absence of such withholding or deduction; *provided, however, that* the Lender shall procure that immediately upon receipt from any Paying Agent of any reimbursement of the sums paid pursuant to this provision, to the extent that any Noteholders of such Series, as the case may be, are not entitled to such additional amounts pursuant to the Conditions of such Series of Notes, pay such amounts received by way of such reimbursement to the Borrower (it being understood that neither the Lender, the Trustee, nor the Principal Paying Agent nor any Paying Agent shall have any obligation to determine whether any Noteholder of such Series or such other Party is entitled to any such additional amount).

Any notification by the Lender to the Borrower in connection with this Clause 6.3 (*Withholding on Notes*) shall be given as soon as reasonably practicable after the Lender becomes aware of any obligation on it to make any such withholding or deduction.

6.4 **Reimbursement**

6.4.1 To the extent that the Lender subsequently obtains or uses any tax credit or allowance or other reimbursements relating to a deduction or withholding with respect to which the Borrower has made a payment pursuant to this Clause 6 (*Payments*), it shall pay to the Borrower so much of the benefit it received as will leave the Lender in substantially the same position as it would have been in had no additional amount been required to be paid by the Borrower pursuant to this Clause 6 (*Payments*); *provided, however, that* the question of whether any such benefit has been received, and accordingly, whether any payment should be made to the Borrower, the amount of any such payment and the timing of any such payment, shall be determined in the reasonable judgement the Lender, *provided that* the Lender shall notify the Borrower promptly upon determination that it has received any such benefit. Subject to Clauses 6.6 (*Mitigation*) and 6.7 (*Tax Treaty Relief*), the Lender shall decide, in its reasonable judgement, whether, and in what order and manner, it claims any credits or refunds available to it, and the Lender shall in no circumstances be obliged to disclose to the Borrower any information regarding its tax affairs or computations.

6.4.2 If as a result of a failure to obtain relief from deduction or withholding of any Taxes referred to in Clause 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*) imposed by a Taxing Authority (i) such Taxes are deducted or withheld by the Borrower and pursuant to Clause 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*) an increased amount is paid by the Borrower to the Lender in respect of such deduction or withholding and (ii) following the deduction or withholding of Taxes as referred to above the Lender (upon instructions by the Borrower) applies to the competent Taxing Authority for a Tax refund and such Tax is refunded or repaid by the relevant Taxing Authority, the Lender shall as soon as reasonably practicable notify the Borrower of the receipt of such withholding tax refund and promptly transfer the amount of Tax refund actually received in the currency actually received and less any applicable costs to a bank account of the Borrower specified for that purpose by the Borrower if and to the extent that the Lender determines in its reasonable opinion that to do so will leave it (after the payment and after the deduction of costs and expenses incurred in relation to the refund) in no worse an after-Tax position than it would have been in had there been no failure to obtain relief from such withholding or deduction and if and to the extent the Lender is able to make such transfer under applicable laws and regulations.

6.5 **Notification**

6.5.1 The Lender agrees upon becoming aware of such, promptly to notify the Borrower if it ceases to be resident in Ireland for taxation purposes or opens a permanent establishment in Russia.

6.5.2 If the Lender ceases, as a result of the Lender's actions, to be tax resident in a jurisdiction for the purposes of a double taxation treaty between the Russian Federation and such jurisdiction, and such cessation results in the Borrower being required to make payments pursuant to Clause 6.2, (*No Set-Off, Counterclaim or Withholding; Gross-Up*) then, except in circumstances where the Lender has ceased to be tax resident in such jurisdiction by reason of any change of law (as described in Clause 5.3 (*Prepayment in the event of Illegality*) (including, without

limitation, a change in a double taxation treaty or in such law or treaty's application or interpretation), the Borrower may require the Lender to seek the substitution of the Lender as Issuer of the Notes and as lender under any Subordinated Loan Agreement pursuant to and in accordance with the provisions of Clause 17 of the Trust Deed. The Borrower shall bear all costs and expenses relating to or arising out of such substitution.

6.6 **Mitigation**

If at any time either party hereto becomes aware of circumstances which would or might, then or thereafter, give rise to an obligation on the part of the Borrower or the Lender to make any deduction, withholding or payment as described in Clauses 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*) or 6.3 (*Withholding on Notes*), then, without in any way limiting, reducing or otherwise qualifying the Lender's rights, or the Borrower's obligations, under such Clauses, such party shall, upon becoming aware of the same, notify the other party thereof and, in consultation with the Borrower and to the extent it can lawfully do so and without prejudice to its own position, the Lender shall take all reasonable steps to remove such circumstances or mitigate the effects of such circumstances; *provided that* the Lender shall be under no obligation to take any such action if, in its reasonable opinion, to do so might reasonably be expected to have any adverse effect upon its business, operations or financial condition or might be in breach of any provision of the Trust Deed, the Agency Agreement or the Notes.

6.7 **Tax Treaty Relief**

The Lender shall, *provided that* in each case a corresponding request from the Borrower is received by the Lender no earlier than 65 Business Days but no later than 30 Business Days prior to the first Interest Payment Date or, as applicable, the beginning of each calendar year, and at the Borrower's cost, to the extent it is able to do so under applicable law including, without limitation, Russian laws, use commercially reasonable efforts to obtain and to deliver to the Borrower no later than 10 Business Days before the first Interest Payment Date or, as applicable, the beginning of each calendar year a certificate issued and certified (as applicable) by the competent Taxing Authority in Ireland confirming that the Lender is tax resident in Ireland in the calendar year of such Interest Payment Date and such other information or forms (including application forms) as may need to be duly completed and delivered by the Lender to enable the Borrower to apply to obtain relief from deduction or withholding of Russian Taxes after the date of this Agreement or, as the case may be, to apply to obtain a tax refund if a relief from deduction or withholding of Russian Taxes has not been obtained.

The certificate or such other information or forms referred to in this Clause 6.7 shall be duly signed by the Lender (if applicable), stamped or otherwise approved by the competent Taxing Authority in Ireland and apostilled or legalised (as applicable) with a notarised Russian translation attached thereto (an "**Authenticated Certificate**").

The Lender shall not be responsible for any failure to provide, or any delays in providing an Authenticated Certificate as a result of any action or inaction of any authority of Ireland *provided that* the Lender uses commercially reasonable efforts to obtain such Authenticated Certificate. The Lender shall in no circumstances be obliged to disclose to the Borrower any information regarding its tax affairs or computations.

If a relief from deduction or withholding of Russian taxes under this Clause 6.7 (*Tax Treaty Relief*) has not been obtained and further to an application of the Borrower to the relevant Russian taxing authorities the latter requests the Lender's rouble bank account details, the Lender shall at the request of the Borrower (a) use its commercially reasonable efforts, at the Borrower's cost, to procure that such rouble bank account of the Lender is duly opened and maintained, and (b) thereafter furnish the Borrower with the details of such rouble bank account.

7. **CONDITIONS PRECEDENT**

7.1 **Documents to be Delivered**

The obligation of the Lender to make each Subordinated Loan shall be subject to the receipt by the Lender on or prior to the relevant Closing Date of evidence that the persons mentioned in Clause 18 (*Law and Jurisdiction*) hereof have agreed to receive process in the manner specified therein.

7.2 **Further Conditions**

The obligation of the Lender to make each Subordinated Loan shall be subject to the further conditions precedent that as of the relevant Closing Date (a) the representations and warranties made and given by the Borrower in Clause 9 (*Representations and Warranties*) shall be true and accurate as if made and given on the relevant Closing Date with respect to the facts and circumstances then existing, (b) no event shall have occurred and be continuing that constitutes, or that, with the giving of notice or the lapse of time, or both, would constitute, a Bankruptcy Event, (c) the Borrower shall not be in breach of any of the terms, conditions and provisions of the relevant Subordinated Loan Agreement, (d) the relevant Subscription Agreement, Trust Deed, Fee Side Letter and the Agency Agreement shall have been executed and delivered, and the Lender shall have received the full amount of the proceeds of the issue of the corresponding Series of Notes pursuant to such Subscription Agreement and (e) the Lender shall have received in full the amount referred to in Clause 3.2 (*Subordinated Loan Arrangement Fee*), if due and payable, above, as specified in the relevant Subordinated Loan Supplement.

8. **CHANGE IN LAW OR INCREASE IN COST**

8.1 **Compensation**

In the event that after the date of a Subordinated Loan Agreement there is any change in or introduction of any Tax, law, regulation, regulatory requirement or official directive (whether or not having the force of law but, if not having the force of law, the observance of which is in accordance with the generally accepted financial practice of financial institutions in the country concerned) or in the interpretation or application thereof by any person charged with the administration thereof and/or any compliance by the Lender in respect of the Subordinated Loan with any request, policy or guideline (whether or not having the force of law but, if not having the force of law, the observance of which is in accordance with the generally accepted financial practice of financial institutions in the country concerned) from or of any central bank or other fiscal, monetary or other authority, agency or any official of any such authority (including, for the avoidance of doubt, but not limited to, any recommendations regarding capital adequacy standards published by the Basel Committee on Banking Regulations and Supervisory Practices at the Bank for International Settlements), which:

8.1.1 subjects or will subject the Lender to any Taxes with respect to payments of principal of or interest on such Subordinated Loan or any other amount payable under such Subordinated Loan Agreement other than any Taxes referred to in Clause 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*) or any Taxes referred to in Clause 6.3 (*Withholding Notes*), or

8.1.2 increases or will increase the taxation of or changes or will change the basis of taxation of payments to the Lender of principal of or interest on such Subordinated Loan or any other amount payable under such Subordinated Loan Agreement (other than any such increase or change which arises as a result of any Taxes referred to in Clause 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*) or any Taxes referred to in Clause 6.3 (*Withholding Notes*), or

8.1.3 imposes or will impose on the Lender any other condition affecting such Subordinated Loan Agreement or such Subordinated Loan,

and if as a result of any of the foregoing:

(i) the cost to the Lender of making, funding or maintaining such Subordinated Loan is increased; or

(ii) the amount of principal, interest or additional amounts payable to or received by the Lender under such Subordinated Loan Agreement is reduced; or

(iii) the Lender makes any payment or foregoes any interest or other return on or calculated by reference to the gross amount of any sum receivable by it from the Borrower hereunder or makes any payment or foregoes any interest or other return on or calculated by reference to the gross amount of such Subordinated Loan,

then subject to the following, and in each such case:

(A) the Lender shall, as soon as practicable after becoming aware of such increased cost, reduced amount or payment made or foregone, give written notice to the Borrower, together with a certificate describing in reasonable detail the introduction or change or request which

has occurred and the country or jurisdiction concerned and the nature and date thereof and demonstrating the connection between such introduction, change or request and such increased cost, reduced amount or payment made or foregone and setting out in reasonable detail the basis on which such amount has been calculated, and providing all relevant supporting documents evidencing the matters set out in such certificate; *provided that* nothing herein shall require the Lender to disclose any confidential information relating to the organisation of its or any other person's affairs; and

(B) the Borrower, in the case of Clauses (i) and (iii) above, shall, on demand, pay to the Lender such additional amount as shall be necessary to compensate the Lender for such increased cost, and, in the case of Clause (ii) above, at the time the amount so reduced would otherwise have been payable, pay to the Lender such additional amount as shall be necessary to compensate the Lender for such reduction, payment or foregone interest or other return; *provided, however,* that the amount of such increased cost, reduced amount or payment made or foregone shall be deemed not to exceed an amount equal to the proportion which is directly attributable to this Agreement, and *provided, further,* that the Lender will not be entitled to such additional amount where such reduction, payment or foregone interest or other return arises as a result of the gross negligence or wilful default of the Lender.

8.2 **Mitigation**

In the event that the Lender becomes entitled to make a claim pursuant to Clause 8.1 (*Compensation*), then, without in any way limiting, reducing or otherwise qualifying the rights of the Lender or the Borrower's obligations under the above mentioned provision, the Lender shall, upon becoming aware of the same, notify the Borrower thereof and, in consultation with the Borrower and to the extent it can lawfully do so and without prejudice to its own position, and subject to the Borrower reimbursing it for its full costs and expenses in relation thereto, take all reasonable steps to remove such circumstances or mitigate the effects of such circumstances; provided that the Lender shall be under no obligation to take any such action if, in its reasonable opinion, to do so might be expected to have any adverse effect upon its business, operations or financial condition or might be in breach of provision of the Trust Deed, the Agency Agreement or the Notes.

9. REPRESENTATIONS AND WARRANTIES

9.1 The Borrower's Representations and Warranties

The Borrower does, and on each Warranty Date shall be deemed to, represent and warrant to the Lender, with the intent that such shall form the basis of each Subordinated Loan Agreement, that:

9.1.1 the Borrower is duly organised and incorporated and validly existing under the laws of the Russian Federation, is not in liquidation or receivership and has the power and legal right to own its property, to conduct its business as currently conducted and, to enter into and to perform its obligations under each Subordinated Loan Agreement and to borrow Subordinated Loans; the Borrower has (or, where applicable, will have taken prior to the date of the relevant Subordinated Loan Supplement) taken all necessary corporate, legal and other action required to authorise the borrowing of Subordinated Loans on the terms and subject to the conditions of each Subordinated Loan Agreement and to authorise the execution and delivery of each Subordinated Loan Agreement and all other documents to be executed and/or delivered by it in connection with each Subordinated Loan Agreement, and the performance of each Subordinated Loan Agreement in accordance with its respective terms;

9.1.2 the Subordinated Loan Agreement, including each Subordinated Loan Supplement in relation thereto, has been (or, where applicable, will have been prior to the date of the relevant Subordinated Loan Supplement) duly executed by the Borrower and constitutes (or, where applicable, will upon execution constitute) a legal, valid and binding obligation of the Borrower enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium and similar laws affecting creditors' rights generally, and subject, as to enforceability, (i) to general principles of equity, (ii) to the fact that the gross-up provisions contained in Clause 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*) or 6.3 (*Withholding on Notes*) may not be enforceable under Russian law and (iii) with respect to the enforceability of a judgment, to the laws of the relevant jurisdiction where such judgment must be enforced and whether there is a treaty in force relating to the mutual recognition of foreign judgments;

9.1.3 the execution and performance of each Subordinated Loan Agreement including each Subordinated Loan Supplement in relation thereto, by the Borrower will not conflict with or result in any breach or violation of (i) any law or regulation or any order of any governmental, judicial, arbitral or public body or authority in the Russian Federation, (ii) the constitutive documents, rules and regulations of the Borrower or the terms of the general banking licence granted to the Borrower by the Central Bank or (iii) any agreement or other undertaking or instrument to which the Borrower is a party or which is binding upon the Borrower or any of its respective assets, nor result in the creation or imposition of any Liens on any of its assets pursuant to the provisions of any such agreement or other undertaking or instrument except for the creation or imposition of any Liens that would not have a Material Adverse Effect;

9.1.4 all consents, licences, notifications, authorisations or approvals of, or filings with, any governmental, judicial or public bodies or authorities of the Russian Federation (including, without limitation, the Central Bank), if any, required in order to ensure (i) the due execution, delivery and performance by the Borrower of each Subordinated Loan Agreement and (ii) the legality, validity, enforceability, and admissibility in evidence of each Subordinated Loan Agreement have been obtained or effected and are and shall remain in full force and effect;

9.1.5 no event has occurred that constitutes, or that, with the giving of notice or the lapse of time, or both, would result in a Bankruptcy Proceeding or would constitute a Bankruptcy Event or a default under any agreement or instrument evidencing any Indebtedness of the Borrower and no such event will occur upon the making of the relevant Subordinated Loan;

9.1.6 there are no judicial, arbitral or administrative actions, proceedings or claims (including, but without limitation to, with respect to Taxes) which have been commenced or are pending or, to the knowledge of the Borrower, threatened, against the Borrower or any of its Subsidiaries, the adverse determination of which would have a Material Adverse Effect;

9.1.7 except for Liens of the types referred to in the definition of Permitted Liens in Clause 1.1 (*Definitions*), the Borrower has good title to its property free and clear of all Liens, except where the failure to do so would not individually or in the aggregate have a Material Adverse Effect, and the Borrower's obligations under the Subordinated Loan Agreement will rank at least pari passu with all its other unsecured and subordinated Indebtedness except as otherwise provided by mandatory provisions of applicable law;

9.1.8 the latest audited IFRS financial statements of the Borrower:

(a) were prepared in accordance with IFRS, as consistently applied;

(b) unless not required by IFRS, as consistently applied, disclose all liabilities (contingent or otherwise) and all unrealised or anticipated losses of the Borrower; and

(c) save as disclosed therein, present fairly in all material respects the assets and liabilities of the Borrower as at that date and the results of operations of the Borrower during the relevant financial year;

9.1.9 there has been no material adverse change since the date of the latest audited IFRS financial statements of the Borrower in the condition (financial or otherwise), results of business, operations or immediate prospects of the Borrower or on the Borrower's ability to perform its obligations under any Subordinated Loan Agreement;

9.1.10 the execution, delivery and enforceability of each Subordinated Loan Agreement is not subject to any tax, duty, fee or other charge, including, but without limitation to, any registration or transfer tax, stamp duty or similar levy, imposed by or within the Russian Federation or any political subdivision or taxing authority thereof or therein;

9.1.11 neither the Borrower nor its property has any right of immunity from suit, execution, attachment or other legal process on the grounds of sovereignty or otherwise in respect of any action or proceeding relating in any way to each Subordinated Loan Agreement;

9.1.12 the Borrower and its Subsidiaries are in compliance in all respects with all applicable provisions of law except where the failure to be in so compliance would not have a Material Adverse Effect;

9.1.13 the Borrower is in compliance in all respects with the mandatory ratio of the Central Bank with respect to a bank's exposure to a single borrower or group of related borrowers;

9.1.14 there are no strikes or other employment disputes against the Borrower which have been started or are pending or, to its knowledge, threatened which would have Material Adverse Effect;

9.1.15 save as disclosed in the Base Prospectus, in any proceedings taken in the Russian Federation in relation to each Subordinated Loan Agreement, the choice of English law as the governing law of each Subordinated Loan Agreement and any arbitration award obtained in England in relation to each Subordinated Loan Agreement will be recognised and enforced in the Russian Federation after compliance with the applicable procedures and rules and all other legal requirements in Russia;

9.1.16 subject to the performance by the relevant parties of the relevant established procedures in connection with the obtaining of an applicable withholding tax exemption for payments hereunder, no withholding in respect of any Taxes is required to be made from any payment by the Borrower under each Subordinated Loan Agreement;

9.1.17 all licences, consents, examinations, clearances, filings, registrations and authorisations which are or may be necessary to enable the Borrower to own its assets and carry on its business are in full force and effect and the Borrower is conducting such business in accordance with such licences, consents, examinations, clearances, filings registrations and authorisations;

9.1.18 the Borrower is subject, without reservation, to civil and commercial law with respect to its obligations under each Subordinated Loan Agreement, and its execution of each Subordinated Loan Agreement constitutes, and its exercise of its rights and performance of its obligations thereunder will constitute, private and commercial acts done and performed for private and commercial purposes;

9.1.19 the Borrower has no overdue tax liabilities other than those that would not have a Material Adverse Effect; and

9.1.20 the Borrower's obligations under the Subordinated Loan constitute direct, unconditional and unsecured obligations of the Borrower and (ii) based on the preliminary view of the Central Bank, the Borrower reasonably believes that the liabilities of the Borrower under this Agreement shall qualify as Additional Capital.

9.2 **Lender's Representations and Warranties**

The Lender represents and warrants to the Borrower as follows:

9.2.1 the Lender is duly incorporated under the laws of Ireland and has full power and capacity to execute the Lender Agreements and to undertake and perform the obligations expressed to be assumed by it herein and therein and the Lender has taken all necessary action to approve and authorise the same;

9.2.2 the execution of the Lender Agreements and the undertaking and performance by the Lender of the obligations expressed to be assumed by it herein and therein will not conflict with, or result in a breach of or default under, the laws of Ireland or any agreement or instrument to which it is a party or by which it is bound or in respect of indebtedness in relation to which it is a surety;

9.2.3 the Lender Agreements have been duly executed by and constitute legal, valid and binding obligations of the Lender enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, liquidation, administration, moratorium, re-organisation and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity;

9.2.4 all authorisations, consents and approvals required by the Lender for or in connection with the execution of the Lender Agreements, the performance by the Lender of the obligations expressed to be undertaken by it herein and therein have been obtained and are in full force and effect; and

9.2.5 the Lender is a resident of Ireland for taxation purposes. The Lender will be liable for Irish Taxes on its Irish source income as well as on its foreign source income. The Lender may also benefit from tax treaties signed by Ireland, including the double tax treaty concluded on 29April 1994 between Ireland and the Russian Federation. At the date hereof, the Lender reasonably believes that it does not have a permanent establishment in the Russian Federation save for that which may be created solely as a result of the Lender entering into this Agreement.

10. **COVENANTS**

So long as any amount remains outstanding under a Subordinated Loan Agreement:

10.1 **Disposals**

The Borrower shall not and shall ensure that its Material Subsidiaries do not sell, lease, transfer or otherwise dispose of, by one or more transactions or series of transactions (whether related or not), the whole or any part (the book value of which is 10 per cent. or more of the book value of the whole) of its assets unless such transaction(s) is/are (a) on an arm's length basis and on commercially reasonable terms and (b) does/do not have a Material Adverse Effect and (c) has/have been approved by a resolution of the appropriate decision making body of the Borrower or the relevant Material Subsidiary, as the case may be, resolving that the transaction complies with the requirements of this Clause 10.1 and such resolution has been adopted by a majority of the members of such appropriate decision making body disinterested with respect to such transaction or series of transactions. For the avoidance of doubt, this Clause 10.1 shall not apply to any assets (or any part thereof) the subject of any securitisation of such property or assets or similar financing structure in relation to such property or assets where the primary source of payment of any obligations secured, by such property or assets is linked to the proceeds of such property or assets (or where payment of such obligations is otherwise supported by such property or assets), but may make provision for rights of recourse on an unsecured basis (apart from the property or assets subject to the securitisation or similar financing) which may arise upon any failure to perform or default by the obligors in relation to such property or assets, provided that the aggregate value of assets or revenues which are the subject of all such securitisations or similar financing structure, when added to the aggregate value of assets or revenues subject to any Lien described under (c) in the definition of "Permitted Liens" and permitted under the terms of this Agreement, does not at any time exceed 15 per cent. of total consolidated assets of the Group, as determined at any such time by reference to the consolidated balance sheet for the most recent Fiscal Period.

10.2 **Maintenance of Authorisations**

The Borrower shall, and shall procure that each of its Material Subsidiaries shall, take all necessary action to obtain and do or cause to be done all things reasonably necessary, in the opinion of the Borrower or the relevant Material Subsidiary, to ensure the continuance of its corporate existence, its business and intellectual property relating to its business and the Borrower shall take all necessary action to obtain, and do or cause to be done all things reasonably necessary to ensure the continuance of, all consents, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, which may at any time be required to be obtained or made in the Russian Federation for the execution, delivery or performance of the Subordinated Loan Agreements or for the validity or enforceability thereof, *provided that*, in any case if the Borrower and/or the relevant Material Subsidiary, as the case may be, can remedy any failure to comply with this Clause 10.2 (*Maintenance of Authorisations*) within 90 days of such failure or of the occurrence of such event, then this covenant shall be deemed not to have been breached.

10.3 **Notes Held by the Borrower**

Upon being so requested in writing by the Lender or the Trustee, the Borrower shall deliver to the Lender and the Trustee an Officers' Certificate of the Borrower setting out the total number of Notes which, at the date of such certificate, are held by the Borrower (or any Subsidiary of the Borrower) and have not been cancelled and are retained by it for its own account or for the account of any other company.

10.4 **Capital Treatment**

To the extent that any part of the Subordinated Loan is to be treated as Additional Capital by the Borrower, the Borrower will use its best efforts to procure that the Central Bank issues a final

confirmation for such treatment and will provide all relevant information about the Subordinated Loan to the Central Bank as the Central Bank requests for the issuance of such final confirmation.

11. LIMITED ACCELERATION RIGHTS

11.1 Bankruptcy Event

If a Bankruptcy Event has occurred and is continuing, the Lender may, by notice in writing to the Borrower (i) declare the Subordinated Loan to be cancelled whereupon the same shall herewith be cancelled; and /or (ii) declare all amounts payable hereunder by the Borrower to be due and payable, subject to and in accordance with Clause 2.3 (*Subordination*) (unless Clause 2.3.4 (*Reclassification*) applies), whereupon all such amounts shall become immediately due and payable in accordance with the provisions of Clause 2.3 (*Subordination*) of this Agreement, without diligence, presentment, demand of payment, protest or notice of any kind, which are expressly waived by the Borrower).

11.2 Payment Defaults

Without prejudice to its right to enforce the obligations of the Borrower under this Agreement when they fall due, the Lender shall have no right to accelerate payments under this Agreement in the case of a default in payments of principal, interest or other amounts due under this Agreement or for breaches of representations and covenants.

11.3 Notice of Bankruptcy Events, etc.

The Borrower shall promptly deliver to the Lender and the Trustee, upon it becoming aware thereof, written notice of any Bankruptcy Proceeding, any Bankruptcy Event or any event that constitutes, or that, with the giving of notice or the lapse of time, or both, would constitute, a Bankruptcy Event.

11.4 Rights Not Exclusive

The Lender may not accelerate the Loan other than pursuant to Clause 11.1 (*Bankruptcy Event*) but, aside from such limited acceleration rights, the rights provided for in the Subordinated Loan Agreement are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

12. INDEMNITY

12.1 Indemnification

The Borrower undertakes to the Lender, that if the Lender or any of its Affiliates, each director, officer, employee or agent of the Lender and each person controlling the Lender within the meaning of the United States securities laws (each an "**indemnified party**") incurs any loss, liability, cost, claim, charge, expense (including without limitation taxes, legal fees, costs and expenses), demand or damage (a "**Loss**") as a result of or in connection with the Subordinated Loan, the Subordinated Loan Agreement (or enforcement thereof), and/or the issue, constitution, sale, listing and/or enforcement of the Notes and/or the Notes corresponding to such Subordinated Loan or Subordinated Loan Agreement being outstanding, the Borrower shall pay to the Lender on demand an amount equal to such Loss and all costs, charges and expenses which it or any indemnified party may pay or incur in connection with investigating, disputing or defending any such action or claim as such costs, charges and expenses are incurred unless such Loss was either caused by such indemnified party's negligence or wilful misconduct or arises out of a breach of the representations and warranties of the Lender contained herein or in the Dealer Agreement. The Lender shall not have any duty or obligation whether as fiduciary or trustee for any indemnified party or otherwise, to recover any such payment or to account to any other person for any amounts paid to it under this Clause.

12.2 Independent Obligation

Clause 12.1 (*Indemnification*) constitutes a separate and independent obligation of the Borrower from its other obligations under or in connection with each Subordinated Loan Agreement or any other obligations of the Borrower in connection with the issue of the Notes by the Lender and shall not affect, or be construed to affect, any other provision of any Subordinated Loan Agreement or any such other obligations.

12.3 **Evidence of Loss**

If requested by the Borrower, the Lender shall use its reasonable endeavours to provide the Borrower with a certificate of the Lender setting forth the amount of losses, expenses and liabilities described in Clause 12.1 (*Indemnification*) and specifying in full detail the basis therefore. Any such certificate shall, in the absence of manifest error, be conclusive evidence of the amount of such losses, expenses and liabilities.

12.4 **Currency Indemnity**

To the fullest extent permitted by law, the obligation of the Borrower under this Agreement and any Subscription Agreement in respect of any amount due in the currency (the "**first currency**") in which the same is payable shall, notwithstanding any payment in any other currency (the "**second currency**") (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in the first currency that the Relevant Dealer may, acting reasonably and in accordance with normal banking procedures, purchase with the sum paid in the second currency (after any premium and costs of exchange) on the Business Day immediately following the day on which the Relevant Dealer receives such payment. If the amount in the first currency that may be so purchased for any reason falls short of the amount originally due (the "**Due Amount**"), the Borrower hereby agrees to indemnify and hold harmless each Relevant Dealer against any deficiency in the first currency. Any obligation of the Borrower not discharged by payment in the first currency shall, to the fullest extent permitted by applicable law, be due as a separate and independent obligation and, until discharged as provided in this Agreement and any Subscription Agreement, shall continue in full force and effect.

13. **SURVIVAL**

The obligations of the Borrower pursuant to Clauses 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*), 6.3 (*Withholding on Notes*), 12 (*Indemnity*), 15.2 (*Stamp Duties*) and 26 (*Limited Recourse and Non-Petition*) (shall survive the execution and delivery of each Subordinated Loan Agreement and the drawdown and repayment of the relevant Subordinated Loan, in each case by the Borrower.

14. **EXPENSES**

14.1 **Reimbursement of Front-end Expenses for the Extension of the Subordinated Loan by the Lender**

The Borrower shall, reimburse the Lender in the Specified Currency for all reasonable costs and expenses incurred by the Lender in connection with the negotiation, preparation and execution of each Subordinated Loan Agreement and all related documents and other expenses connected with the extension of each Subordinated Loan, including, without limitation, the reasonable fees and expense of its counsel.

14.2 **Payment of Ongoing Expenses**

In addition, the Borrower hereby agrees to pay to or to the order of the Lender on demand in the Specified Currency all ongoing commissions, costs, fees and expenses and taxes (including, without limitation, enforcement costs), payable by the Lender under or in respect of the Lender Agreements and the letter entered into between the Borrower, the Lender, the Trustee and the Agents dated 14 May 2007 in respect of the Programme (the "**Fee Side Letter**"). The Borrower shall also pay the Lender for, or pay to the order of the Lender for, any indemnification or other payment obligations of the Lender under or in respect of the Agency Agreement, Trust Deed and/or the Fee Side Letter (other than the obligation of the Lender to make payments of principal, interest or additional amounts in respect of the corresponding Series of Notes). Payments to the Lender or to the order of the Lender referred to in this Clause 14.2 (*Payment of Ongoing Expenses*) shall be made by the Borrower at least one Business Day before the relevant payment is to be made or expense incurred.

15. **GENERAL**

15.1 **Evidence of Debt**

The entries made in the relevant Account shall, in the absence of manifest error, constitute prima facie evidence of the existence and amounts of the Borrower's obligations recorded therein.

15.2 **Stamp Duties**

15.2.1 The Borrower shall pay all stamp, registration and documentary Taxes or similar charges (if any) imposed on the Borrower by any person in the United Kingdom, the Russian Federation, Ireland or the United States of America which may be payable or determined to be payable in connection with the execution, delivery, performance, enforcement, or admissibility into evidence of any Subordinated Loan Agreement and shall indemnify the Lender against any and all costs and expenses which may be incurred or suffered by the Lender with respect to, or resulting from, delay or failure by the Borrower to pay such Taxes or similar charges.

15.2.2 The Borrower agrees that if the Lender incurs a liability to pay any stamp, registration and documentary Taxes or similar charges (if any) imposed by any person in the United Kingdom, the Russian Federation, Ireland or the United States of America which may be payable or determined to be payable in connection with the execution, delivery, performance, enforcement, or admissibility into evidence of any Subordinated Loan Agreement and any documents related thereto, the Borrower shall repay the Lender on demand an amount equal to such stamp or other documentary taxes or duties and shall indemnify the Lender against any and all costs and expenses which may be incurred or suffered by the Lender with respect to, or resulting from, delay or failure by the Borrower to procure the payment of such Taxes or similar charges.

15.3 **Waivers**

No failure to exercise and no delay in exercising, on the part of the Lender or the Borrower, any right, power to privilege under any Subordinated Loan Agreement, and no course of dealing between the Borrower and the Lender shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other right, power or privilege. The rights and remedies provided in each Subordinated Loan Agreement are cumulative and not exclusive of any rights, or remedies provided by applicable law.

15.4 **Prescription**

Subject to the Lender having received the principal amount thereof or interest thereon from the Borrower, the Lender shall forthwith repay to the Borrower the principal amount or the interest amount thereon, respectively, of any Series of Notes upon such Series of Notes becoming void pursuant to Condition 11 of such Notes.

16. **NOTICES**

All notices, requests, demands or other communications to or upon the respective parties to each Subordinated Loan Agreement shall be given or made in the English language by fax or otherwise in writing and shall be deemed to have been duly given or made at the time of delivery, if delivered by hand or courier or if sent by facsimile transmission or by airmail, to the party to which such notice, request, demand or other communication is required or permitted to be given or made under such Subordinated Loan Agreement addressed as follows:

16.1.1 if to the Borrower:

URSA Bank
31/1 Serebrennikovskaya Street
630099 Novosibirsk
Russian Federation
Tel: +7 383 334 0066
Fax: +7 383 227 7599
Attention: Yana Konnova, Legal Department Head

16.1.2 if to the Lender:

Sibacademfinance plc
4th Floor, Hanover Building,
Windmill Lane, Dublin 2
Ireland

Fax: +353 1 542 6999
Attention: The Directors-Sibacademfinance plc

16.1.3 if to the Trustee:

BNY Corporate Trustee Services Limited
One Canada Square
London E14 5AL
United Kingdom
Fax: +44 207 964 2536
Attention: Manager, Trustee Administration

or to such other address or fax number as any party may hereafter specify in writing to the other.

17. **ASSIGNMENT**

17.1 **General**

Each Subordinated Loan Agreement shall inure to the benefit of and be binding upon the parties, their respective successors and any permitted assignee or transferee of some or all of a party's rights or obligations under such Subordinated Loan Agreement. Any reference in a Subordinated Loan Agreement to any party shall be construed accordingly and, in particular, references to the exercise of rights and discretions by the Lender, following the enforcement of the security and/or assignment referred to in Clause 17.3 (*By The Lender*) below, shall be references to the exercise of such rights or discretions by the Trustee (as Trustee). Notwithstanding the foregoing, the Trustee shall not be entitled to participate in any determinations by the Lender, or any discussions between the Lender and the Borrower or any agreements of the Lender or the Borrower pursuant to Clauses 6.4 (*Reimbursement*) or 6.5 (*Notification*) or Clause 8 (*Change in Law or Increase in Cost*).

17.2 **By the Borrower**

The Borrower shall not to be entitled to assign or transfer all or any part of its rights or obligations hereunder to any other person.

17.3 **By the Lender**

Subject to Clause 23 of the Trust Deed, the Lender may not assign or transfer, in whole or in part, any of its rights and benefits or obligations under any Subordinated Loan Agreement (other than the Reserved Rights) except (i) the charge by way of first fixed charge granted by the Lender in favour of the Trustee (as Trustee) of certain of the Lender's rights and benefits under such Subordinated Loan Agreement and (ii) the absolute assignment by the Lender to the Trustee of certain rights, interests and benefits under such Subordinated Loan Agreement, in each case, pursuant to Clause 6.2 of the relevant Supplemental Trust Deed.

18. **LAW AND JURISDICTION**

18.1 **Governing Law**

Each Subordinated Loan Agreement and all matters arising from or connected with it are governed by, and shall be construed in accordance with, English law.

18.2 **Arbitration**

The parties hereby agrees that subject to Clause 18.5 (*English Courts*), any dispute (a "**Dispute**") arising out of or in connection with each Senior Loan Agreement including any question regarding the existence, validity or termination of each Senior Loan Agreement or the consequences of its nullity shall be referred to and finally resolved by arbitration under the Rules of the LCIA (formerly the London Court of International Arbitration) (the "**LCIA**") (the "**Rules**") which Rules are deemed to be incorporated by reference to this sub-Clause 18.2.

18.3 **Procedure**

The place of arbitration shall be London, England and the language of the arbitration shall be English. The number of arbitrators shall be three, each of whom shall have no interest in the proceedings relating to a Dispute ("**Proceedings**") or Disputes, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions. Each party shall nominate an arbitrator, who, in turn, shall nominate the Chairman of the Tribunal. If

Proceedings or Disputes shall involve more than two parties, the parties thereto shall attempt to align themselves in two sides (i.e. claimant and respondent) each of which shall appoint an arbitrator as if there were only two sides to such Proceedings or Disputes. If such alignment and appointment shall not have occurred within twenty (20) calendar days after the initiating party serves the arbitration demand or if a Chairman has not been selected within thirty (30) calendar days of the selection of the second arbitrator, the Arbitration Court of the LCIA shall appoint the three arbitrators or the Chairman, as the case may be. The parties and the Arbitration Court may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. The arbitrators shall have no authority to award punitive or other punitive type damages and may not, in any event, make any ruling, finding or award that does not conform to the terms and conditions of this Agreement.

18.4 **Costs**

Costs of the arbitration (excluding each party's preparation, travel, attorneys' fees and similar costs) shall be borne in accordance with the decision of the arbitrators. The decision of the arbitrators shall be final, binding and enforceable upon the parties and judgment upon any award rendered by the arbitrators may be entered in any court having jurisdiction thereof. In the event that the failure of a party to comply with the decision of the arbitrators requires any other party to apply to any court for enforcement of such award, the non-complying party shall be liable to the other for all costs of such litigation, including reasonable attorneys' fees.

18.5 **English Courts**

The Borrower hereby agrees that, at the option of the Lender, any Proceedings or Disputes brought by any party against another party or arising out of or relating to any Senior Loan Agreement may be heard by a court of law. In this case, the courts of England shall have exclusive jurisdiction to settle any such Dispute.

18.6 **Appropriate Forum**

The parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes between them and, accordingly, that they will not argue to the contrary.

18.7 **Right of Lender to Take Proceedings Outside England**

Clause 18.2 (*Arbitration*) and Clause 18.5 (*English Courts*) are for the benefit of the Lender only. As a result nothing in Clause 18.2 (*Arbitration*) and Clause 18.5 (*English Courts*) prevents the Lender from taking Proceedings in any other courts with jurisdiction. To the extent allowed by law, the Lender may take concurrent Proceedings in any number of jurisdictions.

18.8 **Lender's Process Agent**

The Lender irrevocably appoints Law Debenture Corporate Services Limited of Fifth Floor, 100 Wood Street, London EC2V 7EX to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Lender). If such person is not or ceases to be effectively appointed to accept service of process on the Lender's behalf, the Lender shall, on the written demand of the Borrower, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Borrower shall be entitled to appoint such a person by written notice to the Lender, at the Borrower's cost. Nothing in this Clause shall affect the right of the Borrower to serve process in any other manner permitted by law.

18.9 **Borrower's Process Agent**

The Borrower irrevocably appoints its London Representative Office, URSA Bank, 60 Cannon Street, London EC4N 6NP to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Borrower). If such person is not or ceases to be effectively appointed to accept service of process on the Borrower's behalf, the Borrower shall, on the written demand of the Lender, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Lender shall be entitled to appoint such a person by written notice to the Borrower, at the Borrower's cost. Nothing in this Clause shall affect the right of the Lender to serve process in any other manner permitted by law.

20. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

A person who is not a party to a Subordinated Loan Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of such Subordinated Loan Agreement.

21. **COUNTERPARTS**

Each Subordinated Loan Agreement may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same agreement.

22. **LANGUAGE**

The language which governs the interpretation of each Subordinated Loan Agreement is the English language.

23. **AMENDMENTS**

Except as otherwise provided by its terms, each Subordinated Loan Agreement may not be varied except by an agreement in writing signed by the parties hereto.

24. **PARTIAL INVALIDITY**

The illegality, invalidity or unenforceability to any extent of any provision of each Subordinated Loan Agreement under the law of any jurisdiction shall affect its legality, validity or enforceability in such jurisdiction to such extent only and shall not affect its legality, validity or enforceability under the law of any other jurisdiction, nor the legality, validity or enforceability of any other provision.

25. **SEVERABILITY**

In case any provision in or obligation under any Subordinated Loan Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

26. **LIMITED RECOURSE AND NON PETITION**

Neither the Borrower nor any other person acting on its behalf shall be entitled at any time to institute against the Lender, or join in any institution against the Lender of, any bankruptcy, administration, moratorium, reorganisation, controlled management, arrangement, insolvency, examinership, winding-up or liquidation proceedings or similar insolvency proceedings under any applicable bankruptcy or similar law in connection with any obligation of the Lender under this Agreement, save for lodging a claim in the liquidation of the Lender which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Lender.

The Borrower hereby agrees that it shall have recourse in respect of any claim against the Lender only to sums in respect of principal, interest or other amounts (if any), as the case may be, received and retained by or for the account of the Lender pursuant to this Loan Agreement (the "**Lender Assets**"), subject always (1) to the Security Interests (as defined in the Trust Deed) and (2) to the fact that any claims of the Dealers (as defined in the Dealer Agreement) pursuant to the Dealer Agreement shall rank in priority to any claims of the Borrower hereunder, any such claim by any and all such Dealers or the Borrower shall be reduced pro rata so that the total of all such claims does not exceed the aggregate value of the Lender Assets after meeting claims secured on them. The Trustee having realised the same, neither the Borrower nor any person acting on its behalf shall be entitled to take any further steps against the Lender to recover any further sums and no debt shall be owed by the Lender to such person in respect of any such further sum. In particular, the Borrower shall not be entitled to institute, or join with any other person in bringing, instituting or joining, insolvency proceedings (whether court based or otherwise) in relation to the Lender.

The Borrower shall have no recourse against any director, shareholder, or officer of the Lender in respect of any obligations, covenants or agreement entered into or made by the Lender in respect of this Agreement, except to the extent that any such person acts in bad faith or is negligent in the context of its obligations.

IN WITNESS WHEREOF, the parties hereto have caused this Amended and Restated Subordinated Facility Agreement to be executed on the date first written above.

For and on behalf of

JSC URSA BANK:

By: ______________________________

Title: ______________________________

By: ______________________________

Title: ______________________________

Signed by a duly authorised attorney of

SIBACADEMFINANCE PLC

SCHEDULE 1
FORM OF SUBORDINATED LOAN SUPPLEMENT

[DATE]

JSC URSA BANK
and
SIBACADEMFINANCE PLC
SUBORDINATED LOAN SUPPLEMENT
to be read in conjunction with an Amended and Restated Subordinated Facility Agreement dated 14 May 2007

in respect of
a Subordinated Loan of [●]
Series [●]

THIS SUBORDINATED LOAN SUPPLEMENT is made on [SIGNING DATE],

BETWEEN:

(1) **SIBACADEMFINANCE PLC** a public company with limited liability incorporated in Ireland whose registered office is at 4th Floor, Hanover Building, Windmill Lane, Dublin 2, Ireland (the "**Lender**"); and

(2) **JSC URSA BANK**, a company established under the laws of the Russian Federation whose registered office is at 18 Lenina Street, Novosibirsk 630004, Russian Federation ("**the Borrower**").

WHEREAS:

(A) The Borrower has entered into an amended and restated subordinated facility agreement dated 14 May 2007 (the "**Subordinated Facility Agreement**") with the Lender in respect of the Borrower's US$4,000,000,000 Programme for the Issuance of Loan Participation Notes (the "**Programme**").

(B) the Borrower proposes to borrow [●] (the "**Subordinated Loan**") and the Lender wishes to make such Subordinated Loan on the terms set out in the Subordinated Facility Agreement and this Subordinated Loan Supplement.

IT IS AGREED as follows:

1. **Definitions**

Capitalised terms used but not defined in this Subordinated Loan Supplement shall have the meaning given to them in the Subordinated Facility Agreement save to the extent supplemented or modified herein.

2. **Additional Definitions**

For the purpose of this Subordinated Loan Supplement, the following expressions used in the Subordinated Facility Agreement shall have the following meanings:

"**Account**" means the account in the name of the Lender with the Principal Paying Agent (account number [●], [●]) or such other account as may from time to time be agreed between the Lender and the Trustee pursuant to the Trust Deed and notified to the Borrower in writing at least 5 Business Days in advance of such change;

"**Borrower Account**" means the account in the name of the Borrower (account number [●][*insert further details*]);

"**Calculation Agent**" means JPMorgan Chase Bank, N.A. (to become The Bank of New York as of 21 May 2007);

"**Closing Date**" means [●];

"**Notes**" means [●] [[●] per cent.][Floating Rate] Loan Participation Notes due [●] issued by the Lender as Series [●] under the Programme;

"**Repayment Date**" means [●] [*amend as required for Floating Rate Notes*];

"**Specified Currency**" means [●];

"**Subordinated Loan Agreement**" means the Amended and Restated Subordinated Facility Agreement as amended and supplemented by this Subordinated Loan Supplement;

"**Subscription Agreement**" means an agreement between the Lender, the Borrower and [*insert names of managers*] dated [●] relating to the Notes; and

"**Trust Deed**" means the Principal Trust Deed between the Lender and the Trustee dated 14 May 2007 as amended and supplemented by a Supplemental Trust Deed dated [●] constituting and securing the Notes.

3. **Incorporation by Reference**

Except as otherwise provided, the terms of the Subordinated Facility Agreement shall apply to this Subordinated Loan Supplement as if they were set out herein and the Subordinated Facility Agreement shall be read and construed, only in relation to the Subordinated Loan constituted hereby, as one document with this Subordinated Loan Supplement.

4. **The Subordinated Loan**

4.1 **Drawdown**

Subject to the terms and conditions of the Subordinated Loan Agreement, the Lender agrees to make the Subordinated Loan on the Closing Date to the Borrower and the Borrower shall make a single drawing in the full amount of the Subordinated Loan.

4.2 **Interest**

The Subordinated Loan is a [Fixed Rate][Floating Rate] Subordinated Loan. Interest shall be calculated, and the following terms used in the Subordinated Facility Agreement shall have the meanings, as set out below:

4.2.1	**Fixed Rate Subordinated Loan Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
(i)	Interest Commencement Date	[●]
(ii)	Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually] in arrear]
(iii)	Interest Payment Date(s):	[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "**Business Day**"*]/not adjusted]
(iv)	Fixed Amount[(s)]:	[●] per [●] in principal amount
(v)	Broken Amount:	[*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Amount[(s)] and the Interest Payment Date(s) to which they relate*]
(vi)	Day Count Fraction (Clause 4.10 (*Definitions*)):	[●] *(Day count fraction should be Actual/Actual—ICMA for all fixed rate subordinated loans other than those denominated in US dollars, unless specified)*
(vii)	Determination Date(s) (Clause 4.10 (*Definitions*)):	[●] in each year. [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last interest period*][(2)]
(viii)	Other terms relating to the method of calculating interest for Fixed Rate Subordinated Loans:	[Not Applicable/*give details*]
4.2.2	**Floating Rate Subordinated Loan Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(i)	Interest Commencement Date	[●]
(ii)	Interest Period(s):	[●]
(iii)	Specified Interest Payment Dates:	[●]

(2) Only to be completed for a Subordinated Lon where Day Count Fraction is Actual/Actual—ICMA.

(iv)	Business Day Convention:	[Floating Rate Business Day Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
(v)	Business Centre(s) (Clause 4.10 (*Definitions*)):	[●]
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
(vii)	Interest Period Date(s):	[Not Applicable/*specify dates*]
(viii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[●]
(ix)	Screen Rate Determination (sub-clause 4.3.3 of Clause 4.3 (*Rate of Interest for Floating Rate Subordinated Notes*)):	[●]
	—Relevant Time:	[●]
	—Interest Determination Date:	*[[●][TARGET]Business Days in[specify city] for[specify currency] prior to[the first day in each Interest Accrual Period/each Interest Payment Date]*]
	—Primary Source for Floating Rate:	[*Specify relevant screen page and rate or* "Reference Banks"]
	—Reference Banks (if Primary Source is "Reference Banks"):	[*Specify four*]
	—Relevant Financial Centre:	[*The financial centre most closely connected to the Benchmark—specify if not London*]
	—Benchmark:	[*LIBOR, LIBID, LIMEAN, EURIBOR or other benchmark*]
	—Representative Amount:	[*Specify if screen or Reference Bank quotations are to be given in respect of a transaction of a specified notional amount*]
	—Effective Date:	[*Specify if quotations are not to be obtained with effect from commencement of Interest Accrual Period*]
	—Specified Duration:	[*Specify period for quotation if not duration of Interest Accrual Period*]
(x)	ISDA Determination (Clause 4.3 (*Interest for Floating Rate Subordinated Loans*):	
	—Floating Rate Option:	[●]
	—Designated Maturity:	[●]
	—Reset Date:	[●]
	ISDA Definitions: (if different from those set out in the Conditions)	[●]
(xi)	Margin(s):	[+/][●] per cent. per annum
(xii)	Minimum Rate of Interest:	[●] per cent. per annum
(xiii)	Maximum Rate of Interest:	[●] per cent. per annum

	(xiv)	Day Count Fraction (Clause 4.10 (*Definitions*)):	[●]
	(xv)	Rate Multiplier:	[●]
	(xvi)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Subordinated Loans, if different from those set out in the Subordinated Facility Agreement:	[●]]
4.2.3	**StepUp Rate of Interest Provisions:**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Initial Rate of Interest:	[●]
	(ii)	Initial Interest Term:	[●]
	(iii)	StepUp Date:	[●]
	(iv)	StepUp Rate of Interest:	The rate which is a rate per annum (as reported in writing to the Lender and the Borrower by the Calculation Agent (and rounded, if necessary, to the third decimal place (0.0005 being rounded upwards)) which is the aggregate of (a) [●] basis points above the Treasury Rate and (b) the StepUp Related Margin
	(v)	StepUp Interest Term:	[●]
	(vi)	StepUp Related Margin:	[●] basis points
	(vii)	Treasury Rate:	[As defined in the Subordinated Facility Agreement/*specify other*]
4.2.4	**Dual Currency Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate of Exchange/method of calculating Rate of Exchange:	[*Give details*]
	(ii)	Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[ ]
	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[ ]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[ ]
4.3	**Repayment and Prepayment**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	4.3.1	Repayment:	[As set out in Clause 5.1 (*Repayment*) of the Subordinated Facility Agreement/ *specify other provisions*]
	4.3.2	Prepayment by Borrower:	[As set out in Clause 5.2 (*Prepayment by the Borrower*) of the Subordinated Facility Agreement/*specify other provisions*]

4.3.3	Prepayment in the event of Illegality:	[Clause 5.3 (*Prepayment in the event of Illegality*) of the Subordinated Facility Agreement is applicable/*specify other provisions*]
4.3.4	Prepayment in the event of Taxes or Increased Costs:	[Clause 5.4 (*Prepayment in the event of Taxes or Increased Costs*) of the Subordinated Facility Agreement is applicable/*specify other provisions*]

5. **Fees and Expenses**

Pursuant to Clause 3.2 (*Subordinated Loan Arrangement Fee*) of the Subordinated Facility Agreement and in consideration of the Lender making the Subordinated Loan to the Borrower, the Borrower hereby agrees that it shall, one Business Day before the Closing Date, pay to the Lender, in Same-Day Funds, the total amount of [●], being the "**Arrangement Fee**" in respect of the Subordinated Loan, as set forth in Clause [●] of the Subscription Agreement, pursuant to an invoice submitted by, or at the request of, the Lender to the Borrower in the total amount.

6. **Governing Law**

This Subordinated Loan Supplement and all matters arising from or connected with it are governed by and shall be construed in accordance with English law.

This Subordinated Loan Supplement has been entered into on the date stated at the beginning.

JSC URSA BANK

By: By:

Signed by a duly authorised attorney of

SIBACADEMFINANCE PLC

By:

SCHEDULE 2
FORM OF OFFICERS' CERTIFICATE

To: BNY Corporate Trustee Services Limited
One Canada Square
London E14 5AL

From: JSC URSA BANK

Dated:

Dear Sirs

JSC URSA BANK—Subordinated Facility Agreement dated 14 May 2007 **(the "Subordinated Facility Agreement")**

We refer to the Subordinated Facility Agreement. Terms defined therein shall mean the same herein. This is an Officers' Certificate for the purposes thereof:

For and on behalf of JSC URSA BANK

Signed:

________________________	________________________
principal executive officer/principal accounting officer/principal financial officer of JSC URSA Bank	[officer] of JSC URSA BANK

[**encl:**] [*Auditors' report as to extraction*]

TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the Terms and Conditions of the Notes, which contain summaries of certain provisions of the Trust Deed, and which (subject to completion and amendment in accordance with the provisions of Part A of the relevant Final Terms) will be attached to the Notes in definitive form, if issued, and (subject to the provisions thereof) apply to the Global Notes representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the relevant Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such definitive Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed and Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes. References in the Conditions to "**Notes**" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are constituted by, are subject to, and have the benefit of, a supplemental trust deed dated the Issue Date specified hereon (the "**Supplemental Trust Deed**") supplemental to the trust deed (as amended or supplemented as at the Issue Date, the "**Principal Trust Deed**") dated 14 May 2007, each made between Sibacademfinance plc (the "**Issuer**") and BNY Corporate Trustee Services Limited (the "**Trustee**", which expression shall include any trustee or trustees for the time being under the Trust Deed) as trustee for the holders of the Notes (the "**Noteholders**"). The Principal Trust Deed and the Supplemental Trust Deed as modified from time to time in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified, are together referred to as the "**Trust Deed**".

The Issuer has authorised the creation, issue and sale of the Notes for the sole purpose of financing either:

(a) a senior loan (the "**Senior Loan**") as specified hereon to URSA Bank (open joint-stock company) (the "**Borrower**"), on the terms of a senior facility agreement (the "**Senior Facility Agreement**") dated 14 May 2007, as supplemented on the Issue Date specified hereon by a senior loan supplement (the "**Senior Loan Supplement**" and, together with the Senior Facility Agreement, the "**Senior Loan Agreement**") each between the Issuer and the Borrower; or

(b) a subordinated loan (the "**Subordinated Loan**") as specified hereon to the Borrower, on the terms of a subordinated facility agreement (the "**Subordinated Facility Agreement**") dated 14 May 2007, as supplemented on the Issue Date specified hereon by a subordinated loan supplement (the "**Subordinated Loan Supplement**" and, together with the Subordinated Facility Agreement, the "**Subordinated Loan Agreement**") each between the Issuer and the Borrower.

If a Senior Loan is specified hereon, all references in these Terms and Conditions (the "Conditions") to the "Loan", the "Facility Agreement", the "Loan Supplement" and the "Loan Agreement" shall be construed as being references to the "Senior Loan", the "Senior Facility Agreement", the "Senior Loan Supplement" and the "Senior Loan Agreement" respectively.

If a Subordinated Loan is specified hereon, all references in these Conditions to the "Loan", the "Facility Agreement", the "Loan Supplement" and the "Loan Agreement" shall be construed as being references to the "Subordinated Loan", the "Subordinated Facility Agreement", the "Subordinated Loan Supplement" and the "Subordinated Loan Agreement" respectively.

In each case where amounts of principal, interest and additional amounts (if any) are stated herein or in the Trust Deed to be payable in respect of the Notes, the 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 of principal, interest and additional amounts (if any) are due in respect of the Notes, for an amount equivalent to sums of principal, interest and additional amounts (if any) actually received and retained by or for the account of the Issuer pursuant to the Loan Agreement, less any amounts in respect of the Reserved Rights (as defined below). Noteholders must therefore rely solely and exclusively on the Borrower's covenant to pay under the Loan Agreement and the credit and financial standing of the Borrower. Noteholders shall have no recourse (direct or indirect) to any other assets of the Issuer. None of the Noteholders, the Trustee or the other creditors (nor any other person acting on behalf of any of them) shall be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, administration, examinership, moratorium, reorganisation, controlled management, arrangement, insolvency, 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 or the Trustee for so long as the Notes are outstanding, save for

lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer.

The Issuer has charged by way of first fixed charge in favour of the Trustee for itself and on behalf of the Noteholders certain of its rights and interests as lender under the Loan Agreement (other than any rights and benefits constituting Reserved Rights) as security for its payment obligations in respect of the Notes and under the Trust Deed (the "**Charge**") and has assigned absolutely certain other rights under the Loan Agreement to the Trustee (together with the Charge, the "**Security Interests**"). "**Reserved Rights**" are the rights excluded from the Security Interests, being all and any rights, interests and benefits of the Issuer in respect of the obligations of the Borrower under (i) Clause 3.4 (*Ongoing Fees and Expenses*), Clause 5.3 (*Prepayment in event of Illegality*) (other than the right to receive any amount payable under such Clause), Clause 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*) (to the extent that the Borrower shall reimburse the Issuer on demand for any amount paid by the Issuer in respect of taxes, penalties or interest), Clause 6.3 (*Withholding on Notes*) (to the extent that the Issuer has received amounts to which the Noteholders are not entitled), Clause 6.4 (*Reimbursement*), Clause 6.5 (*Notification*), Clause 6.6 (*Mitigation*), Clause 8 (*Change in Law or Increase in Cost*), Clause 12 (*Indemnity*), Clause 13 (*Survival*) and Clause 15.2 (*Stamp Duties*) of the Senior Facility Agreement and the Subordinated Facility Agreement, as the case may be, and in the case of the Senior Facility Agreement only, Clause 10.8 (*Withholding Tax Exemption*).

In certain circumstances, the Trustee shall (subject to it being indemnified and/or secured to its satisfaction) be required by Noteholders holding at least 25 per cent. of the principal amount of the Notes outstanding or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders to exercise certain of its powers under the Trust Deed (including those arising under the Security Interests).

The Notes have the benefit of, and payments in respect of the Notes will be made (subject to the receipt of funds in relation to the Loan from the Borrower) pursuant to, a paying agency agreement (the "**Agency Agreement**") dated [●] and made between the Issuer, the Borrower, JPMorgan Chase Bank, N.A., the Trustee, J.P. Morgan Bank (Ireland) PLC, JPMorgan Chase Bank, N.A., New York branch, and J.P. Morgan Bank Luxembourg S.A. JPMorgan Chase Bank, N.A. will act as principal paying agent (the "**Principal Paying Agent**" and a "**Paying Agent**"), a transfer agent (a "**Transfer Agent**") and calculation agent (the "**Calculation Agent**"). J.P. Morgan Bank (Ireland) PLC will act as Irish Paying Agent (the "**Irish Paying Agent**" and a "**Paying Agent**"), and a transfer agent (a "**Transfer Agent**"). J.P. Morgan Bank Luxembourg S.A. will be acting as the registrar in respect of Regulation S Notes (the "**Luxembourg Registrar**") and a paying agent (a "**Paying Agent**") and a transfer agent (a "**Transfer Agent**"). JPMorgan Chase Bank, N.A., New York Branch will act as United States paying agent (the "**US Paying Agent**" and a "**Paying Agent**"), a transfer agent (a "**Transfer Agent**") and registrar in respect of the Rule 144A Notes (the "**US Registrar**"). The US Registrar and the Luxembourg Registrar are together the "**Registrars**".

Hard copies of the Trust Deed, the Loan Agreements, the Agency Agreement and the Final Terms are available for inspection by Noteholders during normal business hours on any weekday (Saturdays and Sundays and public holidays excepted) at the principal office of the Trustee being, at the date hereof, at Trinity Tower, 9 Thomas More Street, London E1W 1YT, UK, at the specified office of the Principal Paying Agent and at the specified office of the Irish Paying Agent.

Certain provisions of these Conditions include summaries or restatements of, and are subject to, the detailed provisions of the Trust Deed, the Final Terms, the Loan Agreement (the form of which is scheduled to and incorporated in the Trust Deed) and the Agency Agreement. Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions thereof.

1. **STATUS**

   The sole purpose of the issue of the Notes is to provide the funds for the Issuer to finance the Loan. The Notes constitute the obligation of the Issuer to apply the proceeds from the issue of the Notes solely for financing the Loan and to account to the Noteholders for an amount equivalent to sums of principal, interest and additional amounts (if any) actually received and retained by or for the account of the Issuer pursuant to the Loan Agreement, less any amount in respect of Reserved Rights.

   The Trust Deed provides that payments in respect of the Notes equivalent to the sums actually received and retained by or for the account of the Issuer by way of principal, interest or additional amounts (if any) pursuant to the Loan Agreement, less any amounts in respect of the Reserved Rights and subject to Condition 8 (*Taxation*), will be made pro rata among all Noteholders, on the date of, and in the currency of, and subject to the conditions attaching to, the equivalent payment pursuant to

the Loan Agreement. The Issuer shall not be liable to make any payment in respect of the Notes other than as expressly provided herein and in the Trust Deed. As provided therein, neither the Issuer nor the Trustee shall be under any obligation to exercise in favour of the Noteholders any rights of setoff or of banker's lien or to combine accounts or counterclaim that may arise out of other transactions between the Issuer and the Borrower.

Noteholders have notice of, and are deemed to have accepted, these Terms and Conditions, the Final Terms and the contents of the Trust Deed, the Agency Agreement and the Loan Agreement. It is hereby expressly provided that, and Noteholders are deemed to have accepted that:

1.1 neither the Issuer nor the Trustee makes any representation or warranty in respect of, or shall at any time have any responsibility for, or, (in the case of only the Issuer) save as otherwise expressly provided in the Trust Deed, liability or obligation in respect of the performance and observance by the Borrower of its obligations under the Loan Agreement or the recoverability of any sum of principal or interest (or any additional amounts if any) due or to become due from the Borrower under the Loan Agreement;

1.2 the Trustee shall not at any time have any responsibility for, or liability or obligation in respect of, the performance and observance by the Principal Paying Agent, the Paying Agents, the Transfer Agents and the Calculation Agent of their respective obligations;

1.3 neither the Issuer nor the Trustee shall at any time have any responsibility for, or obligation or liability in respect of, the financial condition, creditworthiness, affairs, status or nature of the Borrower;

1.4 neither the Issuer nor the Trustee shall at any time be liable for any representation or warranty or any act, default or omission of the Borrower under or in respect of the Loan Agreement;

1.5 the financial servicing of the terms of the Notes depends solely and exclusively upon performance by the Borrower of its obligations under the Loan Agreement and its covenant to make payments under the Loan Agreement and its credit and financial standing;

1.6 the Issuer and (following the creation of the Security Interests) the Trustee shall be entitled to rely on certificates of the Borrower (and, where applicable, certification by third parties) as a means of monitoring whether the Borrower is complying with its obligations under the Loan Agreement and shall not otherwise be responsible for investigating any aspect of the Borrower's performance in relation thereto and, subject as further provided in the Trust Deed, the Trustee will not be liable for any failure to make the usual or any investigations which might be made by a security holder in relation to the property which is the subject of the Trust Deed and held by way of security for the Notes, and shall not be bound to enquire into or be liable for any defect or failure in the right or title of the Issuer to the assigned property which is subject to the Security Interests whether such defect or failure was known to the Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will it have any liability for the enforceability of the security created by the Security Interests whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such security and the Trustee has no responsibility for the value of such security.

1.7 The Trustee shall not at any time be required to expend or risk its own funds or otherwise incur any financial liability in the performance of its obligations or duties or the exercise of any right, power, authority or discretion pursuant to these Conditions and/or the Trust Deed until it has received from the Borrower the funds that are necessary to cover the costs, expenses and all other liabilities in connection with such performance or exercise, or has been (in its sole discretion) sufficiently assured that it will receive such funds.

Under the Trust Deed, the obligations of the Issuer in respect of the Notes constitute secured and limited recourse obligations of the Issuer and rank *pari passu* and rateably without any preference among themselves.

In the event that the payments under the Loan Agreement are made by the Borrower to, or to the order of, the Trustee or (subject to the provisions of the Trust Deed) the Principal Paying Agent, they will *pro tanto* satisfy the obligations of the Issuer in respect of the Notes.

Save as otherwise expressly provided herein and in the Trust Deed, no proprietary or other direct interest in the Issuer's right under or in respect of the Loan Agreement or the Loan exists for the benefit of the Noteholders. Subject to the terms of the Trust Deed, no Noteholder will have any

entitlement to enforce the Loan Agreement or direct recourse to the Borrower except through action by the Trustee pursuant to the relevant Security Interests granted to the Trustee in the Trust Deed. The Trustee shall not be required to take enforcement proceedings under the Trust Deed, following the enforcement of the Security Interests created in the Trust Deed or, the Loan Agreement unless it has been indemnified and/or secured by the Noteholders to its satisfaction.

The obligations of the Issuer under the Notes shall be solely to make payments of amounts in aggregate equivalent to each sum actually received and retained by or for the account of the Issuer from URSA Bank in respect of principal, interest or, as the case may be, other amounts relating to the Loan (less any amounts in respect of the Reserved Rights), the right to receive which will, *inter alia*, be assigned to the Trustee as security for the Issuer's payment obligations in respect of the Notes. Accordingly, all payments to be made by the Issuer under the Notes will be made only from and to the extent of such sums received or recovered by or on behalf of the Issuer or the Trustee. 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 Noteholders will have no further recourse to the Issuer or any of the Issuer's other assets (including the Issuer's rights with respect to any Loan relating to any other Series of Notes) in respect thereof. In the event that the amount due and payable by the Issuer under the Notes exceeds the sums so received or recovered and retained, the right of any person to claim payment of any amount exceeding such sums shall be extinguished, and Noteholders may take no further action to recover such amounts.

No Noteholder shall have any recourse against any director, shareholder, or officer of the Issuer in respect of any obligations, covenants or agreement entered into or made by the Issuer in respect of the Notes, except to the extent that such person acts in bad faith or is negligent in the context of its obligation.

2. FORM, DENOMINATION AND TITLE

The Notes will be issued in fully registered form, and in the Specified Denomination shown hereon (which shall be not less than EUR 50,000 or its equivalent in other currencies) or integral multiples in excess thereof, without interest coupons, **provided that** (i) interests in the Rule 144A Notes shall be held in amounts of not less than U.S.$100,000 and (ii) Notes with a maturity of less than 365 days shall be held in amounts not less than £100,000 (or its equivalent in other currencies).

A Note issued under the Principal Trust Deed may be a Fixed Rate Note, a Floating Rate Note, a combination of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis specified hereon.

3. REGISTER, TITLE AND TRANSFERS

3.1 Registers

The Luxembourg Registrar will maintain a register in respect of the Regulation S Notes (the "**Regulation S Registrar**") and, the US Registrar will maintain a register in respect of the Rule 144A Notes (the "**Rule 144A Register**" and, together with the Regulation S Register, the "**Registers**"), all in accordance with the provisions of the Agency Agreement. In these Conditions the "**holder**" of a Note means the person in whose name such Note is for the time being registered in the relevant Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A Note will be issued to each Noteholder in respect of its registered holding.

3.2 Title

The holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note) and no person shall be liable for so treating such holder.

3.3 Transfers

Subject to Conditions 3.6 (*Closed Periods*) and 3.7 (*Regulations Concerning Transfers and Registration*), a Note may be transferred upon surrender of the relevant Note, with the endorsed form of transfer duly completed, at the specified office of the relevant Registrar or at the specified office of a Transfer Agent, together with such evidence as the relevant Registrar or such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the

form of transfer. Where not all the Notes represented by the surrendered Note are the subject of the transfer, a new Note in respect of the balance of the Note will be issued to the transferor.

3.4 **Registration and Delivery of Notes**

Within five Business Days of the surrender of a Note in accordance with Condition 3.3 (*Transfers*), the relevant Registrar will register the transfer in question and deliver a new Note to each relevant holder for collection at its specified office or (at the request and risk of such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this paragraph, "**Business Day**" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the relevant Registrar has its specified office.

3.5 **No Charge**

The transfer of a Note will be effected without charge but against such indemnity as the relevant Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

3.6 **Closed Periods**

Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

3.7 **Regulations Concerning Transfers and Registration**

All transfers of Notes and entries on the Registers are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Lender with the prior written approval of the Trustee and the Registrars. A copy of the current regulations will be mailed (free of charge) by either Registrar to any Noteholder who requests in writing a copy of such regulations.

4. **RESTRICTIVE COVENANT**

As provided in the Trust Deed, so long as any of the Notes remains outstanding (as defined in the Trust Deed), the Issuer will not, without the prior written consent of the Trustee or an Extraordinary Resolution or Written Resolution (as defined in the Trust Deed), agree to any amendments to or any modification or waiver of, or authorise any breach or proposed breach of, the terms of the Loan Agreement and will act at all times in accordance with any instructions of the Trustee from time to time with respect to the Loan Agreement, except as otherwise expressly provided in the Trust Deed or the Loan Agreement. Any such amendment, modification, waiver or authorisation made with the consent of the Trustee shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such amendment or modification shall be notified by the Issuer to the Noteholders in accordance with Condition 14 (*Notices*).

Save as provided above, so long as any Note remains outstanding, the Issuer, without the prior written consent of the Trustee, shall not, *inter alia*, incur any indebtedness for borrowed moneys (other than issuing further Notes (which may be consolidated and forma single series with Notes of any Series) and/or creating or incurring further obligations relating to such Notes), engage in any business (other than entering into the Programme, issuing Notes thereunder from time to time for the sole purpose of financing Loans to URSA Bank in accordance with the Senior Facility Agreement or the Subordinated Facility Agreement, as the case may be, and each Loan Supplement, entering into related agreements and transactions and performing any act incidental or necessary in connection with any of the foregoing), declare any dividends, have any subsidiaries or employees, purchase, own, lease or otherwise acquire any real property (including office premises or like facilities), consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entity to any person (otherwise than as contemplated in these Conditions and the Trust Deed), issue any shares (other than such shares as are in issue at the date of the Principal Trust Deed), give any guarantee or assume any other liability, or subject to the laws of Ireland), give any guarantee or assume any other liability, or subject to the laws of Ireland, petition for any bankruptcy.

5. INTEREST

5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding principal amount from (and including) the Interest Commencement Date and thereafter from (and including) each Interest Payment Date, to (but excluding) the next Interest Payment Date at the rate(s) per annum (expressed as a percentage) equal to the Rate(s) of Interest specified hereon which shall be equal to the rate per annum at which interest under the relevant Loan accrues. Accordingly, on each Interest Payment Date or as soon as thereafter as the same is received the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest under the relevant Loan received by or for the account of the Issuer pursuant to the relevant Loan Agreement.

If a Fixed Coupon Amount or a Broken Amount is specified hereon, the amount of interest payable on each Interest Payment Date will be an amount equal to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified hereon or as soon as thereafter as the same is received.

5.2 Interest on Floating Rate Notes

(a) Interest Payment Dates: Each Floating Rate Note bears interest on its outstanding principal amount from (and including) the Interest Commencement Date and thereafter from (and including) each Interest Payment Date, to (but excluding) the next Interest Payment Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest specified hereon, which shall be equal to the rate per annum at which interest under the Loan accrues, such interest being payable in arrears on each Interest Payment Date or as soon as thereafter as the same is received. Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date. Accordingly, on each such date, the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest under the Loan received by or for the account of the Issuer pursuant to the Loan Agreement.

(b) Business Day Convention: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(c) Rate of Interest for Floating Rate Notes: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period (as defined in the Loan Agreement) shall be determined in the manner specified hereon and as set out in the Loan Agreement.

5.3 Accrual of Interest

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 5 (*Interest*) to the Relevant Date (as defined in Condition 8 (*Taxation*).

5.4 Calculations

The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding nominal amount of such Note by

the Day Count Fraction as specified hereon and in the Loan Agreement, unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Note for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

5.5 **Publication of Rates of Interest and Interest Amounts**

As soon as practicable after calculating or determining the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date as set out in the Loan Agreement, the Calculation Agent shall cause such Rate of Interest and Interest Amounts to be notified to the Trustee, the Issuer, the Borrower, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination, but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5.2 (b), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If a Loan becomes due and payable under (i) in the case of a Senior Loan, Clause 11 (*Events of Default*) of the Senior Facility Agreement, or (ii) in the case of a Subordinated Loan, Clause 5 (*Repayment and Prepayment*) of the Subordinated Loan Agreement, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

5.6 **Determination or Calculation by Trustee**

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Period or any Interest Amount pursuant to the Loan Agreement, the Trustee may do so (without any responsibility or liability to any person in relation thereto) (or may appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

5.7 **Step-Up Rate of Interest**

If a Step-Up Rate of Interest is specified hereon, each Fixed Rate Note or Floating Rate Note, as applicable, will bear interest on its outstanding principal amount at the Initial Rate of Interest during the Initial Interest Term and at the Step-Up Rate of Interest during the Step-Up Interest Term, each as specified hereon.

5.8 **Dual Currency Note Provisions**

(a) *Application*: This Condition 5.8 (*Dual Currency Note Provisions*) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Final Terms as being applicable.

(b) *Rate of Interest*: If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

6. REDEMPTION

6.1 Scheduled redemption

Unless the Loan is previously prepaid or repaid, the Borrower will be required to repay the Loan one Business Day (as defined in the Facility Agreement) before its Repayment Date (as defined in the Facility Agreement) and, subject to such repayment, as set forth in the Loan Agreement, all the Notes then remaining outstanding will be redeemed or repaid by the Issuer in the relevant Specified Currency on the Maturity Date specified hereon at their Final Redemption Amount (which, unless otherwise specified hereon, is 100 per cent. of the principal amount thereof).

6.2 Mandatory redemption

If the Loan should become repayable (and be repaid) or be prepaid pursuant to the Loan Agreement prior to its scheduled repayment date, all Notes then remaining outstanding will thereupon become due and redeemable or repayable at their principal amount, or at such other Early Redemption Amount specified hereon, or at 101 per cent. of their principal amount if the Loan should be prepaid pursuant to Clause 5.2.1 of the Subordinated Facility Agreement prior to its scheduled repayment date, (together with interest accrued to the date of redemption) and shall be redeemed by the Issuer. The Issuer shall provide not less than twenty five (25) days' nor more than sixty days' notice thereof to the Trustee and the Noteholders in accordance with Condition 14 (*Notices*) which notice shall be irrevocable and shall specify a date for redemption.

6.3 Rule 144A Notes

The Issuer may compel any beneficial owner of an interest in the Rule 144A Notes to sell its interest in such Notes, or may sell such interest on behalf of such holder, if such holder is a US person that is not a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and a qualified purchaser (as defined in Section 2(a)(51) of the US Investment Company Act of 1940).

6.4 Purchase of Notes

The Issuer or any of its subsidiaries or the Borrower or any of its subsidiaries may at any time purchase Notes in the open market or otherwise and at any price. Any Notes so purchased, whilst held by or on behalf of the Issuer or the Borrower or, in either case, any of its subsidiaries shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be outstanding, including, without limitation, for the purpose of calculating quorums at meetings.

6.5 Cancellation

The Facility Agreement provides that the Borrower may, from time to time deliver Notes held by it to the Issuer, having an aggregate principal value of at least U.S.$1,000,000, together with a request for the Issuer to present such Notes to the relevant Registrar for cancellation, whereupon the Issuer shall, pursuant to the Agency Agreement, request the relevant Registrar to cancel such Notes. Upon any such cancellation by or on behalf of the relevant Registrar, the principal amount of the Loan corresponding to the principal amount of such Notes surrendered for cancellation shall be extinguished as of the date of such cancellation and no further payment shall be made or required to be made by the Issuer in respect of such Notes.

7. PAYMENTS AND AGENTS

7.1 Principal

Payments of principal shall be made against presentation and surrender of the relevant Notes at the specified office of the Principal Paying Agent.

7.2 Interest

Interest shall be paid to the person shown on the relevant Register at the opening of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest shall be made in the Specified Currency by cheque drawn on a bank in the principal financial centre for the Specified Currency or, in the case of Euro, in a city in which banks have access to the TransEuropean Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereof (a "**Bank**") and mailed to the Noteholder (or to the first named of joint Noteholders) of such Note at its address appearing in the relevant Register. Upon application by the holder to the specified office of the relevant Registrar or any Transfer Agent before the Record Date, such payment of

interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank, or by transfer to an account in the Specified Currency maintained by the payee with, a Bank in the principal financial centre of such Specified Currency or in the case of Euro, a Bank specified by the payee or at the option of the payee, by a Euro-cheque and (in the case of interest payable on redemption) upon surrender of the relevant Notes at the specified office of the Principal Paying Agent or at the specified office of any Transfer Agent.

7.3 **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 8 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

7.4 **Payments on Business Days**

If the due date for payments of interest or principal is not a Business Day, a Noteholder shall not be entitled to payment of the amount due until the next following Business Day and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, "**Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon, and (i) (in the case of a payment in a currency other than Euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or (ii) (in the case of payment in Euro) which is a TARGET business day.

7.5 **Initial Paying Agents**

The names of the initial Paying Agents and their initial specified offices are set out below. The Agency Agreement provides that the Issuer may at any time, with the prior written approval of the Trustee, vary or terminate the appointment of the Principal Paying Agent or any of the Paying Agents, and appoint additional or other paying agents **provided that** (i) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will be a paying agent and transfer agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority and (ii) there will be a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to such Directive. Any such variation, termination or appointment shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not more than 45 days' and not less than 30 days' notice thereof shall have been given to the Noteholders in accordance with Condition 14 (*Notices*).

7.6 **Accrued Interest**

In addition, if the due date for redemption or repayment of a Note is not an Interest Payment Date, interest accrued from the preceding Interest Payment Date or, as the case may be, from the Issue Date as specified hereon shall be payable only as and when actually received by or for the account of the Issuer pursuant to the Loan Agreement.

7.7 **Payments by the Borrower**

Save as otherwise directed by the Trustee at any time after any of the Security Interests created in the Trust Deed becomes enforceable, the Issuer will, pursuant to Clause 6 of the Agency Agreement require the Borrower to make all payments of principal and interest and any additional amounts to be made pursuant to the Loan Agreement to the Principal Paying Agent to an account in the name of the Issuer (the "**Account**"). Under the Charge, the Issuer will charge by way of first fixed charge all the rights, title and interest in and to all sums of money then or in the future deposited in the Account in favour of the Trustee for the benefit of the Noteholders.

8. **TAXATION**

8.1 All payments in respect of the Notes by or on behalf of the Issuer will be made without deduction or withholding for or on account of any present or future taxes, duties or assessments or governmental

charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Russian Federation or Ireland or any political subdivision or any authority thereof or therein having the power to tax, unless the deduction or withholding of such taxes or duties is required by law.

Where any such deduction or withholding is required by law, the Issuer shall make such additional payments as shall result in the receipt by the Noteholders of such amount as would have been received by them if no such withholding or deduction had been required but only to the extent and only at such time as the Issuer receives and retains an equivalent amount from the Borrower under the Loan Agreement. To the extent that the Issuer receives and retains any such equivalent sum from the Borrower, the Issuer will account to each Noteholder for an additional amount equivalent to a pro rata proportion of such additional amount (if any) as is actually received and retained by, or for the account of, the Issuer pursuant to the Loan Agreement on the date of, in the currency of, and subject to any conditions attaching to the payment of such additional amount to the Issuer, provided that no such additional amount will be payable in respect of any Note:

(a) to a Noteholder who (a) is able to avoid such deduction or withholding by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant tax authority; (b) is liable for such taxes or duties by reason of his having some connection with the Russian Federation or Ireland other than the mere holding of such Note or the receipt of payment in respect thereof;

(b) presented such Note for payment of principal more than 30 days after the Relevant Date (as defined below) except to the extent that such additional payment would have been payable if such Note had been presented for payment on such 30th day;

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) presented for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union.

As used herein, "**Relevant Date**" (i) means the date on which any payment under the Loan Agreement first becomes due but (ii) if the full amount payable by the Borrower has not been received and retained by, or for the account of, the Issuer pursuant to the Loan Agreement on or prior to such date, it means the date on which such moneys shall have been so received and retained and notice to that effect shall have been duly given to the Noteholders by or on behalf of the Issuer in accordance with Condition 14 (*Notices*).

Any reference herein or in the Trust Deed to payments in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable in accordance with the Trust Deed and this Condition 8 (*Taxation*) or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

9. ENFORCEMENT

The Trust Deed provides that only the Trustee may pursue the remedies under the general law, the Trust Deed or the Notes to enforce the rights of the Noteholders and no Noteholder will be entitled to pursue such remedies unless the Trustee (having become bound to do so in accordance with the terms of the Trust Deed) fails or neglects to do so within a reasonable time and such failure or neglect is continuing.

At any time after (i) in the case of a Senior Loan, an Event of Default (as defined in the Senior Facility Agreement) or (ii) in the case of a Subordinated Loan, a Bankruptcy Event (as defined in the Subordinated Facility Agreement) or (iii) of a Relevant Event (as defined in the Trust Deed) shall have occurred and be continuing, the Trustee may, at its discretion and without notice and shall, if requested in writing to do so by Noteholders holding 25 per cent. in aggregate principal amount of the Notes outstanding, or if directed to do so by an Extraordinary Resolution and, in either case, subject to it being secured and/or indemnified to its satisfaction, declare all amounts payable under the Loan Agreement by the Borrower to be immediately due and payable (in the case of an Event of Default or

a Bankruptcy Event), or enforce the security created in the Trust Deed in favour of the Trustee (in the case of a Relevant Event).

Upon repayment of the Loan following an Event of Default or a Bankruptcy Event and a declaration as provided herein, the Notes will be redeemed or repaid at their principal amount outstanding together with interest accrued to the date fixed for redemption and thereupon shall cease to be outstanding.

In the case of a Subordinated Loan, the Issuer shall have no right to accelerate payments under the Subordinated Loan Agreement in the case of a default in payments of principal, interest or other amounts due under the Subordinated Loan Agreement or for breaches of representations and covenants under the Subordinated Loan Agreement.

10. **MEETINGS OF NOTEHOLDERS; MODIFICATION OF NOTES, TRUST DEED AND LOAN AGREEMENT; WAIVER; SUBSTITUTION OF THE ISSUER; APPOINTMENT/REMOVAL OF TRUSTEE**

10.1 **Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including any modification of, or any arrangement in respect of, the Notes, these Conditions the Loan Agreement or the Trust Deed. Noteholders will vote *pro rata* according to the principal amount of their Notes. Special quorum provisions apply for meetings of Noteholders convened for the purpose of amending certain terms concerning, *inter alia*, the amounts payable on, and the currency of payment in respect of, the Notes and the amounts payable and currency of payment under the Loan Agreement. Any resolution duly passed at a meeting of Noteholders will be binding on all the Noteholders, whether present or not.

10.2 **Modification and Waiver**

The Trustee may agree, without the consent of the Noteholders, to any modification of the Notes, these Conditions, the Trust Deed or the Loan Agreement (other than in respect of Reserved Matters) which in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or is not materially prejudicial to the interests of the Noteholders (as a class). The Trustee may also waive or authorise or agree to the waiving or authorising of any breach or proposed breach by the Issuer of the Conditions or the Trust Deed or by the Borrower of the terms of the Loan Agreement, or determine that any event which would or might otherwise give rise to a right of acceleration under the Loan Agreement shall not be treated as such, if, in the opinion of the Trustee, to do so would not be materially prejudicial to the interests of the Noteholders (as a class) (other than in respect of Reserved Matters); provided always that (subject to certain exceptions) the Trustee may not exercise such power of waiver in contravention of any express direction by a Extraordinary Resolution or Written Resolution or a request of 25 per cent. in aggregate principal amount of Notes outstanding of the Noteholders. Any such modification, waiver or authorisation shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 14 (*Notices*).

10.3 **Substitution**

The Trust Deed contains provisions to the effect that the Issuer may, and at the request of the Borrower shall, having obtained the consent of the Borrower and the Trustee (which latter consent may be given without the consent of the Noteholders) and having complied with such certain requirements as the Trustee may direct in the interests of the Noteholders, substitute any entity in place of the Issuer as creditor under the Loan Agreement, as issuer and principal obligor in respect of the Notes and as principal obligor under the Trust Deed, subject to the relevant provisions of the Trust Deed and the substitute's rights under the Loan Agreement being charged and assigned, respectively, to the Trustee as security for the payment obligations of the substitute obligor under the Trust Deed and the Notes. Not later than 14 days after compliance with the aforementioned requirements, notice thereof shall be given by the Issuer to the Noteholder in accordance with Condition 14 (*Notices*). For so long as the Notes are admitted to trading on the Irish Stock Exchange and the Irish Stock Exchange so requires, a supplement to the Base Prospectus dated 14 May 2007 in respect of the Notes will be prepared and submitted to the Irish Stock Exchange or any other document required by the Irish Stock Exchange in respect of any such substitution.

10.4 **Exercise of Powers**

In connection with the exercise of any of its powers, trusts, authorities or discretions, the Trustee shall have regard to the interests of the Noteholders as a class of each Series of Notes and, in particular, shall not have regard to the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. No Noteholder is entitled to claim from the Issuer, the Borrower or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

10.5 **Appointment and Removal of Trustee**

The Trust Deed contains provisions for the appointment or removal of a Trustee by a meeting of Noteholders passing an Extraordinary Resolution, *provided that*, in the case of removal of a Trustee, at all times there remains a trustee in office after such removal. Any appointment or removal of a Trustee shall be notified to the Noteholders by the Issuer in accordance with Condition 14 (*Notices*). The Trustee may also resign such appointment giving not less than three months' notice to the Noteholders *provided that* such resignation shall not become effective unless there remains a trustee in office after such resignation.

11. **PRESCRIPTION**

Notes will become void unless presented for payment within 10 years (in the case of principal) or five years (in the case of interest) from the due date for payment in respect thereof.

12. **INDEMNIFICATION OF TRUSTEE**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances, including provisions relieving it from taking proceedings to enforce payment unless indemnified and/or secured to its satisfaction and to be paid its costs and expenses in priority to the claims of Noteholders. The Trustee is entitled to enter into contracts or transactions with the Issuer and/or the Borrower and any entity related to the Issuer and/or the Borrower without accounting for any profit, fees, corresponding interest, discounts or share of brokerage earned, arising or resulting from any such contract or transactions.

The Trustee's responsibilities are solely those of trustee for the Noteholders on the terms of the Trust Deed. Accordingly, the Trustee makes no representations and assumes no responsibility for the validity or enforceability of the Loan Agreement or the security created in respect thereof or for the performance by the Issuer of its obligations under or in respect of the Notes and the Trust Deed or by the Borrower in respect of the Loan Agreement. The Trustee has no liability to Noteholders for any shortfall arising from the Trustee being subject to tax as a result of the Trustee holding or realising the Security Interests.

13. **REPLACEMENT OF NOTES**

If any Note shall become mutilated, defaced, lost, stolen or destroyed it may, subject to all applicable laws and regulations and stock exchange requirements, be replaced at the specified office of either Registrar or at the specified office of the Principal Paying Agent in London on payment of such costs, expenses, taxes and duties as may be incurred in connection therewith and on such terms as to evidence, security and indemnity and otherwise as may reasonably be required by or on behalf of the Issuer or the Trustee. Mutilated or defaced Notes must be surrendered before replacements will be issued.

14. **NOTICES**

All notices to the Noteholders shall be deemed to have been duly given if (i) posted to such Noteholders at their respective addresses as shown on the relevant Register and (ii) so long as the Notes are listed and/or admitted to trading on the Irish Stock Exchange and the guidelines of that exchange so require, published in a daily newspaper of general circulation in Ireland approved by the Trustee, currently expected to be the Irish Times. Any such notice shall be deemed to have been given on the first date on which both conditions (if applicable) shall have been met.

In case by reason of any other cause it shall be impracticable to publish any notice to holders of Notes as provided above, then such notification to such holders as shall be given with the approval of the Trustee and shall constitute sufficient notice to such holders for every purpose hereunder.

15. **FURTHER ISSUES**

The Issuer may from time to time, without the consent of the Noteholders, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the amount and the date of the first payment of interest) so as to be consolidated and forma single series with the Notes.

Such further Notes shall be constituted by a deed supplemental to the Trust Deed between the Issuer and the Trustee. The Trust Deed contains provisions for convening a single meeting of Noteholders and the holders of Notes of other series in certain circumstances where the Trustee so decides. In relation to any further issue which is to be consolidated and forma single series with the Notes, the Issuer will enter into a loan agreement supplemental to the Loan Agreement with the Borrower on substantially the same terms as the Loan Agreement (or in all respects except for the amount and the date of the first payment of interest on the further Notes). The Issuer will provide a further fixed charge in favour of the Trustee and amend the existing Security Interests in respect of certain of its rights and interests under such loan agreement and will assign absolutely certain of its rights under such loan agreement which will secure both the Notes and such further Notes and which will amend and supplement the Security Interests in relation to the existing Notes of such Series and the Trustee is entitled to assume without enquiry that this arrangement as regards security for the Notes will not be materially prejudicial to the interests of the Noteholders.

16. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

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

17. **GOVERNING LAW**

The Notes, the Agency Agreement and the Trust Deed are governed by, and shall be construed in accordance with, English law. The Issuer has submitted in the Trust Deed to the exclusive jurisdiction of the courts of England and has waived any objections to the courts of England on the grounds that they are an inconvenient or appropriate forum appointed an agent for the service of process in England.

FORM OF FINAL TERMS

Final Terms dated [●]

URSA Bank (open joint-stock company)

Issue of [Aggregate Principal Amount of Series] [Title of Loan Participation Notes]
by Sibacademfinance plc

for the purpose of financing a [Senior/Subordinated] Loan to
URSA Bank (open joint-stock company)
under a U.S.$[●] Programme for the Issuance of Loan Participation Notes

PART A—CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [●] [and the supplemental Base Prospectus dated [●]][(3)] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 1.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and URSA Bank and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [address] during normal business hours.][(4)]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [original date] [and the supplemental Base Prospectus dated [●]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental Base Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] [and the supplemental Base Prospectus dated [●]] and are attached hereto. Full information on the Issuer, URSA Bank and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [original date] and [current date] [and the supplemental Base Prospectuses dated [●]] and [●]]. [The Base Prospectuses [and the supplemental Prospectuses] are available for viewing at [address] [and] [website] and copies may be obtained from [address] during normal business hours.][(2)]

*[Include whichever of the following apply or specify as "**Not Applicable**" (N/A). Note that the numbering should remain as set out below, even if "**Not Applicable**" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]*

*[When completing final terms or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "**significant new factors**" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]*

1. Issuer Sibacademfinance plc
2. Borrower: URSA Bank (open joint-stock company)

[(i)] Series Number:	[●]
[(ii)] Tranche Number:	[●]

(3) Only include details of a supplemental Prospectus in which the Conditions have been amended for the purposes of all future issues under the Programme.

(4) Article 14.2 of the Prospectus Directive provides that a Prospectus is deemed available to the public when, *inter alia*, made available (i) in printed form free of charge at the offices of the market on which securities are being admitted to trading; OR (ii) at the registered office of the Issuer and at the offices of the Paying Agents; OR (iii) in an electronic form on the Issuer's website. Article 16 of the Prospectus Directive requires that the same arrangements are applied to supplemental Prospectuses.

3.	Specified Currency or Currencies:	[●]
4.	Aggregate Nominal Amount of Notes admitting to trading:	[●]
	(i) [Series:]	[●]
	(ii) [Tranche:]	[●]
5.	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
6.	Specified Denominations:	[●][5]
7.	(i) Issue Date:	[●]
	(ii) Interest Commencement Date:	[●]
8.	Maturity Date:	[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]
9.	Interest Basis:	[[●] per cent. Fixed Rate][[specify reference rate] +/ [[●] per cent. Floating Rate](further particulars specified below) [Other (specify)]
10.	Redemption/Payment Basis:	[Redemption at par/other (specify)] [Dual Currency]
11.	Change of Interest of Redemption/Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis*]
12.	(i) [Status and Form of the Notes:]	Senior, Registered
	(ii) [[Date [Board] approval by the Issuer [for issuance of Notes obtained:]	[●] [and [●], respectively]] (N.B. Only relevant where Board (or similar) authorisation is required for the particular Series of Notes)]
	(iii) [Date Board Approval by the Borrower for the borrowings under the [Senior]/ [Subordinated] Loan Obtained]	
13.	Method of distribution:	[Syndicated/Nonsyndicated]
14.	Financial Centres (Condition 7 (Payments and Agents)):	[●]
15.	Loan:	[Specify whether Loan is a Senior Loan or a Subordinated Loan and details of such Loan]

[5] Section 6: The issue of Notes with a maturity of less than one year by the Issuer, where the issue proceeds are to be accepted in the United Kingdom, will be subject to S 19 FSMA unless their denomination is £100,000 or more (or its equivalent in other currencies) and they are only issued to "**professionals**" within Article 9(2) of the Financial Services and Markets Act (Regulated Activities) Order 2001

Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of S 19 FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

The Central Bank of Ireland requires that Notes with a maturity of less than one year have a minimum denomination of €300,000, or the foreign currency equivalent and that the requirements of Notice BSD C 01/02 dated 12 November 2002 (as amended) issued by the Financial Regulator are complied with.

Add appropriate provisions to terms and conditions if included.

Provisions Relating To Interest Payable Under The Loan

16.	(i) Fixed Rate Note Provisions:	[Applicable/Not Applicable] *(if not applicable, delete the remaining subparagraphs of this paragraph)*
	(ii) Rate [(s)] of Interest:	[●] per cent. per annum payable [annually/ semi-annually] in arrear
	(iii) Interest Payment Date(s):	*[●] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "**Business Day**"]/not adjusted]*
	(iv) Fixed Coupon Amount [(s)]:	[●] per [●] in principal amount
	(v) Broken Amount:	[*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount [(s)] and the Interest Payment Date(s) to which they relate*]
	(vi) Day Count Fraction (Condition5 (*Interest*):	[●] [*Day count fraction should be Actual/ Actual—ICMA for all fixed rate issues other than those denominated in U.S. dollars*]
	(vii) Determination Date(s) (Condition 5 (Interest)):	*[●] in each year. [Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*]
	(viii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/give details]
17.	Floating Rate Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
(i)	Interest Period(s):	[●]
(ii)	Specified Interest Payment Dates:	[●]
(iii)	Business Day Convention:	[Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day/Convention/other (give details)]
(iv)	Additional Business Centre(s):	[●]
(v)	Manner in which the Rate(s) of Interest is/ are to be determined:	[Screen Rate Determination/ISDA Determination/other (give details)]
(vi)	Interest Period Date(s):	[Not Applicable/specify dates]
(vii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[●]
(viii)	Screen Rate Determination:	As set out in the attached Loan Supplement
(ix)	ISDA Determination:	As set out in the attached Loan Supplement
(x)	Margin(s):	[+/] [●] per cent. per annum
(xi)	Minimum Rate of Interest:	[●] per cent. per annum
(xii)	Maximum Rate of Interest:	[●] per cent. per annum
(xiii)	Day Count Fraction:	[●]

(xiv)	(Condition 5 (*Interest*)):	[●]
(xv)	Rate Multiplier:	[●]
(xvi)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Loans, if different from those set out in the Conditions:	[●]
18.	StepUp Rate of Interest of Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*.
	(i) Initial Rate of Interest:	[●]
	(ii) Initial Interest Term:	[●]
	(iii) StepUp Date:	[●]
	(iv) StepUp Rate of Interest:	The rate which is a rate per annum (as reported in writing to the Lender and the Borrower by the Calculation Agent (and rounded, if necessary, to the third decimal place (0.0005 being rounded upwards)) which is the aggregate of (a) [●] basis points above the Treasury Rate (b) the StepUp Related Margin
	(v) StepUp Interest Term:	[●]
	(vi) StepUp Related Margin:	[●] basis points
	(vii) Treasury Rate:	[A rate equal to the yield, as published by the Board Of Governors Of The Federal Reserve System, on the Benchmark Treasury. If there is no such publication of this yield during the week preceding the relevant calculation date, the Treasury Rate will be calculated by reference to quotations from selected primary US Treasury securities dealers in New York City selected by the Calculation Agent. The Treasury Rate will be calculated on the third business day in New York (being a day, other than a Saturday or Sunday, on which banks and foreign exchange markets are open for business generally in New York) preceding the StepUp Date/ specify other]
19.	**Dual Currency Note Provisions:**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Rate of Exchange/method of calculating Rate of Exchange:	[*Give details*]
	(ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[]

Provisions Relating To Redemption

20.	Final Redemption Amount of each Note:	[[●] per Note of [●] specified denomination/ Other]
21.	Early Redemption Amount(s) of each Note payable if the relevant Loan should become repayable under the relevant Loan Agreement prior to the Maturity Date:	[Principal amount/Other] [*If Clause 5.2.1 of the Subordinated Facility Agreement is applicable, also include provision for Notes to be redeemed at 101 per cent. of principal amount should prepayment under such Clause 5.2.1 occur*]

General Provisions Applicable To The Notes

22.	Form of the Notes:	Registered Notes
23.	Other final terms:	[Not Applicable/give details] (*When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*)

Distribution

24.	(i) If syndicated, names of Managers:	[Not Applicable/give names]
	(ii) Stabilising Manager(s) (if any):	[Not Applicable/give name]
25.	If nonsyndicated, name of Dealer:	[Not Applicable/give name]
26.	Additional selling restrictions:	[Not Applicable/give details]

General

27.	Additional steps that may only be taken following approval by an Extraordinary Resolution in accordance with Condition 10 (*Meetings of Noteholders; Modification of Noteholders*):	[Not Applicable/give details]
28.	The aggregate principal amount of Notes issued has been translated into US dollar at the rate of [●] producing a sum of (for Notes not denominated in U.S. dollars):	[Not Applicable/U.S.$[●]]
	Loan value ratio:	[●]

[Listing And Admission To Trading Application

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the U.S.$[●] Programme for the Issuance of Loan Participation Notes of URSA Bank.]

Responsibility

The Issuer and URSA Bank accept responsibility for the information contained in these Final Terms [[●] has been extracted from [●]]. [Each of the Issuer and URSA Bank confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from

information published by [•], no facts have been omitted which would render the reproduced inaccurate or misleading.]

Signed by a duly authorised attorney ofURSA Bank (open joint-stock company)
Sibacademfinance plc:

By: ______________________	By: ______________________
Duly authorised	*Duly authorised*
	By: ______________________
	Duly authorised

Form of Final Terms

PART B—OTHER INFORMATION

1. **Listing**

(i) Listing:	[Irish Stock Exchange/other (specify)/None]
(ii) Admission to trading:	[Application has been made for the Notes to be admitted to trading on [●] with effect from [●].][Not Applicable.]
(iii) Estimate of total expenses related to admission to trading:	[●]

2. **Ratings**

Ratings:	The Notes to be issued have been rated: [S & P: [●]] [Moody's: [●]] [[Other]: [●]] *(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

3. **[Notification**

The [include name of competent authority in EEA home Member State] [has been requested to provide/has provided—include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [include names of competent authorities of host Member States] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.]

4. **[Interests Of Natural And Legal Persons Involved In The [Issue/Offer]**

If applicable a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest is to be included. This may be satisfied by the inclusion of the following statement:

"Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."][6]

5. [Fixed Rate Notes only—YIELD

Indication of yield:	[●]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

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(6) If there are material interests, but they are not discussed in "Subscription and Sale", insert the section name where they are discussed instead. If there are no material interests, delete the whole of paragraph 4.

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking *societe anonyme* [or DTC] and the relevant identification number(s):	[Not Applicable/give name(s) and number(s) [and addresses])]
Delivery:	Delivery [against/free of] payment
Name and addresses of additional Paying Agent(s) (if any)	[●]

6. [*Dual Currency Notes Only*—**PERFORMANCE OF RATE[S] OF EXCHANGE**

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]

7. **Operational Information**

ISIN Code (Reg S Notes):	[●]
ISIN Code (Rule 144A Notes):	[●]
Common Code (Reg S Notes):	[●]
Common Code (Rule 144A Notes):	[●]
Rule 144A CUSIP number:	[●]

8. **General**

Tradeable Amount:	[●] [So long as the Notes are represented by a permanent Global Note, the Notes will be tradeable only in principal amounts of at least the Specified Denomination and integral multiples of the Tradeable Amount in excess thereof]. This wording will track the wording in the section of the Base Prospectus "Summary of Provisions relating to the Notes in Global Form'.

[THE FINAL FORM OF [SENIOR/SUBORDINATED] LOAN SUPPLEMENT WILL BE ATTACHED]

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

For the purposes of this summary, references to the "relevant Registrar" shall be to J.P.Morgan Bank Luxembourg S.A. in respect of Regulation S Notes and to JPMorgan Chase Bank, N.A., New York Branch in respect of Rule 144A Notes.

The Global Notes

Each Series of Notes will be represented on issue by (i) in the case of Regulation S Notes, interests in a Regulation S Global Note deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg and (ii) in the case of Rule 144A Notes, interests in one or more Rule 144A Global Notes deposited with a custodian for, and registered in the name of Cede& Co. as nominee of, DTC.

Beneficial interests in a Regulation S Global Note may be held only through Euroclear or Clearstream, Luxembourg at any time. See "—Book-Entry Procedures for the Global Notes." By acquisition of a beneficial interest in a Regulation S Global Note, the purchaser thereof will be deemed to represent, among other things, that it is not a US person and that, prior to the expiration of 40 days after completion of the distribution of the Series of which such Notes are a part as determined and certified to the Principal Paying Agent by the relevant Dealer (or in the case of a Series of Notes sold to or through more than one relevant Dealer, by the Lead Manager on behalf of the relevant Dealers (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-US person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S. See "Transfer Restrictions". Rule 144A Global Notes may only be held through DTC at any time. See "—Book-Entry Procedures for the Global Notes". By acquisition of a beneficial interest in a Rule 144A Global Note, the purchaser thereof will be deemed to represent, among other things, that if it is a US person (within the meaning of Regulation S), it is a QIB that is also a QP and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Agency Agreement. See "Transfer Restrictions".

Beneficial interests in each Global Note will be subject to certain restrictions on transfer set forth therein and in the Agency Agreement, and with respect to Rule 144A Global Note, as set forth in Rule 144A, and the Rule 144A Notes will bear the legends set forth thereon regarding such restrictions set forth under "Transfer Restrictions".

Any beneficial interest in a Regulation S Global Note that is transferred to a person who takes delivery in the form of an interest in a Rule l44A Global Note will, upon transfer, cease to have an interest in the Regulation S Global Note and have an interest in the Rule 144A Global Note, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Rule 144A Global Note for as long as it remains such an interest. Any beneficial interest in a Rule 144A Global Note that is transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note will, upon transfer, cease to have an interest in the Rule 144A Global Note and have an interest in the Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the relevant Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the limited circumstances described below, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of Notes in definitive form (the "**Definitive Notes**"). The Notes are not issuable in bearer form.

Amendments to Conditions

Each Global Note contains provisions that apply to the Notes that they represent, some of which modify the effect of the above Terms and Conditions of the Notes. The following is a summary of those provisions:

- *Payments.* Payments of principal and interest in respect of Notes evidenced by a Global Note will be made against presentation for endorsement by the Principal Paying Agent and, if no further payment falls to be made in respect of the relevant Notes, surrender of such Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the relevant Noteholders for such purpose. A record of each payment so made will be endorsed in

the appropriate schedule to the relevant Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the relevant Notes.

- *Notices.* So long as any Notes are evidenced by a Global Note and such Global Note is held by or on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for delivery thereof as required by the Terms and Conditions of such Notes **provided that** for so long as the Notes are listed on the Irish Stock Exchange and the guidelines of the Irish Stock Exchange so require, notices will also be published in a leading newspaper having general circulation in Dublin (which is expected to be the *Irish Times*).
- *Meetings.* The holder of each Global Note will be treated as being one person for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of Notes for which the relevant Global Note may be exchangeable.
- *Trustee's Powers.* In considering the interests of Noteholders while the relevant Global Note is held on behalf of a clearing system, the Trustee, to the extent it considers it appropriate to do so in the circumstances, may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note and may consider such interests as if such accountholders were the holders of such Global Note.
- *Cancellation.* Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled will be effected by reduction in the principal amount of the applicable Global Note. The Issuer undertakes to inform promptly the Irish Stock Exchange (as long as the Notes are admitted to trading on the Irish Stock Exchange) of any such cancellation.

Exchange for Definitive Notes

Exchange

Each Global Note will be exchangeable, free of charge to the holder, in whole but not in part, for Notes in definitive, registered form if: (i) a Global Note is held by or on behalf of (A) DTC, and DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Global Note or ceases to be a "clearing agency" registered under the US Securities Exchange Act of 1934 (the "**Exchange Act**") or if at any time it is no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90days of receiving notice or becoming aware of such ineligibility on the part of DTC or (B) Euroclear or Clearstream, Luxembourg, and Euroclear or Clearstream, Luxembourg, as the case may be, is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by the holder giving notice to the relevant Registrar or any Transfer Agent or (ii) if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 8 (*Taxation*) which would not be suffered were the Notes in definitive form and a notice to such effect signed by two directors of the Issuer is delivered to the Trustee, by the Issuer giving notice to the relevant Registrar or any Transfer Agent and the Noteholders, of its intention to exchange the relevant Global Note for Definitive Notes on or after the Exchange Date (as defined below) specified in the notice.

On or after the Exchange Date, the holder of the relevant Global Note may surrender such Global Note to or to the order of the relevant Registrar or any Transfer Agent. In exchange for the relevant Global Note, as provided in the Paying Agency Agreement, the relevant Registrar will deliver, or procure the delivery of, an equal aggregate amount of duly executed and authenticated Definitive Notes in or substantially in the form set out in the relevant schedule to the Trust Deed. On exchange of the Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes. The Issuer undertakes to inform promptly the Irish Stock Exchange (as long as the Notes are admitted to trading on the Irish Stock Exchange) of any such cancellation.

The relevant Registrar will not register the transfer of, or exchange of interests in, a Global Note for definitive Notes for a period of 15 calendar days ending on the date for any payment of principal or interest or on the date of optional redemption in respect of the Notes.

"**Exchange Date**" means a day falling not later than 90days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the relevant Registrar or the Transfer Agent is located.

Delivery

In such circumstances, the relevant Global Note shall be exchanged in full for Definitive Notes and the Issuer will, at the cost of URSA Bank (but against such indemnity as the relevant Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Notes to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note must provide the relevant Registrar with (a) a written order containing instructions and such other information as the Issuer and the relevant Registrar may require to complete, execute and deliver such Notes and (b) in the case of a Rule 144A Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule l44A, a certification that the transfer is being made in compliance with the provisions of Rule l44A to a QIB that is also a QP. Definitive Notes issued in exchange for a beneficial interest in a Rule 144A Global Note shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "Transfer Restrictions".

Legends

The holder of a Definitive Note may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the relevant Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Note in definitive form ("**Rule 144A Definitive Note**") bearing the legend referred to under "Transfer Restrictions", or upon specific request for removal of the legend on a Rule 144A Definitive Note, the Issuer will deliver only Rule 144A Definitive Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the relevant Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act.

Book-Entry Procedures for the Global Notes

For each Series of Notes represented by interests in both Regulation S Global Note and a Rule 144A Global Note, custodial and depository links are to be established between DTC, Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and crossmarket transfers of the Notes associated with secondary market trading. See "—Book Entry Ownership—Settlement and Transfer of Notes".

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 internationallytraded 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.

Euroclear is situated at

Euroclear Bank
1 Boulevard du Roi Albert-II
B-1210 Brussels

and Clearstream is situated at:

Clearstream Banking
42 Avenue
JF Kennedy
L-1855 Luxembourg
Luxembourg

DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "**banking organisation**" under the laws of the State of New York, a member of the US Federal Reserve System, a "**clearing corporation**" within the meaning of the New York Uniform Commercial code and a "**clearing agency**" registered pursuant to the provisions of Section 17A of the US Securities Exchange Act of 1934 (the "**Exchange Act**"). DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in Rule 144A Global Notes directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the relevant Rule 144A Global Notes as to which such Participant or Participants has or have given such direction. However, in the circumstances described under "Exchange for Definitive Notes," DTC will surrender the relevant Rule l44A Global Notes for exchange for individual Rule 144A Definitive Notes (which will bear the legend applicable to transfers pursuant to Rule 144A).

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

The Regulation S Global Note representing Regulation S Notes of any Series will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg.

DTC

The Rule 144A Global Note representing interests in Rule 144A Notes of any Series will have a CUSIP number and will be deposited with a custodian for and registered in the name of Cede& Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC System.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the owner of an interest in a Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) 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 respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system

with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as beneficial interests in a Global Note are evidenced by the relevant Global Note and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note held within a clearing system are exchanged for Definitive Notes.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited.

Because DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in a Rule 144A Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

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.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement ("**SDFS**") system in same-day funds, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars.

Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC seller and Euroclear/Clearstream, Luxembourg purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in a Rule 144A Global Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in a Regulation S Global Note (subject to the certification procedures provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the custodian of the Rule l44A Global Notes will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede& Co. and (ii) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading between Euroclear/Clearstream, Luxembourg seller and DTC purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in a Rule l44A Global Note (subject to the certification procedures provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Rule 144A Global Notes who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC participant and (b) instruct the relevant Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by a Regulation S Global Note; and (ii) increase the amount of Notes registered in the name of Cede& Co. and evidenced by one or more Rule 144A Global Notes.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interest in Global Notes among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC, they are under no obligation to perform or continue to perform such procedure, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have the responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the Closing Date thereof, which could be more than three business days following the date of pricing. Under Rule 15c6-1 under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the relevant Closing Date will be required, by virtue of the fact the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices, and purchasers of Notes between the relevant date of pricing and the relevant Closing Date should consult their own advisers.

TAXATION

The following is a general description of certain Russian and Irish tax considerations relating to the Notes and the Loan. It does not purport to be a complete analysis of all tax considerations relating to each Series of the Notes, whether in those countries or elsewhere. Prospective purchasers of any Series of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of any Series of the Notes and receiving payments of interest, principal and /or other amounts under any Series of the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus. The information and analysis contained within this section are limited to taxation issues, and prospective investors should not apply any information or analysis set out below to other areas, including (but not limited to) the legality of transactions involving any Series of the Notes.

Russian Federation

Taxation of the Notes

General

The following is a summary of certain Russian tax considerations relevant to the purchase, ownership and disposal of the Notes, as well as the taxation of interest on the Loan. The summary is based on the laws of Russia in effect at the date of this Base Prospectus, which are subject to change (possibly with retroactive effect). The summary does not seek to address the applicability of, and procedures in relation to, taxes levied by regions, municipalities or other non-federal authorities of Russia. Nor does the summary seek to address the availability of double tax treaty relief in respect of the Notes, and it should be noted that there may be practical difficulties, including satisfying certain documentation requirements, involved in claiming double tax treaty relief. Prospective investors should consult their own advisers regarding the tax consequences of investing in the Notes. No representation with respect to the Russian tax consequences to any particular holder is made hereby.

The provisions of the Russian Tax Code applicable to holders, and transactions with the Notes are uncertain and lack interpretive guidance. Both the substantive provisions of the Russian Tax Code applicable to financial instruments and the interpretation and application of those provisions by the Russian tax authorities may be subject to more rapid and unpredictable change and inconsistency than in jurisdictions with more developed capital markets or more developed taxation systems. In particular, the interpretation and application of such provisions will in practice rest substantially with local tax inspectorates.

In practice, interpretation by different tax inspectorates may be inconsistent or contradictory and may constitute 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.

For the purposes of this summary, a "**non-resident Noteholder**" means (i) an individual person actually present in Russia for an aggregate period of less than 183 days within 12 successive months (excluding days of arrival into Russia, but including days of departure from Russia); or (ii) a legal entity or organisation in each case not organised under Russian law that holds and disposes of the Notes otherwise than through a permanent establishment in Russia. The law specifies that for determining tax residence status for an individual in Russia, 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 purposes.

The Russian tax treatment of interest payments made by URSA Bank to the Issuer under the Loan Agreement may affect the holders of the Notes. See "Taxation of Interest on the Loan" below.

Non-Resident Holders

A non-resident Noteholder of a Note should not be subject to any Russian taxes on receipt from the Issuer of amounts payable in respect of principal, premium or interest on the Notes, subject to what is stated in "Taxation of Interest on the Loan".

A non-resident Noteholder generally should not be subject to any Russian taxes in respect of gain or other income realised on redemption, sale or other disposal of the Notes outside Russia, provided that the proceeds from such sale, redemption, or other disposal of the Notes are not received from a source within Russia.

In the event that proceeds from a sale, redemption or disposal of Notes are received from a source within Russia, a non-resident holder that is a legal entity or organisation should not be subject to Russian tax in respect of such proceeds, provided that no portion thereof is attributable to accrued interest. Any portion of such sales proceeds attributable to accrued interest may be subject to Russian withholding tax on income at the rate of 20 per cent., subject to any available double tax treaty relief, even if the disposal itself results in a capital loss. In order to enjoy the benefits of an applicable double tax treaty, documentary evidence is required prior to payment being made to confirm the applicability of the double tax treaty under which benefits are claimed. Non-resident Noteholders that are legal entities and organisations should consult their own tax advisers with respect to this possibility.

If proceeds from a disposal of the Notes are received from a Russian source, a non-resident Noteholder who is an individual will generally be subject to tax at a rate of 30 per cent., subject to any available double tax treaty relief, in respect of gross proceeds from such disposal less any available cost deduction (which includes the purchase price of the Notes) and in respect of interest income. In this regard, if the Notes are disposed of in Russia, for Russian personal income tax purposes, the proceeds of such disposition are likely to be regarded as received from a Russian source. In certain circumstances, if the disposal proceeds are payable by a Russian legal entity, individual entrepreneur or a Russian permanent establishment of a foreign organisation, the payer may be required to withhold this tax or the non-resident individual may be liable to pay the tax. In such a situation, there is a risk that the taxable base may be affected by changes in the exchange rates between the currency of acquisition of the Notes, the currency of sale of the Notes and Roubles. Non-resident holders who are individuals should consult their own tax advisers with respect to the tax consequences of the receipt of proceeds from a source within Russia in respect of a disposition of the Notes.

Where proceeds from the disposition of the Notes are received from a Russian source, in order for the non-resident holder, whether an individual, legal entity or organisation, to receive the benefits of an applicable double tax treaty, documentary evidence is required to confirm the applicability of the double tax treaty for which benefits are claimed.

Resident Holders

A Noteholder who is an individual resident or legal entity resident in Russia for tax purposes is subject to all applicable Russian taxes including any documentation requirements that may be required by law or practice in respect of gains from disposal of the Notes and interest received on the Notes. Resident Noteholders should consult their own tax advisers with respect to their tax position regarding the Notes.

Refund of Tax Withheld

For a Noteholder which is not an individual and for which double tax treaty relief is available, if Russian withholding tax on income was withheld by the source of payment, a refund of such tax is possible within three years from the end of the tax period in which the tax was withheld. In order to obtain a refund, the tax documentation confirming the right of the non-resident recipient of the income to double tax treaty relief is required.

For an individual Noteholder for which double tax treaty relief is available, if Russian withholding tax on income was withheld by the source of payment, a refund of such tax may be filed within one year after the end of the year in which the tax was withheld.

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.

Taxation of Interest on the Loan

In general, payments of interest on borrowed funds by a Russian entity to a non-resident legal person are subject to Russian withholding income tax at a rate of 20 per cent., subject to reduction or elimination pursuant to the terms of an applicable double tax treaty. Based on the professional advice it has received, URSA Bank believes that, payments of interest on the Loans made by URSA Bank to the Issuer should not be subject to withholding taxes under the terms of the double taxation treaty between Russia and Ireland, provided the Russian tax documentation requirements (annual advance confirmation of the

Lender's tax residency) are satisfied. However, there can be no assurance that such double tax relief will continue to be available. In addition, URSA Bank cannot assure prospective investors that they will obtain such exemption from withholding tax under the treaty under the enforcement of the security. If, as a result of the enforcement by the Trustee of the security granted to it by the Issuer by way of security interest in the Trust Deed, interest under the Loan becomes payable to the Trustee, the benefit of the double tax treaty between Russia and Ireland may cease and payments of interest may be subject to Russian withholding tax at a rate of 20 per cent. (or, potentially, 30 per cent. in respect of non-resident individual Noteholders).

If the payments under the Loan Agreement are subject to any withholding taxes for any reason (as a result of which the Issuer would reduce payments under the Notes in the amount of such withholding taxes), URSA Bank is obliged to increase payments as may be necessary so that the Issuer receives the net amount equal to the full amount it would have received in the absence of such withholding. It should be noted, however, that gross-up provisions in contracts may not be enforceable under Russian law. In the event that URSA Bank fails to increase the payments, such failure would constitute an Event of Default under the Loan Agreement. If URSA Bank is obliged to increase payments, it may prepay the Loan in full. In such case, all outstanding Notes would be redeemable at par with accrued interest.

Russian VAT is not applied to the rendering of financial services involving the provision of a loan in monetary form. Therefore, no VAT will be payable in Russia on any payment of interest or principal in respect of the Loan.

Ireland

The following is a summary based on the laws and published practices currently in force in Ireland of certain matters regarding the tax position of investors who are the absolute beneficial owners of their Notes and should be treated with appropriate caution. Particular rules may apply to certain classes of taxpayers holding Notes, including trustees or dealers in shares. 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.

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. However, an exemption from withholding on interest payments exists for certain securities ("quoted Eurobonds") issued by a body corporate (such as the Issuer) which are interest bearing and quoted on a recognised stock exchange (which would include the Irish Stock Exchange).

Any interest paid on such quoted Eurobonds can be paid free of withholding tax provided:

(a) the person by or through whom the payment is made is not in Ireland; or

(b) the payment is made by or through a person in Ireland, and either:

  (i) the quoted Eurobond is held in a clearing system recognised by the Irish Revenue Commissioners (DTC, Euroclear and Clearstream, Luxembourg are so recognised), or

  (ii) 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 an Irish Paying Agent) in the prescribed form.

So long as the Notes continue to be quoted on a recognised stock exchange and are held in DTC, Euroclear and/or Clearstream, Luxembourg, interest on the Notes can be paid by the Issuer and any Paying Agent acting on behalf of the Issuer without any withholding or deduction for or on account of Irish income tax.

If, for any reason, the quoted Eurobond exemption referred to above does not or ceases to apply, the Issuer can still pay interest on the Notes in the ordinary course of its business or trade free of withholding tax provided it is a "qualifying company" (within the meaning of Section 110 of the TCA 1997) and provided the interest is paid to a person resident in a "relevant territory" (i.e. a member state of the European Union (other than Ireland) or a country with which Ireland has a double taxation agreement).

For this purpose, residence is determined by reference to the law of the country in which the recipient claims to be resident. This exemption from withholding tax will not apply, however, if the interest is paid to a company in connection with a trade or business carried on by it through a permanent establishment, branch or agency located in Ireland.

If neither of the above apply for any reason, interest may be paid free of withholding tax if the Noteholder is resident in a double taxation treaty country, if 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

In certain circumstances, Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from interest on any quoted Eurobond, where such interest is collected or realised by a bank or encashment agent in Ireland on behalf of any Noteholder who is Irish resident.

Encashment tax does not apply where the Noteholder is not resident in Ireland and has made a declaration in the prescribed form to the encashment agent or bank.

Taxation of Noteholders

Notwithstanding that a Noteholder may receive interest on the Notes free of withholding tax, the Noteholder may still be liable to pay Irish income tax with respect to such interest. Interest paid on the Notes may have an Irish source and may therefore be within the charge to Irish income tax and levies. Ireland operates a self-assessment system in respect of income tax, and any person, including a person who is neither resident nor ordinarily resident in Ireland, with Irish source income comes within its scope.

There is an exemption from Irish income tax on interest payments made by a qualifying company (as described above) provided the recipient of the interest is a person resident in a Member State of the European Union (other than Ireland) or in a country with which Ireland has a double tax treaty. For this purpose, residence is determined under the terms of the relevant double taxation agreement or in any other case, the laws of the country in which the recipient claims to be resident.

In addition, any interest which can be paid free of withholding tax under the quoted Eurobond exemption (discussed above) is exempt from income tax where the payment is made to a person resident in a Member State of the European Union (other than Ireland) or in a country with which Ireland has a double taxation agreement.

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 attributable, 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 taxation agreement between Ireland and the country of residence of the recipient.

Interest on the Notes which does not fall within the above exemptions may be within the charge to Irish income tax. However, it is understood that there is an unpublished practice of the Irish Revenue Commissioners whereby no action will be taken to pursue any liability to Irish tax in respect of persons who are regarded as not being resident in Ireland, except where such persons have a taxable presence in Ireland or claim any repayment, credit or relief in respect of Irish tax, or use an Irish Paying Agent. There can be no assurance that the Irish Revenue Commissioners will apply this practice in the case of the Noteholders.

Capital Gains Tax

A holder of Notes will be subject to Irish tax on capital gains on a disposal of Notes unless such holder is neither resident nor ordinarily resident in Ireland and does not carry on a trade or business in Ireland through a permanent establishment, branch or agency in respect of which the Notes are or were 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 relief is currently levied at 20 per cent.) if either (i) the disponer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland or (ii) if the Notes are regarded as property situate in Ireland. A foreign domiciled individual will not be regarded

as being resident or ordinarily resident in Ireland at the date of the gift or inheritance unless that individual (i) has been resident in Ireland for the five consecutive tax years preceding that date, and (ii) is either resident or ordinarily resident in Ireland on that date.

Notes in registered form are property situate in Ireland if the register is in Ireland. Accordingly, if such Notes are comprised in a gift or inheritance, the gift or inheritance may be within the charge to tax regardless of the residence status of the disponer or the donee/successor.

Stamp Duty

For as long as the Issuer is a qualifying company within the meaning of Section 110 of the TCA 1997 Act, no stamp duty or similar tax is imposed in Ireland on the issue (on the basis of an exemption provided for in Section 85(2)(c) of the Stamp Duties Consolidation Act, 1999 provided the money raised on the issue of the Notes is used in the course of the Issuer's business), 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 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.

Certain US Federal Income Tax Considerations

THE FOLLOWING DISCUSSION IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY PERSON, FOR THE PURPOSE OF AVOIDING UNITED STATES FEDERAL TAX PENALTIES, AND WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE OFFERING. EACH PROSPECTIVE HOLDER OF A NOTE SHOULD SEEK ADVICE BASED ON SUCH PERSON'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a summary of certain material US federal income tax consequences of the acquisition, ownership and disposition of Notes by a US Holder (as defined below). This summary does not address the material US federal income tax consequences of every type of Note which may be issued under the Programme, and the relevant Final Terms will contain additional or modified disclosure concerning the material US federal income tax consequences relevant to such type of Note as appropriate. This summary deals only with purchasers of Notes that are US Holders, as defined below, that will hold the Notes as capital assets and whose functional currency is the US dollar. The discussion does not cover all aspects of US federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address state, local, foreign or other tax laws. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the US federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, or investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for US federal income tax purposes. Moreover, the summary deals only with Notes with a term of 30years or less. The US federal income tax consequences of owning Notes with a longer term will be discussed in the applicable Final Terms.

As used herein, the term "**US Holder**" means a beneficial owner of Notes that is, for US federal income tax purposes, (a) a citizen or resident of the United States; (b) a domestic corporation (or other domestic entity treated as a corporation for US federal income tax purposes) or a corporation that otherwise is subject to United States federal income taxation on a net income basis in respect of a Note;

(c) an estate the income of which is subject to US federal income tax without regard to its source or (d) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust.

If a partnership (including any entity treated as a partnership for United States federal income tax purposes) is a beneficial owner of Notes the treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its own tax advisor.

The summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the "**Code**"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Characterisation of the Notes

There are no regulations, published rulings or judicial decisions addressing the characterisation for US federal income tax purposes of securities issued under the same circumstances and with substantially the same terms as the Notes. The Issuer expects the Notes to be treated as debt for US federal income tax purposes. However, no ruling will be obtained from the Internal Revenue Service ("**IRS**") with respect to the characterisation of the Notes as debt, and there can be no assurance that the IRS or the courts would agree with this characterisation of the Notes. If the Notes were treated as equity interests in the Issuer, US Holders would be treated as owning interests in a "passive foreign investment company" (a "**PFIC**"). Prospective investors should consult their tax advisers regarding the characterisation of the Notes and the consequences of owning an equity interest in a PFIC. The discussion below assumes that the Notes will be treated as debt for US federal income tax purposes.

Payments of Interest

Interest on a Note, whether payable in U.S. dollars or a currency other than U.S. dollars (a "**foreign currency**"), other than interest on a "**Discount Note**" that is not "**qualified stated interest**" (each as defined below under "Original Issue Discount—General"), will be taxable to a US Holder as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes. Interest paid by the Issuer on the Notes and OID, if any, accrued with respect to the Notes (as described below under "Original Issue Discount") generally will constitute income from sources outside the United States.

Original Issue Discount

General

The following is a summary of the principal US federal income tax consequences of the ownership of Notes issued with original issue discount ("**OID**"). The following summary does not discuss Notes that are characterised as contingent payment debt instruments for US federal income tax purposes. In the event the Issuer issues contingent payment debt instruments, the applicable Final Terms will describe the material US federal income tax consequences thereof.

A Note, other than a Note with a term of one year or less (a "**Short-Term Note**"), will be treated as issued with OID (a "**Discount Note**") if the excess of the Note's "stated redemption price at maturity" over its "issue price" is equal to or more than a de minimis amount (0.25 per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an "**instalment obligation**") will be treated as a Discount Note if the excess of the Note's stated redemption price at maturity over its issue price is greater than or equal to 0.25 per cent. of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the

payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of "**qualified stated interest**". The term "**qualified stated interest**" generally means stated interest that is unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or, subject to certain conditions, at a variable rate based on one more interest indices.

US Holders of Discount Notes must include OID in income calculated on a constantyield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the US Holder holds the Discount Note ("**accrued OID**"). The daily portion is determined by allocating to each day in any "**accrual period**" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the US Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. In the case of a Note that pays a variable rate of interest (a "**Variable Interest Rate Note**") and that is a Discount Note, both the "yield to maturity" and "qualified stated interest" will generally be determined for these purposes as though the Discount Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to the interest payments on the Note on its date of issue or in the case of certain Variable Interest Rate Notes, the rate that reflects the yield that is reasonably expected for the Note. (Additional rules may apply if interest on a Variable Interest Rate Note is based on more than one interest index.) The "**adjusted issue price**" of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

Acquisition Premium

A US Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being "**acquisition premium**") and that does not make the election described below under "**Election to Treat All Interest as Original Issue Discount** is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the US Holder's adjusted basis in the Note immediately after its purchase over the Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

Market Discount

A Note, other than a Short-Term Note, purchased in the secondary market generally will be treated as purchased at a market discount (a "**Market Discount Note**") if the Note's stated redemption price at maturity or, in the case of a Discount Note, the Note's adjusted issue price, exceeds the amount for which the US Holder purchased the Note by at least 0.25 per cent. of the Note's stated redemption price at maturity or adjusted issue price, respectively, multiplied by the number of complete years to the Note's maturity (or, in the case of a Note that is an instalment obligation, the Note's weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes **de minimis market discount**.

In general terms, market discount is accrued on a rateable basis, or, at the US Holder's election, on a constant yield basis, but is not currently includible in taxable income. A constant yield election is irrevocable unless the IRS consents to a revocation. Upon disposition or maturity of a Market Discount Note, or upon receipt of a partial principal payment on a Market Discount Note that is an instalment

obligation, any gain will be treated as ordinary income to the extent that the gain does not exceed the market discount that has accrued on the Note while held by such US Holder. Alternatively, a US Holder of a Market Discount Note may elect to include market discount in income currently (on either a rateable or constant yield basis) over the life of the Note. This election shall apply to all debt instruments with market discount acquired by the electing US Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS. A US Holder of a Market Discount Note that does not elect to include market discount in income currently will generally be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includible in the US Holder's income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the US Holder.

Election to Treat All Interest as Original Issue Discount

A US Holder may elect to include in gross income all interest that accrues on a Note using the constant yield method described above under "—General", with certain modifications. For purposes of this election, interest includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium (described below under "Notes Purchased at a Premium") or acquisition premium. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. If the election to apply the constantyield method to all interest on a Note is made with respect to a Market Discount Note, the electing US Holder will be treated as having made the election discussed above under "**Market Discount**" to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the US Holder. US Holders should consult their tax advisers concerning the propriety and consequences of this election.

Short-Term Notes

In general, an individual or other cash basis US Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for US federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis US Holders and certain other US Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the US Holder so elects, under the constantyield method (based on daily compounding). In the case of a US Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant yield method) through the date of sale or retirement. US Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised. For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A US Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the US Holder at the US Holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the US Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Fungible Issue

The Issuer may, without the consent of the Holders of outstanding Notes, issue additional Notes with identical terms. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for US federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with OID even if the original Notes had no OID, or the additional Notes may have a greater amount of OID than the original Notes. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

Notes Purchased at a Premium

A US Holder that purchases a Note for an amount in excess of its principal amount, or for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as "**amortisable bond**

premium," in which case the amount required to be included in the US Holder's income each year with respect to interest on the Note will be reduced by the amount of amortisable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for US federal income tax purposes) held by the US Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the US Holder, and is irrevocable without the consent of the IRS. See also "Original Issue Discount—Election to Treat All Interest as Original Issue Discount".

Purchase, Sale and Retirement of Notes

A US Holder's tax basis in a Note will generally be its cost, increased by the amount of any OID or market discount included in the US Holder's income with respect to the Note (whether or not *de minimis*) and reduced by (i)the amount of any payments that are not qualified stated interest payments, and (ii)the amount of any amortisable bond premium applied to reduce interest on the Note.

A US Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the tax basis of the Note. Except to the extent described above under "Original Issue Discount—Market Discount" or "Original Issue Discount—Short Term Notes" or attributable to accrued but unpaid interest or changes in exchange rates (as discussed below), gain or loss recognised on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the US Holder's holding period in the Notes exceeds one year. Gain or loss realised by a US Holder on the sale or retirement of a Note generally will be US source.

Foreign Currency Notes

Interest

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis US Holder will be the US dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis US Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a US Holder, the part of the period within the taxable year).

Under the second method, the US Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis US Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the US Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the US Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a foreign currency, the US Holder may recognise US source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars. If a payment received in a foreign currency is not immediately converted into U.S. dollars, the later disposition of the foreign currency may give rise to further exchange gain or loss.

OID

OID for each accrual period on a Discount Note denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis US Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale of the Note), a US Holder may recognise US source exchange gain or loss (taxable as ordinary income or loss) equal to

the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Market Discount

Market Discount on a Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the US Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the US Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the US Holder may recognise US source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A US Holder that does not elect to include market discount in income currently will recognise, upon the disposition or maturity of the Note, the US dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

Bond Premium

Bond premium (including acquisition premium) on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency. On the date bond premium offsets interest income, a US Holder may recognise US source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date, and on the date the Notes were acquired by the US Holder. A US Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a market loss when the Note matures.

Sale or Retirement

As discussed above under "Purchase, Sale and Retirement of Notes", a US Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and its tax basis in the Note. A US Holder's tax basis in a Note that is denominated in a foreign currency will be determined by reference to the US dollar cost of the Note. The US dollar cost of a Note purchased with foreign currency will generally be the US dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis US Holder (or an accrual basis US Holder that so elects), on the settlement date for the purchase.

The amount realised on a sale or retirement for an amount in foreign currency will be the US dollar value of this amount on the date of sale or retirement or, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis US Holder (or an accrual basis US Holder that so elects), on the settlement date for the sale. Such an election by an accrual basis US Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A US Holder will recognise US source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the US dollar values of the US Holder's purchase price for the Note (or, if less, the principal amount of the Note) (i)on the date of sale or retirement and (ii)the date on which the US Holder acquired the Note. Any such exchange rate gain or loss will be realised only to the extent of total gain or loss realised on the sale or retirement.

Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to the US dollar amount taken into account as interest or proceeds from sale or retirement of a Note. Foreign currency that is purchased will generally have a tax basis equal to the US dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or ***upon*** exchange for U.S. dollars) will be US source ordinary income or loss.

Backup Withholding and Information Reporting

In general, payments of interest and accrued OID on, and the proceeds of a sale, redemption or other disposition of, the Notes, payable to a US Holder by a US paying agent or other US intermediary will be reported to the IRS and to the US Holder as may be required under applicable regulations. Backup withholding will apply to these payments and to accruals of OID if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its US federal income tax returns. Certain US Holders (including, among others, corporations) are not subject to backup withholding. US Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption. The backup withholding tax rate is currently 28 per cent.

CERTAIN ERISA CONSIDERATIONS

The US Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") imposes fiduciary standards and certain other requirements on employee benefit plans subject thereto (collectively, "**ERISA Plans**"), including collective investment funds, separate accounts, and other entities or accounts whose underlying assets are treated as assets of such plans pursuant to the US Department of Labor "plan assets" regulation, 29 CFR Section 2510.3-101 (the "**Plan Assets Regulation**") and on those persons who are fiduciaries with respect to ERISA Plans.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code (together with ERISA Plans, "**Plans**")) and certain persons (referred to as "**parties in interest**" or "**disqualified persons**") having certain relationships to such Plans, unless a statutory or administrative exemption applies to the transaction. In particular, an extension of credit between a Plan and a "**party in interest**" or "**disqualified person**" may constitute a prohibited transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes or other liabilities under ERISA and the Code.

The Issuer or the Trustee, directly or through affiliates, may be considered a party in interest or disqualified person with respect to many Plans. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if the Notes are acquired by a Plan with respect to which the Issuer or the Trustee or any of their respective affiliates is a party in interest or a disqualified person, unless the Notes are acquired pursuant to and in accordance with an applicable exemption. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may apply depending in part on the type of Plan fiduciary making the decision to acquire a Note and the circumstances under which that decision is made. However, Notes may not be acquired by any Plans as discussed below.

Under a "look-through rule" set forth in the Plan Assets Regulation, if a Plan invests in an "equity interest" of an entity and no other exception applies, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets. This rule will only apply where equity participation in an entity by benefit plan investors is "significant". Equity participation by benefit plan investors is significant if 25 per cent. or more of the value of any class of equity interest in the entity is held by benefit plan investors. An equity interest does not include debt (as determined by applicable local law) which does not have substantial equity features. The term "**benefit plan investor**" includes (a) an employee benefit plan (as defined in Section 3(3) of ERISA) whether or not subject to Title I of ERISA, (b) a plan described in Section 4975 (e) (1) of the Code and (c) an entity whose underlying assets include "plan assets" by reason of any such plan's investment in the entity. The Plan Assets Regulation provides that where the value of an interest in an entity relates solely to identified property of the entity, that property is treated as the sole property of a separate entity.

Because the Notes do not represent an interest in any property of the Issuer other than the relevant Loan, they may be regarded for ERISA purposes as equity interests in a separate entity whose sole asset is the relevant Loan. Further, neither the Issuer nor the Trustee will be able to monitor the Noteholders' possible status as benefit plan investors. Accordingly, the Notes may not be purchased or held by Plans or any governmental, church or non-US plans which are subject to any Federal, state, local or non-US law that is substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code.

It should be noted that an insurance company's general account may be deemed to include assets of Plans under certain circumstances, e.g., where a Plan purchases an annuity contract issued by such insurance company, based on the reasoning of the United States Supreme Court in John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank, 114 S.Ct. 517 (1993).

BY ITS PURCHASE AND HOLDING OF A NOTE OR ANY INTEREST THEREIN, THE PURCHASER AND/OR HOLDER THEREOF AND EACH TRANSFEREE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED AT THE TIME OF ITS PURCHASE AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NOTE OR INTEREST THEREIN, THAT IT IS NOT AND WILL NOT BE (1)(A)A PLAN, (B)A GOVERNMENTAL, CHURCH OR NON-US PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-US LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (C)ANY ENTITY WHOSE ASSETS ARE TREATED AS ASSETS OF A PLAN OR SUCH A GOVERNMENTAL, CHURCH

OR NON-US PLAN AND (2)IT WILL NOT SELL OR OTHERWISE TRANSFER ANY SUCH NOTE OR INTEREST TO ANY PERSON OTHERWISE THAN TO A PURCHASER OR TRANSFEREE THAT IS DEEMED TO MAKE THE SAME FOREGOING REPRESENTATIONS, WARRANTIES AND COVENANTS.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in a dealer agreement dated [●] (the "**Dealer Agreement**") between the Issuer, URSA Bank, the Dealers and the Arranger, the Notes will be offered from time to time by the Issuer to the Dealers or such other Dealers as may be appointed from time to time in respect of any Series of Notes pursuant to the Dealer Agreement. Any agreement for the sale of Notes will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, whether the placement of the Notes is underwritten or sold on an agency basis only, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) which are payable or allowable by the Issuer in respect of such purchase, and the form of any indemnity to the Dealers against certain liabilities in connection with the offer and sale of the relevant Notes. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Dealer Agreement also provides for Notes to be issued in syndicated Series that may be jointly and severally underwritten by two or more Dealers.

Each of the Issuer and URSA Bank has agreed to indemnify the Dealers against certain losses, as set out in the Dealer Agreement. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe for the Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States

The Notes and the corresponding Loans have not been and will not be registered under the Securities Act or the securities laws of any State or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from the registration requirements of the Securities Act.

Each Dealer has agreed that it will not offer or sell the Notes of a Series(i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of the Series of which such Notes are a part, as determined and certified by the relevant Dealer (or, in the case of a sale of a Series of Notes through more than one Dealer by the Lead Manager on behalf of the relevant Dealers) only in accordance with Rule 903 of Regulation S or Rule 144A under the Securities Act, and, at or prior to confirmation of a sale of Notes (other than a sale pursuant to Rule 144A), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, US persons.

In addition, until 40days after the commencement of the offering of each Series of Notes, an offer or sale of Notes of such Series within the United States by a dealer that is participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Terms used in the preceding three paragraphs have the meanings given to them by Regulation S under the Securities Act.

Notes offered and sold outside the United States may be sold in reliance on Regulation S. The Dealer Agreement provides that the Dealer(s) may directly or through their respective US registered brokerdealer affiliates arrange for the offer and resale of Notes within the United States only to persons whom they reasonably believe are QIBs and who are QPs who can represent that (a) they are QPs who are QIBs within the meaning of Rule 144A, (b) they are not brokerdealers who own and invest on a discretionary basis less than U.S.$25million in securities of unaffiliated issuers, (c) they are not a participantdirected employee plan, such as 401(k) plan, (d) they are acting for their own account, or the account of one or more QIBs each of which is a QP, (e) they are not formed for the purpose of investing in the Issuer or the Notes, (f) each account for which they are purchasing will hold and transfer at least U.S.$100,000 in principal amount of Notes at any time, and (g) they will provide notice of the transfer restrictions set forth in this base prospectus to any subsequent transferees.

This Base Prospectus has been prepared by the Issuer and URSA Bank for use in connection with the offer and sale of the Notes outside the United States and the resale of the Notes in the United States and

for the listing of Notes on the Irish Stock Exchange. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States or to any US person other than any QIB who is also a QP and to whom an offer has been made directly by one of the Dealers or its US registered brokerdealer affiliates. Distribution of this Base Prospectus by any non-US person outside the United States or by any QIB that is a QP within the United States to any US person or to any other person within the United States, other than to a QIB that is a QP and to those persons, if any, retained to advise such non-US person or such QIB that is a QP with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such US person or other person within the United States, other than any QIB that is a QP and those persons, if any, retained to advise such non-US person or QIB that is a QP, is prohibited.

United Kingdom

Each Dealer has represented, warranted and agreed that:

(i) ***No deposittaking***: in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any such Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of such Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

(ii) ***Financial promotion***: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(iii) ***General compliance***: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Russian Federation

Each Dealer has represented, and agreed that it has not offered or sold or otherwise transferred and will not offer or sell or otherwise transfer as part of their initial distribution or at any time thereafter any Notes to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation except in compliance with Russian law. The Notes may not be sold or offered to or for the benefit of any person (including legal entities) that are resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation except in compliance with Russian law.

Ireland

Each Dealer has represented and agreed that:

(a) it will not underwrite the issue of, or place any Notes, otherwise than in conformity than with the provisions of the Irish Investment Intermediaries Act 1995 (as amended), including, without limitation, Sections 9 and 23 thereof and any codes of conduct rules made under Section 37 thereof and the provisions of the Investor Compensation Act 1998;

(b) it will not underwrite the issue of, or place, any Notes, otherwise than in conformity with the provisions of the Irish Central Bank Acts 1942 - 1999 (as amended) and any codes of conduct rules made under Section 117(1) thereof;

(c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of any Notes otherwise than in conformity with the provisions of the Irish Prospectus (Directive 2003/71/EC)

Regulations 2005 and any rules issued under Section 51 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the Financial Services Regulator; and

(d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of any Notes, otherwise than in conformity with the provisions of the Irish Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued under Section 34 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Financial Regulator.

Hong Kong

Each Dealer has represented to and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "**professional investors**" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32)of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to any Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

This Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed that it has not circulated or distributed nor will it circulate or distribute the Base Prospectus or any prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes nor has it offered or sold or caused Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor specified in Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a sophisticated investor and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Base Prospectus or any Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Notes may not be circulated or distributed, nor may Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person, or any person pursuant to Section 275 (1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 by a relevant person which is:

(a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6months after that corporation or that trust has acquired the Notes under Section 275 except:

(i) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275 (1A), and in accordance with the conditions, specified in Section 275 of the SFA;

(ii) where no consideration is given for the transfer; or

by operation of law.

Republic of Italy

The offering of the Notes has not been registered pursuant to the Italian securities legislation and, accordingly, each of the Dealers has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in a solicitation to the public, and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations. In any case, the Notes will not be sold, either in the primary or in the secondary market, to individuals residing in the Republic of Italy.

Each of the Dealers has represented that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy except to "**Professional investors**", as defined in Article 31.2 of CONSOB Regulation No. 11522 of 1st July 1998 ("**Regulation No. 11522**"), as amended pursuant to Articles 30.2 and 100 of Legislative Decree No. 58 of 24th February 1998, as amended ("**Decree No. 58**"), or in any other circumstances where an express exemption from compliance with the solicitation restrictions provided by Decree No. 58 or CONSOB Regulation No. 11971 of 14th May 1999 applies, provided however, that any such offer, sale or delivery of Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy must be:

(a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1st September 1993 ("**Decree No. 385**"), Decree No. 58, Regulation No. 11522 and any other applicable laws and regulations;

(b) in compliance with Article 129 of Decree No. 385 and the implementing instructions of URSA Bank of Italy, pursuant to which the issue, offer or placement of securities in Italy is subject to prior notification to URSA Bank of Italy, unless an exemption, depending *inter alia*, on the aggregate amount of securities issued, offered or placed and the characteristics of the securities, applies; and

(c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or URSA Bank of Italy.

General

Each Dealer has agreed that it has (to the best of its knowledge and belief) complied and will comply with all applicable laws and regulations in each jurisdiction in which it offers, sells or delivers Notes or distributes this Base Prospectus (and any amendments thereof and supplements thereto) or any other offering or publicity material relating to the Notes, the Issuer or URSA Bank.

With the exception of the approval by the Financial Regulator of this Base Prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Ireland, no action has been taken or will be taken in any jurisdiction by the Issuer, URSA Bank, the Arranger or any of the Dealers that would, or is intended to, permit a public offer of the Notes or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Accordingly, each Dealer has undertaken to the Issuer and URSA Bank that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any base prospectus, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will (to the best of its knowledge and belief) result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

These selling restrictions may be modified by the agreement of the Issuer, URSA Bank and the Dealers. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Base Prospectus.

The Arranger, the Dealers and their respective affiliates have engaged in transactions with URSA Bank and other members of the Group (including, in some cases, credit agreements and credit lines) in the ordinary course of their banking business and the Arranger and the Dealers have performed various investment banking, financial advisory, and other services for URSA Bank and other members of the Group, for which they received customary fees, and the Arranger, the Dealers and their respective affiliates may provide such services in the future.

TRANSFER RESTRICTIONS

Because of the following restrictions, you are advised to consult legal counsel prior to making any offer, resale or other transfer offered hereby.

Rule 144A Notes

Each purchaser of a beneficial interest in a Rule 144A Global Note, by accepting delivery of this Base Prospectus and the interest in such Rule 144A Global Note, will be deemed to have represented, agreed and acknowledged that:

1. If it is a US person within the meaning of Regulation S it is (a) a QIB that is also a QP, (b) not a brokerdealer which owns and invests on a discretionary basis less than U.S.$25million in securities of unaffiliated issuers, (c) not a participantdirected employee plan, such as a 401 (k) plan, (d) acquiring such Notes for its own account, or for the account of one or more QIBs each of which is also a QP, (e) not formed for the purpose of investing in the Notes or the Issuer, and (f) aware, and each beneficial owner of such Notes has been advised, that the seller of such Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

2. It is (a) purchasing not less than U.S.$100,000 principal amount of such Notes and (b) will provide notice of the transfer restrictions set forth herein to any subsequent transferees. In addition, it understands that the Issuer may receive a list of participants holding positions in the Issuer's securities from one or more book entry depositories.

3. It understands that the Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB and that is also a QP purchasing for its own account or for the account of one or more QIBs, each of which is also a QP or (b) to a non-US person within the meaning of Regulation S in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States.

4. It understands that the Issuer has the power to compel any beneficial owner of Rule 144A Notes that is a US person and is not a QIB and a QP to sell its interest in the Rule l44A Notes, or may sell such interest on behalf of such owner. The Issuer has the right to refuse to honour the transfer of an interest in the Rule 144A Notes to a US person who is not a QIB and a QP.

5. It understands and acknowledges that its purchase and holding of such Notes constitutes a representation and agreement by it that at the time of its purchase and throughout the period in which it holds such Notes or any interest therein (a) it is not and will not be an employee benefit plan (as defined in Section 3(3) of the US Employee Retirement Income Security Act of 1974, as amended ("ERISA")) subject to Title I of ERISA, or other plan subject to the prohibited transaction provisions of Section 4975 of the US Internal Revenue Code of 1986, as amended (the "Code"), or a church, governmental or non-US plan that is subject to any Federal, state, local or non-US law that is substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, or any entity whose assets are treated as assets of any such employee benefit plan or plan, and (b) it will not sell or otherwise transfer any such Notes or any interest therein to any person otherwise than to a purchaser or transferee that is deemed to make the same representations, warranties and covenants set forth in this paragraph (5) with respect to such person's purchase and holding of such Notes or interest therein.

6. It understands that the Rule 144A Global Note and any Rule 144A Definitive Notes issued in respect thereof, unless otherwise agreed between the Issuer and the Trustee in accordance with applicable law, will bear a legend to the following effect:

   THIS NOTE AND THE LOAN IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1)IN ACCORDANCE WITH

RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”) TO A PERSON WHOM THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE I44A (A “QIB”) AND THAT IS A QUALIFIED PURCHASER (“QP”) WITHIN THE MEANING OF SECTION 2 (a) (51) OF THE US INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “INVESTMENT COMPANY ACT”) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS EACH OF WHICH IS A QP WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, AND IN AN AMOUNT FOR EACH ACCOUNT OF NOT LESS THAN U.S.$100,000 PRINCIPAL AMOUNT OF NOTES OR (2)IN AN OFFSHORE TRANSACTION TO A PERSON WHO IS NOT A US PERSON WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT (“REGULATION S”) IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S, AND, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE NOTES IN RESPECT HEREOF OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER OF THIS NOTE, THE TRUSTEE OR ANY INTERMEDIARY. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

IF THE BENEFICIAL OWNER HEREOF IS A US PERSON WITHIN THE MEANING OF REGULATIONS, SUCH BENEFICIAL OWNER REPRESENTS THAT (1) IT IS A QIB THAT IS ALSO A QP; (2) IT IS NOT A BROKERDEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS; (3) IT IS NOT A PARTICIPANTDIRECTED EMPLOYEE PLAN, SUCH AS A 401 (k) PLAN; (4) IT IS HOLDING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, EACH OF WHICH IS A QP; (5) IT WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER OR THIS NOTE; (6) IT UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITARIES AND (7) IT WILL PROVIDE NOTICE OF THE FOREGOING TRANSFER RESTRICTIONS TO ITS SUBSEQUENT TRANSFEREES.

THE BENEFICIAL OWNER HEREOF HEREBY ACKNOWLEDGES THAT IF AT ANY TIME WHILE IT HOLDS AN INTEREST IN THIS NOTE IT IS A US PERSON WITHIN THE MEANING OF REGULATION S THAT IS NOT A QIB AND A QP, THE ISSUER MAY (A) COMPEL IT TO SELL ITS INTEREST IN THIS NOTE TO A PERSON WHO IS (I) A US PERSON WHO IS A QIB AND A QP THAT IS, IN EACH CASE, OTHERWISE QUALIFIED TO PURCHASE THIS NOTE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OR (II) NOT A US PERSON WITHIN THE MEANING OF REGULATION S OR (B) COMPEL THE BENEFICIAL OWNER TO SELL ITS INTEREST IN THIS NOTE TO THE ISSUER OR AN AFFILIATE OF THE ISSUER OR TRANSFER ITS INTEREST IN THIS NOTE TO A PERSON DESIGNATED BY OR ACCEPTABLE TO THE ISSUER AT A PRICE EQUAL TO THE LESSER OF (X) THE PURCHASE PRICE THEREFOR PAID BY THE BENEFICIAL OWNER, (Y) 100 PER CENT. OF THE PRINCIPAL AMOUNT THEREOF OR (Z) THE FAIR MARKET VALUE THEREOF. THE ISSUER HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF AN INTEREST IN THIS NOTE TO A US PERSON WHO IS NOT A QIB AND A QP. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT.

EACH BENEFICIAL OWNER HEREOF REPRESENTS AND WARRANTS THAT FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN (1) IT IS NOT AND WILL NOT BE (A)AN EMPLOYEE BENEFIT PLAN OR PLAN SUBJECT TO THE PROHIBITED TRANSACTION PROVISIONS OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), OR SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), OR

(B) A GOVERNMENTAL, CHURCH OR NON-US PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-US LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR (C) ANY ENTITY WHOSE ASSETS ARE TREATED AS ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN, AND (2) IT WILL NOT SELL OR OTHERWISE TRANSFER THIS NOTE OR ANY INTEREST HEREIN TO ANY PERSON OTHERWISE THAN TO A PURCHASER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME FOREGOING REPRESENTATIONS, WARRANTIES AND COVENANTS FROM THAT PERSON.

THE ISSUER MAY COMPEL EACH BENEFICIAL OWNER OF THIS NOTE THAT IS A US PERSON WITHIN THE MEANING OF REGULATIONS TO CERTIFY PERIODICALLY THAT SUCH BENEFICIAL OWNER IS A QIB AND A QP.

1. It acknowledges that the Issuer, URSA Bank, the Registrar, the Dealers and their respective affiliates, and others, will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Rule 144A Notes is no longer accurate, it shall promptly notify the Issuer, URSA Bank and the applicable Dealer(s). If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the above acknowledgements, representations and agreements on behalf of each account.
2. It understands that Rule l44A Notes of a Series will be represented by interests in one or more Rule 144A Global Notes. Before any interest in a Rule l44A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of a beneficial interest in the Regulation S Notes, by accepting delivery of this Base Prospectus and the Regulation S Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is, or at the time Regulation S Notes are purchased it will be, the beneficial owner of such Regulation S Notes and (a) it is not a US 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, URSA Bank or a person acting on behalf of the Issuer, URSA Bank or such an affiliate.
2. It understands that the Regulation S Notes have not been and will not be registered under the Securities Act and, prior to the expiration of the applicable distribution compliance period for such Notes, 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 Regulation S Notes of a Series will be evidenced by a Regulation S Global Note. Before any interest in a Regulation S Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.
4. It understands and acknowledges that its purchase and holding of such Notes constitutes a representation and agreement by it that at the time of its purchase and throughout the period it holds such Notes or any interest therein (a) it is not and will not be an employee benefit plan (as defined in ERISA) subject to Title I of ERISA or other plan subject to the prohibited transaction provisions of Section 4975 of the Code, or a church, governmental or non-US plan that is subject to any Federal, state, local or non-US law that is substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, or any entity whose

assets are treated as assets of any such employee benefit plan or plan, and (b) it will not sell or otherwise transfer any such Notes or any interest therein to any person otherwise than to a purchaser or transferee that is deemed to make the same representations, warranties and covenants set forth in this paragraph (4) with respect to such person's purchase and holding of such Notes or interest therein.

5. It acknowledges that the Issuer, URSA Bank, the Registrar, the Dealer(s) and their respective affiliates, and others, will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Regulation S Notes is no longer accurate, it shall promptly notify the Issuer, URSA Bank and the applicable Dealer(s). If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the above acknowledgements, representations and agreements on behalf of each account.

GENERAL INFORMATION

1. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and DTC. The Common Code and the International Securities Identification Number (ISIN) and (where applicable) the CUSIP number and the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms. In addition, application may be made to have Rule 144A Notes designated as eligible for trading on PORTAL.

2. Application has been made to Irish Financial Services Regulatory Authority, as competent authority under the Prospectus Directive for this Base Prospectus to be approved. 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 of the Irish Stock Exchange or to trading on the Irish Stock Exchange for the purposes of the Prospectus Directive.

   Notes may be issued pursuant to the Programme which will not be admitted to listing, trading and/or quotation by the Irish Stock Exchange or any other listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such listing authority, stock exchange and/or quotation system as the Issuer and the relevant Dealer(s) may agree.

3. URSA Bank and the Issuer have obtained or will obtain all necessary consents, approvals and authorisations in Russia and Ireland in connection with any Loan, and the issue and performance of the corresponding Series of Notes. The update of the Programme was authorised by the Board of Directors of the Issuer on 8 May 2007. The establishment of the Programme was authorised by the Board of Directors of URSA Bank on 28 April 2006.

4. No consents, approvals or orders of any regulatory authorities are required by the Issuer under the laws of Ireland for the maintenance of the relevant Loan and for the issue of the corresponding Series of Notes.

5. Since 31 December 2006 there has been no significant change in the financial or trading position of URSA Bank and, since 31 December 2006, there has been no material adverse change in the prospects of URSA Bank.

6. There are no and have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which URSA Bank is aware) which may have or have had during the 12 months prior to the date of this Base Prospectus a significant effect on the financial position or profitability of URSA Bank.

7. Since its incorporation, there has been no material adverse change in the financial position or prospects of the Issuer.

8. There are no and have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had since incorporation, a significant effect on the financial position or profitability of the Issuer.

9. KPMG have audited, and rendered unqualified audit reports on, the Financial Statements of URSA Bank for the years ended 31 December 2006, 2005 and 2004.

10. For the life of this document, hard copies (and certified English translations where documents at issue are not in English) of the following documents may be inspected at the offices of the Principal Paying Agent in London during usual business hours on any weekday (Saturdays and public holidays excepted):

    (a) a copy of this Base Prospectus along with any supplement to this Base Prospectus;

    (b) the Memorandum and Articles of Incorporation of the Issuer;

    (c) the charter of URSA Bank;

    (d) the audited Financial Statements of URSA Bank as of and for the years ended 31 December 2006, 2005 and 2004;

    (e) the report of KPMG in respect of the audited Financial Statements of URSA Bank as of and for the financial years ended 31 December 2006, 2005 and 2004;

(f) the Facility Agreements; and

(g) the Trust Deed and the Agency Agreement.

11. In March 2003 the European Commission published a proposal for a Directive of the European Parliament and of the Council on the harmonisation of transparency requirements with regard to information about issuers whose securities are admitted to trading on a regulated market in the European Union ((2003/0045(COD) (the "**Transparency Directive**"). If, as a result of the adoption of the Transparency Directive or any legislation implementing the Transparency Directive, the Issuer could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which it would otherwise use to prepare its published financial information, the Issuer may seek an alternative admission to listing, trading and/or quotation for the Notes by such other listing authority, stock exchange and/or quotation system outside the European Union as it may (with the approval of the Dealers) decide.

12. JPMorgan Chase Bank N.A., New York Branch will act as Registrar in relation to the Rule 144A Notes and J.P. Morgan Bank Luxembourg S.A. will act as Registrar in relation to the Regulation S Notes. A register of the Notes will be kept at the Issuer's registered office.

13. The total expenses related to the admission to trading of the Programme will not exceed EUR 20,000.

OVERVIEW OF THE BANKING SECTOR AND BANKING REGULATION IN THE RUSSIAN FEDERATION

Infrastructure

The current institutional framework of the Russian banking sector consists of the CBR, state-owned banks, private commercial banks and non-bank credit organisations.

History and Development of the Russian Banking Sector

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 Russia. 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, the second phase of reform saw the beginning of the rapid emergence of regional commercial banks (primarily in the form of cooperatives or joint-stock companies) with initial capital of between RUB500,000 and RUB300 million. After the collapse of the Soviet Union in November 1991, the CBR assumed all of Gosbank's functions, and the government liquidated Gosbank one month later. In 1991, three of the specialised state banks transformed into joint stock companies. Some regional branches of these banks became independent from head offices through management buy outs.

Until the mid-1990s, the number of commercial banks in the Russian Federation was increasing (from approximately 358 in 1990 to 2,538 in 1996). By the start of 1992, 1,500 licences had been granted to banks. Very few of these entities enjoyed sufficient economies of scale to be viable as stand-alone entities and most were dependent on support from their shareholders. The reluctance of Russian corporations to outsource their banking services was and continues to be one of the reasons for the industry's fragmented nature. Many Russian banks remain poorly managed, with inadequate or non-existent risk management systems. Corporate governance in the sector is weak, with creditor abuse still rife. Financial disclosure is poor and ownership structures lack transparency.

The weakness of the Russian banking system was exposed in 1998 during the Russian financial market crisis brought about by the Government's default on much of its short-term domestic debt.

Many banks went bankrupt or were placed under the administration of the Agency for Restructuring of Credit Organisations (the "**ARCO**"), a state corporation established in 1999 to restructure defaulting banks and protect their creditors. In 2002, 14 banks were under the ARCO's administration and by 31 December 2002, 11 of them had completed the financial restructuring process. Other defaulting banks were liquidated. Following the subsequent stabilisation of the Russian banking sector, ARCO's role has decreased substantially. ARCO was liquidated in 2004. The assets of ARCO have been transferred to the Agency of Insurance of Deposits.

Since the 1998 financial crisis the number of credit organisations operating in Russia has fallen to 1,253 as at 1 January 2006 and to 1,189 as at 1 January 2007.

In April-July 2004 the Russian banking sector experienced its first serious turmoil since the financial crisis of August 1998. As a result of the revocation by the CBR of the banking licences of several Russian banks in 2004 (including Guta-Bank, one of the 20 largest banks in Russia) several Russian privately-owned banks collapsed or significantly limited their operations, principally as a result of liquidity problems and the inability to attract funds on the interbank market or from their clients or shareholders. Simultaneously, such banks faced large withdrawals of deposits by both retail and corporate clients. According to the CBR, from 15 June until 1 August 2004 private depositors withdrew approximately RUB30 billion from Russian banks.

The CBR took steps to combat the crisis. 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 reducing banks' borrowing costs. In addition, legislation was passed to combat the crisis and to minimise potential losses of private depositors.

In accordance with amendments to the banking legislation, the CBR is to make payments to private depositors of insolvent Russian banks in the event such banks have not been admitted to the system of the

insurance of private deposits 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. It is anticipated that the CBR will issue regulations with respect to particular disclosure requirements.

In 2002-2006 the Russian banking sector continued to restore its creditability in the eyes of creditors and retail depositors facilitating the increase of banks' resource base. The main source of growth of banks' financial resources is the increasing number of retail deposits. In June 2006 the amount of credit balances on Rouble and foreign currency accounts of individuals increased to approximately RUB3,012.7 billion as compared to approximately RUB2,223.7 billion in June 2005 and RUB1,750.8 billion in June 2004. The second source of growth of financial resources is credit balances on accounts of corporate clients. The amount of credit balances on Rouble and foreign currency accounts of corporate clients increased from approximately RUB1,018.4 billion in July 2004 to RUB1,429.5 billion in July 2005 and to RUB2,000.7 billion in July 2006. The remaining sources of growth of the banking sector's resource base are increasing volumes of issue of debt securities (promissory notes and Bonds) and interbank credit operations amounting to RUB633.9 billion and RUB1,212.2 billion in July 2006, as compared to RUB458.4 billion and RUB866.0 billion in July 2005 and to RUB42.3 billion and RUB105 billion in July 1999, respectively.

According to the CBR, as at 1 January 2007 the total assets of the Russian banking sector were valued at approximately RUB14,045.6 billion, with shareholders' equity valued at approximately RUB1,692.7 billion compared to RUB9,750.3 billion and RUB1,241.8 billion, respectively, as at 1 January 2006 and RUB7,857.2 billion and RUB1,059.8 billion, respectively, as at 1 June 2005. The total charter capital of Russian credit organisations was RUB403.6 billion as at 1 July 2005. As at January 2007 the total charter capital of Russian credit organisations was estimated by the CBR to be RUB566.5 billion.

The presence of foreign owned banks in the Russian market has been kept limited in order to protect the nascent Russian banks. Foreign owned banks need to comply with additional requirements which may be established by the CBR. The aggregate participation of foreign capital in the Russian banking system is determined by federal law proposed by the Russian Government in conjunction with the CBR, however no such law has been enacted. As of 1 January 2007, 65 banks controlled by foreign groups through the holding of more than 50 per cent. of their shares were operating in the Russian Federation, of which three banks are ranked top 30 by the value of their assets. Foreign controlled banks focus primarily on cash and settlement services to non-residents and interbank operations. Although foreign controlled banks, such as Raiffeisenbank Austria, Citibank, BSGV and Delta Bank, are starting to offer retail banking services and increase loan portfolios in the real sectors of the economy, their role in the Russian banking sector remains limited.

Banking industry sector

The Russian banking sector is characterised by a high level of concentration of capital. As at 31 December 2006, approximately 75.5 per cent. of the banking sector's total assets were held by 50 of the largest Russian banks. Sberbank remains the largest bank in Russia in terms of assets, volume of banking operations, client base and branch offices.

State owned banks continue to play a vital 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 (e.g., Rosselkhozbank (Russian Agricultural Bank), Roseximbank (Russian Export Import Bank)).

Retail banking

Sberbank remains the leader in retail banking operations with approximately a 50 per cent. share of the retail banking market. The collapse of large privately owned banks with large distribution networks, such as SBS Agro, Incombank and Rossyisky Kredit, considerably undermined the credibility of consumer banking among retail depositors. State owned Sberbank remains a dominant player in the sector benefiting from an indirect state guarantee for deposits placed with it and the size of its branch network, which is the largest in Russia.

The retail loan market remains underdeveloped and banks have only recently begun to develop mortgage and credit card products, whilst point-of-sale consumer finance has only been available since 2000.

Role of the CBR

Until 2002, the CBR had been operating under the law "On the Central Bank of the Russian Federation (the Bank of Russia)" dated 2 December 1990, as amended. In 2002, this law was superseded by the new Federal law No. 86-FZ "On the Central Bank of the Russian Federation (Bank of Russia)" dated 10 July 2002, as amended (the "**CBR Law**").

According to the CBR Law, neither the state nor the CBR are liable for the other's obligations, unless it has accepted such liability under an agreement or such liability is imposed by Russian legislation. The assets of the CBR are under federal ownership. According to the latest available data, as at 1 March 2007, the CBR assets amounted to RUB8,890,672 million (approximately U.S.$341.9 billion at the current exchange rate) and its gold and currency reserves as at 5 January 2007 (held together with the Ministry of Finance) amounted to U.S.$303.9 billion.

The CBR is legally and financially independent of the Russian Government. The management of the CBR consists of the Chairman, the Board of Directors and the National Banking Council, a body executing primarily supervisory functions (e.g., determining the CBR's maximum capital expenditures, allocation of CBR's profits, appointment of the CBR's auditors and approval of the CBR's accounting rules and procedures). 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 regional branches are called National Banks) and local branches.

The Chairman of the CBR is appointed for a four year term by the State Duma of the Russian Federation (chamber of the Russian Parliament) upon nomination by the President of the Russian Federation. The same procedure applies to the Chairman's removal. The Chairman of the CBR participates in meetings of the Russian Government. 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 Board of Directors with consultative voting rights.

Of the 12 members of the National Banking Council, the Federation Council (chamber of the Russian Parliament) appoints two from among its members, the State Duma appoints three from among its members, the President of the Russian Federation and the Russian Government each appoint three members. The Chairman of the CBR is ex officio member of the National Banking Council.

Pursuant to the CBR Law and the Law "On Banks and Banking Activity" No. 395-1 dated 2 December 1990, as amended (the "**Banking Law**"), and the Law "On Currency Regulation and Currency Control" No. 173-FZ dated 10 December 2003, which came into force on 18 June 2004, as amended (the "**Currency Law**"), the CBR is authorised to issue and implement binding regulations with respect to banking and currency operations. The CBR has actively used this authorisation in recent years, creating a detailed and extensive body of regulations.

Under current banking legislation, the CBR performs 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.
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.

Function	Summary
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 of the Russian Banking Sector

Banking activity in the Russian Federation is broadly governed by the CBR Law, the Banking Law, CBR's regulations and, to a limited extent, by the Currency Law. While the CBR is the primary regulator of the banking sector, other state authorities also exercise regulatory and supervisory functions over banks. The Federal Service on Financial Markets of the Russian Federation issues licences to banks to act as professional participants on the Russian securities market (e.g., brokerage/dealer and custody activities). Tax authorities supervise tax assessments of banks.

According to the Federal Law "On Protection of Competition" No. 135-FZ dated 26 July 2006, the Federal Anti-Monopoly Service (the "**FAS**") regulates mergers and acquisitions of interests 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 and participation interests representing one third of the charter capital of credit organisations established in the form of limited liability companies.

The Association of Russian Banks, comprising, as at 1 April 2007, 733 members, including 563 credit organisations, was established pursuant to the provisions of the Banking Law as a non-commercial self-regulatory organisation. It offers various technical support to its members and lobbies on behalf of banks.

Set out below are some of the principal features of the regulatory regime applicable to banks in the Russian Federation:

Licensing

A credit organisation must be licensed by the CBR in order to conduct "banking activities" as defined in the Banking Law. The credit organisation must be incorporated in the Russian Federation. Licence applicants must submit to the CBR a feasibility report, detailed information on senior management and their compliance with qualification requirements, documents certifying the source of funds contributed to the charter capital of the credit organisation.

Under the Banking Law, credit organisations may be incorporated either as joint stock or limited liability companies or companies with additional liability. The latter form, however, is not common in Russian banking practice, as it envisages joint liability of the company's owners in respect of the company's obligations.

The CBR may refuse to issue a banking licence in the event of (i) non-compliance of application documents with Russian law requirements, (ii) unsatisfactory financial standing of owners of the credit organisation, (iii) non-compliance of chief executive officer and chief accountant of the credit organisation with qualification requirements and (iv) unsatisfactory business reputation of members of the board of directors of the credit organisation.

Charter Capital Requirements

In accordance with recent amendments to the Banking Law, as of 1 January 2007, the own funds must be no less than the Rouble equivalent of EUR5 million. However, the base capital of existing banks may be lower than EUR5 million provided that such capital levels do not fall below the capital base of such banks as at 1 January 2007.

The CBR sets minimum equity (charter capital) requirements for banks. Under CBR Directive No. 1755-U of 11 December 2006, the Rouble equivalent of the minimum capital requirement is set each quarter by the CBR based on the EUR exchange rate. Those banks whose charter capital exceeds their capital base are required to adjust their capital base (or, if impossible, their charter capital) accordingly. The procedure for reduction of banks' charter capital to adjust the amount of their capital base is established by CBR Directive No. 1260-U of 24 March 2003, as amended.

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 set forth in CBR Instruction No. 110-I of 16 January 2004 "On the Banks' Mandatory Economic Ratios" (the "**Instruction No. 110-I**"). Set out below is the system of the mandatory economic ratios which banks are required to observe on a daily basis and regularly reported on to the CBR.

Mandatory Economic Ratios	Description of Mandatory Economic Ratios	CBR Maximum/Minimum Mandatory Economic Ratio 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 the bank's capital base to the amount of its risk-weighted assets.	Minimum 11 per cent. (where a bank's capital base is below EUR5 million) and minimum 10 per cent. (where a bank's capital base is equal or more than EUR5 million)

Mandatory Economic Ratios	Description of Mandatory Economic Ratios	CBR Maximum/Minimum Mandatory Economic Ratio Requirements
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 liquidity risk of a bank 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 the aggregate amount of bank's capital base and liabilities maturing in more than one year.	Maximum 120 per cent.
Maximum exposure to single borrower or a group of related borrowers (N6)	This ratio is intended to limit the credit exposure of a bank to one borrower or a group of related borrowers. It is formulated as the maximum ratio of the aggregate amount of the bank's claims to a borrower or a group of related borrowers to the 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 the 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.

Mandatory Economic Ratios	Description of Mandatory Economic Ratios	CBR Maximum/Minimum Mandatory Economic Ratio Requirements
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 the 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 into shares (participation interests) of other legal entities. It is formulated as the maximum ratio of the bank's investments into shares (participation interest) of other legal entities, to the bank's capital base.	Maximum 25 per cent.

The capital base of a bank is defined in CBR regulations as the aggregate amount of its fixed capital and additional capital decreased by certain mandatory reserves and other amounts. Fixed capital includes, among other items, charter capital, share premium, retained earnings and certain reserves funds. Additional capital includes, among other items, assets revaluation reserves, general loan loss reserves, subordinated debt. To assess the capital adequacy of banks under the risk-based capital guidelines, a bank's own capital is related to the aggregate risk of its assets and off-balance sheet exposure, which are weighted according to five broad risk categories.

In addition, banks issuing mortgage-backed bonds are required to 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.). Such banks should also observe a higher capital adequacy ratio (N1) of a minimum of 14 per cent. (as opposed to the general 10 per cent. requirement).

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

Compulsory Reserve Requirements

Pursuant to the CBR Law, the Board of Directors of the CBR may establish mandatory reserve requirements for banks. Mandatory reserve requirements must not exceed 20 per cent. of the bank's liabilities and may vary for different categories of banks.

Banks are currently required to post mandatory reserves to be held on non-interest bearing accounts with the CBR in the amount equal to 3.5 per cent. in respect of funds in Roubles and foreign currency attracted from legal entities and individuals and 3.5 per cent. in respect of short-term funds in Roubles and foreign currency attracted from non-resident banks.

Since July 2004, the mandatory reserves are required to be calculated by banks in accordance with the CBR Regulation No. 255-P dated 29 March 2004 (the "**Reserves Regulation**"). The Reserves Regulation does not require creation of reserves for certain long-term borrowings. However, it requires posting of reserves for short-term obligations to non-resident banks. In addition, credit organisations with good reserves and credit history may post reserves in accordance with certain calculated averages.

In the event of non-compliance with the mandatory reserve requirements the CBR may impose a fine on the bank and directly debit the bank's correspondent account with the CBR in respect of the insufficient reserve amounts. The CBR and its regional bodies have a right to conduct unscheduled audits on credit organisations to check their compliance with the reserve rules.

Amounts deposited with the CBR in compliance with mandatory reserve requirements are not subject to arrest or other legal process under a bank's obligations. After revocation of the banking licence such amounts are included in the pool of assets available for distribution amongst a bank's creditors in the order established by Russian legislation.

Provisioning and Loss Allowances

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 dated 26 March 2004, as amended. This Regulation has introduced a number of new rules which purport to make the loan impairment provisioning compliant with 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 transaction are unlisted) and various other operations. It has been established that loans classified as Category I loans (standard loans) do not need to comply with the provisions. In addition, credit organisations will be required to classify their loan security into two groups on the basis of its quality. The new regulation provides for a somewhat simplified procedure with respect to writing off bad debts, especially minor debts, as compared with the procedure that was previously in place.

Allowances for loan losses are calculated at the end of each calendar month in Roubles, and then adjusted each month. Such allowances are only used to cover losses relating to the principal amount of the loans made by banks and/or amounts of promissory notes that exclude the relevant interest and discount. The CBR and its regional units have the right to audit a banks' compliance with the requirements relating to allowances for loan losses and check the correct calculation of such allowances in order to balance the need to create allowances on the one hand and ensure the correct preparation of a banks' financial statements for tax purposes on the other.

The CBR also established rules concerning creation of allowances for possible losses, other than loan losses, which may include losses from investments in securities, funds held in correspondent accounts of other banks, contingent liabilities, forward and other transactions. CBR Instruction No. 283-P dated 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 the compliance of banks with these rules.

Mandatory provisions are also created for operations with residents of offshore 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 the CBR Instruction No. 124-I of 15 July 2006 "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", 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 the bank's capital base. At the same time, at the end of each operation day the long or short position with respect to one particular currency or precious metal should not exceed 10 per cent. of the bank's capital base.

Depending on whether the 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, a year and on a daily basis.

Reporting Requirements

Banks must regularly submit balance sheets and other financial statements that reflect their financial position to the CBR. Financial statements must be disclosed to public by the bank on a quarterly and yearly basis. Annual financial statements must be published only after completion of the audit by an independent auditor.

Quarterly financial statements may be published without their certification by an independent auditor. Banking groups (i.e., alliances of banks in which one bank directly or indirectly controls decisions of the management 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 management bodies of other commercial non-banking companies within such alliances) must regularly submit to the CBR the groups consolidated accounts.

The CBR may at any time conduct full or selective audits of any banks filings and may inspect all of its books and records. The CBR, however, is prohibited to conduct a secondary audit of matters covered by the previous audit within a single reporting period, save for limited circumstance provided in the CBR Law.

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" dated 16 January 2004, as amended. Despite certain differences, such financial statements represent a close approximation to IFRS.

Starting from 1 January 2004, all credit organisations in Russia are required to prepare their accounting reports in accordance with IFRS and submit to CBR in addition to those prepared in accordance with the Russian Accounting Regulations. The Banking Law requires that an independent auditor audit a credit organisation's annual financial statements.

Banking Reform

The 1998 financial crisis revealed the lack of proper management controls and risk management systems in the Russian banking sector and strengthened public anxiety regarding the integrity of the banking system, with misleading advertisements, money laundering, corruption and criminal contacts all being major concerns.

At the end of 2001, the Russian Government and the CBR issued a joint declaration setting out the strategy for banking reform in the Russian Federation and calling for certain legislative steps and structural changes in the next five years.

Among other measures aimed at increasing the stability of the Russian banking sector, the strategy envisages (i) an increase in capital adequacy requirements, (ii) the introduction of amendments to the Russian Civil Code allowing the early withdrawal of funds held on deposit accounts opened for a certain term, (iii) the acceptance of IFRS by all Russian banks and (iv) the gradual implementation of a mandatory system of securing private depositors' funds in banks.

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).

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 and includes recommendations of the International Monetary Fund and the World Bank, as set forth in the 2002-2003 Russian Financial Sector Assessment Programme. The Strategy also lists measures which should be implemented to achieve these targets.

Pursuant to the Strategy, the main objective of the development of the Russian banking sector is to increase the stability of the banking system and the effectiveness of banking activities. The Strategy's main goals include:

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

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

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

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

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

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

- increasing the minimum amount of bank charter capital to € 5 million (starting 2007);
- increasing the minimum amount of a bank's net worth (capital) to 10 per cent. (mandatory economic ratio N1), irrespective of the type of a credit organisation and the value of its net worth (commencing 2007);
- easing procedures for the participation of non-residents in the capital of Russian banks (albeit without lifting the restrictions on the opening by foreign banks of branches in Russia); and
- introducing a simplified procedure for the assignment of bank loans.

Following the achievement of the targets set forth above in the Strategy, the next action plan 2009-2015 will be to position of the Russian banking sector on the international financial market.

The law "On Insurance of Retail Deposits Placed by Retail Individuals with Banks in the Russian Federation" No. 177-FZ dated 23 December 2003, as amended (the "**Deposits Insurance Law**")

introduced a system of insuring private deposits. Participation in the system is now mandatory for all Russian banks that wish to attract deposits from individuals.

The Deposits Insurance Law provides for the establishment of a new regulator, Agency for Insurance of Deposits (the "**Agency for Insurance of Deposits**"), that should assume responsibility for collecting deposits, managing the funds in the mandatory insurance pool, determining the insurance premiums and monitoring insurance payments.

There are a number of tests that a bank is expected to meet before it can be admitted to the Russian deposit insurance system: (i) the CBR must be comfortable that the bank's financial accounts and reports are true; (ii) the Bank is in full compliance with the CBR mandatory ratios (capital adequacy and liquidity ratios as well as the CBR's requirements for the transparency of it's ownership structure, risk management and internal control); (iii) the CBR considers the Bank's solvency position sufficient; and (iv) the CBR has not cancelled such bank's banking licence etc. If a bank fails to comply with the applicable requirements or chooses not to participate in the deposit insurance system, it will be precluded from receiving deposits and opening accounts for individuals. Starting from March 2007, the protection for each client's deposit has been increased to RUB400,000 from RUB190,000 previously. Banks are required to make quarterly payments to a newly established insurance fund in the amount of up to 0.15 per cent. of the quarterly average of daily balances calculated under the new law (with the contemplated decrease to 0.13 per cent. from 1 July 2007).

On 30 December 2004 Federal Law No. 218-FZ "On Credit Histories" (the "**Credit Histories Law**") was adopted. 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 describes 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, which principal activity is to collect, process and store credit history data and issue "reports", as defined in the Credit Histories Law).

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:

- the borrower itself;
- banks or other legal entities which are users of such data (with the consent of the borrower);
- 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. Starting from 1 September 2005, banks are 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 consistent 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 "On Mortgage-Backed Securities" and amendments to the Civil Code, Tax Code and the Federal law "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 August 2001, Russia adopted the Federal Law No. 115-FZ "On Combating of the Legalisation of Illegal

Earnings (Money Laundering) and Terrorism Financing" (the "Anti-Money Laundering Law") to comply with the requirements of the Financial Action Task Force on Money Laundering. As a result, Russia was removed from the "black list" of non-cooperative countries and territories in the fight against money laundering maintained by the FATF. 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 the 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 almost in its entirety the former Federal Law "On Currency Regulation and Currency Control" enacted in 1992. 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 mandatory reserving and 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.

Bankruptcy (Insolvency) and Other Related Issues

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

Bankruptcy

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

Bankruptcy proceedings may be initiated against a Russian bank provided that its business has "signs" of insolvency, as described in the Bank Insolvency Law; the overall amount of the outstanding obligations is not less than 1,000 times the statutory minimum wage amount (currently RUB100,000 or approximately U.S.$3,450); 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 (a) financial rehabilitation of the bank (for example, financial support, changing the structure of assets and liabilities or organisational structure of the bank), (b) appointment of a temporary administration to the bank or (c) 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 the 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 the bank. The temporary administration can manage the bank and is further entitled to request the CBR to impose a 3-month moratorium on all payments of the bank to counterparties and creditors. The temporary administration may also refuse performance of agreements or challenge transactions under Articles 27 and 28 of the Bank Insolvency Law.

Priority of Claims

Under Russian bankruptcy law, claims of unsecured creditors against Russian banks are generally subordinated to the claims of individual clients arising out of deposit and bank account agreements, certain claims of creditors arising after the initiation of the bankruptcy proceedings and certain other ongoing payments, workplace injury and moral damages obligations, severance pay, employment-related obligations and royalties. There is also a small risk that claims of unsecured creditors may be further subordinated to claims under certain tax and mandatory payment obligations to the Russian Government. Furthermore, unsecured claims are also effectively subordinated to claims secured by a Russian law pledge. Under the Bankruptcy Law, claims of creditors secured by a Russian law pledge are settled with the money received from the sale of pledged assets.

Claims of creditors secured by a Russian law pledge will be subordinated to the following obligations: (i) injury obligations and moral damages obligations and (ii) severance pay, employment-related obligations and royalties, if such obligations arose prior to the creation of the pledge. Claims of creditors secured by a Russian law pledge remaining unsatisfied upon the sale of pledged assets would be ranked as claims of unsecured creditors after the obligations mentioned above, irrespective of the time of the creation of such claims.

Liquidation and Revocation of the Banking Licence

Mandatory Liquidation

The procedure for the revocation of banking licences and liquidation of banks is regulated by the Banking Law. Article 20 of the Banking Law lists a number of grounds on which the CBR may 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; and (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. On a number of grounds, the CBR must revoke a banking licence. Among those are, for example, (i) certain breaches of capital adequacy and regulatory capital ratios; and (ii) inability to discharge creditors' claims within one month of their due date where such claims exceed 1,000 minimum wages (currently, RUB100,000 or approximately U.S.$3,787).

Upon the revocation of its licence, the 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 1 week of resolving to revoke such a licence.

Voluntary Liquidation

In case of voluntary liquidation of the 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.