

Approved on September 14, 2006

Registered on _____, 2006

State Registration Number

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Approved by the Resolution of the Head of
Funding of the European Bank
for Reconstruction and Development dated
September 14, 2006

Federal Service for Financial Markets of the Russian
Federation

(title of the registration body)

(position and signature of authorized person in the registration
body)

Seal of the registration body

SECURITIES PROSPECTUS

European Bank for Reconstruction and Development

Certificated Floating Rate Interest Bearing Non-Convertible Bearer Bonds with Mandatory Centralised Custody

**in the amount of 7,500,000 (Seven million five hundred thousand)
Bonds with a nominal value of 1,000 (One thousand) Roubles each with
a maturity date falling on the 1,820th (One thousand eight hundred and
twentieth) day from the date of the commencement of the placement of
the Bonds through a closed subscription**

***Information contained in this Securities Prospectus shall be disclosed
in accordance with the legislation of the Russian Federation on
securities.***

***THE REGISTRATION AUTHORITY IS NOT LIABLE FOR THE
AUTHENTICITY OF INFORMATION CONTAINED IN THIS
SECURITIES PROSPECTUS AND DOES NOT EXPRESS ITS
ATTITUDE TOWARDS THE SECURITIES BY REGISTRATION OF
THIS PROSPECTUS***

Head of Funding of the European Bank for Reconstruction and Development
September 14, 2006

Isabelle Laurent _____

Contents

1	Brief Information on the Members of the Issuer's Management Bodies, Bank Accounts, Auditor(s), Appraiser and the Financial Consultant of the Issuer and other Signatories of the Securities Prospectus	9
1.1	Members of the Issuer's Management Bodies	9
1.2	Information on the Issuer's Bank Accounts.....	10
1.3	Information on the Issuer's Auditor(s).....	10
1.4	Information on the Issuer's Appraiser	10
1.5	Information on the Issuer's Consultants	10
1.6	Information on the other Signatories of the Securities Prospectus	10
2	Brief Information on the Volume, Terms, Procedure and Conditions of Placement of each Type/Category of the Securities to be Placed.....	10
2.1	Type, Category and Form of the Placement of Securities	10
2.2	Nominal Value of each Type, Category, Series of the Securities to be Placed	11
2.3	Prospective Amount of the Issue and the Securities to be Placed	11
2.4	Price (Procedure of its Determination) of Securities to be Placed.....	11
2.5	Procedure and Terms of Placement of Securities.....	11
2.6	Procedure and Terms of Payment for Securities to be Placed	11
2.7	Procedure and Terms of Agreements Conclusion during Placement of Securities	11
2.8	List of Potential Buyers of Securities to be Placed	11
2.9	Procedure of Disclosure of Information on the Placement and the Results of the Placement	11
3	Basic Information of the Issuer's Financial and Business Performance.....	11

3.1	Financial and Business Performance of the Issuer	11
3.2	Issuer's Market Capitalisation	13
3.3	Issuer's Liabilities.....	13
3.4	Objectives of the Issue and Use of Proceeds.....	13
3.5	Risks related to Investing in the Issue Securities to be Placed	13
4	Detailed Information about the Issuer	17
4.1	Issuer's History and Development.....	17
4.2	Issuer's Key Business Activities.....	20
4.3	Prospective Activities of the Issuer	23
4.4	Issuer's Participation in Industrial, Banking and Financial Groups, Holding Companies, Concerns and Associations.....	23
4.5	Issuer's Subsidiaries and Related Companies	23
4.6	Composition, Structure and Value of the Issuer's Fixed Assets, Information on the Proposed Acquisition, Replacement and Disposal of Fixed Assets, and about any Encumbrances of Fixed Assets.....	24
5	Issuer's Financial and Financial Activities.....	24
5.1	Results of the Issuer's Financial Activities.....	24
5.2	Issuer's Liquidity, Equity and Current Assets Adequacy	24
5.3	Amount, Structure and Adequacy of the Issuer's Equity and Current Assets.....	24
5.4	Issuer's Expenditure for and Policy in the Field of Research and Development, Licences, Patents and Know-How	24
5.5	Analysis of Trends in the Sphere of the Issuer's Key Business Activities.....	24
6	Detailed Information about the Members of the Issuer's Management and Financial Control Bodies, and Brief Information about the Issuer's Employees	25

6.1	Structure and Competence of the Issuer's Management Bodies	25
6.2	Information about the Members of the Issuer's Management Bodies	25
6.3	Information about Remuneration, Benefits and/or Compensation of Expenses as to each of the Issuer's Management Bodies	25
6.4	Information about Structure and Competence of the Issuer's Financial and Business Control Bodies	25
6.5	Information about Members of the Issuer's Financial and Business Control Bodies	25
6.6	Information about Remuneration, Benefits and/or Compensation for the Expenses of the Financial and Business Control Bodies of the Issuer	25
6.7	Information about the Number of Employees and Generalized Information about the Education Level and Structure of the Issuer's Staff, as well as about the Changes in the Number of Employees	25
6.8	Information about any Liabilities of the Issuer to its Employees Related to Possibility of their Participation in the Issuer's Charter Capital (Unit Fund)	26
7	Information on the Issuer's Shareholders and Interested Party Transactions Entered into by the Issuer	26
7.1	Information on the Total Number of the Issuer's Shareholders	26
7.2	Information about the Issuer's Shareholder(s) Owning not less than five (5) per cent. of the Issuer's Charter Capital or not less than Five (5) per cent. of its Ordinary Shares, as well as Information about Shareholders of such Entities Owning not less than Twenty (20) per cent. of their Charter Capital or not less than Twenty (20) per cent. of their Ordinary Shares	26
7.3	Information about the Shares of the State or Municipality Participating in the Charter Capital (Unit Fund) of the Issuer; Special Right Appliance ("Golden Share")	26
7.4	Information on Restrictions (Limitations) on Participating in the Charter Capital (Unit Fund) of the Issuer	26
7.5	Information on Changes in the Shareholdings of Shareholders Owning not less than Five (5) per cent. of the Issuer's Charter Capital (Unit Fund) or not less than Five (5) per cent. of the Issuer's Ordinary Shares	26
7.6	Information on Interested-Party Transactions Entered into by the Issuer	26

7.7	Information on the Total Amount of Accounts Receivable.....	27
8	Issuer's Accounting Reports and other Financial Information.....	27
8.1	Issuer's Annual Accounting Reports	27
8.2	Issuer's Quarterly Accounting Records for the last Quarter	27
8.3	Issuer's Consolidated Accounting Records for the last Three Years, or for each Financial Year	27
8.4	Information on the Issuer's Accounting Policy	27
8.5	Information on the Issuer's Total Exports, as well as on the Share of Exports in the Issuer's Total Sales	27
8.6	Information on the Value of the Issuer's Real Estate Property and Substantial Changes in the Issuer's Property that Occurred after the End of the last Fiscal Year	27
8.7	Involvement of the Issuer in any Litigation or Court Proceedings where such Involvement may have a Material Adverse Impact on the Issuer's Activities	27
9	Detailed Information on the Terms and Procedure for the Placement of Securities	28
9.1	Information on the Securities to be Placed	28
9.2	Price (Procedure of its Determination) of Securities to be Placed.....	28
9.3	Pre-emption Rights to Buy Securities to be Placed	28
9.4	Restrictions to Buy Securities to be Placed	28
9.5	Information on Dynamics of Price for the Issuer's Securities	28
9.6	Information on the Persons Providing Services in Arranging the Placement and/or Placing the Securities	28
9.7	Information on the List of the Potential Buyers of the Securities	28
9.8	Information on the Trade Arrangers on the Securities Market including Stock Exchanges through which the Securities are to be Placed	28

9.9	Information on Possible Changes in Shareholders' Shareholdings in the Issuer's Charter Capital in the Result of Securities Placement.....	28
9.10	Information on Expenses Connected to the Securities Issue	29
9.11	Information on Methods of and Procedure for Reimbursement of Funds received as Payment for Securities being Placed in the Event that the Securities Issue (Additional Issue) is Acknowledged not Taken Place or Invalid, as well as in cases Envisaged by the Legislation of the Russian Federation	29
10	Additional Information on the Issuer and Issued Securities.....	29
10.1	Additional Information on the Issuer	29
10.2	Information on each Category (Type) of the Issuer's Shares	30
10.3	Information on Previous Issues of Securities by the Issuer, except for the Share Issues.....	31
10.4	Information on a Person(s) Providing Security in respect of the Bond Issue	44
10.5	Terms and Conditions for the Fulfilment of Obligations on the Bonds of the Issue	44
10.6	Information on Organisations Registering Rights to Issue Securities of the Issuer.....	44
10.7	Information on Legislative Acts Regulating Capital Exports and Imports that may have an Impact on the Payment of Dividends, Interest and other Sums to Non-Residents	44
10.8	Description of the Procedure for the Taxation of Income on the Issuer's Securities that have been or are to Be Placed	44
10.9	Information on Dividends Declared (Accrued) and Paid on the Issuer's Shares, as well as Information on Income from the Issuer's Bonds	49
10.10	Other information	49
	Appendix No.1 Form of Description of the Bond Certificate.....	
	Appendix No.2 Issuer's Annual Report for 2005.....	

Appendix No.3
Issuer's Quarterly Accounting Record for Quarter Ending March 31, 2006
.....

Appendix No.4
Issuer's Annual Report for
2004.....

Appendix No.5
Issuer's Annual Report for
2003.....

Appendix No.6
Rules on calculation of rouble loan (deposit) reference rate in the Moscow money
market: MosPrime Rate - Moscow Prime Offered
Rate.....

Introduction

This Securities Prospectus contains estimates and forecasts by the Issuer's authorised management bodies in relation to the Issuer's performance, including the Issuer's plans. Investors should not fully rely on the estimates and forecasts of the Issuer's authorised management bodies, since the Issuer's actual performance may differ from the forecast performance for many reasons. This Securities Prospectus does not contain any information in relation to the forthcoming events and/or actions, prospects for development of the branch of the industry in which the Issuer carries out its key activities, and, the level of probability of the occurrence of certain events or the performance of certain acts. Acquisition of the Issuer's securities involves risks described herein.

This Securities Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as recommendation by the Issuer that any recipient of this Securities Prospectus or any further information supplied in connection with the securities should purchase any of the securities. Each investor contemplating purchasing any of the securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

Issuer's Name

Full Name of the Issuer - ***European Bank for Reconstruction and Development.***

Abbreviated name of the Issuer – ***EBRD,***

Issuer's Location

Issuer's Location - ***One Exchange Square, London, EC2A 2JN, United Kingdom.***

Contact Information

Issuer's Contact Telephone Number - ***+44 20 7338 6000***

Issuer's e-mail address - ***generalenquiries@ebrd.com***

Source of Publication of the Registered Securities Prospectus

The Issuer's registered Securities Prospectus will be published on the internet website at www.ebrd.com.

Basic Information on the Securities Placed by the Issuer

Stated information shall not be specified as the present prospectus shall be registered after the state registration of the Report on the Results of the Bond Issue placement.

1 Brief Information on the Members of the Issuer's Management Bodies, Bank Accounts, Auditor(s), Appraiser and the Financial Consultant of the Issuer and other Signatories of the Securities Prospectus

1.1 Members of the Issuer's Management Bodies

1.1.1 Structure of the Issuer's Management Bodies

All the powers of the Issuer are vested in the Board of Governors, to which each member appoints a governor, generally the minister of finance or an equivalent. The Board of Governors delegates most powers to the Board of Directors, which is responsible for the direction of the Issuer's general operations and policies.

The President is elected by the Board of Governors and is the legal representative of the Issuer. The President conducts the current business of the Issuer under the guidance of the Board of Directors.

1.1.2 Members of the Issuer's Board of Directors

<i>Andor, László</i>
<i>Brown, Terence</i>
<i>de Cointet, Alain</i>
<i>Hegelund, Sven</i>
<i>Hovland, Ole</i>
<i>Katznelson, Ib</i>
<i>Kim, Byung-Il</i>
<i>Kotova, Elena</i>
<i>Lelakis, Vassili</i>
<i>Murakami, Kazuya</i>
<i>Neumayr, Michael</i>
<i>Podoliev, Igor</i>
<i>Quattrociocche, Enzo</i>
<i>Ramos, Gonzalo</i>
<i>Ray, Simon</i>
<i>Sager, Manuel</i>
<i>Schwarzer, Joachim</i>
<i>Six, Jean-Louis</i>
<i>Sullivan, Mark</i>
<i>Syryjczyk, Tadeusz</i>
<i>van den Wall Bake, Jan Willem</i>
<i>Vavalidis, Stefanos</i>

1.1.3 Person, Carrying out the Functions of the Issuer's Sole Executive Body

At the time of Issuance, the President of the Issuer is Jean Lemierre

1.2 Information on the Issuer's Bank Accounts

Pursuant to the Regulations On Information Disclosure by the Issuers of Securities #05-5/n3-H dated March 16, 2005 (hereinafter – the “Information Disclosure Regulation”) this does not have to be specified.

1.3 Information on the Issuer's Auditor(s)

The Issuer's Auditor is PricewaterhouseCoopers. Pursuant to the paragraph 9.2 of the Information Disclosure Regulation, the Securities Prospectus shall not be necessarily signed by the Issuer's auditor. Issuer's auditor shall be approved by the Issuer's Board of Directors according to the suggestion of the Issuer's President. Auditor's remuneration shall be defined by the Issuer's Board of Directors. Auditor's remuneration for 2005 is disclosed in the 2005 Annual Report (Annex #2 to the present Securities Prospectus) within administrative expenses.

Name and licence's number of the Issuer's auditor:
PricewaterhouseCoopers LLP Chartered Accountants and
Registered Auditors, London, license's number - 0C303525.

Issuer's auditor address: 1 Embankment Place, London, WC2N 6RH

1.4 Information on the Issuer's Appraiser

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

1.5 Information on the Issuer's Consultants

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

1.6 Information on the other Signatories of the Securities Prospectus

Isabelle Laurent – Head of Funding of the Issuer

Phone: +44 20 7338 6000.

Fax: +44 20 7338 6100.

2 Brief Information on the Volume, Terms, Procedure and Conditions of Placement of each Type/Category of the Securities to be Placed

2.1 Type, Category and Form of the Placement of Securities

Pursuant to paragraph 4.6 of the Information Disclosure Regulation this does not have to be specified.

- 2.2 Nominal Value of each Type, Category, Series of the Securities to be Placed**
Pursuant to paragraph 4.6 of the Information Disclosure Regulation this does not have to be specified.
- 2.3 Prospective Amount of the Issue and the Securities to be Placed**
Pursuant to paragraph 4.6 of the Information Disclosure Regulation this does not have to be specified.
- 2.4 Price (Procedure of its Determination) of Securities to be Placed**
Pursuant to paragraph 4.6 of the Information Disclosure Regulation this does not have to be specified.
- 2.5 Procedure and Terms of Placement of Securities**
Pursuant to paragraph 4.6 of the Information Disclosure Regulation this does not have to be specified.
- 2.6 Procedure and Terms of Payment for Securities to be Placed**
Pursuant to paragraph 4.6 of the Information Disclosure Regulation this does not have to be specified.
- 2.7 Procedure and Terms of Agreements Conclusion during Placement of Securities**
Pursuant to paragraph 4.6 of the Information Disclosure Regulation this does not have to be specified.
- 2.8 List of Potential Buyers of Securities to be Placed**
Pursuant to paragraph 4.6 of the Information Disclosure Regulation this does not have to be specified.
- 2.9 Procedure of Disclosure of Information on the Placement and the Results of the Placement**
Pursuant to paragraph 4.6 of the Information Disclosure Regulation this does not have to be specified.
- 3 Basic Information of the Issuer's Financial and Business Performance**
- 3.1 Financial and Business Performance of the Issuer**
The EBRD recorded a net profit after provisions and financial reporting adjustments of €1.5 billion for 2005, compared with €401.6 million for 2004 (restated for changes in accounting policies in 2005). The principal factors contributing to this increase were significant realised gains from the sale of share investments and unrealised

gains from the movement in the fair value of the Bank's associate share investments and high-risk equity funds, both areas that are variable by nature.

In 2005, the Bank revised its provisioning estimate for portfolio impairment provisions. This was in response to developments in the best practice application of incurred loss provision models on a portfolio basis. This revision resulted in a €186.0 million reduction in the portfolio provision for the unidentified impairment of loan investments, which was released through the income statement. The Bank's net profit before unrealised gains on share investment and the impact of the revised provisioning estimate was €1.0 billion in 2005, compared with €275.6 million (restated) in 2004 on an equivalent basis.

Financial results 2000 – 2005 and 2006 Q1*

€million	2006 Q1	2005	2004	2003	2002	2001
Operating profit before provisions	164,1	1 325,0	468,8	339,5	112,2	172,8
Provisions for losses	(10,0)	200,6	(67,2)	(11,3)	(45,5)	(15,6)
Net profit	154,1	1 525,6	401,6	328,2	66,7	157,2
Paid-in capital	5 196,7	5 196,7	5 196,7	5 196,7	5 196,7	5 196,7
Total assets	29 634,8	28 378,5	22 031,6	22 045	20 112	20 947
Business volume	467	4 277	4 133	3 721	3 899	3 656
Net cumulative business volume	30 342	30 313	25 323	22 668	21 647	20 219
Total project value	94 505	94 408	78 542	68 490	69 163	67 765
Portfolio	16415	16 810	15 324	14 766	14 576	14 160
Operating assets (excluding fair value adjustments)	10158	10 118	10 800	9 102	9 102	8 838
Gross disbursements	668	2 151	3 398	2 105	2 419	2 442

* Amendments to and interpretations of the International Financial Reporting Standards in 2005 have resulted in a number of changes to the Bank's accounting policies as explained in the "accounting policies" section of the financial statements. The figures for previous years have been restated to conform with the new accounting policies.

The above indicators confirm the low level of credit risk.

The analysis of the Issuer's credit standing gives a positive assessment on the basis of the following factors:

A strong capital position, enhanced by the high-quality callable capital.

The Issuer's status as the largest multilateral provider of financing to its "countries of operations".

Strong membership support for the Issuer's activities.

Additional information on the financial and business performance of the Issuer is provided in the Issuer's Annual Report for 2005 attached as Appendix 2 hereto.

3.2 Issuer's Market Capitalisation

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

3.3 Issuer's Liabilities

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

3.4 Objectives of the Issue and Use of Proceeds

The cash received by the Issuer from the issue of the Bonds will be used for the financing of the EBRD projects in the territory of the Russian Federation.

3.5 Risks related to Investing in the Issue Securities to be Placed

3.5.1 Industry-related Risks

The Issuer is an international financial organisation and the risks associated with any particular industry do not affect its general financial standing.

3.5.2 Country-related and Regional Risks

The Issuer conducts regular reviews of individual exposures within its portfolio because of the high credit risk associated with many of the countries in which it operates. All projects and countries of operations are assigned credit risk ratings on an internal scale from 1 (low risk) to 10 (highest risk).

The Issuer currently maintains three types of risk ratings: project, country and overall.

The project rating is defined through the financial strength of the client and the risk mitigation built into the project structure. The country rating is assessed internally taking into consideration the ratings assessed by the external rating agencies. The overall rating is the lower of the project and country rating. The exception to this for non-sovereign deals is where the Issuer has recourse to unconditional sponsor support, in which case the overall rating is the project rating. For sovereign risk projects, the overall rating is the same as the country rating. For the performing portfolio, general portfolio provisions are established according to a matrix, which reflects external indicators of loss, the Issuer's experience, and project, sector and country risks. In view of the markets in which it operates and its transition mandate, the Issuer expects the majority of

its project ratings in normal circumstances to range from risk categories 4 to 6 (approximately equivalent to Standard & Poor's BBB to B ratings) at the time of approval. At 31 December 2005, 74.5 per cent of the loan and share investment portfolio was classed under risk ratings 4 to 6 (2004: 76.0 per cent).

3.5.3 Financial Risks and Risks related to the Issuer's activities

The Issuer is exposed in its activity to the financial risks associated with the movement of interest rates and exchange rates, default of the counterparties on their obligations, investments depreciation etc. as well as operational risks and risks associated with the use of derivatives.

For monitoring purposes, the Issuer distinguishes between market, credit and operational risks, together with liquidity and settlement risks.

(a) Credit Risk

The Issuer is exposed to credit risk in both its banking operations and its treasury activities. Credit risk arises since borrowers and Treasury counterparties could default on their contractual obligations, or the value of the Issuer's investments could be impaired. Most of the Issuer's credit risk is in the Banking portfolio. All ordinary operations are reviewed on a regular basis to identify promptly any changes required in the assigned risk ratings and any actions required to mitigate increased risk. Exposures are measured against portfolio risk limits and reported to the Audit Committee on a quarterly basis.

(b) Market Risk

The Issuer's main market risk exposure is that movement of interest rates and foreign exchange rates may adversely affect positions taken by the Issuer in its Treasury portfolio. The Issuer aims to limit and manage market risks to the extent possible through active asset and liability management. Interest rate risks are managed through a combination of synthetically matching the interest rate profiles of assets and liabilities, mainly through the use of derivatives for hedging purposes. Exposure to foreign currency and interest rate risks are measured and monitored independently of the Treasury function to ensure compliance with authorised limits.

(c) Inflation Risk

Inflation in the Russian Federation should not affect the Issuer's ability to make the payment of income under the Bonds, due to the Issuer being a regionally diversified international financial institution.

(d) Operational Risk

Operational risk is determined by examining risk-related exposure other than those falling within the scope of credit and market risk. This includes the risk of loss that may occur through errors or omissions in the processing and settlement of transactions, in the reporting of financial results or failures in controls. Operational risk is further refined into:

- transaction risk, which considers all types of errors in the processing of transactions, whether in the areas of execution, booking and settlement, or due to inadequate legal documentation;*
- control risk, or breakdown in the controls surrounding trading activities, such as unidentified limit excesses, unauthorized trading or trading outside policies, or insufficient controls on the processing of transactions;*
- people risk or dependency on a limited number of key personnel, inadequate or insufficient staffing in trading, risk management, operations processing and reporting activities, or inadequate skills level or training; and*
- systems risk, defined as errors or failures in transaction support systems, ranging from errors in the mathematical formulae of pricing or hedging models or in the computation of the marked-to-market value of transactions (model risk), to inadequate disaster recovery planning.*

Within the Issuer, there are policies and procedure in place covering all significant aspects of operational risk. These include first and foremost the Issuer's high standards of business ethics and its established system of internal controls, checks and balances and segregation of duties, which protect the Issuer from any initial exposure to operational risk. These are supplemented with:

- the Issuer's code of conduct;*
- disaster recovery/contingency planning;*
- the Public Information Policy;*
- integrity due diligence procedure;*
- procedure regarding corrupt practices and money laundering;*
- procedure to be followed in the event of fraud or suspected fraud;*
- information management policy; and*
- procurement policies.*

(e) Risk connected with the Use of Derivatives

The Issuer's use of derivatives is primarily focused on hedging interest rate and foreign exchange risks arising from both its Banking and Treasury activities. Market views expressed through derivatives are also undertaken as part of the Treasury's activities. In addition, the Issuer uses credit derivatives as an alternative to investments in specific securities or to hedge certain exposures.

The overall amount of credit derivatives transactions is constrained by a dedicated limit.

All risks arising from derivative instruments are combined with those deriving from all other instruments dependent upon the same underlying risk factors and subject to overall market and credit risk limits, as well as stress tests. Additionally, special care is devoted to those risks that are specific to the use of derivatives, through, for example, the monitoring of volatility risk for options, spread risk for swaps and basis risk for futures.

For the purpose of controlling credit risk in over-the-counter derivative transactions, the Issuer's policy is to pre-approve each counterparty individually and to review its eligibility regularly. Individual counterparty limits are allocated in compliance with guidelines that set a maximum size and duration of exposure, based on the counterparty's internal credit rating. For those counterparties that are deemed eligible for foreign exchange and over-the-counter derivatives, a maximum portion of the individual counterparty limit is allocated to these instruments. Utilisation of limits, whether individual counterparty limits or foreign exchange and over-the-counter derivatives limits, is calculated daily for all counterparties.

Derivative transactions in particular are normally limited to the highest-rated counterparties. Furthermore, the Issuer pays great attention to mitigating Treasury derivative credit risks through systematic recourse to a variety of credit enhancement techniques.

3.5.4 Legal Risks

The legal status of the Issuer is regulated, inter alia, by the Agreement Establishing the European Bank for Reconstruction and Development of 1990; the Agreement between the Government of the Russian Federation and European Bank for Reconstruction and Development on Resident Office of the European Bank for Reconstruction and Development of 1993 and the Agreement between the Government of the Russian Federation and European Bank for Reconstruction and Development in the Form of Exchange of Notes on the Resident Office of the European Bank for Reconstruction and Development of 1998.

In accordance with the above international treaties the Issuer enjoys certain immunities and privileges in the area of taxation of its property and operations, currency exchange, licensing and other operation restrictions. In addition, the Issuer, its property, employees and archives enjoy certain immunity from search, requisition, confiscation, expropriation and other executive or legislative actions. Pursuant to the above, the Issuer believes the risks of negative effects due to legal risks, connected with changes in the currency regulation, tax legislation, customs rules, licensing requirements and change in court practice to be minimal.

The Issuer is not aware of any current or threatened litigation that in the Issuer's view, is likely to have significant effect on the Issuer's financial position or on its ability to make payments under the Bonds.

3.5.5 Risks Related to the Issuer's Activities

Risks related to the Issuer's Activities are financial risks described in paragraph 3.5.3 of the present Securities Prospectus.

Additional information on the risks described above is provided in the Annual Report for 2005 attached as Appendix 2 hereto.

4 Detailed Information about the Issuer

4.1 Issuer's History and Development

4.1.1 Issuer's Name

The full name of the Issuer is **European Bank for Reconstruction and Development**.

The abbreviated name of the Issuer is **EBRD**.

There have been no changes in the name of the Issuer in the course of its existence.

4.1.2 Issuer's State Registration Details

The Issuer is an international organisation formed under the Agreement Establishing the European Bank for Reconstruction and Development dated 29 May 1990 (the "Agreement") signed by its member countries, together with the European Economic Community and the European Investment Bank.

The Issuer is not subject to state registration.

4.1.3 Issuer's Incorporation and Development

In May 1990 European Investment Bank, European Economic Community and 39 countries contributed to the foundation of the Issuer. Today the number of the participants expanded to 62 (60 countries and 2 intergovernmental institutions), and most of the newcomers belonged to the former USSR or Yugoslavia. The Russian Federation became a member of the EBRD in April 1993.

The Issuer's authorised share capital, which is contributed by the countries and intergovernmental institutions being its members, at the end of 2005 comprised approximately 20 bln euro (100% or twice higher than its original value), 26% of which is paid-in and 74% is callable. United States of America is the largest shareholder of the Issuer (10.11% of the subscribed capital); Germany, France, Italy, Great Britain and Japan own 8.61% of the capital. Share of the Russian Federation equals 800 ml euro, or 4.04% of the subscribed capital.

The Issuer commenced operations on 15 April 1991. To the end of 2005 it has participated in more than 1,300 projects having invested more than 30.3 bln euro of its own funding and nearly 64 bln euro of attracted funding. In 2005 the Issuer invested in 151 projects, which is 17% greater than the number of 2004 and is considered to be the highest figure in the Issuer's history.

Over the last 5 years the net volume of the Issuer's investments grew annually at average rate of 13% or 2.8 bln euro. The Bank's banking portfolio reached 16.8 bln euro.

The financing of investment projects in Russia comprises a substantial part in the general financing structure. The number of signed projects in Russia in 2005 totalled 39 with aggregate commitment sum of 1.1 bln euro (26% of annual investments) - the highest rate in both categories. The total investments in Russia for the last 14 years starting from 1992 amount to 7.2 bln euro.

The key purpose of the Issuer's activities in the Russian Federation is to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiatives in the Central and Eastern European countries committed to and applying the principles of multiparty democracy, pluralism and market economics.

To fulfil on a long-term basis its purpose of fostering the transition of Central and Eastern European countries towards open market-oriented economies and the promotion of private and entrepreneurial initiative, the Issuer is to assist the recipient member countries to implement structural and sectoral economic reforms, including demonopolisation, decentralisation and privatisation, to

help their economies become fully integrated into the international economy by the following measures:

- *to promote, through private and other interested investors, the establishment, improvement and expansion of productive, competitive and private sector activity, in particular small and medium-sized enterprises;*
- *to mobilise domestic and foreign capital and experienced management to the goal above;*
- *to foster productive investment, including in the service and financial sectors, and in related infrastructure where that is necessary to support private and entrepreneurial initiatives, thereby assisting in making a competitive environment and raising productivity, the standard of living and conditions of labour;*
- *to provide technical assistance for the preparation, financing and implementation of relevant projects, whether individual or in the context of specific investment programmes;*
- *to stimulate and encourage the development of capital markets;*
- *to give support to sound and economically viable projects involving more than one recipient member country;*
- *to promote through the full range of its activities environmentally sound and sustainable development; and*
- *to undertake such other activities and provide such other services as may further these functions.*

The Issuer's founders considered the successful transition of the countries of operations to market-oriented economies to be closely linked to parallel progress towards multiparty democracy, pluralism and the rule of law. Consequently, these political aspects of the Issuer's mandate will be monitored and encouraged by the Issuer as part of the process of assisting the transition of the countries of operations to market economies. The Issuer assesses the economic and political progress made by the countries of operations as part of the annual review of its operations strategy for each country.

4.1.4 Contact Details

The Issuer is located at **One Exchange Square, London, EC2A 2JN, United Kingdom**

Telephone: **+44 20 7338 6000;**

Fax: **+44 20 7338 6100;**

Issuer's e-mail address: generalenquiries@ebrd.com

Information on the Issuer is available at the following internet site: www.ebrd.com

4.1.5 Issuer's Taxpayer Identification Number

Not applicable

4.1.6 Branches and Representative Offices of the Issuer

The Issuer has various local offices in its countries of operation (see Clause 4.2.5 below).

4.2 Issuer's Key Business Activities

4.2.1 Industry Sector to which the Issuer's Key Business Activities Belong

International Financial Institutions

4.2.2 Key Business Activities

The Issuer is the largest single investor in Central and Eastern Europe and mobilises significant foreign direct investment beyond its own financing. It is owned by 60 countries and two intergovernmental institutions. But despite its public sector shareholders, it invests mainly in private enterprises, usually together with commercial partners.

It provides project financing for banks, industries and businesses, both new ventures and investments in existing companies. It also works with publicly owned companies, to support privatisation, restructuring state-owned firms and improvement of municipal services. The Issuer uses its close relationship with governments in the region to promote policies that will bolster the business environment.

The operations of the Issuer consist of ordinary operations financed from the ordinary capital resources of the Issuer and special operations financed from the Special Funds resources. The two types of operations may be combined.

- The Board of Directors reviews at least annually the Issuer's operations and lending strategy in each recipient country to ensure that the purpose and functions of the Issuer are fully served. Any decision pursuant to such a review shall be taken by a majority of not less than two-thirds of the Directors, representing not less than three-fourths of the total voting power of the members.*
- The said review involves the consideration of, inter alia, each recipient country's progress made on decentralization, de-monopolisation and privatisation and the relative shares of the Issuer's lending to private enterprises, to state-owned enterprises in the process of transition to participation in the*

market-oriented economy or privatisation, for infrastructure, for technical assistance, and for other purposes.

- *Not more than forty (40) per cent of the amount of the Issuer's total committed loans, guarantees and equity investments, without prejudice to its other operations referred to in this Article, are provided to the state sector. Such percentage limit applies initially over a two (2) year period, from the date of commencement of the Issuer's operations, taking one year with another, and thereafter in respect of each subsequent financial year.*
- *For any country, not more than forty (40) per cent of the amount of the Issuer's total committed loans, guarantees and equity investments over a period of five (5) years, taking one year with another, and without prejudice to the Issuer's other operations referred to in this Article, is provided to the state sector.*

For the purposes of this paragraph,

- *the state sector includes national and local Governments, their agencies, and enterprises owned or controlled by any of them;*
- *a loan or guarantee to, or equity investment in, a state-owned enterprise which is implementing a programme to achieve private ownership and control shall not be considered as made to the state sector;*
- *loans to a financial intermediary for lending on to the private sector shall not be considered as made to the state sector.*

4.2.3 Key Products (Works, Services)

The Issuer carries out its operations in furtherance of its purpose and functions in any or all of the following ways:

- (a) *by making or co-financing together with multilateral institutions, commercial banks or other interested sources, or participating in, loans to private sector enterprises, loans to any state-owned enterprise operating competitively and moving to participation in the market-oriented economy, and loans to any state-owned enterprise to facilitate its transition to private ownership and control; in particular, to facilitate or enhance the participation of private and/or foreign capital in such enterprises;*
- (b)
 - (i) *by investment in the equity capital of private sector enterprises;*
 - (ii) *by investment in the equity capital of any state-owned enterprise operating competitively and moving to participation in the market-oriented economy, and investment in the equity capital of any state-owned enterprise to*

facilitate its transition to private ownership and control; in particular to facilitate or enhance the participation of private and/or foreign capital in such enterprises;

- (iii) by underwriting, where other means of financing are not appropriate, the equity issue of securities by both private sector enterprises and such state-owned enterprises referred to above for the ends mentioned in that sub paragraph; and*
- (iv) by facilitating access to domestic and international capital markets by private sector enterprises or by other enterprises referred to above for the ends mentioned in that sub paragraph, through the provision of guarantees, where other means of financing are not appropriate, and through financial advice and other forms of assistance;*
- (c) by deploying Special Funds resources in accordance with the agreements determining their use; and*
- (d) by making or participating in loans and providing technical assistance for the reconstruction or development of infrastructure, including environmental programmes, necessary for private sector development and the transition to a market-oriented economy.*

4.2.4 Issuer's Consumed Raw Materials (Goods) and Main Suppliers

Being an international financial institution the Issuer is not dependent in its activities on any suppliers comprising 10 per cent. or more of all deliveries.

4.2.5 Issuer's Markets

The Issuer operates in 27 countries: Albania, Armenia, Azerbaijan, Belarus, Bosnia, Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, FYR Macedonia, Moldova, Poland, Romania, Russian Federation, Serbia and Montenegro, Slovak Republic, Slovenia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. Mongolia is expected to become a Country of Operation of the EBRD in October 2006.

4.2.6 Information on Licenses Held by the Issuer

No licence is required for the Issuer's activities.

4.2.7 Issuer's Participation in Joint Ventures

Information on the Issuer's joint ventures is provided in the Issuer's Annual Report for 2003-2005 attached as Appendix 2, 4 and 5 hereto.

4.2.8 Additional Requirements Applicable to Issuers that are Investment Funds or Insurance Organizations

Not applicable to the Issuer.

4.2.9 Additional Requirements Applicable to Issuers for which the Production of Minerals is the Key Type of Activity

Not applicable to the Issuer.

4.2.10 Additional Requirements Applicable to Issuers Providing Communication Services

Not applicable to the Issuer.

4.3 Prospective Activities of the Issuer

The following points summarise the Issuer's medium-term outlook over the period 2006-2010

- *During the next five years, the Issuer confronts a broad and differentiated range of transition challenges and opportunities across its countries of operations.*
- *Medium-term growth and risk forecasts are expected to support the Issuer's expansion of operational activities together with appropriate risk-taking and financial performance.*
- *The Issuer intends to be active in all countries of operation but anticipates a stronger focus of the portfolio towards the early and intermediate transition countries and in the Russian Federation and by maintaining its level of operations in the advanced transition countries. The Issuer's portfolio is projected to reach approximately €21.9 billion, with operating assets close to €14.3 billion, by 2010.*

4.4 Issuer's Participation in Industrial, Banking and Financial Groups, Holding Companies, Concerns and Associations

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

4.5 Issuer's Subsidiaries and Related Companies

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

4.6 Composition, Structure and Value of the Issuer's Fixed Assets, Information on the Proposed Acquisition, Replacement and Disposal of Fixed Assets, and about any Encumbrances of Fixed Assets

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

5 Issuer's Financial and Financial Activities

5.1 Results of the Issuer's Financial Activities

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

5.1.1 Profit and Loss Statements

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

5.1.2 Factors Affecting the Issuer's Proceeds from the Sale of Products, Works, Services and the Issuer's Profits (Losses) from Its Key Business Activities

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

5.2 Issuer's Liquidity, Equity and Current Assets Adequacy

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

5.3 Amount, Structure and Adequacy of the Issuer's Equity and Current Assets

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

5.4 Issuer's Expenditure for and Policy in the Field of Research and Development, Licences, Patents and Know-How

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

5.5 Analysis of Trends in the Sphere of the Issuer's Key Business Activities

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this analysis does not have to be specified.

6 Detailed Information about the Members of the Issuer's Management and Financial Control Bodies, and Brief Information about the Issuer's Employees

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

6.1 Structure and Competence of the Issuer's Management Bodies

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

6.2 Information about the Members of the Issuer's Management Bodies

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

6.3 Information about Remuneration, Benefits and/or Compensation of Expenses as to each of the Issuer's Management Bodies

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

6.4 Information about Structure and Competence of the Issuer's Financial and Business Control Bodies

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

6.5 Information about Members of the Issuer's Financial and Business Control Bodies

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

6.6 Information about Remuneration, Benefits and/or Compensation for the Expenses of the Financial and Business Control Bodies of the Issuer

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

6.7 Information about the Number of Employees and Generalized Information about the Education Level and Structure of the Issuer's Staff, as well as about the Changes in the Number of Employees

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

6.8 Information about any Liabilities of the Issuer to its Employees Related to Possibility of their Participation in the Issuer's Charter Capital (Unit Fund)

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

7 Information on the Issuer's Shareholders and Interested Party Transactions Entered into by the Issuer

7.1 Information on the Total Number of the Issuer's Shareholders

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

7.2 Information about the Issuer's Shareholder(s) Owning not less than five (5) per cent. of the Issuer's Charter Capital or not less than Five (5) per cent. of its Ordinary Shares, as well as Information about Shareholders of such Entities Owning not less than Twenty (20) per cent. of their Charter Capital or not less than Twenty (20) per cent. of their Ordinary Shares

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

7.3 Information about the Shares of the State or Municipality Participating in the Charter Capital (Unit Fund) of the Issuer; Special Right Appliance ("Golden Share")

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

7.4 Information on Restrictions (Limitations) on Participating in the Charter Capital (Unit Fund) of the Issuer

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

7.5 Information on Changes in the Shareholdings of Shareholders Owning not less than Five (5) per cent. of the Issuer's Charter Capital (Unit Fund) or not less than Five (5) per cent. of the Issuer's Ordinary Shares

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

7.6 Information on Interested-Party Transactions Entered into by the Issuer

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

- 7.7 Information on the Total Amount of Accounts Receivable**
Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

8 Issuer's Accounting Reports and other Financial Information

- 8.1 Issuer's Annual Accounting Reports**
The Issuer's annual accounts for the last three complete financial years preceding the date of the approval of this Securities Prospectus, prepared in accordance with the International Accounting Standards, and translated into Russian and the auditors' statement with respect to these accounts are included as Appendix 2, 4 and 5 to this document.
- 8.2 Issuer's Quarterly Accounting Records for the last Quarter**
The Issuer's latest available quarterly accounts for the quarter ending March 31, 2006, prepared in accordance with the International Accounting Standards, and translated into Russian are included as Appendix 3 to this document.
- 8.3 Issuer's Consolidated Accounting Records for the last Three Years, or for each Financial Year**
The Issuer is not part of a group of companies. Therefore, no consolidated accounts are prepared.
- 8.4 Information on the Issuer's Accounting Policy**
Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.
- 8.5 Information on the Issuer's Total Exports, as well as on the Share of Exports in the Issuer's Total Sales**
Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.
- 8.6 Information on the Value of the Issuer's Real Estate Property and Substantial Changes in the Issuer's Property that Occurred after the End of the last Fiscal Year**
Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.
- 8.7 Involvement of the Issuer in any Litigation or Court Proceedings where such Involvement may have a Material Adverse Impact on the Issuer's Activities**
Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

9 Detailed Information on the Terms and Procedure for the Placement of Securities

9.1 Information on the Securities to be Placed

Pursuant to paragraph 4.6 of the Information Disclosure Regulation this does not have to be specified.

9.2 Price (Procedure of its Determination) of Securities to be Placed

Pursuant to paragraph 4.6 of the Information Disclosure Regulation this does not have to be specified.

9.3 Pre-emption Rights to Buy Securities to be Placed

Pursuant to paragraph 4.6 of the Information Disclosure Regulation this does not have to be specified.

9.4 Restrictions to Buy Securities to be Placed

Pursuant to paragraph 4.6 of the Information Disclosure Regulation this does not have to be specified.

9.5 Information on Dynamics of Price for the Issuer's Securities

Pursuant to paragraph 4.6 of the Information Disclosure Regulation this does not have to be specified.

9.6 Information on the Persons Providing Services in Arranging the Placement and/or Placing the Securities

Pursuant to paragraph 4.6 of the Information Disclosure Regulation this does not have to be specified.

9.7 Information on the List of the Potential Buyers of the Securities

Pursuant to paragraph 4.6 of the Information Disclosure Regulation this does not have to be specified.

9.8 Information on the Trade Arrangers on the Securities Market including Stock Exchanges through which the Securities are to be Placed

Pursuant to paragraph 4.6 of the Information Disclosure Regulation this does not have to be specified.

9.9 Information on Possible Changes in Shareholders' Shareholdings in the Issuer's Charter Capital in the Result of Securities Placement

Pursuant to paragraph 4.6. of the Information Disclosure Regulation this does not have to be specified.

9.10 Information on Expenses Connected to the Securities Issue

Pursuant to paragraph 4.6 of the Information Disclosure Regulation this does not have to be specified.

9.11 Information on Methods of and Procedure for Reimbursement of Funds received as Payment for Securities being Placed in the Event that the Securities Issue (Additional Issue) is Acknowledged not Taken Place or Invalid, as well as in cases Envisaged by the Legislation of the Russian Federation

Pursuant to paragraph 4.6 of the Information Disclosure Regulation this does not have to be specified.

10 Additional Information on the Issuer and Issued Securities

10.1 Additional Information on the Issuer

10.1.1 Amount and Structure of the Issuer's Charter Capital (Unit Fund)

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

10.1.2 Information on Changes in the Issuer's Charter Capital (Unit Fund)

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

10.1.3 Information on the Formation and Use of the Issuer's Reserve Fund and Other Funds

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

10.1.4 Information on the Procedure for Convening and Holding the Meeting of the Issuer's Highest Management Body

The Issuer's supreme management body is the Board of Governors (the "Board") composed of representatives of each member of the Issuer.

The Board shall hold an annual meeting on such date and at such place as the Board shall determine provided, however, that the Board of Directors may change the date and place of such annual meeting when special circumstances or reasons arise to justify such action. The Board may, in addition, hold special meetings when it so decides or when requested to do so by not less than five (5) members of the Issuer, or members holding not less than one quarter of the total voting power of the members.

The Secretary shall notify all members, by the most rapid possible means of communication reasonably available, of the date and place of each meeting of the Board. Such notifications must be dispatched at least forty five (45) days prior to the date of any annual meeting and thirty (30) days

prior to the date of a special meeting. In case of an emergency, notification by telex, facsimile or other rapid means of communication ten (10) days prior to the date set for the meeting shall be sufficient.

Under the direction of the Board of Directors, the President shall prepare an agenda for each meeting of the Board of Governors and transmit such agenda to members together with, or in advance of, the notice of the meeting.

Additional subjects may be placed on the agenda for any meeting of Governors by any Governor provided that he or she shall give notice thereof to the President at least fifteen (15) days prior to the date of the meeting. The President shall give notice of such additional items through a supplementary list to be communicated to members within forty-eight (48) hours of receipt of such notice from a Governor. In exceptional cases the President, under the direction of the Board of Directors, may include at any time additional items in the draft agenda for any meeting of the Board of Governors. The President shall notify each Governor of such additional items as quickly as possible. The Board shall keep a summary record of its proceedings which shall be available to all members and kept on file at the Issuer.

10.1.5 Information on Commercial Organisations in which the Issuer Holds no less than Five (5) per cent. of the Charter Capital or no less than Five (5) per cent. of the Ordinary Shares
Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

10.1.6 Information on any Material Transactions Entered into by the Issuer
Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

10.1.7 Information on the Issuer's Credit Ratings
The Issuer and/or its debt obligations have been assigned an AAA credit rating from Standard & Poor's Ratings Services since 1991 and an Aaa credit rating from Moody's Investors Service since 1992 and a AAA credit rating from Fitch Ratings since 2002. The rating terminology used by each such rating agency varies but triple A ratings refer generally to the Issuer's long-term unsecured debt.

Standard & Poor's Ratings Services as well as Moody's Investors Service and Fitch Ratings provide details as to the rating criteria and the rating terminology, inter alia, on their websites (www.standardandpoors.com and www.moodys.com and www.fitchratings.com).

10.2 Information on each Category (Type) of the Issuer's Shares
Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

10.3 Information on Previous Issues of Securities by the Issuer, except for the Share Issues

10.3.1 Information on the Issues all Securities of which are Redeemed (Cancelled)

Not relevant for the Issuer.

10.3.2 Information on the Outstanding Securities

10.3.2.1. The first rouble bond issue of the Issuer

(a) Type, series, form of securities and other identification information:

Type of Securities Placed: **Bonds**

Category: **Interest Bearing**

Other Identification Information: **Certificated non-convertible bearer bonds with mandatory centralised custody**

Series: **No series number assigned**

Form of the Securities:

Certificated bearer Bonds with mandatory centralized custody

(b) State registration number of the securities issue, date of the state registration of the securities issue: **4-01-00001-L, May 13, 2005.**

(c) Date of state registration of the Report on the Results of the Bond Issue placement: **May 25, 2005.**

(d) Name of the registering authority: **FSFM of Russia**

(e) Total amount of the Securities in the Issue: **5,000,000 (Five million) pieces**

(f) Nominal Value of each security: **1,000 (One thousand) roubles each**

(g) Nominal amount of the Issue: **5,000,000,000 (Five billion) roubles**

(h) Rights Attaching to each Bond of the Issue:

- **The Bondholder is entitled to receive the face value of the Bonds on redemption of the Bonds within the term stipulated therein.**
- **The Bondholder is entitled to receive the interest determined in accordance with the procedures fixed in paragraph 9.3 of the Issue Decision accruing on the face value of the Bonds (coupon income) on the dates set out in paragraph 9.4 of the Issue Decision.**
- **The Bondholder is entitled to freely sell or otherwise dispose of the Bond. The Bonds circulation in the secondary market starts after the state registration of the results on the bond issue by the Federal Service for Financial Markets ("FSFM"). The public circulation of the Bonds is possible only after the state registration of the Securities Prospectus.**
- **The Bondholder is entitled to exercise other rights contemplated by the legislation of the Russian Federation.**

(i) Information on the Mandatory Centralised Custody:

Full name: **Non-Profit Partnership "The National Depository Centre"**

Abbreviated name: **NDC**

location of the depository: **Building 4, 1/13, Sredniy Kislovskiy Pereulok, Moscow;**
number of the depository license: **№177-03431-000100;**
issue date of the license: **December, 4, 2000**
term of the license: **unlimited;**
issuing body: **Federal Commission for the Securities Market ("FCSM of Russia").**

(j) Procedure and terms for redemption of Bonds:

Redemption date – May 12, 2010.

Bonds shall be redeemed by the Paying Agent at the expense and on behalf of the Issuer. NDC performs the functions of the Paying Agent.

If the bond redemption date falls on a non-business day (regardless of whether it is a public holiday or a non-business day for settlement operations), payment of the amounts due shall be made on the first business day following the non-business day. A bondholder shall have no right to demand accrued interest or any other compensation for such a delay.

It is assumed that nominal holders, that are Depositaries, are authorised to receive bond redemption amounts. Depositaries and/or other persons who are not authorised by their respective clients to receive bond redemption amounts shall, no later than four (4) business days prior to the established date of redemption, submit to NDC a list of bondholders that contains all the details set out below in the List of Owners and/or Nominal Holders of Bonds.

Bonds shall be redeemed in favour of the owners of Bonds who own the Bonds as of the close of NDC's trading day preceding the sixth (6) business day before the date of redemption ("Date of Compiling the List of Bonds Owners and/or Nominal Holders").

The fulfilment of obligations with respect to the owner/holder included into the List of Bond Owners and/or Nominal Holders is considered as valid in the case of the disposal of obligations after the date of compiling the List of Bond Owners and/or Nominal Holders.

No later than three (3) business days prior to the date of redemption, NDC shall provide the Issuer and/or the Paying Agent with the List of Bond Owners and/or Nominal Holders compiled as of the Date of Compiling the List of Bonds Owners and/or Nominal Holders, and containing the following information:

- **full name of a person authorised to receive bond redemption amounts. Where Bonds have been transferred by the owner to a nominal holder and such nominal holder is authorised to receive bond redemption amounts, the full name of this nominal holder shall be specified. Where Bonds have not been transferred to a nominal holder or where the nominal holder is not authorised to receive bond redemption amounts, the full name of the bond owner shall be specified;**
- **number of Bonds accounted for on the owner's Depo account or on the inter-depositary account of the bond nominal holder authorised to receive bond redemption amounts;**
- **location and postal address of persons authorised to receive bond redemption amounts;**
- **details of a bank account of a person authorised to receive bond redemption amounts, specifying the following information:**
 - **account number;**
 - **title of the bank which hold the account;**
 - **corresponding bank account with which the account is opened;**

- banking identification code of the bank where the account is opened;
- taxpayer's identification number of a person authorised to receive bond redemption amounts;
- tax status of a person authorised to receive bond redemption amounts (resident, non-resident having a permanent establishment in the Russian Federation, non-resident having no permanent establishment in the Russian Federation, etc.).

Owners of Bonds, their authorised persons, including Depositories, shall monitor completeness and effectiveness of the bank account details of which they have informed NDC themselves.

In the event of failure to submit or late submission to NDC of the above information required for the Issuer to perform its obligations under the Bonds, these obligations shall be fulfilled in favour of a person forwarding a demand to fulfil such obligations and being the owner of the bond as of the date of forwarding such demand.

Obligations by the Issuer in respect of Bonds shall be fulfilled on the basis of the information from NDC. In the cases envisaged by the agreement with NDC the Issuer is entitled to demand confirmation of such information by the records of rights for the Bonds.

No later than 1(one) business day prior to the established date of redemption, the Issuer shall remit the required cash amount to the account of the Paying Agent.

Based on the List of Bond owners and/or Nominal Holders submitted by NDC, the Paying Agent shall calculate the cash amounts payable to each of the persons named in the List of Bond owners and/or Nominal Holders.

As of the date of redemption, the Paying Agent shall remit the required cash amounts to the accounts of persons authorised to receive bond redemption amounts and named in the List of Bond owners and/or Nominal Holders.

Where one person is authorised to receive bond redemption amounts on behalf of a number of owners, such person shall receive the total amount payable without allotting it between the holders.

k) Coupon income on Bonds, procedure and terms of its determination:

Coupon (Interest) Period	Commencement Date	Final Date	Coupon Term (in days)	Coupon Income (in % p.a. and in roubles)	Coupon Payment Date
1	18.05.2005	17.08.2005	91	4.04% p.a., or 10.07 roubles	17.08.2005
2	17.08.2005	16.11.2005	91	4.67% p.a., or 11.64 roubles	16.11.2005
3	16.11.2005	15.02.2006	91	5.65% p.a., or 14.09 roubles	15.02.2006
4	15.02.2006	17.05.2006	91	4.93% p.a., or 12.29 roubles	17.05.2006
5	17.05.2006	16.08.2006	91	5.03% p.a., or 12.54 roubles	16.08.2006
6	16.08.2006	15.11.2006	91	4.49% p.a., or 11.19 roubles	15.11.2006
7	15.11.2006	14.02.2007	91	Equal to MosPrime rate	14.02.2007
8	14.02.2007	16.05.2007	91	Equal to MosPrime rate	16.05.2007
9	16.05.2007	15.08.2007	91	Equal to MosPrime rate	15.08.2007
10	15.08.2007	14.11.2007	91	Equal to MosPrime rate	14.11.2007
11	14.11.2007	13.02.2008	91	Equal to MosPrime rate	13.02.2008
12	13.02.2008	14.05.2008	91	Equal to MosPrime rate	14.05.2008
13	14.05.2008	13.08.2008	91	Equal to MosPrime rate	13.08.2008
14	13.08.2008	12.11.2008	91	Equal to MosPrime rate	12.11.2008
15	12.11.2008	11.02.2009	91	Equal to MosPrime rate	11.02.2009
16	11.02.2009	13.05.2009	91	Equal to MosPrime rate	13.05.2009
17	13.05.2009	12.08.2009	91	Equal to MosPrime rate	12.08.2009
18	12.08.2009	11.11.2009	91	Equal to MosPrime rate	11.11.2009

19	11.11.2009	10.02.2010	91	Equal to MosPrime rate	10.02.2010
20	10.02.2010	12.05.2010	91	Equal to MosPrime rate	12.05.2010

The amount payable in respect of each coupon on one Bond of the issue shall be calculated as follows:

$$K_i = C_i * Nom * (T_j - T(i-1)) / 365$$

where

K_i is the amount of the *i*-coupon payment on one bond of the issue;

Nom is the nominal value of one bond;

C_i is the amount of interest rate of the *i* coupon as expressed in per cent per annum;

T(i-1) is the commencement date of the *i* coupon period;

T_j is the end date of the *i* coupon period.

j is the ordinal number of the coupon period, *j*=1, 2, 3, 4, 5, 6, ... [·];

The amount of the coupon payment on each Bond shall be calculated to the nearest kopeck (rounded in accordance with the rules on arithmetical rounding. This means that the value of the whole kopeck does not change if the successive number of the rounded number is within range from 0 to 4, and increases by one if the successive number of the rounded number is within range from 5 to 9).

Procedure of coupon interest rate determination:

The coupon rate under coupon No. *i* (*i*=1,...,20) (“the *I*-Coupon Rate”) is determined on the last business day (being a day on which banks are generally open for business both in London and in Moscow) preceding the first day of the *i* coupon period (“*I*-Coupon Quotation Day”).

The *i*-Coupon rate shall be the 3 (three) month MosPrime Rate on the *I*-Coupon Quotation Day.

MosPrime Rate is the rate of extending Rouble loans to first tier financial institutions calculated by the National Currency Association Board on the basis of rates for extending Rouble loans (deposits) provided by the active participants of the money market to the first tier Russian financial institutions. Calculation procedure for the Moscow prime rate is determined by the National Currency Association Board resolution about the calculation of indicative Rouble loan (deposit) extension rate on the Moscow market MosPrime Rate – Moscow Prime Offered Rate from 6 April 2005 (resolution).

If no MosPrime Rate is published on the *I*-Coupon Quotation Day, the interest rate for the *i* Coupon Period shall be the EBRD Prime Rate (“EBRD Prime Rate”) prevailing on the *I*-Coupon Quotation Day. In this case the subsequent coupon rates will be calculated based on MosPrime Rate.

MosPrime shall be permanently replaced with the EBRD Prime Rate, and accordingly the *i*-Coupon shall become the EBRD Prime Rate in the following circumstances (Special Conditions):

- (a) If after the date of the Issue Decision (i) any change in the credit standing and/or composition of the panel of contributing participants to the MosPrime Rate occurs, and/or (ii) the mechanism for obtaining and/or validating quotes from the contributing participants is altered and/or (iii) the methodology for the calculation of the MosPrime Rate is altered and/or (iv) the quotes provided by each contributing participant cease to be

published, and the Issuer determines in its sole discretion that MosPrime shall be replaced by EBRD Prime Rate.

The above decision has to be taken by the Issuer not later than 1 (one) month prior to the I-Coupon Quotation Day for the period for which EBRD is to replace EBRD Prime Rate for the first time on a permanent basis. In this case Issuer shall disclose such decision in the newswires of at least one information agency or other organization possessing the status of the mass media authorised by the FSFM of Russia (FCSM of Russia) for the public disclosure of information in the securities market (hereinafter – “newswires”)¹ no later than 5 (five) days after the date of the decision. The relevant announcement should contain the following information: a) decision date; b) the number of the coupon starting from which the coupons will be set at the EBRD Offer Rate.

- (b) If the National Currency Association Board ceases to calculate the MosPrime Rate all the following coupons are to be set at the EBRD Prime Rate. The issuer is obliged to publish such information in the newswires. The information shall be published no later than 5 (five) days after the date when the Issuer has become aware of the fact that the National Currency Association Board ceased to calculate MosPrime Rate.**

EBRD Prime Rate is determined by the Calculation Agent in percent per annum on the basis of offer rates provided by reference banks. On the relevant I-Coupon Quotation Day between

- 1) 11.00 am to 12.00 pm (Moscow time) if EBRD Prime Rate has replaced MosPrime Rate, or**
- 2) 1.00 pm to 2.00 pm (Moscow time) if EBRD Prime Rate used for one-time I-Coupon Rate calculation**

each reference bank provides the calculation agent with an offer rate at which it is willing to extend a 91 (ninety one) day RUR 150 MM loan to the Issuer. The Reference Banks shall provide the rates per annum rounded to two decimal places.

If on a I-Coupon Quotation Day the Calculation Agent receives the respective rates value only from a single Reference Bank, or if none of the Reference Banks provides the rates, then EBRD Prime Rate in respect of such coupon period shall be equal to the Refinancing Rate of Central Bank of the Russian Federation prevailing on the respective I-Coupon Quotation Day.

If the Calculation Agent receives the rates from two, or three Reference Banks, then the EBRD Prime Rate is calculated as arithmetic mean of the provided offer rates.

If the Calculation Agent receives the rates from four or more Reference Banks, then the EBRD Prime Rate is calculated as the arithmetic mean of the provided offer rates disregarding the highest and the lowest of such rates.

The calculated EBRD Prime Rate shall be rounded, if necessary, to two decimal places (0.01% p.a.-one basis point), with 0.001-0.004 being rounded down and 0.005-0.009 being rounded up.

¹ In accordance with the decision of the FCSM of Russia tender commission taken on 26 April 2001 the winners of the public tender arranged by the FCSM of Russia with respect to the right of providing services on the public disclosure of information in the securities market became Interfax and AK&M.

"Reference Banks" means banks – prospective purchasers of the Bonds mentioned in paragraph 8.1 of the Issue Decision or other banks registered in accordance with the legislation of the Russian Federation, which have concluded respective agreement with the Issuer. The Issuer shall publish an official announcement on inclusion/exclusion of a bank to/from the Reference Bank's list in newswires no later than 5 (five) days after the date of the decision.

"Calculation Agent" is an entity appointed by the Issuer for the Calculation of the EBRD Prime Rate. The Issuer has the right to appoint another entity as the Calculation Agent. In this case Issuer shall disclose such appointment in the newswires no later than 5 (five) days after the date of the decision. Appointment of a new Calculation Agent becomes effective on the date of the information disclosure in the newswires.

Procedure for coupon payments on Bonds:

Coupon payments on Bonds shall be carried out by the Paying Agent at the account and on behalf of the Issuer. NDC performs the functions of the Paying Agent.

Coupon payments on Bonds shall be carried out in the currency of the Russian Federation by clearing.

Coupon payments shall be performed on the end date of the coupon period. If the coupon payment date falls on a non-business day (regardless of whether it is a public holiday or a non-business day for settlement operations), payment of the amounts due shall be made on the first business day following the non-business day. A bondholder shall have no right to demand accrued interest or any other compensation for such a delay.

It is assumed that nominal holders, that are Depositaries, are authorised to receive bond coupon payments. Depositaries and/or other persons who are not authorised by their respective clients to receive coupon payments shall, no later than four (4) business days prior to the established coupon payment date, submit to NDC a list of bondholders that contains all the details set out below in the List of Owners and/or Nominal Holders of Bonds.

Coupon payments shall be paid in favour of the owners of Bonds who own the Bonds as of the close of NDC's trading day preceding the sixth (6) business day before the coupon payment date ("Date of Compiling the List of Bonds Owners and/or Nominal Holders").

The fulfilment of obligations with respect to the owner/holder included into the List of Bond Owners and/or Nominal Holders is considered as valid in the case of the disposal of obligations after the date of compiling the List of Bond Owners and/or Nominal Holders.

No later than three (3) business days prior to the coupon payment date, NDC shall provide the Issuer and/or the Paying Agent with the List of Bond Owners and/or Nominal Holders compiled as of the Date of Compiling the List of Bonds Owners and/or Nominal Holders, and containing the following information:

- **full name of a person authorised to receive coupon payments. Where Bonds have been transferred by the owner to a nominal holder and such nominal holder is authorised to receive coupon payments, the full name of this nominal holder shall be specified. Where Bonds have not been transferred to a nominal holder or where the nominal holder is not authorised to receive coupon payments, the full name of the bond owner shall be specified;**
- **number of Bonds accounted for on the owner's Depo account or on the inter-depositary account of the bond nominal holder authorised to receive coupon payments;**
- **location and postal address of persons authorised to receive coupon payments;**

- *details of a bank account of a person authorised to receive coupon payments, specifying the following information:*
 - *account number;*
 - *title of the bank which hold the account;*
 - *corresponding bank account with which the account is opened;*
 - *banking identification code of the bank where the account is opened;*
- *taxpayer's identification number of a person authorised to receive coupon payments;*
- *tax status of a person authorised to receive coupon payments (resident, non-resident having a permanent establishment in the Russian Federation, non-resident having no permanent establishment in the Russian Federation, etc.).*

Owners of Bonds, their authorised persons, including Depositaries, shall monitor completeness and effectiveness of the bank account details of which they have informed NDC themselves.

In the event of failure to submit or late submission to NDC of the above stated information required for the Issuer to perform its obligations under the Bonds, these obligations shall be fulfilled in favour of a person forwarding a demand to fulfil such obligations and being the owner of the bond as of the date of forwarding such demand.

Obligations by the Issuer in respect of Bonds shall be fulfilled on the basis of the information from NDC. In the cases envisaged by the agreement with NDC the Issuer is entitled to demand confirmation of such information by the records of rights for the Bonds.

No later than 1(one) business day prior to the established coupon payment date the Issuer shall remit the required cash amount to the account of the Paying Agent.

Based on the List of Bond owners and/or Nominal Holders submitted by NDC, the Paying Agent shall calculate the cash amounts payable to each of the persons named in the List of Bond owners and/or Nominal Holders.

As of the coupon payment date, the Paying Agent shall remit the required cash amounts to the accounts of persons authorised to receive coupon payments and named in the List of Bond owners and/or Nominal Holders. Where one person is authorised to receive coupon payments on behalf of a number of owners, such person shall receive the total amount payable without allotting it between the holders.

10.3.2.2. The second rouble bond issue of the Issuer

(a) Type, series, form of securities and other identification information:

Type of Securities Placed: **Bonds**

Category: **Interest Bearing**

Other Identification Information: **Certificated non-convertible bearer bonds with mandatory centralised custody**

Series: **No series number assigned**

Form of the Securities:

Certificated bearer Bonds with mandatory centralized custody

(b) State registration number of the securities issue, date of the state registration of the securities issue: **4-02-00001-L, April 11, 2006.**

(c) Date of state registration of the Report on the Results of the Bond Issue placement: **May 4, 2006.**

(d) Name of the registering authority: **FSFM of Russia**

(e) Total amount of the Securities in the Issue: **5,000,000 (Five million) pieces**

(f) Nominal Value of each security: **1,000 (One thousand) roubles each**

(g) Nominal amount of the Issue: **5,000,000,000 (Five billion) roubles**

(h) Rights Attaching to each Bond of the Issue:

- **The Bondholder is entitled to receive the face value of the Bonds on redemption of the Bonds within the term stipulated therein.**
- **The Bondholder is entitled to receive the interest determined in accordance with the procedures fixed in paragraph 9.3 of the Issue Decision accruing on the face value of the Bonds (coupon income) on the dates set out in paragraph 9.4 of the Issue Decision.**
- **The Bondholder is entitled to freely sell or otherwise dispose of the Bond. The Bonds circulation in the secondary market starts after the state registration of the results on the bond issue by the Federal Service for Financial Markets ("FSFM"). The public circulation of the Bonds is possible only after the state registration of the Securities Prospectus.**
- **The Bondholder is entitled to exercise other rights contemplated by the legislation of the Russian Federation.**

(i) Information on the Mandatory Centralised Custody:

Full name: **Non-Profit Partnership "The National Depository Centre"**

Abbreviated name: **NDC**

location of the depository: **Building 4, 1/13, Sredniy Kislovskiy Pereulok, Moscow;**

number of the depository license: **№177-03431-000100;**

issue date of the license: **December, 4, 2000**

term of the license: **unlimited;**

issuing body: **Federal Commission for the Securities Market ("FCSM of Russia").**

(j) Procedure and terms for redemption of Bonds:

Redemption date – April 21, 2011.

Bonds shall be redeemed by the Paying Agent at the expense and on behalf of the Issuer. NDC performs the functions of the Paying Agent.

If the bond redemption date falls on a non-business day (regardless of whether it is a public holiday or a non-business day for settlement operations), payment of the amounts due shall be made on the first business day following the non-business day. A bondholder shall have no right to demand accrued interest or any other compensation for such a delay.

It is assumed that nominal holders, that are Depositaries, are authorised to receive bond redemption amounts. Depositaries and/or other persons who are not authorised by their respective clients to receive bond redemption amounts shall, no later than four (4) business days prior to the established date of redemption, submit to NDC a list of bondholders that contains all the details set out below in the List of Owners and/or Nominal Holders of Bonds.

Bonds shall be redeemed in favour of the owners of Bonds who own the Bonds as

of the close of NDC's trading day preceding the sixth (6) business day before the date of redemption ("Date of Compiling the List of Bonds Owners and/or Nominal Holders").

The fulfilment of obligations with respect to the owner/holder included into the List of Bond Owners and/or Nominal Holders is considered as valid in the case of the disposal of obligations after the date of compiling the List of Bond Owners and/or Nominal Holders.

No later than three (3) business days prior to the date of redemption, NDC shall provide the Issuer and/or the Paying Agent with the List of Bond Owners and/or Nominal Holders compiled as of the Date of Compiling the List of Bonds Owners and/or Nominal Holders, and containing the following information:

- **full name of a person authorised to receive bond redemption amounts. Where Bonds have been transferred by the owner to a nominal holder and such nominal holder is authorised to receive bond redemption amounts, the full name of this nominal holder shall be specified. Where Bonds have not been transferred to a nominal holder or where the nominal holder is not authorised to receive bond redemption amounts, the full name of the bond owner shall be specified;**
- **number of Bonds accounted for on the owner's Depo account or on the inter-depositary account of the bond nominal holder authorised to receive bond redemption amounts;**
- **location and postal address of persons authorised to receive bond redemption amounts;**
- **details of a bank account of a person authorised to receive bond redemption amounts, specifying the following information:**
 - **account number;**
 - **title of the bank which hold the account;**
 - **corresponding bank account with which the account is opened;**
 - **banking identification code of the bank where the account is opened;**
- **taxpayer's identification number of a person authorised to receive bond redemption amounts;**
- **tax status of a person authorised to receive bond redemption amounts (resident, non-resident having a permanent establishment in the Russian Federation, non-resident having no permanent establishment in the Russian Federation, etc.).**

Owners of Bonds, their authorised persons, including Depositaries, shall monitor completeness and effectiveness of the bank account details of which they have informed NDC themselves.

In the event of failure to submit or late submission to NDC of the above information required for the Issuer to perform its obligations under the Bonds, these obligations shall be fulfilled in favour of a person forwarding a demand to fulfil such obligations and being the owner of the bond as of the date of forwarding such demand.

Obligations by the Issuer in respect of Bonds shall be fulfilled on the basis of the information from NDC. In the cases envisaged by the agreement with NDC the Issuer is entitled to demand confirmation of such information by the records of rights for the Bonds.

No later than 1(one) business day prior to the established date of redemption, the Issuer shall remit the required cash amount to the account of the Paying Agent.

Based on the List of Bond owners and/or Nominal Holders submitted by NDC, the

Paying Agent shall calculate the cash amounts payable to each of the persons named in the List of Bond owners and/or Nominal Holders.

As of the date of redemption, the Paying Agent shall remit the required cash amounts to the accounts of persons authorised to receive bond redemption amounts and named in the List of Bond owners and/or Nominal Holders.

Where one person is authorised to receive bond redemption amounts on behalf of a number of owners, such person shall receive the total amount payable without allotting it between the holders.

k) Coupon income on Bonds, procedure and terms of its determination:

Coupon (Interest) Period	Commencement Date	Final Date	Coupon Term (in days)	Coupon Income (in % p.a. and in roubles)	Coupon Payment Date
1	27.04.2006	27.07.2006	91	5.56% p.a., or 13.86 roubles	27.07.2006
2	27.07.2006	26.10.2006	91	4.44% p.a., or 11.07 roubles	26.10.2006
3	26.10.2006	25.01.2007	91	Equal to MosPrime rate	25.01.2007
4	25.01.2007	26.04.2007	91	Equal to MosPrime rate	26.04.2007
5	26.04.2007	26.07.2007	91	Equal to MosPrime rate	26.07.2007
6	26.07.2007	25.10.2007	91	Equal to MosPrime rate	25.10.2007
7	25.10.2007	24.01.2008	91	Equal to MosPrime rate	24.01.2008
8	24.01.2008	24.04.2008	91	Equal to MosPrime rate	24.04.2008
9	24.04.2008	24.07.2008	91	Equal to MosPrime rate	24.07.2008
10	24.07.2008	23.10.2008	91	Equal to MosPrime rate	23.10.2008
11	23.10.2008	22.01.2009	91	Equal to MosPrime rate	22.01.2009
12	22.01.2009	23.04.2009	91	Equal to MosPrime rate	23.04.2009
13	23.04.2009	23.07.2009	91	Equal to MosPrime rate	23.07.2009
14	23.07.2009	22.10.2009	91	Equal to MosPrime rate	22.10.2009
15	22.10.2009	21.01.2010	91	Equal to MosPrime rate	21.01.2010
16	21.01.2010	22.04.2010	91	Equal to MosPrime rate	22.04.2010
17	22.04.2010	22.07.2010	91	Equal to MosPrime rate	22.07.2010
18	22.07.2010	21.10.2010	91	Equal to MosPrime rate	21.10.2010
19	21.10.2010	20.01.2011	91	Equal to MosPrime rate	20.01.2011
20	20.01.2011	21.04.2011	91	Equal to MosPrime rate	21.04.2011

The amount payable in respect of each coupon on one Bond of the issue shall be calculated as follows:

$$K_i = C_i * Nom * (T_j - T_{(i-1)}) / 365$$

where

K_i is the amount of the i -coupon payment on one bond of the issue;

Nom is the nominal value of one bond;

C_i is the amount of interest rate of the i coupon as expressed in per cent per annum;

$T_{(i-1)}$ is the commencement date of the i coupon period;

T_j is the end date of the i coupon period.

j is the ordinal number of the coupon period, $j=1, 2, 3, 4, 5, 6, \dots$ [·];

The amount of the coupon payment on each Bond shall be calculated to the nearest kopeck (rounded in accordance with the rules on arithmetical rounding. This means that the value of the whole kopeck does not change if the successive number of the rounded number is within range from 0 to 4, and increases by one if the successive number of the rounded number is within range from 5 to 9).

Procedure of coupon interest rate determination:

The coupon rate under coupon No. i (i=1,...,20) ("the I-Coupon Rate") is determined on the last business day (being a day on which banks are generally open for business both in London and in Moscow) preceding the first day of the i coupon period ("I-Coupon Quotation Day").

The i-Coupon rate shall be the 3 (three) month MosPrime Rate on the I-Coupon Quotation Day.

MosPrime Rate is the rate of extending Rouble loans to first tier financial institutions calculated by the National Currency Association Board on the basis of rates for extending Rouble loans (deposits) provided by the active participants of the money market to the first tier Russian financial institutions. Calculation procedure for the Moscow prime rate is determined by the National Currency Association Board resolution about the calculation of indicative Rouble loan (deposit) extension rate on the Moscow market MosPrime Rate – Moscow Prime Offered Rate from 6 April 2005 (resolution).

If no MosPrime Rate is published on the I-Coupon Quotation Day, the interest rate for the i Coupon Period shall be the EBRD Prime Rate ("EBRD Prime Rate") prevailing on the I-Coupon Quotation Day. In this case the subsequent coupon rates will be calculated based on MosPrime Rate.

MosPrime shall be permanently replaced with the EBRD Prime Rate, and accordingly the i-Coupon shall become the EBRD Prime Rate in the following circumstances (Special Conditions):

- (a) *If after the date of the Issue Decision (i) any change in the credit standing and/or composition of the panel of contributing participants to the MosPrime Rate occurs, and/or (ii) the mechanism for obtaining and/or validating quotes from the contributing participants is altered and/or (iii) the methodology for the calculation of the MosPrime Rate is altered and/or (iv) the quotes provided by each contributing participant cease to be published, and the Issuer determines in its sole discretion that MosPrime shall be replaced by EBRD Prime Rate.*

The above decision has to be taken by the Issuer not later than 1 (one) month prior to the I-Coupon Quotation Day for the period for which EBRD is to replace EBRD Prime Rate for the first time on a permanent basis. In this case Issuer shall disclose such decision in the newswires of at least one information agency or other organization possessing the status of the mass media authorised by the FSFM of Russia (FCSM of Russia) for the public disclosure of information in the securities market (hereinafter – "newswires")² no later than 5 (five) days after the date of the decision. The relevant announcement should contain the following information: a) decision date; b) the number of the coupon starting from which the coupons will be set at the EBRD Offer Rate.

- (b) *If the National Currency Association Board ceases to calculate the MosPrime Rate all the following coupons are to be set at the EBRD Prime Rate. The issuer is obliged to publish such information in the newswires. The information shall be published no later than 5 (five) days after the date when the Issuer has become aware of the fact that the National Currency Association Board ceased to calculate MosPrime Rate.*

EBRD Prime Rate is determined by the Calculation Agent in percent per annum on the basis of offer rates provided by reference banks. On the relevant I-Coupon Quotation Day between

² In accordance with the decision of the FCSM of Russia tender commission taken on 26 April 2001 the winners of the public tender arranged by the FCSM of Russia with respect to the right of providing services on the public disclosure of information in the securities market became Interfax and AK&M.

- 3) 11.00 am to 12.00 pm (Moscow time) if EBRD Prime Rate has replaced MosPrime Rate, or
- 4) 1.00 pm to 2.00 pm (Moscow time) if EBRD Prime r Rate used for one-time I-Coupon Rate calculation

each reference bank provides the calculation agent with an offer rate at which it is willing to extend a 91 (ninety one) day RUR 150 MM loan to the Issuer. The Reference Banks shall provide the rates per annum rounded to two decimal places.

If on a I-Coupon Quotation Day the Calculation Agent receives the respective rates value only from a single Reference Bank, or if none of the Reference Banks provides the rates, then EBRD Prime Rate in respect of such coupon period shall be equal to the Refinancing Rate of Central Bank of the Russian Federation prevailing on the respective I-Coupon Quotation Day.

If the Calculation Agent receives the rates from two, or three Reference Banks, then the EBRD Prime Rate is calculated as arithmetic mean of the provided offer rates.

If the Calculation Agent receives the rates from four or more Reference Banks, then the EBRD Prime Rate is calculated as the arithmetic mean of the provided offer rates disregarding the highest and the lowest of such rates.

The calculated EBRD Prime Rate shall be rounded, if necessary, to two decimal places (0.01% p.a.-one basis point), with 0.001-0.004 being rounded down and 0.005-0.009 being rounded up.

"Reference Banks" means banks – prospective purchasers of the Bonds mentioned in paragraph 8.1 of the Issue Decision or other banks registered in accordance with the legislation of the Russian Federation, which have concluded respective agreement with the Issuer. The Issuer shall publish an official announcement on inclusion/exclusion of a bank to/from the Reference Bank's list in newswires no later than 5 (five) days after the date of the decision.

"Calculation Agent" is an entity appointed by the Issuer for the Calculation of the EBRD Prime Rate. The Issuer has the right to appoint another entity as the Calculation Agent. In this case Issuer shall disclose such appointment in the newswires no later than 5 (five) days after the date of the decision. Appointment of a new Calculation Agent becomes effective on the date of the information disclosure in the newswires.

Procedure for coupon payments on Bonds:

Coupon payments on Bonds shall be carried out by the Paying Agent at the account and on behalf of the Issuer. NDC performs the functions of the Paying Agent.

Coupon payments on Bonds shall be carried out in the currency of the Russian Federation by clearing.

Coupon payments shall be performed on the end date of the coupon period. If the coupon payment date falls on a non-business day (regardless of whether it is a public holiday or a non-business day for settlement operations), payment of the amounts due shall be made on the first business day following the non-business day. A bondholder shall have no right to demand accrued interest or any other compensation for such a delay.

It is assumed that nominal holders, that are Depositaries, are authorised to receive bond coupon payments. Depositaries and/or other persons who are not authorised by their respective clients to receive coupon payments shall, no later

than four (4) business days prior to the established coupon payment date, submit to NDC a list of bondholders that contains all the details set out below in the List of Owners and/or Nominal Holders of Bonds.

Coupon payments shall be paid in favour of the owners of Bonds who own the Bonds as of the close of NDC's trading day preceding the sixth (6) business day before the coupon payment date ("Date of Compiling the List of Bonds Owners and/or Nominal Holders").

The fulfilment of obligations with respect to the owner/holder included into the List of Bond Owners and/or Nominal Holders is considered as valid in the case of the disposal of obligations after the date of compiling the List of Bond Owners and/or Nominal Holders.

No later than three (3) business days prior to the coupon payment date, NDC shall provide the Issuer and/or the Paying Agent with the List of Bond Owners and/or Nominal Holders compiled as of the Date of Compiling the List of Bonds Owners and/or Nominal Holders, and containing the following information:

- **full name of a person authorised to receive coupon payments. Where Bonds have been transferred by the owner to a nominal holder and such nominal holder is authorised to receive coupon payments, the full name of this nominal holder shall be specified. Where Bonds have not been transferred to a nominal holder or where the nominal holder is not authorised to receive coupon payments, the full name of the bond owner shall be specified;**
- **number of Bonds accounted for on the owner's Depo account or on the inter-depositary account of the bond nominal holder authorised to receive coupon payments;**
- **location and postal address of persons authorised to receive coupon payments;**
- **details of a bank account of a person authorised to receive coupon payments, specifying the following information:**
 - **account number;**
 - **title of the bank which hold the account;**
 - **corresponding bank account with which the account is opened;**
 - **banking identification code of the bank where the account is opened;**
- **taxpayer's identification number of a person authorised to receive coupon payments;**
- **tax status of a person authorised to receive coupon payments (resident, non-resident having a permanent establishment in the Russian Federation, non-resident having no permanent establishment in the Russian Federation, etc.).**

Owners of Bonds, their authorised persons, including Depositaries, shall monitor completeness and effectiveness of the bank account details of which they have informed NDC themselves.

In the event of failure to submit or late submission to NDC of the above stated information required for the Issuer to perform its obligations under the Bonds, these obligations shall be fulfilled in favour of a person forwarding a demand to fulfil such obligations and being the owner of the bond as of the date of forwarding such demand.

Obligations by the Issuer in respect of Bonds shall be fulfilled on the basis of the information from NDC. In the cases envisaged by the agreement with NDC the Issuer is entitled to demand confirmation of such information by the records of rights for the Bonds.

No later than 1(one) business day prior to the established coupon payment date the Issuer shall remit the required cash amount to the account of the Paying

Agent.

Based on the List of Bond owners and/or Nominal Holders submitted by NDC, the Paying Agent shall calculate the cash amounts payable to each of the persons named in the List of Bond owners and/or Nominal Holders.

As of the coupon payment date, the Paying Agent shall remit the required cash amounts to the accounts of persons authorised to receive coupon payments and named in the List of Bond owners and/or Nominal Holders. Where one person is authorised to receive coupon payments on behalf of a number of owners, such person shall receive the total amount payable without allotting it between the holders.

10.3.3 Information on the Issues Obligations under Securities of which are not Fulfilled (Default)
Not relevant for the Issuer.

10.4 Information on a Person(s) Providing Security in respect of the Bond Issue
Security is not provided in respect of the bond issue.

10.5 Terms and Conditions for the Fulfilment of Obligations on the Bonds of the Issue
Security is not provided in respect of the bond issue.

10.6 Information on Organisations Registering Rights to Issue Securities of the Issuer
Not relevant for the Issuer.

10.7 Information on Legislative Acts Regulating Capital Exports and Imports that may have an Impact on the Payment of Dividends, Interest and other Sums to Non-Residents
Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

10.8 Description of the Procedure for the Taxation of Income on the Issuer's Securities that have been or are to Be Placed

Prospective investors should consult their own tax advisers regarding the tax consequences of investing in the Bonds in their own particular circumstances including tax consequences of receiving interest income and selling or redemption of the Bonds. A number of conditions of the Russian tax legislation in respect of the Bonds and in force as of the date of the approval of the current Prospectus is provided in the in this Prospectus below. The following description is not the complete research of all aspects of the Bonds taxation.

Taxation of income derived from the bonds is determined in accordance with Russian Tax Code.

Many aspects of Russian tax law are subject to significant uncertainty. Further, the substantive provisions of Russian tax law applicable to financial instruments may be subject to more rapid and unpredictable change and inconsistency than in jurisdictions with more developed capital markets. In this regard, 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 “resident holder” means an individual actually present in Russia for an aggregate period of more than 183 days in a given calendar year (not counting days of arrival into Russia but counting days of departure from Russia) or a legal entity or organisation in each case organised under Russian law, foreign legal entity or organization acting through its permanent tax establishment in Russia which holds and disposes of the Bonds.

For the purposes of this summary, a “non-resident holder” means an individual actually present in Russia for an aggregate period of less than 183 days in a given calendar year (not counting days of arrival into Russia but counting days of departure from Russia) or a legal entity or organisation in each case not organised under Russian law which holds and disposes of the Bonds other than through its permanent tax establishment in Russia.

Income tax rates

Legal Entities		
	Residents	Non-residents
Coupon income	24% (including 6.5% - federal budget, 17.5% - regional budget)	20%
Income from sales operations	24% (including 6.5% - federal budget, 17.5% - regional budget)	20%
Income from purchase operations	Not applied	Not applied
Individuals		
	Residents	Non-residents
Coupon income	13%	30%
Income from sales operations	13%	30%
Income from purchase operations	13%	30%

Taxation of the resident holders

(a) Taxation of individuals (personal income tax)

Taxation of individuals is regulated by Chapter 23 of the Russian Tax Code (13% rate).

Material gain

The tax payer's income received as a material gain is the material gain received as a result of the securities acquisition and corresponding taxable base is determined as excess of bonds market value defined subject to maximum allowable deviations (for securities traded on exchange) over purchase price including all purchase expenses. Definition of market value and maximum allowable deviation is established by federal authority regulating security market - FSFM.

Purchase and sale

Income (loss) under sale and purchase of securities is determined as the difference between the income gained as a result of the securities purchase and the recorded expenses on purchase, sale and keeping of the securities actually incurred by a taxpayer or property deduction allowable as deductible expenses.

The above expenses include:

- amounts paid to the seller under the agreement;*
- custody fees;*
- commission fees payable to the professional participants of the securities market; discount payable (reimbursed) to the management organisation of the share investment fund upon the sale (redemption) by the investor of the investment share of the share investment fund determined in accordance with the procedures stipulated by the legislation of the Russian Federation on investment funds;- stock exchange fees;*
- payment of the registrars' fees;*
- other expenses directly related to the purchase, sale and keeping of the securities relating for the services provided by professional participants of the securities market when carrying out their professional activities.*

Income (loss) under sale and purchase transactions with respect to the securities traded on exchange shall be increased (reduced) by the amount of interest payable for the use of cash attracted for the purposes of entering into sale and purchase transactions within the amounts calculated based on the existing refinancing rate of the Central Bank of the Russian Federation.

If all the tax payer's expenses may not be confirmed by written evidence he is entitled to use the property tax deduction regarding sums received from selling of movable property owned by the tax payer less than 3 (three) years not exceeding 125,000 roubles and regarding property owned by the tax payer more than 3 (three) years in the amount received by the tax payer from selling.

Coupon income

Coupon income on Bonds is levied by the personal income tax at 13%.

The date of the actual receipt of income is determined as follows:

- date of income payment in cash; or*

- date of income transferring to the taxpayer bank account or to the third party account on behalf of taxpayer.

The calculation and payment of taxes is performed by a tax agent. The tax agent could be a broker, asset management company and other entity servicing under an agency, commission or another agreement and on behalf of the taxpayer.

(b) Taxation of resident legal entities (income tax)

Regulated by Chapter 25 of the Tax Code (24% rate)

Income from sale

Tax payer's income from sale and other disposal (including redemption) of the securities is determined based on the price of sale or other disposal of the security.

Expenses related to the sale (or other disposal) of securities shall be determined based on the price of acquisition of the relevant security (including any expenses related to such acquisition), costs of sale thereof, the amount of discounts on the estimated value of investments, the amount of accrued interest (coupon) income paid by a taxpayer to the seller of a security.

For taxation purposes, the market value of any securities circulating on the organised securities market shall be the actual price of sale (or other disposal), if such price is in the range between the maximum and minimum prices (the price range) of the transactions involving such security registered by the trade institutor of the date of entering into a relevant transaction. In the event that securities circulating on the organised securities market are sold at a price lower than the minimal price of the transactions on the organised market, the minimal price of the transaction on the organised market shall be taken into account to determine the fiscal effect.

In respect of operations with securities, the taxable base shall be determined by a taxpayer separately, unless the taxable base in respect of operations involving securities is determined by the professional participants of securities market. In doing so, taxpayers (other than the professional participants of securities market engaged in dealing activities) shall determine the taxable base in respect of operations involving securities circulating on the organised market separately from the taxable base in respect of operations involving securities that do not circulate on the organised market.

In respect of the sale or other disposal of securities, a taxpayer shall individually, pursuant to its tax accounting policy, select one of the below-listed cost accounting methods:

- 1) first-in, first-out method (FIFO);**
- 2) last-in, first-out method (LIFO);**
- 3) unit cost method.**

Coupon income (interest)

Coupon income on Bonds is levied with income tax at 24%.

Taxation of non-resident holders

A non-resident holder also generally should not be subject to any Russian taxes in respect of gain or other income realised on a redemption, sale or other disposal of the Bonds outside Russia, provided that the proceeds of such disposal are not received from a source within Russia.

In the event that proceeds from a disposal of Bonds are received from a source within Russia, a non-resident holder that is a legal entity or organisation should not be subject to any Russian taxation 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. Non-resident holders that are legal entities or organisations should consult their own tax advisers with respect to this possibility and the relevant procedures.

If proceeds from a disposal of the Bonds are received from a source within Russia, a non-resident holder 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 Bonds). In this regard, if the Bonds 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. 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 Bonds, the currency of sale of the Bonds and roubles.

Any part of the proceeds from selling Bonds related to accrued interest income can be subject to a non-resident income tax received from a source within Russia at a rate of 20 per cent or an personal income rate at a rate of 30 per cent. taking into consideration possible double tax treaty relief even if such a possibility results in a loss of a holder.

Coupon income on Bonds paid to the non-resident holders shall be subject to income tax at a rate of 20 per cent. (in case of the holder is an organization) or at a rate of 30 per cent. (in case of the holder is an individual).

Calculation and withholding of the income tax is performed by the tax agent.

Double tax treaty relief application

Where double tax treaty relief is available for a Bondholder which is not an individual, but where Russian withholding tax on income was withheld by the source of payment, a refund of tax with held is possible within three years from the end of the tax period in which the tax was withheld. In order to obtain a refund of tax, documentation confirming the right of the non-resident recipient of income to double tax treaty relief is required.

A Noteholder who is an individual 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. Resident Noteholders should consult their own tax advisers with respect to their tax position regarding the Bonds.

Where proceeds from the disposition of Bonds are received from a Russian source, in order for the non-resident holder, whether an individual, legal entity or organisation, to enjoy 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.

Where double tax treaty relief is available for a Bondholder which is not an individual, but where Russian withholding tax on income was withheld by the source of payment, a refund of tax withheld is possible within three years from the end of the tax period in which the tax was withheld. In order to obtain a refund of tax, documentation confirming the right of the non-resident recipient of income to double tax treaty relief is required.

For an individual Bondholder, where double tax treaty relief is available, the documentation for the refund of tax may be filed within one year after the end of the year to which the tax benefit relates.

The Russian tax legislation does not provide the exact list of the documents confirming the right to benefits under a double tax treaty. Such documentation, in practice, may not be explicitly required in the law.

Refund of the tax withheld may be a time-consuming process and can involve considerable practical difficulties.

10.9 Information on Dividends Declared (Accrued) and Paid on the Issuer's Shares, as well as Information on Income from the Issuer's Bonds

Pursuant to paragraph 9.2 of the Information Disclosure Regulation this does not have to be specified.

10.10 Other information

a) The Bonds are intended to be permitted to the circulation on exchange and over-the-counter market.

Following the state registration of the Bonds and their placement through the Closed Subscription, the Issuer intends to submit a prospectus for registration by the FSFM and thereafter apply to ZAO FB MICEX (the arranger of trading on the securities market) to list the Bond issue and to admit the Bonds to the circulation.

Following the registration of the Prospectus for the Bonds and admission of the Bonds to trading on ZAO FB MICEX the Issuer intends to commit to the following obligations to ZAO FB MICEX:

i) Issuer and/or Calculation agent are to inform ZAO FB MICEX about the I-Coupon Rate not later than 18.00 Moscow time on the I-Coupon Quotation Day.

ii) The Issuer is to inform ZAO FB MICEX about the appointment of the Calculation Agent not later than the following business day after the decision date.

b) Procedure for the Determination of the Amount of Income on the Bonds.

On any day between the securities placement commencement date and the date of redemption, the amount payable in respect of each coupon on one Bond of the issue shall be calculated as follows:

$$K_i = C_j * Nom * (T - T_{(j-1)}) / 365$$

where

K_i is the amount of the coupon payment on one bond of the issue;

Nom is the nominal value of one bond;

C_j is the amount of interest rate of the i coupon as expressed in per cent per annum;

T_(j-1) is the commencement date of the i coupon period;

T is the end date of the i coupon period.

The amount of the accrued coupon income on each Bond shall be calculated to the nearest kopeck (rounded in accordance with the rules on arithmetical rounding until the nearest whole number. The rules on arithmetical rounding shall be understood as a rounding method where. the value of the whole kopeck (whole kopecks) does not change if the number immediately following the rounded number is within range from 0 to 4, and increases by one if the number immediately following the rounded number is within range from 5 to 9).

Appendix No.1
Form of Description of the Bond Certificate

European Bank for Reconstruction and Development

Issuer's location: One Exchange Square, London, EC2A 2JN, United Kingdom.

Address: One Exchange Square, London, EC2A 2JN, United Kingdom

CERTIFICATE

Certificated Floating Rate Interest Bearing Non-Convertible Bearer Bonds with Mandatory Centralised Custody in the amount of 7,500,000 (seven million five hundred thousand) Bonds with a nominal value of 1,000 (one thousand) Roubles each with a maturity date falling on the 1,820th (one thousand eight hundred and twentieth) day from the date of the commencement of the closed placement of the Bonds (hereinafter – «Bonds»).

State registration number of the bond issue: _____
Date of the state registration of the bond issue: _____, 200_.

Present Certificate certifies the rights on 7,500,000 (seven million five hundred thousand) Bonds with a nominal value of 1,000 (one thousand) roubles each with total nominal value of 5,000,000,000 (five billion) roubles

Total amount of Bonds of Issue obtained the state registration number _____ registered on _____ 2006, comprises 7,500,000 (seven million five hundred thousand) Bonds with a nominal value of 1,000 (one thousand) roubles each with total nominal value of 5,000,000,000 (five billion) roubles

European Bank for Reconstruction and Development shall undertake to provide for the rights of the Owners of Bonds should they adhere to the procedure of realization of such rights determined by the Russian legislation.

PRESENT BONDS SHALL NOT BE DEEMED AS OBLIGATIONS OF ANY GOVERNMENT OR MEMBER OF THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

THE BONDS SHALL BE PLACED THROUGH CLOSED SUBSCRIPTION

**Present Certificate shall be deposited with the Non-Profit Partnership “The National Depository Centre” (hereinafter – “Depository”) performing mandate centralized custody of the Certificate of Bonds
Location: Building 4, 1/13, Sredniy Kislovskiy Pereulok, Moscow**

Jean Lemierre

President of the European Bank for Reconstruction and Development

_____, 2006

seal

(reverse side)

Appendix No.2
Issuer's Annual Accounting Report for 2005

Appendix No.3
Issuer's Quarterly Accounting Record for the Quarter Ending March 31, 2006

Appendix No.4
Issuer's Annual Report for 2004

Appendix No.5
Issuer's Annual Accounting Report for 2003

Appendix No.6

Rules on calculation of rouble loan (deposit) reference rate in the Moscow money market: MosPrime Rate - Moscow Prime Offered Rate

1. MosPrime Rate is the National Foreign Exchange Association (NFEA) fixing of the reference rate based on the offer rates of Russian Rouble deposits as quoted by the leading participants of the Russian money market to first class financial institutions.

MosPrime Rate is an independent indicative rate.

2. The list of banks contributing reference rates (hereinafter—Contributor Panel) is determined by the NFEA Board. Contributor Panels shall comprise at least 6 Contributor Banks are selected on the basis of reputation, credit standing, scale of activity and experience in Russian money market. NFEA Board shall review Contributor Panel at least once a year. There is no restriction on recurring inclusion of a bank in Contributor Panel.

If a Contributor Bank ceases to satisfy NFEA Board requirements, NFEA Board has the right to exclude it from Contributor Panel.

Each Contributor Bank has the right to cease contributing the rates by sending preliminary notification in 3 months before the date of cessation.

In case of such cessation NFEA Board have right to replace the leaving Contributor Bank. The information on such a replacement shall be made public at least 2 months before such replacement becomes effective. Information on any change in Contributor Banks list shall be disclosed in media (in particular at NFEA internet site and relevant Reuters page).

3. The rates provided by the Contributor Banks are regarded to be exemplary rates. While the disclosure of such rates does not impose any interbank deal making obligations on the Banks, the rates of the Contributor Banks are intended to accurately reflect the rates at which these banks are prepared to place a deposit to a prime financial institution according to Russian law.

The Banks shall disclose their rates without any references either to the rates of the other Banks, or to the rates of Central Bank of the Russian Federation.

4. MosPrime Rate is calculated for the tenors of 1,2 and 3 months deposit rates provided by 8 Contributor Banks. The starting day of the contract period is “tomorrow” (TOM).

5. MosPrime Rate is calculated every business day on the basis of the Contributor Banks’ rates at which they may place a deposit to a prime financial institution for periods equal to the relevant MosPrime Rate Calculation Period. Banks submit their rates to Reuters not later 11.45 Moscow time. Business day is a day in accordance with the legislation of the Russian Federation. The rates shall be provided in per cent p.a. to two decimal places.

MosPrime Rate is calculated as an arithmetic average of the rates provided by Contributor Banks after disregarding the highest and the lowest. If only 4 or less rates have been provided, no quotes to be excluded from the averaging. MosPrime Rate shall be rounded, if necessary, to two decimal places.

6. The Contributor Banks shall dispatch MosPrime Rate indicative rates together with MosIBOR rates in Reuters.

Reuters shall publish MosPrime Rate rate and the rates of the Contributor Banks every business day on special pages together with MosIBOR rates.

7. NFEA undertakes to daily disclose MosPrime Rate rate, individual rate of the Contributor Banks and information on changes in Contributor Panel on its website, relevant Reuters page and in media (on condition of "copyright" from Reuters).

Contributor Panel

1. «ABN Amro Bank» A.O.
2. ZAO KB «Citibank»
3. AB «Gazprombank»
4. AKB «International Moscow Bank»
5. ZAO «Raiffeisenbank Austria»
6. AK Sberbank (Savings Banks of the Russia)
7. OAO «Vneshtorgbank» (Bank for Foreign Trade)
8. ZAO «WestLB Vostok»