

Programme Memorandum

# Wisbech Pineapple plc

*(Incorporated with limited liability in England and Wales)*

## U.S.\$900,000,000

### Secured Medium Term Note Programme

Under the Secured Medium Term Note Programme described in this Programme Memorandum (the "Programme"), Wisbech Pineapple plc (the "Issuer"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue secured notes (the "Notes") on the terms set out herein, as supplemented by a form of pricing supplement (each, the "Pricing Supplement"). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.\$900,000,000 (or the equivalent in other currencies).

Notes will be issued in Series (as defined in "Summary of the Programme") and each Series will be secured in the manner set out in Condition 4 of the Terms and Conditions of the Notes and may also be secured by such additional security as may be described in the relevant Pricing Supplement. The Notes will also be secured by a charge over all sums held by the Issuing and Paying Agent (as defined herein) to meet payments due in respect of the Notes and by an assignment of the Issuer's rights under the Agency Agreement (as defined herein). All the Issuer's assets subject to the security constituted by each Supplemental Trust Deed (as defined herein) are referred to in this Programme Memorandum as "Reference Assets". On or prior to the issuance of the first Series under the Programme, the Issuer will be assigned all of the rights and obligations as lender under a secured loan (the "Secured Loan") to Private Company "VTB Leasing Ukraine" as borrower ("VTB Leasing Ukraine"). The Issuer's rights, title and interest in and under any such Secured Loan are referred to in this Programme Memorandum as "Collateral". At such time the Issuer will not have any other material assets. The Reference Assets for such first Series will therefore be the Secured Loan. Future Series will be secured by such initial Reference Assets or further Reference Assets or will be otherwise secured or unsecured as described in the relevant Pricing Supplement. Claims against the Issuer by holders of the Notes of a particular Series and the Issuing and Paying Agent will be limited to the Reference Assets applicable to that Series. The Arranger has no obligation to any holder of Notes for payment of any amount payable by the Issuer in respect of the Notes.

**If the net proceeds of the enforcement of the Reference Assets for a Series are not sufficient to make all payments then due in respect of the Notes and Coupons of that Series and, if applicable, the claims of the Issuing and Paying Agent, the obligations of the Issuer will be limited to such net proceeds and the other assets of the Issuer will not be available to meet any shortfall. The Issuer will not be obliged to make any further payment in excess of such net proceeds and no debt shall be owed by the Issuer in respect of such shortfall.**

The Issuer may from time to time issue further Notes on the same terms as existing Notes and such further Notes shall be consolidated and form a single Series with such existing Notes, in accordance with Condition 13 provided that unless otherwise approved by an Extraordinary Resolution of Noteholders, the Issuer provides additional assets as security for such further Notes as provided in Condition 14.

Application has been made to list the Notes issued under the Programme on the Luxembourg Stock Exchange and for the Notes to be admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange (the "Market"). Reference in this Programme Memorandum to Notes being "listed" on the Luxembourg Stock Exchange (and related references) shall mean that such Notes have been admitted to trading on the Market. In relation to Notes listed on the Luxembourg Stock Exchange, this Programme Memorandum is valid for a period of one year from the date hereof. However, unlisted Notes may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Luxembourg Stock Exchange (or any other stock exchange).

Each Series of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "temporary Global Note") or a permanent global note in bearer form (each a "permanent Global Note"). Notes in registered form will be represented by registered certificates (each a "Certificate"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Global Notes and Certificates may (or in the case of Notes listed on the Luxembourg Stock Exchange will) be deposited on the issue date with a common depository on behalf of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") (the "Common Depository"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Summary of Provisions Relating to the Notes while in Global Form".

THE NOTES WILL BE OBLIGATIONS SOLELY OF THE ISSUER AND WILL NOT BE GUARANTEED BY, OR BE THE RESPONSIBILITY OF, THE ARRANGER, ANY DEALER, THE TRUSTEE, VTB LEASING UKRAINE OR ANY OTHER ENTITY.

**Arranger and Sole Permanent Dealer**

**VTB CAPITAL**

The date of this Programme Memorandum is 30 October 2009

This Programme Memorandum constitutes a Base Prospectus and each Pricing Supplement constitutes the Final Terms for the purposes of the Luxembourg Law dated July 10, 2005 on Prospectuses for Securities and for the purpose of giving information with respect to the Issuer, VTB Leasing Ukraine (as the obligor of the initial Reference Assets), the Secured Loan (as the original Reference Asset) and the Notes, which, according to the particular nature of the Issuer, VTB Leasing Ukraine, the Secured Loan and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and VTB Leasing Ukraine. VTB Leasing Ukraine has no subsidiaries as at the date hereof.

VTB Leasing Ukraine accepts responsibility for the information contained in this Programme Memorandum relating to itself and the Secured Loan. To the best of the knowledge and belief of VTB Leasing Ukraine (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer accepts responsibility for the information in this Programme Memorandum in respect of itself and the Notes (the "Issuer Information"). To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case), such Issuer Information is in accordance with the facts and does not omit anything likely to affect the import of such Issuer Information.

No person has been authorised to give any information or to make any representation other than those contained in this Programme Memorandum and the relevant Pricing Supplement in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, VTB Leasing Ukraine, the Arranger, the Dealer(s) or the Trustee (each as defined in "Overview of the Programme"). Neither the delivery of this Programme Memorandum nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or VTB Leasing Ukraine or in the Reference Assets since the date hereof or the date upon which this Programme Memorandum has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or VTB Leasing Ukraine or in the Reference Assets since the date hereof or the date upon which this Programme Memorandum has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

You should not consider any information in this Programme Memorandum to be investment, legal or tax advice. You should consult your own counsel, accountant and other advisors for legal, tax, business, financial and related advice regarding the purchase of the Notes. VTB Leasing Ukraine, the Issuer, the Trustee, the Arranger and the Dealer(s) are not making any representation to any offeree or purchaser of the Notes regarding the legality of an investment in the Notes by such offeree or purchaser under investment or similar laws.

VTB Leasing Ukraine obtained the market data used in this Programme Memorandum, which may include approximations or be rounded for convenience, from internal surveys, industry sources and currently available information. VTB Leasing Ukraine obtained information regarding Ukraine and its economy from various government publications and publicly available sources. Although VTB Leasing Ukraine believes that its sources are reliable, you should keep in mind that none of VTB Leasing Ukraine, the Issuer, the Trustee, the Arranger or the Dealer(s) has independently verified information obtained from industry and government sources and that information from its internal surveys has not been verified by any independent sources. VTB Leasing Ukraine accepts responsibility for having correctly reproduced information obtained from industry publications or public sources.

This Programme Memorandum is based on information provided by VTB Leasing Ukraine and publicly available sources believed to be reliable. Neither the Arranger, nor any Dealer nor the Trustee is responsible for, and consequently no such entity is making any representation or warranty, express or implied, to you concerning, the accuracy or completeness of any information in this Programme Memorandum or the future performance of VTB Leasing Ukraine.

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

In this Programme Memorandum, references to “Rubles”, “Roubles” and “RUR” are to the lawful currency for the time being of the Russian Federation, references to “U.S. Dollars”, “U.S.\$”, and “\$” are to the lawful currency for the time being of the United States of America, and references to “UAH” and “Hryvnia” are to the lawful currency for the time being of Ukraine.

The distribution of this Programme Memorandum and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Programme Memorandum comes are required by the Issuer, VTB Leasing Ukraine, the Trustee, the Arranger and the Dealer(s) to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933 (the “Securities Act”) and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Programme Memorandum, see “Subscription and Sale”.

This Programme Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer, VTB Leasing Ukraine, the Trustee, the Arranger or the Dealer(s) to subscribe for, or purchase, any Notes.

**To the fullest extent permitted by law, none of the Dealers or the Arranger accept any responsibility for the contents of this Programme Memorandum or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuer, VTB Leasing Ukraine or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Programme Memorandum or any such statement.**

**Prospective investors should have regard to the factors described under the section headed “Risk Factors” in this Programme Memorandum. This Programme Memorandum does not describe all of the risks of an investment in the Notes. Neither this Programme Memorandum nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, VTB Leasing Ukraine, the Trustee, the Arranger or any Dealer that any recipient of this Programme Memorandum or any other financial statements should purchase the Notes. Purchasers of Notes should conduct such independent investigation and analysis regarding the Issuer, VTB Leasing Ukraine, the Notes and the Reference Assets as they deem appropriate to evaluate the merits and risks of an investment in the Notes. Purchasers of Notes should have sufficient knowledge and experience in financial and business matters, and access to, and knowledge of, appropriate analytical resources, to evaluate the information contained in this Programme Memorandum and the relevant Pricing Supplement (if any) and the merits and risks of investing in the Notes in the context of their financial position and circumstances. Neither the Arranger**

**not any Dealer undertakes to review the financial condition or affairs of the Issuer or VTB Leasing Ukraine or of the Reference Assets during the life of the arrangements contemplated by this Programme Memorandum or to advise any investor or potential investor in the Notes of any information coming to the attention of the Arranger or any Dealer. The risk factors identified in this Programme Memorandum are provided as general information only and each of the Arranger and each Dealer disclaims any responsibility to advise purchasers of Notes of the risks and investment considerations associated therewith as they may exist at the date hereof or as they may from time to time alter.**

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

## **SUPPLEMENTARY PROGRAMME MEMORANDUM**

The Issuer will agree to comply with any undertakings given by it from time to time to the Luxembourg Stock Exchange in connection with listed Notes and, without prejudice to the generality of the foregoing, the Issuer will, so long as any of its Notes remains outstanding and admitted to trading on the Market, in the event of any new or replacement Reference Assets or any significant new factor, material mistake or inaccuracy relating to the information contained in this Programme Memorandum, prepare a supplement to this Programme Memorandum or publish a new Programme Memorandum for use in connection with any subsequent issue of the Notes to be listed on the Luxembourg Stock Exchange.

## **FINANCIAL STATEMENTS**

This Programme Memorandum should be read and construed in conjunction with each relevant Pricing Supplement, the most recently published audited annual financial statements, and any financial statements (whether audited or unaudited) published subsequently to such annual financial statements, of VTB Leasing Ukraine or of any obligor of new Reference Assets from time to time, which shall be deemed to be incorporated in, and to form part of, this Programme Memorandum and which shall be deemed to modify or supersede the contents of this Programme Memorandum to the extent that a statement contained in any such document is inconsistent with such contents. VTB Leasing Ukraine’s audited annual financial statements as at and for the years ended 31 December 2008 and 2007 (the “VTB Leasing Ukraine Annual Financial Statements”) included in this Programme Memorandum beginning on page F-1 have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), in effect at the time of preparing the VTB Leasing Ukraine Annual Financial Statements. VTB Leasing Ukraine’s interim condensed financial statements as at and for the six months ended 30 June 2009 (the “VTB Leasing Ukraine Interim Financial Statements”) included in this Programme Memorandum beginning on page F-26 have been prepared in accordance with IAS 34, Interim Financial Reporting. The VTB Leasing Ukraine Annual Financial Statements were audited by Ernst & Young Audit Services LLC (“E&Y”). The business address of E&Y is 19A, Khreschatyk Street, Kiev, 01001,

Ukraine. E&Y have expressed an unqualified opinion on the VTB Leasing Ukraine Annual Financial Statements as at and for the years ended 31 December 2008 and 2007.

Certain amounts that appear in this Programme Memorandum have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

## **FORWARD-LOOKING STATEMENTS**

Certain statements in this Programme Memorandum are not historical facts and are “forward-looking”. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words “believe”, “expect”, “anticipate”, “intend”, “estimate”, “forecast”, “project”, “will”, “may”, “should” and similar expressions identify forward-looking statements but are not the exclusive means of identifying such statements. Forward-looking statements appear in a number of places in this Programme Memorandum including, without limitation, “Risk Factors” and “Business”.

The forward-looking statements in this Programme Memorandum are based upon various assumptions, many of which are based, in turn, upon further assumptions, including, without limitation, management’s examination of historical operating trends, data contained in VTB Leasing Ukraine’s records and other data available from third parties. Although VTB Leasing Ukraine believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and which are beyond VTB Leasing Ukraine’s control and VTB Leasing Ukraine may not achieve or accomplish these expectations, beliefs or projections.

When relying on forward-looking statements, potential investors should carefully consider such assumptions and other uncertainties and events, especially in light of the political, economic, social and legal environment in which VTB Leasing Ukraine operate. Such forward-looking statements speak only as at the date on which they are made. Except to the extent required by law, neither VTB Leasing Ukraine nor any of its agents, employees or advisers intend or have any duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained in this Programme Memorandum.

## TABLE OF CONTENTS

	<b>Page</b>
FORWARD-LOOKING STATEMENTS .....	6
OVERVIEW OF THE PROGRAMME.....	2
RISK FACTORS .....	7
CAPITALISATION AND INDEBTEDNESS .....	21
VTB LEASING UKRAINE.....	22
RISK MANAGEMENT .....	32
MANAGEMENT .....	35
TERMS AND CONDITIONS OF THE NOTES .....	38
SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM .....	64
USE OF PROCEEDS.....	68
DESCRIPTION OF THE ISSUER.....	69
SUMMARY OF THE SECURED LOAN AGREEMENT AND THE PLEDGE AGREEMENT .....	1
TAXATION.....	2
SUBSCRIPTION AND SALE .....	4
FORM OF PRICING SUPPLEMENT.....	6
GENERAL INFORMATION .....	16

## OVERVIEW OF THE PROGRAMME

*The following overview is qualified in its entirety by the remainder of this Programme Memorandum.*

<b>Issuer:</b>	Wisbech Pineapple plc, incorporated in England and Wales as a public company with limited liability under the Companies Acts 1985 to 2006 (registered number 6992362) with its registered office at 35 Great St. Helen's, London EC3A 6AP.
<b>Description:</b>	Secured Medium Term Note Programme pursuant to which the Issuer may issue Notes.
<b>Size:</b>	Up to U.S.\$900,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
<b>Arranger:</b>	VTB Capital plc, 14 Cornhill, London EC3V 3ND, United Kingdom.
<b>Reference Assets:</b>	The Notes of each Series will be secured in the manner set out in Condition 4 of the Terms and Conditions of the Notes including a charge on and/or assignment of and/or other security interest over or in respect of the Collateral and the Agency Agreement (as defined in the Terms and Conditions of the Notes) and all sums held from time to time by the Issuing and Paying Agent insofar as such sums relate to that Series. Each Series may also be secured by such alternate or additional Reference Assets as may be described in the relevant Pricing Supplement. References in this Programme Memorandum to "Security" are to the security constituted by the relevant Supplemental Trust Deed
<b>Initial Reference Assets:</b>	The secured loan described under "Summary of the Secured Loan Agreement and the Pledge Agreement".
<b>Original Obligor under Initial Reference Assets:</b>	Private Company "VTB Leasing Ukraine", the obligor under the initial Reference Assets which will, unless specified in the relevant Pricing Supplement, secure each Series of Notes. VTB Leasing Ukraine is a Ukrainian financial leasing company offering financial leasing services in Ukraine. VTB Leasing Ukraine is a subsidiary of Open Joint-Stock Company VTB-Leasing ("VTB-Leasing Russia"), a Russian financial leasing company offering financial leasing services in respect of a range of leasing sectors across Russia and certain CIS countries. VTB Leasing Ukraine is an indirectly wholly-owned subsidiary of JSC VTB Bank ("VTB"), one of the largest Russian banks whose majority shareholder is the Russian Federation ("Russia"), acting through the Federal Property Agency.
<b>Dealer:</b>	VTB Capital plc.  The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional



dealers either in respect of one or more Series or in respect of the whole Programme. References in this Programme Memorandum to “Permanent Dealers” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to “Dealers” are to all Permanent Dealers and all persons appointed as dealers in respect of one or more Series.

<b>Trustee</b>	ATC Trust Company (London) Limited
<b>Issuing and Paying Agent and Transfer Agent:</b>	The Bank of New York Mellon.
<b>Registrar, Luxembourg Transfer and Paying Agent and Luxembourg Listing Agent:</b>	The Bank of New York Mellon (Luxembourg) S.A. Corporate Trust Services.
<b>Corporate Services Provider:</b>	Structured Finance Management Limited
<b>Method of Issue:</b>	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “Series”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. The specific terms of each Series (which will be completed, where necessary, with supplemental terms and conditions) will be completed in the pricing supplement to this Programme Memorandum (the “Pricing Supplement”).
<b>Issue Price of Notes:</b>	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
<b>Form of Notes:</b>	The Notes may be issued in bearer form only (“Bearer Notes”) or in registered form only (“Registered Notes”). Each Series of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in “Selling Restrictions” below), otherwise such Series will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as “Global Certificates”.
<b>Clearing Systems:</b>	Clearstream, Luxembourg, Euroclear and, in relation to any Series, such other clearing system as may be agreed between

the Issuer, the Trustee, the Issuing and Paying Agent, the Arranger and the relevant Dealer.

**Initial Delivery of Notes:**

On or before the issue date for each Series, the Global Note representing Bearer Notes or the Certificate representing Registered Notes may (or, in the case of Notes listed on the Luxembourg Stock Exchange, shall) be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Global Notes or Certificates relating to Notes that are not listed on the Luxembourg Stock Exchange may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Trustee, the Issuing and Paying Agent, the Arranger and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

**Currencies:**

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency as agreed between the Issuer, the Arranger and the relevant Dealer.

**Maturities:**

Subject to compliance with all relevant laws, regulations and directives, any maturity.

**Specified Denomination:**

Definitive Notes will be in such denominations as may be specified in the relevant Pricing Supplement, save that (i) the minimum specified denomination of any Notes issued shall be €50,000 (or its equivalent in any other currency as at the date of issue of the Notes) and (ii) unless otherwise permitted by then current laws and regulations, Notes which have a maturity of less than one year will have a minimum denomination of £100,000 (or its equivalent in other currencies).

**Fixed Rate Notes:**

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Pricing Supplement.

**Floating Rate Notes:**

Floating Rate Notes will bear interest determined separately for each Series as follows:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or
- (i) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin.

	Interest Periods will be specified in the relevant Pricing Supplement.
<b>Zero Coupon Notes:</b>	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
<b>Interest Periods and Rates of Interest:</b>	The length of the interest periods for the Notes and the applicable rate of interest or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum rate of interest, a minimum rate of interest, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.
<b>Redemption:</b>	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable.
<b>Redemption by Instalments:</b>	The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
<b>Other Notes:</b>	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, Partly Paid Notes and any other type of Note that the Issuer, and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Pricing Supplement.
<b>Optional Redemption:</b>	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
<b>Mandatory Redemption:</b>	If all or some of the Notes relating to a Series become repayable prior to their stated maturity or there is a payment default in respect of any such Notes, the Notes of that Series shall become repayable in whole or in part. See “Terms and Conditions of the Notes - Redemption, Purchase and Options”.
<b>Status of Notes:</b>	The Notes will constitute secured, limited recourse obligations of the Issuer ranking <i>pari passu</i> without any preference among themselves and secured in the manner described in the “Terms and Conditions of the Notes - Security”. Recourse in respect of any Series will be limited to the Reference Assets. Claims of Noteholders and, if applicable, the Issuing and Paying Agent shall rank in accordance with the priorities specified in the relevant Supplemental Trust Deed.
<b>Restrictions:</b>	So long as any of the Notes remain outstanding, the Issuer

will not, without the consent of the Noteholders, incur any other indebtedness for borrowed moneys, against security over its assets, or engage in any business (other than the transactions contemplated by this Programme Memorandum), declare any dividends, have any subsidiaries or employees, purchase, own, lease or otherwise acquire any real property, consolidate or merge with any other person, convey or transfer its properties or assets substantially as an entity to any person (other than as contemplated by the Conditions) or issue any shares.

**Cross Default:**

None

**Withholding Tax:**

All payments of principal and interest by the Issuer in respect of the Notes will be made subject to any withholding or deduction for, or on account of, any United Kingdom taxation and any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

**Further Issues:**

The Issuer may from time to time issue further Notes of any Series on the same terms as existing Notes and such further Notes shall be consolidated and form a single Series with such existing Notes of the same Series provided that, unless otherwise approved by an Extraordinary Resolution of Noteholders, the Issuer provides additional assets as security for such further Notes in accordance with Condition 5.

**Governing Law:**

English.

**Listing and Admission to Trading:**

The Euro MTF Market of the Luxembourg Stock Exchange or such other stock exchange(s) as otherwise specified in the relevant Pricing Supplement. As specified in the relevant Pricing Supplement, a Series of Notes may be unlisted.

**Selling Restrictions:**

The United States, the United Kingdom, Ukraine and any other jurisdiction relevant to any Series. See “Subscription and Sale”. The Issuer is Category 2 for the purposes of Regulation S under the Securities Act, as amended. Notes in bearer form will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the “C Rules”) unless (i) the relevant Pricing Supplement states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the “D Rules”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable

## **RISK FACTORS**

*Prospective investors should consider carefully the risks set forth below and the other information contained in this Programme Memorandum prior to making any decision to invest in any Notes. Each of the risks highlighted below could have a material adverse effect on the Issuer, or on VTB Leasing Ukraine's (as the obligor of the initial Reference Assets) businesses, operations and financial condition which, in turn, could have a material adverse effect on its ability to service its payment obligations under the Secured Loan (as the initial Reference Asset) and thus on debt service on the Notes.*

*In addition, the trading price of the Notes could decline due to any of these risks, and you could lose some or all of your investment. You should note that the risks described below are not the only risks the Issuer or VTB Leasing Ukraine faces. The Issuer has described only the risks it considers to be material. However, there may be additional risks that it or VTB Leasing Ukraine currently considers not to be material or of which either of them is not currently aware, and any of these risks could have the effects set forth above.*

### **Risk Factors relating to the Issuer**

#### ***The Issuer is a special purpose vehicle***

The Issuer is incorporated as a special purpose vehicle. The sole business of the Issuer is the raising of money by issuing Notes secured by Reference Assets. Recourse of Noteholders in respect of any Series will be limited to the Reference Assets. Claims of Noteholders rank in accordance with the priorities specified in the relevant Supplemental Trust Deed. If the net proceeds of the enforcement of the Reference Assets for a Series are not sufficient to make all payments then due in respect of the Notes and Coupons of that Series, the obligations of the Issuer will be limited to such net proceeds and the other assets of the Issuer will not be available to meet any shortfall. The Issuer will not be obliged to make any further payment in excess of such net proceeds and no debt shall be owed by the Issuer in respect of such shortfall. In such event there are no other assets available to satisfy the claims of Noteholders and they will have no recourse against any director, shareholder, or officer of the Issuer.

#### ***Insolvency***

The Issuer is prohibited under the Trust Deed and the Conditions from engaging in activities other than the issue of Notes and related and incidental matters.

However, notwithstanding these restrictions, should the Issuer have outstanding liabilities to third parties which it is unable to discharge and as a result the Issuer becomes or is declared insolvent according to the law of any country having jurisdiction over it or any of its assets, the insolvency laws of that country may determine the validity of the claims of Noteholders and may prevent Noteholders from enforcing their rights or delay such enforcement.

Noteholders are advised to consult their own legal advisers in relation to the insolvency laws applicable to the Issuer.

#### ***Enforcement of the pledge under Ukrainian Law***

The Secured Loan is secured by pledge over certain movable assets of VTB Leasing Ukraine governed by the Ukrainian law (the "Pledge"). Under Ukrainian law, the validity and effectiveness of the Pledge is dependent on the validity and effectiveness of the underlying obligation; accordingly, the Pledge would cease to exist once the Secured Loan has become invalid or ineffective for any reason.

Under Ukrainian law, a pledgee whose pledge is validly created and duly registered in accordance with Ukrainian legislation is entitled to satisfy its claims from the value of the pledged property in accordance with

the priority ranking determined based on the time of registration of the pledge with the State Registry of Encumbrances Over Movable Property (the "Encumbrance Registry"). In general, the Pledge may be enforced through (i) out-of-court procedures, (ii) court procedures, or (iii) a notarial writ procedure (available only when the pledge agreement has been notarised). Pledge enforcement procedures in Ukraine may be time consuming and, in case of out-of-court enforcement, may require cooperation from VTB Leasing Ukraine. Enforcement through the notarial writ procedure may be carried out subject to fulfillment of certain requirements (e.g., the pledgee has to provide documents to the notary confirming that the pledgee's claim is undisputed and that the borrower failed to perform its respective obligations when due). Therefore, there can be no assurance that the Issuer (or, as the case may be, the Trustee or its agent upon enforcement of the Security) will be able to promptly recover its claims to VTB Leasing Ukraine from the pledged assets. Furthermore, if the proceeds of enforcement are not sufficient to satisfy the Issuer's (or, as the case may be, the Trustee's or its agent's upon enforcement of the Security) claims in full, VTB Leasing Ukraine may be held liable for deficiency. However, in respect of such deficiency, claims of the Issuer (or, as the case may be, the Trustee or its agent upon enforcement of the Security) will be deemed unsecured. In such circumstances, the ability of the Noteholders to receive payments under the Notes in full could be adversely affected.

### **Risk Factors relating to VTB Leasing Ukraine as obligor of the initial Reference Assets**

#### ***Concentration of Business***

VTB Leasing Ukraine's lease portfolio has relatively high industry concentrations. As at 30 June 2009, the railway transport sector accounted for 99.69 per cent. of VTB Leasing Ukraine's client base. As at that date, total net investment in leases to VTB Leasing Ukraine's largest client, the State Railway Transport Administration of Ukraine ("Ukrzaliznytsia"), represented 93 per cent. of VTB Leasing Ukraine's net investment in leases. Although VTB Leasing Ukraine continues to take measures to diversify its lease portfolio, there can be no assurance that it will be able to achieve or maintain a greater level of diversification in its lease portfolio, and a failure to do so could have a material adverse effect on VTB Leasing Ukraine's business, financial condition, results of operations and prospects and the value of the Notes.

#### ***Controlling Owner***

VTB Leasing Ukraine is indirectly wholly owned and controlled by OJSC "VTB-Leasing" ("VTB-Leasing Russia"). As such, VTB-Leasing Russia is able to determine the outcome of most corporate matters. Historically, VTB-Leasing Russia has exerted significant control over VTB Leasing Ukraine's strategy, policies and operations. In addition, substantial functions within VTB Leasing Ukraine are also integrated with those of VTB-Leasing Russia, including treasury, risk management and business planning. Although VTB-Leasing Russia has not done so in the past, it could cause VTB Leasing Ukraine to pursue acquisitions or other transactions or to make large dividend payments or other distributions or payments to its sole ultimate beneficial owner, VTB-Leasing Russia, that are designed to benefit VTB-Leasing Russia, even though such transactions may involve increased risk for Noteholders. The interests of VTB Leasing Ukraine's sole ultimate beneficial owner, VTB, and management may, in some circumstances, conflict with the interests of Noteholders and any such conflict could have a material adverse effect on the Noteholders' investment in the Notes.

#### ***Relationship with the VTB Group***

In terms of funding, VTB Leasing Ukraine has historically been reliant to a significant extent on VTB-Leasing Russia and its consolidated subsidiaries (the "VTB Group"), in particular VTB-Leasing Russia. VTB-Leasing Russia has no obligation to continue to provide financial support to VTB Leasing Ukraine in the future. Furthermore, VTB-Leasing Russia is not providing any guarantee in connection with the Notes or the

Secured Loan. A failure by VTB Leasing Ukraine to source alternative funding as required and where such funding is not available from VTB on equally favourable terms could have a material adverse effect on VTB Leasing Ukraine's business, financial conditions and results of operations.

***Unfavourable conditions in the credit markets could affect the value and growth of VTB Leasing Ukraine's lease portfolio and VTB Leasing Ukraine may face liquidity risks and may fail to mitigate these risks***

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

Access to the international capital markets is set to become an important source of funding for VTB Leasing Ukraine as an alternative to loans obtained from VTB-Leasing Russia and other lenders. VTB Leasing Ukraine cannot, however, provide any assurance that it will be able to access the international capital markets to issue new debt or refinance its current borrowings on favourable terms or at all. The availability of credit to emerging markets borrowers is also significantly influenced by investor confidence in such markets as a whole. Consequently, any factors that impact market confidence – for example, a decrease in credit ratings or state or central bank intervention in one market – could affect the price or availability of funding for entities within all emerging markets. Accordingly, any decrease in investor confidence within the emerging markets could have a negative effect on the price or availability of funding within such markets. In addition, persistently adverse market conditions could affect the continued expansion of VTB Leasing Ukraine's lease portfolio.

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

***Instability and uncertainty in the Ukrainian leasing sector create an uncertain environment for VTB Leasing Ukraine's business activity***

In comparison to leasing industries in America or Western Europe, the Ukrainian leasing industry is relatively young and undeveloped, the legal framework is not without inconsistency and there cannot be any assurance that the substantial growth experienced before the Credit Squeeze will be sustained or maintained.

At present the main factor influencing the development of the Ukrainian leasing market is the ability to solve economy infrastructure problems, leading to an increase in investment demand. However, the development of the leasing market remains tied to demand from core sectors of the economy.

If the Ukrainian leasing sector experiences a further downturn, it could have a material adverse effect on VTB Leasing Ukraine's business, financial condition, results of operations and prospects and the value of the Notes.

***Increasing competition in the Ukrainian financial and leasing sectors may affect VTB Leasing Ukraine's business and its ability to execute its strategy for expansion***

The Ukrainian market for financial and leasing services is highly competitive and is characterised by factors that vary based upon product and geographic region. After the effects of the Credit Squeeze have passed and

the Ukrainian economy has started to recover, it is expected to become increasingly competitive as a result of financial sector reform and improvements in the quality of management at many Ukrainian banks and leasing companies. The lessees are also placing increased demands on lease transactions. However, not all leasing companies can adjust to the changing market conditions and remain competitive. At present a key factor for the leasing market development is the search for long-term financing for further growth of the leasing companies' business. In addition, competition is based, as expected, on the basis of pricing, terms and structure.

To the extent that VTB Leasing Ukraine's competitors compete aggressively on any combination of those factors, VTB Leasing Ukraine could fail to achieve its investment objectives. Furthermore, although major players in the leasing market, such as VTB Leasing Ukraine, currently demonstrate substantial growth and expand their customer base, a failure to attract adequate financing on VTB Leasing Ukraine's part or to successfully execute its strategy for expansion could have a material adverse effect on its business, financial condition, results of operations and prospects and the value of the Notes.

***If leased equipment or assets are not properly maintained, their residual value may be less than expected***

If a lessee fails to maintain leased equipment or assets in accordance with the terms of its lease, VTB Leasing Ukraine may have to make unanticipated expenditures to repair the equipment in order to protect its investment. VTB Leasing Ukraine would have rights against the supplier of the equipment for any losses arising from a breach of representations made to VTB Leasing Ukraine, and against the lessee for a default under the lease. However, VTB Leasing Ukraine cannot assure investors that these rights would make VTB Leasing Ukraine whole with respect to its entire investment in the equipment or VTB Leasing Ukraine's expected returns on the equipment, including legal costs, costs of repair and lost revenue from the delay in being able to sell or re-lease the equipment due to undetected problems or issues and as such there could result a material adverse effect on VTB Leasing Ukraine's business, financial condition, results of operations and prospects and the value of the Notes.

***If a lessee defaults on its lease, VTB Leasing Ukraine could incur losses***

If a lessee does not make lease payments to VTB Leasing Ukraine when due, or violates the terms of its lease in another material way, VTB Leasing Ukraine may terminate the lease and attempt to recover the equipment. Upon recovery of the equipment, VTB Leasing Ukraine may not be able to arrange for a new lease or to sell the equipment immediately, if at all. VTB Leasing Ukraine would then lose the expected lease revenues and might not be able to recover the entire amount or any of its original investment in the equipment. The costs of recovering equipment upon a lessee's default, enforcing the lessee's obligations under the lease, and transporting, storing, repairing and finding a new lessee for the equipment may be high and may negatively affect the value of VTB Leasing Ukraine's investment in the equipment and could have a material adverse effect on VTB Leasing Ukraine's business, financial condition, results of operations and prospects and the value of the Notes.

***If a lessee files for bankruptcy, VTB Leasing Ukraine may have difficulty enforcing the terms of the lease and may incur losses***

If a lessee files for bankruptcy, the remaining term of the lease could be shortened or the lease could be rejected by the court, which could result in, among other things, any unpaid pre-bankruptcy lease payments being cancelled as part of the bankruptcy proceeding. VTB Leasing Ukraine may also experience difficulties and delays in recovering equipment from a bankrupt lessee that is involved in a bankruptcy proceeding or has been declared bankrupt by a court. If a lease is rejected in a bankruptcy, VTB Leasing Ukraine would bear the cost of retrieving and storing the equipment, and then have to remarket the equipment in order to mitigate its losses. In such an event, VTB Leasing Ukraine may not be able to arrange for a new lease or to sell the equipment immediately, if at all. VTB Leasing Ukraine would then lose the expected lease revenues and



might not be able to recover the entire amount or any of its original investment in the equipment since the court would treat VTB Leasing Ukraine as an unsecured creditor for any amounts due under the lease. This could have a material adverse effect on VTB Leasing Ukraine's business, financial condition, results of operations and prospects and the value of the Notes.

***VTB Leasing Ukraine may not be able to obtain insurance for certain risks and would have to bear the cost of losses from non-insurable risks***

Leased equipment may be damaged or lost. Fire, weather, accidents, theft or other events can cause damage or loss of leased equipment. While VTB Leasing Ukraine generally insures the leased assets, some losses, such as from acts of war, terrorism or earthquakes may either be uninsurable or not economically feasible to insure. Furthermore, not all possible liability claims or contingencies affecting equipment can be anticipated or insured against, and, if insured, the insurance proceeds may not be sufficient to cover a loss. If such a disaster occurs to the equipment, VTB Leasing Ukraine could suffer a total loss of any investment in the affected equipment. In leasing some types of equipment VTB Leasing Ukraine may be exposed to environmental liability. Although VTB Leasing Ukraine will use its best efforts to minimise the possibility and exposure of such liability, VTB Leasing Ukraine cannot assure you that its assets will be protected against any such claims and losses arising as a result could have a material adverse effect on VTB Leasing Ukraine's business, financial condition, results of operations and prospects and the value of the Notes.

The Ukrainian insurance sector is not fully developed and insurance is not widely relied upon to manage operational risk. This is particularly the case in the leasing sector, where the concept of residual value is still relatively new and yet to be properly understood by insurance companies. VTB Leasing Ukraine therefore insures its assets based on 100 per cent. of the invested funds in those assets rather than on the basis of residual value or the credit profile of the lessee. VTB Leasing Ukraine does not maintain any key man insurance.

***VTB Leasing Ukraine could suffer losses from failure to maintain equipment registration and from unexpected regulatory compliance costs***

Many types of transportation equipment are subject to registration requirements by Ukrainian governmental agencies. Failing to register the equipment, or losing the registration, could result in substantial penalties, forced liquidation of the equipment and/or the inability to operate and lease the equipment. Governmental agencies may also require changes or improvements to equipment, and VTB Leasing Ukraine may have to spend its own funds to comply if the lessee of the equipment is not required to do so under the lease. These changes could force the equipment to be removed from service for a period of time. The terms of leases may provide for rent reductions if the equipment must remain out of service for an extended period of time or is removed from service. VTB Leasing Ukraine may then have reduced rental income from the lease for this item of equipment. If VTB Leasing Ukraine does not have the funds to make a required change, it might be required to sell the affected equipment. If so, VTB Leasing Ukraine could suffer a loss on its investment, lose future revenues and experience adverse tax consequences, which could have a material adverse effect on VTB Leasing Ukraine's business, financial condition, results of operations and prospects and the value of the Notes.

***The lack of reliable information about lessees in Ukraine could result in VTB Leasing Ukraine not becoming aware of events of default of its lessees in a timely manner***

Due to a lack of frequent and reliable information on lessees in Ukraine, VTB Leasing Ukraine historically has had to rely, to a large extent, on statutory financial statements of its lessees to evaluate their financial performance and monitor credit quality. The limited scope of the assessment and monitoring procedures based on such statutory financial statements, together with insufficient internal coordination of the collection of information from lessees and the analysis of such information by the relevant departments within VTB

Leasing Ukraine, could result in VTB Leasing Ukraine not being aware of events of default or potential events of default on a timely basis. VTB Leasing Ukraine has taken, and continues to take, steps to coordinate and accelerate data collection and analysis to prevent such deficiencies in its internal procedures in the future. However, the general limitations of frequent and reliable information about lessees in Ukraine may result in VTB Leasing Ukraine not becoming aware of events of default of its lessees, which could have a material adverse effect on VTB Leasing Ukraine's business, financial condition, results of operations and prospects and the value of the Notes.

***VTB Leasing Ukraine may be adversely affected by significant changes in interest rates***

Although VTB Leasing Ukraine generally employs a matched funding approach to managing its interest rate risk, including matching the repricing characteristics of its assets with its liabilities, significant increases in market interest rates or widening of credit spreads, or the perception that an increase may occur, could have a material adverse effect on VTB Leasing Ukraine's business, financial condition, results of operations and prospects and the value of the Notes.

***VTB Leasing Ukraine has not independently verified information regarding its competitors and official data from Government agencies***

VTB Leasing Ukraine has derived substantially all of the information contained in this Programme Memorandum concerning its competitors from publicly available information, and it has relied on the accuracy of this information without independent verification. In addition, some of the information contained in this Programme Memorandum has been derived from the official data of Government agencies and the National Bank of Ukraine ("NBU"). The official data published by Ukrainian governmental agencies is substantially less complete or researched than those of Western countries and the veracity of some official data released by the Government may be questionable. Official statistics, including those produced by the NBU, may also be produced on different bases than those used in Western countries. Any discussion of matters relating to Ukraine in this Programme Memorandum must, therefore, be subject to uncertainty due to concerns about the completeness or reliability of available official and public information.

***VTB Leasing Ukraine's management has recognised a material weakness in their internal controls over the closing process relating to the preparation of IFRS financial statements.***

VTB Leasing Ukraine's independent auditors have identified, and VTB Leasing Ukraine's management has recognised, a material weakness in VTB Leasing Ukraine's internal control over the closing process relating to the preparation of IFRS financial statements. This is largely driven by a shortage of sufficiently qualified IFRS trained accounting personnel, which is a function of a severe lack of qualified IFRS trained personnel in the Ukrainian market, and the limitations of the UAS accounting system employed by VTB Leasing Ukraine to collect and produce information ready for use in connection with the preparation of its IFRS financial statements. Under International Standard on Auditing No. 315, a material weakness in internal control is one that could have a material effect on the IFRS financial statements.

VTB Leasing Ukraine's management believes that it compensates for this material weakness in internal control over financial reporting by following a standard procedure of gathering data and transforming quarterly and annual statutory balances into IFRS based financial information and performing reviews of this transformation. The practical implication of this is that additional work is required for the verification of such data by the Company. This is a laborious process, but VTB Leasing Ukraine believes that it has produced reliable IFRS financial statements.

VTB Leasing Ukraine's independent auditors considered this material weakness in determining the nature, timing and extent of the procedures it performed in its audit of VTB Leasing Ukraine's Annual Financial Statements, and it did not affect their audit report on the Annual Financial Statements.

While VTB Leasing Ukraine is taking steps to address this material weakness, including but not limited to – providing additional training and adopting its IT system to support IFRS reporting, it may not be successful in remedying it in a timely fashion to prevent the above stated deficiencies in VTB Leasing Ukraine’s internal control over financial reporting in the future. Although VTB Leasing Ukraine believes that the foregoing weakness is not expected to prevent VTB Leasing Ukraine from being able to produce its IFRS financial statements in a timely fashion under its applicable legal, stock exchange and contractual periodic reporting obligations, if VTB Leasing Ukraine is unable to remedy this material weakness or prevent future weaknesses, it may not be able to prevent or detect a material misstatement in such financial statements. Any such misstatement in its financial statements or the perceived weaknesses in the quality of its accounting personnel and its management information and/or financial reporting systems may have a material adverse effect on, among other things, its ability to pursue its strategies, maintain its competitive strengths or raise debt or equity financing in the future, which could have a material adverse effect on its business, financial condition, results of operations, prospects or the trading price of the Notes.

### **Risk Factors relating to Ukraine**

#### ***Emerging markets such as Ukraine are subject to greater risks than more developed markets***

All of VTB Leasing Ukraine’s operations are conducted in Ukraine. Accordingly, VTB Leasing Ukraine is substantially dependent on the economic and political conditions prevailing in Ukraine.

Since obtaining independence in 1991, Ukraine has undergone a substantial political transformation from a constituent republic of the USSR to an independent sovereign democracy. In parallel with this transformation, Ukraine is progressively changing from a centrally planned economy to a market economy. In particular, Ukraine’s achievements in market-oriented reforms have been recognised by the EU, which granted Ukraine market economy status at the end of 2005. The US granted Ukraine such status in February 2006. In May 2008, Ukraine joined the World Trade Organisation (the "WTO"). Although some progress has been made since independence to reform Ukraine's economy and its political and judicial systems, to a large extent Ukraine still lacks the necessary legal infrastructure and regulatory framework that are essential to support market institutions, the effective transition to a market economy and broad based social and economic reforms.

Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. In particular, investors should be aware that emerging markets, such as Ukraine, are generally subject to greater risks, including legal, regulatory, economic and political risks, than more developed markets. Emerging economies, such as Ukraine’s, are generally subject to rapid change and the information set out in this Programme Memorandum may relatively quickly become outdated. Moreover, financial turmoil in any emerging market tends to adversely affect prices in debt and equity markets of all emerging markets as investors move their money to more stable, developed markets. In the second half of 2008, financial problems caused by the global financial crisis and an increase in the perceived risks associated with investing in emerging economies dampened foreign investment in Ukraine, resulting in an outflow of capital and an adverse effect on the Ukrainian economy. Accordingly, investors should exercise particular care in evaluating the risks involved and are urged to consult with their own legal and financial advisers before making an investment in the Notes.

#### ***Political and constitutional instability could materially adversely affect VTB Leasing Ukraine’s business, results of operations or financial condition***

Since independence in 1991, political and constitutional instability has been a feature of Ukraine. A lack of political consensus in the Ukrainian Parliament has made it consistently difficult for the Ukrainian Government to secure the necessary parliamentary support to implement a series of policies intended to foster

economic reform and financial stability. The Ukrainian Government's policies are subject to rapid change, and the political leaders who formulate and implement them have often been unstable.

In recent years, the Ukrainian governmental system has suffered a number of disruptions resulting from disagreements between key political leaders and institutions. Political stability in Ukraine may further be undermined by the upcoming presidential elections currently scheduled for 17 January 2010 which have been the subject of a number of controversies between the Ukrainian Parliament and the President. There can be no assurance that the presidential elections will be held transparently or that the results of the elections will go unchallenged. Furthermore, no assurance can be given that the political situation in Ukraine will improve after the presidential elections.

In light of the above factors, there can be no certainty that Ukraine will achieve political consensus in the near future. Ongoing disputes between the President, Parliament and the Government, the absence of a stable majority in Parliament and the reluctance of Ukrainian political leaders to implement necessary but unpopular economic reforms this close to the upcoming presidential elections may hinder the reforms necessary to address the deterioration of the political and governmental situation in Ukraine. These and any other adverse political developments could lead to political and governmental instability and thus have a material adverse effect on VTB Leasing Ukraine's business, results of operations or financial condition.

***Economic instability in Ukraine may materially adversely affect VTB Leasing Ukraine's business, results of operations or financial condition***

In recent years, the Ukrainian economy has continued to face a number of factors which contribute to economic instability, including a relatively weak banking system providing limited liquidity to Ukrainian enterprises, instability of tax laws, widespread tax evasion and the presence of black and grey-market economies, a high level of loss-making enterprises that continue to operate due to the lack of effective bankruptcy proceedings, a high level of corruption, significant capital flight and rising but relatively low wages for a large portion of the Ukrainian population.

Negative trends in Ukrainian GDP, increasing inflation and a decrease in industrial output experienced since late 2008 are likely to continue so long as commodity prices on the external markets remain low and access to foreign credit is constricted, and unless the Ukrainian Government undertakes certain important structural reforms in the near future while continuing to exercise monetary policies aimed at reducing the rate of inflation. No assurance can be given that policies favouring such reforms will be implemented and, if implemented, that these policies will be successful. Any of these economic factors could lead to economic instability and thus may have a material adverse effect on VTB Leasing Ukraine's business, results of operations or financial condition.

***Fluctuations in the global economy may materially adversely affect the Ukrainian economy and VTB Leasing Ukraine's business, results of operations or financial condition***

Ukraine's economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The recent global economic crisis has severely impacted Ukraine's economy. Being a major producer and exporter of metal, chemicals, machinery and agricultural products, Ukraine has suffered from a substantial decrease of its exports due to weak external demand and low international commodity prices since the end of 2008. Aggravated by other negative factors, such as the increase in energy prices and the absence of financial support from domestic and international lenders, this resulted in a decrease in the production volumes of large Ukrainian industrial enterprises, suspension of production processes and widespread layoffs. Furthermore, Ukraine has been particularly badly affected by the global financial crisis with Ukrainian companies suffering from disruptions and reductions in the availability of credit or increases in financing costs. Any deepening of the global financial crisis or deterioration in international commodity prices may have negative effects on the economy and thus on the business of VTB Leasing Ukraine.

***The volatility of the Hryvnia may materially adversely affect the Ukrainian economy and VTB Leasing Ukraine's business, results of operations or financial condition***

In view of the significant reliance of the Ukrainian economy on the U.S. Dollar and increased activity of Ukrainian borrowers on external markets, Ukraine has become increasingly exposed to the risk of Hryvnia exchange rate fluctuations.

The global financial crisis and general economic conditions in Ukraine have caused the Hryvnia to depreciate against the U.S. Dollar by approximately 65 per cent. since September 2008 (based on NBU's official U.S. Dollar to Hryvnia exchange rate). There is no certainty that the Hryvnia will not depreciate further against the U.S. Dollar in the future, given the absence of significant currency inflow from exports and foreign investment, as well as the anticipated need for Ukrainian borrowers to repay a substantial amount of the short-term external debt. Any further currency fluctuations may negatively affect the Ukrainian economy in general and, thus, have a material adverse effect on VTB Leasing Ukraine's business, financial condition and results of operations.

***Ukrainian enterprises have a limited history of operating in free-market conditions and face significant liquidity problems and a deterioration in the business environment in Ukraine could have a material adverse effect on VTB Leasing Ukraine's business, results of operations or financial condition***

Ukrainian enterprises have a limited history of operating in free market conditions and have had limited experience (compared with companies in more developed jurisdictions) of entering into and performing contractual obligations. Ukrainian enterprises, when compared to businesses operating in more developed jurisdictions, are often characterised by management that lacks experience in responding to changing market conditions and limited capital resources with which to develop their operations. In addition, Ukraine has a limited infrastructure to support a market system, with communications, banks and other financial infrastructure being less well developed and less well regulated than their counterparts in more developed jurisdictions.

Ukrainian enterprises face significant liquidity problems due to a limited supply of domestic savings, few foreign or domestic sources of funds, high taxes, limited lending by the banking sector to the industrial sector and other factors, all of which have been exacerbated by the global financial crisis. Many Ukrainian enterprises cannot make timely payments for goods or services and owe large amounts in taxes, as well as wages to employees. A deterioration in the business environment in Ukraine could have a material adverse effect on VTB Leasing Ukraine's business, results of operations or financial condition.

***The taxation system in Ukraine is at an early stage of development and the interpretation and application of tax laws and regulations are evolving, which significantly increases the risks with respect to VTB Leasing Ukraine's operations and investment in Ukraine***

VTB Leasing Ukraine pays different types of tax in Ukraine, including general corporate tax, payroll taxes and VAT.

Ukraine currently has a number of laws relating to various taxes imposed by both central and local authorities. Applicable taxes include value added tax, corporate income tax (profits tax), customs duties, personal income tax, payroll (social security) taxes and other taxes.

The tax laws have been enacted quite recently as compared to more developed market economies. Moreover, tax laws in Ukraine are subject to frequent changes and amendments. For example, with effect from 1 January 2004, personal income tax has been reformed by the introduction of a new flat tax of 15 per cent. (13 per cent. rate applied from 1 January 2004 through 31 December 2006) for almost all levels of income. In addition, with effect from 1 January 2004, the rate of corporate profits tax was reduced from 30 per cent. to 25 per cent. Also, different tax preferences, including, inter alia, those for domestic and foreign investors were abolished

in 2005. In 2007 the government announced plans to enact a new Tax Code starting 1 January 2008 and published its first drafts, but the reform has been postponed due to political instability.

Since tax legislation is subject to frequent change and some of provisions and regulations relating to the aforementioned taxes are comparatively new, interpretation of these regulations is often unclear or non-existent. Taxpayers and the Ukrainian tax authorities often interpret tax laws differently. In some instances, the Ukrainian tax authorities have applied new interpretations of tax laws retroactively. There is no established precedent or consistent court practice in respect of tax matters. Taxpayers often have to resort to court proceedings to defend their position against the tax authorities. However courts are often inexperienced in tax matters and tend to resolve cases in favor of the state. Also differing interpretations of tax regulations exist both among and within government ministries and organizations at the central, regional and local levels, creating uncertainties and inconsistent enforcement.

Tax declarations/returns, together with other compliance areas (such as customs and currency control matters), are subject to review and investigation by a number of authorities, which are authorised by law to impose severe fines, penalties and interest charges. Generally the Ukrainian tax authorities may re-assess tax liabilities of tax payers only within a period of three years after the filing of the relevant tax declarations. This term may be extended only if the tax payer did not submit the relevant tax declaration or if its management is found guilty by court in a criminal tax evasion. A previous tax audit does not exclude subsequent claims related to the audited period within the said period.

In view of the economic downturn the Ukrainian tax authorities have recently become more restrictive in interpretation of tax laws.

Moreover, recently the government tends to introduce additional restrictions and administrative bans aimed at limitation of the taxpayers' possibilities to report deductible expenses and value added tax credit. Though contradicting the effective tax law and exceeding the authority of the government, these measures significantly complicate the taxpayers' tax reporting and administration and could result in artificial unjustified increase of the tax obligations of taxpayers.

These changing conditions create tax risks in Ukraine that are more significant than those typically found in jurisdictions with more developed tax systems and complicate the tax planning and related business decisions of VTB Leasing Ukraine. While the VTB Leasing Ukraine believes that it is currently in compliance with the tax laws affecting its operations, it is possible that relevant authorities could take differing positions with regard to interpretative issues, which may result in a material adverse effect on VTB Leasing Ukraine's business, results of operations or prospects.

#### ***Tax might be withheld on dispositions of the Notes in Ukraine***

If a non-resident Noteholder that is a legal entity or organization disposes of any Notes and receives proceeds from a source within Ukraine, there is a risk that a 15 per cent. withholding tax will apply in Ukraine. Where proceeds from a disposition of the Notes are received from a source within Ukraine by an individual non-resident Noteholder, the withholding tax may be applied at a rate of 30 per cent. If an individual non-resident Noteholder receives income from disposition of the Notes from a source in Ukraine not from a tax agent, this Noteholder may be required to file the tax return and pay the personal income tax in Ukraine.

Withholding taxes in Ukraine may be reduced or eliminated under an applicable double tax treaty subject to compliance with the treaty clearance formalities

#### ***Social instability in Ukraine could increase support for renewed centralised authority, nationalism or violence***

The failure of the Ukrainian Government and many private enterprises to pay full salaries on a regular basis and the failure of salaries and benefits generally to keep pace with the rapidly increasing cost of living have led in the past, and could lead in the future, to labour and social unrest. Labour and social unrest may have political, social and economic consequences, such as increased support for a renewal of centralised authority or, on the contrary, for federalisation of the state, or increased nationalism with restrictions on foreign ownership in the economy of Ukraine. Any of these events could materially adversely affect VTB Leasing Ukraine's ability to conduct its business effectively.

***Crime and governmental or business corruption could significantly disrupt VTB Leasing Ukraine's ability to conduct its business and could have a material adverse effect on VTB Leasing Ukraine's business, results of operations or financial condition***

External analysts have identified governmental and business corruption, money laundering and other criminal activity as problems in Ukraine. In accordance with Ukrainian anti-money laundering legislation which came into force in June 2003, the NBU and other state authorities, as well as various entities carrying out financial transactions, are required to monitor certain financial transactions more closely for evidence of money laundering. As a result of the implementation of this legislation, the Financial Action Task Force on Money Laundering removed Ukraine from its list of Non-Cooperative Countries and Territories in February 2004 and discontinued the formal monitoring of Ukraine in January 2006. In early June 2009, the Parliament adopted several laws setting forth a general framework for the prevention and counteraction of corruption in Ukraine. Although the newly adopted legislation is expected to facilitate anti-corruption efforts in Ukraine, there can be no assurance that the laws will be effectively applied and implemented by the relevant supervising authorities in Ukraine.

VTB Leasing Ukraine and its directors, officers or employees may in the future be the subject of press speculation, Government investigations and other accusations of corrupt practices and illegal activities, including improper payments to individuals of influence.

Although VTB Leasing Ukraine's policies mandate strict compliance with internal policies and applicable laws which prohibit corrupt payments to Government officials or other businesses or persons, there is no assurance that such internal policies and procedures have been or will be adhered to by its employees. Findings against VTB Leasing Ukraine, its directors, officers or employees, or their involvement in corruption or other illegal activity could result in criminal or civil penalties, including substantial monetary fines, against VTB Leasing Ukraine, its directors, officers or employees. Any Government investigations or other allegations against VTB Leasing Ukraine, its directors, officers or employees, or finding of involvement in corruption or other illegal activity by such persons, could significantly damage VTB Leasing Ukraine's reputation and its ability to do business, and could have a material adverse effect on VTB Leasing Ukraine's business, results of operations or financial condition.

***Interpretation and application of the laws and regulations of Ukraine can be uncertain and could adversely affect VTB Leasing Ukraine***

Ukraine has a less developed legal system than more established economies which could result in risks such as: (i) inconsistencies between and among the Constitution of Ukraine and various laws, presidential decrees, governmental, ministerial and local orders, decisions, resolutions and other acts; (ii) provisions in the laws and regulations that are ambiguously worded or lack specificity and thereby raise difficulties when implemented or interpreted; (iii) a lack of judicial and administrative guidance on the interpretation of Ukrainian legislation, including the complicated mechanism through which the Constitutional Court of Ukraine exercises its constitutional jurisdiction; (iv) general inconsistencies in the judicial interpretation of Ukrainian legislation in the same or similar cases and difficulty in predicting the outcome of judicial application of Ukrainian legislation; (v) corruption within the judiciary; and (vi) the fact that not all Ukrainian

resolutions, orders and decrees and other similar acts are readily available to the public or available in an understandably organised form.

Weaknesses in Ukraine's legal system could make it difficult for VTB Leasing Ukraine to implement its policies or could lead to conflicts with regulatory authorities, which could have a material adverse effect on VTB Leasing Ukraine's business, financial condition, results of operations and prospects.

***The Ukrainian judiciary's perceived lack of independence and the difficulty of enforcing court decisions could prevent VTB Leasing Ukraine from obtaining effective redress in a court proceeding***

The independence of the judicial system and its immunity from economic and political influences in Ukraine remain questionable. Judicial decisions under Ukrainian law generally have no precedential effect. Moreover, courts themselves are generally not bound by earlier decisions taken under the same or similar circumstances, which results in the inconsistent application of Ukrainian legislation to resolve the same or similar disputes. In addition, court claims are often used to further political aims and VTB Leasing Ukraine may be subject to such claims and may not be able to receive a fair hearing. The enforcement of court orders and judgments can also be very difficult in practice. All of these factors make judicial decisions in Ukraine difficult to predict and effective redress uncertain.

Uncertainties relating to the Ukrainian judicial system, both in terms of its questionable independence and the difficulty of enforcement of court orders and judgments, could have a material adverse effect on VTB Leasing Ukraine's business, results of operations or financial condition.

***Corporate governance, disclosure and reporting requirements and fiduciary duties remain less developed than those of more developed markets***

Disclosure and reporting requirements have only recently been enacted in Ukraine. Anti-fraud legislation has only recently been adapted to the requirements of a market economy and remains largely untested. Most Ukrainian companies do not have corporate governance procedures that are in line with the standards accepted in the United Kingdom and in the rest of the EU. The concept of fiduciary duties of management or members of the board to their companies or shareholders remains undeveloped in Ukraine. Violations of disclosure and reporting requirements or breaches of fiduciary duties by directors or shareholders of VTB Leasing Ukraine could significantly affect the receipt of material information or result in inappropriate management decisions, which may have a material adverse effect on VTB Leasing Ukraine's business, financial condition and results of operations.

**Risk Factors relating to the Notes and the Market**

***The Notes***

The Notes are complex instruments that involve substantial risks and are suitable only for sophisticated investors who have sufficient knowledge and experience and access to such professional advisers as they shall consider necessary in order to make their own evaluation of the risks and the merits of such an investment (including without limitation the tax, accounting, credit, legal, regulatory and financial implications for them of such an investment) and who have considered the suitability of such Notes in light of their own circumstances and financial condition. Prospective investors should ensure that they understand the nature of the risks posed by an investment in the Notes, and the extent of their exposure as a result of such investment in the Notes and, before making their investment decision, should consider carefully all of the information set forth in this Programme Memorandum and in the applicable Pricing Supplement and, in particular, the considerations set forth below. Owing to the structured nature of the Notes, their price may be more volatile than that of unstructured securities.

***Investors***



Each prospective investor in Notes should have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes. Investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each prospective investor should therefore consult its professional advisers to determine whether and to what extent (i) the Notes are legal investments for it, and/or (ii) other restrictions apply to its purchase or, if relevant, pledge of any Notes. Financial institutions should consult their professional advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

***No fiduciary role***

None of the Issuer, VTB Leasing Ukraine, the Arranger, the Dealer(s) or the Trustee or any of their respective affiliates is acting as an investment adviser, and none of them (other than the Trustee) assumes any fiduciary obligation to any purchaser of Notes or any other party, including the Issuer.

None of the Issuer, VTB Leasing Ukraine, the Arranger, the Dealer(s) or the Trustee assumes any responsibility for conducting or failing to conduct any investigation into the business, financial condition, prospects, creditworthiness, status and/or affairs of any issuer or obligor of any Securities or the terms thereof.

Investors may not rely on the views or advice of the Issuer, VTB Leasing Ukraine, the Arranger, the Dealer(s) or the Trustee for any information in relation to any person other than such Issuer, VTB Leasing Ukraine, the Arranger, the Dealer(s) or the Trustee, respectively.

***No reliance***

A prospective purchaser may not rely on the Issuer, VTB Leasing Ukraine, the Arranger, the Dealer(s) or the Trustee or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes or as to the other matters referred to above.

***Limited recourse and related risks***

Noteholders shall have recourse in respect of any claim only to sums derived from the Reference Assets relating to that Series, subject to the Security (as defined in the Trust Deed). If sums derived from the relevant Reference Assets are not sufficient to make all payments due in respect of the Notes and certain expenses of the Issuer, then the Noteholders may not recover in full. Any shortfall will be borne by the Noteholders, and other parties having a claim against the Issuer in relation to the Notes in accordance with the order of priorities specified in the relevant Conditions and Noteholders will have no recourse against any director, shareholder, or officer of the Issuer in this respect.

The Notes will not be the responsibility of any other entity. In particular, the Notes do not represent an interest in and will not be obligations of, or insured or guaranteed by, the Arranger or any Agent (each such party as defined in the Conditions), or any subsidiary, holding or associated company of any of them or of the obligor of any Reference Asset (including VTB Leasing Ukraine).

***Early redemption of Notes***

The Notes may redeem prior to the maturity date due to certain events as set forth in the Conditions. These include for taxation reasons affecting the Issuer. There is no assurance that upon any such early redemption the funds available will be sufficient to pay in full the amounts that the holders of the Notes would expect to receive in the event that the Notes redeemed in accordance with their terms on their scheduled maturity date or that holders will receive back the amount they originally invested.

***Change of law***

The Conditions are governed by English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law, the law governing the incorporation of the Issuer or administrative practice after the date of issue of the relevant Notes.

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

There may not be an existing market for the Notes at the time they are issued. The Notes are expected to be listed on the Euro MTF Market of the Luxembourg Stock Exchange. However, there can be no assurance that a liquid market will develop for the Notes, that the holders of the Notes will be able to sell their Notes, or that such holders will be able to sell their Notes for a price that reflects their value.

## CAPITALISATION AND INDEBTEDNESS

The following table sets forth the VTB Leasing Ukraine's capitalisation and indebtedness as at 30 June 2009. This information was extracted from the VTB Leasing Ukraine's Interim Financial Statements and should be read in conjunction with "Use of Proceeds" and such VTB Leasing Ukraine's Interim Financial Statements included elsewhere in this Programme Memorandum.

	<b>30 June 2009</b>
	<i>(in thousands of U.S.\$)</i>
<b>Debt</b>	
Loans and borrowings from related parties.....	795,882
<b>Total debt</b> .....	<b>795,882</b>
 <b>Equity</b>	
Charter capital .....	53
Accumulated losses .....	(17,198)
Currency translation reserve .....	(144)
<b>Total equity</b> .....	<b>(17,289)</b>
 <b>Total capitalisation</b> <sup>(1)</sup> .....	 <b>778,593</b>

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(1) Total capitalisation is calculated as total debt plus total equity. Total capitalisation is not included in VTB Leasing Ukraine's Interim Financial Statements.

Save as described above, there has been no material change in VTB Leasing Ukraine's capitalisation and indebtedness since 30 June 2009.

## **VTB LEASING UKRAINE**

### **Overview**

VTB Leasing Ukraine was established in 2006. Its principal customer is the State Railway Transport Administration of Ukraine (“Ukrzaliznytsia”), to whom it leases railway rolling stock. VTB Leasing Ukraine is a wholly-owned subsidiary of VTB-Leasing Russia. VTB-Leasing Russia is a Russian financial leasing company offering financial leasing services in respect of a range of leasing sectors across Russia and starting from 2007 across certain other countries, including Ukraine, Cyprus, Ireland and Bermuda. VTB-Leasing Russia is a wholly owned subsidiary of VTB, whose majority owner is the Russian Federation (“Russia”), acting through the Federal Property Agency, holding approximately 77 per cent. of the issued and outstanding shares of VTB as at 30 June 2009.

VTB Leasing Ukraine’s net investments in leases were U.S.\$306.79 million as at 31 December 2007 and U.S.\$683.35 million as at 31 December 2008. As at 31 December 2008, VTB Leasing Ukraine had U.S.\$804.42 million in total assets compared to U.S.\$895.95 million as at 31 December 2007 and U.S.\$(12.74)million in total equity compared to U.S.\$24.5 million as at 31 December 2007.

VTB Leasing Ukraine’s financial leasing interest revenue for 2008 and 2007 were U.S.\$93.54 million and U.S.\$44.71 million, respectively.

VTB Leasing Ukraine’s net investments in leases were U.S.\$689.99 million as at 30 June 2009 as compared by U.S.\$683.35 million as at 31 December 2008. As at 30 June 2009, VTB Leasing Ukraine had U.S.\$797.36 million in total assets compared to U.S.\$804.42 million as at 31 December 2008 and U.S.\$(17.29)million in total equity compared to U.S.\$(12.74) million as at 31 December 2008.

VTB Leasing Ukraine’s financial leasing interest revenue for the six-month period ended 30 June 2009 and 30 June 2008 were U.S.\$43.97 million and U.S.\$46.94 million, respectively.

### **History and Relationship with the VTB Group**

VTB Leasing Ukraine was established and registered under the laws of Ukraine on 24 May 2006 with registration number 34356910 under its current name by its founding owner, VTB-Leasing Russia, to lease railway rolling stock to Ukrzaliznytsia and to otherwise expand the business of VTB-Leasing Russia in Ukraine.

VTB Leasing Ukraine does not require any licence to carry out its leasing activities in Ukraine and is registered with the State Register of Financial Institutions. Throughout its existence, VTB Leasing Ukraine has maintained a close relationship with its parent and other members of the VTB Group.

Since VTB Leasing Ukraine’s incorporation, it has been the VTB Group’s policy to pass all leasing-related transactions originating from its existing customers in Ukraine from VTB-Leasing Russia to VTB Leasing Ukraine. VTB-Leasing Russia has also provided and continues to provide VTB Leasing Ukraine with substantial advisory, functional and staffing support. Key functions within VTB Leasing Ukraine are integrated with those of VTB-Leasing Russia, including risk management, business planning, IT systems and human resources.

All of the VTB Group’s leasing activities in Ukraine are concentrated in VTB Leasing Ukraine. Although the VTB Group is not prevented from conducting its own leasing transactions in Ukraine, VTB Leasing Ukraine’s management believes that the VTB Group has no current intention to do so.

The VTB Group is a leading Russian banking group offering a wide range of banking services across Russia, CIS countries and selected countries in Western Europe, Asia and Africa. The VTB Group focuses on providing banking services to Russian and CIS clients through its domestic and foreign operations and to foreign clients doing business in Russia and the CIS through its foreign banking subsidiaries and representative offices.

### **Relationship with VTB-Leasing Russia**

VTB-Leasing Russia provides financial leasing services through, among others, its subsidiaries in Armenia, Ukraine, the Republic of Belarus, Cyprus and Ireland. VTB Leasing Ukraine is VTB-Leasing Russia's operating subsidiary in Ukraine.

VTB Leasing Ukraine reports to VTB-Leasing Russia on a regular basis and members of VTB-Leasing Russia's team are regularly seconded to VTB Leasing Ukraine to ensure that VTB Leasing Ukraine's day-to-day governance and operations are conducted in accordance with policies approved by VTB-Leasing Russia. VTB-Leasing Russia has established a Department for Business Development in the CIS which supervises and coordinates all of the operations of VTB-Leasing Russia's subsidiaries, including business development, planning and interaction with VTB-Leasing Russia.

### **Recent Developments and Prospects**

From its incorporation in 2006, VTB Leasing Ukraine's business has grown, and its leasing portfolio has increased on an annual basis.

Total amount of payments received by VTB-Leasing Ukraine from lessees (principal and finance lease income) for the period from incorporation to 30 June 2009 was U.S.\$270.8 million. Total liabilities of lessees under the finance lease agreements (gross investment in leases) entered into from the date of incorporation to 30 June 2009 were U.S.\$973.0 million as at 30 June 2009.

At the end of 2008, the Ukrainian Leasing Companies Association ranked VTB Leasing Ukraine as the largest Ukrainian leasing company by leasing portfolio.

<b>Rank</b>	<b>Leasing company</b>	<b>Leasing portfolio as at 31 December 2008, mln UAH</b>
1	VTB Leasing Ukraine	5,746.98
2	Raiffeisen Leasing Aval	1,879.99
3	UniCredit Leasing	1,646.10
4	Hupo Alpe Adria Group	716.44
5	ING Leasing Ukraine	625.86
6	Euro Leasing	582.53
7	Lasca Leasing	514.00
8	SG Equipment Leasing Ukraine	486.88
9	ALD Automotive (First Lease Ltd)	427.70
10	VAB Leasing	423.00

<b>Rank</b>	<b>Leasing company</b>	<b>Value of assets purchased during 2008, mln UAH</b>
1	VTB Leasing Ukraine	2,414.47
2	UniCredit Leasing	1,276.60
3	Raiffeisen Leasing Aval	1,039.51
4	ING Leasing Ukraine	748.65
5	SG Equipment Leasing Ukraine	656.54
6	Hupo Alpe Adria Group	539.23
7	VAB Leasing	461.00
8	Euro Leasing	311.92
9	Lasca Leasing	305.00
10	ALD Automotive (First Lease Ltd)	303.50

VTB Leasing Ukraine believes that the diversification of its leasing portfolio together with deepening relationships with existing and new customers is one of the key sources for its potential development.

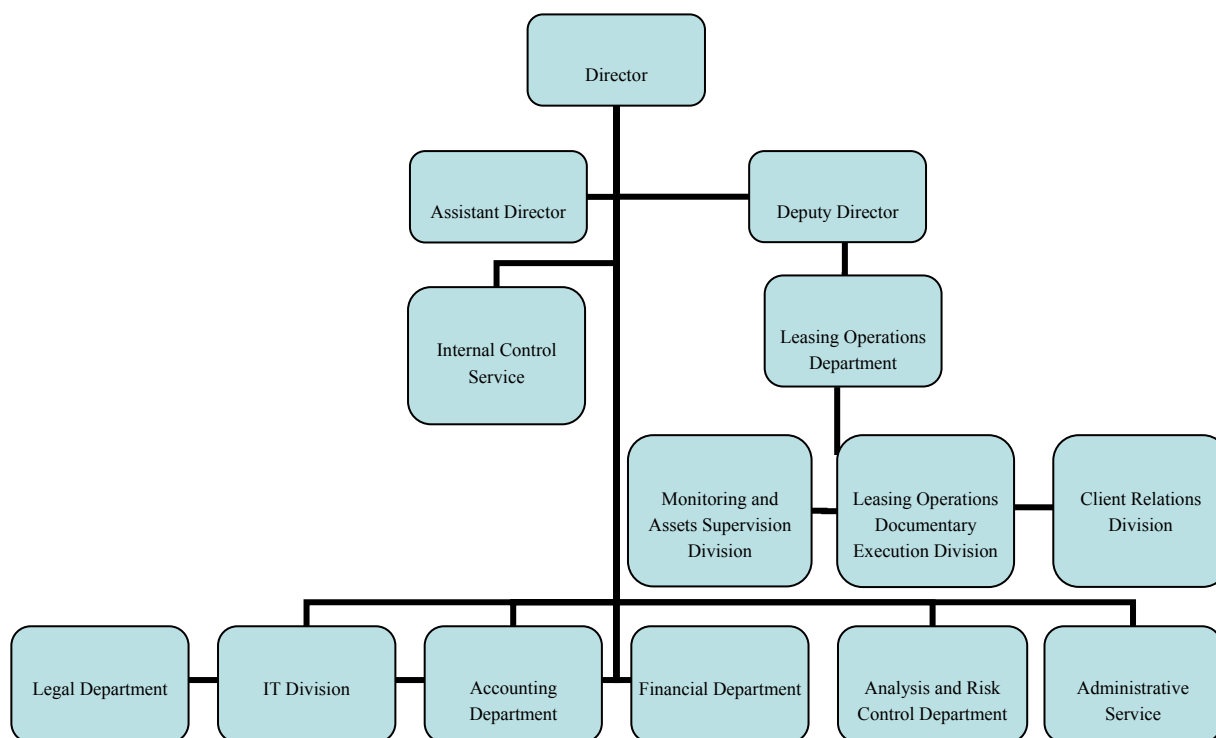
Like most financial companies, VTB Leasing Ukraine's main priority during the financial crisis is servicing its existing leasing portfolio and retaining its market share in the Ukrainian leasing market.

In 2009, in part due to the ongoing global financial crisis, the Ukrainian economy has seen a widespread decline in production. As a result, many leasing companies operating in Ukraine have ceased active operations and are instead focussed on servicing existing clients and restructuring their existing portfolios. There has been, however, a recent increase in activity by those leasing companies who are subsidiaries of major financial institutions, such as VTB Leasing Ukraine.

VTB Leasing Ukraine is currently considering entering into a number of new transactions in the railway transportation sector as this sector is experiencing a growth of demand in the CIS (and in particular, in Kazakhstan with respect to transportation of oil products and in Russia in relation to oil products and bulk cargo).

## Organisation

### Internal organisational chart of VTB Leasing Ukraine



## Strategy

VTB Leasing Ukraine's strategy is to continue to develop its leasing activities in Ukraine as a separate part of the VTB Group by growing organically and remaining one of the leading financial leasing companies in Ukraine by leveraging off its key competitive strengths and focusing on increasing its market share in the leasing sectors in which it operates.

## Competition

VTB Leasing Ukraine's key competitors in the Ukrainian market are Raiffeisen Leasing Aval, UniCredit Leasing, ING Leasing Ukraine, and Ukrainian Leasing Company.

VTB Leasing Ukraine, in common with its key competitors, is a financial leasing company, with a focus on corporate clients and is a subsidiary of an international finance group with access a favourable intra group financing. Other competitive similarities include proportional leasing portfolios by size and value and their use of advanced management methods

Raiffeisen Leasing Aval was established in June 2006 as a joint venture between Raiffeisen Bank Aval, which is one of the major banks in the Ukraine, and Raiffeisen Leasing International, a holding company with its head office in Vienna.

UniCredit Leasing is a member of UniCredit Group, which is one of leading financial groups in Europe. UniCredit Leasing has operated in Ukraine since 2006, offering leasing of equipment and transport vehicles to its clients.

ING Leasing Ukraine was founded in October 2007 and is a member of ING Group. It offers leasing of real estate, equipment, and vendor leasing to its clients.

Ukrainian Leasing Company was established in 1999 by UkrSibbank, one of the major Ukrainian banks. Later, it was acquired by the BNP Paribas group. The company focuses on providing leasing services to agricultural, construction, load lifting, and commercial transport businesses.

## **Competitive Strengths**

VTB Leasing Ukraine believes it has the following key competitive strengths that will facilitate its continued growth:

### ***Skilled team and committed ownership***

VTB Leasing Ukraine benefits from a qualified and skilled team that is able to make prompt decisions. VTB-Leasing Russia has provided and continues to provide VTB Leasing Ukraine with substantial advisory and functional support. In addition, key functions within VTB Leasing Ukraine are integrated with those of VTB-Leasing Russia, including risk management, liquidity management and business planning. VTB-Leasing Russia continues to support VTB Leasing Ukraine's expansion and VTB Leasing Ukraine's management believes that this support will continue within the guidelines set by VTB-Leasing Russia and by VTB Group as a whole.

### ***Brand recognition and access to VTB customers***

VTB Leasing Ukraine benefits from the brand recognition and strong reputation of its parent company, VTB-Leasing Russia. In addition, VTB Leasing Ukraine is the main partner of VTB in leasing projects involving both corporate and medium and small-sized businesses and enjoys good relations with several major manufacturers and suppliers in Ukraine, including OJSC HK Luganskteplovoz, OJSC Kakhovsky Electric Welding Equipment Plant, NPO NPK Dneprospezmash, OJSC Starokramatorsky Machinery Plant, OJSC Slavyansky Mechanical Plant, and GP NPK Electovozostroenie. VTB Leasing Ukraine is able to draw upon the extensive and expanding network of customers in Ukraine generated at the VTB Group level, which continues to be aided by VTB's policy of passing all leasing transactions in Ukraine to VTB Leasing Ukraine. In additions, VTB Leasing Ukraine enjoys of an established branch network through its cooperation with VTB Bank (Ukraine)

### ***Access to funding***

VTB Leasing Ukraine operates in a capital intensive industry, and, accordingly, ease of access to funding is a crucial factor if it is to continue be able to offer competitive terms, grow and be successful. The main creditors of VTB Leasing Ukraine have been entities within the VTB Group, and it is expected that, following the assignment of the Secured Loan, the Issuer will become the principal creditor of VTB Leasing Ukraine.

## **Principal Business Activities**

VTB Leasing Ukraine's primary business is the financial leasing of different types of transport and equipment, including railway rolling stock.



VTB Leasing Ukraine only engages in financial leasing, and does not enter into operational leasing arrangements with its leasing customers. VTB Leasing Ukraine's customer base is made up of corporate clients.

Some of VTB Leasing Ukraine's clients, such as Leasing Company Ukrtransleasing and Transportation Company Azovpromtrans, sublease assets received from VTB Leasing Ukraine out to third parties.

### **Customer sectors**

VTB Leasing Ukraine focuses its leasing activities on a range of sectors, primarily involved in Transportation, as illustrated by the following table which sets out the percentage share of VTB Leasing Ukraine's total lease portfolio represented by each sector as at 30 June 2009.

<b>Type of Assets</b>	<b>Percentage stake</b>
Cars	0.01%
Trucks	0.35%
Energy Equipment	0.37%
Metalworking Equipment	0.41%
Wash and Ironing Equipment	1.01%
Rolling Stock Maintenance Equipment	1.41%
Other Railway Equipment	1.61%
Computers and Office Equipment	2.34%
Telecommunication Equipment	8.05%
Freight Railway Vehicles	11.31%
Locomotives	20.68%
Passenger Railway Vehicles	22.09%
Railway Maintenance Vehicles	30.36%
<b>Total</b>	<b>100.00%</b>

### **Railway Rolling Stock**

VTB Leasing Ukraine has historically leased a large percentage of railway rolling stock as part of its lease portfolio.

### **Other**

VTB Leasing Ukraine intends to consider the viability and profitability of other leasing sectors on a case by case basis, and believes that it is well placed to take advantage of any such new opportunities.

### **Location of Leased Assets**

All of VTB Leasing Ukraine's lease portfolio was concentrated in Ukraine as at 30 June 2009.

## **Financial Leasing**

### **General**

Financial leasing is used to finance single assets which are expensive, such as railway rolling stock and motor transport vehicles, as well as energy production equipment.

Under its finance lease agreements, the asset is purchased by VTB Leasing Ukraine and leased to the lessee for a pre-determined period. Legal and beneficial title to the leased asset remains with VTB Leasing Ukraine throughout the life of the lease. At the end of the lease, after the final payment has been made, the lessee has the option (which it is not obliged to exercise) to buy the asset from VTB Leasing Ukraine for a residual sum. If the lessee does not opt to buy, VTB Leasing Ukraine may sell the asset, retaining the sum exceeding the residual value as an additional income. This method places VTB Leasing Ukraine in a better position than a lender because the asset cannot be subject to any security granted by the lessee in favour of an existing lender.

The sub-leasing of the assets by the lessee to a third party is permitted under VTB Leasing Ukraine's finance lease agreements, but only subject to VTB Leasing Ukraine's prior written consent. As at the date hereof, approximately half of rolling stock assets and a quarter of energy equipment assets of VTB Leasing Ukraine have been sub-leased. Prior consent means that VTB Leasing Ukraine can ensure that the sub-lease arrangements do not increase the risk of non-performance of obligations.

### **Terms of Finance Lease Agreements**

The payment schedule for VTB Leasing Ukraine's finance leases varies from lessee to lessee, and may change throughout the term of the finance lease agreement or incorporate an upfront grace period. The leasing payments are made up of principal, interest, margin and taxes. The interest rate payable by the lessee will depend on the margin which in turn is dependent on VTB Leasing Ukraine's expenses incurred in connection with the finance lease agreement and the credit quality of the lessee.

The majority of assets purchased by VTB Leasing Ukraine must be prepaid in full before the supplier will effect delivery thereof. As such, to ensure that it is covered against any rise in costs of the asset that may occur between prepayment and delivery, VTB Leasing Ukraine retains the right to recalculate the payments that the lessee will be obliged to pay under the lease until the leased asset is actually delivered to the lessee.

The interest rate is determined on the basis of the particular lessee rather than the sector in which the lessee operates. Interest on fixed rate finance lease agreements may be changed by VTB Leasing Ukraine in certain circumstances related to the financial markets.

Financial lease agreements are denominated in Hryvnia pegged to the U.S. Dollar exchange rate, thus minimising fluctuations relating to the Ukrainian national currency.

### **VAT**

VTB Leasing Ukraine pays VAT at the rate of 20 per cent.. Because the conveyance of an asset by way of a lease is treated like a sale and purchase by the Ukrainian authorities a tax credit is recognised at the moment of acquiring the asset and VAT obligations arise when that asset is conveyed. As a result, the tax credit and the VAT obligations are eventually settled. However the tax credit of VTB Leasing Ukraine in some reporting periods may exceed the VAT obligation if the leased assets are conveyed with a delay. In this case VTB Leasing Ukraine is entitled to offset the resulting VAT receivable against VAT obligations of future periods or claim it (upon certain conditions) from the state revenue as VAT refund. As at 1 July 2009 VTB Leasing Ukraine has VAT receivable amounting to UAH 22,029 thousand.

VAT is payable only when the interest payable under a finance lease agreement exceeds twice the Ukrainian National Bank's discount rate (as at the date hereof, the discount rate is 10.5 per cent. per annum).

## **Defaults**

Under Ukrainian legislation in the event that a payment from a lessee is due for more than 30 days, a lessor is entitled to repudiate such lease and repossess the assets on the basis of an executive endorsement made by a notary (which can be contested in a Ukrainian court). VTB Leasing Ukraine encounters delays in payments from its clients from time to time, but to date there have not been any circumstances where VTB Leasing Ukraine took measures to repossess any assets leased out to its customers.

## **Asset and Equipment Risks**

VTB Leasing Ukraine faces certain risks inherent in owning large portfolios of assets, which are minimised as much as possible through a combination of insurance, security and undertakings by the lessees. The following are the primary risks and the steps taken by VTB Leasing Ukraine to minimise them:

- *Risk of loss, misappropriation, equipment failure and improper operation of equipment.* This risk is minimised through property insurance, and by the regular monitoring of assets by a special unit of VTB Leasing Ukraine;
- *Risk of non-delivery or late or incomplete delivery.* This risk is minimised by the execution of supply agreements which contain fines and other penalties for non-delivery or incomplete delivery;
- *Risk of lack of equipment or asset certification.* This risk is minimised by VTB Leasing Ukraine only paying for the equipment or asset to the supplier after final delivery upon presentation of the required certification; and
- *Risks that the lessee lacks qualified personnel to operate the equipment.* This risk is minimised by undertakings from the lessee to properly train its employees in the use of the equipment.

## **Sales and Credit Risk Analysis**

VTB Leasing Ukraine does not have any representative offices and sells its products to its customers via its head office.

A key component in the approval of a proposed leasing transaction is the customer credit analysis. If, as a result of this, approval is granted by the Financial Department of VTB Leasing Ukraine, the decision remains subject to review from VTB-Leasing Russia.

The main procedures employed by VTB Leasing Ukraine for managing its credit risk are the following:

- Expert pre-screening of any proposed leasing transaction before approval;
- Use of credit risk limits in respect of any particular customer;
- Ongoing control and monitoring of the financial condition of all lessees to enable any potential defaults to be detected early;
- Monitoring of credit risks of major lessees and concentrations of risk; and
- Analysis of potential risk increases in respect of any individual or group of assets and lessees.

## **Funding**

### **Borrowings**

The main creditors of VTB Leasing Ukraine have been entities within VTB-Leasing Russia group, and it is expected that, following the assignment of the Secured Loan, the Issuer will become the principal creditor of VTB Leasing Ukraine.

VTB Leasing Ukraine funds its leasing operations via a combination of loans, customers' advance payments and its own funds.

As at 30 June 2009, 100 per cent. of VTB Leasing Ukraine's loans outstanding were provided by VTB-Leasing Russia's group entities.

As at the date herein, VTB Leasing Ukraine has not issued any securities or promissory notes.

### **Liquidity and Capital Adequacy**

VTB Leasing Ukraine is not subject to any minimum liquidity or capital adequacy requirements to carry out its leasing activities.

### **Currency and Interest Rate Risk Management**

VTB Leasing Ukraine does not use interest rate and currency swaps to manage its risks. Instead, such operations are carried out by VTB-Leasing Russia.

### **Intellectual Property**

As at the date herein, VTB Leasing Ukraine does not hold any intellectual property.

### **Employees**

VTB Leasing Ukraine has increased its workforce from 17 employees as at 31 December 2007, to 23 employees as at 31 December 2008. As at 30 June 2009, such headcount was 24 employees. VTB Leasing Ukraine's management does not expect to significantly increase or decrease the size of VTB Leasing Ukraine's workforce in the near future.

VTB Leasing Ukraine provides an extensive training programme for new employees as well as ongoing training for existing employees.

Although there is no trade union represented at VTB Leasing Ukraine, VTB Leasing Ukraine is regulated by a Collective Bargaining Agreement for 2009-2012.

VTB Leasing Ukraine makes mandatory contributions to its employee pension and other funds which are calculated as a ratio to the total salary pool. Additionally, VTB Leasing Ukraine covers each employee's medical insurance policy with Providna insurance company.

### **Litigation**

From time to time and in the ordinary course of business, VTB Leasing Ukraine has been and continues to be the subject of legal proceedings. None of the legal proceedings concluded to date have had a material adverse effect on VTB Leasing Ukraine.

There are no, and have not been any, governmental, regulatory, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which VTB Leasing Ukraine is aware) which may have, or have had during the 12 months prior to the date of this Programme Memorandum, a significant effect on the financial position or profitability of VTB Leasing Ukraine.

### **Insurance**

VTB Leasing Ukraine maintains such insurance policies and coverage that it deems to be appropriate with an insurance company selected and approved by VTB-Leasing Russia.

The assets leased by VTB Leasing Ukraine to its customers are always covered by insurance policies (property insurance), the terms of which are dependent on the type of leased asset. Such insurance policies are entered into by VTB Leasing Ukraine itself rather than by its customers and VTB Leasing Ukraine pays the insurance premiums, which are factored into the pricing of the related finance lease agreement.

## **RISK MANAGEMENT**

### **Financial Risk Management**

VTB-Leasing Russia as the sole owner of VTB Leasing Ukraine has overall responsibility for the risk management of VTB Leasing Ukraine, and a number of committees and departments are established to coordinate day-to-day risk management. Financial risk management is overseen by the Financial Committee of VTB Leasing Ukraine (the “FC”) and the Financial and Risk Management Committee of VTB-Leasing Russia (the “FRMC”).

The FC recommends and the FRMC ultimately establishes major balance sheet parameters for VTB Leasing Ukraine in asset and liability management and monitors compliance with such parameters with the assistance of the Financial Department of VTB Leasing Ukraine and the Treasury and Financial Department of VTB-Leasing Russia (the “Treasury Department” and “FD”, respectively).

The Analysis and Risk Control Department of VTB-Leasing Russia (the “ARCD”) proposes credit risk limits on leasing operations and prepares recommendations regarding credit risk management for the FRMC on the basis of the information provided by VTB Leasing Ukraine. The Treasury Department and FD proposes risk limits on other financial operations and prepares recommendations regarding market risk and liquidity risk management for the FRMC.

The Financial Department of VTB Leasing Ukraine and the Treasury Department of VTB-Leasing Russia are responsible for managing VTB Leasing Ukraine’s assets and liabilities and the overall financial structure of VTB Leasing Ukraine. It is also primarily responsible for the funding and liquidity risks of VTB Leasing Ukraine.

Risk management processes throughout VTB Leasing Ukraine are audited regularly by the Internal Control Unit Division of VTB Leasing Ukraine (the “ICU”) and the Statutory Audit Commission of the VTB-Leasing Russia’s Group (the “Statutory Audit Commission”). They examine both the adequacy of the procedures and VTB Leasing Ukraine’s compliance with the procedures. The ICU and the Statutory Audit Commission discuss the results of all assessments with management, and reports its findings and recommendations to the sole owner.

### **Excessive risk concentration**

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of VTB Leasing Ukraine’s performance to developments affecting a particular industry or geographical location. In order to avoid excessive concentrations of risks, VTB Leasing Ukraine’s policies and procedures include specific guidelines that focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

### **Credit risk**

VTB Leasing Ukraine is exposed to credit risk which is the risk of financial loss if a counterparty fails to meet its contractual obligations. VTB Leasing Ukraine’s credit risk exposures arise principally from financial leasing activities. VTB Leasing Ukraine structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one counterparty (borrower or lessee), groups of counterparties, and to industry and geographical segments. Limits on the level of credit risk acceptable to VTB Leasing Ukraine

in respect of counterparties and products (by industry sector and by region) are approved by the FC and by the FRMC. In addition, VTB Leasing Ukraine monitors credit risk by analysing the financial position of counterparties. Credit risk management also involves regular monitoring of an ability of counterparties to pay amounts in full when due, analysis of the financial position of lessees and monitoring of conditions of leased-out equipment. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the FRMC. The maximum credit risk exposure, ignoring the fair value of any collateral, in the event other parties fail to meet their obligations under financial instruments is equal to the carrying value of financial assets as presented in the accompanying financial statements and the disclosed financial commitments.

### **Credit-related commitments**

With respect to undrawn commitments related to providing lease equipment VTB Leasing Ukraine is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since most commitments are contingent upon certain conditions set out in the finance lease agreements.

### **Credit quality**

The credit quality of financial assets is managed by VTB Leasing Ukraine internal credit ratings. It is VTB Leasing Ukraine's policy to maintain accurate and consistent risk ratings across its credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with VTB Leasing Ukraine's rating policy. The attributable risk ratings are assessed and updated regularly.

### **Impairment assessment**

The main considerations for the net investment in lease impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. VTB Leasing Ukraine addresses impairment assessment through collectively assessed allowances.

### **Collateral and other credit enhancements**

For net investments in leases, VTB Leasing Ukraine holds the title to the leased property during the leased term and may transfer it to the lessee only at the end of lease term providing all obligations under finance lease agreements were successfully fulfilled by the lessee.

During the years ended 31 December 2008 and 2007, VTB Leasing Ukraine did not take possession of collateral on any of its finance leases, and VTB Leasing Ukraine did not have any repossessed collateral on its balance sheet as at 31 December 2008 and 2007.

Collateral is taken to enhance an acceptable credit proposal, rather than being used as the sole rationale for any credit approval. Where facilities are approved against security, full details, including the type, value, and the frequency of review of the security must be detailed in the Application for Credit Facility Form. Where

practical, the Account officer must have seen evidence of the existence of the collateral offered and wherever possible have seen the actual collateral for themselves.

The valuation placed on collateral will vary with individual circumstances. As a general guide, where VTB Leasing Ukraine takes collateral it will ensure that an adequate margin is obtained and maintained throughout the term of the facility lease agreement.

Risks related to leased properties such as damage and theft are generally insured on finance leases.

### **Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges, and equity prices. Except for the concentrations in foreign currency, VTB Leasing Ukraine has no significant concentration of market risk.

### **Operational risk**

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. Such operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. VTB Leasing Ukraine cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, VTB Leasing Ukraine is able to manage these risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of the ICU.

### **Liquidity risk and funding management**

Liquidity risk is the risk that VTB Leasing Ukraine will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, the management of VTB Leasing Ukraine arranges various funding sources, including from banks in the VTB Group, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

Liquidity risk within VTB Leasing Ukraine is managed at three main levels:

- VTB Leasing Ukraine manages its liquidity, in line with the recommendations of VTB-Leasing Russia and VTB, on an individual basis to meet its commitments and to comply with the requirements of any national regulations;
- VTB Leasing Ukraine manages its liquidity through borrowing from and lending to other subsidiaries of VTB-Leasing Russia; and
- a programme of medium and long term funding is prepared at VTB-Leasing Russia level.

The bulk of the liabilities of VTB Leasing Ukraine are bi-lateral and syndicated loans from the VTB Group . VTB Leasing Ukraine manages its liquidity so that in each time interval the gap in liquidity in view of planned operations does not exceed a certain internal limit. As part of its liquidity management strategy, VTB Leasing Ukraine maintains short-term revolving credit lines with VTB-Leasing Russia.

For the purposes of managing its liquidity risk, VTB Leasing Ukraine regularly analyses its assets and liabilities according to when they are expected to be recovered or settled.



## MANAGEMENT

### Introduction

In accordance with VTB Leasing Ukraine's charter and Ukrainian legislation governing private companies, VTB Leasing Ukraine is principally governed by its owner VTB-Leasing Russia and a Chief Executive Officer (the "**Director**"). No Board of Directors has been formed.

### Sole Owner's Consent

VTB Leasing Ukraine is a wholly-owned subsidiary of VTB-Leasing Russia. VTB-Leasing Russia passes owner's resolutions in lieu of a general meeting. The following matters fall within VTB-Leasing Russia's exclusive competence and which may not be delegated to the Director:

- determination of VTB Leasing Ukraine's business strategy, approval of its business plans and the plan execution reports;
- amendments to the charter of the company and alteration of its charter capital;
- the election and removal of the Director;
- control of the Director's operations, establishment of the revision committee and determination of its competence;
- deciding on the audit review of VTB Leasing Ukraine and selection of the auditors for that purpose;
- approval of VTB Leasing Ukraine's annual statements and the accounting balances of VTB Leasing Ukraine and its subsidiaries, approval of the revision committee's reports and opinions, if any, approval of the terms of profit distribution, as well as the terms and procedure for the payment of dividends and the determination of losses cover order;
- deciding on VTB Leasing Ukraine's liquidation, the appointment of a liquidation commission in case of liquidation of VTB Leasing Ukraine and approval of a liquidation balance sheet;
- the establishment, reorganisation, and liquidation of VTB Leasing Ukraine's subsidiaries, branches and representative offices, approval of its charters and regulations;
- determining whether VTB Leasing Ukraine's executive officers are liable for any damage to the VTB-Leasing's assets;
- determining VTB Leasing Ukraine's organisational structure;
- determining the salaries and compensation schemes for the executive officers of VTB Leasing Ukraine, its subsidiaries, branches and representative offices;
- passing of resolutions on disposals of stakes in other companies, including securities;
- providing prior written consent for the execution of any financial and economic transactions (including, but not limited to, entry into agreements, arrangements and contracts, as well as additional agreements and appendices thereto) with a value exceeding the Hryvnia equivalent of U.S.\$100,000 at the official rate of the National Bank of the Ukraine as of the date of conclusion of the transaction, as well as entering into finance lease agreements, irrespective of the sum;

- giving prior written consent for borrowings (including interest-bearing and non-interest-bearing loans, investments, and financial assistance to legal entities and individuals);
- giving prior written consent for any assignment, pledge, suretyship, guarantee or other agreements under which VTB Leasing Ukraine becomes liable for the third parties' obligations;
- giving prior written consent for acquisitions and disposals of any real estate properties;
- giving prior written consent for any acquisition, disposal and encumbrance of land plots and other real estate properties, or the entry into any related lease, rent or other agreements;
- giving prior written consent for the disposal of any property by VTB Leasing Ukraine; and
- providing due consideration to any other questions, which, in the opinion of the owner, require its input.

## **Director**

The current Director of VTB Leasing Ukraine is Nataliia Volodimirivna Vorobiova.

The Director's responsibilities include all the aspects of VTB Leasing Ukraine's operations, save for those exclusively reserved for the sole owner's resolution. The Director passes decisions within her competence, as provided in the charter of VTB Leasing Ukraine (the "**Charter**").

The Director reports to VTB-Leasing Russia as the sole owner of VTB Leasing Ukraine, is in charge of the execution of owner resolutions and is responsible to VTB-Leasing Russia for VTB Leasing Ukraine's business.

According to the Charter, the Director is authorised to:

- manage VTB Leasing Ukraine's business within the scope of the powers assigned to him/her;
- act on behalf of VTB Leasing Ukraine without a power of attorney, represent its interests in state and municipal authorities, courts, commercial courts and arbitration tribunals and in other organisations, as well as before legal entities and individuals;
- exercise the right of first signature to financial documents;
- dispose of VTB Leasing Ukraine's property and funds within the limits provided for within the Charter;
- approve VTB Leasing Ukraine's employees' roles in accordance with the organisational structure confirmed by the sole owner;
- approve all those internal documents which do not fall within the sole owner's competence under the Charter;
- enter into agreements within his/her competence as provided by the Charter;
- issue powers of attorney to employees and other authorised persons to represent VTB Leasing Ukraine before the third parties;
- approve the salaries and other payment terms for VTB Leasing Ukraine's employees;
- issue other orders and instructions within his/her competence;

- hire and dismiss VTB Leasing Ukraine’s employees, incentivise them and impose any disciplinary sanctions;
- approve work schedules and duty regulations for VTB Leasing Ukraine’s employees;
- carry on any other functions that are necessary to organise VTB Leasing Ukraine’s business, so long as it falls within his/her competence under the Charter.

The Director is appointed by VTB-Leasing Russia for a one-year term and acts in accordance with the Charter and Ukrainian laws.

The Director can be dismissed by a resolution of VTB-Leasing Russia pursuant to Ukrainian labour laws.

### **Interest of Directors and Officers**

The Director and certain executive officers of VTB Leasing Ukraine serve as directors and executive officers of VTB Leasing Ukraine’s affiliates (including VTB and other companies within the VTB Group as set out above). VTB Leasing Ukraine engages in transactions with some of these affiliates, including transactions in the ordinary course of business. See “Risk Factors - Relationship with the VTB Group”. As a result, potential conflicts of interest could arise between these directors’ and executive officers’ duties to VTB Leasing Ukraine and their private interest or other duties.

Nataliia Volodimirivna Vorobiova, the current Director of VTB Leasing Ukraine, does not have any private interests in any companies within VTB Group.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of Part A of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any). Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Principal Trust Deed and/or the relevant Supplemental Trust Deed. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are constituted and secured by a supplemental trust deed dated the Issue Date (the “**Supplemental Trust Deed**”) and made between the Issuer, ATC Trust Company (London) Limited (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed (as defined below)), as trustee for the holders of the Notes and, if applicable, the other persons specified therein, supplemental to a trust deed (as amended or supplemented as at the Issue Date, the “**Principal Trust Deed**”) dated 30 October 2009 and made between the Issuer and the Trustee. The Principal Trust Deed and the Supplemental Trust Deed are referred to together as the “**Trust Deed**”.

These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. An Agency Agreement (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) dated 30 October 2009 has been entered into in relation to the Notes between the Issuer, the Trustee, The Bank of New York Mellon as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Issuing and Paying Agent**”, the “**Paying Agents**” (which expression shall include the Issuing and Paying Agent), the “**Registrar**”, the “**Transfer Agents**” (which expression shall include the Registrar) and the “**Calculation Agent(s)**” and collectively as the “**Agents**”. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at 10 New Street London EC2M 4TP) and at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders (as defined below), the holders of the interest coupons (the “**Coupons**”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) and the holders of the receipts for the payment of instalments of principal (the “**Receipts**”) relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Principal Trust Deed and/or the relevant Supplemental Trust Deed, the absence of any such meaning indicating that such term is not applicable to the Notes. References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 7 or any amendment or supplement to it and (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 6 or any amendment or supplement to it.

## 1 Form, Specified Denomination and Title

The Notes are issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) in each case in the Specified Denomination(s) shown hereon, provided that the minimum Specified Denomination of all Notes shall be €50,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

*All Registered Notes shall have the same Specified Denomination.*

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to default interest), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, “**Noteholder**” means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be) and “**holder**” (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be).

## 2 No Exchange of Notes and Transfers of Registered Notes

- (a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.
- (b) **Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the

Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

- (c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or (c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 7(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/ or such insurance as it may specify. In this Condition (d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (e) **Transfer Free of Charge:** Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).
- (f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 7(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

### **3 Status, Collateral, Obligations and Non-applicability**

- (a) **Status of Notes:** The Notes are direct, unconditional, secured, limited recourse obligations of the Issuer, at all times ranking pari passu and without any preference among themselves, secured in the manner described in Condition 4 and recourse in respect of which is limited in the manner described in Condition 4(e) and Condition 11.
- (b) **Loans and other transactions:** In connection with the issue of the Notes the Issuer may hold, or may acquire interests in, one or more documents representing obligations of one or more persons and there may exist or be executed:

- (i) one or more loan agreements evidencing loans advanced by the Issuer (each a “**Loan Agreement**”) made by Private Company "VTB Leasing Ukraine" or another borrower (each a “**Borrower**”) in favour of the Issuer; and
  - (ii) one or more agreements evidencing security arrangements relating to Loan Agreements made by a Borrower (the "**Pledge Agreement**") in favour of the Issuer,
- or such other transactions, each as further described in the Supplemental Trust Deed.

*A summary of the terms of each Loan Agreement and Pledge Agreement or such other transactions will be set out in the Pricing Supplement.*

(c) **Collateral and Obligations:** In these Conditions:

- (i) “**Collateral**” means the rights, title and interest (if any) of the Issuer in and under the each Loan Agreement and each Pledge Agreement;
- (ii) “**Creditor**” means each person that is entitled to the benefit of Obligations;
- (iii) “**Obligations**” means the obligations and duties of the Issuer under the Trust Deed, including, without limitation, those in Clause 8 of the Trust Deed, and each Note, each Coupon, each Receipt, each Loan Agreement and each Pledge Agreement;
- (iv) “**Obligor**” means each person that has an obligation to the Issuer pursuant to the Collateral.

(d) **Non-applicability:** Where no reference is made in the Supplemental Trust Deed to any Collateral or Obligation, references in these Conditions to any such Collateral or Obligation and to any related Obligor or Creditor, as the case may be, shall not be applicable.

#### 4 Security

(a) **Security:** Unless otherwise specified in the Supplemental Trust Deed, the Obligations together with claims (if any) of the Issuing and Paying Agent (for reimbursement in respect of payments properly made to any person in discharge of an Obligation) are secured in favour of the Trustee, pursuant to the Trust Deed, by:

- (i) an assignment by way of security of the Issuer’s rights, title and interest under the Agency Agreement, to the extent that they relate to the Notes;
- (ii) an assignment by way of security of the Issuer’s rights, title and interest under each relevant Loan Agreement and Pledge Agreement; and
- (iii) a first fixed charge over (a) all sums held by the Issuing and Paying Agent to meet payments due in respect of any Obligation and (b) any sums received by or on behalf of the Issuer under any Loan Agreement and/or Pledge Agreement,

save that no Obligor nor the Issuing and Paying Agent shall benefit from the Security in respect of which it is itself an obligor.

Additionally, the Obligations of the Issuer may be secured pursuant to a security document other than the Trust Deed as specified in the relevant Supplemental Trust Deed.

References in these Conditions to “**Security**” are to the security constituted by the Supplemental Trust Deed.

*Full details of the relevant Collateral and Reference Assets will be set out in the relevant Supplemental Trust Deed and the relevant Pricing Supplement for the relevant Series in accordance with the rules and regulations of the Luxembourg Stock Exchange.*

(b) **Application of Security:** The Trustee shall (subject to the provisions of the Supplemental Trust Deed and to Clause 6.4 of the Principal Trust Deed) apply all moneys received by it under the provisions of the Trust Deed in connection with the realisation or enforcement of the Security as follows:

- (i) first, in payment or satisfaction of the fees, costs, charges, expenses and liabilities incurred by the Trustee or any receiver in preparing and executing the trusts under the Trust Deed (including any taxes required to be paid, the costs of realising any security and the Trustee's remuneration);
- (ii) secondly, in payment or satisfaction of the fees, costs, charges, expenses and liabilities incurred by the Corporate Services Provider or any Agent in carrying out their respective functions under the Corporate Services Agreement, the Agency Agreement, the Notes, Coupons, Talons and Receipts (including any taxes required to be paid and their remuneration);
- (iii) thirdly, in payment or satisfaction of the fees, costs, charges, expenses and liabilities incurred by the Issuer to any Dealers and/or to the Arranger (including any taxes required to be paid and their remuneration) in carrying out their respective functions under the Dealer Agreement
- (iv) fourthly, in payment of Noteholder Claims; and
- (v) last, in payment of any balance to the Issuer for itself.

Any Creditor that has a claim in respect of more than one Obligation may rank differently in respect of each Obligation.

If the moneys received by the Trustee are not enough to pay in full all amounts to persons whose claims rank rateably, the Trustee shall apply the moneys pro rata on the basis of the amount due to each party entitled to such payment.

For these purposes and unless otherwise provided, references in the Supplemental Trust Deed to:

- (i) “**Issuing and Paying Agent Claim**” means the claims of the Issuing and Paying Agent for reimbursement of payments properly made by it to any person in discharge of an Obligation;
- (ii) “**Noteholder Claim**” means the claims of the Noteholders and Couponholders rateably in respect of the Notes, Coupons and Receipts; and
- (iii) any person by name are to the claims of that person as a Creditor in the capacity or capacities identified in the Supplemental Trust Deed.

If “**Pari Passu Ranking**” is stated in the Supplemental Trust Deed in respect of any claims referred to in (i) to (v) above, such claims shall rank rateably inter se.

(c) **Enforcement of Security:** The Security over the Reference Assets shall become enforceable if payment in respect of the Notes is not made when due and payable.



- (d) **Realisation of Security:** If any Security becomes enforceable, the Trustee may at its discretion and shall, on receipt of whichever of a Holder Request, Extraordinary Resolution Direction or Creditor Direction as shall be specified in the Supplemental Trust Deed, enforce the Security constituted by the Trust Deed.

To do this it may at its discretion enforce, terminate and/or realise any Loan Agreement and/or Pledge Agreement in accordance with its or their terms, and/or take action against any Obligor but without any liability as to the consequence of such action and without having regard to the effect of such action on individual Noteholders or Couponholders and provided that the Trustee shall not be required to take any action that would involve any personal liability or expense without first being indemnified and/or secured and/or prefunded to its satisfaction.

In this Condition 4(d):

“**Holder Request**” shall mean a request in writing by the holders of at least one-fifth in aggregate nominal amount of the Notes then outstanding (as defined in the Trust Deed) or if there is a sole holder, a direction of such sole holder in writing;

“**Extraordinary Resolution Direction**” shall mean a direction by Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or if there is a sole holder, a direction of such sole holder in writing; and

“**Creditor Direction**” shall mean where sums are due to the Issuing and Paying Agent (the claims in respect of which are secured) a direction in writing by such party (unless this would in the Trustee’s opinion be contrary to the interests of the holders of Notes, Coupons or Receipts).

- (e) **Shortfall after application of proceeds:** If the net proceeds of the realisation of the Security under paragraph (d) above (the “**Net Proceeds**”) are not sufficient to make all payments which but for the effect of this provision would then be due in respect of the Obligations or claims of the Issuing and Paying Agent (if any), then the obligations of the Issuer in respect of them will be limited to such Net Proceeds and the other assets of the Issuer, will not be available for payment of any Shortfall arising therefrom. Any such Shortfall shall be borne by the Creditors and the Issuing and Paying Agent according to the priorities specified in the Supplemental Trust Deed.

The Issuer will not be obliged to make any further payment in excess of the Net Proceeds and accordingly no debt shall be owed by the Issuer in respect of any Shortfall remaining after realisation of the Security under Condition 4(d) and application of the proceeds in accordance with the Trust Deed. None of the Trustee, any Creditor, and the Issuing and Paying Agent (nor any person acting on behalf of any of them) may take any further action to recover such Shortfall. Failure to make any payment in respect of any Shortfall shall in no circumstances constitute an Event of Default under Condition 10.

In this Condition “**Shortfall**” means the difference between the amount of the Net Proceeds and the amount which would but for this Condition 4(e) have been due under the Obligations or in respect of claims of the Issuing and Paying Agent.

Only the Trustee may enforce the Security over the Reference Assets in accordance with and subject to the Trust Deed.

- (f) **Substitution of Reference Assets:** The Issuer may from time to time upon agreement with all the Noteholders or if so directed by an Extraordinary Resolution, substitute alternative Reference Assets for such of the Reference Assets as it may deem appropriate. Any such alternative

Reference Assets shall be held subject to such Security in favour of the Trustee and the Issuer shall execute such further documentation as the Trustee may require in order to constitute such Security as a condition to such substitution. If the Noteholders agree to the substitution, the Issuer shall notify the Noteholders thereof in accordance with Condition 15 and, if the Notes are listed on any stock exchange, the Issuer shall also notify such stock exchange of such substitution.

- (g) **Issuer's rights as beneficial owner of Collateral:** The Issuer may exercise any rights in its capacity as beneficial owner of the Collateral only with the consent of the Trustee or as directed by an Extraordinary Resolution of the Noteholders and, if such direction is given, the Issuer will act only in accordance with such direction. In particular, the Issuer will not give any consent or notification or make any declaration in relation to the Collateral, unless the Trustee shall so direct or by direction of any Extraordinary Resolution of the Noteholders.

## 5 Restrictions

So long as any of the Notes remain outstanding, the Issuer shall not, without the consent of the Trustee, incur any other indebtedness for borrowed moneys or engage in any business (other than acquiring and holding the Reference Assets, entering into any Loan Agreement and entering into related agreements and transactions (as described below)), declare any dividends, have any subsidiaries or employees, purchase, own, lease or otherwise acquire any real property (including office premises or like facilities), consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entity to any person (otherwise than as contemplated in these Conditions and the Trust Deed) or issue any shares (other than such shares as were in issue on 30 October 2009).

The Issuer may from time to time (without the consent of the Noteholders but provided that the Trustee is satisfied that the restrictions of this Condition will be complied with) issue further notes (which may form a single series with the Notes) and create or incur further obligations relating to such notes, provided that such further notes and obligations:

- (a) are secured (save in the case of such further notes forming a single series with the Notes) on assets of the Issuer other than the Reference Assets, the assets on which any other obligations of the Issuer are secured and the Issuer's share capital;
- (b) are issued or created on terms substantially in the form contained in Conditions 4(e) and 11; and
- (c) are, in the case of such further notes forming a single series with the Notes, secured *pari passu* upon the Reference Assets and such further assets of the Issuer upon which such further notes are secured, all in accordance with Condition 14.

## 6 Interest and other Calculations

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 6(h).
- (b) **Interest on Floating Rate Notes:**
  - (i) *Interest Payment Dates:* A Floating Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined

in accordance with condition 6(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

- (ii) *Business Day Convention*: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

- (A) ISDA Determination for Floating Rate Notes:

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate, subject as provided in Condition 6(g) below. For the purposes of this sub-paragraph (iii), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon;
- (y) the Designated Maturity is a period specified hereon; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

- (B) Screen Rate Determination for Floating Rate Notes

- (x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below and Condition 6(g), be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

- (y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and
- (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks

(which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period.

- (c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 7(b)(i)).
- (d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating a Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.
- (e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.
- (f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 6 to the Relevant Date (as defined in Condition 6(k)).
- (g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**
  - (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 6(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.
  - (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
  - (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded

to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the country of such currency.

- (h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.
- (i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 6(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.
- (j) **Determination or Calculation by Trustee:** If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest

Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

- (k) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Business Day**” means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of euro, a day on which the TARGET System is open for the settlement of payments in euro (a “**TARGET Business Day**”); and/or
- (iii) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the “**Calculation Period**”):

- (i) if “**Actual/Actual**” or “**Actual/Actual-ISDA**” is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365).
- (ii) if “**Actual/365 (Fixed)**” is specified hereon, the actual number of days in the Calculation Period divided by 365.
- (iii) if “**Actual/360**” is specified hereon, the actual number of days in the Calculation Period divided by 360.
- (iv) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30.

- (v) if “**30E/360**” or “**Eurobond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30.

- (vi) if “**30E/360 (ISDA)**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;



“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D<sub>2</sub>** will be 30.

(vii) If “**Actual/Actual-ICMA**” is specified hereon:

(a) If the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year.

where:

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date and

“**Determination Date**” means the date specified as such hereon or, if none is so specified, the Interest Payment Date.

“**Euro-zone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended

“**Interest Accrual Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

“**Interest Amount**” means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

“**Interest Commencement Date**” means the Issue Date or such other date as may be specified hereon.

“**Interest Determination Date**” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

“**Interest Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

“**Interest Period Date**” means each Interest Payment Date unless otherwise specified hereon.

“**ISDA Definitions**” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

“**Rate of Interest**” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

“**Reference Banks**” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

“**Reference Rate**” means the rate specified as such hereon.

“**Relevant Date**” in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

“**Relevant Screen Page**” means such page, section, caption, column or other part of a particular information service as may be specified hereon.

“**Specified Currency**” means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) system or any successor thereto.

- (l) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed

as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

## **7 Redemption, Purchase and Options**

### **(a) Redemption by Instalments and Final Redemption:**

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 7, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

### **(b) Early Redemption:**

#### **(i) Zero Coupon Notes:**

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note prior to the Maturity Date and the Early Redemption Amount of which is not linked to an index and/or a formula or upon it becoming due and payable as provided in Condition 10, shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the

Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 6(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

- (ii) **Other Notes:** The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above) upon it becoming due and payable as provided in Condition 10 shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Taxation and other Reasons:**

- (i) If the Issuer, on the occasion of the next payment due in respect of the Notes, would be required by laws of the United Kingdom to withhold or account for tax or would suffer tax in respect of its income so that it would be unable to make payment of the full amount due, then the Issuer shall so inform the Trustee, and shall use all reasonable endeavours to arrange the substitution of a company incorporated in another jurisdiction approved beforehand in writing by the Trustee as the principal obligor or to change (to the satisfaction of the Trustee) its residence for taxation purposes to another jurisdiction approved beforehand in writing by the Trustee and if it is unable to arrange such substitution before the next payment is due in respect of the Notes; and/or
- (ii) If the Issuer is required to comply with any reporting requirement of, any authority of any jurisdiction, except in any case where such reporting requirement does not involve any material expense and is not unduly onerous, then the Issuer shall so inform the Trustee, and shall use its best endeavours to arrange the substitution of a company incorporated in another jurisdiction approved beforehand in writing by the Trustee, as the principal obligor or to change (to the satisfaction of the Trustee), its residence for taxation purposes to another jurisdiction approved beforehand in writing by the Trustee and if it is unable to arrange such substitution or change before the next payment is due in respect of the Notes and/or
- (iii) If a Loan Agreement or a Pledge Agreement or other Reference Asset specified hereon is terminated in whole for any reason,

then the Issuer shall forthwith give notice as soon as is reasonably practicable (unless otherwise specified hereon) to the Trustee and the Noteholders and upon the giving of such notice all but not some only of the Notes shall become due for redemption on the date specified in such notice at their outstanding Early Redemption Amount (as described in Condition 7(b) above) (together with any interest accrued to the date fixed for redemption).

Notwithstanding the foregoing, if any of the taxes referred to in paragraph (d)(i) above arises by reason of any Noteholder's connection with the laws of the United Kingdom otherwise than by reason only of the holding of any Note or receiving or being entitled to any Redemption Amount or interest in respect thereof, then to the extent it is able to do so, the Issuer shall deduct such

taxes from the amounts payable to such Noteholder, all other Noteholders shall receive the due amounts payable to them and the Notes shall not be redeemed as provided in the previous provisions. Any such deduction shall not constitute an Event of Default under Condition 10.

Notwithstanding the foregoing, if the requirement to withhold or account for tax set out in Condition 7(c)(i) arises as a result of:

- (i) a withholding or deduction imposed on a payment by or on behalf of the Issuer to an individual required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or
- (ii) the presentation for payment of any Bearer Note, Receipt or Coupon by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Bearer Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union

then Condition 7(c)(i) shall not apply. The Issuer shall deduct such taxes from the amounts payable to such Noteholder, all other Noteholders shall receive the due amounts payable to them and the Notes shall not be redeemed. Any such deduction shall not constitute an Event of Default under Condition 10.

In the event of the Notes becoming due for redemption and the Security becoming enforceable (i), the Trustee may take such action as is provided in Condition 4(d) and (ii) the Early Redemption Amount may be less than the principal amount of the Notes being redeemed.

- (d) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon), redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place as the Issuer may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements. So long as the Notes are listed on the Luxembourg Stock Exchange or any other stock exchange and the rules of the relevant stock exchange so require, the Issuer shall, once in each year in which there has been a partial redemption of the Notes, cause to be published either on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or in a leading newspaper of general circulation in Luxembourg or as specified by such other stock exchange, a notice specifying the aggregate nominal amount of Notes outstanding and a list of the Notes drawn for redemption but not surrendered.

In the event of an early redemption of Notes pursuant to this Condition 7(d), the Optional Redemption Amount may be less than the principal amount of the Notes being redeemed.

- (e) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (“**Exercise Notice**”) in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

In the event of an early redemption of Notes pursuant to this Condition 7(e), the Optional Redemption Amount may be less than the principal amount of the Notes being redeemed.

- (f) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.
- (g) **Purchases:** If the Issuer has satisfied the Trustee that it has made arrangements for the purchase of the Notes, which transaction will leave the Issuer with no assets or net liabilities in respect thereof, it may purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.
- (h) **Cancellation:** All Notes purchased by or on behalf of the Issuer shall be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to or to the order of the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

## 8 Payments and Talons

- (a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 8(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 8(f)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency

with, a Bank. “Bank” means a bank in the principal financial centre for such currency or in the case of euro in a city in which banks have access to the TARGET System.

- (b) **Registered Notes:**
- (i) Payments of principal (which for the purposes of this Condition 8(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
  - (ii) Interest (which for the purpose of this Condition 8(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.
- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.
- (d) **Payments subject to Laws:** All payments are subject in all cases to any applicable laws, regulations and directives in the place of payment. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Appointment of Agents:** The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents or Calculation Agent(s), provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) a Paying Agent having its specified office in a major European city, (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee and (vii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European

Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 8(c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and Receipts and unexchanged Talons:**

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes), they should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (v) Where any Bearer Note that provides that the relative unexpired Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unexpired Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further



Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

- (h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “**Financial Centres**” hereon and:
- (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
  - (ii) (in the case of a payment in euro) which is a TARGET Business Day.

## 9 Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## 10 Events of Default

If any of the following events (“**Events of Default**”) occurs the Trustee at its discretion may, and if so requested by holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (provided that the Trustee shall have been indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued interest:

- (a) **Non-Payment:** default is made for more than 14 days (in the case of interest) or seven days (in the case of principal) in the payment on the due date of interest or principal in respect of the Notes; or
- (b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations under the Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after notice of such default shall have been given to the Issuer by the Trustee; or
- (c) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer and is not discharged or stayed within 14 days;
- (d) **Insolvency:** the Issuer is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or, in the opinion of the Trustee, a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer; or

- (e) **Winding-up:** an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, or the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved in writing by the Trustee or by an Extraordinary Resolution.

The Issuer has undertaken in the Principal Trust Deed that, within 180 days of the end of each financial year and also within 14 days after any request by the Trustee, it will send to the Trustee a certificate signed by a Director to the effect that as at a date not more than five days prior to the date of the certificate no Event of Default or event or circumstance that could with the giving of notice, lapse of time and/or issue of a certificate become an Event of Default has occurred.

## **11 Enforcement**

Only the Trustee may pursue the remedies available under the Trust Deed to enforce the rights of the Noteholders, Couponholders and the Issuing and Paying Agent and none of the Noteholders, Couponholders or the Issuing and Paying Agent is entitled to proceed against the Issuer unless the Trustee, having become bound to proceed in accordance with the terms of the Trust Deed, fails or neglects to do so.

The Trustee, the Noteholders, the Couponholders and the Issuing and Paying Agent shall have recourse only to the Reference Assets in respect of the Notes, none of the Trustee, the Noteholders, the Couponholders or the Issuing and Paying Agent or anyone acting on behalf of any of them shall be entitled to take any further steps against the Issuer to recover any further sum and no debt shall be owed by the Issuer in respect of such sum. In particular, none of the Trustee, any Noteholder or Couponholder, the Issuing and Paying Agent, nor any other party to the Supplemental Trust Deed shall be entitled to institute, or join with any other person in bringing, instituting or joining, insolvency proceedings (whether court based or otherwise) in relation to the Issuer and none of them shall have any claim in respect of any sum arising in respect of any assets secured for the benefit of any other obligations of the Issuer.

## **12 Meetings of Noteholders, Modification, Waiver and Substitution**

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount or the Early Redemption Amount including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of

Noteholders or the majority required to pass the Extraordinary Resolution, (viii) to modify the provisions of the Trust Deed concerning this exception or (ix) to modify certain provisions of Condition 4, in which case the necessary quorum shall be one or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than 25 per cent. in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

These Conditions may be amended, modified or varied in relation to the Notes by the terms of the relevant Supplemental Trust Deed in relation to such Notes.

- (b) **Modification of the Trust Deed:** The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, Loan Agreement or Pledge Agreement that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed, Loan Agreement or Pledge Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.
- (c) **Substitution:** The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, without the consent of the Noteholders or the Couponholders, to the substitution of any other company in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Receipts, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders. Under the Trust Deed, the Trustee may agree or require the Issuer to use all reasonable endeavours to procure the substitution as principal debtor under the Trust Deed and the Notes of a company incorporated in some other jurisdiction in the event of the Issuer becoming subject to any form of tax on its income or payments in respect of the Notes.
- (d) **Entitlement of the Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

### **13 Replacement of Notes, Certificates, Receipts, Coupons and Talons**

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent in London (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and

costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

#### **14 Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders but subject to Condition 5 create and issue further notes either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the Notes or upon such terms as the Issuer may determine at the time of their issue. Any such further notes shall only form a single issue with the Notes (unless otherwise approved by an Extraordinary Resolution) if the Issuer provides additional assets as security for such further notes which are fungible with, and have the same proportionate composition as, those forming part of the Reference Assets for the Notes and in the same proportion that the nominal amount of such new notes bears to the Notes and the Issuer enters into, or has the benefit of, additional or supplemental Loan Agreements and Pledge Agreements extending the terms of any existing Loan Agreements and Pledge Agreements to the new notes on terms no less favourable than such existing documents and agreements. Any new notes forming a single series with the Notes shall be constituted and secured by a deed supplemental to the Trust Deed, such further security shall be added to the Reference Assets so that the new notes and the existing Notes shall be secured by the same Reference Assets and references in these Conditions to “Notes”, “Collateral”, “Reference Assets”, “Loan Agreements”, “Pledge Agreement”, “Obligations” and “Creditors” shall be construed accordingly. The Trust Deed contains provisions for convening a single meeting of the holders of the Notes and the holders of notes of other specified series in certain circumstances where the Trustee so decides.

#### **15 Notices**

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published so long as the Notes are listed on the Luxembourg Stock Exchange, either on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or in a daily newspaper with general circulation in Luxembourg (which is expected to be *the Luxemburger Wort*). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

#### **16 Indemnification and Obligations of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee, for its relief from responsibility including for the validity, sufficiency and enforceability (which the Trustee has not investigated) of the Security created over the Reference Assets. The Trustee is not obliged or required to take any action under the Trust Deed which may involve it in incurring any personal liability or expense unless indemnified

and/or secured and/or prefunded to its satisfaction. The Trustee and any affiliate are entitled to enter into business transactions with the Issuer, any Obligor, any Borrower, or any of their subsidiary, holding or associated companies without accounting to the Noteholders for profit resulting therefrom.

The Trustee is not responsible for monitoring or supervising the performance by any other person of its obligations to the Issuer and may assume these are being performed unless it shall have actual knowledge to the contrary.

The Trust Deed provides that in acting as Trustee under this Trust Deed the Trustee shall not assume any duty or responsibility to the Issuing and Paying Agent (other than to pay to such party any moneys received and repayable to it and to act in accordance with the provisions of Condition 4) and shall have regard solely to the interests of the Noteholders.

**17 Contracts (Rights of Third Parties) Act 1999:**

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

**18 Governing Law**

The Trust Deed, the Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

## **SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM**

### **Initial Issue of Notes**

Global Notes and Certificates may be delivered on or prior to the original issue date of the Series to a Common Depositary.

Upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the “Common Depositary”) or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

### **Relationship of Accountholders with Clearing Systems**

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, or any other clearing system (“Alternative Clearing System”) as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

### **Exchange**

- 1 Temporary Global Notes.** Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:
  - 1.1 if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “Overview of the Programme - Selling Restrictions”), in whole, but not in part, for the Definitive Notes defined and described below and
  - 1.2 otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

In relation to any issue of Notes which are expressed to be Temporary Global Notes exchangeable for Definitive Notes in accordance with this option, such notes may only be issued in denominations equal to, or greater than EUR 50,000 (or equivalent) and integral multiples thereof.

**2 Permanent Global Notes.** Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 4 below, in part for Definitive Notes or, in the case of paragraph 4 below, Registered Notes:

2.1 if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

**3 Permanent Global Certificates.** If the Pricing Supplement state that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

3.1 if the Notes represented by the Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or

3.2 upon or following any failure to pay principal in respect of any Notes when it is due and payable or

3.3 with the consent of the Issuer

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.1 above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer. Where the holding of Notes represented by a Global Certificate is only transferable in its entirety, the Certificate issued to the transferee upon transfer of such holding shall be a Global Certificate. Where transfers are permitted in part, Certificates issued to transferees shall not be Global Certificates unless the transferee so requests and certifies to the Registrar that it is, or is acting as a nominee for, Clearstream, Luxembourg, Euroclear and/or an Alternative Clearing System.

**4 Partial Exchange of Permanent Global Notes.** For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

**5 Delivery of Notes.** On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Trustee. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary

Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be. In this Programme Memorandum, “Definitive Notes” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

- 6 Exchange Date.** “Exchange Date” means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Trustee is located and in the city in which the relevant clearing system is located.

#### **Amendment to Conditions**

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Programme Memorandum. The following is a summary of those provisions:

- 1 Payments.** No payment falling due after the Exchange Date will be made on any Global Note unless it is exchanged for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 7(e)(vii) and Condition 8(e) will apply to the Definitive Notes only.
- 2 Prescription.** Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in the Conditions).
- 3 Meetings.** The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall be treated as being one person for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder’s holding, whether or not represented by a Global Certificate.
- 4 Cancellation.** Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.



- 5 Purchase.** Notes represented by a permanent Global Note may only be purchased by the Issuer if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.
- 6 Issuer's Option.** Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the certificate numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg or any other clearing system (as the case may be).
- 7 Noteholders' Options.** Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation.
- 8 Trustee's Powers.** In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.
- 9 Notices.** So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note except that so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notices shall also be published either on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or in a leading newspaper having general circulation in Luxembourg (which is expected to be *the Luxemburger Wort*).

### **Partly Paid Notes**

The provisions relating to Partly Paid Notes are not set out in this Programme Memorandum, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

## **USE OF PROCEEDS**

The net proceeds from each Series of Notes will be used as described in the relevant Pricing Supplement and to pay expenses in connection with the administration of the Issuer and the issue of the Notes.

## **DESCRIPTION OF THE ISSUER**

### **General**

The Issuer was incorporated in England and Wales on 17 August 2009 (registered number 6992362), as a public company with limited liability under the Companies Acts 1985 to 2006. The registered office of the Issuer is at 35 Great St. Helen's, London EC3A 6AP. The telephone number for the Issuer is +44 (0)207 398 6300. The fax number for the Issuer is +44 (0)207 398 6325. The Issuer has no subsidiaries.

### **Purpose and Principal Activity of the Issuer**

The principal objects of the Issuer are set out in clause 4 of its Memorandum of Association and are, among other things, to acquire, hold and manage financial assets, to lend or advance money and to give credit to any persons (whether individuals or legal entities) for any purpose whatsoever within the United Kingdom or elsewhere, and whether secured (on any such property or otherwise) or unsecured, to carry on business as a financial institution, money lenders, bankers, capitalists, financiers and investors and to undertake all kinds of loans, financial commitments and other operations and to provide any type of financial services including without limitation lending and participation in securities issues and the provision of services related to such issues.

### **Business**

So long as any of the Notes remain outstanding, the Issuer shall not, without the consent of the Trustee, incur any other indebtedness for borrowed moneys or engage in any business (other than acquiring and holding the Reference Assets, issuing further Series of Notes and entering into related agreements and transactions as provided for in Condition 5, or, inter alia, declare any dividends, have any subsidiaries or employees, purchase, own, lease or otherwise acquire any real property (including office premises or like facilities), consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entity to any person (otherwise than as contemplated in the Conditions and the Trust Deed) or issue any shares (other than such shares as were in issue on the date of this Programme Memorandum).

The Issuer has, and will have, no assets other than the sum of GBP50,000 representing the issued and paid-up share capital, such fees (as agreed) payable to it in connection with the issue of Notes and any Reference Assets and any other assets on which Notes are secured.

The Notes are obligations of the Issuer alone and not of the Share Trustee (as defined below) or of the Trustee. Furthermore, they are not obligations of, or guaranteed in any way by, the Arranger or any other party.

The Issuer does not expect to accumulate any surpluses, other than the retained profit specified in each Pricing Supplement or Series Memorandum. Fees payable by the Issuer to its Corporate Services Provider, the Trustee and other Agents will be paid out of the proceeds of each issue of Notes, out of the income retained in relation to the Reference Assets (other than any retained profit) or will be paid as otherwise specified in the Pricing Supplement in relation to a particular series of Notes and none of the Corporate Services Provider, the Trustee, the Paying Agents, the Registrar, the Transfer Agents or the Calculation Agent(s) may have recourse to assets of the Issuer which are held as security for Notes other than the security for the Notes in respect of which the claim arises. Additionally, the Paying Agents, the Registrar, the Transfer Agents and the Calculation

Agent(s) have agreed that the payments of outstanding fees (if any) shall be limited to amounts available, following application in accordance with the terms of the Trust Deed, to discharge such liabilities.

## Directors and Secretary

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

Name	Business Address	Principal Activities
SFM Directors Limited	35 Great St. Helen's, London EC3A 6AP	Directors of special purpose companies
SFM Directors (No. 2) Limited	35 Great St. Helen's, London EC3A 6AP	Directors of special purpose companies
Robert Berry	35 Great St. Helen's, London EC3A 6AP	Director

The company secretary of the Issuer is SFM Corporate Services Limited, a company incorporated in England and Wales (registered number 3920255), whose business address is 35 Great St. Helen's, London EC3A 6AP.

The Directors of SFM Directors Limited (registered number 3920254) and SFM Directors (No. 2) Limited (registered number 4017430) as at the date of this Offering Circular are Jonathan Keighley, James Macdonald, Robert Berry, Paivi Helena Whitaker, Claudia Wallace, J-P Nowacki and Debra Parsall, whose business addresses are 35 Great St. Helen's, London EC3A 6AP and who perform no other principal activities outside the Issuer which are significant with respect to the Issuer.

## Capitalisation and Indebtedness

The capitalisation and indebtedness of the Issuer as at the date of this Programme Memorandum is as follows:

### Share Capital

Authorised Share Capital £	Issued Share Capital £	Value of each Share £	Shares Fully Paid Up	Paid Up Share Capital £
50,000	50,000	1	50,000	50,000

The Issuer's share capital is made up of ordinary voting shares. 49,999 of the issued shares (being 49,999 shares of £1 each, each of which is fully paid up) in the Issuer are held by SFM Corporate Services Limited (the "Share Trustee") as trustee pursuant to the Declaration of Trust declared by the Share Trustee on 27 August 2009. The remaining one share in the Issuer (which is fully paid) is held by SFM Nominees Limited (registered number 4115230) under the terms of the nominee declaration of trust for the Share Trustee.

As of the date of this Programme Memorandum, the Issuer had incurred no indebtedness.

## Financial Statements

Since its date of incorporation, the Issuer has not commenced operations and no financial statements of the Issuer have been prepared as at the date of this Programme Memorandum. The Issuer intends to publish its

first financial statements in respect of the period ending on 31 December 2009. The Issuer will not prepare interim financial statements. The financial year of the Issuer ends on 31 December in each year.

Each year, a copy of the audited profit and loss account and balance sheet of the Issuer together with a report of the directors and the auditors thereon is required to be filed with Companies House in the UK within 6 months of the financial year end of the Issuer and is available for inspection. The profit and loss account and balance sheet can be obtained free of charge from the registered office of the Issuer. The Issuer must hold its first annual general meeting within 6 months of the financial year end. One annual general meeting must be held in each calendar year.

The auditors of the Issuer are Ernst and Young LLP of 1 More London Place, London SE1 2AF, United Kingdom who are chartered accountants and are members of the Institute of Chartered Accountants and registered auditors qualified to practise in England and Wales.

## **SUMMARY OF THE SECURED LOAN AGREEMENT AND THE PLEDGE AGREEMENT**

### **Secured Loan Agreement**

A bilateral credit line facility agreement No. 2-B dated 16 April 2007 as amended and restated on 29 December 2008 and further amended on 23 April 2009, 2 July 2009, 20 July 2009 and to be assigned and novated on or around 29 October 2009 between the Issuer as lender (the “**Lender**”) and VTB Leasing Ukraine as borrower (the “**Borrower**”) whereby the Lender agreed to lend the principal sum of US\$789,400,346.99 to the Borrower (the “**Secured Loan Agreement**”) for the purpose of financing the Borrower’s working capital needs in relation to its leasing business.

The final maturity date of the Secured Loan Agreement is 18 May 2019 and the margin on the interest rate (calculated by aggregating the margin, LIBOR and mandatory costs) is 10.5 per cent. per annum. Interest is calculated on a quarterly basis and paid on a monthly basis. Customary events of default, covenants and repayment/prepayment events apply, including a prepayment in the event of a change of control of the Borrower.

### **Pledge Agreement**

A pledge agreement on moveable property between VTB Leasing Ukraine as pledgor (“**Pledgor**”) and the Issuer as pledgee (“**Pledgee**”), certified on March 27, 2009 by the private notary of Kyiv city notary district Skliar O.S., under the registration number 754 (the “**Pledge Agreement**”), as amended in accordance with the Amendment Agreement to the Agreement on Pledge of Movable Property dated April 30, 2009, certified on April 30, 2009 by the private notary of Kyiv city notary district Skliar O.S., under the registration number 1039s (the “**First Amendment to the Pledge Agreement**”) and as further amended by Amendment Agreement to the Agreement on Pledge of Moveable Property to be dated on or around 15 November 2009 (the “**Second Amendment to the Pledge Agreement**”).

The purpose of the Pledge Agreement is to secure repayment of amounts owed under the Secured Loan Agreement and other outstanding amounts owed to the Lender by pledging certain assets, the purpose of the First Amendment to the Pledge Agreement is to pledge additional assets for the same purpose and the purpose of the Second Amendment to the Pledge Agreement is to assign the benefit of the Pledge Agreement to the Issuer as Pledgee.

The total value of assets pledged under the Pledge Agreement (as amended) (the “**Pledged Assets**”) amounts to UAH 4,425,432,382.83 (as provided in the Pledge Agreement (as amended)). The Pledge Assets include, amongst other things, railway maintenance vehicles, passenger railway vehicles and locomotives. Up until an event of default occurs and is outstanding, the Pledgor retains ownership of the Pledged Assets and has the right to use the Pledged Assets, provided such use is in accordance with the Secured Loan Agreement and various lease agreements it is party to. After an event of default occurs, the right to use the Pledge Assets is restricted. The Pledge Agreement will terminate when all amounts outstanding under, and connected with, the Secured Loan Agreement have been repaid in full and the Pledgor receives a written acknowledgement from the Pledgee confirming termination of the Pledge Agreement.

See “Risk Factors – Enforcement of the Pledge under Ukrainian Law” and “Risk Factors – Risk Factors relating to Ukraine”

## TAXATION

*The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of the Notes should consult their tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Programme Memorandum. The information and analysis contained within this section are limited to taxation issues, and prospective investors should not apply any information or analysis set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.*

### **United Kingdom**

*The comments below are of a general nature based on current United Kingdom law and United Kingdom HM Revenue and Customs ("HMRC") practice relating to the deduction of tax from interest. They do not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. They do not necessarily apply where the income is deemed for tax purposes to be the income of any person other than the Noteholders. They relate only to the position of persons who are the absolute beneficial owners of the Notes and may not apply to certain classes of persons such as dealers or certain professional investors. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes may affect the tax treatment. The United Kingdom tax treatment relating to the deduction of tax from interest may be subject to change in the future. The following is a general guide. It is not intended to be exhaustive and should be treated with appropriate caution. Noteholders who are in doubt as to their personal tax position should consult their professional advisers.*

### ***Interest on the Notes***

While the Notes which are issued by the Issuer are and continue to be listed on a recognised stock exchange within the meaning of Section 1005 of the Income Tax Act 2007, payments of interest by the Issuer may be made without withholding or deduction for or on account of United Kingdom income tax. The Euro MTF market of the Luxembourg Stock Exchange is a recognised stock exchange. The Notes will be treated as listed on the Luxembourg Stock Exchange if they are listed on that exchange and admitted to trading on the Euro MTF market.

If the Notes carry a right to interest and have a maturity date less than one year from the date of issue (and are not issued with a maturity date pursuant to any arrangement, the effect of which is to render such Notes part of a borrowing for a total term of one year or more), payments of interest may be made without withholding or deduction for or on account of United Kingdom income tax irrespective of whether or not the Notes are listed.

In all other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to the availability of other reliefs or to any direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

Noteholders may wish to note that, in certain circumstances, HM Revenue & Customs has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Noteholder or who either pays amounts payable on the redemption of Notes to or receives such amounts for the benefit of

another person. Furthermore, information so obtained may, in certain circumstances, be exchanged by HM Revenue & Customs with the tax authorities of other jurisdictions.

### **EU Directive on the Taxation of Savings Income**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual or to certain other persons resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria may instead (unless during that period they elect otherwise) operate a withholding system (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).



## **SUBSCRIPTION AND SALE**

### **Summary of Dealer Agreement**

Subject to the terms and on the conditions contained in a dealer agreement dated 30 October 2009 (the “Dealer Agreement”) between the Issuer, the Permanent Dealer and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealer or such other Dealers as may be appointed from time to time in respect of any Series pursuant to the Dealer Agreement. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the Relevant Dealer.

The Issuer has agreed to pay the commissions as agreed between them in respect of each issue of Notes on a syndicated basis or otherwise. Such commissions (if any) will be stated in the relevant Pricing Supplement.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

### **Selling Restrictions**

#### **United States**

The Notes have not been and will not be registered under the Securities Act, as amended and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has represented and agreed that, except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes of any identifiable Series (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Series as determined, and certified to the Issuer, by the Trustee, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

#### **United Kingdom**

Each Dealer has represented and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

### **Ukraine**

Each Dealer has agreed that the Notes shall not be offered by any of them for circulation, distribution, placement, sale, purchase or other transfer in the territory of Ukraine. Accordingly, nothing in this Programme Memorandum or any other documents, information or communications related to the Notes shall be interpreted as containing any offer or invitation to, or solicitation of, any such circulation, distribution, placement, sale, purchase or other transfer in the territory of Ukraine.

### **General**

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Programme Memorandum.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Programme Memorandum or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

## FORM OF PRICING SUPPLEMENT

*The form of Pricing Supplement that will be issued in respect of each Series, subject only to the deletion of non-applicable provisions, is set out below:*

### Pricing Supplement dated [●]

Wisbech Pineapple plc  
Issue of [Aggregate Nominal Amount of Series] due [●] as Series [●]  
under the U.S.\$900,000,000 Secured Medium Term Note Programme of Wisbech Pineapple plc

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Programme Memorandum dated 30 October 2009. This document constitutes the Pricing Supplement described herein and must be read in conjunction with such Programme Memorandum.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Programme Memorandum.

The Programme Memorandum is available for viewing during normal business hours at the Issuer's office at 35 Great St. Helen's, London, EC3A 6AP, United Kingdom and the Issuing and Paying Agent's office at One Canada Square, London, E14 5AL, United Kingdom.

1. Issuer: Wisbech Pineapple plc
2. Series Number: [●]
3. Specified Currency or Currencies: [●]
4. Aggregate Nominal Amount of Notes: [●]
5. Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (if applicable)]
6. (i) Specified Denomination: [●]  
(ii) Calculation Amount: [●]
7. (i) Issue Date: [●]  
(ii) Interest Commencement Date [●] [*Specify/Issue Date/Not Applicable*]
8. Maturity Date: [●] [*Specify date or (for Floating Rate Notes)*]

*Interest Payment Date falling in or nearest to the relevant month and year]*

9. Interest Basis:  per cent. Fixed Rate]  
 [*specify reference rate*] +/- • per cent. Floating Rate]  
 Zero Coupon]  
 Other (*specify*)]  
(further particulars specified below)
10. Redemption/Payment Basis:  Redemption at par]  
 Dual Currency]  
 Partly Paid]  
 Instalment in accordance with Schedule 1 to the Pricing Supplement]  
 Other (*specify*)]
11. Change of Interest or Redemption/  
Payment Basis:  [Specify details of any  
*provision for convertibility of Notes into another interest or redemption/ payment basis*]
12. Put/Call Options:  Investor Put]  
 Issuer Call]  
 [(further particulars specified below)]
13. (i) Status of the Notes: Senior
- (ii) Board approval for issuance of  
Notes obtained:
14. Method of distribution:  Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. **Fixed Rate Note Provisions**  Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest:  per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (*specify*)] in arrear]
- (ii) Interest Payment Date(s):  in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of “Business Day”*]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]:  per Calculation Amount

- (iv) Broken Amount(s): [●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]
- (v) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA) / other]
- (vi) Determination Dates: [●] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)*)
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/*give details*]

**16. Floating Rate Note Provisions**

[Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Interest Period(s): [●]
- (ii) Specified Interest Payment Dates: [●]
- (iii) First Interest Payment Date: [●]
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/*other (give details)*]
- (v) Business Centre(s): [●]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/*other (give details)*]
- (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the CalculationAgent): [●]
- (viii) Screen Rate Determination:
  - Reference Rate: [●]
  - Interest Determination Date(s): [●]
  - Relevant Screen Page: [●]
- (ix) ISDA Determination:

- Floating Rate Option: [●]
- Designated Maturity: [●]
- Reset Date: [●]
- (x) Margin(s): [ +/- ][●] per cent. per annum
- (xi) Minimum Rate of Interest: [●] per cent. per annum
- (xii) Maximum Rate of Interest: [●] per cent. per annum
- (xiii) Day Count Fraction: [●]
- (xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [●]

**17. Zero Coupon Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) [Amortisation/Accrual] Yield: [●] per cent. per annum
- (ii) Reference Price: [●]
- (iii) Any other formula/basis of determining amount payable: [●]

**18. Dual Currency Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Calculation): [●]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
- (iv) Person at whose option Specified Currency(ies) is/are [●]

payable:

## PROVISIONS RELATING TO REDEMPTION

- 19. Call Option** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) [ ] per Calculation Amount of the Notes and method, if any, of calculation of such amount(s):
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [●] per Calculation Amount
- (b) Maximum Redemption Amount: [●] per Calculation Amount
- (iv) Notice period [●]
- 20. Put Option** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (iii) Notice period [●]
- 21. Final Redemption Amount of the Notes :** [●] per Calculation Amount
- 22. Early Redemption Amount**
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early [●]

redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 23. Form of Notes:** **[Bearer Notes/Registered Notes]:**
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on [ ] days' notice]
- [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
24. Financial Centre(s) or other special provisions relating to payment dates [Not Applicable/*give details.*]
25. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
26. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not] Applicable/*give details*]
27. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/*give details*/refer to Schedule 1]
28. Other terms: [Not Applicable/*give details*]
- Reference Assets [Secured Loan Agreement and Pledge Agreement]  
[*give details*]



[Give brief description of Reference Assets] [N.B. If the Notes are to be listed and the Reference Assets comprise listed Securities, state type, pool size, legal jurisdiction, amount of Securities, method and date of origination and of acquisition by Issuer, name and address of originator, country of incorporation, nature of business, exchange on which the Securities are listed, maturity, any guarantor. If Notes are to be listed and the Reference Assets do not comprise Securities which are either themselves listed or guaranteed by a listed entity, attach full terms and conditions of Reference Assets to Pricing Supplement]

## **DISTRIBUTION**

29. (i) If syndicated, names of Managers: [Not Applicable/give names]
- (ii) Stabilising Manager(s) (if any): [Not Applicable/give name]
30. If non-syndicated, name of Dealer: [Not Applicable/give name]
31. U.S. Selling Restrictions: [Reg. S Compliance Category; TEFRA C/ TEFRA D/ TEFRA not applicable]
32. Additional selling restrictions: Not Applicable/give details]

## **PURPOSE OF PRICING SUPPLEMENT**

This Pricing Supplement constitutes for the purpose of the Luxembourg Law dated July 10, 2005 on Prospectuses for Securities the final terms required for issue and admission to trading on the Euro MTF market of the Luxembourg Stock Exchange of the Notes described herein pursuant to the U.S.\$900,000,000 Secured Medium Term Note Programme.

## **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in this Pricing Supplement. (*Relevant third party information*) has been extracted from (*specify source*). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of Wisbech Pineapple plc:

By: .....

Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING

- (i) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Euro MTF Market of the Luxemburg Stock Exchange with effect from [ ]]. [Not Applicable.]  
*(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*
- (ii) Estimate of total expenses [ ] related to admission to trading:

### 2. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

Need to include a description of any interest, including conflicting ones, that is material to the issue detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

“Save as discussed in “Subscription and Sale”, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”

### 3. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

- [(i) Reasons for the offer [ ]  
*(See [“Use of Proceeds”] wording in Programme Memorandums – if reasons for offer will need to include those reasons here.)*

- [(ii) Estimated net proceeds: [ ]  
*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

- [(iii) Estimated total expenses: [ ]

### 4. Fixed Rate Notes only – YIELD

- Indication of yield: [ ]  
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

**5. Dual Currency Notes only – PERFORMANCE OF RATE[S] OF EXCHANGE**

**6. OPERATIONAL INFORMATION**

ISIN Code: [ ]

Common Code: [ ]

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/*give name(s) and number(s) and address(es)*]

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s): The Bank of New York Mellon  
One Canada Square,  
London E14 5AL

The Bank of New York Mellon (Luxembourg) S.A.  
Aerogolf Centre  
1A, Noenenhof  
L-1736 Senningerberg  
Luxembourg

Names and addresses of additional Paying Agent(s) (if any): [ ]

## GENERAL INFORMATION

- 1 The Issuer has obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the establishment of the Programme. The establishment of the Programme was authorised by a resolution of the board of directors of the Issuer passed on 29 October 2009.
- 2 There has been no significant change in the financial or trading position of the Issuer and no material adverse change in the financial position or prospects of the Issuer since its date of incorporation on 17 August 2009. The Issuer is not nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or has had significant effects on its financial position or profitability.
- 3 Except as disclosed in the section headed “VTB Leasing Ukraine” of this Programme Memorandum, there has been no significant change in the financial or trading position of VTB Leasing Ukraine since 30 June 2009 and no material adverse change in the financial position or prospects of VTB Leasing Ukraine since 31 December 2008.
- 4 VTB Leasing Ukraine is not nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which VTB Leasing Ukraine is aware) during the 12 months preceding the date of this Programme Memorandum which may have or has had in the recent past significant effects on its financial position or profitability.
- 5 Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.
- 6 Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Pricing Supplement.  
  
The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Pricing Supplement.
- 7 Where information in this Programme Memorandum has been sourced from third parties this information has been accurately reproduced and as far as each of the Issuer and VTB Leasing Ukraine is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.
- 8 The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Pricing Supplement of each Series, based on then prevailing market conditions. Neither the Issuer nor VTB Leasing Ukraine intends to provide any post-issuance information in relation to any issues of Notes.
- 9 For so long as Notes may be issued pursuant to this Programme Memorandum (in respect of 9.1 to 9.8) and for so long as any listed Notes remain outstanding, from the date of the relevant document (in respect of 9.9), the following documents will be available for inspection, during usual business hours on any weekday (Saturdays and public holidays excepted), at the registered office of the Issuer and at The Bank of New York Mellon

(Luxembourg) S.A. Corporate Trust Services (from whom copies may be obtained in printed form, free of charge), being at Aerogolf Center, 1A, Hoehenhof, L-1736, Senningerberg, Luxembourg :

- 9.1 the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons) and the Agency Agreement;
- 9.2 the Memorandum and Articles of Association of the Issuer;
- 9.3 the Declaration of Trust of the Issuer;
- 9.4 the Charter of VTB Leasing Ukraine;
- 9.5 a copy of this Programme Memorandum together with any supplement to this Programme Memorandum or further Programme Memorandum;
- 9.6 the audited financial statements of VTB Leasing Ukraine for the years ended 31 December 2007 and 31 December 2008 and any future audited financial statements (with English translations if necessary);
- 9.7 the audited financial statements of the Issuer, once published;
- 9.8 the interim condensed consolidated financial statements of VTB Leasing Ukraine for the six months ended 30 June 2009;
- 9.9 each Pricing Supplement (save that Pricing Supplement relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Trustee as to its holding of Notes and identity) and each subscription agreement (if any) for Notes which are listed on the Luxembourg Stock Exchange and admitted to trading on the Market.
- 10 Ernst & Young Audit Services LLC have audited, and rendered unqualified audit reports on the financial statements of VTB Leasing Ukraine for the years ended 31 December 2008 and 31 December 2007.

# **Private enterprise VTB-Leasing Ukraine**

## **Financial Statements**

*For the years ended 31 December 2008 and 2007  
Together with Independent Auditors' Report*

## CONTENTS

### INDEPENDENT AUDITORS' REPORT

#### FINANCIAL STATEMENTS

Balance sheet.....	F-4
Statement of income.....	F-5
Statement of cash flows.....	F-6
Statement of changes in equity.....	F-7

#### NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACTIVITIES .....	F-8
2. OPERATING ENVIRONMENT, RISKS AND ECONOMIC CONDITIONS .....	F-8
3. BASIS OF PREPARATION.....	F-8
4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES .....	F-9
5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS .....	F-15
6. CASH AND CASH EQUIVALENTS .....	F-16
7. NET INVESTMENT IN LEASES.....	F-16
8. LOANS AND BORROWINGS FROM RELATED PARTIES .....	F-17
9. ADVANCES RECEIVED FROM LESSER .....	F-17
10. CHARTER CAPITAL .....	F-17
11. PERSONNEL AND ADMINISTRATIVE EXPENSES.....	F-18
12. INCOME TAX EXPENSE .....	F-18
13. CONTINGENCIES AND COMMITMENTS .....	F-19
14. RISK MANAGEMENT .....	F-20
15. MATURITY ANALYSIS OF ASSETS AND LIABILITIES .....	F-24
16. FAIR VALUES OF FINANCIAL INSTRUMENTS .....	F-24
17. RELATED PARTY TRANSACTIONS .....	F-25
18. CAPITAL MANAGEMENT .....	F-25





## Independent Auditors' Report

To the Owner and Director of Private enterprise VTB–Leasing Ukraine

We have audited the accompanying financial statements of Private enterprise VTB–Leasing Ukraine (“the Company”), which comprise the balance sheets as at 31 December 2008 and 2007, and the statements of income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2008 and 2007, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*Ernst & Young Audit Services LLC*

24 September 2009

*Private enterprise VTB-Leasing Ukraine*  
**BALANCE SHEET**  
*As at 31 December 2008 and 2007*  
*(in thousands of US dollars)*

	<i>Notes</i>	<i>2008</i>	<i>2007</i>
<b>Assets</b>			
Cash and cash equivalents	6	562	49,509
Amounts due from credit institutions		1,534	-
Net investment in leases	7	683,345	306,785
Property, plant and equipment		139	111
Advances issued to leasing equipment suppliers		25,015	404,989
VAT recoverable		92,700	134,545
Prepaid expenses		566	9
Current income tax assets	12	556	-
<b>Total assets</b>		<b>804,417</b>	<b>895,948</b>
<b>Liabilities</b>			
Loans and borrowings from related parties	8	799,393	823,868
Advances received from lessees	9	596	39,126
Provision		281	242
Deferred income tax liabilities	12	16,867	8,223
Other liabilities		19	11
<b>Total liabilities</b>		<b>817,156</b>	<b>871,470</b>
<b>Equity</b>			
Charter capital	10	53	53
(Accumulated losses)/ retained earnings		(5,972)	24,425
Currency translation reserve		(6,820)	-
<b>Total equity</b>		<b>(12,739)</b>	<b>24,478</b>
<b>Total equity and liabilities</b>		<b>804,417</b>	<b>895,948</b>

Signed and authorised for release on behalf of the Company

 _____ Nedashkivska V.M.		Chief Accountant
_____ Zhukova S.L.		Director
24 September 2009		

*Private enterprise VTB-Leasing Ukraine*  
**STATEMENT OF INCOME**  
For the two years ended 31 December 2008 and 2007  
(in thousands of US dollars)

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
Finance lease income		93,539	44,705
Interest expense		(62,814)	(6,788)
<b>Net interest income</b>		<b>30,725</b>	<b>37,917</b>
Impairment of interest earning assets	7	(126)	-
<b>Net interest income after impairment of interest earning assets</b>		<b>30,599</b>	<b>37,917</b>
Gains less losses from foreign currencies:			
- conversion transactions		(344)	(4,198)
- translation differences		(40,965)	1
Personnel and administrative expenses	11	(3,359)	(1,034)
Other operating expenses		(268)	(13)
<b>Other non-interest expense</b>		<b>(44,936)</b>	<b>(5,244)</b>
<b>(Loss)/ profit before income tax expense</b>		<b>(14,337)</b>	<b>32,673</b>
Income tax expense	12	(16,060)	(8,223)
<b>(Loss)/ profit for the year</b>		<b>(30,397)</b>	<b>24,450</b>

The accompanying notes on pages F-8 to F-25 form an integral part of these financial statements

*Private enterprise VTB-Leasing Ukraine*  
**STATEMENT OF CASH FLOWS**  
For the years ended 31 December 2008 and 2007  
(in thousands of US dollars)

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
<b>Cash flows from operating activities</b>			
Interest received		69,098	8,172
Interest paid		(86,036)	(512)
Realised gains/ (losses) from dealing in foreign currencies		1,437	(4,198)
Personnel and administrative expenses paid		(3,079)	(1,468)
Operating expenses paid		(325)	
Income tax paid		812	-
<b>Cash flows (used in)/ from operating activities before changes in operating assets and liabilities</b>		<b>(18,093)</b>	<b>1,994</b>
<i>Net (increase)/ decrease in operating assets</i>			
Amounts due from credit institutions		(2,242)	-
Net investment in leases		(305,156)	(217,038)
Advances issued to leasing equipment suppliers		345,318	(311,168)
VAT recoverable		(7,339)	(72,347)
Other assets		-	(3,083)
<i>Net increase/ (decrease) in operating liabilities</i>			
Advances received from lessees		(43,600)	50,744
Other liabilities		(2,233)	(203,073)
<b>Net cash used in operating activities</b>		<b>(33,345)</b>	<b>(753,971)</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(108)	(54)
<b>Net cash used in investing activities</b>		<b>(108)</b>	<b>(54)</b>
<b>Cash flows from financing activities</b>			
Loans received for leasing operations		9,772	803,506
Repayment of loans received for leasing operations		(22,947)	-
<b>Net cash (used in)/ from financing activities</b>		<b>(13,175)</b>	<b>803,506</b>
Effect of exchange rates changes on cash and cash equivalents		(2,319)	-
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(48,947)</b>	<b>49,481</b>
<b>Cash and cash equivalents, 1 January</b>		<b>49,509</b>	<b>28</b>
<b>Cash and cash equivalents, 31 December</b>	6	<b>562</b>	<b>49,509</b>

The accompanying notes on pages F-8 to F-25 form an integral part of these financial statements

*Private enterprise VTB-Leasing Ukraine*  
**STATEMENT OF CHANGES IN EQUITY**  
For the years ended 31 December 2008 and 2007  
(in thousands of US dollars)

	<i>Charter capital</i>	<i>(Accumulated losses)/ retained earnings</i>	<i>Currency translation reserve</i>	<i>Total</i>
<b>31 December 2006</b>	<b>53</b>	<b>(25)</b>	-	<b>28</b>
Profit for the year	-	24,450	-	24,450
<b>Total income and expense for the year</b>	<b>-</b>	<b>24,450</b>	-	<b>24,450</b>
<b>31 December 2007</b>	<b>53</b>	<b>24,425</b>	-	<b>24,478</b>
Currency translation differences	-	-	(6,820)	(6,820)
<b>Total income and expense for the year recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>(6,820)</b>	<b>(6,820)</b>
Profit for the year	-	(30,397)	-	(30,397)
<b>Total income and expense for the year</b>	<b>-</b>	<b>(30,397)</b>	<b>(6,820)</b>	<b>(37,217)</b>
<b>31 December 2008</b>	<b>53</b>	<b>(5,972)</b>	<b>(6,820)</b>	<b>(12,739)</b>

*The accompanying notes on pages F-8 to F-25 form an integral part of these financial statements*

## **1. Principal activities**

VTB-Leasing Ukraine (the “Company”) was registered on 24 May 2006 as a private enterprise under the laws of Ukraine. The Company commenced its operations in 2007. The principal activities of the Company include providing finance lease services to companies within Ukraine. The Company is a subsidiary of OJSC VTB-Leasing (Russia) (“Owner”) which owns 100% of the charter capital of the Company as at both balance sheet dates.

OJSC “VTB Bank” (Russia) is the ultimate parent of the Company.

The Company’s registered office is located at Krasnoarmiyska, 72, Kyiv 03150, Ukraine. The Company had an average of 28 employees during 2008 (2007: 19 employees).

## **2. Operating environment, risks and economic conditions**

The Ukrainian economy, while deemed to be of market status, continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in capital markets, relatively high inflation and the existence of currency controls which cause the national currency to be illiquid outside of Ukraine. The stability of the Ukrainian economy will be significantly impacted by the Government’s policies and actions with regard to supervisory, legal, and economic reforms. As a result, operations in Ukraine involve risks that are not typical for developed markets.

The Ukrainian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in considerable instability in the capital markets, significant deterioration in the liquidity of banks, much tighter credit conditions where credit is available, and significant devaluation of the national currency against major currencies. Furthermore, in the fourth quarter of 2008, international agencies began to downgrade the country’s credit ratings with a further downgrade in 2009. Whilst the Ukrainian Government continues to introduce various stabilisation measures aimed at supporting the exchange rate and the banking sector, there continues to be uncertainty regarding exchange rates, access to capital and its cost for the Company and its counterparties. At the same time, the global economic recession has also had a significant impact on Ukraine’s balance of payments resulting from a drop in exports. These factors could affect the Company’s financial position, results of operations and business prospects.

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

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

## **3. Basis of preparation**

### **General**

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

The Company is required to maintain its books of account in accordance with Ukrainian Accounting Standards (“UAR”). These financial statements are based on the Company’s UAR books and records, as adjusted and reclassified in order to comply with IFRS.

The financial statements have been prepared under the historical cost convention method except as disclosed in the accounting policies below.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

These financial statements are presented in thousands of US Dollars (“USD”) except when otherwise indicated.

#### **4. Summary of principal accounting policies**

##### **Future changes in accounting policies**

###### *Standards and interpretations issued but not yet effective*

The Company has not applied the following Standards and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that have been issued but are not yet effective:

###### *Improvements to IFRS*

In May 2008, the IASB issued amendments to IFRS, which resulted from the IASB's annual improvements project. They comprise amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009, with earlier application permitted. The Company is currently evaluating the potential impact that the adoption of the amendments will have on its financial statements.

###### *IAS 1 Presentation of Financial Statements (Revised)*

A revised IAS 1 was issued in September 2007, and becomes effective for annual periods beginning on or after 1 January 2009. This revised Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company is still evaluating whether it will have one or two statements.

###### *IAS 23 "Borrowing Costs" (Revised)*

A revised IAS 23 Borrowing costs was issued in March 2007, and becomes effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Because the Company has already applied the allowed alternative treatment for borrowing costs under the current version of IAS 23 "Borrowing Costs", the Company would not need to revise its accounting policy on 1 January 2009 and no changes will be made for borrowing costs incurred to this date that have been capitalised to a qualifying asset.

###### *Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" – Puttable Financial Instruments and Obligations Arising on Liquidation*

These amendments were issued in February 2008, and become effective for annual periods beginning on or after 1 January 2009. The amendments require puttable instruments that represent a residual interest in an entity to be classified as equity, provided they satisfy certain conditions. These amendments will have no impact on the Company.

###### *Amendment to IAS 39 "Financial Instruments: recognition and measurement" – Eligible Hedged Items*

The amendment to IAS 39 was issued in August 2008, and becomes effective for annual periods beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. Management does not expect the amendment to IAS 39 to affect the Company's financial statements as the Company has not entered into any such hedges.

###### *Amendments to IFRS 1 "First-time Adoption of IFRSs" and IAS 27 "Consolidated and Separate Financial Statements" – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

These amendments were issued in May 2008, and become effective for annual periods beginning on or after 1 January 2009. The revision to IAS 27 has to be applied prospectively. The amendments to IFRS 1 allow an entity to determine the cost of investments in a subsidiary, jointly controlled entity or associate in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statements. The new requirements do not have an impact on the financial statements of the Company.

###### *Amendments to IFRS 2 "Share-based Payment" – Vesting Conditions and Cancellations*

Amendment to IFRS 2 was issued in January 2008 and becomes effective for annual periods beginning on or after 1 January 2009. This amendment clarifies the definition of vesting conditions and prescribes the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The Company has not entered into share-based payment schemes that contained non-vesting conditions and, therefore, this amendment will have no impact on the Company's financial statements.

*IFRS 3 “Business Combinations” (revised in January 2008) and IAS 27 “Consolidated and Separate Financial Statements” (revised in January 2008)*

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. The revised IFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The revised IAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revised Standards must be applied prospectively and will affect only future acquisitions and transactions with minority interests.

*IFRS 8 “Operating Segments”*

IFRS 8 becomes effective for annual periods beginning on or after 1 January 2009. This Standard requires disclosure of information about the Company’s operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Company. Adoption of this Standard will not have any impact on the financial position or performance of the Company.

*IFRIC 13 “Customer Loyalty Programmes”*

IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after 1 July 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Company expects that this interpretation will have no impact on the Company’s financial statements as no such schemes currently exist.

*IFRIC 15 “Agreements for the Construction of Real Estate”*

IFRIC Interpretation 15 was issued in July 2008 and is applicable retrospectively for annual periods beginning on or after 1 January 2009. IFRIC 15 clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. The interpretation also provides guidance on how to determine whether an agreement is within the scope of IAS 11 “Construction Contracts” or IAS 18 “Revenue” and supersedes the current guidance for real estate in the Appendix to IAS 18. The Company expects that this interpretation will have no impact on the Company’s financial statements.

*IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”*

IFRIC Interpretation 16 was issued in July 2008 and is applicable for annual periods beginning on or after 1 October 2008. This Interpretation provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of net investment, where within the group the hedging instrument can be held and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The Company expects that this interpretation will have no impact on the Company’s financial statements.

*IFRIC 17 “Distributions of Non-cash Assets to Owners”*

IFRIC Interpretation 17 was issued on 27 November 2008 and is effective for annual periods beginning on or after 1 July 2009. IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions and requires that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. The Company expects that his interpretation will have no impact on the Company’s financial statements.

*IFRIC 18 “Transfers of Assets from Customer”*

IFRIC 18 was issued in January 2009 and becomes effective transfers of assets from customers received on or after 1 July 2009 with early application permitted, provided valuations were obtained at the date those transfers occurred. This interpretation should be applied prospectively. IFRIC 18 provides guidance on accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services or to do both. The interpretation clarifies the circumstances, in which the definition of an asset is met, the recognition of the asset and its measurement on initial recognition, the identification of the separately identifiable services, the recognition of revenue and the accounting for transfers of cash from customers. The Company expects that this interpretation will have no impact on the financial position or performance of the Company as the Company has no transfers of assets from its customers.



*Amendments to IFRS 7 “Improving Disclosures about Financial Instruments”*

Amendments to IFRS 7 “Improving Disclosures about Financial Instruments” were issued in March 2009 and become effective for periods beginning on or after 1 January 2009 with early application permitted. These Amendments introduce a three-level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of the inputs used. In addition, the amendments enhance disclosure requirements on the nature and extent of liquidity risk arising from financial instruments to which the Company is exposed. The Company expects that these amendments will have no impact on the financial position or performance of the Company but will result in more detailed disclosures regarding measurement of the fair value of financial instruments.

**Financial assets**

Financial assets in the scope of IAS 39 are classified as loans and receivables. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets at initial recognition.

All regular way purchases and sales of financial assets are recognised on the settlement date i.e. the date that the asset is delivered to or by the Company. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Company’s financial assets include cash and amounts due from credit institutions.

*Subsequent measurement*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the statement of income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

**Derecognition of financial assets and liabilities**

*Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement and has no obligation to pay amounts to eventual recipients unless it collects equivalent amounts from the original assets; and
- the Company either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company’s continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

*Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same creditor on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of income.

#### **Determination of fair value**

The fair value for financial instruments traded in active market at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

#### **Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

#### **Cash and cash equivalents**

Cash and cash equivalents are assets, which can be converted into cash on hand within a day. All short-term interbank placements are included in amounts due from credit institutions. Cash and cash equivalents are carried at amortised cost which approximates fair value.

#### **Finance leases – Company as lessor**

The inception of the lease is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease. As at this date:

- a lease is classified as a finance lease; and
- the amounts to be recognised at the commencement of the lease term are determined.

The commencement of the lease is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease (i.e. the recognition of the assets, liabilities, income or expenses resulting from the lease, as appropriate).

Upon commencement of a finance lease, the Company records the net investment in the lease, which consists of the sum of the minimum lease term payments, and unguaranteed residual value (gross investment in lease) less the unearned finance lease income. The difference between the gross investment and its present value is recorded as unearned finance lease income. Finance lease income consists of the amortisation of unearned finance lease income. Finance lease income is recognised based on a pattern reflecting a constant periodic rate of return on the net investment in respect of the finance lease. Initial direct costs are included in the initial measurement of the lease receivables.

In the event that the Company finances the purchase of the equipment (through advance payments to the equipment supplier) for leasing purposes during the period between the inception of the lease and commencement of the lease, finance lease income begins to be recognised in the statement of income from the date of first investment into the equipment purchased for leasing purposes.

In the accompanying balance sheets, current lease payments due at the balance sheet date are classified as net investment in leases.

The Company assesses allowance for impairment of net investment in leases using the policies applied for impairment of financial assets carried at amortised cost (i.e. loans and receivables) described below, as both loans and net investment in leases have similar credit risk characteristics.

#### **Operating lease – Company as lessee**

Leases of assets under which the risks and rewards of ownership are effectively retained with the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included in other operating expenses.

#### **Allowances for impairment of financial assets**

##### *Impairment of financial assets carried at amortised cost*

Impairment losses are recognised in profit or loss when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Company determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

Impairment losses are recognised through an allowance account to reduce the asset’s carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosing on either collateral or the leased asset transferred to the lessee, less costs for obtaining and selling either the collateral or the leased asset, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Uncollectible assets are written off against the related allowance for impairment after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

#### **Borrowings**

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include loans and borrowings. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of income when the borrowings are derecognised as well as through the amortisation process.

If the Company purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is recognised in the statement of income.

#### **Taxation**

The current income tax charge is calculated in accordance with Ukrainian taxation regulations.

The income tax charge in the statement of income comprises current tax and changes in deferred tax. Current tax is calculated on the basis of the taxable profit for the year, using the tax rates enacted at the balance sheet date. The income tax charge/credit comprises current tax and deferred tax and is recognised in the statement of income except if it is recognised directly in equity because it relates to transactions that are also recognised, in the same or a different period, directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

The Company also has various operating taxes that are assessed on the Company's activities. These taxes are included as a component of other operating expenses.

#### **Value-added tax (VAT)**

The Ukrainian tax authorities permit the settlement of input and output value added tax (VAT) on a net basis. VAT is payable to tax authorities upon sale transaction regardless the status of accounts receivable settlement by customer. VAT on purchases, which have been settled at the balance sheet date, is deducted from the amount payable. In addition, VAT related to finance lease revenue which have not been collected at the balance sheet date (VAT deferred) is also included in the balance of VAT payable. Where allowance has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT. The related VAT deferred liability is maintained until the receivable is written off for tax purposes. VAT payable to tax authorities is included in other liabilities.

VAT recoverable relates to purchases, which have not been settled at the balance sheet date. VAT recoverable is reclaimable against VAT related to sales upon payment for the purchases.

Amounts of VAT payable relating to future lease payments, excluding lease payments, which are made for current debt repayment in accordance with lease agreements and included in lease payments receivable, are not reflected in the financial statements. Those amounts are included in the lease payments receivable and taxes payable when the lease payment becomes due in accordance with the payment schedule.

#### **Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

#### **Contingencies**

Contingent liabilities are not recognised in the balance sheet but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the balance sheet but disclosed when an inflow of economic benefits is probable.

#### **Borrowing costs**

Borrowing costs are recognised in the statement of income as incurred, excluding any costs related to loans used to finance the purchase of assets for subsequent finance lease. In this case borrowing costs are capitalised as part of the cost of the related asset until the date the asset is put into operation and are recognised in the statement of income thereafter.

#### **Retirement and other employee benefit obligations**

The Company does not have any pension arrangements separate from the State pension system of Ukraine, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. In addition, the Company has no significant post-retirement benefits.

## Revenue and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

### *Interest and similar income and expense*

For all financial instruments measured at amortised cost, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

## Foreign currency translation

The presentation currency of these financial statements is the USD as the USD is the currency in which the Company's parent company (OJSC VTB-Leasing) presents its consolidated financial statements.

The functional currency of the Company is the Ukrainian hryvnia ("UAH") as it is the national currency of Ukraine where the Company carries out its operations and which has a significant effect on the Company's operations and cash flows. Transactions in currencies other than the respective functional currency are treated as transactions in foreign currencies.

Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the statement of income as gains less losses from foreign currencies – translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the National Bank of Ukraine ("NBU") exchange rate on the date of the transaction are included in gains less losses from foreign currencies – conversion transactions. At 31 December 2008, the principal rate of exchange used for translating balances in UAH to USD was 7.70 UAH to 1 USD (at 31 December 2007: USD 5.05 UAH to 1 USD).

As at the reporting date, the assets and liabilities of the Company are translated into USD at the rate of exchange ruling at the balance sheet date and statement of income is translated at the weighted average exchange rates for the year. Foreign exchange differences arising on these translations are recognised as a separate component of equity.

## 5. Significant accounting estimates and judgements

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### Allowance for impairment of financial assets

The Company regularly reviews its net investment in leases to assess impairment. The Company uses its judgement to estimate the amount of any impairment loss in cases where a debtor is in financial difficulties and there are few available historical data relating to similar debtors. Similarly, the Company estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of debtors in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of net investment in leases and loans and receivables. The Company uses its judgement to adjust observable data for a group of net investment in leases and loans or receivables to reflect current circumstances.

#### 6. Cash and cash equivalents

At 31 December 2008 and 2007, cash and cash equivalents comprised current accounts with OJSC VTB Bank (Ukraine), a related party to the Company (Note 17) of USD 562 thousand and USD 49,509 thousand, respectively.

#### 7. Net investment in leases

At 31 December net investment in leases comprised:

	<u>2008</u>	<u>2007</u>
Gross investment in leases	1,004,758	497,682
Less: Unearned finance lease income	(321,300)	(190,897)
<b>Net investment in leases before allowance for impairment</b>	<b>683,458</b>	<b>306,785</b>
Less: allowance for impairment	(113)	-
<b>Net investment in leases</b>	<b>683,345</b>	<b>306,785</b>

No impairment of the net investment in leases was recognised by the Company as at 31 December 2008 and 2007.

At 31 December 2008, the net investment in leases concentrated with one lessee (state-owned company) comprised USD 640,527 thousand or 94% of the net investment in leases before allowance for impairment.

As at 31 December 2007, the net investment in leases concentrated with the same lessee (state-owned company) comprised USD 277,951 thousand or 91% of the aggregate net investment in leases before allowance for impairment.

At 31 December 2008 and 2007, capitalised borrowing costs included in the net investment in leases were USD 32,798 thousand and USD 14,086 thousand, respectively.

The table below provides the maturity profile of gross and net investment in leases as at 31 December 2008:

	<i>Less than 1 year</i>	<i>From 1 to 5 years</i>	<i>Over 5 years</i>	<i>Overdue</i>	<i>Total</i>
Gross investment in leases	163,521	726,051	90,492	24,694	1,004,758
Less: Unearned finance income	(81,832)	(224,339)	(15,129)	-	(321,300)
<b>Net investment in leases</b>	<b>81,689</b>	<b>501,712</b>	<b>75,363</b>	<b>24,694</b>	<b>683,458</b>

The table below provides the maturity profile of gross and net investment in leases as at 31 December 2007:

	<i>Less than 1 year</i>	<i>From 1 to 5 years</i>	<i>Over 5 years</i>	<i>Overdue</i>	<i>Total</i>
Gross investment in leases	75,761	335,920	73,775	12,226	497,682
Less: Unearned finance income	(44,671)	(135,404)	(10,822)	-	(190,897)
<b>Net investment in leases</b>	<b>31,090</b>	<b>200,516</b>	<b>62,953</b>	<b>12,226</b>	<b>306,785</b>

At 31 December, the gross investment in leases was payable to the Company in the following currencies:

	<u>2008</u>	<u>2007</u>
UAH	23,220	36,406
USD	981,538	461,276
<b>Gross investment in leases</b>	<b>1,004,758</b>	<b>497,682</b>

Economic sector risk concentrations within the lease portfolio are as follows:

	<i>31 December 2008</i>		<i>31 December 2007</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Railway transport services	679,599	99.44%	306,704	99.97%
Other	3,859	0.56%	81	0.03%
<b>Total net investment in leases before allowance</b>	<b>683,458</b>	<b>100%</b>	<b>306,785</b>	<b>100%</b>

Reconciliation of the allowance for net investment in leases for 2008:

	<i>Overdue lease receivable</i>
At 1 January 2008	-
Charge for the year	126
Translation to presentation currency	(13)
<b>At 31 December 2008</b>	<b>113</b>
Individual impairment	-
Collective impairment	113
	<b>113</b>
Gross amount of lease receivable, individually determined to be impaired, before deducting any individually assessed impairment allowance	-

## 8. Loans and borrowings from related parties

At 31 December, loans and borrowings from related parties comprised:

	<i>2008</i>	<i>2007</i>
<b>Non-current</b>		
Amounts due to related parties	693,058	803,535
	<b>693,058</b>	<b>803,535</b>
<b>Current</b>		
Amounts due to related parties	97,096	271
Interest accrued	9,239	20,062
	<b>106,335</b>	<b>20,333</b>
<b>Total loans and borrowings</b>	<b>799,393</b>	<b>823,868</b>

Loans and borrowings are represented by a loan received from a related party (Note 17). The loan bears interest at a rate of 9.8% p.a. in 2007, and 10% p.a. with effect from May 2008. The loan is repayable on a monthly basis with maturity in May 2019.

## 9. Advances received from lessees

At 31 December 2008, an advance received from one lessee (state-owned company) represented 13% of the total amount of advances received from lessees. At 31 December 2007, an advance received from the same lessee (state-owned company) represented 41% of the total amount.

## 10. Charter capital

At 31 December 2008 and 2007, the charter capital of the Company was UAH 268 thousand (or USD 53 thousand as translated at the NBU exchange rate as of the respective date of contribution).

## 11. Personnel and administrative expenses

Personnel and administrative expenses comprise:

	<u>2008</u>	<u>2007</u>
Salaries	547	201
Social security cost	120	49
<b>Personnel expenses</b>	<b><u>667</u></b>	<b><u>250</u></b>
Taxes other than income tax	425	190
Insurance expense	1,125	112
Professional services	325	269
Provision charge for legal claims	294	63
Operating lease	212	68
Bank charges	69	3
Travel expenses	48	-
Advertising and presentations	6	-
Repair and maintenance	23	4
Transport expenses	23	4
Post and telecommunications	24	31
Depreciation and amortisation	42	18
Other expenses	76	22
<b>Other administrative expenses</b>	<b><u>2,692</u></b>	<b><u>784</u></b>
<b>Personnel and administrative expenses</b>	<b><u>3,359</u></b>	<b><u>1,034</u></b>

## 12. Income tax expense

As at 31 December, income tax expense comprised the following:

	<u>2008</u>	<u>2007</u>
Deferred taxation movement due to the origination and reversal of temporary differences	16,060	8,223
<b>Income tax expense</b>	<b><u>16,060</u></b>	<b><u>8,223</u></b>

The operating activity of the Company is carried out within Ukraine. The Company is liable to profits tax on its taxable profit at a rate of 25% in 2008 and 2007.

The effective income tax rate differs from the statutory income tax rate. A reconciliation of the income tax expense based on the statutory rate with actual was as follows:

	<u>2008</u>	<u>2007</u>
<b>(Loss)/ profit before income tax expense</b>	<b><u>(14,337)</u></b>	<b><u>32,673</u></b>
<b>Theoretical income tax expense at the statutory rate (25%)</b>	<b><u>(3,584)</u></b>	<b><u>8,168</u></b>
Utilisation of tax losses carried forward	(1,042)	-
Change in unrecognised deferred tax asset	16,538	-
Non-deductible expenses	4,148	55
<b>Income tax expense</b>	<b><u>16,060</u></b>	<b><u>8,223</u></b>



Deferred tax assets and liabilities as at 31 December and their movements for the respective years comprised:

	<i>Origination and reversal of temporary differences in the statement of income</i>		<i>Origination and reversal of temporary differences in the statement of income</i>		<i>Translation to presentation currency</i>	
	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>		<i>2008</i>
<b>Tax effect of deductible temporary differences</b>						
Accrued interest on long-term loans	-	4,391	4,391	(4,210)	(181)	-
Loans received for leasing operations	-	75	75	132	(68)	139
Other liabilities	-	6	6	1	(2)	5
Allowance for loan impairment	-	-	-	41	(13)	28
Tax losses carried forward	-	-	-	104,221	(30,899)	73,322
	<u>-</u>	<u>4,472</u>	<u>4,472</u>	<u>100,185</u>	<u>(31,163)</u>	<u>73,494</u>
Unrecognised deferred tax asset	-	-	-	(16,538)	3,196	(13,342)
<b>Deferred tax assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,647</u>	<u>(27,967)</u>	<u>60,152</u>
<b>Tax effect of taxable temporary differences</b>						
Property, plan and equipment	-	19	19	(2)	(6)	11
Advances issued to leasing equipment suppliers	-	960	960	7,429	(2,677)	5,712
Advances from customers on financial lease	-	2,904	2,904	(1,744)	(448)	712
Accrued interest receivable on finance lease	-	3,056	3,056	(552)	(877)	1,627
Net investment in leases	-	5,756	5,756	94,371	(31,310)	68,817
Deferred expenses	-	-	-	205	(65)	140
<b>Deferred tax liabilities</b>	<u>-</u>	<u>12,695</u>	<u>12,695</u>	<u>99,707</u>	<u>(35,383)</u>	<u>77,019</u>
<b>Total deferred tax liabilities, net</b>	<u>-</u>	<u>(8,223)</u>	<u>(8,223)</u>	<u>(16,060)</u>	<u>7,416</u>	<u>(16,867)</u>

As at 31 December 2008, the Company's tax losses carried forward were USD 59,980 thousand. As at 31 December 2007, the Company's tax losses carried forward were zero. Tax losses are allowed to be carried forward indefinitely.

### 13. Contingencies and commitments

#### Legal

From time to time and in the normal course of business, claims against the Company are received. Management is of the opinion that there would be no material outflow of resources and accordingly no material provision has been made in these financial statements.

#### Taxation

The tax, currency and customs legislation of Ukraine is subject to varying interpretations, and changes, which can occur frequently at short notice and with retroactive effect. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant regional and federal authorities. Trends within Ukraine suggest the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged in the future, and if successful, additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Ukrainian legislation and regulations regarding taxation and other operational matters, including currency exchange control and custom regulations, continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national tax authorities, and other governmental bodies. Instances of inconsistent interpretations are not unusual. Management believes that its interpretation of the relevant legislation is appropriate and that the Company has complied with all regulations and paid or accrued all taxes that are applicable.

Based upon management's understanding of the tax regulations, Company's management believes that its interpretation of the relevant tax legislation is reasonable and will be sustainable. Moreover management believes that the Company has accrued all applicable taxes. However, the interpretations of the relevant authorities could differ and if the authorities were successful in enforcing their interpretation, additional taxes and related fines and penalties may be assessed, the effect of which cannot be reliably estimated, but could be significant to the financial position of the Company.

As at 31 December 2008, the Company's commitments and contingencies comprised capital expenditure commitments related to finance lease of USD 2,844 thousand. As at 31 December 2007, the Company's commitments and contingencies comprised capital expenditure related to finance lease of USD 24,099 thousand.

## 14. Risk management

The Company's principal financial liabilities comprise loans and borrowings. The main purpose of these financial liabilities is to provide financing for the Company's operations. The Company has net investment in lease receivables, other receivables, and cash and short-term deposits that arrive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk.

The Board of Directors of VTB-Leasing Group (further the Board of Directors) and Financial council of the Company has overall responsibility for risk management in the Company. On the VTB-Leasing Group level and within its entities a number of committees and departments are established to coordinate day-to-day risk management. On a Group-wide basis risk management is overseen by the Financial and Risk Management Committee.

The Financial and Risk Management Committee (the "FRMC") establishes major balance sheet parameters for use in asset and liability management and monitors compliance within the Group with the assistance of the Company's Treasury and Financial Department.

The Analysis and Risks Control Department (the "ARCD") proposes risk limits on leasing operations and prepares recommendations regarding credit risk management for the FRMC. The Treasury and the Financial Department propose risk limits on other financial operations and prepare recommendations regarding market risk and liquidity risk management for the FRMC.

The Company's Treasury is responsible for managing the Company's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Company.

The FRMC, the ARCD, the Financial Department, and the Treasury carry out risk management functions in respect of credit, market (interest rate, currency and securities portfolio) and liquidity risks.

Risk management processes throughout the Company are audited annually by the Internal Control Unit and VTB-Leasing Group's Internal Control Unit that examine both the adequacy of the procedures and the Company's compliance with the procedures. The Internal Control Unit and VTB-Leasing Group's Internal Control Unit discuss the results of all assessments with management, and report their findings and recommendations to the Board of Directors and Financial council of the Company.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

### **Credit risk**

Credit risk is the risk of financial loss if a counterparty fails to meet its contractual obligations. The Company's credit risk exposures arise principally from financial leasing activities.

The Company is exposed to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one counterparty (borrower or a lessee), groups of counterparties, and to industry and geographical segments. Limits on the level of credit risk by counterparties and product (by industry sector, by region) are approved by the Board of Directors and by FRMC. In addition the Company monitors credit risk by analysing the financial position of counterparties. Credit risk management also involves regular monitoring of an ability of counterparties to pay amounts in full when due, analysis of financial position of lessees and monitoring of conditions of leased-out equipment. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

The exposure to any one borrower is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the FRMC. The maximum credit risk exposure, ignoring the fair value of any lease-intended equipment or collateral, in the event other parties fail to meet their obligations under financial instruments is equal to the carrying value of financial assets as presented in the accompanying financial statements and the disclosed financial commitments.

### *Credit-related commitments risks*

With respect to undrawn commitments related to providing lease equipment the Company is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since most commitments are contingent upon certain conditions set out in the finance lease agreements.

The table below shows the maximum credit risk exposure. The maximum exposure is shown gross without regard to risk mitigation effect through the execution of the master netting and collateral agreements and after deducting any allowance for impairment.

**Private enterprise VTB-Leasing Ukraine**  
**Notes to the Financial Statements – 31 December 2008 and 2007**  
*(in thousands of US dollars)*

	<i>Note</i>	<i>2008</i>	<i>2007</i>
Cash and cash equivalents	6	562	49,509
Amounts due from credit institutions		1,534	-
Net investment in leases	7	683,345	306,785
Advances issued to leasing equipment suppliers	9	25,015	404,989
Other assets		5	9
		<b>710,461</b>	<b>761,292</b>
Capital expenditure commitments related to finance leases	13	2,844	24,099
<b>Total maximum exposure to credit risk</b>		<b>713,305</b>	<b>785,391</b>

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of leased equipment, collateral and other risk mitigation techniques is discussed below.

*Credit quality per class of financial assets*

The credit quality of financial assets is managed by the Company using internal credit ratings. The table below shows the credit quality by class of asset for respective balance sheet lines, based on the Company's credit rating system.

	<i>Note</i>	<i>Neither past due nor individually impaired</i>			<i>Past due but not individually impaired</i>	<i>Total 2008</i>
		<i>High grade 2008</i>	<i>Standard grade 2008</i>	<i>Sub-standard grade 2008</i>	<i>2008</i>	
Amounts due from credit institutions		1,534	-	-	-	1,534
Net investment in leases	7	658,764	-	-	24,694	683,458
<b>Total</b>		<b>660,298</b>	<b>-</b>	<b>-</b>	<b>24,694</b>	<b>684,992</b>

	<i>Note</i>	<i>Neither past due nor individually impaired</i>			<i>Past due but not individually impaired</i>	<i>Total 2007</i>
		<i>High grade 2007</i>	<i>Standard grade 2007</i>	<i>Sub-standard grade 2007</i>	<i>2007</i>	
Net investment in leases	7	294,559	-	-	12,226	306,785
<b>Total</b>		<b>294,559</b>	<b>-</b>	<b>-</b>	<b>12,226</b>	<b>306,785</b>

An analysis of past due net investment in lease (overdue lease receivable), by age, is provided below. The majority of the past due net investment in lease are not considered to be impaired. It is the Company's policy to maintain accurate and consistent risk ratings across the lease portfolio.

*Aging analysis of past due but not individually impaired net investment in leases*

	<i>Less than 30 days 2008</i>	<i>31 to 60 days 2008</i>	<i>61 to 90 days 2008</i>	<i>More than 90 days 2008</i>	<i>Total 2008</i>
Net investment in leases	548	121	85	23,940	24,694
<b>Total</b>	<b>548</b>	<b>121</b>	<b>85</b>	<b>23,940</b>	<b>24,694</b>
	<i>Less than 30 days 2007</i>	<i>31 to 60 days 2007</i>	<i>61 to 90 days 2007</i>	<i>More than 90 days 2007</i>	<i>Total 2007</i>
Net investment in leases	12,226	-	-	-	12,226
<b>Total</b>	<b>12,226</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,226</b>

Refer to Note 7 for more detailed information with respect to the allowance for impairment of net investment in leases.

*Impairment assessment*

The main considerations for impairment assessment of net investment in leases includes fair value of collaterals, whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of

counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Company addresses impairment assessment through collectively assessed allowances.

*Collectively assessed allowances*

Allowances are assessed collectively for impairment of net investment in leases that are not individually significant and for individually significant net investment in leases where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

*Collaterals*

For net investment in leases, the Company holds title to leased property during the lease term and may transfer it to a lessee only at the end of lease term providing all obligations under finance lease agreements were successfully fulfilled by the lessee.

During 2008 and 2007, the Company didn't take possession of collateral on finance leases. It doesn't have any repossessed collateral on its balance sheet as at 31 December 2008 and 2007.

Risks related to leased properties such as damage caused by various reasons, theft and other are generally insured on finance lease agreements.

**Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges, and equity prices. Except for the concentrations within foreign currency, the Company has no significant concentration of market risk.

*Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Company borrowed at fixed interest rates during 2007 and 2008. Borrowings were provided by a related party of the Company (Note 17). The management believes that the Company is not exposed to changes in market interest rates.

*Currency risk*

The Company performs its operations in the Ukrainian hryvnia and the US dollar. The exchange rates of foreign currencies to UAH as set by the NBU as at the dates stated were as follows:

	<u>USD</u>
As at 24 September 2009	8.0068
As at 31 December 2008	7.70
As at 31 December 2007	5.05
As at 1 January 2007	5.05

Foreign currency denominated net investment in lease, loans and borrowings, overdue lease receivable and cash give rise to foreign exchange exposure. The Company has not entered into transactions designed to hedge against these foreign currency risks.

Currency risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; translation-related risks are not taken into consideration. Relevant risk variables are generally non-functional currencies in which the Company has financial instruments. The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of the Company's profit before tax.

<u>Currency</u>	<u>Change in currency rate in % 2008</u>	<u>Effect on profit before tax 2008</u>	<u>Change in currency rate in % 2007</u>	<u>Effect on profit before tax 2007</u>
USD/UAH	33.80	(38,917)	3	(14,977)
USD/UAH	(33.80)	38,917	(3)	14,977

### Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks the Company is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of Internal Control Unit which reports to the Financial council of the Company.

### Liquidity risk and funding management

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, the management of the Company has arranged funding sources from related parties, manages assets with liquidity in mind, and monitors future cash flows and liquidity.

The basic tools for mitigation and management of liquidity risk are:

- A. Contractual maturity analysis and a forecast of cash flow (Gap-analysis);
- B. Internal limits confining:
- Minimum of highly liquid assets to cover short-term obligations (resources on demand/1 day);
  - Maturity mismatch limits (Gap-limits);
  - Maximum volume for funding taking account the current liquidity level;
- C. Plan of actions in a crisis situation (funding contingency plan).

#### *Analysis of financial liabilities by remaining contractual maturities*

The following tables show the undiscounted cash flows on the Company's financial liabilities on the basis of their earliest possible contractual maturity at 31 December 2008 and 2007. The gross nominal outflow disclosed in the table is the contractual, undiscounted repayment obligations on the financial liabilities. The actual Company's expected cash flows on these financial liabilities may vary from this analysis.

<i>Financial liabilities at 31 December 2008</i>	<i>On demand and up to 1 month</i>	<i>From 1 month to 3 months</i>	<i>From 3 months to 6 months</i>	<i>From 6 months to 1 year</i>	<i>More than 1 year</i>	<i>Total</i>
Loans and borrowings from related parties	15,943	12,760	19,681	134,433	918,851	<b>1,101,668</b>
Advances received from lessees	432	-	-	164	-	<b>596</b>
Other liabilities	19	-	-	-	-	<b>19</b>
<b>Total undiscounted financial liabilities</b>	<b>16,394</b>	<b>12,760</b>	<b>19,681</b>	<b>134,597</b>	<b>918,851</b>	<b>1,102,283</b>

<i>Financial liabilities at 31 December 2007</i>	<i>On demand and up to 1 month</i>	<i>From 1 month to 3 months</i>	<i>From 3 months to 6 months</i>	<i>From 6 months to 1 year</i>	<i>More than 1 year</i>	<i>Total</i>
Loans and borrowings from related parties	13,646	26,290	13,114	46,558	1,105,809	<b>1,191,417</b>
Advances received from lessees	3,830	1,577	13,844	14,624	5,251	<b>39,126</b>
Other liabilities	11	-	-	-	-	<b>11</b>
<b>Total undiscounted financial liabilities</b>	<b>17,487</b>	<b>27,867</b>	<b>26,958</b>	<b>61,182</b>	<b>1,111,060</b>	<b>1,230,554</b>

The Company received significant funding from its related party to finance the leasing operations (Note 17). Any significant withdrawal of these funds would have an adverse impact on the operations of the Company. Management believes that this level of funding will remain for the foreseeable future and that in the event of withdrawal of funds, the Company would be given sufficient notice so as to realise its liquid assets to enable repayment.

## 15. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 15 “Risk management” for the Company’s contractual undiscounted repayment obligations.

	<i>31 December 2008</i>		<i>31 December 2007</i>	
	<i>Up to 1 year</i>	<i>Over 1 year</i>	<i>Up to 1 year</i>	<i>Over 1 year</i>
<b>Assets</b>				
Cash and cash equivalents	562	-	49,509	-
Amounts due from credit institutions	1,534	-	-	-
Net investments in leases	106,270	577,075	43,316	263,469
Property, plant and equipment	-	139	-	111
Advances issued to leasing equipment suppliers	25,015	-	404,989	-
VAT recoverable	17,712	74,988	7,219	127,326
Prepaid expenses	566	-	9	-
Current income tax assets	556	-	-	-
<b>Total assets</b>	<b>152,215</b>	<b>652,202</b>	<b>505,042</b>	<b>390,906</b>
<b>Liabilities</b>				
Loans and borrowings from related parties	171,990	627,403	108,580	715,288
Advances received from lessees	596	-	39,126	-
Provision for contingent commitments	281	-	242	-
Deferred income tax liabilities	-	16,867	-	8,223
Other liabilities	19	-	11	-
<b>Total liabilities</b>	<b>172,886</b>	<b>644,270</b>	<b>147,959</b>	<b>723,511</b>

## 16. Fair values of financial instruments

Set out below is a comparison by class of the carrying amounts and fair values of the Company’s financial instruments that are carried in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

	<i>Carrying value 2008</i>	<i>Fair value 2008</i>	<i>Unrecognised gain/(loss) 2008</i>	<i>Carrying value 2007</i>	<i>Fair value 2007</i>	<i>Unrecognised gain/(loss) 2007</i>
<b>Financial assets</b>						
Cash and cash equivalents	562	562	-	49,509	49,509	-
Amounts due from credit institutions	1,534	1,534	-	-	-	-
Net investment in leases	683,345	683,345	-	306,785	306,785	-
<b>Financial liabilities</b>						
Loans and borrowings from related parties	799,393	771,565	27,828	823,868	789,920	33,948
<b>Total unrecognised change in unrealised fair value</b>			<b>27,828</b>			<b>33,948</b>

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

### Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value.

#### Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity.

#### 17. Related party transactions

In accordance with IAS 24 “Related Parties Disclosures”, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Transactions and balances with related parties comprise transactions and balances with directly and indirectly state-owned entities and associates and are stated in the table below:

	<u>31 December 2008</u>	<u>31 December 2007</u>
	<i>Entities under common control</i>	<i>Entities under common control</i>
Cash and cash equivalents (Note 6)	562	49,509
Amounts due from credit institutions	1,534	-
Borrowing costs capitalised in the net investment in leases (Note 7)	32,798	14,086
Loans and borrowings from related parties (Note 8)	(799,393)	(823,868)
Finance income	1,652	58
Interest expense	(62,814)	(6,788)
Gains less losses from foreign currencies – dealing	(344)	(4,198)

As at 31 December 2008, amounts due from credit institutions comprised short-term hryvnia denominated bank deposits of USD 1,534 thousand maturing in March 2009 and bearing an interest rate of 11.50% p.a., which was placed with OJSC VTB Bank (Ukraine).

Additional information on related party transactions is disclosed in related notes to the financial statements. Compensation of key management personnel was comprised of the following:

	<u>2008</u>	<u>2007</u>
Salaries and other short-term benefits	96	54
Social security costs	7	4
<b>Total key management compensation</b>	<b>103</b>	<b>58</b>

#### 18. Capital management

The Company maintains an actively managed capital base to cover risks inherent in the business. The primary objectives of the Company’s capital management are to ensure that the Company maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders’ value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans less cash and cash equivalents. Total capital includes charter capital, accumulated losses/retained earnings and currency translation reserve.

	<u>2008</u>	<u>2007</u>
Loans and borrowings from related parties	799,393	823,868
Cash and cash equivalents	(562)	(49,509)
<b>Net debt</b>	<b>798,831</b>	<b>774,359</b>
<b>Total capital</b>	<b>(12,739)</b>	<b>24,478</b>
<b>Capital and net debt</b>	<b>786,092</b>	<b>798,837</b>
<b>Gearing ratio</b>	<b>102%</b>	<b>97%</b>

**Private enterprise VTB-Leasing Ukraine**

Unaudited interim condensed financial statements

*For the six month period ended 30 June 2009*

*Together with the Report on Review*



## CONTENTS

### REPORT ON REVIEW

### INTERIM CONDENSED FINANCIAL STATEMENTS

Interim condensed statement of financial position .....	F-29
Interim condensed statement of comprehensive income.....	F-30
Interim condensed statement of changes in equity .....	F-31
Interim condensed statement of cash flows .....	F-32

### NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

1. Principal activities .....	F-33
2. Operating environment, risks and economic conditions .....	F-33
3. Basis of preparation and accounting policies .....	F-33
4. Net investment in leases .....	F-35
5. Equipment acquired for further transfer to lessees under finance lease agreements .....	F-35
6. Income tax credit .....	F-35
7. Pledged assets .....	F-36
8. Related party transactions .....	F-36

## INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

To the owner and Director of Private enterprise VTB-Leasing Ukraine

### *Introduction*

We have reviewed the accompanying interim condensed financial statements of Private enterprise VTB-Leasing Ukraine ("the Company") as at 30 June 2009, comprising of the interim condensed statement of financial position, as at 30 June 2009 and the related interim condensed statement of comprehensive income, changes in equity and cash flows for the six-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standards IAS 34 Interim Financial Reporting ('IAS 34'). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### *Scope of review*

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

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.



28 October 2009

*Private enterprise VTB-Leasing Ukraine*  
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
**At 30 June 2009**  
*(in thousands of US dollars)*

	<i>Notes</i>	<b>30 June 2009</b> <b>(unaudited)</b>	<b>31 December</b> <b>2008</b>
<b>Assets</b>			
Cash and cash equivalents		1,305	562
Amounts due from credit institutions		983	1,534
Net investment in leases	4	689,997	683,345
Property, plant and equipment		192	139
Advances issued to leasing equipment suppliers		18,999	25,015
VAT recoverable		80,582	92,700
Equipment acquired for further transfer to lessees under finance lease agreements	5	3,841	-
Prepaid expenses		895	561
Current income tax assets		561	556
Other assets		8	5
<b>Total assets</b>		<b>797,363</b>	<b>804,417</b>
<b>Liabilities</b>			
Loans and borrowings from related parties		795,882	799,393
Advances received from lessees		-	596
Provision		112	281
Deferred income tax liabilities		18,639	16,867
Other liabilities		19	19
<b>Total liabilities</b>		<b>814,652</b>	<b>817,156</b>
<b>Equity</b>			
Charter capital		53	53
Accumulated losses		(10,378)	(5,972)
Currency translation reserve		(6,964)	(6,820)
<b>Total equity</b>		<b>(17,289)</b>	<b>(12,739)</b>
<b>Total equity and liabilities</b>		<b>797,363</b>	<b>804,417</b>

Signed and authorised for release on behalf of the Company

Nedashkivska V.M.

Chief Accountant

Vorobyova N.V.

Director

28 October 2009



*Private enterprise VTB-Leasing Ukraine*  
**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
For the six months ended 30 June 2009  
(in thousands of US dollars)

		<i>For the six-month period ended 30 June</i>	
	<i>Notes</i>	<u>2009 (unaudited)</u>	<u>2008 (unaudited)</u>
Finance lease income		43,973	46,942
Interest expense		(42,396)	(24,798)
<b>Net interest income</b>		<u>1,577</u>	<u>22,144</u>
Impairment of interest earning assets		(31)	(415)
<b>Net interest income after impairment of interest earning assets</b>		<u>1,546</u>	<u>21,729</u>
Net (losses)/gains from operations with foreign currencies		(1,398)	13,325
Personnel and administrative expenses		(1,863)	(1,320)
Other operating expenses		(1,082)	(484)
<b>Other non-interest (expense)/income</b>		<u>(4,343)</u>	<u>11,521</u>
<b>(Loss)/profit before income tax expense</b>		<u>(2,797)</u>	<u>33,250</u>
Income tax expense	6	(1,609)	(8,299)
<b>(Loss)/profit for the period</b>		<u>(4,406)</u>	<u>24,951</u>
<b>Other comprehensive (loss)/income</b>			
Currency translation difference		(144)	1,826
<b>Other comprehensive (loss)/income for the period</b>		<u>(144)</u>	<u>1,826</u>
<b>Total comprehensive (loss)/income for the period</b>		<u>(4,550)</u>	<u>26,777</u>

*The accompanying notes on pages F-33 to F-36 form an integral part of these financial statements*

*Private enterprise VTB-Leasing Ukraine*  
**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**  
*For the six months ended 30 June 2009*  
*(in thousands of US dollars)*

	<i>Charter capital</i>	<i>Retained earnings/ (Accumulated losses)</i>	<i>Currency translation reserve</i>	<i>Total</i>
<b>As at 1 January 2008</b>	53	24,426	-	24,479
Total comprehensive income for the period (unaudited)		24,951	1,826	26,777
<b>30 June 2008 (unaudited)</b>	<b>53</b>	<b>49,377</b>	<b>1,826</b>	<b>51,256</b>
<b>As at 1 January 2009</b>	53	(5,972)	(6,820)	(12,739)
Total comprehensive loss for the period		(4,406)	(144)	(4,550)
<b>30 June 2009 (unaudited)</b>	<b>53</b>	<b>(10,378)</b>	<b>(6,964)</b>	<b>(17,289)</b>

*The accompanying notes on pages F-33 to F-36 form an integral part of these financial statements*

*Private enterprise VTB-Leasing Ukraine*  
**INTERIM CONDENSED STATEMENT OF CASH FLOWS**  
For the six months ended 30 June 2009  
(in thousands of US dollars)

	<i>30 June 2009</i> <i>(unaudited)</i>	<i>30 June 2008</i> <i>(unaudited)</i>
<b>Cash flows from operating activities</b>		
Interest received	30,308	39,131
Interest paid	(46,515)	(57,729)
Realised (losses)/gains from dealing in foreign currencies	(1,527)	1,478
Other operating income received	-	(9)
Operating expenses paid	(1,462)	(1,287)
Income tax paid	-	(76)
<b>Cash flows from/(used in) operating activities before changes in operating assets and liabilities</b>	<b>(19,196)</b>	<b>(18,492)</b>
<i>Net (increase)/decrease in operating assets</i>		
Amounts due from credit institutions	560	(41,242)
Net investment in leases	18,795	(262,260)
Advances issued to leasing equipment suppliers	1,251	308,032
VAT recoverable	-	(5,314)
<i>Net increase/(decrease) in operating liabilities</i>		
Advances received from lessees	(597)	(31,523)
Other liabilities	-	4
<b>Net cash from/ (used in) operating activities</b>	<b>813</b>	<b>(50,795)</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(81)	(18)
<b>Net cash used in investing activities</b>	<b>(81)</b>	<b>(18)</b>
<b>Cash flows from financing activities</b>		
Loans received for leasing operations	-	3,361
Repayment of loans received for leasing operations	-	(2,267)
<b>Net cash from financing activities</b>	<b>-</b>	<b>1,094</b>
Effect of exchange rates changes on cash and cash equivalents	11	428
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>743</b>	<b>(49,291)</b>
<b>Cash and cash equivalents, 1 January</b>	<b>562</b>	<b>49,508</b>
<b>Cash and cash equivalents, 30 June</b>	<b>1,305</b>	<b>217</b>

The accompanying notes on pages F-33 to F-36 form an integral part of these financial statements

## **1. Principal activities**

VTB-Leasing Ukraine (hereinafter the “Company”) was registered on 24 May 2006 as a private enterprise under the laws of Ukraine. The Company commenced its operations in 2007. The principal activities of the Company include providing finance lease services to companies within Ukraine. The Company is a subsidiary of OJSC VTB-Leasing (Russia) (“Owner”) which owns 100% of the charter capital of the Company.

OJSC “VTB Bank” (Russia) is the ultimate parent of the Company.

## **2. Operating environment, risks and economic conditions**

The Ukrainian economy, while deemed to be of market status, continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in capital markets, relatively high inflation and the existence of currency controls which cause the national currency to be illiquid outside of Ukraine. The stability of the Ukrainian economy will be significantly impacted by the Government’s policies and actions with regard to supervisory, legal, and economic reforms. As a result, operations in Ukraine involve risks that are not typical for developed markets.

The Ukrainian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in considerable instability in the capital markets, significant deterioration in the liquidity of banks, much tighter credit conditions where credit is available, and significant devaluation of the national currency against major currencies. Furthermore, in 2009 international agencies continue to downgrade the country’s credit ratings. However, it should be mentioned that during the first half year period 2009 the exchange rate was stable. Whilst the Ukrainian Government is introducing various stabilisation measures aimed at supporting the exchange rate and the banking sector, there continues to be uncertainty regarding exchange rates, access to capital and its cost for the Company and its counterparties. At the same time, the global economic recession has also had a significant impact on Ukraine’s balance of payments resulting from a drop in exports. These factors could affect the Company’s financial position, results of operations and business prospects.

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

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

## **3. Basis of preparation and accounting policies**

### **Basis of preparation**

The interim condensed financial statements for the six months ended 30 June 2009 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements as at 31 December 2008.

### **Significant accounting policies**

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2008, except for the adoption of new Standards and Interpretations as at 1 January 2009, noted below:

#### *IFRS 2 “Share-based Payment” – Vesting Conditions and Cancellations*

This Standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the financial position or performance of the Company.

**Private enterprise VTB-Leasing Ukraine**  
**NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS**

**At 30 June 2009**

*(in thousands of US dollars)*

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*IFRS 7 “Financial Instruments: Disclosures”*

The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The Company will provide additional disclosures on fair value in its annual financial statements for the year 2009.

*IFRS 8 “Operating Segments”*

This standard requires disclosure of information about the Company’s operating segments and replaces the requirement to determine primarily (business) and secondary (geographical) reporting segments of the Company. Adoption of this Standard did not have any effect on the financial position or performance of the Company.

*IAS 1 Revised Presentation of Financial Statements*

This revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in once single statement, or in two linked statements. The Company has elected to present one statement.

*IAS 23 Borrowing Costs (Revised)*

The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Adoption of the revised standard did not have any impact on the Company’s financial statements as the Company was using allowed alternative treatment under previous edition of IAS 23.

*IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation*

The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfil a number of specified criteria. The adoption of these amendments did not have any impact on the financial position or performance of the Company.

*IFRIC 13 Customer Loyalty Programmes*

IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after 1 July 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The adoption of this interpretation did not have any impact on the Company’s financial statements as no such schemes currently exist.

*IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement*

These amendments to IFRIC 9 require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss. The adoption of this interpretation did not have any impact on the Company’s financial statements.

*IFRIC 15 “Agreements for the Construction of Real Estate”*

IFRIC Interpretation 15 was issued in July 2008 and is applicable retrospectively for annual periods beginning on or after 1 January 2009. IFRIC 15 clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. The interpretation also provides guidance on how to determine whether an agreement is within the scope of IAS 11 “Construction Contracts” or IAS 18 “Revenue” and supersedes the current guidance for real estate in the Appendix to IAS 18. This interpretation did not have any impact on the Company’s financial statements.

*IFRIC 16 Hedges of a Net Investment in Foreign Operation*

The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The adoption of this interpretation did not have any impact on the Company’s financial statements as no such investments currently exist.



#### Improvements to IFRS

In May 2008 International Accounting Standards Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. Amendments included in May 2008 "Improvements to IFRS" did not have any impact on the accounting policies, financial position or performance of the Company.

#### 4. Net investment in leases

	<i>30 June 2009</i> <i>(unaudited)</i>	<i>31 December</i> <i>2008</i>
Gross investment in leases	973,007	1,004,758
Less: unearned finance lease income	(282,865)	(321,300)
<b>Net investment in leases before allowance</b>	<b>690,142</b>	<b>683,458</b>
Less: Allowance for impairment	(145)	(113)
<b>Net investment in leases</b>	<b>689,997</b>	<b>683,345</b>

At 30 June 2009, the net investment in leases concentrated with one lessee (state-owned company) comprised USD 640,562 thousand or 93% of the net investment in leases before allowance for impairment.

At 31 December 2008, the net investment in leases is concentrated with the same lessee (a state-owned company) and comprised USD 640,527 thousand or 94% of the net investment in leases before allowance for impairment.

As at 30 June 2009 and 31 December 2008, overdue lease receivables amounted to USD 59,849 thousand and USD 24,694 thousand respectively.

The gross investment in leases is payable to the Company in the following currencies:

	<i>30 June 2009</i> <i>(unaudited)</i>	<i>31 December</i> <i>2008</i>
UAH	20,401	23,220
USD	952,606	981,538
<b>Gross investment in leases</b>	<b>973,007</b>	<b>1,004,758</b>

#### 5. Equipment acquired for further transfer to lessees under finance lease agreements

As at 30 June 2009, the Company has a balance of equipment acquired for further transfer to lessees under finance lease agreements but as at the date of interim condensed financial statements amount of USD 3,841 thousand was not transferred to the lessee. As at 31 December 2008, equipment acquired was transferred to lessees in full.

#### 6. Income tax expense

	<i>30 June 2009</i> <i>(unaudited)</i>	<i>30 June 2008</i> <i>(unaudited)</i>
Current income tax charge	-	439
Deferred income tax – relating to origination and reversal of temporary differences	1,609	7,860
<b>Income tax expense</b>	<b>1,609</b>	<b>8,299</b>

The operating activity of the Company is carried out within Ukraine. The Company is liable to profits tax on its taxable profit at a rate of 25% in 2009 and 2008.

*Private enterprise VTB-Leasing Ukraine*  
**NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS**

**At 30 June 2009**

*(in thousands of US dollars)*

**7. Pledged assets**

	<i>Carrying amount</i>		<i>Related liability</i>	
	<i>30 June 2009 (unaudited)</i>	<i>31 December 2008</i>	<i>30 June 2009 (unaudited)</i>	<i>31 December 2008</i>
Net investment in leases	689,997	-	575,330	-
<b>Total pledged assets</b>	<b>689,997</b>	<b>-</b>	<b>575,330</b>	<b>-</b>

The assets pledged by the Company are strictly for the purpose of providing collateral for the counterparties. The pledged assets in the form of leased equipment ("collateral") will be returned to the Company when the underlying transactions are completed, but in the event of the Company's default, the counterparty is entitled to apply collateral in order to settle the liability.

**8. Related party transactions**

In accordance with IAS 24 "Related Parties Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Transactions and balances with related parties are stated in the tables below:

	<i>30 June 2009 (unaudited)</i>	<i>31 December 2008</i>
	<i>Entities under common control</i>	<i>Entities under common control</i>
Cash and cash equivalents	1,305	562
Amounts due from credit institutions	983	1,534
Borrowing costs capitalised in the net investment in leases	543	32,798
Loans and borrowings from related parties	(795,882)	(799,393)
	<i>For six-month period ended 30 June 2009 (unaudited)</i>	<i>For six-month period ended 30 June 2008 (unaudited)</i>
	<i>Entities under common control</i>	<i>Entities under common control</i>
Finance income	164	1,357
Interest expense	(42,396)	(24,798)

Compensation of key management personnel was comprised of the following:

	<i>For six-month period ended 30 June 2009 (unaudited)</i>	<i>For six-month period ended 30 June 2008 (unaudited)</i>
Salaries and other short-term benefits	32	30
Social security costs	3	4
<b>Total key management compensation</b>	<b>35</b>	<b>34</b>

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