



Novy Urengoi

Nadym

Salekhard

PROGRESS

Tomsk

Tyumen

Surgut

Yugorsk

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YAMAL-EUROPE

Beloyarsky

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MOSCOW

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Astrakhan

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Tula

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Volgograd

Rostov-on-Don

Stavropol

Krasnodar

Makhachkala

Sochi

Budapest



Gazprombank,  
its branches and  
subsidiary banks



JOINT STOCK COMPANY GAZPROM

## ORDER

(extract)

September 21, 1998 No.122

### **On the authorized bank for OAO Gazprom**

Finding it necessary to secure stable operating of financial funds for the gas industry, reliable and timely banking for industry's enterprises

#### **I ORDER**

to give the status of the authorized bank for OAO Gazprom to the Commercial Bank for the Gas Industry Gazprombank in the following principal directions of banking services for OAO Gazprom and its enterprises:

- integrated cash and settlement services;
- different types of crediting;
- banking services for rouble and currency transactions, and foreign loans for Gazprom;
- service and financial management for investment projects;
- depository services to set off schemes for the gas industry;
- debt restructuring;
- transactions with securities;
- depository services to shareholders of Gazprom;
- banking of Gazprom's agreements with governments of Russian Federation constituents;
- banking services to customers, working, old staggers and retired personnel of the gas industry.

Chairman of the Board of Gazprom

R.I.Vyakhirev



*V.I. Tarasov,  
Chairman of the Board  
of the Commercial Bank  
for the Gas Industry  
Gazprombank,  
Vice President of the Association  
of Russian Banks*

The August crisis can be on full grounds considered a new starting point in the development of the banking system in Russia. There is no doubt that such a development will be reliable and irreversible if commercial banks stand in close relations with industrial production. There is no other choice for the banking system except priority services to the real economy.

As the main banking link of the gas industry Gazprombank was among those few institutions that survived and grew stronger in spite of instability of Russia's economy. Experience shows that integration of industrial and banking capitals within one branch of industry forms a stable, invulnerable and flexible structure as an industrial and finance group.

Gazprombank considerably enhanced its positions in the crucial conditions of 1998. By the end of that year the Bank was among the top five Russian banks with regard to the basic indices of banking activities and efficiency. In the post-crisis period Moody's Interbank Credit Service Ltd, and Russian rating agencies positioned the Bank among the three most stable Russian banks.

In 1998 Gazprombank as the authorized bank of OAO Gazprom, which covers all the major spheres of banking activities, concentrated most of the cash flows of the gas industry. The Bank became the main banking institution servicing Mezhregiongaz Company which supplies gas to consumers in more than 60 regions in Russia.

Operating settlements for the gas industry and crediting enterprises of the real sector of economy, the Bank ensures rapid settlement services and high reliability of payments due to its widely spread branch network which

services all the main regions of gas exploration, transportation and consumption along the gas pipeline.

Particular emphasis is put on introducing modern banking technologies and novel methods of customer servicing. Along with reliability and high growth rates these are the reasons for a steady inflow of new customers to the Bank. During the period between August and December 1998 alone about 2 thousand organizations and enterprises became new corporate clients of Gazprombank. A substantial amount of customers' account balance money ensured additional investments in the gas industry.

Experience of operating for 9 years enables Gazprombank to further develop its activities in the regions of Russia and abroad.

We wish to thank all our shareholders, customers and partners for their confidence in Gazprombank, to wish them every success, and we look forward to continuing and developing our fruitful cooperation.

Chairman of the Board

V.I. Tarasov



**FULL NAME:**  
Commercial Bank for the Gas Industry Gazprombank

**ABBREVIATED NAME:**  
Gazprombank

**BEGINNING OF ACTIVITIES:**  
July 31, 1990

**LICENSE:**  
General License of the Bank of Russia No.354

**BANK ADDRESS:**  
117420, Moscow, Nametkina St., 16-B

**TELEPHONE:**  
(095) 718 1697  
(automated inquiry service)

**FAX:**  
(095) 719 1686

**TELEX:**  
412027 GAZ RU

**E-MAIL:**  
mailbox@gazprombank.ru

**INTERNET:**  
www.gazprombank.ru

**SWIFT:**  
GAZPRUMM

**REUTERS:**  
GZPM

**CORRESPONDENT ACCOUNT:**  
3010181020000000023  
in GRKC GU CB RF in Moscow

**INN:**  
7736011540

**BIK:**  
044583823

**Code OKONKh:**  
96720

**Code OKPO:**  
90807684

**CHAIRMAN OF THE COUNCIL:**

Vyakhirev Rem Ivanovich

*Chairman of the Board, OAO GAZPROM*

**DEPUTY CHAIRMEN OF THE COUNCIL:**

Rodionov Petr Ivanovich

*Deputy Chairman of the Board, OAO GAZPROM*

Rakhimkoulov Mikhail Nikolaevich

*Director General – President,*

*General Banking and Trust Co. (Hungary)*

Tarasov Viktor Ivanovich

*Chairman of the Board,*

*Commercial Bank for the Gas Industry Gazprombank*

**MEMBERS OF THE COUNCIL:**

Bezroukova Marina Anatolievna

*Deputy Director General, MEZHREGIONGAZ*

Dubinin Sergei Konstantinovich

*Member of the Board, OAO GAZPROM*

Dokouchaev Mickhail Vadimovich

*Member of the Board, OAO GAZPROM*

Klochkov Fedor Vladimirovich

*Deputy Director General, YAMBURGGAZDOBYCHA*

Kozachenko Aleksander Nikolaevich

*Director General, MOSTRANSGAZ*

Podyuk Vasily Grigorievich

*Member of the Board, OAO GAZPROM*

Selikhova Evguenia Konstantinovna

*Adviser to Chairman of the Board, OAO GAZPROM*

Semenyaka Aleksander Nikolaevich

*Member of the Board, OAO GAZPROM*

Souleimanov Rim Soultanovich

*Director General, URENGOIGAZPROM*

Chichelov Viktor Aleksandrovich

*Director General, PERMTRANSGAZ*

BOARD OF GAZPROMBANK

**CHAIRMAN OF THE BOARD:**

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**FIRST DEPUTY CHAIRMEN OF THE BOARD:**

Sereguin Valery Aleksandrovich

Chernoivan Aleksander Vasilievich

**DEPUTY CHAIRPERSONS OF THE BOARD:**

Lisovaya Lidiya Nikolayevna

Primak Aleksander Grigorievich

Outkin Pavel Vladimirovich

**MEMBERS OF THE BOARD:**

Mouraviyev Aleksander Viktorovich

Olenev Nikolai Ivanovich

● JOINT STOCK COMPANY GAZPROM

● PRODUCTION ASSOCIATIONS, ENTERPRISES AND ORGANIZATIONS OF THE GAS INDUSTRY:

TUMENTRANSGAZ  
MOSTRANSGAZ  
URENGOIGAZPROM  
NADYMGAZPROM  
SEVERGAZPROM  
YAMBURGGAZDOBYCHA  
ZAPSIBGAZPROM  
MEZHREGIONGAZ  
VOLGOTRANSGAZ  
LENTRANSGAZ  
ORENBURGGAZPROM  
KUBANGAZPROM  
ASTRAKHANGAZPROM  
TATTRANSGAZ  
VOLGOGRADTRANSGAZ  
PERMTRANSGAZ  
SURGUTGAZPROM  
YUGTRANSGAZ  
URALTRANSGAZ  
GAZEXPORT  
INTERPROCOM  
GAZKOMPLEKTIMPEX  
TOMSKTRANSGAZ  
KAVKAZTRANSGAZ  
DAGESTANGAZPROM  
SAMARATRANSGAZ  
VOLGOGRADNEFTEMASH  
SPETSGAZAVTOTRANS  
TSENTRGAZ  
TUMENGAZSVYAZ  
TUMENGAZSNABKOMPLEKT  
SG-TRANS  
GIPROGAZTSENTR  
SPETSKOMPLEKTGAZ  
GAZKOMPROMSELSTROI  
GIPROSPETSGAZ  
GAZENERGOSERVICE  
ORGENERGOGAZ  
BURGAZGEOTERM  
KOSTROMATRUBINVEST  
GAZSTROIDETAL  
SEVEROGAZTORG  
GAZINTERPRIBOR  
SEVERGAZBANK

BRANCHES

**Astrakhan**, 414057, Vorobjeva Prospect, 12-2, tel. (752-2) 34-07-88

**Beloyarsky**, Tyumen Region, 626818, Molodosti St., 7a,  
tel. (346-70) 2-15-32

**Volgograd**, 400074, Kozlovskaya St., 34, tel. (844-2) 93-00-05

**Izhevsk**, Udmurt Republic, 426039, Votkinskoje Shosse, 182,  
tel. (341-2) 20-72-82

**Kostroma**, 156000, Sovetskaya, 9a, tel. (094-2) 31-39-49

**Krasnodar**, 350051, Dzerzhinskogo St., tel. (861-2) 54-22-16

**Lipetsk**, 398059, Nedelina St., 25, tel. (074-2) 77-04-18

**Makhachkala**, Republic of Dagestan, 367025, Ermoshkina St., 24,  
tel.(872-2) 67-53-59

**Moscow**, 115230, Varshavskoje Shosse, 45-2, tel. (095) 111-02-77  
117415, Vernadskogo Prospect, 41, tel. (095) 355-99-82

**Nadym**, Tyumen Region., 626711, Orudzheva Nab., 53,  
tel.(345-95) 2-00-20

**Nizhny Novgorod**, 603005, Piskunova St., 3/5, tel.(831-2) 34-01-47

**Novy Urengoi**, Tyumen Region, 627718, 26th Party Congress St., 4,  
tel. (345-49) 3-19-32

**Orenburg**, 460021, Turkestanskaya St., 161, tel. (353-2) 72-98-17

**Rostov-on-Don**, 344024, Sokolova St., 80, tel.(863-2) 34-33-74

**Sankt-Peterburg**, 193148, Sedova St., 15, tel. (812) 567-61-83

**Saratov**, 410052, 50-letiya Oktyabrya Prospect, 118-a, tel.(845-2) 12-57-88

**Stavropol**, 355012, Lenina St., 419/2, tel. (865-2) 76-27-99

**Tomsk**, 634050, Lenina Prospect, 49, tel.(382-2) 41-53-58

**Tula**, 300904, Lenina Prospect, 108-a, tel.(087-2) 33-35-29

**Tyumen**, 625026, Respubliki St., 62, tel. (345-2) 22-84-15

**Ufa**, Republic of Bashkortostan, 450022, Mendeleeva St., 138,  
tel. (347-2) 52-28-00

**Ukhta**, Republic of Komi, 169400, 30-letiya Oktyabrya St., 22/12,  
tel. (812-47) 4-17-34

**Chaikovsky**, Perm Region, 617740, Primorsky Blvd., 30,  
tel.(342-41) 6-46-51

**Yugorsk**, Tyumen Region, 627720, Sovetsky District., Lenina St., 31,  
tel.(346-75) 2-04-75



*Office of the Gazprombank  
branch in Ukhta*

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## REGIONAL INFRASTRUCTURE OF GAZPROMBANK

### REGIONAL OFFICES

**Yekaterinburg**, 620063, 8 Marta St., 66, tel. (343-2) 29-75-31

**Kazan**, Republic of Tatarstan, 420021, Kirova St., 64,  
tel. (843-2) 57-96-17

**Kursk**, 305045, Sovetskaya St., 3a,  
tel. (071-22) 4-78-72

**Salekhard**, Yamal-Nenets Autonomous Territory, 626603,  
Aviatsionnaya St., 22, tel.(345-91) 4-78-15



*Office of Belgazprombank  
in Minsk*

### SUBSIDIARY BANKS

**General Banking and Trust Co., Ltd**  
**Budapest, Hungary**,  
H-1055, Marko St., 9, tel. (103-61) 269-14-73

**Gazenergoprombank**  
**Gazoprovod**, Moscow Region, Leninsky District, 142770,  
tel.(095) 420-55-67

**CB Sochigazprombank**  
**Sochi**, 345000, Navaginskaya St., 14,  
tel. (862-2) 92-65-47

**CB Sibirgazbank**  
**Surgut**, Tyumen Region, 626407, Svobody Blvd., 12,  
tel. (346-2) 24-06-06

### BANKS WITH AUTHORIZED SHARES OF GAZPROMBANK

**Belgazprombank**  
**Minsk, Belarus**, 220000, Pritytskogo St., 60/2,  
tel. (375-17) 259-40-24

**ICB Evropeisky**  
**Kaliningrad**, 236010, Kutuzova St., 39,  
tel. (011-2) 22-19-00

**CB Severgazbank**  
**Vologda**, 160000, Blagoveshenskaya St., 3,  
tel. (817-2) 72-70-83

**CB Intrastbank**  
**Moscow**, 117333, Gubkina St., 3g,  
tel.(095) 132-69-93



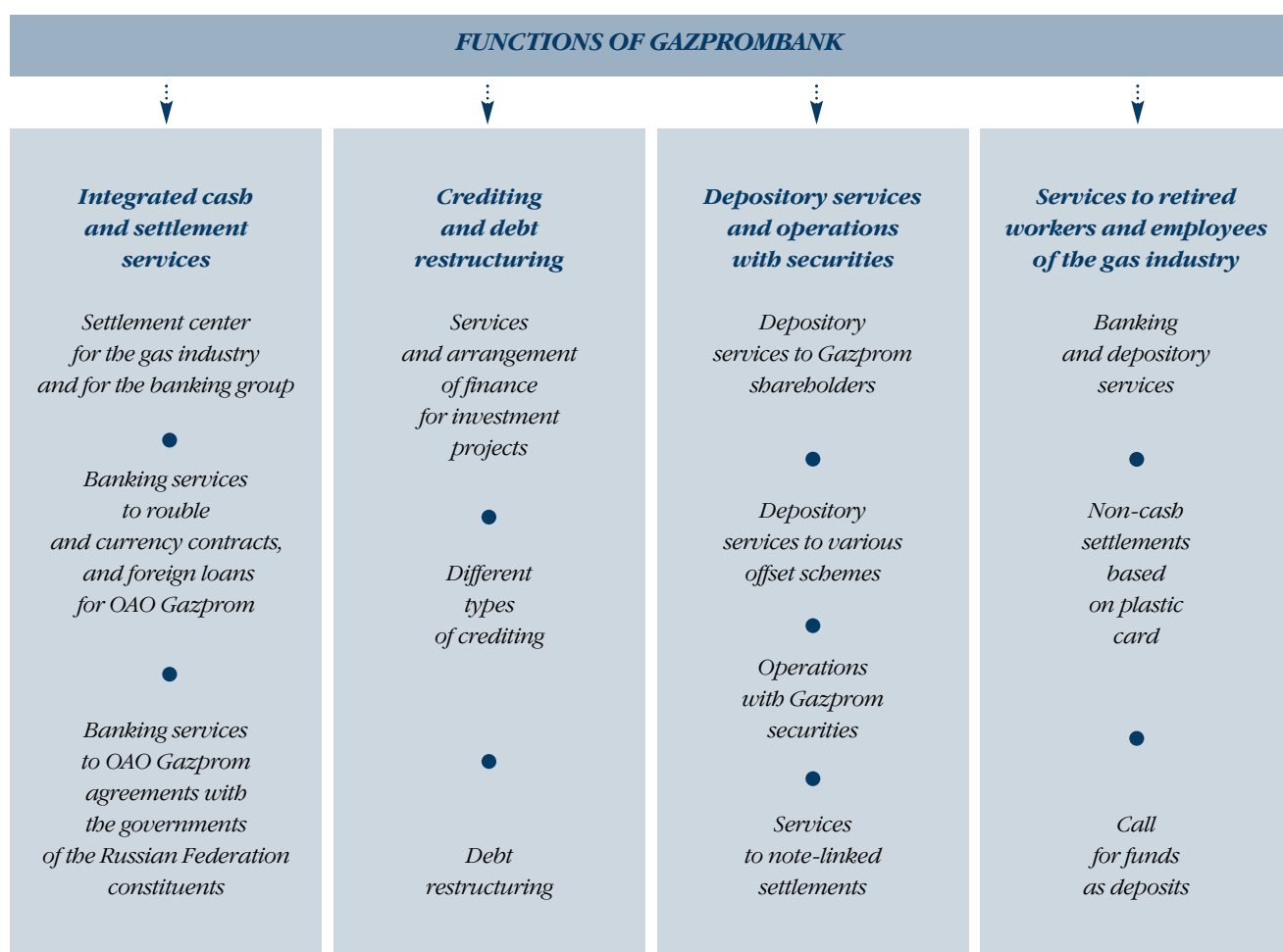
The main directions of banking services for the gas industry as assigned to Gazprombank are shown in the diagram below.

In the General Agreement on strategic partnership between OAO Gazprom, Mezhhregiongaz Company and Gazprombank special emphasis is put on elaborating and optimizing schemes of payment by Russian consumers for natural gas

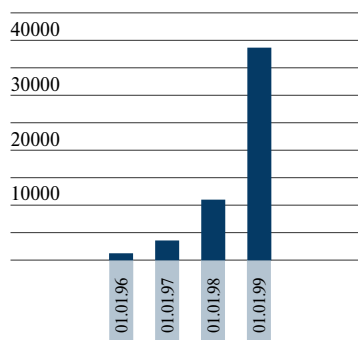
supplied by the Company, and on concentrating cash flows within Gazprombank system.

Last year all the major gas industry enterprises were transferred to the Bank. At present Gazprombank services about one thousand enterprises of that branch of industry.

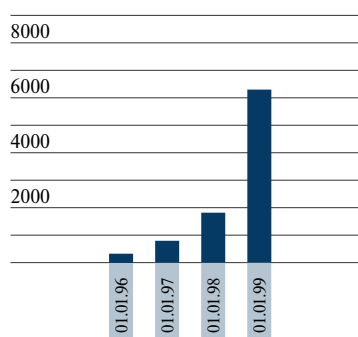
Most of the export contracts of OAO Gazprom are also serviced by Gazprombank.



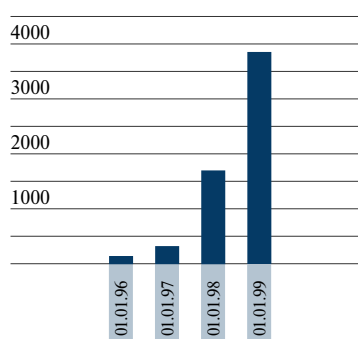
NET ASSETS  
(mln. RUR)



EQUITY  
(mln. RUR)



AUTHORIZED FUND  
(mln. RUR)



Priority services of Gazprombank to the real industrial production enabled the Bank to keep up stable rates of growth of the basic financial indices and become Russia's largest non-state commercial bank.

Its assets grew 3,5 times and topped the target by RUR 37 bln.

The authorized fund grew 2,3 times which in combination with the profit received allowed to increase the equity 3,2 times.

Loans grew 4,3 times and exceeded RUR 30 bln.

Restructuring of the securities' portfolio reduced its total volume 1/4 times, the GKO/OFZ portfolio was reduced more than 6 times.

The confidence of customers in the Bank was confirmed by a growth of balances in various accounts: those of organizations increased 5 times, those of private customers 1,8 times.

Despite the crisis the Bank did not close a single branch, moreover a new one was opened in the city of Ufa. All its branches showed profit at the end of 1998.

Based on the interests of the gas industry, formation of a group of banks in whose authorized fund Gazprombank participates was pursued. By year end, the group consisted of 8 banks, of which 4 being subsidiaries.

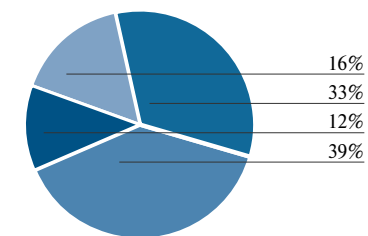
The main indices of effective performance of Gazprombank were of the same level as in the previous year.



*Head Office of the Gazprombank  
in Moscow*

RESOURCE BASE STRUCTURE

as of 1.01.99



Equity	6 145 mln.RUR
Term obligations	14 452 mln.RUR
Balance in the customers' settlement accounts	12 479 mln.RUR
Other obligations	4 319 mln.RUR
<b>Total</b>	<b>37 395 mln.RUR</b>

Over the past year the resource base of Gazprombank grew 3,5 times. Despite the financial crisis the Bank succeeded in preserving a rational structure of its liabilities.

Equity increased 3,2 times and topped the target exceeding RUR 6,1 bln. Authorized fund increased 2,3 times over the year, which was particularly important during the slump and made it possible to preserve the customers' funds as well as their confidence. Such growth of the authorized fund was attained due to an additional contribution by OAO Gazprom and by the new shareholders of the Bank. Equity grew through an increase of the additional capital 5,4 times, based on the following important compo-

nents: built-up reserves, revaluation of the currency position and profit gained, thus the additional capital reached 44% of the equity.

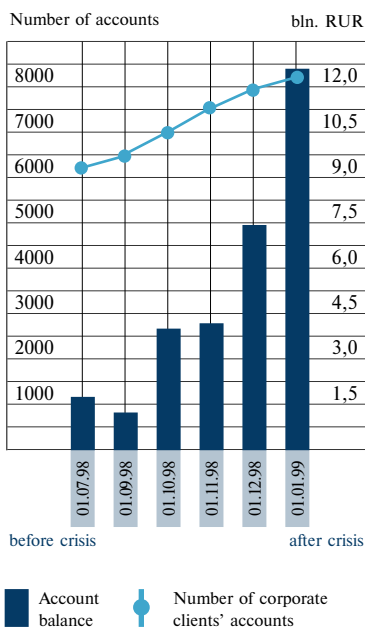
Substantial growth of customers' account balances is due to a steady expansion of the customer base.

The degree of customer confidence in the Bank is vividly seen through the dynamics of private (retail) deposits. In the year of unprecedented financial upheaval the 1,8-fold growth of private individuals' deposits is indicative of Gazprombank's high reputation with Russian customers. 3/4 of retail deposits are attracted by its branch offices. As Gazprombank fulfils all its obligations, it enjoys the confidence of Western creditors.



Office of the Gazprombank branch in Nizhny Novgorod

NUMBER  
OF CUSTOMERS'  
ACCOUNTS AND THEIR  
ACCOUNT BALANCE



Over the past year the number of Gazprombank's customers grew 57%, the major growth occurred during the post-crisis period.

At present virtually all enterprises and organizations of the gas industry (about one thousand) are clients of the Bank. Besides them the Bank serves more than seven thousand other corporate customers, the number of personal accounts is over 600 thousand. Due to the decision by the Council of Directors to attract customers from related industries, between August and December 1998 two hundred large enterprises and organizations of related branches of industry such as power engineering, iron and steel, petrochemical industry, transport and communications came to the Bank as customers. The following companies, well-known in Russia and abroad, are among them, to name just a few: Stankoimport, Transaero, Soukhoi Experimental Designers' Office, State Research & Production Enterprise Splyav, Chocolate and Confectionery Factory Udarnitsa.

Last year customer account balance grew about 9-fold between

September and December which highly exceeds the rate of devaluation of the rouble. Since during the crisis some of the customers whose accounts had been held in several banks chose to move and concentrate their funds to Gazprombank, that growth relates not only to the new accounts, but also to those opened earlier.

The Bank has introduced such services as setting up settlement centers for corporate clients having ramified networks, and pre-export project financing to its customers.

Large corporate clients were provided with personal managers who work in two shifts receiving documentation. Branch offices are setting up divisions for customer services, new branches are being established, in some cases in the territories of major customers.

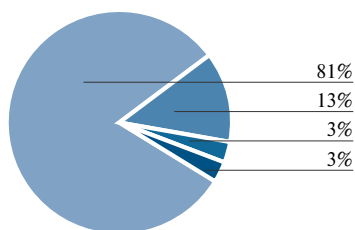
Gazprombank not only provides purely banking services to its corporate customers, but offers them assistance in resolving a vast number of financial problems, such as acquisition of equipment through a leasing company set up with the Bank's support.



Office of Sibirgazbank in Surgut

NET ASSETS  
STRUCTURE

as of 1.01.99



■ Credit Investments	30 402 mln.RUR
■ Cash and correspondent accounts with banks	4 956 mln.RUR
■ Investments in securities	1 113 mln.RUR
■ Other Investments	924 mln.RUR
<b>Total</b>	<b>37 395 mln.RUR</b>

As the Bank is oriented towards the real or producing economy sector, crediting is traditionally a key field in its business activities.

The credit portfolio amounted to more than RUR 30 bln growing 4,3 times over 1997.

Overall amount of credits to the gas industry enterprises and to related industries grew 4 times and reached RUR 20 bln by the year end. Of the entire credits to non-banking organizations the share of those to the enterprises of the gas industry exceeded 80%, with a considerable investment of RUR 9,9 bln into long-term projects of OAO Gazprom (to be completed in 2009-2016). The largest loans were provided to finance the construction of the gas pipe-line Yamal-Europe, and the pipe-line connecting continental Europe and Great Britain.

New credit schemes for the employees of the gas industry were introduced, including those-based on pledge by real estate, cars, Gazprom shares etc. To escape possible losses in the inter-bank market, last year the Bank cut loans to resident banks (about 3 times).

Debt overdue to Gazprombank amounted to 0.9% of its assets which is 5-20 times less than the indices for the top ten Russian banks in 1998 (according to Russian weekly 'Profile').

Gazprombank maintained a considerable part of its assets (13%) as liquidities in order to provide uninterrupted services to its customers.

Due to a timely cut of the Bank's holdings in securities from 15% of its assets (1.01.98) to 3% (1.01.99), the Bank avoided serious losses caused by the financial crisis.



Office of the Gazprombank branch in Yugorsk

Development of foreign economic activities and international contacts of Gazprombank are in direct relation to the banking services to OAO Gazprom in Western Europe as well as in the near abroad.

In the crisis situation the management of the gas industry decided to transfer most of contracts for supplying gas to foreign countries to the Bank, thus main foreign currency resources of the gas industry were concentrated in Gazprombank.

The Bank provides uninterrupted banking services to the major foreign loans and investment projects by OAO Gazprom and its other customers.

As other Russian banks, Gazprombank called for funds of non-residents to be placed in the gas industry projects. Those were mainly borrowings from banks including large syndicated loans. In 1997 Gazprombank received a USD 60 mln syndicated loan from Citibank (USA) and Commerzbank (Germany) which was fully paid off in November 1998. Credits by Commerzbank-Budapest (Hungary), Donau Bank and Credit Suisse (Switzerland) were fully redeemed in September, and those of Berlin-

er Bank (Germany) — in December 1998. In 1998 Deutsche Bank (Germany) arranged a USD 230 mln syndicated loan that is to be redeemed by Gazprombank in May 1999. The loan is serviced in strict accordance with a mutually agreed procedure.

Last year work was completed to acquire recognition by the Ministry of Industry and Trade of Japan for Gazprombank's financial guarantees in the crediting of Russian borrowers by Japanese banks and financial companies.

Considerable opportunities for ensuring financial interests of Gazprombank in the Eastern European region are offered due to the Bank's participation in the capital of its subsidiary, General Banking and Trust Co. Ltd. (Hungary), and Belarus-Russian Belgazprombank.

Gazprombank started energetically working with the Euro currency, set up corresponding accounts in Euro with 10 Western European banks, and since its introduction is one of the largest Euro operators in the Russian foreign exchange market. As in 1996-97, Gazprombank was one of the leading USD and DM operators at the Moscow Interbank Currency Exchange.



*Office of the General Banking and  
Trust Company Ltd.  
in Budapest, Hungary*

## OPERATIONS WITH SECURITIES

Placements in securities in Gazprombank's assets were reduced from 15 to 3% over the past year.

Serious changes were made in the structure of holdings. Placements in GKO, OFZ, OGSZs were never priority assets of the Bank, but were used only to maintain its liquidity.

Financial markets being unstable,

decision to substantially reduce Gazprombank's portfolio of the above securities was made. Its total volume was reduced from RUR 521 to 104 mln. Foreign currency Government securities (OGVVZ) were cut to RUR 502 mln as well.

Securities portfolio basically consists of OAO Gazprom shares and other highly liquid corporate securities.



*Office of the Gazprombank  
branch in Ufa*

## DEPOSITORY SERVICES

Gazprombank has set up a unique depository network covering the European and Western Siberian regions of Russia. In the year in question depository services acquired a new quality: an integrated system for the provision of circulation of accounts receivable as payments for gas was established. It is based on the Interregional Promissory Notes Depository set up in cooperation with Mezhhregiongaz Company.

The following positions can be regarded as Gazprombank's main achievements in 1998:

- organization of a subsidiary Depository and Settlement Company that operates securities settlements at regional trading units in Yekaterinburg, Novosibirsk and Nizhny Novgorod;

- setting up of an interregional system of centralized brokerage service;

- elaboration and implementation of a scheme of interaction with settlement depositories in a number of stock exchanges;

- provision of payments of dividends on OAO Gazprom shares for 1997;

- call of largest Russian issuers for depository services, primarily gas industry enterprises and their partners (the number of issues of securities serviced exceeded 60).

Introduction of a 'Client-Depository' electronic system for remote access and a new generation depository hardware/software network PC IMB AS/400 was carried out.

In 1998 Gazprombank devised and implemented novel settlement schemes for the gas industry enterprises and their debtors using promissory notes and other long-term financial instruments. Experts of the Bank are seeking optimum ways for restructuring debts to OAO Gazprom by analyzing obligations of budgets of all levels, those of the debtors and creditors to/of OAO Gazprom, Mezhhregiongaz Company and other counterparts. The amount of discountable note-linked obligations topped RUR 4 bln.

Last year Gazprombank's debt trading unit began operating and an

automated debt discounting and monitoring system was implemented.

Debt restructuring for gas supplied is operated both on the Russian and international levels. In particular, in 1998 Byelorussian debts of approximately RUR 800 mln were offset.

Jointly with the Central Bank of Russian Federation work was undertaken to assign to Gazprombank the status as the authorized bank for exporters' promissory notes revaluation, thus giving way for calling a considerable amount of additional funds to the gas industry.



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#### PLASTIC CARDS

In 1998 Gazprombank's inter-regional plastic card non-cash payment system that covers essential and subsidiary structures of OAO Gazprom as well as the enterprises and organizations contracting and cooperating with the Company continued its development.

Gas industry payment network is being developed since mid-1995 in cooperation with Union Card and based on its long-term decisions. The aim of this network is to guarantee payments in the situation of inflation and crisis of traditional payment instruments

oriented at cash payment. In addition non-cash payment technology allows to hold a part of the wage fund and use it as one of the sources for preferential crediting of the gas industry enterprises and organizations.

At the beginning of 1998 the first phase of the network began functioning effectively. Branches of the Bank and banks of the Gazprombank group serve 23 regions. 13 processing centers are up and running in Moscow, Yugorsk, Novy Urengoi, Astrakhan, Nizhny Novgorod, Volgograd, Tyumen, Ukhta, Tomsk, Beloyarsky, Vologda (based



**G**azprombank's position as the main credit and settlement bank for the gas industry focuses its attention on regional infrastructure development. Its operating and new branches, subsidiaries and subsidiary banks are situated in every region where natural gas is extracted, processed and refined.

In 1998 Gazprombank actively consolidated and restructured its banking group. It increased its share in the authorized funds of subsidiary and dependent banks. Commercial Bank (CB) Prestige (in Sochi) was transformed into affiliated Sochigazprombank. Sibirgazbank (in Surgut) became another subsidiary. Moscow Intrustbank joined the Gazprombank banking group. Severgazbank (in Kostroma) was granted a General License of the Central Bank and offered a vast list of services to its customers. The latter as well as Gazenergoprombank (in the Moscow region) is actively developing its own branch network.

The branch network of Gazprombank itself is also being developed. A new branch in Ufa was set up with an energetic support of Bashtransgaz Company. By the end of the year Gazprombank had a vast and efficient network of 24 branches, 4 regional offices, 44 operating cash units and a number of supplementary offices (of which 10 were put into operation in 1998).

Branch network activities were focused on serving the gas industry

enterprises, with 90% of loans granted to that industry branch. Despite the lack of trust in regional banks private investments grew considerably.

Each branch, subsidiary or dependent bank has its own priority goals based on the local financial market and the specific needs of its customers for various financial services, works within the framework of a uniform coordinated policy pursued by the management of the Bank and of OAO Gazprom.

Last year a first pattern of a three-level management system was introduced by Gazprombank for managing its regional infrastructure (Head Office — Subsidiary Bank (Branch of CB Gazprombank) — Branch of a Subsidiary Bank (Collector's Office of Gazprombank)). In particular its affiliated Gazenergoprombank opened three branches, Severgazbank has seven branch offices. Last year Gazprombank branches opened 10 additional offices and collector's offices.

In 1999-2000 development of Gazprombank's regional infrastructure will be pursued in accordance with the agreements on cooperation which have already been signed or will be signed between OAO Gazprom and governments of the Russian Federation constituents. Establishment of local joint offices of Gazprombank and Mezhrregiongaz Company is planned for the future.



*Office of Severgazbank  
in Vologda*

**D**uring the past three years a program of integrated program-target planning has been the key to organizational development of Gazprombank.

In early 1999 an Integrated Program of Gazprombank's development till the year 2000 was endorsed by R.I. Vyakhirev, Chairman of the Council of the Bank. It contains strategic regulations and quantitative targets conforming to the resources, executive staff and deadlines, as well as a set of agreed upon target-oriented programs.

One of the focuses in the business development of Gazprombank was an improvement of management of the Bank as a whole as well as the strengthening of its most vital links. To attain this goal several departments of the Bank were expanded and transformed into directorates, and a Settlement Center and a Treasury were established.

Compliance with the banking regulations, accounting and reporting standards as provided by the Standards Acts of the Russian Government, by the Bank of Russia and by the State Tax Service was achieved through the work of the Internal Control and Monitoring Service of the Bank. The Bank carries out planned regular checks of the operation of its branches.

The growing scope of activities, establishment of new regional offices and an expanded range of services to customers are the reasons behind the Board's emphasis on staff development. A 'vacancy data bank' for top executive managers was established and regular training workshops for the staff were organized. Special attention is paid to the development of corporate culture, «Corporate Profile of the Bank» was drawn.



*Office of the Gazprombank  
branch in Volgograd*

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## SUPPORT FOR BANKING OPERATIONS

**I**n 1988 Gazprombank continued developing its integrated data transfer system. Communications with the branches are established via dedicated satellite channels and ground-base telecommunications system of the gas industry. Corporate Intranet networks are being implemented. In 1998 an Internet Web-server of the Bank put into operation. An improved remote Telebank automated inquiry and data system providing customers with necessary information on their accounts is being launched. Further develop-

ment of interbank settlements is based on the REUTERS Dealing 2000-2 complex and a new generation SWIFT hardware for international settlements. An electronic archive of managerial financial documents was introduced which is actively operated. A system of electronic documentation flow covering the entire Bank was experimentally launched. Automated systems for personnel management, material and technical resource management and information and analysis systems were being designed and tested.

*Financial  
Accounts*



Commercial Bank for the Gas Industry  
«Gazprombank»

Annual Report

1998

## BALANCE SHEET OF GAZPROMBANK as at January 1, 1999

Thousand rubles

<b>ASSETS</b>		
1	Cash and Due from the Central Bank of the Russian Federation	1 414 288
2	Government debt securities	605 541
3	Due from the credit institutions	3 541 722
4	Net trading securities	28 490
4.1	Trading securities (balance sheet value)	45 089
4.2	Provision for diminution in value of securities	16 599
5	Loans and advances to customers	30 402 135
5a	Accrued interest (including overdue interest)	48 404
6	Leasing	—
7	Loan loss provision	596 251
8	Net loans and advances to customers	29 805 884
9	Loan loss provision required in relation to the 1994 year, but not recorded in the financial statements	203
10	Fixed and intangible assets 111 359	
11	Net securities held for long-term purposes	479 224
11.1	Securities held for long-term purposes (balance sheet value)	506 871
11.2	Provision for diminution in value of securities	27 647
12	Accrued income	11 574
13	Other assets	1 348 430
14	<b>Total Assets</b>	<b>37 395 119</b>
<b>LIABILITIES</b>		
15	Due to the Central Bank of the Russian Federation	—
16	Due to the credit institutions	6 960 319
17	Customer deposits and current accounts	18 820 525
17.1	Deposits of individuals	1 112 852
18	Accrued expenses	2
19	Debt securities issued by the credit institution	1 321 584
20	Other liabilities	3 952 347
21	Provision for other assets, risks and other commitments	—
22	<b>Total liabilities</b>	<b>31 054 777</b>
<b>Partners' funds</b>		
23	Charter capital	3 848 432
23.1	Registered ordinary shares	3 653 426
23.2	Registered preferred shares	—
23.3	Unregistered charter capital of the non-joint-stock banks	195 006
24	Treasury stock	—
24a	Net of the charter capital and partners' funds	—
25	Emission income	—
26	Funds and retained earnings carried forward from the prior period	351 546
27	Fixed assets revaluation	6 601
28	Profit for the year	2 229 087
29	Accrued dividends	10 312
30	Profit allocated during the year (excluding dividends)	232 963
31	Net profit	1 985 812
32	Expenses charged directly to funds	-147 951
33	Total partners funds	6 145 336
34	<b>Total liabilities and partners' funds</b>	<b>37 395 119</b>
<b>OFF BALANCE SHEET ITEMS, COMMITMENTS AND CONTINGENCIES</b>		
35	Irrevocable obligations of the credit institution *)	16 748 784
36	Guarantees issued	1 276 159

Note: \*) Payables under the index forward deals not executed on maturity dates in the amount of 5 444 196 thousand rubles included in the balance sheet item «Irrevocable obligations of the credit institution.» for the accounting purposes were netted against the receivables at the Central Bank of the Russian Federation official exchange rate as at contractual maturity dates.

Bank's receivables under the similar index forward deals which are not a subject for these Financial Statements are 4 718 343 thousand rubles as at December 31, 1998.

<b>TRUST ACCOUNTS</b>		as at December 31, 1998
<b>Assets</b>		
8	Current accounts	2 145 341
<b>Liabilities</b>		
11	Capital in trust	2 145 341

PROFIT AND LOSS STATEMENTS OF GAZPROMBANK for 1998

Thousand rubles

<b>Interests income</b>	
1	Placements with the credit institutions 431 287
2	Loans to customers 1 400 543
3	Leasing —
4	Debt securities 164 766
5	Other 72
6	<b>Total interest income</b> (sum of the items from 1 to 5) <b>1 996 668</b>
<b>Interest expenses</b>	
7	Loans and deposits from credit institutions 1 075 757
8	Customer deposits and current accounts 618 851
9	Issued securities 214 225
10	Rent 21 270
11	<b>Total interest expenses</b> (sum of the items from 7 to 10) <b>1 930 103</b>
12	<b>Net interest income</b> (item 6 - item 11) 66 565
13	Commission income 175 333
14	Commission expenses 28 034
15	<b>Net commission income</b> (sum of the items from 13 to 14) <b>147 299</b>
<b>Other operation income</b>	
16	Foreign exchange gains 8 413 038
17	Trading operations with precious metals, securities and other assets; positive revaluation of precious metals, securities and other asset; 472 234
18	Dividends received 1 650
19	Other income 129 949
20	<b>Total operation income</b> (sum of the items from 16 to 19) <b>9 016 871</b>
21	<b>Net income</b> (item 12 + item 15 + item 20) <b>9 230 735</b>
<b>Other operation expenses</b>	
22	Salary 147 510
23	Maintenance 98 807
24	Foreign exchange expenses 3 929 389
25	Trading operations with precious metals, securities and other assets: REPO deals, negative revaluation of precious metals, securities and other assets 1 633 211
26	Other expenses 672 759
27	<b>Total operation expenses</b> (sum of the items from 22 to 26) <b>6 481 676</b>
28	<b>Net profit before provision and miscellaneous income</b> (item 21-item 27) 2 749 059
29	Changes in loan loss provision for the year 502 486
30	Changes in provision for diminution in value of securities for the year 17 486
31	Changes in other provisions for the year —
32	<b>Profit before miscellaneous income</b> (item 28 - item 29 - item 30- item 31) 2 229 087
33	Net miscellaneous income —
34	<b>Profit before taxation</b> (item 32 + item 33) 2 229 087
35	Taxes paid 82 417
36	Deferred profit tax —
36a	Miscellaneous expenses after taxation —
37	<b>Net profit for the year</b> (item 34 - item 35 - item 36 - item 36a) <b>2 229 087</b>

Chairman of the Board, Gazprombank

Chief Accountant, Gazprombank



V.I.Tarasov

G.N.Kozyulina

The audited Annual Financial Statements after the appropriate adjustments are prepared in all material aspects in accordance with the requirements of the effective legislation of the Russian Federation and the regulatory documents governing accounting and reporting in the Russian Federation. The reliability of the Profit and Loss Statement is confirmed after the appropriate adjustments made by the Bank in the course of the audit. Without qualifying our Audit Opinion, we took into consideration the note to the Financial Statements.

Without qualifying our Audit Opinion, we draw your attention to the uncertain operating environment in Russia. The operations of the Bank may continue to be affected for the foreseeable future by the adverse economic conditions in Russia, The ultimate effect of these significant economic uncertainties cannot presently be determined.

Audit Company: ZAO «KPMG» License No.006315

Date of issue February 18,1998

Director: A.S. Antonov

## OPINION

### of the audit firm ZAO 'KPMG' on the Financial Statements of the Commercial Bank for the Gas Industry 'Gazprombank' for the period from January 1, 1998 to December 31, 1998

We performed an audit of the attached Financial Statements of the Commercial Bank for the Gas Industry 'Gazprombank' (the Bank) including the Balance Sheet and the Profit and Loss Statement as at January 1, 1999 and for 1998. The Financial Statements were prepared by the Board of Management of the Bank proceeding from Accounting Rules for the credit organizations located on the territory of the Russian Federation No. 61, approved by the Order of the Central Bank of the Russian Federation dated June 18, 1997 No. 02-263 (with subsequent additions and amendments), the Regulations of the Central Bank of the Russian Federation 'On the annual financial statements for supervised credit organizations' dated December 25, 1998 No. 452-U (with subsequent additions and amendments), the Regulations of the Central Bank of the Russian Federation 'On the publication purposes financial statements of the credit organizations for 1998' dated March 3, 1999 No. 505-U (with subsequent additions and amendments), the Order of the Central Bank of the Russian Federation 'On the entry into force of the Instruction 'On the preparation of the financial statements' dated October 1, 1997 No. 02-429 (with subsequent additions and amendments) and the Instruction of the Central Bank of the Russian Federation 'On the preparation of financial statements' dated October 1, 1997 No. 17 (with subsequent additions and amendments).

The Board of Management of the Commercial Bank for the Gas Industry 'Gazprombank' is responsible for the preparation of the Financial Statements and for the Company's Year 2000 problem remediation plans. Our responsibility is to express an opinion on these Financial Statements in all material aspects, based on our audit. We performed the audit pursuant to the Decree of the President of the Russian Federa-

tion 'Temporary rules for the audit activities in the Russian Federation' dated December 22, 1993 No. 2263, the Regulations of the Central Bank of the Russian Federation 'On audit activity in the banking system of the Russian Federation' dated September 10, 1997 No. 64 (with subsequent additions and amendments) approved by the Order of the Central Bank of the Russian Federation. 'On the entry into force of the Regulations on audit activity in the banking system of the Russian Federation' dated September 10, 1997 No. 02-391, the Regulations of the Central Bank of the Russian Federation 'On the procedure for the preparation and submission to the Bank of Russia of an audit opinion based on the results of an audit of the activity of a credit organization' dated December 23, 1997 No. 10-P. Audit Standards, approved by the Audit Commission under the President of the Russian Federation dated December 25, 1996, January 22, 1998 and July 15, 1998 (Minutes No. 6, No. 2, No. 4). Audit Standards approved by the Expert Committee on banking audit of the Central Bank of the Russian Federation, International Audit Standards and Internal company Audit Standards.

The audit was planned and performed to obtain sufficient assurance that the Financial Statements are free of material misstatement. The audit included an examination on a test basis of the data contained in the Financial Statement. The review of the compliance of a number of the financial and business operations performed by the Bank with the effective legislation of the Russian Federation was performed exclusively to obtain reasonable assurance that the Financial Statements are free of material misstatement.

We believe that our audit provides a reasonable basis for expressing an opinion on the reliability of these Financial Statements.

The audited Annual Financial Statements after the appropriate adjustments reflected in Attachments No. 1 and No. 2 to the present Audit Opinion are prepared in all material aspects in accordance with the requirements of the effective legislation of the Russian Federation and the regulatory documents governing accounting and reporting in the Russian Federation. The reliability of the attached Balance Sheet and Profit and Loss Statement, which are certified for identification purposes by the signature of the Director and the seal of the audit firm ZAO 'KPMG', is confirmed taking into account appropriate adjustments made by the Bank in the course of the audit to the present Audit Opinion.

Without qualifying our Audit Opinion, we draw your attention to the uncertain operating environment in Russia.

The operations of the Bank may continue to be affected for the foreseeable future by the adverse economic conditions in Russia. The ultimate effect of these significant economic uncertainties cannot presently be determined.

Moscow

April 23, 1999

A.S. Antonov

O.Y. Sokolov



Director, ZAO 'KPMG'

Audit Manager