



**NATIONAL
RESERVE
BANK**



A. V. Kolodkin

***Chairman of the Management Board
of the National Reserve Bank***

STATEMENT BY THE CHAIRMAN OF THE MANAGEMENT BOARD OF THE NATIONAL RESERVE BANK A.V. KOLODKIN

2008 was a controversial year for Russia's economy and brought many surprises. Unprecedented rise of oil prices in the first half of the year – up to USD 147 per barrel – allowed the ruble to considerably strengthen its position against the euro and the US dollar, and also allowed the country to accumulate a considerable gold holdings amounting to USD 597.5 billion. At the same time, the rate of GDP growth remained at a fairly high level, namely, 8.7% in the first quarter and 7.5% in the second quarter. All that gave rise to an illusion of relative well-being of Russia's economy against the background of the global crisis, which had by then affected the United States and, to a lesser extent, most of other Western countries. However, abrupt fall of oil prices in the second half-year – down to USD 40 per barrel – resulted in lowering of the value of securities and abrupt fall of commodity, stock and currency markets of developed countries. That, in its turn, triggered vigorous outflow of investment from Russia and from many other countries, which resulted in decline of Russia's stock market and caused rapid devaluation of the Russian ruble. As a result, by the autumn of 2008 Russia had entered the phase of crisis. In the second half-year, the rate of GDP growth started lowering; in the third quarter it was equal to 6% and in the fourth quarter to 1.2%. Although the government managed, due to exchange market interventions effected by the Central Bank, to prevent a collapse of the ruble, the rate of inflation had grown by the end of the year up to 13%.

Net capital outflow from Russia reached in 2008 USD 129.9 billion, whereas in 2007 net inflow was recorded, equal to USD 83.1 billion. Capital outflow reached its maximum for the period of publication of statistical data of the RF Central Bank. The previous maximum was reached in 2000 and amounted to USD 24.8 billion. The entire net capital outflow fell on the fourth quarter, when USD 130.5 billion was taken away from Russia. On the other hand, net capital inflow was recorded in the first quarter, amounting to USD 62.2 billion.

International organizations analyzing the scale of losses of Russia's financial system were worried at lowering of Russia's gold holdings at the end of 2008. In December 2008, an international rating agency Standard & Poor's not only lowered Russia's credit rating on obligations in foreign currency by one grade (from BBB+ to BBB) but also stated a 'Negative' forecast in respect thereof.

Negative processes in Russia's and global economy could not but affect the country's banking system. According to the Bank of Russia, the rate of growth of principal parameters of RF banking sector's performance lowered to a certain extent in 2008. Owing to outflow of deposits and abrupt fall of production of goods and services in some industries, many banks faced in the autumn of 2008 a most severe liquidity crisis, as a result of which some of them had to suspend their operations and were subsequently subjected to rehabilitation, in which the most stable banks, including the National Reserve Bank, took part together with the state.

NRBank's first experience of this kind was restoration, with the help of the Bank of Russia, of solvency of JSCB "Rossiysky Capital" (OJSC) in late October-early November 2008. Owing to promptly taken measures, normal functioning of bank "Rossiysky Capital" resumed in a short time, namely, as soon as in two weeks. In December 2008, acting under the contract with State Corporation Deposit Insurance Agency, the National Reserve Bank assumed responsibility for servicing the accounts of over 17 thousand depositors – natural persons of a bankrupt bank Elektronika to the total amount of RUB 1.6 billion and fulfilled in full all obligations to the depositors under the contracts of bank deposit and bank account. Full-fledged servicing of former Elektronika bank's depositors was resumed by the NRBank from 8 December 2008.

The global economic crisis affected, more or less, all and any. The National Reserve Bank is no exception. However, the Bank belongs to those credit institutions that prepared in advance to crisis-related hard-



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ships and retained stability and reliability in a difficult situation owing to accumulated safety margin. Beginning from as early as mid-2007, the Bank reduced two times its assets in securities and increased the volume of lending to real economy industries. In anticipation of the crisis, the NRBank shifted its loan portfolio from the sectors of economy overheated most of all to the industries exposed to the influence of the market conditions least of all. In addition, the Bank considerably increased its capital in the period before the crisis, having brought it by June 2008 to RUB 34 billion. All that enabled the Bank to successfully withstand first blows of the crisis, to avoid problems with liquidity and lending resources, to retain its strong position among the most reliable and stable banks and to continue implementation of its strategic plans.

In 2008, the NRBank started implementation of its Strategy of development for the period until 2012, aimed at transformation of the Bank from a largely investment credit institution into a universal commercial bank with a ramified branch offices network. Despite the global crisis, National Reserve Bank, adjusting the sequence of its actions in accordance with the changing economic situation, firmly pursued the set goal and continued expansion of its branch offices network. As a result, in the reporting year the NRBank almost tripled the number of its regional units, from 9 to 26; 13 of them were established on the basis of Elektronika Bank's branch offices network. As of 1 January 2009, the NRBank had 9 branch offices in St. Petersburg, Voronezh, Volgograd, Bryansk, Krasnodar, Saratov, Chelyabinsk, Irkutsk and Yaroslavl, 7 operational offices in Tula, Stavropol; Rostov-on-Don, Samara, Tolyatti, Nizhny Novgorod and Krasnoyarsk, and 6 supplementary offices of the NRBank's Voronezh Branch (4 of them were situated in Voronezh and 2 in the towns of Rossosh and Borisoglebsk, district centers of the Voronezh Region). In addition, 6 representative offices of the National Reserve Bank operated at the beginning of 2009, 4 of which were established within the territory of the Russian Federation, namely, in Krasnodar, Yekaterinburg, Tyumen and Novosibirsk, and 2 – outside Russia, namely, in Kiev and in London.

The funds invested by the Bank in development of its regional network amounted in 2008 to approximately RUB 240 million.

Despite inevitable losses caused by the impact of the crisis, the National Reserve Bank, generally, showed in 2008 decent performance along the principal lines of its activities.

The Bank's assets grew in the reporting period 1.5 times and amounted at year-end to RUB 59.3 billion. The Bank's capital grew from RUB 19.7 billion to RUB 20.5 billion. The customers' funds placed with the bank grew up to RUB 18.5 billion, compared with RUB 12.6 billion in 2007.

Having taken the course towards universalization of its business, the National Reserve Bank continued in the reporting year to reduce its securities portfolio and to expand intensively its loan portfolio, which grew by 30%, up to RUB 32.9 billion. The growth of the lending volume facilitated the growth of the Bank's interest income up to RUB 3.7 billion, compared with RUB 2.6 billion in 2007.

Investment in securities amounted to RUB 8.7 billion as of 1 January 2009, compared with RUB 6.3 billion as of 1 January 2008. Efficient management of the securities portfolio enabled the Bank to derive in 2008 net income from operations with securities in the amount of RUB 1.6 billion.

The Bank's successes were noted by the international rating agency Fitch Ratings, which, in mid-2008, raised the NRBank's long-term domestic rating from BB+(rus) to BBB(rus), with the "Stable" forecast. Fitch gave a positive assessment of the Bank's actions aimed at lowering the market risks by way of gradual selling considerable positions in securities against the background of a very high capitalization and acceptable liquidity positions. Among other positive factors having caused raising of the Bank's rating gradual development of the Bank's commercial customer base and further development of the branch offices network were mentioned, making it possible to lower the level of concentration of business and to improve the quality of income from the Bank's operating activities.

In the reporting year the NRBank also signed the agreement for rendering rating services with the international rating agency Moody's Investors Service. In September 2008, when the situation in financial

markets began to worsen rapidly, following which performance indicators of many credit organizations began to worsen as well, this reputable agency assigned to the Bank the financial strength rating (BFSR) E+, with the "Stable" forecast, which corresponds to B2 rating on the Baseline Credit Assessment (BCA) scale. High rating resulted from NRBank's sound financial performance indicators, especially profitability (rate of return), capital adequacy and efficiency.

In the annual ranking of the 1,000 world's largest banks, published by *The Banker* magazine in the summer of 2008, the National Reserve Bank further strengthened its position, having moved from the 442nd position to the 395th position. In the same ranking, the Bank took the 12th position among the leaders of Russia's banking sector and the 13th position among the largest banks of Central and Eastern Europe.

At the same time, the Bank's net profit decreased considerably in 2008 compared with 2007, namely, from RUB 5.2 billion to RUB 2.3 billion. This fact may be explained by NRBank's refusal, unlike most of other credit institutions, to apply the changes in the securities accounting making it possible not to represent in the balance the losses from decrease in the value of shares in the second half-year and to show 'paper' profit to improve financial results. In 2009, the Bank's net profit is expected to be equal to approximately RUB 1.5 billion. Expected decrease in profit is caused by a number of principal factors, namely, decrease of income from operations with securities owing to fall of stock market prices, almost two-times increase of provision for loans compared with 2008, and the growth of expenses on development of the regional network.

As regards its customer policy, the National Reserve Bank followed in 2008 its strategic line towards development and deepening of partnership relations with real economy enterprises representing the leading industries and manufacturing consumer goods and services. It should be pointed out that the Bank's regional network is aimed first of all at the corporate segment. In particular, the NRBank considerably increased the portfolio of loans to small and medium-sized businesses, especially in the regions. In addition to loans, the National Reserve Bank intensively offered corporate customers other advanced products and services that are especially useful under the conditions of the crisis, such as integrated servicing, documentary operations, guarantees, letters of credit, promissory notes, debt finance, business structuring.

Along with development of its relations with small and medium-sized businesses, the Bank consistently strengthened and widened interaction with its traditional partners – large corporate clients, the list of which was supplemented in 2008 by a number of companies, in particular, LLC Moscow Book, OJSC Motorostroitel, CJSC Interskol, LLC Importvin, OJSC Novosibirsk Tin-Smelting Plant, FGUP ROSTEK, GK Proplex, GK Uranium Holding Atomredmetzoloto.

In the reporting year the National Reserve Bank continued intensive cooperation with major enterprises of science-intensive and socially significant industries of the national economy, including OJSC Aeroflot – Russian Airlines, OJSC Objedinnennye Mashinostroitelnye Zavody, FGUP Sudoexport, Itera Group, FGUP Rosoboronexport, Razgulyay-UKRRROS Group, LLC AvtoVAZ, LLC LOMO, LLC TD Intertorg, OJSC Techsnabexport.

In 2008, the total amount of credits granted to corporate customers grew by 4%, and the number of corporate customers grew by 10%. Extension of the customer base was facilitated by introduction of new services together with individual approach to each customer and opening new selling points in the regions. Actually everywhere, new customers – strong regional companies – address NRBank's subdivisions. Demand for the offered services is growing, and confidence of the Bank grows as well.

It should be pointed out that under the conditions of the crisis the Bank adjusted to a certain extent its tactics and the rules of rendering its services: thus, requirements imposed on the borrowers were tightened; the Bank actually refused the practice of non-secured lending; emphasis was shifted from lending to servicing settlements and documentary business.



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In the reporting year the National Reserve Bank paid much attention to its retail business. Despite a difficult financial and economic situation in the country and overall reduction in resources in Russia's banking system, the Bank retained the amount of natural persons' deposits at the level of RUB 6 billion.

Implementing its strategic line towards transformation into a universal commercial bank, the NRBank intensively increased the volume of lending to natural persons, attracting new borrowers and raising credit limits on existing customers. In the total, the portfolio of loans to natural persons (with the exception of mortgage lending) amounted as of 1 January 2009 to approximately RUB 1 billion.

In 2008, the Bank worked at improvement of the quality of its card products intended for natural persons and introduced the program for granting overdrafts to employees of organizations serviced by the Bank under payroll projects. The aggregate turnover on plastic cards grew 15 times compared with 2007 and exceeded RUB 1.7 billion.

The mortgage lending program was in 2008 a priority line of development of the NRBank's retail business. Under the current economic conditions, the program is aimed at resolving not only economic but also socially significant problems of the population. The NRBank's mortgage lending portfolio grew in the reporting year by 11% and reached RUB 9.1 billion. The amount of mortgage lending provided in 2008 was equal to RUB 2.1 billion. The volume of the Bank's mortgage business will grow with the development of the Bank's branch offices network.

Despite the crisis, the Bank's regional network showed in 2008 a stable positive dynamics as regards principal performance indicators. The customer base grew in 2008 two times and reached, as of 1 January 2009, approximately 38 thousand customers, including former customers of bank Elektronika accepted by the NRBank for servicing. The loan portfolio grew 1.5 times up to RUB 9.6 billion. Operating profit derived from servicing the customers reached RUB 575 million.

The assets of National Reserve Bank's branch office in St. Petersburg grew in the reporting period by RUB 0.5 billion and amounted as of 1 January 2009 to RUB 4.6 billion. The loan portfolio grew by RUB 1 billion and amounted to RUB 3.6 billion.

The Bank's branch office in Voronezh showed high rate of growth and took on the results of 2008 a position among the top 10 of credit institutions of the region in terms of attraction of funds of legal entities and individual entrepreneurs. The assets of Voronezh branch office grew by RUB 1 billion and reached RUB 4.3 billion; the loan portfolio grew 1.3 times up to RUB 4.1 billion.

The branch office Volgograd, registered on 24 September 2007, increased in 2008 its assets up to RUB 1.6 billion owing to the growth of its loan portfolio by RUB 1.1 billion. A strategic decision on becoming a universal bank did not implied refusal of activity in the stock market. However, in this field of its operations the NRBank followed the course taken a year before and consisting in reduction of investment portfolio and trading portfolio in securities. A major portion of active operations fall on the first half-year; in the third and the fourth quarter emphasis was shifted to less risky pledge operations enabling the Bank to manage liquidity more effectively.

Due to intensive development of cooperation with Western financial institutions, the National Reserve Bank succeeded in 2008 in resolving the problems of attracting financial resources, opening credit lines and organization of financing with participation of export lending agencies. The aggregate amount of the limits on trade finance grew up to USD 210 million, with the cost of funding lowering in the first three quarters of the year. The aggregate amount of foreign trade financing operations grew in 2008 by USD 71.6 million and amounted to approximately USD 450 million.

Despite a difficult economic situation, the National Reserve Bank, as was always the case, took active part in charitable activities and sponsorship. The Bank's charitable activities were intended, first of all, to

render comprehensive aid to disadvantaged groups of population and to contribute to development of Russia's scientific and cultural potential. In 2008, special attention was paid to child care institutions, to orphan children and to educational, cultural and health-care institutions.

The NRBank provided financial aid to St. Petersburg's Foundation for support to musical, theater and artistic development, the Center of Contemporary Art. In the reporting year the Bank was the general sponsor of a unique musical project Great Composers implemented by the newspaper Komsomolskaya Pravda having issued a set of CDs with selected works of the world's greatest composers and small-format books with their short biographies. The Bank rendered sponsor aid to creators of a documentary film Hamlet from Taganskaya Square dealing with the life and creative work of Vladimir Vysotsky.

In 2008, the NRBank contributed to restoration of Zadonsk Eparchial Monastery of the Nativity of the Blessed Virgin and the cave house in Divnogorsk Monastery of the Assumption of the Virgin in the Voronezh Region.

Paying close attention to the issues of education of the youth, the Bank rendered charitable aid to the Financial Academy under the Government of the Russian Federation. The provided funds were directed for consolidation of the material and technological basis of one of the best Russian institutions of higher education.

Throughout the year 2008, which was one of the most difficult years for the economy in the past decade, the shareholders of the National Reserve Bank and its business partners provided most active support to all efforts of the Bank's management aimed at consolidation of the Bank's position in the market of banking services and at development and transformation of the Bank's business. In a situation of expansion of the Bank's branch offices network, continuing against the background of the global crisis, this factor of mutual understanding and cooperation will undoubtedly help the NRBank in effective resolving of strategic problems facing the Bank, in development of new lines of activity and in consolidation of its position in the industry.





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NATIONAL RESERVE BANK'S POSITION IN THE RUSSIAN BANKING SECTOR

Since 1997, the JSCB NRBank (OJSC) has maintained its presence among Russia's largest commercial banks, and since 2004, among the world's top 1000 credit institutions in terms of tier 1 capital volume. Despite negative effect of the global crisis on financial markets, the Bank managed to retain in the reporting year stability and strong position in Russia's banking sector and in global bank ratings.

According to the Interfax-100 ranking, the National Reserve Bank held the 21st position on the results of 2008 in terms of the amount of shareholders' funds and the 55th position in terms of net assets. According to the RBC rating as of 1 January 2009, the NRBank held the 23rd position in terms of the volume of lending to small and medium-sized businesses and the 19th position in terms of the mortgage lending volume during the year.

Such factors as high qualification of the Bank's staff, prolonged experience of operation in Russia's and international financial markets, competitive advantages the NRBank enjoys, and successful development of regional business contributed in the reporting year to the National Reserve Bank's stability.

STRATEGIC DEVELOPMENT

The JSCB NRBank (OJSC) is a financially stable and rapidly developing multi-branch commercial bank with immaculate business reputation, operating in the Russian financial market since 1994.

According to its medium-term Development Strategy for 2008 — 2012, the National Reserve Bank has set to itself the goal to gain leadership in the Russian banking sector, to take a position among Russia's largest banks in terms of net assets and to become one of the most efficient commercial banks as regards priority lines of its activities.

The Bank's strategic development program for the period until 2012 is aimed at performance of the set of tasks, including the following:

- development of the regional network for the purpose of expansion of the banking business aimed at rendering support to large, medium-sized and small entrepreneurship and consolidation of the Bank's positions in the regions of the Bank's presence;
- development of retail business in the regions;
- development of the investment arm;
- promotion of the Bank's brand and enhancement of awareness in the regions of the Bank's presence;
- consolidation of the Bank's position among the leaders of Russia's banking system in terms of basic financial indicators, namely, amount of profit, assets and capital;

- development and improvement of the Bank's corporate management system;
- improvement of risk management;
- further improvement of the control system ensuring the Bank's effective operation and compliance with the established standards;
- improvement of the set of banking products and services; widening of the range of services; enhancement of quality of servicing the Bank's customers;
- enhancement of effectiveness of business processes; growth of profitability of banking operations;
- development of information technologies, enhancement of technological level of banking processes;
- maintaining the credit rating at the current level;
- participation in implementation of social projects;

NRBank's long-term strategy is aimed at contributing to the growth of the national economy, improvement of the quality of life in Russia and development of Russia's banking system. In practice, this has the form of rendering priority support to high-technology and socially significant branches of the national economy and participation in rehabilitation of banks affected by the crisis.

STRATEGIC PRIORITIES

According to NRBank's medium-term Strategy until 2012, the bank shall focus its main efforts on consistent development as a universal multi-functional credit institution operating in all economically attractive regions of the Russian Federation and in all segments of the financial market.

Despite a complicated economic situation resulting from the global economic crisis, expansion of regional business will remain the determinant of the Bank's growth in the coming years. The NRBank's growth will be ensured both through the its competitive advantages and through more intensive presence in promising segments of the financial market, showing the highest stability and subject least of all to systemic risks.

The National Reserve Bank considers establishment of strong and long-term partner relations with customers and provision of high-quality and competitive banking products and services as fundamental principles of business. For the National Reserve Bank, enhancement of profitability and steady development of business of the Bank itself and the Bank's partners is the issue of continuous concern. Based on that, the JSCB NRBank (OJSC) reckons the following lines of activities among its priorities.



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Corporate business and lending

Servicing corporate clients is a traditional and the most important component of NRBANK's activities. This part of the Bank's business consists in supporting projects in various industries, including projects in such spheres as aircraft building industry, machine-building, military sector, power industry, communications, construction, textile industry, food industry, trade and agriculture.

The National Reserve Bank offers its clients all kinds of services comprising settlement and cash services, documentary transactions, lending, investment banking, debt finance, risk control, project finance; the Bank generates conditions for enhancement of international cooperation, develops proposals on salary projects with the application of bank cards and prepares customized business development programs.

In 2008, the Bank continued shifting the focus of its activities; along with traditional support to large business enterprises, the NRBANK intensively developed relations with organizations representing medium-sized and small businesses in the regions of the Bank's presence, extending at the same time the line of the products and the services offered.

Retail services and mortgage lending

Consistently expanding its retail business, the National Reserve Bank provides to its customers the most up-to-date range of banking services of the highest quality. The Bank is seeking to satisfy its customers' needs to the largest possible extent, offering a universal set of banking products and promoting the principle of flexible approach to servicing customers in accordance with their specific interests, needs and capabilities.

In 2008, the Bank began to cooperate with an open joint-stock company, the Agency for Housing Mortgage Lending. The NRBANK continues implementation of its mortgage projects.

International business

NRBANK's international business is developing in accordance with the Bank's own needs and those of the Bank's corporate customers. The National Reserve Bank is seeking to render the maximum possible support to foreign economic activities of its customers, for which purpose the Bank continuously extends its contacts with international financial institutions, opens credit lines, and provides services related to carrying out documentary transactions. The Bank implements its own international projects and participates in international syndicates and euro bond loans and issues guarantees.

Investment business

Investment business is a traditional line of the Bank's activities, in which it has a considerable experience. The National Reserve Bank provides financing to and takes part in implementation of major projects in many branches of economy. The NRBank performs its own transactions on various floors of financial and stock markets and provides its customers with brokerage and trust management services. The Bank's further development requires expansion of its investment business, increase in the number of the trading floors used and the number of counterparties, improvement of investment banking products and attraction for servicing of a wide range of customers interested in various kinds of investment operations and products, including debt finance, mergers and acquisitions and business structuring.

PRINCIPAL OBJECTIVES FOR 2009

The principal line of NRBank's development consists in consolidation of the Bank's positions and expansion of its business in the regions of presence, as well as improvement of customer servicing quality in the existing regional subdivisions.

Within the framework of further territorial expansion of the regional network, it was planned for 2009 to open NRBank's branch offices in Tyumen and Novosibirsk (started to operate in April 2009), in Samara (started to operate in May 2009) and in Yekaterinburg, and operational offices in Kaluga, Astrakhan, Belgorod and Omsk. Further plans for regional network development, according to National Reserve Bank's development Strategy for the period until 2012, will be implemented with due account for changing economic conditions in Russia's regions and in the country on the whole and for changes in the banking sector, including a trend towards consolidation of the banking system and reduction in the number of credit organizations.

Implementation of the said objective, in its turn, requires the following:

- increase of the Bank's equity
- expansion of the loan portfolio;
- further reorganization of the Bank and enhancement of effectiveness of the management system;
- further development of the Bank's internal normative methodological basis;
- improvement of the pattern of interaction with the branch offices.

Other priority lines of development of the Bank's regional business include the following: extending the range of documentary operations; introduction of investment banking; increase of the issue and improvement of servicing bank cards; acquiring; enlargement of retail lending volumes; development of new products (auto loans, education loans etc.) and improvement of products aimed at providing customers with brokerage services in financial markets.



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**REPORT OF NATIONAL RESERVE BANK'S BOARD OF DIRECTORS
ON THE RESULTS OF DEVELOPMENT ALONG PRIORITY LINES
OF ACTIVITY**

Despite a difficult situation caused by the global crisis, the JSCB NRBank (OJSC) showed in 2008 sound performance along principal business lines related to qualitative transformation of the Bank from a largely investment bank into a universal commercial bank. Effectiveness of the Bank's operations is confirmed by retaining by the Bank of financial stability, maintaining acceptable quality of assets and retaining profitability.

NRBank's assets grew in the reporting year 1.5 times, or by RUB 19 billion, and reached as of the end of the year RUB 59 billion.

In 2008, the Bank derived profit in the amount of RUB 2.3 billion, with the return on capital and return on assets at the level of 11% and 4% respectively, which acknowledges overall effectiveness of the Bank's business.

NRBank's capital, calculated in accordance with the Regulation of the Bank of Russia on the methods of determination of the amount of equity (capital) of credit organizations, grew up to RUB 20.5 billion, which exceeds by RUB 740 million the respective figure as of the end of 2007.

Cash in the Bank's assets amounted to RUB 0.5 billion as of 1 January 2009, which exceeds by 37% the respective figure as of 1 January 2008.

NRBank's funds in the accounts with the Bank of Russia grew by 115% and amounted as of 1 January 2009 to RUB 1.5 billion.

The Bank's obligations grew in the reporting period 1.8 times compared with 2007 and reached RUB 39.5 billion. Customers' funds (account balances and deposit accounts of legal entities, deposits of natural persons, promissory notes issued) amounted to RUB 20.7 billion, which exceeds by RUB 1.5 billion the respective figure as of the end of 2007.

Within the adopted Strategy of the Bank's development as a universal credit institution, work was performed in 2008 to intensify growth of the Bank's loan portfolio. Customers' net loan debt (with the exception of credit organizations) grew in 2008 by 42% and reached RUB 44.3 billion. The share of the net loan debt in the Bank's assets was equal at year-end to 75%. The mortgage lending portfolio grew by RUB 1 billion and reached RUB 9.1 billion.

The growth of the lending volume contributed to growth of the interest income by 52% up to RUB 4.6 billion. The interest income derived in 2008 was equal to RUB 3 billion, which exceeded by 51% the respective figure in 2007.

Investment in securities grew in 2008 up to RUB 8.7 billion, compared with RUB 6.3 billion in 2007, or by 45%. On 1 January 2008, Regulation of the Bank of Russia of 26 March 2007 No. 302-P On the Rules of Accounting in Credit Organizations within the Territory of the Russian Federation entered into force, according to which the National Reserve Bank effected revaluation of its entire securities portfolio at current market prices, which resulted in the growth of the amount of investment.

Net income from operations with securities amounted in 2008 to RUB 1.6 billion, which was by 71% less than the respective figure in 2007. Such reduction was caused mainly by the losses from negative revaluation of the securities portfolio as a result of abrupt decline of the stock market in the second half of 2008. Effective management of its securities portfolio enabled the Bank to derive in the first half-year of 2008 net income in the amount of RUB 8.2 billion, largely from realization of large blocks of securities at high market prices under favorable conditions existing in Russia's stock market at the relevant time. Profit from the said operations enabled the Bank to fully compensate itself for the losses incurred in the second half-year.

Unlike other major banks, the NRBank did not take advantage of the opportunity provided by the Bank of Russia to re-classify its securities in accordance with Instruction of the Bank of Russia of 17 November 2008 No. 2129-U, On Reclassification of Securities by Assessment Categories, to reduce negative impact of securities revaluation on the financial results.

In 2008, the National Reserve Bank derived net income from operations with foreign currency (including the income from revaluation of accounts in foreign currency) in the amount of RUB 1 billion whereas losses were recorded on such operations in 2007.

In spite of growth of expenses related to development of the regional network, operating expenses lowered in 2008 by 5% compared with 2007 and amounted to RUB 1.6 billion.

In the reporting period the NRBank complied with all mandatory standards established by the Bank of Russia. The Bank's capital adequacy ratio, representing the extent of financial stability and reliability of a credit institution, exceeded considerably (more than 3 times) the minimum permissible numeric value of the standard.

Thus, judging by the results of 2008, the Bank showed rapid growth of principal indicators, high efficiency of operations, and enhancement of financial stability, which contributes to consolidation of National Reserve Bank's position in Russia's financial sector and serves as an insurance of the Bank's development and its growing investment attractiveness.



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Balance Sheet as at 1 January 2009
credit institution Joint-Stock Commercial Bank "National Reserve Bank"
(Open Joint-Stock Company)

Postal address: 2, bld. 2, Paveletskaya square, Moscow, 115054

thousand roubles

#	Name of the line	Amounts as at the reporting date	Amounts as at the corresponding reporting date for the prior year (*)
1	2	3	4
I	ASSETS		
1	Cash and cash equivalents	528 022	386 231
2	Placements with the Central Bank of the Russian Federation	1 536 899	713 353
2.1	Mandatory reserves with the Central Bank of the Russian Federation	18 719	205 477
3	Placements with credit institutions	1 760 416	624 683
4	Net investments in financial instruments through profit or loss	4 765 477	4 807 668
5	Net loans to customers	44 339 796	31 237 687
6	Net investments in securities available-for-sale	3 926 985	1 193 403
6.1	Investments in subsidiaries and associates	991 268	486 238
7	Net investments in securities held-to-maturity	0	286 035
8	Fixed assets, intangible assets and materials	281 790	245 339
9	Other assets	2 225 239	729 275
10	TOTAL ASSETS	59 364 624	40 223 674
II	LIABILITIES		
11	Loans from the Central Bank of the Russian Federation	15 258 399	0
12	Amounts due to credit institutions	1 493 782	6 310 837
13	Customer accounts (non-credit institutions)	18 458 275	12 625 911
13.1	Deposits of individuals	5 802 628	6 679 571
14	Financial liabilities through profit or loss	913 710	0
15	Debt securities issued	1 275 946	1 167 635
16	Other liabilities	1 310 231	988 801
17	Provisions for possible losses on off-balance sheet credit related commitments, other possible losses and settlements with offshore zone residents	794 923	331 592
18	TOTAL LIABILITIES	39 505 266	21 424 776
III	EQUITY		
19	Funds of shareholders (participants)	1 695 846	1 695 846
20	Treasury shares (participation interest)	0	0
21	Share premium	1 236 393	1 236 393
22	Reserve fund	476 249	476 249
23	Revaluation of investments in securities available-for-sale	1 310 012	0

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24	Revaluation of fixed assets	34	275
25	Retained earnings (accumulated losses)	12 889 494	10 153 752
26	Profit/(loss) for the reporting period	2 251 330	5 236 383
27	TOTAL EQUITY	19 859 358	18 798 898
IV	OFF-BALANCE SHEET LIABILITIES		
28	Irrevocable commitments of credit institution	5 309 203	9 602 968
29	Guarantees issued by credit institution	4 878 937	2 197 005

() Amounts as at 1 January 2009 are not comparable with corresponding amounts as at 1 January 2008 due to changes in the acting legislation of the Russian Federation on accounting and reporting of credit institutions.*

Chairman of the Management Board

Deputy Chairwoman of the Management Board

Chief Accountant



Kolodkin A.V.

Nemova A.M.



**NATIONAL
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**Profit and Loss Statement for 2008 year
credit institution Joint-Stock Commercial Bank "National Reserve Bank"
(Open Joint-Stock Company)**

Postal address: 2, bld. 2, Paveletskaya square, Moscow, 115054

thousand roubles

#	Name of the line	Amounts for the reporting period	Amounts for the corresponding period for the prior year (*)
1	2	3	4
1	Total interest income received, including:	4 590 208	3 023 578
1.1	Placements with credit institutions	699 958	174 017
1.2	Loans issued to customers (non-credit institutions)	3 699 869	2 570 060
1.3	Services under finance lease	0	0
1.4	Income from securities	190 381	279 501
2	Total interest expense, including:	1 602 065	1 044 685
2.1	Amounts due to credit institutions	700 267	182 220
2.2	Customer accounts (non-credit institutions)	794 046	630 086
2.3	Debt securities issued	107 752	232 379
3	Net interest income/(expense)	2 988 143	1 978 893
4	Movement in the provision for possible losses, loans and similar losses, placements on correspondent accounts, total including:	-1 044 878	22 413
4.1	Movements in the provision for possible losses on accrued interest income	-36 952	0
5	Net interest income (negative interest margin) after provisions for possible losses	1 943 265	2 001 306
6	Net gain on securities at fair value through profit or loss	1 833 642	0
7	Net gain on securities available-for-sale	-282 156	5 413 128
8	Net gain on securities held-to-maturity	0	0
9	Net income from operations with foreign currency	515 047	263 324
10	Net income from revaluation of accounts in foreign currency	547 306	-299 431
11	Gain on participation in other legal entities capital	119 254	0
12	Commission income	598 118	1 004 331
13	Commission expense	113 691	57 912
14	Movements in the provision for possible losses on available-for-sale securities	-29 468	48 807
15	Movements in the provision for possible losses on held-to-maturity securities	0	0
16	Movements in the provision for other losses	-510 894	5 297
17	Other operating income	83 654	130 534
18	Net income (expenses)	4 704 077	8 509 384
19	Operating expenses	1 571 420	1 649 407
20	Profit before tax	3 132 657	6 859 977
21	Taxes accrued (paid)	881 327	1 623 594

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22	Profit/(loss) after tax	2 251 330	5 236 383
23	Total payments out of profit after tax including:	0	0
23.1	Distribution between shareholders (participants) in the form of dividends	0	0
23.2	Distribution to reserve funds	0	0
24	Unused profit/(loss) for the reporting period	2 251 330	5 236 383

() Amounts for 2008 year are not comparable with corresponding amounts for 2007 year due to changes in the acting legislation of the Russian Federation on accounting and reporting of credit institutions.*

Chairman of the Management Board



Kolodkin A.V.

**Deputy Chairwoman of the Management Board
Chief Accountant**

Nemova A.M.



**NATIONAL
RESERVE
BANK**

**Statement of Cash Flows for 2008 year
credit institution Joint-Stock Commercial Bank "National Reserve Bank"
(Open Joint-Stock Company)**

Postal address: 2, bld. 2, Paveletskaya square, Moscow, 115054

#	Name of the line	Cash flows for the reporting period	Cash flows for the corresponding period for the prior year (*)
1	2	3	4
1	CASH FLOWS FROM OPERATING ACTIVITIES		
1.1	Total cash flows from / (used in) operating activities before changes in operating assets and liabilities, including:	7 151 529	2 289 863
1.1.1	Interest receipts	4 433 436	2 902 849
1.1.2	Interest payments	-1 347 717	-844 126
1.1.3	Fee and commission receipts	598 118	1 004 331
1.1.4	Fee and commission payments	-113 691	-57 912
1.1.5	Gains less losses on operations with financial instruments through profit or loss and available-for-sale	5 879 580	778 987
1.1.6	Gains less losses on operations with securities held-to-maturity	0	0
1.1.7	Gains less losses on operations with foreign currency	515 047	263 324
1.1.8	Other operating income	80 248	130 534
1.1.9	Operating expense	-1 509 118	-1 609 919
1.1.10	Income tax expense/reimbursement	-1 384 374	-278 205
1.2	Total increase/decrease of net cash flows from operating assets and liabilities including:	-1 845 829	489 132
1.2.1	Net increase/decrease in mandatory cash balances with the Central Bank of the Russian Federation	186 758	-41 415
1.2.2	Net increase/decrease in investments in securities at fair value through profit or loss	-3 651 825	8 325 184
1.2.3	Net increase/decrease in placements with credit institutions	-712 155	269 504
1.2.4	Net increase/decrease in net loans to customers	-12 759 984	-14 978 917
1.2.5	Net increase/decrease in other assets	-1 059 233	201 961
1.2.6	Net increase/decrease in loans from the Central Bank of the Russian Federation	14 873 649	0
1.2.7	Net increase/decrease in amounts due to credit institutions	-5 011 203	5 654 325
1.2.8	Net increase/decrease in customer accounts (non-credit institutions)	5 328 235	2 549 846
1.2.9	Net increase/decrease in financial liabilities through profit or loss	856 112	0
1.2.10	Net increase/decrease in debt securities issued	103 553	-458 748

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1.2.11	Net increase/decrease in other liabilities	264	-1 032 608
1.3	Total section 1 (lines 1.1 + 1.2)	5 305 700	2 778 995
2	CASH FLOWS FROM INVESTING ACTIVITIES		
2.1	Purchases of securities and other available-for-sale financial assets	-2 522 266	-2 240 831
2.2	Gain from disposal and redemption of securities and other available-for-sale financial assets	790 345	3 403 349
2.3	Purchases of securities held-to-maturity	0	-328 102
2.4	Gain from redemption of securities held-to-maturity	0	370 794
2.5	Purchase of fixed assets, intangible assets and materials	-81 478	-51 611
2.6	Gain from disposal of fixed assets, intangible assets and materials	903	0
2.7	Dividends received	119 254	0
2.8	Total section 2 (lines from 2.1 to 2.7)	-1 693 242	1 153 599
3	CASH FLOWS FROM FINANCING ACTIVITIES		
3.1	Shareholders' (participants') contributions to the share capital	0	0
3.2	Purchase of own shares repurchased from shareholders (participants)	0	0
3.3	Sale of own shares repurchased from shareholders (participants)	0	0
3.4	Dividends paid	-2 500 882	-3 845 840
3.5	Total section 3 (lines from 3.1 to 3.4)	-2 500 882	-3 845 840
4	Effect of changes in the exchange rates set by the Central Bank of the Russian Federation on cash and cash equivalents	40 519	-8 373
5	Increase/decrease in cash and cash equivalents	1 152 095	78 381
5.1	Cash and cash equivalents at the beginning of the year	894 107	815 726
5.2	Cash and cash equivalents at the end of the year	2 046 202	894 107

(*) Amounts for 2008 year are not comparable with corresponding amounts for 2007 year due to changes in the acting legislation of the Russian Federation on accounting and reporting of credit institutions.

Chairman of the Management Board

Kolodkin A.V.

Deputy Chairwoman of the Management Board
Chief Accountant

Nemova A.M.





**NATIONAL
RESERVE
BANK**

Report on Capital Adequacy, the Amount of Provision for Impairment on Doubtful Loans and Other Assets as at 1 January 2009 credit institution Joint-Stock Commercial Bank "National Reserve Bank" (Open Joint-Stock Company)

Postal address: 2, bld. 2, Paveletskaya square, Moscow, 115054

#	Name of the line	Amounts as at the beginning of the reporting period (*)	Increase (+)/decrease (-) for reporting period	Amounts as at the end of reporting period
1	2	3	4	5
1	Equity (capital), including:	19 718 439	740 255	20 458 694
1.1	Charter capital, including:	1 695 846	0	1 695 846
1.1.1	Nominal value of registered ordinary shares (participation interest)	1 558 469	0	1 558 469
1.1.2	Nominal value of registered preference shares	137 377	0	137 377
1.1.3	Not registered amount of charter capital of nonstock credit institutions	0	0	0
1.2	Own shares repurchased from shareholders (participants)	0	0	0
1.3	Share premium	1 236 393	0	1 236 393
1.4	Reserve fund	476 249	0	476 249
1.5	Retained earnings (accumulated losses)	15 135 421	1 364 013	16 499 434
1.5.1	of prior years	10 153 752	2 735 742	12 889 494
1.5.2	of the reporting period	4 981 669	-1 371 729	3 609 940
1.6	Intangible assets	409	56	465
1.7	Subordinated loan (loan, deposit, bond) at residual value	1 632 322	-89 851	1 542 471
1.8	Sources of capital formed by investors using improper assets	0	0	0
2	Regulatory value of capital adequacy ratio (capital), %	10,0		10,0
3	Actual value of capital adequacy ratio (capital), %	49,8		32,5
4	Actual amounts of the provisions for loan losses, including:	2 093 554	1 560 792	3 654 346
4.1	for loans and receivables	1 718 825	1 020 433	2 739 258
4.2	for other assets bearing the risk of possible losses and for other losses	44 014	71 862	115 876
4.3	for off-balance sheet credit related commitments and term deals	327 804	159 983	487 787
4.4	for settlements with offshore zones residents	2 911	308 514	311 425

(*) Amounts as at 1 January 2009 are not comparable with corresponding amounts as at 1 January 2008 due to changes in the acting legislation of the Russian Federation on accounting and reporting of credit institutions.

Chairman of the Management Board



Kolodkin A.V.

Deputy Chairwoman of the Management Board
Chief Accountant

Nemova A.M.

Statutory Ratios as at 1 January 2009
credit institution Joint-Stock Commercial Bank "National Reserve Bank"
(Open Joint-Stock Company)

Postal address: 2, bld. 2, Paveletskaya square, Moscow, 115054

#	Name of the line	Regulatory value	Actual value	
			Amounts as at the reporting date	Amounts as at the corresponding reporting date for the prior year (*)
1	2	3	4	5
1	Capital adequacy ratio (N1)	>10%	32,5%	49,8%
2	Momentary liquidity ratio (N2)	>15%	54,6%	64,1%
3	Current liquidity ratio (N3)	>50%	157,8%	75,2%
4	Long-term liquidity ratio (N4)	<120%	49,0%	50,2%
5	Maximum amount of risk per borrower or per group of related borrowers (N6)	<25%	maximum 24,6%	maximum 8,6%
			minimum 0,4%	minimum 1,2%
6	Maximum amount of large credit risks (N7)	<800%	104,2%	42,1%
7	Maximum amount of loans, guarantees and credits, distributed to participants (shareholders) (N9.1)	<50%	20,9%	0,0%
8	Total amount of risk per insiders of the bank (N10.1)	<3%	0,4%	0,2%
9	Utilization of capital of the bank for purchasing the shares of other legal entities (N12)	<25%	0,3%	0,1%

(*) Amounts as at 1 January 2009 are not comparable with corresponding amounts as at 1 January 2008 due to changes in the acting legislation of the Russian Federation on accounting and reporting of credit institutions.

Chairman of the Management Board

Kolodkin A.V.

Deputy Chairwoman of the Management Board
 Chief Accountant

Nemova A.M.



AUDITORS' REPORT

To the shareholders of Joint-stock commercial bank the National Reserve Bank (open joint-stock company)

We have audited the accompanying financial statements (annual report) of Joint-stock commercial bank the National Reserve Bank (open joint-stock company) (hereinafter the "Bank") for 2008 reporting year.

The accompanying financial statements (annual report) of the Bank, set on 60 pages, comprise:

- Balance sheet (for publication purposes) as at 1 January 2009;
- Profit and loss statement (for publication purposes) for 2008 year;
- Statement of cash flows (for publication purposes) for 2008 year;
- Report on capital adequacy, the amount of provision for impairment of doubtful loans and other assets (for publication purposes) as at 1 January 2009;
- Statutory requirements (for publication purposes) as at 1 January 2009;
- Explanatory note disclosing or clarifying the data included in the financial statements (annual report).

The Bank's Management is responsible for the preparation and presentation of these financial statements (annual report). The financial statements (annual report) are the financial statements prepared in accordance with the Directive № 2089-U issued by the Central Bank of the Russian Federation as at 8 October 2008 "On procedure of preparation of an annual report by credit institutions". Our responsibility is to express an opinion on the reliability of the financial statements (annual report) in all material respects based on our audit.

We conducted our audit in accordance with the Federal Law "On auditing", the Federal Law "On banks and banking activities" (with amendments and additions), the Federal Standards on Auditing, internal KPMG auditing methodology and rules and standards adopted by the Audit Chamber of Russia.

Our audit was planned and performed to obtain reasonable assurance that the financial statements (annual report) of the Bank are free of material mis-statement. The audit was performed on a sample basis and included examination, on a test basis, of evidence supporting the amounts presented in the financial statements (annual report) and disclosures of the information on the financial and operational activities of the Bank, assessment of the compliance with the accounting principles and rules underlying the preparation of the financial statements (annual report), examination of key estimates made by management, as well as assessment of the financial statements (annual report) presentation. The audit also included examination of compliance by the Bank with obligatory ratios established by the Central Bank of the Russian Federation, the quality of management of the credit institution and system of internal controls. We believe that the performed audit provides a sufficient basis for our opinion on the reliability of the financial statements (annual report) in all material respects.

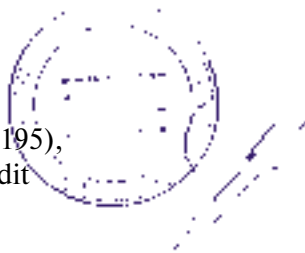
In our opinion, the accompanying financial statements (annual report) present reliably, in all material respects, the financial position of the Bank as at 1 January 2009 and its financial performance in the period from 1 January 2008 to 31 December 2008 inclusive in accordance with the requirements of the reporting legislation of the Russian Federation.

16 April 2009

Lukashova Natalia Viktorovna

Director of CJSC KPMG

(power of attorney dated 30 November 2006 № 195),
auditor's qualification certificate for banking audit
№ K 021936 valid for an indefinite period



Tatarinova Ekaterina Vyacheslavovna

In charge of the audit,

auditor's qualification certificate for banking audit
№ K 027102 valid for an indefinite period

INFORMATION ON THE AUDIT FIRM

Name of the audit firm: Closed Joint Stock Company KPMG.

Location (legal address): 18/1, Olimpiysky prospect, Room 3035, Moscow 129110.

Postal address: 18, Krasnopresnenskaya Naberezhnaya, Block C, floor 31, Moscow 123317.

State registration: Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Included in the Unified State Register of Legal Entities on 13 August 2002 by Moscow Interregional Tax Inspection No. 39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628. Certificate series 77 No. 005721432.

Licence: Audit Licence No. E 003330 issued on the basis of Order No. 9 of the Ministry of Finance of the Russian Federation on 17 January 2003. The Licence was extended until 17 January 2013.

Management: Andrew Cranston.

Accredited professional audit organization membership:

Member of the Audit Chamber of Russia.



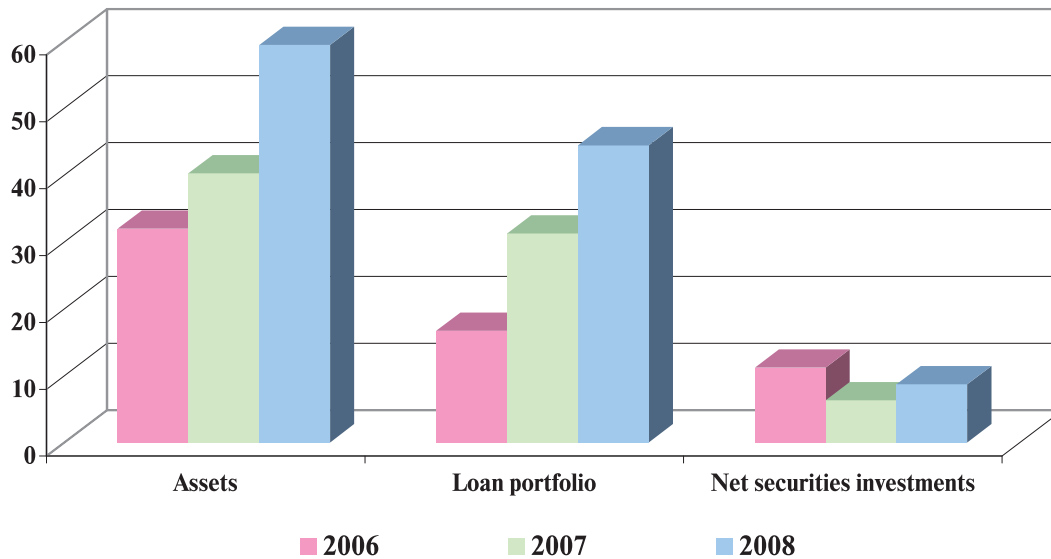
**NATIONAL
RESERVE
BANK**

DYNAMICS OF THE KEY FINANCIAL INDICATORS

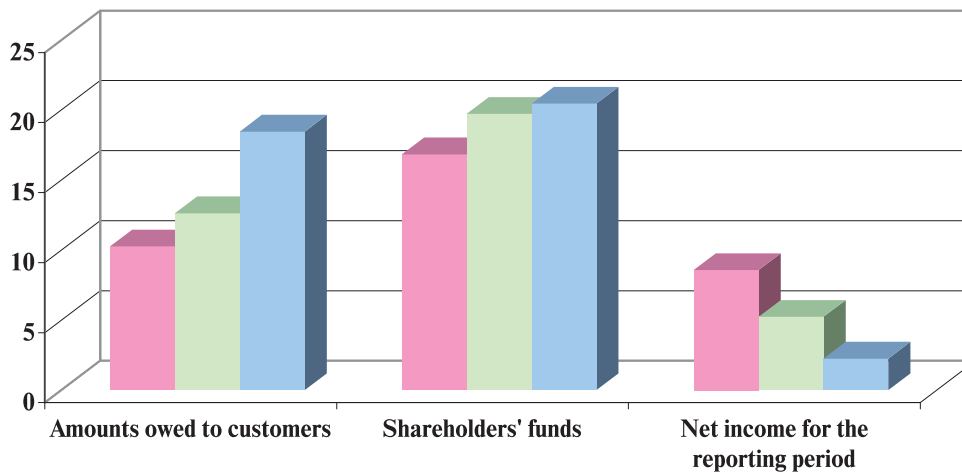
(Billion of Rub.)

№	Indicators	2006	2007	2008
1.	Assets	31.9	40.2	59.4
2.	Loan portfolio	16.7	31.2	44.3
3.	Net securities investments	11.2	6.3	8.7
4.	Amounts owed to customers	10.3	12.6	18.5
5.	Shareholders' funds	16.8	19.7	20.5
6.	Net income for the reporting period	8.6	5.2	2.3

Billion of Rub.



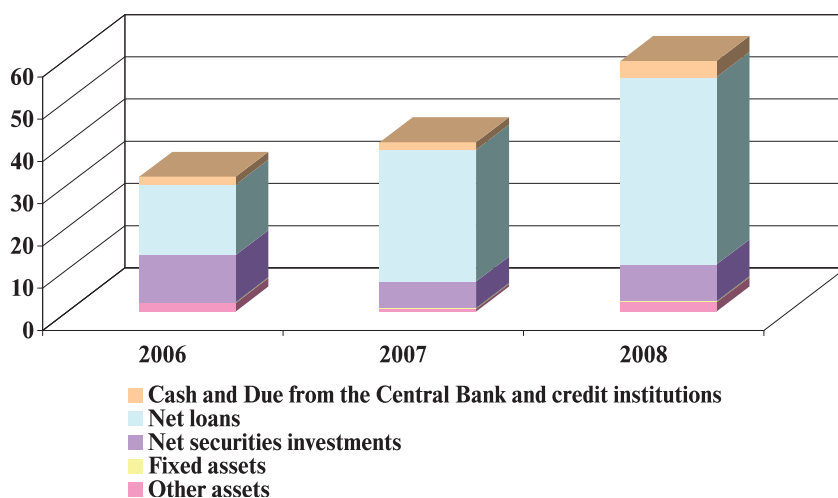
Billion of Rub.



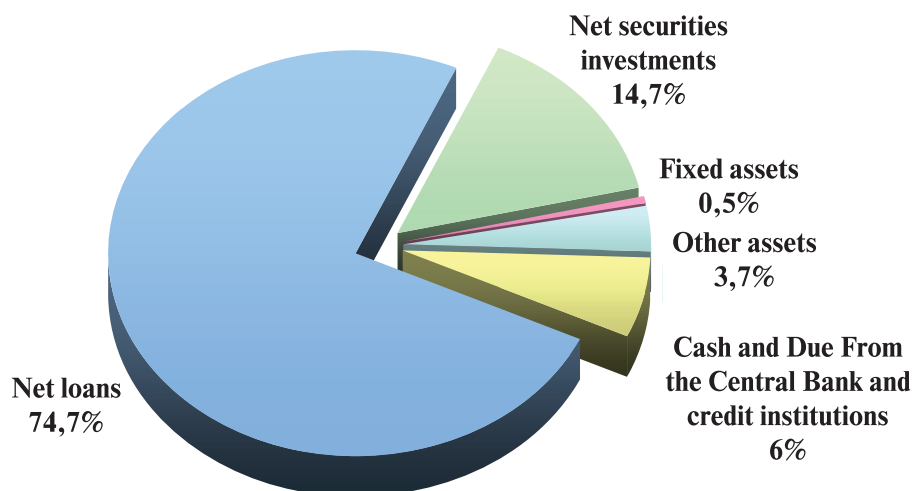
DYNAMICS AND STRUCTURE OF BANK'S ASSETS

№ ASSETS	(Billion of Rub.)		
	2006	2007	2008
1. Cash and Due from the Central Bank and credit institutions	1.9	1.7	3.8
2. Net loans	16.7	31.2	44.3
3. Net securities investments	11.2	6.3	8.7
4. Fixed assets	0.2	0.2	0.3
5. Other assets	2.0	0.6	2.2
TOTAL	31.9	40.2	59.4

Billion of Rub.



STRUCTURE OF BANK'S ASSETS AT JANUARY 1, 2009



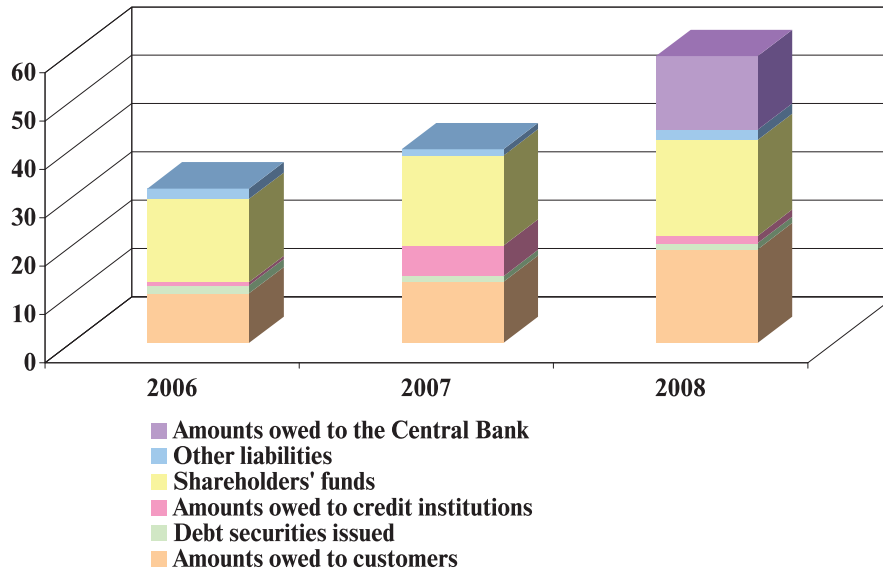


**NATIONAL
RESERVE
BANK**

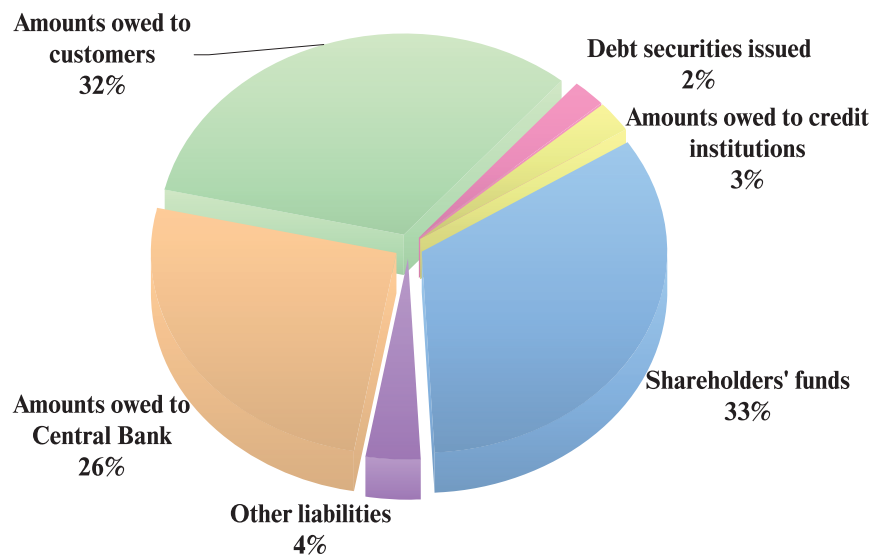
DYNAMICS AND STRUCTURE OF BANK'S LIABILITIES

		(Billion of Rub.)		
№	Liabilities	2006	2007	2008
1.	Amounts owed to the Central Bank	-	-	15.3
2.	Amounts owed to customers	10.3	12.6	19.4
3.	Debt securities issued	1.6	1.2	1.3
4.	Amounts owed to credit institutions	0.7	6.3	1.5
5.	Shareholders' funds	17.2	18.7	19.9
6.	Other liabilities	2.1	1.3	2.1
TOTAL		31.9	40.2	59.4

Billion of Rub.

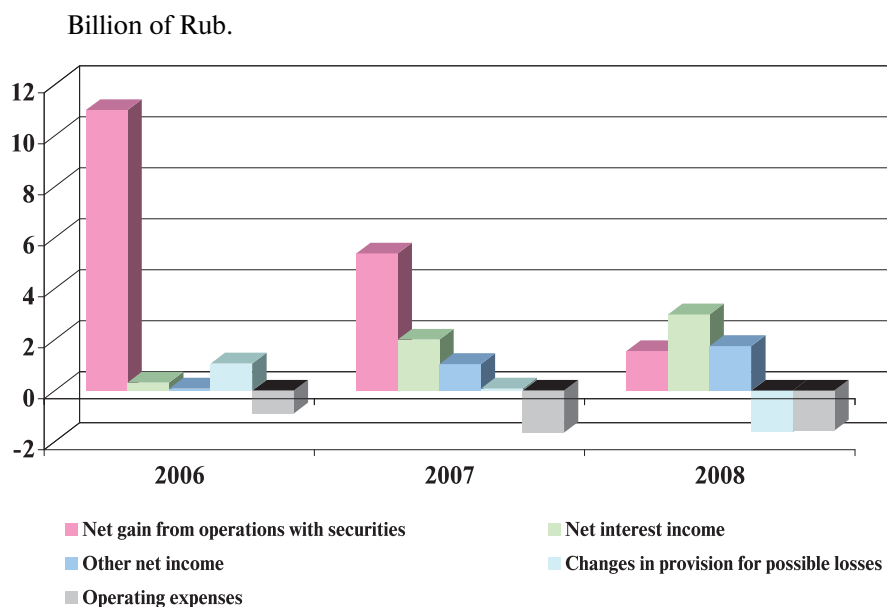


STRUCTURE OF BANK'S LIABILITIES AT JANUARY 1, 2009



DYNAMICS OF BANK'S INCOME AND EXPENSES

№	(Billion of Rub.)		
	2006	2007	2008
1. Net interest income	0.31	2.00	2.99
2. Net gain from operations with securities	11.01	5.41	1.55
3. Net gain from foreign exchange operations	-0.10	-0.04	1.06
4. Net commission income	0.11	0.95	0.48
5. Other net income	0.06	0.13	0.20
6. Operating expenses	0.89	1.65	1.57
7. Changes in provision for possible losses	1.06	0.08	-1.62
Net income before taxation	11.57	6.86	3.13





**NATIONAL
RESERVE
BANK**

**REPORT ON PAYMENT OF DECLARED (ACCRUED) DIVIDEND
BY THE JSCB NRBANK (OJSC)**

According to the resolution of the Annual General Meeting of Shareholders of the NRBANK of 17 June 2008, the following annual dividends were paid:

- on convertible registered preference shares of the NRBANK out of NRBANK's net profit for 2007, in the total amount of RUB 96 million 163.9 thousand (RUB 700 per convertible registered preference share);
- on ordinary registered shares of the NRBANK out of NRBANK's net profit for 2007, in the total amount of RUB 2 billion 404.7 million (RUB 1,543 per ordinary registered share).

INFORMATION ON INTERESTED PARTIES' TRANSACTIONS

A total of 312 related party transactions were made in the reporting year, approved by the competent management body of the National Reserve Bank, to the total amount of RUB 19.5 million.

Approval of related party transactions is effected on the basis of resolutions of the Board of Directors of the NRBANK and within the limit established for each counterparty by the resolutions of General Meetings of National Reserve Bank's shareholders of 28 June 2007 and 22 September 2008 on approval of related party transactions that may be made in the future in the course of ordinary economic activity.

The volume (amount) of each of the said transactions is less than 5% of the book value of NRBANK's assets, determined on the basis of the accounting data as of the latest reporting date before making the transaction.

**AMOUNT OF REMUNERATION PAID TO MEMBERS OF THE BOARD
OF DIRECTORS AND THE MANAGEMENT BOARD OF THE BANK BASED
ON THE BANK'S RESULTS IN 2008 (CLAUSE 3.6 OF ORDER OF FSC RF
OF 31 MAY 2002 № 17/PS)**

The amount of remuneration (salary, bonuses, commission fee, benefits and / or reimbursement of expenses, and other pecuniary allotments) paid to members of the Board of Directors of the NRBANK for 2008: RUB 28 million 379 thousand.

The amount of remuneration (salary, bonuses, commission fee, benefits and / or reimbursement of expenses, and other pecuniary allotments) paid to members of the Management Board of the NRBANK for 2008: RUB 85 million 880 thousand.

REGIONAL BUSINESS

In 2008, the JSCB NRBank (OJSC) proceeded to implementation of the strategic resolution on expeditious development of regional business and establishment of a ramified branch offices network. According to the Strategy for 2008–2012, approved by the Bank’s Board of Directors, the Bank opened in the first half-year ten representative offices in the regions of Russia and proceeded to establishment of full-scale regional units (branch offices and operational offices) on their basis.

In spite of occurrence of the global crisis, the negative influence of which spread over the domestic banking system in the second half of the year, the National Reserve Bank continued to extend the branch network adjusting the order of its actions according to the varying economic situation, but not rejecting the key points of the Strategy. Owing to systemic work and flexible use of new opportunities resulting from the trend towards consolidation of the Russian banking system, the National Reserve Bank managed to achieve the results impressive for the time of the crisis in implementation of the Strategy.

In 2008, the Bank opened 17 operational offices throughout the country, which ensured its presence in 6 federal districts of the Russian Federation. The result is especially illustrative taking into account that the NRBank had only three branch offices (in St. Petersburg, Voronezh and Volgograd) as of 1 January 2008.

The volume of the NRBank’s investment into development of the regional network amounted in the reporting to RUB 220 million.





**NATIONAL
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BANK**

In the aggregate, as of 1 January 2009, the National Reserve Bank's regional network within the territory of the Russian Federation comprised 26 units. They included 9 branch offices (in St. Petersburg, Voronezh, Volgograd, Bryansk, Krasnodar, Saratov, Chelyabinsk, Irkutsk, and Yaroslavl), 7 operational offices (in Tula, Stavropol, Rostov-on-Don, Samara, Togliatti, Nizhny Novgorod, and Krasnoyarsk), and 6 supplementary offices under the Voronezh Branch of the NRBank (4 of which are in Voronezh and 2 in the district centers of the Voronezh Region in the towns of Rossosh and Borisoglebsk). In addition, at the beginning of 2009, the Bank had 6 representative offices, including 4 representative offices within the territory of Russia (in Krasnodar, Ekaterinburg, Tyumen, and Novosibirsk) and 2 representative offices abroad (in Kiev and London).

In the reporting year, the NRBank's regional network demonstrated steady positive dynamics as regards the basic indicators, and prerequisites for further growth were created as well. The customer base increased in the reporting year two times and amounted to about 38 thousand customers as of 1 January 2009, taking into account the customers of bank Elektronika transferred to the NRBank for servicing. The loan portfolio increased 1.5 times up to RUB 9.4 billion. As of the beginning of 2009, the attracted funds of the customers (term deposits) amounted to RUB 1.7 billion and the balances in settlement accounts and current accounts amounted to RUB 1.5 billion. The operating profit from servicing customers reached RUB 575 million.

It should be noted that, in the reporting year, the regional strategy was implemented by the NRBank simultaneously with its participation in the measures taken by the state for improvement and consolidation of the domestic banking system. Thus, in December 2008, the Bank established 13 new regional units on the basis of the previously operating regional subdivisions of bank Elektronika, transferred to the NRBank under the agreement concluded with the State Corporation Deposit Insurance Agency (DIA).

Transfer of a portion of the obligations and property of Elektronika bank to the National Reserve Bank was effected by DIA on the basis of Article 9 of the Federal Law On Additional Measures to Strengthen the Stability of the Banking System in the Period until December 31, 2011, within the framework of the powers of DIA as a provisional administrator. This operation constituted a precedent of successful implementation of transactions of this kind in the Russian banking practice.

According to the agreement, the NRBank accepted for comprehensive bank servicing natural persons having formerly been the customers of JSCB Elektronika, with unconditional compliance with the terms of their contracts of bank deposit and bank account, including the interest rates on deposits and the terms thereof. The total number of the customers obligations to whom were transferred for servicing by the National Reserve Bank exceeded 17 thousand, with the total amount of obligations equal to RUB 1.6 billion. The NRBank resumed a full-fledged servicing of former customers of JSCB Elektronika from 8 December 2008.

In the reporting period, the NRBank's branch offices, established in previous years in St. Petersburg, Voronezh, and Volgograd, continued to show growth as regards principal indicators of its activities. Thus, the assets of St. Petersburg's Branch grew by RUB 524 million and

amounted to RUB 4.6 billion as of 1 January 2009; net loan debt grew by RUB 702 million and reached RUB 4.1 billion. In 2008, the net profit of this branch of the Bank grew 9.8 times compared with 2007 and reached RUB 225 million.

In 2008, the St. Petersburg Branch, increasing its loan portfolio and extending lending to the real sector of the national economy, granted loans to the total amount of RUB 5.3 billion to enterprises operating in St. Petersburg. In the branch segmentation of the Bank's corporate lending portfolio the share of production companies amounted to 56%, construction companies to 14%, and business companies to 19%. Among the Bank's major borrowers were OJSC LOMO, OJSC Tekhpribor, CJSC Phoenix Motors, OJSC Spetsmash, CJSC Baltiisky Bereg, LLC Volkhovneftekhim, LLC TD Intertorg, OJSC Plastpolimer. In addition, throughout the year, the Branch intensively cooperated with the leasing companies, namely, LLC Progress-Neva-Leasing, LLC Petrokonsalt, and LLC MMT. In the aggregate, St. Petersburg Branch of the National Reserve Bank has granted loans to its corporate customers to the total amount exceeding RUB 14.5 billion from the beginning of its activities.

Continuing implementation of the Bank's mortgage lending program, St. Petersburg Branch granted in 2008 mortgage loans to the amount of RUB 272 million to inhabitants of the city. The total number of mortgage loans granted by St. Petersburg Branch since 2004 reached 665 to the total amount exceeding RUB 1.2 billion.

In the reporting year, the Branch intensively worked at expansion of the corporate customer base, which resulted in attracting 152 new customers for servicing. In the aggregate, according to the data as of the end of 2008, the Branch's customers include 753 legal entities and 1,242 natural persons.

Traditionally, the St. Petersburg Branch is among the leaders of the FOREX in the city. The NRBank again took the first position in the foreign exchange market ranking in terms of the aggregate volume of FOREX trades made on SPCEX in 2008.

The Branch's priority tasks in 2009 include retaining the existing customer base and keeping the loan portfolio at the existing level, and, in case of a favorable macroeconomic situation in the country and appropriate market environment, further development of corporate customer base and expansion of the range of banking services.

In the reporting year, Voronezh Branch of National Reserve Bank, registered on 29 September 2006, showed high rate of growth in basic segments of the regional market. Among 90 credit institutions operating in the region, the Branch took the 8th position in the lending investment market, the 9th position in terms of attracting funds from natural persons, and the 10th position in terms of attracting of funds from legal entities and individual entrepreneurs.

In the reporting year, owing to growth of the volume of lending investment, the assets of Voronezh Branch grew by RUB 1 billion and reached RUB 4.3 billion; the loan portfolio grew 1.3 times and reached RUB 4.1 billion. The balance sheet profit of the Branch at year-end amounted to RUB 218.3 million, and the operating profit amounted to RUB 373.9 million.

In 2008, the Branch granted loans to the amount of approximately RUB 7 billion, of which loans to the real sector of the national economy amounted to RUB 6.2 billion.



**NATIONAL
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The branch segmentation of the portfolio of loans granted to enterprises of non-financial sector of the economy consisted of loans to manufacturing enterprises (47%), trade enterprises (37%), construction enterprises (10%), service sector enterprises (3%), and agricultural enterprises (2%).

Retail lending is a priority line of Voronezh Branch's activities. By the end of the year, the portfolio of term consumer loans grew by RUB 55 million and amounted to RUB 587 million as of 1 January 2009. In the reporting period, consumer loans to the amount of RUB 423 million were granted to natural persons. The portfolio of mortgage loans grew by RUB 66.7 million and reached RUB 103.1 million by the end of the year.

The Voronezh Branch is intensively attracting legal entities and individual entrepreneurs for cash and settlement servicing. As of 1 January 2009, over 1,700 accounts were opened for this category of customers. By the said date, the Branch opened over 17.6 thousand accounts of natural persons. In 2008, credit turnover on settlement accounts of legal entities amounted to RUB 86.4 billion and on settlement accounts of natural persons – to RUB 2.8 billion.

Among the Branch's traditional partners are such companies as OJSC VASO, group of companies OJSC Evdakovsky Butter and Fat Producing Company, group of companies CJSC Masloproduct, OJSC Narodnensky Krupozavod, group of companies Visant, CJSC Rekonenergo, LLC Voronezh Grain Company, OJSC Voronezhatomenergobyt, LLC Olsam, LLC Technologies XXI Century, LLC Arkada, LLC KM/ch-Voronezh, LLC Autostil, CJSC Insurance Business Group, CJSC Insurance Company ASKO-Center, OJSC Energogarant Insurance Company, OJSC VSK, etc.

The priority tasks of the Voronezh Branch for 2009, under the conditions of the financial crisis, include minimization of credit risks and possible losses, and maintenance and strengthening of the consumer and resource base. The Branch plans to intensify work with the Pension Fund, to introduce loyalty programs for investors, to develop the "plastic" business for the purpose of attraction of natural persons' funds, and to continue development of the network of selling outlets in the region.

In the reporting year, the Volgograd Branch of the National Reserve Bank, registered on 24 September 2007, increased its assets by RUB 1.1 billion up to RUB 1.6 billion. Loan debt grew in the reporting year 3 times and reached RUB 1 billion 582 million. The Branch's balance sheet profit based on the results of the year exceeded RUB 62 million.

As of 1 January 2009, the Volgograd Branch's corporate loan portfolio amounted to RUB 1 billion 393 million, including RUB 253 million granted to the Finance Department of the Administration of Volgograd. The branch segmentation of the corporate lending portfolio consists of loans to manufacturing enterprises (50 %), trade enterprises and service sector enterprises (22%), transport enterprises and communications enterprises (8%). Among the Bank's major borrowers were OJSC Caustic, LLC Volgograd Profiled Metal Factory, OJSC Volgograd River Port, LLC Leasing Company Volzhanin, LLC Radezh, LLC Ansey VMK.

As of the end of the reporting year, the funds in the customers' accounts amounted to RUB 250 million, including legal entities' deposits amounting to RUB 210 million.

In 2008, the Volgograd Branch intensively performed documentary business transactions: import letters of credit, including import letters of credit with use of trade financing, were opened to the amount of USD 6.2 million and EUR 1 million, and guarantees were issued to the amount of RUB 20 million.

In 2009, the Volgograd Branch plans to focus on increase in its own resource base and reduction of the extent of its concentration, and to retain the amount of the loan portfolio on the level of the beginning of the year, substituting highly-liquid high-quality pledges for loans. The Branch also intends to expand the range of banking products for natural persons by way of introduction of consumer lending and the service of money transfers without opening an account.

Summarizing the activities of regional units, it should be noted that in the last quarter of 2008, in the acute phase of the global crisis, the Bank managed to maintain the resource base at the level of the beginning of the year and neutralize the negative dynamics of outflow of resources from the accounts. It was possible owing to existence of steady partnership relations between the regional selling points and the customers, including OJSC Caustic, OJSC Voronezh Joint-Stock Aircraft Manufacturing Company, Leningrad Optical Mechanics Association named after V.I. Lenin (LOMO), OJSC Motorostroitel, LLC Irkutsk Electronetwork Company, OJSC Research and Production Company Uralvagonzavod, Airline Aeroflot-Don, Zheleznogorsk Mining and Chemical Combine.

In the reporting year, the Bank's regional units significantly expanded the list of their corporate customers. Among new customers are regional companies and enterprises such as CJSC Ekoprom (St. Petersburg), CJSC Intekh (St. Petersburg), LLC Sever Trade (St. Petersburg), CJSC ISC GEFEST (St. Petersburg), OJSC Metallist-Samara (Samara), LLC Volgograd Profiled Metal Factory (Volgograd), OJSC Volgograd River Port (Volgograd), LLC Leasing Company Volzhanin (Volgograd), LLC Radezh (Volgograd), LLC Ansey VMK (Volgograd), CJSC Vorobiyovsky Elevator (the Voronezh Region), SPPK Agrofirma Izhevsky Condensed Milk Factory (the Ryazan Region), LLC PenzaMotors (Penza), LLC Tverdokhlebovskaya Kompaniya (the Voronezh Region), LLC Prom-Agro (the Voronezh Region), LLC Nika (Voronezh), LLC Akmiteks (Voronezh), LLC Region (Voronezh), LLC Libera (Voronezh), LLC VoronezhPromHolding (Voronezh), LLC Irkutskstroyservice (Irkutsk), LLC Ilimpiyskaya GE (the Krasnoyarsk Territory), LLC Geomash-Yug (Krasnodar), CJSC KubanGeoStroy (Krasnodar), LLC Polimerfiltr-Holding (Krasnodar), LLC Yug-Gidrostroy (Rostov-on-Don), LLC Stroygarant (Yaroslavl).

Within the framework of further territorial expansion of the regional network in the first half year of 2009, it is planned to open branch offices of the NRBank in Tyumen and Novosibirsk (started to operate in April 2009), Samara (started to operate in May 2009) and Yekaterinburg and to open operational offices in Kaluga, Astrakhan, Belgorod and Omsk.

In the aggregate, according to the Strategy of development of the National Reserve Bank, it is planned that by 2012 the Bank's regional network will include no less than 100 regional subdivisions.



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CUSTOMER POLICY

In 2008, seeking to develop its customer business, the JSCB NRBank (OJSC) paid special attention to expansion of its corporate customer base and intensification of work with companies of large and medium-sized businesses, taking into account their industry classification and using opportunities of presence in regions. Effective settlement and cash management program, convenient credit facilities and project finance options tailored to specific features of business in various market segments laid the basis for National Reserve Bank's successful cooperation with companies and enterprises.

In the reporting year, the NRBank continued cooperation with major Russian business companies representing the industries falling within the sphere of the Bank's strategic interests, such as OJSC Aeroflot – Russian Airlines, OJSC Objedinennye Mashinostroitelnye Zavody, FGUP Sudoexport, Itera Group, FGUP Rosoboronexport, Razgulay-Ukrros Group, OJSC AvtoVAZ, OJSC LOMO, LLC TD Intertorg, OJSC Tekhsnabexport, etc.

A number of leading companies were added in 2008 to the list of the Bank's major corporate customers, in particular, LLC Moscow Book, OJSC Motorostroitel, CJSC Interskol, LLC Importvin, OJSC Novosibirsk Tin-Smelting Plant, FGUP ROSTEK, GK Proplex, GK Uranium Holding Atomredmetzoloto.

In the aggregate, the number of the NRBank's corporate customers grew in 2008 by 10%. Multilateral relationships established by the National Reserve Bank with its old partners, improvement of the quality of services and introduction of new services combined with individual approach to each customer, with due account for specific features of the industry, contributed to expansion of the Bank's customer base.

The total volume of the portfolio of loans granted to corporate customers grew in the reporting year by 34%.

In 2008, the Bank continued successful cooperation with a number of its major partners in the construction industry, in particular, group of companies, such as Housing Capital and Complex Investment. The National Reserve Bank participated in competitions for financing the municipal administrations. In particular, as a result of winning one of such competitions, the Bank effected in the reporting year financing of the budget of Volgograd and repayment of the city's municipal debt obligations.

In 2008, the NRBank intensively invested in development of the agricultural complex. Among its customers in this sector were leading representatives of the industry such as OJSC Narodnensky Krupozavod, OJSC EMZhK, LLC Olsam. Within the framework of cooperation with Razgulay-Ukrros Agroindustrial Group, provision of loan funds for financing projects related to production and storage of sugar and grain was continued.

In the crisis environment, the National Reserve Bank became one of the first financial and credit institutions of the country which participated in the state arrangements aimed at improvement of the Russian banking system. Resolving the tasks of renewal of settlements with customers of the banks suffering difficulties, the National Reserve Bank found new partners in their person.

As a part of the Strategy of development of the Bank until 2012, providing for its consistent transformation into a universal multi-branch credit institution operating in all economically stable subjects of the Russian Federation, the program for unification of business standards and extension of the product range of banking services is being implemented.

Fundamental principles of the customer policy pursued by the National Reserve Bank include efficient and high-quality servicing of customers, wide range of available financing instruments, highly-qualified personnel, and facilitation of the development of key industries of Russia's economy.

Due to a difficult situation in the international financial markets, the Bank has to resolve the task of expanding and developing its customer base. According to this task, the NRBank plans to pay in 2009 special attention to expansion of its presence in regions, retaining the existing volumes of lending and financing of projects, improvement of quality of the loan portfolio, and extension of the range of banking products and services.

LENDING POLICY

Lending to legal entities, mostly to large and medium-sized businesses, is a strategic line of NRBank's activities. In 2008, the Bank continued its intensive and balanced lending policy aimed at attraction of real economy enterprises as borrowers. Among the Bank's priorities were aviation-and-space, military and agricultural complexes. Lending was provided both to finance specific transactions and to replenish borrowers' working capital.

In 2008, the volume of NRBank's loan portfolio increased by 30% and reached RUB 32.9 billion as of the end of the year.

The Bank's lending policy is based on satisfying customers' needs for lending services together with maintaining admissible level of risk of lending investment and required return on investment. In its activities, the Bank is guided by the task of formation of a high-quality loan portfolio diversified by the industries to which the borrowers belong, by the terms of borrowing and by the kinds of the security provided.

Among the National Reserve Bank's borrowers are enterprises of the aviation and telecommunication industries, fuel and energy complex, military complex, machine-building, agricultural complex, trade intermediary organizations, construction organizations, leasing companies as well as small and medium-sized businesses. Diversification of the loan portfolio ensures stability of income and lowers credit risks.

The NRBank pays special attention to the issues of credit risk management. Loans are only granted upon careful examination of the situation as regards repayment of the borrowed funds. Granted loans are secured by liquid pledges with the market value sufficient to cover the principal, the interest thereon and the Bank's costs.

Security of a credit may include real estate, equipment, finished products, commodity stocks, securities, property rights, bank guarantees and sureties, as well as guarantees and sureties issued by legal entities and natural persons. The risk of loss of the pledged object is covered by appropriate insurance in the Bank's favor for a period extending beyond the date of final repayment of the borrowed funds. Independent valutors may be engaged by the Bank in order to assess the quality of the security offered.

Admissible level of credit risk is ensured by establishment of lending limits for each borrower, thorough analysis and selection of loan applications, decision making procedures applied at the Bank, continuous monitoring of a borrower's financial position over the entire



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term of lending and a well thought-out risk management system at all stages. The Bank applies in dealing with each customer an individual approach, a flexible pattern of interest rates and the widest possible range of loan products within the limits of admissible risk.

Interest rates and fees charged by the Bank are determined depending on a number of factors, such as the situation in the lending and money markets, extent of the credit risk, expenses related to formalization of the loan agreement, performance monitoring and pledge evaluation and formalization. Service fees may also depend on the nature and the prospects of relations between the parties.

The National Reserve Bank is developing a project-based approach to financing customers. Its main distinctive feature consists in shifting emphasis in risk assessment to analysis of a project itself in the aggregate with used lending products. This enables the Bank to perform market transactions falling within a wide range, including construction projects lending, foreign trade transactions and investment transactions.

Acting in accordance with the effective law and its Charter, the National Reserve Bank grants short-term, medium-term and long-term loans to enterprises, organizations and institutions of any form of ownership, having their separate balance sheets and own funds, and to entrepreneurs conducting their activities without establishment of a legal entity. The Bank offers its customers a wide range of lending products and services, including lending within the limits of the established credit lines, project finance, lending for export and import transactions, overdrafts on customer accounts, and provision of guarantees and sureties.

Loans are granted to borrowers on a contractual arm's length basis, with observance of the principles of security, definite term, cost of credit, repayment and designated use. The Bank grants loans within the limits of its capital and attracted funds, ensuring the balance between the resources placed and the resources attracted as regards the terms and the volumes of lending.

The National Reserve Bank's customer servicing arm provides potential borrowers with a convenient opportunity to execute all necessary documents for consideration of their loan applications within the shortest possible time.

According to the Charter of the NRBank, decisions on granting loans shall be made by a permanent collegial body of the Bank, the Lending Committee, responsible for formation of the optimal loan portfolio. In making a lending decision, preference is given to borrowers already being the Bank's customers and conducting their financial operations via their accounts opened with the Bank, or using some other services or products of the National Reserve Bank.

Taking into account the NRBank's strategy of development for a period until 2012, growth of the loan portfolio, attraction of borrowers from new geographical regions, entry to new industries of the economy, extension of the range of offered lending products, and intensive lending to small and medium-sized businesses will remain the principal objectives of the Bank's lending policy in 2009.

CORRESPONDENT RELATIONS

The JSCB NRBank (OJSC) maintains a ramified network of correspondent banks, enabling it to speedily effect international settlements in all major currencies, to execute transactions related to foreign trade financing, and to perform documentary, conversion and lending operations within the established limits.

In the reporting year, the National Reserve Bank continued paying adequate attention to establishment of relations with Russian and foreign financial institutions and to optimisation of its correspondent network so as to improve the quality of products and services offered to the customers.

As of the end of 2008, the National Reserve Bank's correspondent network included 82 NOSTRO correspondent accounts opened with 36 Russian and foreign correspondent banks. Traditionally, the Bank continues development of relations with its LORO correspondents. In the reporting period, accounts were opened for two new LORO correspondents, and their total number is now equal to 26.

As regards settlements in US dollars, NRBank's principal partners are Deutsche Bank Trust Company Americas and JP Morgan Chase Bank N.A. Settlements in euro are effected mostly through Deutsche Bank AG, Commerzbank AG and VTB Bank (Deutschland) AG. For convenience of customers and their counterparts, correspondent accounts in US dollars and euro have been opened with banks in Austria, Italy, Finland and Sweden. The NRBank has correspondent accounts in other currencies as well, namely, in GBP and CHF with UBS AG and in Ukrainian hryvnas with the Subsidiary Bank Sberbank of Russia (Ukraine).

Development of the Bank's correspondent network, including the cases where no correspondent accounts are opened, is carried out along the following lines:

- establishment of correspondent relations with reliable and stable financial institutions in Russia and abroad for the purpose of satisfying to the fullest possible extent the Bank's customers' needs for services in various fields, including international settlements, documentary operations, foreign trade finance etc.;
- establishment and widening of cooperation, search for new forms of partnership with correspondent banks and mastering such new forms;
- monitoring of effectiveness of using the correspondent network and optimisation of the same.

Traditionally, the NRBank intensively works on increasing the number of correspondent banks and establishment of mutual credit lines in the domestic inter-bank money market and FOREX market. Thus, at year-end 2008, the total number of the Bank's counterparts in the IBC / FOREX market having signed General Agreements with the National Reserve Bank was equal to 130, with 12 agreements signed in the reporting year, including one agreement on making banknote transactions.

In 2009, the Bank plans to continue mutually beneficial cooperation with foreign and Russian financial institutions as regards settlements in foreign currencies and in the fields of trade financing, documentary transactions, and conversion transactions.



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INTERNATIONAL PROJECTS

In 2008, NRBank's long-term cooperation with OJSC Gazprom developed further in the sphere of international projects. In the reporting period, the Bank took part, together with leading Western credit institutions, in Gazprom's program to the amount of USD 30 billion for issue of loan participation notes.

The NRBank took part, together with major Western banks, in arrangements for opening credit lines for companies of the fuel-and-energy and oil-and-gas industries. Options were considered and patterns worked out for cooperation with other credit institutions in the sphere of raising finance for projects aimed at development of the transport infrastructure and the agricultural complex.

Special attention was paid in the reporting year to working out projects for attraction of external sources of financing, implementation of which was postponed in a number of cases owing to unfavorable conditions in the global financial markets.

The NRBank carried on cooperation with an international rating agency Fitch Ratings for the purpose of maintenance and updating of the Bank's national and international ratings. In May 2008, an annual rating visit of Fitch Ratings agency to the Bank took place, based on the results of which the NRBank's long-term issuer's default rating was upgraded to B, the national long-term rating to BBB(rus), and the individual rating to D. The Bank's short-term issuer's default rating and support rating were confirmed to remain at the former level, with the 'Stable' forecast.

In the reporting year, the Bank signed an agreement for rating services with the international rating agency Moody's Investors Service and its subsidiary in Russia Moody's Interfax Rating Agency. At the end of September 2008, Moody's Investors Service, based on the results of the rating visit, assigned to the National Reserve Bank the following ratings on a global scale: the long-term rating B2 and the short-term rating Not Prime as regards deposits in foreign and domestic currency, and the bank's financial strength rating (BFSR) E+. The forecast for all ratings is "Stable". On the national scale, the long-term credit rating A3.ru was assigned to the Bank.

In 2009, the National Reserve Bank plans to maintain its partner relations with Russian and foreign counterparties in the sphere of development and implementation of patterns for participation in securities' issues and syndicated lending for sovereign and private borrowers, as well as rendering intermediary services and settlement of debt obligations.

PROJECT AND CORPORATE FINANCE

In 2008, the activities of the NRBank in the sphere of project and corporate finance was focused on management of long-term projects initiated in previous years and on implementation of new projects.

The total amount of the portfolio of bank products allocated by the Bank to project finance increased from RUB 1.5 billion at the end of 2007 to approximately RUB 2.1 billion at the end of 2008, or by 40%.

In 2008, the National Reserve Bank financed a number of new projects. Continuing work with developer companies, the Bank refinanced construction of a commercial property object in Sochi, where the investment stage had been completed. To refinance the project, the NRBank used long-term financial resources with lower cost. The Bank also financed the project of housing construction in the settlement of Dubki in the Moscow Region. In this segment, the Bank deals with a leading development company in the Moscow Region, namely with the Housing Capital group of companies.

Acting within the framework of widening cooperation with agricultural enterprises owned by the Bank's parent company CJSC National Reserve Corporation (NRC), the NRBank provided finance for implementation of one more agricultural project in Tula. Taking into account special features of the industry and strategic interest in agriculture on the part of NRC, long-term financing was provided to agricultural enterprises participating in the project.

Participating in resolution of the task of providing the people with housing at affordable prices, the NRBank financed in the reporting year the project of construction of a plant for manufacture of pre-fabricated modules of low-rise housing in the Khanty-Mansiysk Autonomous Okrug.

To finance the above mentioned projects, 8 bank products were provided to the clients to the total amount of approximately RUB 1.65 billion, of which RUB 800 million was provided in the form of credits. Another financial instrument was funding provided by a foreign bank to the amount of USD 28.8 million (approximately RUB 850 million).

The total amount of finance provided together with foreign banks' funding was equal as of the end of 2008 to over RUB 1 billion, which is more than 5 times the respective amount as of the end of 2007 (approximately RUB 193 million). Accordingly, the share of this kind of financing in the total volume grew from 13.1% at the end of 2007 up to 47.6% at the end of 2008.

In 2008, the National Reserve Bank continued to finance the projects launched in the former years. In the reporting year, approximately RUB 140 million was allocated to implementation of such projects. Financing of a mercerized yarn production in the town of Shuya, the Ivanovo Region, remained one of the most significant long-term projects.

Most of the projects financed in the reporting year were initiated by the customers with whom the NRBank also interacts on other bank products.

In the sphere of corporate finance, the National Reserve Bank carried on work with financial products intended both for dealing with the existing customer base and for attracting new customers interested in provision of such services by the Bank.



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The Department of Project and Corporate Finance of the NRBank takes in its operation individual approach to customers with due account for their specific needs and interests. In implementation of projects, an adviser is attached to each customer for the purpose of coordination of provision to such customer of bank services.

In 2009, under the conditions of continuing global financial crisis, the Bank plans to focus its principal efforts on servicing already existing credit products provided for implementation of the projects, and on more intensive work in the sphere of corporate finance.

FOREIGN TRADE FINANCE AND INTERNATIONAL SETTLEMENTS

One of the most promising and profitable lines of NRBank's activities is servicing foreign trade operations of its customers. High reputation with foreign partners, intensive correspondent relations with major global banks and capability of effecting settlements in foreign currency speedily and at a high quality are the features enabling the Bank to effect the entire range of international settlements for servicing export and import operations of its customers.

Owing to its prolonged experience of cooperation with Western financial institutions, the NRBank succeeded in 2008 in resolving the problems related to attracting financial resources, opening credit lines and organization of financing with participation of export lending agencies.

In the reporting year, the total amount of trade finance limits was raised up to USD 210 million, with simultaneous reduction in the cost of funding in the first three quarters. Despite the global crisis, most of Western banks retained the limits opened on the National Reserve Bank. The Bank continued cooperation, established in the preceding period, with Deutsche Bank AG, Commerzbank AG, Banque de Commerce et de Placements SA, Bayerische Hypo-und Vereinsbank AG, Fortis Banque S.A., Monte dei Paschi di Siena, and foreign subsidiaries of VTB Bank; the Bank also received new credit limits on trade finance from Bred Banque Populaire and UBS AG.

In 2008, the NRBank increased the volume of its documentary transactions through working with existing and new customers and provision of a portion of free limits to Russian banks and banks from Russia's near abroad, and through intensive work for issuing guarantees for partner banks' customers in favor of customs authorities. The Bank has accumulated a prolonged positive experience of dealing with OJSC BTA BANK, OJSC Belpromstroybank, CJSC BSZhV, CJSC BNP Pariba Bank, CJSC Royal Bank of Scotland, JSCB Probusinessbank (OJSC), JSCB Primorye, OJSC Nomos-Bank, and JSCB Yapy Credi Bank Moscow (CJSC).

To finance customers' foreign trade operations within the framework of arrangements with VTB Bank (Deutschland) AG, Commerzbank AG and Bred Banque Populaire, the National Reserve Bank attracted in the reporting period resources in the amount of USD 33.5 million for a term not exceeding one year for financing customers' export and

import operations. In October and November 2008, borrowed funds to the total amount of USD 31.086 million for a period until 2018 were attracted within the framework of the agreements with Bayerische Hypo-und Vereinsbank AG for financing the construction of the hotel complex Brilliantovye Kholmy (Diamond Hills) and modernization of the Olympiyskiy Business Centre in Sochi against the guarantee provided by a German export lending agency Hermes.

The total volume of foreign trade finance operations grew in 2008 by USD 71.6 million and amounted to approximately USD 450 million. The volume of the issued guarantees grew by 25%.

As regards the sphere of foreign trade finance and international settlements in 2009, the National Reserve Bank plans to continue its work on development of cooperation with Western counterparties, including establishment of new links with partner banks for the purpose of receiving new limits on trade finance operations.

OPERATIONS IN FINANCIAL MARKETS

The global financial crisis having broken out in 2008 could not but influence NRBank's active operations in financial markets. In 2008, the situation was changing: in the first half, the condition of global capital markets was fairly positive and complied in full with the trends of 2007. Beginning with the second half of 2008, Russia's money market, debt market and stock market showed high volatility and were subjected to negative influence of external factors.

Under the conditions of liquidity shortage in financial markets, the National Reserve Bank had to shift to new sources of refinancing, to revise its approaches to management of assets and customers' funds, to strengthen its requirements to assessment of risks and to shift to more conservative approaches as regards liquidity management.

Being dependent on external financial markets, Russia's banking system passed in 2008 through a number of periods of abrupt reduction in liquidity. However, in the fourth quarter the situation was taken under control due to active measures on the part of the Bank of Russia.

In 2008, similar to the preceding years, the NRBank acted as a net creditor in the inter-bank lending market, being among active operators in the domestic money market and effecting a wide range of operations with major Russian banks and subsidiaries of foreign banks. The funds placement turnover amounted to over RUB 270 billion and the amount of attracted funds exceeded RUB 80 billion.

In the reporting period the NRBank continued active operations in the market of currency and conversion operations, relying on the achievements in this line in the preceding year. In 2008, the National Reserve Bank considerably increased its net turnover and the number of operations, extended the circle of its counterparties and took a position among the



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ten leading operators in the currency market of the MICEX Currency Section. Conservative strategy of currency portfolio management enabled the NRBANK to pass through the period of devaluation of Russian currency without losses.

A traditional line of the Bank's activities is participation in the capacity of an underwriter and co-underwriter in placement of securities in the domestic market, including provision of services related to initial placement of bonds. In April 2008, the National Reserve Bank acted as the organizer of placement of the first issue of bonds of its subsidiary LLC Prom Tech Leasing to the amount of RUB 130 million.

Summing it up, in 2008 the NRBANK participated in the following rouble bonds placements:

Issuer	Date	Amount of placement, RUB million	Status of the National Reserve Bank	Amount of participation, RUB million
OJSC CB Stroycredit	29.07.2008	1,000	Co-organizer	150
LLC KOMOS GROUP	17.07.2008	2,000	Co-underwriter	50
LLC Zhelezobeton Corporation	23.05.2008	1,000	Co-underwriter	45
LLC PENOPLEX Finance	24.07.2008	2,500	Co-organizer	200
LLC Home Credit and Finance Bank	23.04.2008	4,000	Co-underwriter	50
LLC Prom Tech Leasing	28.04.2008	130	Organizer	130
LLC PChRB-Finance	12.03.2008	1,250	Co-underwriter	50
JSCB MBRR (OJSC)	03.04.2008	3,000	Co-organizer	300

In the reporting period the Bank intensively developed its operations in the promissory notes market. In doing that, refinancing operations were in the focus of the Bank's efforts. Thus, the amount of lending in the money market against the security in the form of promissory notes increased in 2008 three times compared with 2007. By the end of the summer 2008, the NRBANK had reduced two times its trading portfolio in promissory notes, which enabled the Bank to avoid losses resulting from the non-payments crisis having affected the promissory notes market as well.

Acting within the framework of its Regional Development Strategy, the Bank entered for the first time the market of placement of its own promissory notes among financial and credit institutions. Support was organized to circulation of the Bank's own securities in the secondary market, and the pattern for refinancing the same was properly arranged for.

In 2008, similarly to former years, a major portion of the Bank's investment activities accounted for operations in the Russian stock market. The Bank followed the line taken thereby a year before and consisting in reduction of its investment portfolio and trading portfolio in securities. A major portion of the Bank's active operations was effected in the first half-year; in the third and the fourth quarters the focus was shifted to less risky pledge operations making it possible to manage carefully National Reserve Bank's liquidity.

Under the conditions of the current global crisis and high volatility in financial markets resulting therefrom, the Bank plans to follow as conservative an approach as possible to the issues of the range of its trade and investment operations and the choice of its counterparties. In 2009, the Bank's attention will be paid most of all to the issues of maintaining the current liquidity and further reduction of the share of securities in the assets.

CASH AND SETTLEMENT SERVICES

To optimize the staff structure and to increase effectiveness of operation, cash and settlement services in the NRBank were divided in 2008 between two separate functional arms, namely, the Operational arm falling within the competence of the Moscow Regional Network Department and the Settlement arm falling within the competence of a newly established Settlements Department.

The Moscow Regional Network Department operated in the reporting year two points of access to services for the Bank's customers — natural persons and legal entities — in the City of Moscow. These units' main tasks consist in ensuring high quality of bank services, comparable with the global standards, comprehensively satisfying customers' needs and developing partner relations between the Bank and its customers.

In the reporting year, the number of natural persons' accounts opened with the two Moscow access points exceeded 1,600. In addition, National Reserve Bank's supplementary office Taganskiy accepted for servicing at the end of 2008 over 7 thousand accounts, namely, the entire customer base in the City of Moscow and the Moscow region of JSCB Elektronika, which had gone bankrupt, which was done within the framework of the rehabilitation procedure. The Bank's Operational arm opened in 2008 over 190 accounts for legal entities.

Taking into account the growing volume of operations of the Bank's potential customers — legal entities and natural persons, and with the purpose to arrange for highly-qualified and prompt servicing of customers, serious structural changes were implemented at the Bank to improve the pattern of dealing with customers.

The number of payment documents delivered to correspondent banks and respondent banks on LORO accounts and NOSTRO accounts grew in 2008 by 20%. The number of new respondent banks having opened their accounts with the NRBank grew by 10%. To improve the quality of servicing its customers, the Bank examines and generalizes relevant practice of Russian and foreign banks and the materials of international non-credit organizations related to performance of transfer operations.

As of 1 January 2009, the total of the currency control files serviced at the National Reserve Bank amounted to the equivalent of USD 2,340 million, which is 3.2 times more than the respective number at the beginning of 2008. The number of effective files grew in the reporting year by 57%. Currency control files are intended for recording transactions involving import or export of goods, including import or export under credit facilities and loans between residents and non-residents — the Bank's customers.

In the reporting year, the number of cash transactions performed by customers of the NRBank (legal entities and natural persons) grew by 15%, with ensured safety and due recording of cash and other articles of value.

Extension of the range of the offered services and improvement of employees' skills, with application for this purpose of traditional and innovative training methods, will remain the priority objective of the National Reserve Bank in 2009.



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RETAIL SERVICES

Expanding its retail business, the JSCB NRBank (OJSC) intensively worked in 2008 at improvement of the system for provision individual banking services to natural persons, formation of a loan portfolio on the mortgage lending and consumer lending programs, attraction of funds to deposits, issue and servicing of plastic cards, and rendering commission services to general public.

The most significant of principal lines of National Reserve Bank's activity for retail business development were standardization of banking services, creation and introduction of new banking products, and development of model contracts and internal regulations.

In its dealing with natural persons in the reporting year, the National Reserve Bank was resolving such tasks as expansion of business, lowering of the level of credit risks and operations risks and improvement of profitability of financial products. The Bank's strategy was aimed at qualitative improvement of efficiency of internal business processes, improvement of banking technologies, introduction of reliable control system ensuring effective operation and compliance with regulation requirements, and improvement of profitability of banking operations.

In its interest policy on term deposits of natural persons the NRBank was seeking to take into account the market situation and the interests of the depositors. At the end of the reporting year, the Bank raised the interest rates on term deposits in Russian rubles, US dollars and euro so as to bring them to the average market values. Weighted approach to interest rates enabled the NRBank to retain the amount of funds attracted to the natural persons' deposits at the level of RUB 6 billion despite a difficult financial and economic situation in the country and overall reduction in resources in the domestic banking system.

One of the most important events of the reporting period was conclusion by the National Reserve Bank, in November 2008, of a trilateral agreement with the State Corporation Deposit Insurance Agency and Joint Stock Commercial Bank Elektronika (Moscow). According to the agreement, the Bank accepted for comprehensive bank servicing natural persons having formerly been the customers of JSCB Elektronika, with unconditional compliance with the terms of their contracts of bank deposit and bank account, including the interest rates on deposits and the terms thereof. The total number of the customers obligations to whom were transferred for servicing by the National Reserve Bank exceeded 17 thousand, with the total amount of obligations equal to RUB 1.6 billion. The Bank resumed a full-fledged servicing of former customers of JSCB Elektronika from 8 December 2008.

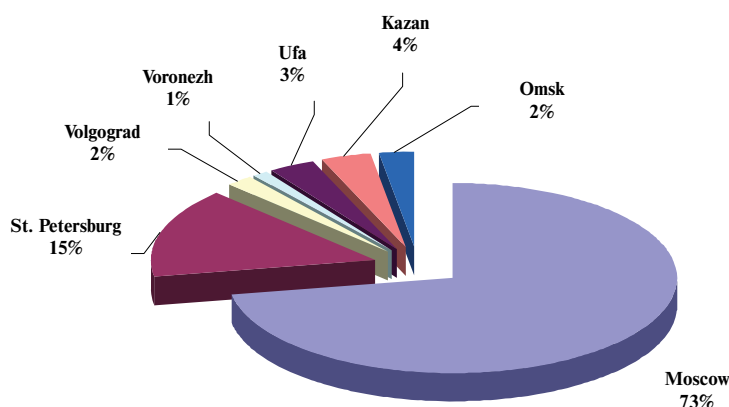
In the reporting year, the NRBank continued lending to employees of its corporate customers, following a conservative approach to assessment of borrowers' creditability. In the aggregate, the portfolio of loans to natural persons (with the exception of mortgage lending) amounted as of 1 January 2009 to approximately RUB 1 billion, including RUB 600 million of consumer loans and overdrafts on plastic cards and RUB 400 million of automobile loans.

The mortgage lending program was a priority line of development of National Reserve Bank's retail business in 2008. In the existing economic conditions the program is aimed at resolving not only economic but also socially significant tasks. A wide range of the Bank's mortgage products and services enables the borrowers to acquire flats or townhouses in the secondary housing market, to improve their housing conditions, or to refinance the loans taken earlier.

The Bank's mortgage lending portfolio grew in the reporting year by 11% and reached RUB 9.1 billion. The amount of mortgage lending provided by the Bank was equal in 2008 to RUB 2.1 billion, of which 32% was nominated in US dollars and 68% in Russian roubles.

The Bank's weighted lending policy in 2006—2008 contributed to formation of a high-quality loan portfolio and to keeping the current amount of overdue debt within the planned limits.

In the reporting year, the NRBank extended the territory covered by the mortgage lending program to four cities, namely, Moscow, St. Petersburg, Voronezh and Volgograd. In addition, owing to development of the partnership program, loans granted for acquiring real estate in the cities of Ufa and Omsk and Kazan begin to appear in the Bank's mortgage lending portfolio. Moscow and St. Petersburg remained the leaders in terms of the volume of lending in the reporting year.



In 2009, the NRBank plans to extend the mortgage lending program to the entire regional network, remaining at the same time adhered to its cautious lending policy. Emphasis will be put on such issues as dealing with overdue debt, introduction of a more thorough procedure for underwriting new borrowers and implementation of the debt restructuring program.

In the reporting period, the National Reserve Bank worked seriously on enhancement of the quality of servicing its bank card products intended for natural persons. The Bank offers personal, payroll, and corporate cards of the international payment system Visa International and also cards for Visa's VIP clients. As an additional service, SMS-notification of the account status and the operations carried on with the card is available in the real-time mode.



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The total turnover on plastic cards grew in 2008 15 times compared with 2007 and exceeded RUB 1.7 billion. In the reporting year, the Bank introduced the program for providing overdrafts to employees of the organizations serviced under the Bank's payroll projects. In the nearest future, the Bank plans to introduce a new tariffs schedule for servicing card accounts, able to satisfy the expectations of the most demanding customers.

In the reporting year, the National Reserve Bank continued cooperation with Western Union, Unistream and E-port payment systems effecting remittances for individuals in Russia throughout the world. The Bank also provided the services of collection from general public of utility payments and payments for mobile communication services, services of Internet-providers, satellite TV operators, IP-telephony providers and the like.

In 2009, priority lines of development of NRBank's retail business will include unification of retail products in the Bank's regional network, establishment of high-technology business processes, growth of the deposit portfolio, formation of a high-quality loan portfolio, issue and servicing of bank cards and increase of the share of commission and non-interest income in the total income of the Bank.

Relying on its own experience, the National Reserve Bank intends to offer a full range of retail services, to provide high-quality services to its customers – natural persons and to render effective support to employees of its corporate customers.

RISK MANAGEMENT

To retain stability and reliability under the conditions of expansion of business, a risk management system functions in the NRBank, established in accordance with the latest advancements in the sphere of risk management and with due account for requirements imposed on financial institutions by the Central Bank of the Russian Federation. Reliable functioning of the integrated risk management system is among the Bank's priority tasks, and it gains special importance under the conditions of the crisis.

In the reporting year, the NRBank was intensively expanding the body of its customers and the sphere of its operations, especially in the regions. Concurrently with extension of the list of banking operations and expansion of the customer base, continuous process of modifying the existing risk management system was on way, with due account for impact on the financial market of negative factors resulting from the development of the crisis.

The principal goals of the NRBank's risk management system are the following:

- analysis and assessment of and control over emerging risks;
- generation of recommendations regarding changes in the level and the profile of a risk;
- timely identification and assessment of risks related to all kinds of the Bank's operations;
- optimization of allocation of resources among all kinds of the Bank's active operations and enhancement of effectiveness of using the same;
- monitoring the parameters of risk and compliance with the limits established by the Bank's Lending Committee and the Asset and Liability Management Committee.

The principal risks related to banking activities are equity risk, liquidity risk, interest rate risk, currency risk, credit risk and operations risk. Reputation risk is considered individually for each of the Bank's customers or counterparties.

The National Reserve Bank pays the most serious attention to operations risk management. Highly-qualified personnel, permanent monitoring of compliance with the internal procedures, and high level of automation of work processes make it possible to exercise effective control over operations risks.

According to international standards, risk management at the National Reserve Bank is implemented by a separate unit subordinate directly to the leadership of the Bank, namely, to the Risk Management Department.

Liquidity risk is the risk of problems with availability of funds for return of deposits and repayment of obligations related to financial instruments at the time of their maturity. The Asset and Liability Management Committee exercises control over these kinds of risk by way of analysis of assets and liabilities in terms of their maturity, determining the group's strategy for the coming financial period. Management of current liquidity is effected by the Bank's Treasury, which performs operations in money markets to support the current liquidity and to optimize cash flows within the limits established by the Asset and Liability Management Committee.



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To manage the risk of liquidity, the NRBank checks on a daily basis expected future revenues from operations with customers and banking operations.

The risk of interest rate change results from the possibility of changes in the value of financial instruments and in the amounts of payments on assets or liabilities. The Asset and Liability Management Committee manages the Bank's interest rate risks by way of control over the Bank's position on interest rates, ensuring a positive value of the interest margin. The Planning and Financial Analysis Department carries out monitoring of the NRBank's current financial performance and assesses the Bank's vulnerability to changes in interest rates and their effect on profitability.

Most of the Bank's loan agreements and other financial assets and liabilities on which interest is accrued have floating interest rates, or the possibility of changing the interest rate by the borrower is provided for by the terms of an agreement. Leadership of the National Reserve Bank carries out monitoring of the interest margin and believes that the Bank does not bear any significant risk of change of the interest rate and respective risk as regards cash flows.

Currency risk is the risk of changes in the value of financial instruments owing to changes of exchange rates. The Bank's financial position and cash flows are exposed to influence of fluctuations of exchange rates of foreign currencies. The Asset and Liability Management Committee effects management of currency risk through the limits on the open currency position, proceeding from supposed devaluation of Russian ruble and other macroeconomic indicators, which enables the Bank to minimize its losses from significant fluctuations of exchange rates of Russia's currency and foreign currencies. The Bank's Treasury Department and the Risk Management Department exercise on a daily basis control over the NRBank's open currency position to ensure its compliance with the requirements of the Bank of Russia.

Equity risk is the risk of changes in the value of a financial instrument resulting from changes in market prices regardless of whether such changes are caused by factors specific to a certain investment or issuer or by factors influencing all the securities circulating in the market. The Bank is exposed to equity risk in connection with general or specific changes in the market. To manage equity risk, the National Reserve Bank evaluates on a regular basis potential losses that may be suffered in case of unfavorable changes in the market conditions, establishing appropriate limits on the amount of permissible losses and imposing requirements as regards the amounts of positions at risk.

The Bank is also exposed to credit risk, that is, the risk of non-fulfillment of its obligations by a party to a financial instrument, resulting in financial loss suffered by the other party to the same. Management of such risk and its monitoring within the limits established by the competent body is effected by the Lending Committee and the Risk Management Department. The NRBank determines the level of its credit risk by way of determination of the maximum amount of risk related to a borrower or to a group of borrowers, or to an industry or a territorial segment. The risk for each borrower, including banks and financial companies, is additionally restricted by sub-limits covering balance and off-balance risks, established by the Lending Committee. Monitoring of actual amount of the risks compared with the established limits is carried out on a daily basis.

If need be (actually, this is the case with the overall majority of the loans), the Bank receives a pledge and guarantees from organizations and natural persons; however, a certain portion of lending consists of loans to natural persons from whom no pledge or guarantee can be received. Such risks are subject to permanent monitoring and are analyzed on a monthly basis.

Obligations to provide credit represent outstanding portions of the same in the form of loans, guarantees or letters of credit. The Bank may suffer losses in the amount equal to the total amount of outstanding obligations. The NRBank applies in respect of contingent obligations the policy similar to that applied in respect of financial instruments accounted for in the balance, based on the procedures for approval of granting loans, using risk-restricting limits and current monitoring. The Bank exercises control over the terms of redemption of obligations to provide credit.

The Methodological Department, the Contract and Law Department, the Risk Management Department and other structural units of the NRBank exercise, within the bounds of their respective competence, control over the risk resulting from the possibility of changes in the legislation and assess its impact on the Bank's activities.

In 2009, the National Reserve Bank plans to continue improvement of rating-based methods for assessment of the Bank's counterparties/borrowers under the conditions of the crisis, modernization of operations risk management system in accordance with recommendations of the Bank of Russia and the Basle Committee, and improvement of internal rules and procedures for risk management.

ON OPPOSING LEGALIZATION (LAUNDERING) OF PROCEEDS FROM CRIME AND TERRORISM FINANCING

In a number of recent years, the Russian Federation, being a part of the global money and lending market, has been participating in international cooperation within the framework of programs for opposing legalization of proceeds from crime and terrorism financing. To ensure financial security, the state implements the policy aimed at ensuring stability of the payment and settlement system, neutralization of shadow structures, prevention from outflow of monetary funds from the country and prevention and suppression of financial violations.

Accessibility of banking services and the growing level of technologies integration result in banking operations being in demand not only with law-abiding customers but also with persons involved in legalization of proceeds from crime, with frauds and with persons involved in terrorist activity. Customers' involvement in unlawful operations for money laundering and terrorism financing remains a significant source of many risks for banks.

In accordance with the federal legislation and the regulations of the Central Bank of the Russian Federation, a set of measures and arrangements was worked out at the NRBank to promptly identify suspicious operations performed by the Bank's customers.

National Reserve Bank's policy in the sphere of opposing legalization (laundering) of proceeds from crime and terrorism financing is aimed at prevention from using the Bank as a tool for achievement of the said unlawful goals and at protection of the business reputation of the Bank and its customers.

The main task to be resolved by the NRBank in this sphere consists in identification of customers and in revealing and identification of beneficiaries, which makes it possible to use obtained information for analysis of operations performed by the customers and detection of



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unusual transactions among them. This task has many aspects related to collection of sufficient and up-to-date information on customers and beneficiaries, including their possible involvement in terrorist activity.

To achieve the set goals and objectives, the National Reserve Bank adheres in its activities to the following principles:

- to provide to its customers as full and high-quality services as possible;
- to follow unusual transactions of its customers and transactions conducted on unusual terms;
- to establish and implement procedures enabling the Bank to identify transactions subject to mandatory control, customers' suspicious transactions and, finally, to prevent from performance of such transactions and to avert the same;
- to deliver to the competent governmental authority information on transactions subject to mandatory control and customers' suspicious transactions in the cases provided for by the effective law currently;
- to ensure functioning of the Internal Control Rules in force at the Bank;
- to ensure implementation of the procedures necessary for maintaining operation of the internal control system for identification of suspicious transactions of the Bank's customers;
- to maintain confidentiality of information on functioning of the system of control over opposing legalization (laundering) of proceeds from crime and terrorism financing, with the exception of the cases where disclosure of such information is expressly provided for by the law;
- to analyze customers' transactions on the basis of available documents in case of identification of suspicious transactions, and to additionally request necessary documents if such right is granted to the Bank by virtue of law or by the contract concluded between the customer and the Bank;
- to take individual approach to servicing a customer whose transactions give ground to suppose that such customer is involved in legalization (laundering) of proceeds from crime;
- to terminate relations with a customer in accordance with the procedure and in the cases provided for by the law of the Russian Federation and the terms of the contract concluded between such customer and the Bank;
- to bring the Bank's policy in the sphere of opposing legalization (laundering) of proceeds from crime to the knowledge of the Bank's employees by way of training and certification;
- the Bank's employees implement the Bank's policy in the sphere of opposing legalization (laundering) of proceeds from crime by way of performance of their official duties and by showing reasonable watchfulness in the course of performance of their respective functions.

In connection with development of National Reserve Bank's branch offices network and intensive attraction of customers in 2009, an important role will be played by ensuring compliance with all the rules of internal control both in existing and newly established separated structural units of the Bank. In doing that, special attention will be paid to identification of unusual operations performed by the customers. To do that, the following pattern of actions has been worked out at the Bank:

- identification by employees performing operations with monetary funds or other property of customers' suspicious operations requiring further examination;
- analysis of the identified operations by duly authorized officers of separated units;
- making a decision on further examination of customers' activity based on the results of the analysis.

The NRBank has introduced the procedures for dealing with customers having no contacts with the Bank for a specified period and special methods for dealing with so-called "dormant" accounts. When determining the procedures for monitoring customers' operations, their frequency, volume, turnover and nature are assessed in the context of the risk level assigned to the customer, and the bank products and services used thereby are taken into consideration. To control the risk level, the following standard arrangements will be implemented in 2009:

- determination and assessment of the Bank's typical risks related to money laundering and terrorism financing;
- creation and introduction of the tools for control over and mitigation of identified risks related to laundering of proceeds from crime and terrorism financing;
- monitoring of application of such tools and improvement of their use.

The National Reserve Bank has developed various methods making it possible to identify unusual operations recorded in customers' accounts, both at the Bank's Head Office and at its branch offices. Methodological support is provided on a daily basis by duly authorized officers of the Bank's separated units to advise employees on the issues of application of the criteria for an operation to be deemed an unusual transaction.

Much attention is paid at the National Reserve Bank to improvement on a systemic basis of professional level of employees of all structural units of the Bank to enhance the quality of their work and to timely inform them of changes in the effective law.

INTERNAL CONTROL

Following up-to-date approaches to organization of corporate governance in credit institutions, based on advanced international practices and taking into account the requirements of the applicable legislation of the Russian Federation, the Board of Directors, the Management Board and Chairman of the Management Board of the NRBank pay at all times special attention to strengthening and development of effective internal control system (ICS).

ICS is a necessary and effective tool making it possible to ensure efficiency and effectiveness of the Bank's financial and economic activities and management of the Bank's assets and liabilities, as well as the risks assumed by the Bank. ICS ensures reliability, completeness, objectivity and timeliness of preparation and presentation of accounts of all kinds; it ensures informational security and compliance with normative acts of law, standards of self-regulated organizations and the Bank's constituent and internal documents and allows prevention of the NRBank and its employees from involvement in any unlawful activities.



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Development of the Bank's internal control system comprises the following aspects, which are mandatory for a credit institution operating in the Russian Federation:

- control over organization of the Bank's operations on the part of the management bodies;
- control over functioning of the risk management system and assessment of banking risks;
- control over allocation of powers in conducting banking operations and other transactions;
- control over information flows management (monitoring of both inflow and outflow of information) and ensuring informational security;
- monitoring on a regular basis of internal control system functioning for the purpose of assessment of the extent of its compliance with the Bank's objectives, identification of shortcomings, and development of proposals on and exercising control over implementation of decisions aimed at improvement of the internal control system.

Development of ICS along any of the above listed lines is carried out with due account for the nature, the scale and the conditions of performance of operations by NRBANK, in interconnection with other lines, and in full compliance with the requirements to, the recommendations on and the principles of exercising internal control, as established by the Bank of Russia and by the Federal Service for Financial Markets of the Russian Federation.

High culture of the internal control system, as an element of NRBANK's corporate culture, makes it possible to engage actually any employee in the process of control. A necessary element of the system is the Internal Control Service, effectively performing its functions and complying with all the requirements imposed by the Bank of Russia on such departments, including such principles as continuity of operation, independence, impartiality, and professional competence of the director and employees.

At all times, ICS pays special attention to new kinds of the National Reserve Bank's operations, to innovations in the sphere of management and technological innovations and, generally, to any newly emerged aspects of the Bank's activities, influencing achievement by the Bank of its goals.

To perform its functions provided for by the Bank's internal regulations, Internal Control Service works in close cooperation with NRBANK's executive and collegial management bodies, as well as with all of the Bank's structural units, including branch offices. The Department is open to any manager or employee of the Bank.

Applying the entire range of methods of audit and exercising its rights, Internal Control Service effectively performs its tasks related to control over the Bank's operations. In the reporting year, 143 regular audits and 25 extraordinary checks were carried out, of which 40 related to operations of NRBANK's branch offices.

The Internal Control Service takes part, on a mandatory basis, in agreement upon the Bank's draft internal regulations, and the Service's notes and recommendations are, as a rule, accepted by creators. In certain cases, Internal Control Service itself acts as a creator of such documents.

The Internal Control Service actively cooperates, within the limits of its competence, with the government's regulatory and supervisory bodies.

Further development of the internal control system at the National Reserve Bank will be carried out in accordance with the requirements, recommendations and principles

of the Bank of Russia, the Federal Service for Financial Markets of the Russian Federation and with due account for recommendations issued by the Basle Committee on Banking Supervision.

IT SYSTEMS

In connection with adoption of the Strategy for development of NRBank's business until 2012, which provides for development of the regional network, the Bank started in 2008 considerable build-up of its IT resources.

According to the globally accepted methods, the IT Concept was developed in the reporting year, and structural reorganization of the Bank's units in charge of IT was implemented. To improve interaction with the units in charge of development of the business, a new collegial body – the Committee for Technology – was established.

In 2008, the NRBank started introduction of the automated banking system (ABS) for the branch offices network on the basis of the centralized deployment model for newly established regional subdivisions of the NRBank. Due to launch of the first phase of the system, the branch offices opened at the end of the year got the opportunity to operate with ABS of the branch offices network.

The Bank's IT specialists ensured within the shortest possible time the possibility of servicing the customers of JSCB Elektronika, accepted by the National Reserve Bank for comprehensive bank servicing under the trilateral agreement concluded by the Bank with State Corporation Deposit Insurance Agency and bank Elektronika in November 2008. To resolve that unprecedented task, a highly complex project for integration of IT systems of JSCB Elektronika into National Reserve Bank's information space was implemented within three days and nights. By the beginning of 2009, conversion of data from IT systems of JSCB Elektronika to National Reserve Bank's ABS was completed.

To form centralized architecture of information systems, integrated information space of the Bank's Head Office and newly established separated units was formed in 2008.

In the reporting period the NRBank worked on improvement and updating of the system of comprehensive automation of all aspects of banking activities. As a result of a number of consistent arrangements implemented for this purpose, the Bank now has at its disposal the most advanced technical communication facilities and data processing equipment and applies the latest information technologies.

The Bank's computer network conforms to the international standards on the basis of leading manufacturers' products. Uninterrupted operation of the Bank's units is supported by Hewlett-Packard and IBM servers, active network equipment from Cisco Systems and structured cable network certified by Alcatel Nexans.

Each specialist of the NRBank is able to get from his working place on-line access in the real time mode to the automated banking system and arrays of information relevant to his functional duties.



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The up-to-date automated banking system installed at the Bank's Head Office is able to support in full provision of case and settlement services to the customers. The system makes it possible to organize storage of information on the Bank's customers and bank account agreements, on opening and maintenance of RUB and foreign currency accounts, and processing of a wide range of banking documents, including payment orders in RUB and foreign currency and cash, conversion, memorial, off-balance and term documents.

ABS also supports clearing of RUB settlements via the settlement network of the Bank of Russia, currency settlements via the international inter-bank SWIFT electronic system and settlements via correspondent accounts opened with other banks. The capabilities of the system also include automated maintenance of documentation files and processing of unidentified credits arriving at the accounts, as well as automated calculation and collection of fees and commission charged by the Bank under the banking service agreements for performance of operations and adjustment of the terms of charging commission for the same.

ABS is also capable of maintaining the Bank's and its customers' cash and securities positions in the exchange and over-the-counter market, importing information on the trades made and on securities quotations from the trading system, including electronic exchange with Russian trading floors MICEX and RTS.

ABS allows complete automation of depositary operations in compliance with the requirements set by the Federal Service for Financial Markets, PARTAD and the Bank of Russia; information on depositors and authorized persons (trustees, managers, depot account operators) is recorded, and the directory of financial instruments – issue grade and other securities in the documentary or book-entry form is updated.

ABS supports automated recording and processing of depositary transactions: manual input and import of customers' depositary instructions, control over all stages of settlements on securities, maintenance of the register of incoming and outgoing documents on depositary operations, and calculation and recordation of fees and commissions charged to the clients for depositary services and operational expenses actually incurred. In addition, the system supports information exchange with registrars and clearing centers (DCC, NDC, VTB, Cedel, EuroClear, etc.), including by way of electronic communications. On the results of execution of customers' orders, the system forms automatic notices of performance of the transactions and prepares account statements for customers.

ABS also allows preparation of accounting statements in accordance with the requirements set by the Bank of Russia and other regulators.

The National Reserve Bank applies the Condor+ software system developed by Reuters as its front-office system. The system enables the Bank to carry out revaluation of its assets portfolio in a real time mode.

National Reserve Bank's principal supplier of financial information is Reuters Agency, a global leader in the sphere of informational services. The RMDS System (Reuters Market Data System) used as an information platform allows receiving financial information in the real time mode, as well as statistical data on previous periods. In addition, the system allows dissemination of internal information and placing your own bids in the Reuters network.

The National Reserve Bank has remote terminals installed for dealing with various instruments of the financial market such as information and analytical systems MICEX, Dealing 3000, Reuters and Bloomberg. To ensure the maximum reliability and promptness of payments, the interbank telecommunication system SWIFT is used.

To make communication with geographically remote customers more efficient and convenient, an advanced remote banking system has been installed. Data can be sent from a customer to the Bank and vice versa via different communication channels, such as dial up connection, Internet and other public networks, as well as via e-mail. The facilities are provided for in the system for protecting all information from unauthorized view, modification or duplication.

To provide services to natural persons, software is installed at the NRBank allowing provision of all kinds of existing banking services. For convenience of settlements, the Bank offers VISA bank cards to its customers.

Potential customers are in a position to receive detailed information on principal lines of National Reserve Bank's activities, on the services provided thereby, on the Bank's financial position and on the prospects of its development on the pages of the Bank's website. Information on the website is updated on a regular basis.

In 2009, the National Reserve Bank plans to complete introduction of the centralized ABS for its branch offices network within the framework of the list of functional tasks determined by the units in charge of development of regional business. The Bank also plans to introduce the electronic documents circulation system allowing paperless exchange of documents within the integrated information bank space.



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HUMAN RESOURCES POLICY

Priorities of NRBANK's human resources policy have remained unchanged for a number of years, consisting in consolidation and expansion of the existing team of professionals united into an effective and efficiently operating staff capable of resolving the problems of any degree of complexity.

In the reporting year, the Human Resources Department was established at the Bank to bring the Bank's system of personnel management up to a new level. Emphasis in the human resources policy was put on creation of the conditions for the maximum possible realization of the working potential so as to enhance each employee's individual contribution to achievement of the Bank's goals. Work with personnel was carried out on the basis of continuously improved system of integrated assessment of employees' performance and adequate incentive program.

In 2008, serious structural changes were implemented at the Bank, aimed at improvement of the system of dealing with customers, expansion of corporate and retail business and improvement of business technologies. In particular, the Settlements Department and the IT Department were established at the NRBANK. In connection with the reorganization of the National Mortgage Company, a mortgage arm consisting of three Departments was formed at the Bank.

Formation of the optimal organizational structure was carried out in the reporting year along the line of personal selection of specialists for the units aimed at resolving the tasks that are of high priority to the Bank, such as implementation of major investment projects, expansion of the loan portfolio, expansion of retail business and development of regional business.

The overall number of NRBANK's regular personnel, including the employees of the Head Office in Moscow, regional representative offices and branch offices, increased in the reporting year, despite the crisis, from 670 to 1,036. The number of employees of the Head Office increased by 23% and was equal as of the end of the year to 499. At the same time, the number of employees of the units of the Head Office involved in lending to large and medium-sized businesses grew by almost 40%. The largest increase in the number of personnel was recorded in the regions, where the overall number of regular employees grew, owing to expansion of the Bank's branch offices network, by 97%, from 264 to 520.

National Reserve Bank's vigorous growth requires intensive involvement of young and ambitious employees; therefore almost 30% of its employees are under 30 years old and the age of another 25% lies between 30 and 40 years old.

Personnel's operating as a united, consolidated and effective team is possible owing to creation at the NRBANK of a favorable social and psychological climate, corporate culture, opportunities for professional training and improvement of the employees.

In 2008, the high educational level of the Bank's employees was maintained. 80% of the employees have higher or incomplete higher education. However, tight competition in the banking services market results in the necessity of regular improvement of professional level of employees of credit institutions. That is why the National Reserve Bank traditionally pays much attention to training and improvement of its employees. The system of professional training and improvement is aimed at achievement of specific results, the most important of which are raising of customer servicing quality, lowering of the risks, enhancement of competitive ability, and compliance with the high standards established by international rating agencies.

The National Reserve Bank works on a regular basis on improvement of the system of pecuniary incentives to employees; over a number of years, the Bank has increased the amounts intended for payment as labor remuneration. In 2008, the growth of earnings amounted to 20%. The system of social support to personnel operates efficiently at the Bank; the employees are provided with free-of-charge meals and medical insurance. All such measures contribute to stability of the team and its consolidation.

Generally, arrangements implemented in the reporting year in the sphere of human resources policy contributed to vigorous development of the NRBank. In 2009, the Bank intends to continue intensive development of its branch offices network, which poses a serious challenge as regards selection and training of highly-qualified specialists for newly established units of the Bank.



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CHARITABLE ACTIVITIES AND SPONSORSHIP

For many years, the JSCB NRBANK (OJSC) has taken most active part in charitable activities. This socially significant mission is performed by the Bank both within the framework of its own programs covering many spheres of social and cultural life of the community and in the capacity of a co-founder of the Charitable Reserve Foundation (CRF).

The NRBANK's charitable activities are intended, first of all, to render comprehensive aid to disadvantaged groups of population and to contribute to development of Russia's scientific and cultural potential.

In 2008, special attention was paid to child care institutions, to orphaned children and to educational, cultural and health-care institutions, and also to supporting sporting events.

The National Reserve Bank provided financial support to children's brass band of the Municipal Educational Institution for Children's Additional Education Leninskiy Children's and Youth's Center in the Volgograd Region, having participated in the International Contest-Festival of Choruses, Orchestras, Ensembles and Folklore Groups Unity of Russia in Moscow. The Bank also provided a charitable contribution for organization of a concert of St. Petersburg pantomime theater Litsedei for disabled children.

The Bank provided funds to the Children's Hospital named after G.A.Albrecht (St. Petersburg) for establishment of a computer class. Target-oriented charitable aid was rendered to St. Petersburg residential school № 8. In many regions of its presence the Bank provided funds for holding various festivals, cultural and sporting events for children and also for acquisition of gifts, books and other articles for orphanages.

National Reserve Bank's charitable activities in the sphere of culture had the form of rendering financial aid to St. Petersburg's Foundation for support to musical, theater and artistic development, the Center of Contemporary Art.

In 2008, the Bank also became the general sponsor of a unique musical project Great Composers implemented by the newspaper Komsomolskaya Pravda having issued a set of CDs with selected works of the world's greatest composers and small-format books with their short biographies. In 2009, the program of the project will be developed further.

The Bank sponsored the creation of a documentary film Hamlet from Taganskaya Square dealing with the life and creative work of Vladimir Vysotsky.

In the reporting year, the NRBANK assisted to restoration of Zadonsk Eparchial Monastery of the Nativity of the Blessed Virgin and the cave house in Divnogorsk Monastery of the Assumption of the Virgin in the Voronezh Region.

Paying close attention to the issues of education of the youth, the Bank rendered charitable aid to the Financial Academy under the Government of the Russian Federation. The provided funds were directed for consolidation of the material and technological basis of one of the best Russian institutions of higher education. In addition, the Bank responded to the request from the TURO institute in Moscow and sponsored organization of the solemn ceremony of issuing diplomas to its graduates.

The Bank traditionally provides financial aid to health care institutions. In the reporting year, considerable funds were contributed to the Charitable Foundation for Assistance to Military Medicine. Charitable aid was also provided to Volgograd Regional Hospital for Veterans of War.

Within the framework of the program for help to veterans of war, the Bank provided funds to the Krasnodar territorial non-governmental charitable foundation Social Consciousness for acquisition of New Year gifts for veterans of the Second World War.

In addition, the Bank provided to St. Petersburg's non-government organization of disabled persons Profession funds for organization of workplaces and for assistance to disabled persons' employment.

In 2008, the NRBank provided charitable aid and became a sponsor to a number of sporting events. Thus, sponsor funds were provided for holding the final of the UEFA mini-football cup in Moscow, for preparation and holding of the Open All-Russia Taekwondo Competition V.I.Volkovskiy Cup in Novosibirsk, and for organization of the sporting festival of Northwest Judo Federation in St. Petersburg. A charitable contribution was made to support participation of the team of Voronezh specialized children's and youth's school of Olympic reserve in water sports in the World Cup final event.

In 2009, the National Reserve Bank intends to expand its charitable and sponsor activities and extend it to all of the regions of its presence.



**NATIONAL
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MANAGEMENT BODIES

BOARD OF DIRECTORS

Kudimov Yuri Alexandrovich — Chairman of the Board of Directors of the NRBank

Born in 1953.

Education: 1979 — Lomonosov Moscow State University, faculty of journalism; 1998 — Dawling College, New York, holder of a Master's degree, qualification in international finance and banking law.

Career: 1982—1994 — central Russian mass media; 1994—1995 — a Russian Investment and Financial Company, Head of the Investment Department; since 1995 — Deputy Chairman, First Deputy Chairman, President, Chairman of the Board of Directors of the NRBank.

Kolodkin Arkady Vladimirovich — Deputy Chairman of the Board of Directors, Chairman of the Management Board of the NRBank

Born in 1966.

Education: 1989 — Voronezh Higher Military Engineering School, qualification in radio electronics.

Career: 1994—1995 — Mytishchy Commercial Bank — 1st category dealer at the Foreign Exchange Dealing Department; 1995—2000 — JSB COPF, Head of the Department for Government Debt Instruments, First Deputy Chairman of the Management Board, Head of the Investment Department; 2000 — LLC Interprocom, Deputy General Director in Charge of Economic Issues; 2000—2001 — General Banking and Trust Company Ltd. (Budapest, Hungary) Managing Director; since 2001 — Vice-President, Deputy Chairman of the Management Board, First Deputy Chairman of the Management Board, Chairman of the Management Board of the NRBank.

Dokuchaev Mikhail Vadimovich — Deputy Chairman of the Board of Directors of the NRBank, Chairman of the Management Board of the Bank Rossiyskiy Capital

Born in 1958.

Education: 1981 — Moscow Academy of Finance under the Government of the Russian Federation (Moscow Financial Institute), qualification in finance and credit.

Career: 1981—1983 — military service; 1983—1991 — the USSR Ministry of Finance, senior economist, leading economist, Head of Department; 1991—2002 — OJSC Gazprom, Head of the Financial Department, Member of the Management Board; 2002—2004 — CB Arbat Bank, Chairman of the Management Board; 2004—2006 — Director General of LLC National Housing Corporation; 2006—2008 — Deputy General Director of LLC

National Reserve Corporation (from April 2007 — the National Reserve Corporation (CJSC)); since 2008 — Chairman of the Management Board of the Bank Rissiyskiy Capital.

Lebedev Alexander Yevgenyevich — Member of the Board of Directors, Chairman of the Board of Directors of the National Reserve Corporation (CJSC)

Born in 1959.

Education: 1982 — Moscow State Institute of International Relations at the USSR Ministry of Foreign Affairs, the faculty of international economic relations; qualification in international currency and finance relations.

Career: 1982—1983 — the Institute of the World Socialist System Economy at the USSR Academy of Sciences, junior research worker; 1983—1988 — the USSR Ministry of Foreign Affairs, attaché, 3rd Secretary; 1988—1992 — the USSR (RF) Embassy in Great Britain, 3rd Secretary, 2nd Secretary; 1992—1995 — Russian Investment and Financial Company, Chairman of the Management Board; 1995—2003 — the National Reserve Bank, Chairman of the Management Board, President; 2003—2007 — a deputy of the State Duma of the RF Federal Assembly; since 2008 — Chairman of the Board of Directors of the National Reserve Corporation (CJSC).

Nemova Alla Mikhailovna — Member of the Board of Directors, Deputy Chairwoman of the Management Board — Chief Accountant of the NRBank

Born in 1959.

Education: 1981 — Kiev Institute of Civil Aviation Engineers, qualified as engineer-economist.

Career: 1981—1990 — the airport of Vorkuta, technician, engineer of the technical aviation base, 2nd category engineer; 1990—1991 — CB Polus-Bank (from 1991 — JSCB Polus-Bank), Head of the Transport Department, Director of the Transservice Department; 1992—1993 — TOO TTT, Deputy Director in Charge of Economic and Financial Issues; 1993 — AO Rossiya-Zapolyarye, economist; 1993—1997 — CB RosDomBank, leading specialist of the Financial Department, Head of the Inter-Bank Operations Sector, Deputy Chief Accountant; since 1997 — Deputy Head of the Department for Foreign Currency Operations Accounting, Deputy Chief Accountant, Chief Accountant, Deputy Chairwoman of the Management Board — Chief Accountant of the NRBank.

Danilitsky Anatoly Antonovich — Member of the Board of Directors, Director General of the National Reserve Corporation (CJSC)

Born in 1952.

Education: 1974 — Moscow State Institute of International Relations, qualified as an expert in international relations.

Career: 1974—1993 — the Ministry of Foreign Affairs, diplomatic work at Russian



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embassies; 1993—1995 — JSC Russian Investment and Financial Company, Director; 1995—2004 — Deputy Chairman of the Management Board, First Deputy Chairman of the Management Board of the National Reserve Bank; since 2004 — Director General of LLC National Reserve Corporation (from April 2007 — CJSC National Reserve Corporation).

Dushatin Leonid Alexeevich — Member of the Board of Directors, First Deputy Director General of the National Reserve Corporation (CJSC)

Born in 1960.

Education: 1983 — Moscow Academy of Finance under the Government of the Russian Federation (Moscow Financial Institute), the faculty of international economic relations.

Career: 1983—1991 — the USSR Ministry of Finance, senior expert of the Main Foreign Exchange Directorate; 1991—1996 — Russian-Swedish Joint Venture Pergamos (from 1992 — CJSC Pergamos), Executive Director; 1996—2004 — JSCB NRBANK (OJSC), Adviser to Chairman of the Management Board, Head of the TEK Department, Vice-President, Deputy Chairman of the Management Board; since 2004 — First Deputy Director General of LLC National Reserve Corporation (since April 2007 — CJSC National Reserve Corporation), Member of the Board of Directors of OJSC Aeroflot — Russian Airlines, Chairman of the Audit Committee and member of the Committee on Strategy of OJSC Aeroflot — Russian Airlines, Chairman of the Board of Directors of LLC NRC-Oil and LLC Energomashexport Corporation.

Kashirsky Anatoly Vladimirovich — Member of the Board of Directors, Member of the Board of Directors of the National Reserve Corporation (CJSC)

Born in 1958.

Education: 1981 — Moscow Academy of Finance under the Government of the Russian Federation (Moscow Financial Institute), qualification in finance and credit.

Career: 1981—1985 — the Branch of the Construction Bank of the USSR in the Moscow Region, economist, senior economist, Deputy Head of Department, 1985—1990 — the Mytishchi Branch of the Construction Bank of the USSR (Promstroybank), Head of the Branch; 1990—1996 — Mytishchi Commercial Bank, Chairman of the Management Board, 1997—1998 — JSCB NRBANK (OJSC), Adviser to Chairman of the Management Board; 1998—2002 — Eurasco Bank AG, Switzerland, Director General, since 2002 — CIS Interfincom AG, Switzerland, Director General.

Tarasov Alexey Evgenyevich — Member of the Board of Directors, Deputy Director General, Head of the Legal Department of the National Reserve Corporation (CJSC), General Director of the National Reserve Corporation (LLC)

Born in 1972.

Education: 1994 — Moscow State Institute of International Relations, qualification in international law with the knowledge of a foreign language.

Career: 1993—2000 — CJSC Conversbank, Head of the Legal Department; 2000—2002 — JSCB Ingosstrah-Soyuz, Head of the Department for Investment Projects Financing, Head of the Legal Department; 2002—2004 — JSCB NRBank (OJSC), Advisor to President; since 2004 — Head of the Legal Department, Deputy Director General, Director General of LLC National Reserve Corporation; since April 2007 — Deputy Director General, Head of the Legal Department of the National Reserve Corporation (CJSC).

Kovalyev Andrey Feliksovich — Member of the Board of Directors, Deputy Director General — Head of the Finance Department of the National Reserve Corporation (CJSC)

Born in 1960.

Education: 1983 — Lomonosov Moscow State University, qualification in economics & cybernetics; 1992 — Central European University, a Master's degree in economics.

Career: 1983—1992 — the Institute of Economy of the World's Socialist System of the USSR Academy of Sciences (the Institute for International Economic and Political Studies), junior science worker, science worker; 1992—1996 — the Central Bank of the Russian Federation, leading economist, chief economist, Head of Department; 1996—2004 — General Banking and Trust Company Ltd. (Budapest, Hungary); since 2004 — Head of the Department, Deputy Director General — Head of the Finance Department of LLC National Reserve Corporation (since April 2007 — the National Reserve Corporation) (CJSC).

Zharov Mikhail Konstantinovich — Member of the Board of Directors, Deputy Director General — Head of the Department of Corporate Finances of the National Reserve Corporation (CJSC)

Born in 1958.

Education: 1980 — Moscow Academy of Finance under the Government of the Russian Federation (Moscow Financial Institute), qualification in international economy.

Career: 1980—1986 — Bank of Foreign Trade of the USSR; 1986—1988 — the All-Union Central Council of Trade Unions, Central Council for Tourism and Tours, economist; 1988—1991 — Agroprombank of the USSR, Head of Subdivision of the Management Board; 1991—1992 — FGUP Main Production and Commercial Administration for Services to the Diplomatic Corps under the Ministry of Foreign Affairs of the USSR, officer; 1992—1996 — JSCB Unikombank, Head of Department, Deputy Director, Director; 1996—2004 — executive positions in a number of commercial banks; 2004—2007 — Head of the Department of Corporate Finances of LLC National Reserve Corporation; since 2007 — Deputy Director General — Head of the Department of Corporate Finances of the National Reserve Corporation (CJSC).



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MANAGEMENT BOARD

Kolodkin Arkady Vladimirovich – Chairman of the Management Board of the NRBank

Born in 1966.

Education: 1989 – Voronezh Higher Military Engineering School, qualification in radio electronics.

Career: 1994–1995 – Mytishchy Commercial Bank – 1st Category Dealer of the Foreign Exchange Dealing Department; 1995–2000 – JSB COPF, Head of the Department for Government Debt Instruments, First Deputy Chairman of the Management Board, Head of the Investment Department; 2000 – LLC Interprocom, Deputy Director General in Charge of Economic Issues; 2000–2001 – General Banking and Trust Company Ltd. (Budapest, Hungary) Managing Director; since 2001 – Vice-President, Deputy Chairman of the Management Board, First Deputy Chairman of the Management Board of the National Reserve Bank, Chairman of the Management Board of the NRBank.

Solovyev Dmitry Borisovich – First Deputy Chairman of the Management Board of the NRBank

Born in 1964.

Education: 1986 – Academy of Finance under the Government of the Russian Federation (Moscow Financial Institute, honors degree), the faculty of international economic relations.

Career: the USSR Ministry of Finance, chief economist, expert, 1st category expert of the Main Foreign Exchange Directorate and the United Foreign Exchange Department, Deputy Head of the Department for Foreign Exchange Normative Ratios, Customs Revenues and Foreign Trade Taxes; 1991–1995 JSC – Avtotraktoroeexport, senior specialist; 1995 – CB NRBank, Head of the External Debt Department, 1995–1999 – the Ministry of Finance of the Russian Federation, adviser, Deputy Director of Department, Deputy Head of Department, State Counsellor of 1st Class; since 2000 – Vice-President, Deputy Chairman of the Management Board, First Deputy Chairman of the Management Board of the NRBank.

Piganov Andrey Anatolyevich – Deputy Chairman of the Management Board of the NRBank

Born in 1969.

Education: 1993 – Moscow Institute of Architecture, 2002 – Academy of National Economy under the Government of the Russian Federation, qualification in finance and credit.

Career: 1993–1998 – OJSC Incombank, specialist, senior specialist, chief economist, expert of the Management Board; 1998–2000 – JSCB National Reserve Bank, expert of the Management Board; 2000–2001 – CB SVA, Head of the Business Development Department; since 2001 – Head of the Operations Department, Head of the Corporate

Lending Department, Head of the Retail Lending Department, Head of the Retail Products Department, Vice-President, Deputy Chairman of the Management Board of the NRBank.

Zakharov Yuri Anatolyevich — Deputy Chairman of the Management Board of the NRBank

Born in 1956.

Education: 1978 — Moscow Management Institute, faculty of economic cybernetics, qualified as an engineer-economist.

Career: 1978—1992 — scientific research institute of instrument-making industry, engineer; 1992 — CB Kreditagro, senior economist, 1992—1994 — CB Lanta-Bank, senior economist, Head of the Analytical Accounting Department, 1994—1995 — CB East-European Investment Bank, Head of the Financial Planning Department of the Economic Directorate, since 1995 — Deputy Chief Accountant, Chief Accountant, Deputy Chairman of the Management Board of the NRBank.

Rodionova Elena Mikhailovna — Deputy Chairwoman of the Management Board — Head of the Internal Control Service of the NRBank

Born in 1954.

Education: 1976 — Kharkov Engineering and Economic Institute, qualified as an engineer-economist, 2001 — the Institute of Topical Education Yurinfor-MGU, qualification in law; since 1993 — Candidate of Economic Science.

Career: 1978—1980 — the Representative Office of the USSR Ministry of Defense at KRAZ, engineer-economist, 1981—1989 — the Main Automobile Directorate of the Ministry of Defense of the USSR, engineer, senior engineer-economist of the Finance Department; 1984—1988 — the Representative Office of the Envoy of the USSR Government on the issues related to staying of the Soviet Army Group in Poland, senior economist; 1989—1995 — Academy of Labor and Social Relations, manager of a studying room, lecturer at the department of labor and employment economy, senior lecturer, assistant professor; since 1995 — economist, leading economist, Head of Department, Deputy Head of the Internal Control Directorate, Head of the Internal Control Department, Deputy Chairwoman of the Management Board of the National Reserve Bank — Head of the Internal Control Service of the NRBank.

Nemova Alla Mikhailovna — Deputy Chairwoman of the Management Board — Chief Accountant of the NRBank

Born in 1959.

Education: 1981 — Kiev Institute of Civil Aviation Engineers, qualified as engineer-economist.

Career: 1981—1990 — the airport of Vorkuta, technician, engineer of the technical aviation base, 2nd category engineer; 1990—1991 — CB Polus-Bank (from 1991 — JSCB Polus-



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Bank), Head of the Transport Department, Director of the Transservice Department; 1992—1993 — TOO TTT, Deputy Director in Charge of Economic and Financial Issues; 1993 — JSC Rossiya-Zapolarye, economist; 1993—1997 — CB RosDomBank, leading specialist of the Financial Department, Head of the Inter-Bank Operations Sector, Deputy Chief Accountant; since 1997 — Deputy Head of the Department for Foreign Currency Operations Accounting, Deputy Chief Accountant, Chief Accountant, Deputy Chairwoman of the Management Board — Chief Accountant of the NRBank.

Udod Alexandr Petrovich — Vice President

Born in 1971.

Education: 1994 — Lomonosov Moscow State University (Institute of Asian and African Countries), qualified as a historian-orientalist and a foreign language assistant; 2000 — the Diplomatic Academy of the Ministry of Foreign Affairs of the Russian Federation, qualification in international economy and economic relations, specialist in international relations.

Career: 1994—1994 — the Ministry of Foreign Affairs of the Russian Federation, the Africa Department, attaché; 1994—1997 — the Embassy of the Russian Federation in Tanzania, attaché, 3rd Secretary; 1997—2000 — the Ministry of Foreign Affairs of the Russian Federation, the All-European Cooperation Department, 3rd Secretary, 2nd Secretary; since 2000 — dealer, Head of Department, Deputy Head, Head of the Treasury Department, Vice President of the NRBank.

Kobin Sergey Alexandrovich — Vice President

Born in 1974.

Education: 1997 — Moscow State Technical University of Civil Aviation, qualified as an engineer for technological operation of aeronautic electrified and aircraft navigation complexes. 2001 — Finance Academy under the Government of the Russian Federation, qualified as an economist in the field of finance and credit.

Career: 1997—1999 — OJSC Incombank, economist, senior economist; 1999—2002 — the USSR Vnesheconombank, leading economist, 3rd category economist, 2nd category economist, Deputy Head of the Sector for Customer Business Analysis of the Department of Customer Operations Development at the Customer Relations Directorate; 2002—2007 — JSC Vneshtorgbank, adviser at the Regional Establishments and Participation Department, Deputy Head of the Department for Regional Business Analysis and Coordination, Deputy Head of the Department for Regional Development, Deputy Head of the Department for Regional Development of the Operations Directorate, Head of the Department for Regional Development of the Regional Arm; since 2007 — Vice President of the NRBank.

Sitnikova Marina Valentinovna — Secretary of the Management Board, Head of the Contract and Law Department of the NRBANK

Born in 1956.

Education: 1980 — Lomonosov Moscow State University, qualification in law.

Career: 1980—1982 — Moscow State Notary's Office № 13, public notary; 1982—1983 — Law Research Laboratory of the scientific research institute Soyuzgiproleskhoz of the USSR Committee of Forestry (the Gosleskhoz), junior science worker, leading engineer; 1984—1986 — Trust Mosvtorsyrye of the Mosglavsnab of the USSR, Head of the Contract and Law Department; 1986—1989 — Moscow Technical School of Radio Engineering, lecturer in the modern law; 1989—1992 — DO Nauka, legal adviser, chief legal adviser; 1992—1993 — Pervy Russky Nezavisimy Bank, leading specialist of the Legal Department; 1993—1995 — Yugorsky Joint-Stock Bank, chief specialist, Deputy Head of the Legal Department; 1995—1997 — MCB Uniinvest, Head of the Legal Department; 1997—1999 — JSCB Intellect-Bank, Head of the Legal Department; 1999—1999 — JSCB Ingosstrakh-Soyuz, Head of the Legal Department; 1999—2000 — CB Guide-Bank, Head of the Legal Department; 2000—2001 — JSCB MBTiS, Head of the Legal Department; 2001—2002 — JSCB Novicombank, Head of the Legal Department; since 2002 — Head of Department, Deputy Head, Head of the Contract and Law Department of the NRBANK.



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BASIC INFORMATION ON THE NATIONAL RESERVE BANK

Full trade name: Joint-Stock Commercial Bank the National Reserve Bank (Open Joint-Stock Company).

Short trade name: JSCB NRBank (OJSC).

Legal Form: Open Joint-Stock Company.

Chairman of the Management Board: Kolodkin A.V.

Year of establishment: 1994.

Registration:

At the Moscow Registration Chamber – № 29010-RP of May 6, 1999;

At the Central Bank of the Russian Federation – № 2170 of March 19, 1999;

Entry in the Unified State Register of Legal Persons was made on November 26, 2002 under OGRN 1027700458224.

Licenses:

- General banking license of the Central Bank of the Russian Federation № 2170 of July 24, 2003;
- License on bank transactions to take on deposit and place precious metals № 2170 of July 24, 2003;
- License of a professional participant in the securities market for broker activities № 077-03790-100000 of December 13, 2000;
- License of a professional participant in the securities market for dealer activities № 077-03851-010000 of December 13, 2000;
- License of a professional participant in the securities market for securities management № 077-03899-001000 of December 13, 2000;
- License of a professional participant in the securities market for depository activities № 077-04345-000100 of December 27, 2000;
- License of an exchange intermediary making exchange-based trades in commodity futures and options № 1084 of November 27, 2007.

Official Auditor: ZAO KPMG, license for audit activities № E 003330 of 17 January 2003.

Location: 2/2 Paveletskaya Square, 115054 Moscow, Russia.

Phones: (495) 234-48-50, 956-32-31.

Fax: (495) 956-32-30.

Telex: 414648 NRB RU

Web site: www.nrb.ru

E-mail: info@nrb.ru

SWIFT: NARN RUMM

REUTERS: NRBM

Correspondent account in RUB: 3010181020000000933 with OPERU of Moscow GTU of the Bank of Russia BIK 044525933, INN 7703211512.

Correspondent accounts in foreign currencies: with 15 Russian banks, 1 CIS-based bank, and 15 other foreign correspondent banks.

Infrastructure: Head Office in Moscow.

Bryansk Branch Office:

Address: 170 Krasnoarmeiskaya Str., 241037 Bryansk, Russia.

Phone: (4832) 41-62-66, 41-91-00.

Manager — Kostina Nadezhda Konstantinovna.

Operational Office "Tula" in Tula under Bryansk Branch Office:

Address: 132 L.Tolstogo Str., 300034 Tula, Russia.

Phone: (4872) 21-00-85.

Manager — Melnikov Gennady Vladimirovich.

Volgograd Branch Office:

Address: 4 Komsomolskaya Str., 400131 Volgograd, Russia.

Phone / Fax: (8442) 26-90-36.

Manager — Daev Dmitry Veniaminovich.



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Voronezh Branch Office:

Address: 149 Cheluskintsev Str., 394006 Voronezh, Russia.

Phone: (4732) 71-21-80. Fax: (4732) 57-84-36.

Manager — Penkova Galina Vladimirovna.

Irkutsk Branch Office:

Address: 295 b Baikalskaya Str., 664050 Irkutsk, Russia.

Phone: (3952) 28-35-35.

Manager — Filonova Lyubov Mikhailovna.

Operational Office "Krasnoyarsk" in Krasnoyarsk under Irkutsk Branch Office:

Address: 82 Dubrovinskogo Str., 660049 Krasnoyarsk, Russia.

Phone: (3912) 22-40-10. Fax: (3912) 23-89-43.

Manager — Pogodayev Vladimir Alexeevich.

Kransodar Branch Office:

Address: 76 Selezneva Str., Karasunsky District, 350075 Krasnodar, Russia.

Phone: (861) 233-40-09, 233-40-60.

Manager — Leonova Lyudmila Victorovna.

Operational Office "Rostov-on-Don" in Rostov-on-Don under Krasnodar Branch Office:

Address: 46/176 Voroshilovsky Avenue, 344000 Rostov-on-Don, Russia.

Phone: (863) 240-35-62, 240-35-76, 240-95-23.

Manager — Timofeeva Margarita Alexandrovna.

Operational Office "Stavropol" in Stavropol under Krasnodar Branch Office:

Address: 284/1 Mira Str., 355017 Stavropol, Russia.

Phone: (8652) 23-55-15, 23-53-93.

Manager — Lutsenko Svetlana Petrovna.

St. Petersburg Branch Office:

Address: 6 Poltavskaya Str., 193024 St.Petersburg, Russia.

Phone: (812) 301-91-61. Fax: (812) 301-91-60.

Manager — Ilchenko Sergey Anatolyevich.

Saratov Branch Office:

Address: 5 Olympiyskaya Str., 410033 Saratov, Russia.

Phone: (8452) 43-15-71. Fax: (8452) 74-09-27.

Manager — Smirnov Gherman Yevgenyevich.

Operational Office "Nizhny Novgorod" in Nizhny Novgorod under Saratov Branch Office:

Address: 6 Kostina Str., 603057 Nizhny Novgorod, Russia.

Phone: (831) 421-63-54, 421-63-53.

Manager — Vvedenskaya Irina Leonidovna.

Operational Office "Samara" in Samara under Saratov Branch Office:

Address: 36 Novo-Sadovaya Str., 443110 Samara, Russia.

Phone: (846) 205-00-83.

Manager — Knyazev Pavel Alexandrovich.

Operational Office "Togliatti" in Togliatti under Saratov Branch Office:

Address: 24 a Topolinaya Str., 445031 Togliatti, Russia.

Phone: (8482) 95-33-10.

Manager — Karelina Lyubov Petrovna.

Chelyabinsk Branch Office:

Address: 11/B Lenina Avenue, 454007 Chelyabinsk, Russia.

Phone: (351) 730-52-09, 730-52-10. Fax: (351) 730-51-78.

Manager — Nikolsky Dmitry Yuryevich.

Yaroslavl Branch Office:

Address: 4 Lenina Avenue, 150003 Yaroslavl, Russia.

Phone / Fax: (4852) 72-04-04.

Manager — Averyanova Natalya Vladimirovna.

Yekaterinburg Representative Office:

Address: 74 Khokhryakova Str., 620014 Yekaterinburg.

Phone: (343) 344-28-96.

Head — Kiryanov Alexey Sergeevich.



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Krasnodar Representative Office:

Address: 499 Krasnykh Partisan Str., 350020 Krasnodar, the Krasnodar Territory.

Phone: (861) 251-15-56.

Head – Kuznetsov Eduard Anatolyevich.

Novosibirsk Representative Office:

Address: 15 Severny Lane, 630088 Novosibirsk.

Phone: (383) 223-65-33.

Head – Kaurtsev Yury Nikolaevich.

Tyumen Representative Office:

Address: 13 Volodarsky Str., 625003 Tyumen.

Phone: (3452) 91-09-85.

Head – Baglay Vladimir Vladimirovich.

Kiev Representative Office:

Address: 23-B Pushkinskaya Str., Office 18, 01004 Kiev, Ukraine.

Phone: (38 044) 247-43-55. Fax: (38 044) 247-40-56.

London Representative Office:

Address: 4 John Carpenter Street, London, EC4YONH.

Phone: +44 (0) 207 4997441. Fax: +44 (0) 207 3181150.

The Bank is a member of:

- Association of Russian Banks;
- Association of Banks of the North-West;
- Association of Commercial Banks of the Volgograd Region;
- National Securities Market Association;
- National Association of Stock Market Participants (NAUFOR);
- MICEX;
- SPCEX;
- RTS;
- Moscow International Business Association;
- Visa International payment system;
- SWIFT international interbank electronic communication and payment system.

International correspondent banks:

<i>Austria</i>	Meinl Bank AG
<i>Germany</i>	Deutsche Bank AG VTB Bank (Deutschland) AG Commerzbank AG
<i>India</i>	State Bank of India Deutsche Bank AG
<i>Spain</i>	Banco Bilbao Vizcaya Argentaria S.A.
<i>Italy</i>	Unicredito Italiano
<i>USA</i>	Deutsche Bank Trust Company Americas JP Morgan Chase Bank
<i>Finland</i>	Nordea Bank Finland PLC
<i>Switzerland</i>	UBS AG Russian Commercial Bank



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