

БАНК ПОЛЕЗНЫХ ПРОДУКТОВ



годовой отчет | annual report | 2007

76

Chairman’s
statement

80

Profile

78

Chief
Executive’s
statement

86

Macroeconomic
environment
in 2007



114

Financial results
and highlights
for 2007

120

Financial
statements

118

Outlook
for 2008



2007

CHAIRMAN'S STATEMENT

Dear members, clients and counterparties of the Bank,

Today, everybody sees that the banking sector is one of key drivers of the domestic financial system and the Russian economy as a whole. Banking institutions which meet demands of home enterprises for borrowings are, in essence, the national circulatory system giving access to funding and ensuring potential for growth. Indeed, it is obvious that to deliver such a mission, Russian banks are not only to enjoy sophisticated technologies, extensive branch network and quality products, but also to have adequate capital and good reputation.

I am pleased to announce the 2007 Annual Report by Agropromcredit Bank aimed to meet all above performance parameters.

In the past year, the Bank saw marked strengthening of its positions in the domestic market. Agropromcredit Bank remained among the top 100 Russian banks in terms of key financial indicators. Achievements of the Bank were appreciated by Moody's Investors Service, with international ratings assigned to our Bank: long-term rating at B2 and short term rating at Not-Prime (NP) for deposits in foreign and domestic currencies, financial strength rating at E+ (BFSR). While Moody's Interfax assigned long-term national credit rating at Baa1.ru.

The Board of Directors feels satisfied with performance of Agropromcredit Bank in 2007 as we kept doing quite well in line with our development strategy. The Bank owed good results to a rise not only in net profit, total assets and equity, but also in the remaining performance indicators of the banking institution.

Vassily Kornev assumed the office of Chief Executive, who in the course of several years has been the First Deputy Chairman of the Board of Directors engaged in creating the risk management, security and internal control system, and developing customer service standards.



ARTYOM E. BIKOV
Chairman of the Board of Directors

With this appointment, members of the Bank and the Board of Directors demonstrated to the public its proactive role in the business of the Bank, in preparing and implementing operating standards, how they impact on the security policy and the risk management policy at the Bank, identifying such business areas as top priorities.

Maintaining high growth and development rates is to become an important mission for the Bank in the year to come. Taking account of the fact that Mr Kornev has full understanding and vision of the Bank's outlook on the part of the Board of Directors, I am confident that Agropromcredit Bank will succeed in achieving the goal.

I would like to wish the executive management and the staff of the Bank to meet the targets, and counterparties and customers, success and well-being.

ARTYOM E. BIKOV
Chairman of the Board of Directors

A handwritten signature in black ink, appearing to read 'A. Bikov'.

CHIEF EXECUTIVE'S STATEMENT

Ladies and Gentlemen,

I am delighted to submit the Annual Report of Agropromcredit Bank for 2007. Serving corporate customers and attracting new ones from a variety of economy sectors and making such relations more efficient remains the main strategic business area of the Bank.

Moreover, personal banking and promotion of household services are of utmost importance for the Bank, which means both expanding the existing spectrum of services and launching most demanded products to the market, as well as taking advantage of up-to-date financial technologies. We are aware that demand for banking services is steadily growing. Being a universal banking institution, we deem it necessary to provide our customers with better quality products, from consumer loans and mortgages to credit cards and internet banking.

To efficiently deliver the products and services for individual customers and with a view to ensure most successful and convenient dealing with corporate customers in the fiscal year, Agropromcredit Bank continued expanding its regional presence in Russia, with Nizhni Novgorod and Perm branches opened in 2007.

While there was quite a complicated situation in the banking market in the last year, the Bank posted good financial results: net assets increased 15% to RUR20,842 million as of 31 December 2007. And equity rose 30% to RUR2,374 million.

Today, we are consistently implementing a diversification policy, expanding the range of services, preparing new programmes and are engaged in regional expansion. At the same time, we place emphasis on better quality of our loan portfolio and higher financial strength of the Bank. Such an approach makes our customers feel more assured in safety of their deposits, so does involvement of the Bank in the national deposit insurance system.

I would like to mention that banks and the banking community became part of everyday life of many people in Russia. Confidence of customers in banks is getting higher and the banks are preparing and launching new products and new technologies in the customer service. Constant “fitting-in” and learning each other is under way. We succeed in achieving such harmony with most of you, where our and your satisfaction stems not only from any loan made or any deposit placed but also from right decision-making on those matters.



VASSILY A. KORNEV
President of the Management Board

We always seek understanding of our customers, to be helpful, deliver the demanded services, and we need customers as much as customers need the bank. There is a saying by American poet Robert Frost: “A bank is a place where they lend you an umbrella in fair weather and ask for it back when it begins to rain”. Instead, we wish that our customers deem Agropromcredit Bank as a useful financial institution which provides useful financial services.

The better reward for us is the fact that business and well-being of our customers are growing. We grow together with you. Let you and your business have a favourable financial climate. Be sure that Agropromcredit Bank is always ready to lend you and your business an umbrella in any weather.

I wish to assure you that we will not be complacent and will take whatever efforts towards further growth in key financial indicators and stronger positions of the Bank in the Russian financial sector.

I appreciate your confidence and hope that your cooperation with Agropromcredit Bank will not only be as close and efficient as before but also open new horizons for our further mutual business progress.

VASSILY A. KORNEV
President of the Management Board

A handwritten signature in black ink, appearing to read 'B. Kornev', written in a cursive style.

PROFILE

Governing bodies

BOARD OF DIRECTORS

AS OF 1 JULY 2008

ARTYOM E. BIKOV
Chairman

VASSILY A. KORNEV
First Deputy Chairman

ALEXANDER A. DEMIDOV
Board Member

YURY A. ZVEREV
Board Member

TATIANA B. CHERNYKH
Board Member

MANAGEMENT BOARD

AS OF 1 JULY 2008

VASSILY A. KORNEV
President

SVETLANA S. IVANOVA
First Executive Vice President

KONSTANTIN B. BOROZINETS
Executive Vice President

IRINA V. DOVDYENKO
Executive Vice President

OLEG V. YEFIMOV
Executive Vice President

YEVGUENY A. IVANOV
Executive Vice President

SVETLANA A. KHMELEVA
Chief Accountant

PROFILE

Agropromcredit Bank was registered at the Bank of Russia on 9 July 1994. The Bank was given full banking licence no. 2880 by the Bank of Russia.

The supreme body of the Bank is the Annual General Meeting of its members which approves the Articles of Association, elects the Board of Directors and the President of the Management Board, and makes any other important decisions.

The Board of Directors is engaged in general governance of the Bank, identifies its strategic priorities and appoints the Management Board. The Board of Directors is composed of five members.

The Management Board as a collective body of the Bank is engaged in executive management and control over its day-to-day operations. The President of the Management Board acts as the sole executive authority. Decisions made by the Management Board are enforced by its executive staff including the head office, branches and outlets.

RATINGS

Agropromcredit Bank was assigned the following ratings from Moody's Investors Service: long-term rating at B2 and short-term rating at Not-Prime (NP) in terms of deposits in foreign and domestic currency and financial strength rating at E+ (BFSR). Rating of the Bank from Moody's Interfax is long-term national credit rating at Baa1.ru. Outlook is stable.

MEMBERS OF AGROPROMCREDIT BANK

Members of the Bank are 5 corporate entities: Blaucent Ltd., Denciborg Ltd., Kinlaut Ltd., Autotransbureau Ltd. and Roulten Ltd. All of them have equal participations in the authorised capital of the Bank, accounting for 20% each with a face value of RUR200 million. Total authorised capital is RUR 1,000 million.

INDEPENDENT AUDITOR

Independent auditor of Agropromcredit Bank is ZAO KPMG.

LARGE CORPORATE CUSTOMERS AT YEAR-END 2007

- Federal Electric Network Company of the Unified Energy System
- TyumenEnerg
- Urals Distribution Electric Network Company
- InterTechElectro
- InterTechElectro — New Generation
- Open Technologies 98
- EnergoStroiSnabKomplekt of UES
- «Professional» Private Pension Fund

LICENCES

- Full banking licence no. 2880 issued by the Bank of Russia dated 24 October 2005
- Licence no.150-10075-000100 of a professional securities market player issued by the Federal Financial Markets Service dated 29 March 2007 for custody business
- Licence no.1091 of an exchange intermediary issued by the Federal Financial Markets Service dated 04 December 2007 for organised business in commodity futures and options
- Licence no. 150-08816-001000 of a professional securities market player issued by the Federal Financial Markets Service dated 20 December 2005 for securities management business
- Licence no. 150-08812-100000 of a professional securities market player issued by the Federal Financial Markets Service dated 20 December 2005 for brokerage business
- Licence no. 150-08814-010000 of a professional securities market player issued by the Federal Financial Markets Service dated 20 December 2005 for dealing business

MEMBERSHIP IN ASSOCIATIONS, UNIONS, EXCHANGES AND OTHER ORGANISATIONS

- Member of the MICEX Foreign Exchange Section having access to trading in all foreign currencies within the System of Electronic Trading (SELT) (MICEX Stock Exchange Board resolution no. 15 dated 22 February 2001)
- Member of the MICEX Stock Market Section (MICEX Stock Exchange Board resolution no. 8 dated 24 July 2003)
- VISA Int. Principal Member
- MasterCard Int. Affiliated Member
- S.W.I.F.T. Member
- Member of the Moscow Regional Union of Industrialists and Entrepreneurs
- Member of the Association of Russian Regional Banks (“Russia” Association) (Certificate no. 261 dated 11 July 2003)
- Member of the Association of Russian Banks (registration no. 1383 dated 30 March 2004)

- Member of the Chamber of Commerce and Industry of the Moscow Region
- Member of St. Petersburg Stock Exchange, Non-Profit Partnership (Certificate no. 352 dated 10 March 2005)
- Member of the National Association of Securities Market Participants (NAUFOR) (since 29 November 2005)
- Member of Deposit Insurance Agency, State-owned Corporation

PARTICULARS

Full company name: Commercial Bank “Agropromcredit” (Limited Liability Company)

Short company name: Commercial bank “Agropromcredit”

Registration number: 2880

Registration date: 9 June 1994

Registered address: 13, Kvartal 2, Microrayon 5, Lytkarino, Moscow Region
140083, Russia

Contact phones: +7(495) 739-20-05, 981-11-81

a/c 30101810500000000710 with Unit 5 of the Moscow Operating Department,
Bank of Russia

Russian BIC 044552710

Record Reason Code 509950001

TIN 5026005919

Statistics codes:

Russian National Classifier of Legal Entities — 34922679, Russian National Classifier of Government and Administrative Bodies — 15001, Russian National Classifier of Political Entities — 46441000000, Russian National Classifier of Economy Sectors — 65.12, Russian National Classifier of Ownership — 49, Russian National Classifier of Legal Status — 65

MACROECONOMIC ENVIRONMENT IN 2007

GLOBAL MACROECONOMIC ENVIRONMENT

American sub-prime crisis in mid-2007 triggered slower growth rates in not only in the USA but also in Europe and emerging markets. Owing to the recession and implications of the sub-prime crisis and the financial turmoil, major financial institutions reported largest ever losses, reduced their presence in emergence markets, which affected, in particularly, Russian financial markets by the year-end 2007.

RUSSIAN MACROECONOMIC ENVIRONMENT

Despite lack of stability in the world, rates of economic growth in Russia remained high throughout the year 2007 thanks to favourable market conditions in commodity markets.

Overall, in 2007 GDP growth rate was 8.1% against 7.4% in 2006. Inflation in 2007 was 11.9%, or higher than in the previous three years.

According to the Bank of Russia, 2007 saw export growth rate much behind the 2006, however with an accelerated growth by the year-end. The export growth rate was mainly due to surge in oil prices started in the 3rd quarter of the year 2007. The import growth rate was 36.8% (against 31.3% in 2006).

In 2007, gold and forex reserves of Russia increased 56.9% to US\$476,400 million as of 31 December 2007, becoming Russia the third largest country in this indicator.

The Stabilisation Fund of the Russian Federation increased 64% in 2007 to 3,849,110 million in RUR equivalent as of 31 December 2007 (11.7% of GDP), or 156,810 million in US\$ equivalent.

RUSSIAN BANKING SECTOR

As of 31 December 2007, there were 1,136 operational banking institutions in Russia against 1,149 a year earlier. As of the year-end 2007, there were 202 institutions with banking licences where non-residents have a stake, while the number of such institutions increased by 49 in the course of the reporting year.

Total assets of the Russian banking sector rose 44.1% to RUR20.241 trillion in 2007.

Assets of 50 largest banks were up 46.8% in 2007, which shows more accelerated growth than those of the Russian banking sector as a whole. Such banks reported an increase of 1.4% in proportion in the reporting year to account for 76.5%. Similar asset growth indicator of 200 major banks was 45.5%, with the proportion of such group of banks rising 0.9% to 91.5% in the reporting period.

Total capital of Russian banks (equity) increased 57.8% in 2007 to RUR2.672 trillion, a rise of 21.5% against 2006.

Total banking assets were 61% of the GDP, while total capital was 8.1%. In 2007, assets increased around 10%; however, they are quite small as compared to similar figures in main developed economies.

It is worth noting among key trends in 2007, growth rates in personal lending were a bit higher (57.8%) than in corporate lending (51.5%). In 2006, personal loans were up 78.3%, corporate loans rose 39.8%. Total loan portfolio was over 50% of the GDP.

Total personal deposits with Russian banks were RUR5.159 trillion as of the year-end 2007, up over 35%. Deposit behaviour in 2007 posted growth rate a bit lower than in 2006 (38%), which is related mainly to decreased growth rates in household income (22.4% in 2007 against 25% a year earlier). Despite that, it is worth mentioning increased confidence of the population in banks. For example, personal deposits were up by 2% a year within household income in 2005 to 24% as of 31 December 2007.

MAIN AREAS OF BUSINESS IN 2007

Personal banking

PERSONAL BANKING IN 2007

In 2007, Agropromcredit Bank continued its focus on personal banking as most promising and important area of business. Personal banking was a most fast-growing business segments of the Bank which went on improving its infrastructure and expanding geography of its regional presence in Russia. It was aimed to increase the demand for its services and the number of customers, improve the service quality and the range of products.

By the year-end 2007, some branches launched a lending programme designed for medium-sized and small businesses from among corporates and sole proprietorships. In 2008, such programme is to cover all regions where the Bank is present. The programme is mainly intended to ensure favourable conditions for sustained development of medium-sized and small companies in Russian provinces underpinned by its efficient funding mechanisms. Since the launch of the programme till the end of the reporting year, the Bank made 129 loans to such customers for over RUR230 million joining the group of best lenders to small businesses in 2007 with the 61st position in terms of volume of loans and 63rd in terms of their number (RBK.Rating).

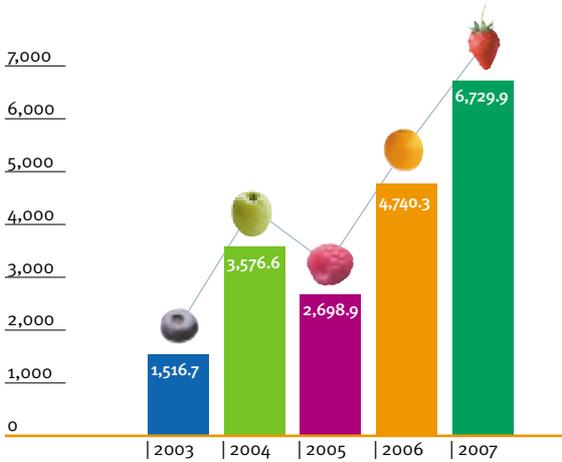
In the year under review, the Bank showed growth in key retail banking indicators: the portfolio in personal lending programmes were buoyant and month-to-month increase in income from personal loans, as well as larger individual deposits. To illustrate, Agropromcredit Bank was 54th in terms of loans made to individuals (Kommersant), and was 43rd net of mortgage (RBK.Rating).

The portfolio increase under lending programmes for individual customers was nearly RUR2,000 million in 2007, a rise or 42%. Outstanding loans under such programmes surpassed RUR6,700 million as of 31 December 2007.

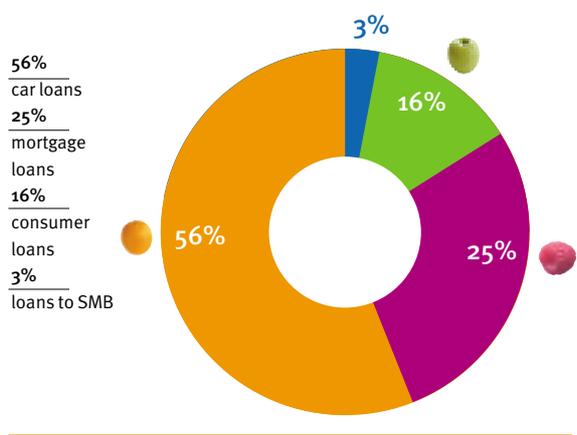
Loans made throughout the year rose almost 35% to RUR4,600 million against 2006. Total performing loans surpassed 43,000 at the year-end.

Car loans were 56% within total loan portfolio in 2007, while mortgage loans were 25%. Consumer loans were 16%, and loans made to small to medium business (SMB) were 3%.

TOTAL OUTSTANDING PERSONAL LOANS in RUR millions



PERSONAL LOAN PORTFOLIO IN 2007 %



There was monthly income growth from lending to individuals throughout the reporting year. As of the year-end, income from personal loans was RUR947.891 million.

CAR LOANS

In 2007, the Bank continued its car loan programmes as a component of the complex of personal banking services. For example, in 2007 the Bank prepared and launched new car loan programmes to help purchase new and used Russian and foreign-made cars:

- Foreign-made passenger cars;
- Russian-made passenger cars;
- Commercial transport; and
- Motorcycles and scooters.

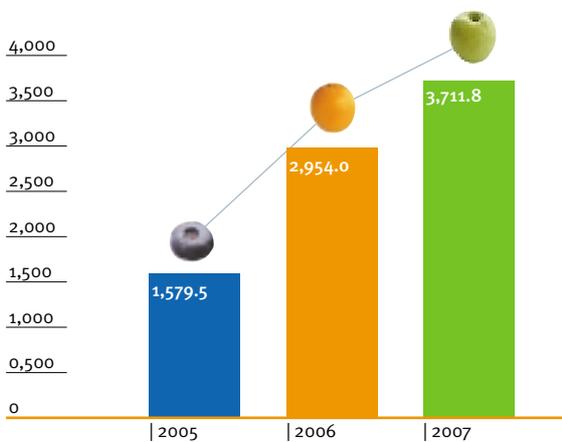
The Bank made nearly 4,800 loans in the reporting year to purchase motor vehicles for over RUR2,400 million, with an increase of 26% in outstanding car loan balance to RUR3,712 million for the year. And total performing car loans were 11,800 as of the year-end.

After new lending programmes were launched, car loans were constantly rising throughout the year 2007 (save annual seasonal slowdown in August and September) (RUR104.608 million in January and RUR272.376 million in December).

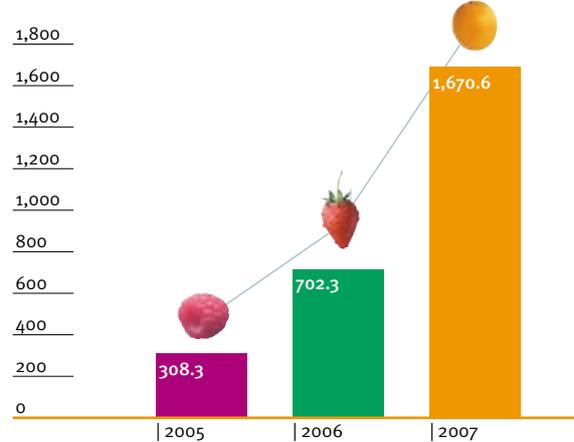
The project to enter the market of personal loans to purchase commercial transport was performed quite well, and since the project launch till the year-end lending volume was RUR433.7 million.

Successful performance in this segment in 2007 enabled Agropromcredit Bank to be 27th in terms of car loans among large Russian banks (RBK.Rating).

OUTSTANDING PERSONAL CAR LOANS in RUR millions



OUTSTANDING PERSONAL MORTGAGE LOANS in RUR millions



MORTGAGE LENDING

In 2007, the Bank continued developing mortgage lending programmes intended for individual customers. To expand the existing line of products, new mortgage programmes were prepared and implemented such as the Housing Improvement and the Consumer Loan Against Liquid Housing Property as Collateral. Moreover, subject to an agreement entered into with the Housing Mortgage Agency, the Bank went on implementing the secondary housing mortgage programme in 2007.

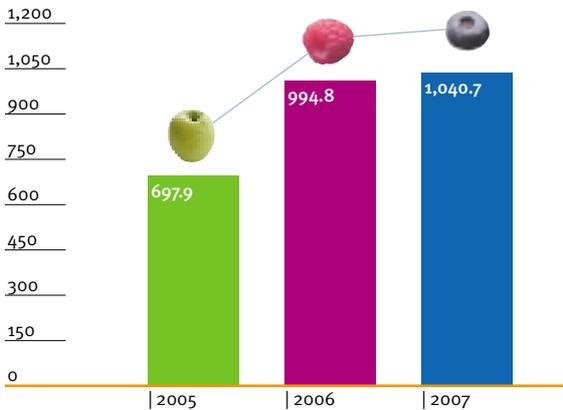
The Bank delivered very good progress in making personal loans to purchase real estate. Throughout the year 2007, outstanding loans and the mortgage portfolio size was steadily increasing. Particularly, loans made in January were over RUR25.7 million, while in December they were RUR179.4 million.

During the year the Bank entered into 791 loan agreements (against 454 a year before) totalling RUR1,230 million, with lending volume 2.6 times as much. Therefore, outstanding loan balance increased almost 2.5 times to RUR1,671 million, and performing loans were up 37.7% to 1,719 in number against 2006.

In 2007, subject to proactive efforts in mortgage lending, the Bank refinanced mortgage loans not only through the Housing Mortgage Agency as has customarily done over several years, but also through other counterparties entering in December 2007 into the first refinance contract topping RUR70 million. Such contract was a sort of test for the Bank so as to review mortgage portfolio quality, credit file management quality and the mortgage business as a whole. In 2008, the Bank will continue its mortgage lending, mortgage refinancing and refinance risk diversification by an increase in number of its counterparties.

As a result of fast-growing progress in mortgage lending, in 2007 Agropromcredit Bank was 45th in terms of mortgage loan portfolio among Russian banks (RBK.Rating).

OUTSTANDING PERSONAL CONSUMER LOANS in RUR millions



CONSUMER LOANS

Agropromcredit Bank offers individual customers consumer loans for a variety of purposes. In 2007, we prepared and launched new programmes of purpose and non-purpose consumer loans with a view to expand the existing product line:

- «Universal»;
- «Emergency»;
- «Family»;
- «Health»; and
- «Vacations».

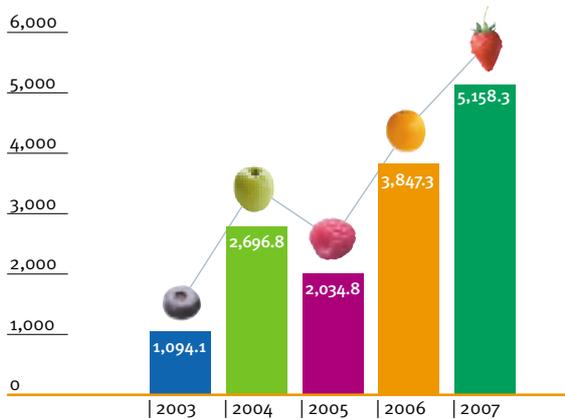
Launch of new programmes and new risk analysis techniques enabled to increase lending volumes by the year-end. In 2007, the Bank made over 9,000 consumer loans for RUR718 million.

Outstanding consumer loans of individual customers rose 5% as of the year-end 2007 to RUR1,041 million.

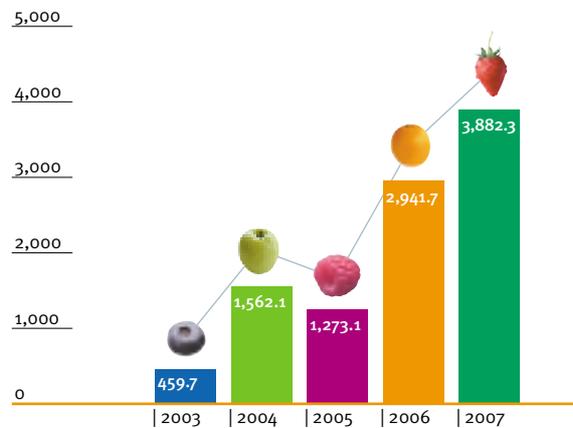
PERSONAL DEPOSITS

Raising personal deposits remained an important area of business for Agropromcredit Bank in 2007. The Bank sought to make the customer service most comfortable, focusing on good quality and prompt services and attentive staff, implementing new and improving the existent products and setting competitive rates.

PERSONAL DEPOSIT BALANCES in RUR millions



PERSONAL TERM DEPOSIT BALANCES in RUR millions



In 2007, the Bank launched several new term deposit products such as Love Gifts and Champion in February, Sun Bonuses in June and Maximum in December. During the year, the Bank conducted promotion actions with gifts and prize drawing. As a result, 4 customers were given tickets for the Moscow World Ice Hockey Cup, 11 customers were awarded a supper for two persons in a restaurant, and 20 new customers from a variety of cities and towns had their balances doubled.

As of 31 December 2007, personal balances with the Bank were RUR5,158 million, having an increase of 1,311 million, or 34.1%, in personal deposit portfolio for 2007. Particularly, terms deposits rose 32.0% to RUR 3,882 million from the year-end 2006, and balances on special card accounts and current accounts were up 62.0% to RUR1,238 million. Household term deposits surpassed 4,200 million in RUR equivalent.

Effective agreements with individual customers rose about 5,000 to 272,600, including, more than 11,000 term deposit agreements and over 171,000 special card account agreements and demand deposit agreements.

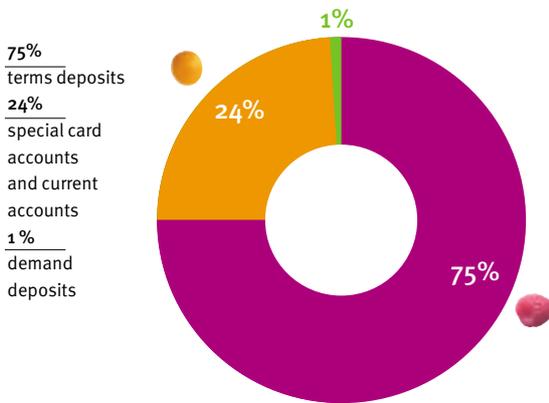
MONEY TRANSFERS

Agropromcredit Bank provides express money transfers via PrivatMoney and Western Union systems, which enables to transfer and receive money without opening an account within 10 minutes throughout the globe, including CIS and nearest Baltic countries.

In 2007, the Bank updated the cooperation terms with Western Union and therefore offered money transfers subject to a Budget tariff intended for those interested in lower fee for money transfers and ready to wait 24 to 48 hours.

BREAKDOWN OF PERSONAL DEPOSITS IN 2007

%



CARD BUSINESS

Throughout 2007, the Bank was proactive in developing card issue and acquiring programmes. Preliminary work was done and several technology projects were implemented to expand the number of services for cardholders. In particular, the Bank launched SMS-information service on account movements and balances. In addition, customers may also manage its account by cellular phone (SMS-Service).

The number of cards issued in 2007 increased 32,200 to 118,100 as of the year-end 2007, including 107,500 issued with VISA brand and 10,600 with MasterCard brand.

As of the end of the reporting year, Agropromcredit Bank handled 676 payroll projects. Average monthly balances on special card accounts and current accounts were in excess of RUR1,000 million in 2007.

MAIN AREAS OF BUSINESS IN 2007

Corporate banking

CORPORATE BANKING DEVELOPMENT STRATEGY IN 2007

In 2007, the development strategy of the Bank was based on most efficient use of its funding base in order to expand business relations with the existing corporate customers and to provide services to their counterparties and partners. Special focus was made on attracting new customers from a great variety of economy sectors.

Such an approach to cooperation helps the Bank diversify as much as possible its sector risks and thus contribute to its higher financial strength in general, and make it more attractive for prospective customers and investors. Counterparties of the Bank may always unfailingly rely upon every employee when addressing day-to-day complicated challenges.

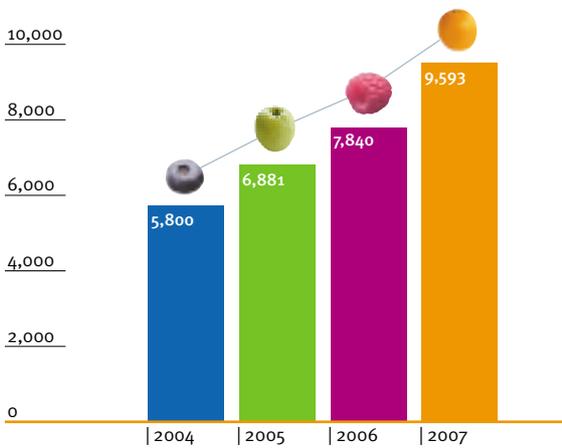
Interaction principles between the Bank and its customers are underpinned by loyal and long-term relationship. Owing to confidential relations with its counterparties, the Bank sees its proactive involvement in all areas of business, facilitating higher soundness and further evolvement of enterprises and companies from a diverse range of economy sectors.

It is worth bearing in mind strong efforts of the Bank in investment banking. Agropromcredit Bank succeeded in arranging several bonded debt issues for its customers, while comprehensive payroll projects implemented for corporates fostered target loan programmes for their staff on competitive and attractive terms.

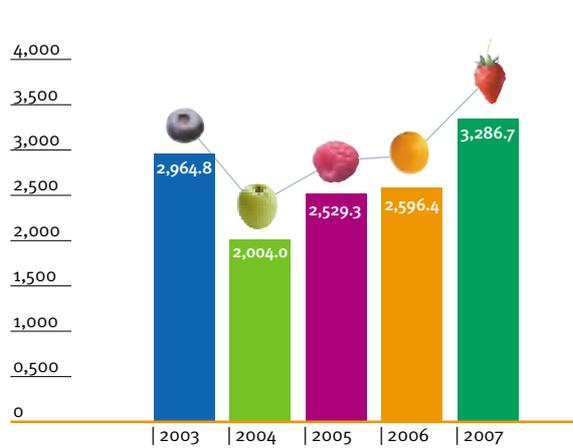
Agropromcredit Bank is engaged on a continuing basis in programmes intended to handle important customers having material impact on services to households. In particular, there are companies from fuel sector, where the Bank's remote cashier offices and outlets are operating.

New opportunities towards building-up the corporate customer base emerged after the Bank opened two regional branches, in Nizhny Novgorod and Perm.

CORPORATE ACCOUNTS (NET OF PROMISSORY NOTES)



CORPORATE DEPOSITS in RUR millions



CORPORATE BANKING

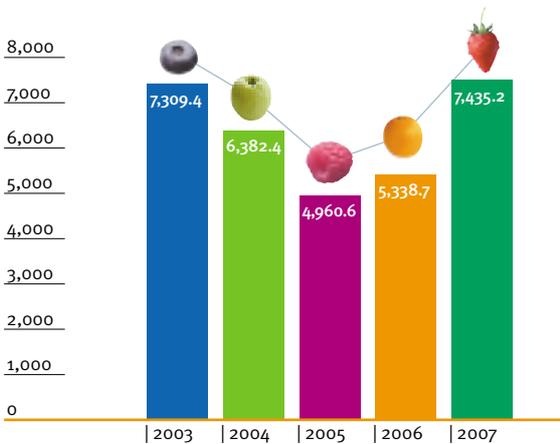
Owing to the cooperation with corporates based on partnership principles, improved technology in customer service and delivery of new banking products, the corporate customer base of the Bank reported growth in terms of quantity and quality.

At the end of the reporting year, total number of corporate customers was close to 10,000, with an over 20% increase against the beginning of the year.

In corporate banking, emphasis is placed on permanent improvement of customer services, tailor-made approach and offer of new types of banking services, and expanded geography of presence of the Bank. Based on full-fledged partnership relations with its customers and taking advantage of a wealth of experience gained in corporate banking, in 2007 the Bank laid a solid foundation for its long-term planning in the years to come.

Corporate customer deposits were RUR3,287 million, while business and current account balances were RUR7,435 million by the year-end 2007.

BUSINESS AND CURRENT ACCOUNT BALANCES in RUR millions



CORPORATE BUSINESS LENDING STRATEGY IN 2007

Agropromcredit Bank made very good progress in 2007, despite global liquidity crisis and succeeded not only to continue its fail-safe business process to launch credit products earlier approved, but also went on accepting and considering new applications.

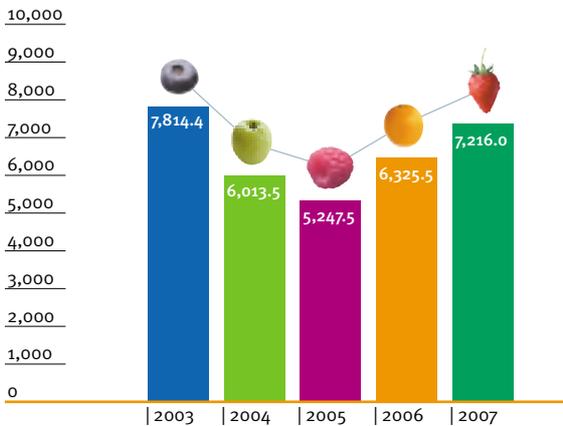
Credit lines and current account overdrafts were most demanded credit products in the year under review.

In 2007, in corporate banking particular focus was made on support to small and medium-sized enterprises in non-finance sector of the economy. To ensure efficient results in this area of business, Agropromcredit Bank established partnership relations with Russian Bank for Development. The parties implemented a joint programme designed for such customers. It enabled the Bank to make target loans under the Small to Medium Businesses Support Programme.

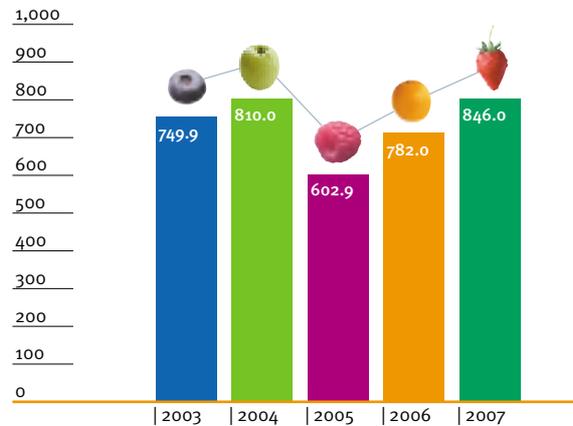
Loans were made to small and medium-sized companies from RUR300,000 to RUR30 million for a term of 3 months to 3 years. These were credit products such as Capital for Growth (from RUR1 million to RUR30 million for up to 3 years) and Working Capital (from RUR300,000 to RUR12 million for up to 6 months).

In its lending activities, the Bank seeks most efficient placing of funds, ensuring highest return with lowest risk.

CORPORATE OUTSTANDING LOANS in RUR millions



INTEREST INCOME FROM CORPORATE LOANS in RUR millions



CORPORATE LOANS

Larger loan portfolio through more lending to the non-finance sector of the economy, socially important programmes of the provinces, expanded lending services to corporate customers were credit policy priorities of the Bank for 2007.

In the reporting year, Agropromcredit Bank made corporate loans in Russian roubles and foreign currencies. Projects and trades with short-term and mid-term return were most important for the Bank. When making loans to corporates, lending instruments were used such as commercial loans being credited to the business account, overdrafts, credit lines with preset disbursement limit or outstanding limit or both limits, bank guarantees for auctions and tenders.

Total loan portfolio (outstanding loans to corporate customers and sole proprietorships) increased 14% as of the year-end 2007 to over RUR7,200 million against 2006. The bulk of the loan portfolio in terms of loan amount fell on Moscow head office, while in terms of the loan number, on the regional network.

In 2007, the Bank increased its loan portfolio thanks to greater lending volumes, in particular, by attracting borrowers to new lending products and services, based on tailor-made and flexible borrower appraisal methodologies, and loan-making techniques. For example, total loans made to corporates and sole proprietorships in 2007 were RUR39,100 million against RUR26,200 million a year before, or 1.5 times as much.

In the year under review, the Bank made, mostly, loans to corporate customers and sole proprietorships in Russian roubles. Foreign currency loans were not so demanded as they accounted for 1.8% to total loan portfolio as of 31 December 2007.

Interest income from loans made to corporates (save banking institutions) and sole proprietorships was RUR846 million in 2007 against RUR782 million in 2006.

SERVICES

In 2007, the Bank placed emphasis on a broad range of services to corporates from a variety of sectors, particularly, power generation, wholesale and retail trade, and construction.

The existing spectrum of banking products is ever increasing and being essentially improved.

Presently, the Bank offers the following corporate services:

- fund transfers in domestic and foreign currencies;
- cash transactions and merchant cash pick-up;
- documentary business;
- corporate payment cards;
- payroll projects;
- merchant acquiring;
- customer idle fund placing;
- business lending and financing;
- forex transactions by customer orders;
- trading in securities;
- loan facility arrangements in the securities market;
- custody services.

BETTER LEGAL FRAMEWORK AND OPERATING TECHNIQUES

Financial strength of the Bank in 2007 as far as corporate loans are concerned was mostly due to the following:

- Increased lending volumes to sound borrowers with positive credit history;
- Lending to new customers;
- Further promotion of the existing and development of new credit products and technologies; and
- By-laws of the Bank related to loan-making are maintained at a level adequate to minimise credit risks at all lending stages.

With a view to adopt a common approach to lending business and to keep the adequate credit risk level, the Regulation on Corporate Lending and the Regulation on Customer Account Overdrafts were prepared and approved at the Bank in 2007.

In addition, new versions of by-laws on lending to corporates and sole proprietorships, on loan-making techniques in line with borrowers demand in provinces such as: the Regulation on Lending to Corporates and Sole Proprietorships Using Special Tax Treatments, the Rules of Interaction between the Branches and the Head Office on Lending, and the Regulation on Branch-Based Independent Corporate and Sole Proprietorship Loan Limit Setting.

Subject to efficient credit risk management in 2007, the Bank was engaged in the following:

- Control over implementation of the Credit Policy at the Bank as a whole;
- Setting limits for independent lending by branches;
- Control over compliance with required credit risk ratios at the Bank as a whole to restrict the largest loan amount per borrower or group of related borrowers in line with Instruction of the Bank of Russia no. 110-I “On Required Ratios of Banks” dated 16 January 2004
- Multi-level loan-making procedure, including that related to large loans. The procedure covers comprehensive analysis of the borrower’s documents by a variety of divisions of the Bank (economic, legal, security) and review of applications by credit committees at all levels: the branch, the relevant division of the head office and the Credit Committee of the Bank; and
- Control over compliance with limits and by-laws of the Bank regulating lending transactions.

To determine credit risk exposure of the Bank subject to credit monitoring procedure, performing loans are being classified on a permanent basis by quality classes in line with its Regulation on Corporate Loan Impairment Provision.

When making provision for loan impairment, the Bank is based on actual credit risk amount in compliance with Regulation of the Bank of Russia no. 254-P «Procedure on Impairment Provision for Loans, Outstanding Loans and Similar Debt dated 26 March 2004. And on its basis, the Regulation on Corporate Loan Impairment Provision was adopted at the Bank.

It is worth mentioning that in 2007 Agropromcredit Bank adopted its credit policy relying not only upon increased quantity indicators, but also placing much emphasis on credit asset structure quality, thus ensuring its high loan portfolio strength.

CORPORATE BANKING DEVELOPMENT STRATEGY FOR 2008

For 2008, Agropromcredit Bank is going develop corporate banking not only within its presence boundaries, but also in adjoining sub-national entities of the Russian Federation. Based on a broad range of products and tailor-made approach under volatile business conditions, and with efficient management along the organisational structure to meet a diversity of targets, the Bank aims to reach a new quality level, which will help win a considerable share within the national banking market.

Attraction of new borrowers among corporates and sole proprietorships within small to medium companies from diverse economy sectors is, in particular, another priority in lending business evolvement for 2008.

MAIN AREAS OF BUSINESS IN 2007

Financial markets

ACTIVITIES IN FINANCIAL MARKETS

Agropromcredit Bank has full set of licences from the Federal Financial Markets Service entitling to operate in the securities and the derivatives markets. The Bank acts as a dealer in the federal bond market, and is able to transact direct repos with the Bank of Russia.

Turnover of the Bank in the forex market in 2007 surpassed US\$6,200 million and EURO97 million.

The Bank had turnover in bonds over RUR28,800 million, in particular, federal bonds were RUR12,400 million, corporate bonds were RUR2,000 million, and repo trades were RUR14,400 million as of the year-end.

Total promissory note turnover in 2007 exceeded RUR36,000 million.

By placing funds in liquid and marketable financial instruments, the Bank not only makes investments in bonds, promissory notes and equities in the secondary market, but also takes part in initial public offerings as an underwriter.

As of the year end 2007, the Bank joined the top 30 arrangers in rouble bonded debt in Russia. The Bank successfully implemented several trades related to fund-raising and consulting to large Russian companies. Throughout 2007, Agropromcredit Bank made 4 corporate bond issues in the domestic capital market as an arranger and a market-maker for RUR5,300 million. In addition, the Bank acted a paying agent.

IN 2007, THE BANK TOOK PART IN SECURITIES ISSUES AS FOLLOWS

Issuer; issue series	Issue amount, in RUR millions	Debt instrument type
Miratorg Finance; 1	2,500	Bonds
Moscow Region Government; 26007	16,000	Bonds
Housing Mortgage Agency; 9	5,000	Bonds

SECURITIES ISSUES ARRANGED AND PLACED IN 2007

Issuer	Public registration number	Public registration date (dd/mm/yyyy)	Offering date (dd/mm/yyyy)	Issue amount, in RUR millions
PermEnergO	4-01-00118-A	17/04/2007	29/05/2007	1,000
ChelyabEnergO	4-01-00183-A	03/04/2007	17/05/2007	600
Yekaterinburg Power Network Company	4-02-65011-D	25/01/2007	12/04/2007	1,000
TyumenEnergO	4-02-00159-F	21/02/2007	05/04/2007	2,700

INTER-BANK MARKET

Agropromcredit Bank has been for several years active player in inter-bank market. It makes inter-bank loans and takes deposits, being invariably a net lender, and enters into banknote trades and transacts foreign exchange.

Spotless reputation of the Bank enables members of the Russian banking community to increase unsecured inter-bank credit lines on Agropromcredit Bank, including those on deposit, forex and documentary transactions. Such a reputation is an evidence of the confidence that the banking institutions has in the Bank. As of the year-end 2007, the Bank entered into co-operation agreements in the forex market and the money market with 185 banks in Russia and other CIS countries.

By taking advantage of its branch network, the Bank is developing its proprietary settlement system ensuring inter-regional real-time payments. The common settlement system help make payments between many domestic provinces, expanding service geography for wireless financial flows from corporate and individual customers.

In 2007, turnover in inter-bank market was over RUR160,000 million, US\$471 million and EURO188 million. Placements were RUR145,900 million, US\$443 million and EURO188 million, while fund-raising business was RUR23,300 million and US\$28 million.

Main competitors of the Bank in the inter-bank market in 2007 were TransCreditBank, Avangard Bank, Metallinvestbank, Uniastrum Bank, SviazBank, Promsvyazbank and MDM-Bank.

PROMISSORY NOTE PROGRAMME

The Bank is vigorously developing its proprietary promissory note programme. Promissory notes of the Bank are sound and marketable investment instruments, and moreover they are intensely used by its customers as a payment instrument for goods and services. In 2007, the Bank issued 2,439 such debt instruments for a total amount (face value) of over RUR12,400 million. Total promissory notes (face value) issued by the Bank in 2006 were RUR11,600 million, that is, face value of the promissory notes rose 7%.

MAIN AREAS OF BUSINESS IN 2007

Correspondent banking

Expansion and strengthening of the clearing network and the branch network of the Bank were intended to reduce expenses and time for fund transfers, optimise placing of deposit balances and achieve better settlement efficiency. The Bank maintains long-term relations with counterparty banks which are large foreign banks and those from CIS countries.

In 2007, optimisation of the clearing network was aimed towards an improved settlements, that is, financial technology chain links.

As of the year-end 2007, vostro clearing accounts were 16 in 11 banks, while nostro accounts were 32 in 21 banks.

The extensive clearing and branch networks available at the Bank, and up-to-date fund transfer systems (S.W.I.F.T. code of the Bank is AGCORUMM) enable to perform customer orders in any currency in an efficient and prompt manner.

CLEARING BANKS

no.	Clearing bank	Location	Currency
1	UniCredit Bank	Moscow	USD, GBP
2	VTB Bank (Deutschland) AG	Frankfurt	USD, EUR
3	Dresdner Bank AG	Frankfurt	EUR
4	PrivatBank	Diepropetrovsk	UAH
5	EcoBank	Bishkek	RUR, KGS
6	Bank Petrocommerce	Moscow	USD, EUR, RUR
7	TransCreditBank	Moscow	USD, RUR
8	Zapsibcombank	Salekhard	RUR
9	Central Clearing House, non-banking institution	Moscow	RUR
10	RRB Bank	Minsk	BER
11	NOMOS-BANK	Moscow	USD, RUR
12	Gazprombank	Moscow	RUR
13	Russian Bank for Development	Moscow	RUR
14	Russian Agricultural Bank	Moscow	RUR
15	RussBank	Moscow	RUR
16	International Industrial Bank	Moscow	RUR
17	SredneRusskiy Bank of Savings Bank of Russia	Moscow	USD, RUR

MAIN AREAS OF BUSINESS IN 2007

Regional network

BRANCH NETWORK DEVELOPMENT STRATEGY

In 2007, the branch network development strategy focused on continuing expansion of the Bank's areas of presence together with better service quality and improved banking technologies.

The regional policy is aimed at achieving the following targets:

- Successful development of presence in federal and regional cities;
- Full use of capabilities offered by the region of presence;
- Increased customers' loyalty;
- Full spectrum of banking services;
- Customer base diversification;
- Tailor-made relations with customers and bank offices closer to consumers; and
- Most efficient co-operation with fuel sector enterprises of the core customer.

REGIONAL POLICY TARGETS

Regional policy of the Bank involves addressing a variety of business targets. Such targets in the corporate and the personal lending market are comprehensive services to corporate customers and promotion of lending programmes in favour of small to medium-companies, mortgage and car loans.

Under the build-up of the term funding base of corporate and personal customers, the Bank focuses on favourable terms to be offered in demand and terms deposits.

Operating divisions of the Bank are to focus mainly on full array of services to be provided to corporate and personal customers, including diverse lending programmes, deposits, all kinds of banking services involving opening of accounts and transactions with no account, standing orders, and safety deposit boxes.

In addition, all branches are engaged in payroll projects and offer MasterCard and VISA cards.

PERFORMANCE FOR 2007

By adopting personal banking as its prime area of development, the Bank made proactive efforts towards its further promotion in the regional market. Particularly, to optimise expansion of network of presence, three core development areas were identified:

- areas of presence of the existing branch network;
- new areas of presence; and
- network in Moscow city and the Moscow Region.

In all lines of development, most attractive regions, cities and towns, and development areas (top 15) were identified. And along these lines, the Bank started expanding its presence. Preparations were made in Moscow, Saint-Petersburg, Yekaterinburg, Khanty-Mansiisk, and other regions.

In 2007, Agropromcredit Bank opened 2 new branches in Nizhny Novgorod and Perm. Therefore, by the year-end the branch network had 51 structural divisions located in six of seven federal districts throughout Russia: 14 branches, 28 outlets, 6 off-premises cashier's offices, 1 cashier' office (in Lytkarino, Moscow Region), 1 exchange office and 1 fixed workstation.

In the reporting year, the Bank's Yegorievsky outlet, Central branch, moved to new premises located in the town centre. That helped ensure sustained growth of the customer base coupled with better volume indicators of the branch.

REGIONAL NETWORK STRATEGY FOR 2008

In the first 4 months in 2008, two more outlets, in Saint-Petersburg and Yekaterinburg, joined the branch network of the Bank. For the short-term, in 2008 the Bank intends to further expand its regional presence in Moscow, Saint-Petersburg, Tyumen, Surgut, Orenburg and Saratov.

Most industrialised Russian cities and towns remain strategic developments for the branch network. Special emphasis will be placed on the following:

- Population living in the region;
- Income per capita;
- Number of companies and enterprises;
- Level of trade development and demand for retail loans;
- Growth rates in housing construction;
- Banking concentration; and
- Presence of core customer's enterprises.

The existing branch network of the Bank shows reasonable and well-thought approach to selecting areas of presence. It is an evidence of right methodologies (ratings) available at the Bank to assess attraction of regions. Further activities of the Bank towards regional expansion will be underpinned by the existing positive service record in line with the image of a high-class regional bank.

MAIN AREAS OF BUSINESS IN 2007

Software and hardware complex and in-house technology improvement

SOFTWARE AND HARDWARE COMPLEX IN 2007

In 2007, Agropromcredit Bank was engaged in improving its technology base in compliance with its business targets and development plans, expansion of the product lines and evolution and essential improvement of the regional network.

A wide spectrum of up-to-date banking information technologies was implemented at the Bank such as a commercial automated banking system (ABC) with a full range of functionalities to handle corporate customers, a centralised ABC for personal banking, a corporate data storage, and an Intranet portal. The data and voice message transfer system is based on the best world solutions in corporate communications.

Corporate customers are making a proactive use of the Bank-to-Customer telebanking system, including via Internet, in order to achieve more efficient domestic customer transfers. Agropromcredit Bank has in place its proprietary settlement network covering all areas of presence. The system allows guaranteed prompt payments within the territorial network. Payments are made using the electronic documents system and certified encryption facilities.

In 2007, the Bank continued developing its data financial service “Corporate Settlement Centre”, based on internet telebanking technology. It is designed for large corporate customers with a territorial and administrative distributed structure, including manufacturing and wholesale holdings. Using the Corporate Settlement Centre, our customers are able to create a unified corporate governance system with real-time financial information. The system includes a complex of services to ensure efficient cash management to address a variety of targets, for example, prompt control over budget administration. By connecting to the Corporate Settlement Centre, financial managers from enterprises are able to monitor movements of accounts maintained with the head office or any branch online via a common Internet interface, have a prompt control over payment documents, get access to account statements and reports around-the-clock. At present, several dozens large companies are connected to the system.

In the year under review, the Bank vigorously worked on evolving the systems intended for implementation of an extensive range of financial schemes in favour of individual customers as depositors and cardholders.

Experts of the Bank ensured every IT support needed for rapid growth of consumer lending, and compliance with requirements on data integration with the Credit Bureau.

The Bank focused, in particular, on further growth in personal lending by increasing the loan portfolio in the mid-term up to 100,000 or 150,000 performing trades. In this connection, the IT division of the Bank made preparations to implement a centralised high-capacity retail support system, capable to accept applications, assess borrowers' solvency and enter into agreements together with transaction accounting, to ensure quality mass lending services in great number of sale points and in substantial volumes. Full-scale commercial implementation of the system at the parent bank and regional offices is scheduled for 2008.

With a view to tackle tasks on operating control over the regional network, the Corporate Data Storage was further developed in 2007 in terms of its functionality, as well as technologies involving data collection and data consolidation from regional entities.

In 2007, the corporate information network based on IP-VPN technology and dedicated lines of TransTeleCom and RosTeleCom was more developed ensuring document management, handling of cards, ongoing management of regional offices.

Owing to continuing rise in transaction volumes, central computing resources were updated on the basis of IBM hardware platforms. Main focus was made on virtualisation of the hardware infrastructure using cluster solutions and creating data storage network to ensure its failure-tolerance and safety of information systems of the Bank.

As most offices changed over in 2006 to extended service time for individual customers, in 2007 the Bank optimised and rearranged the required technology processes.

PROCESSING CENTRE

The processing centre of the Bank is a fast-growing entity with a focus on continuing expansion of products and services. As of the year-end 2007, Agropromcredit Bank was able to offer its customers a wide range of services, including ATM payments, online money transfers from the card to any account (a card), SMS services and SMS information on account movements, card-to-card money transfers through ATMs, and an overdraft product “Take a loan before the pay day”.

In 2007, VISA International upgraded the status of the Bank to a principal member and certified the processing centre for card issue and acquiring. With its new status, the Bank can offer a wide array of VISA-based services, including fail-safe handling of cards in Internet, card-to-card money transfers not only for its customers.

As of the year-end 2007, the Bank issued 118,100 cards.

All above allows the Bank to be optimistic about the future. In particular, for 2008 the processing centre of the Bank is going to implement projects towards greater loyalty of our cardholders. To tackle this task, the Bank will develop additional programmes making our cards more attractive for customers, for example, granting discounts to merchants, cards to enter VIP rooms at airports, insurance policies to cardholders.

PERIPHERAL FACILITIES

ATM network of Agropromcredit Bank is expanding from year to year. For example, 24 cash dispensers were put into operation, including:

- Head office — 4;
- Central branch — 1;
- Tyumen branch — 3;
- Kurgan branch — 2;
- Chelyabinsk branch — 1;
- Orenburg branch — 4;
- North-Western branch — 1;
- Surgut branch — 2;
- Perm branch — 4;
- Nizhny Novgorod branch — 2.

Therefore, there were our 150 cash dispensers throughout the national territory as of the year-end 2007.

POS terminals of the Bank were 112, including 68 POS terminals at central cashier's offices (cash advance offices) and 44 on merchant premises.

Over the reporting year, POS terminals were installed at 9 cash advance offices (one at each of North-Western branch and Kolomna branch, two at each of Nizhny Novgorod branch and Orenburg branch, and three at Perm branch) and at 10 merchants (one at each of North-Western branch, Kurgan branch, Central branch, Chelyabinsk branch, Far-Eastern branch and Kolomna branch, two at each of Orenburg branch and Surgut branch).

In the reporting year, the Bank made full inventory of all operating peripheral facilities, with the relevant data entered in WAY4 records. All cash dispensers underwent routine maintenance by the branch staff and service staff.

All operating ATMs are insured.

MAIN AREAS OF BUSINESS IN 2007

Administration and human resources

HR MANAGEMENT STRATEGY

HR management as any other complicated process is impossible without indispensable tools represented by interrelated economic, administrative, social and psychological techniques ensuring efficient job activities in line with business requirements. Optimum combination of above parameters is achieved by a streamlined recruitment system where skilled professionals of high ethic calibre and understanding of customer demands and able to deal well with clientele and colleagues are invited.

All system of relations between the Bank and its staff is based on applicable law, particularly, the Russian Labour Code. The Bank complies with standards set forth in labour law and there are no abuses from any official or wrong decisions against interests of the staff. However, no staff member is released from personal liability for his/her job results.

Thanks to a reasonable HR policy and well-thought techniques applied by the management, the Bank enjoys a peaceful, well-wishing and democratic environment. The governance of the Bank is based, mainly, on reputation of executive managers at all levels and on aspiration to achieve consensus in dispute. Executive managers of the Bank are open for dialogue with the staff.

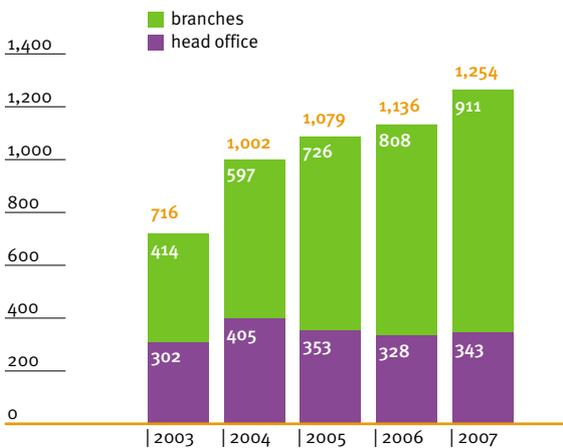
The top management of the Bank is interested in career growth of the staff, is ready to support and encourage promotion of employees able to assume responsibility not only for his/her duties, but also for collective projects, to show reasonable initiative and creativity. Every New Year eve, the top management of the Bank strikes the balance of the expiring year and awards the best employees at the corporate gala event.

HR PERFORMANCE IN 2007

Success of the Bank is based, first and foremost, on high professional level of its staff. Agropromcredit Bank supports employees' strive for career growth, better knowledge and skills. That is why the HR Department focused in 2007 on the following: recruitment of qualified staff, career development and refresher training.

In 2007, staff of the Bank attended courses under training programmes such as workshops and seminars held both by invited and in-house trainers. From January

AVERAGE NUMBER OF EMPLOYEES



to December 2007, more than 150 executive managers and employees of the Bank underwent refresher training, taking part in ad-hoc seminars on taxation, foreign exchange control, corporate securities market, conferences on financial market automated technologies.

Every year university students are invited to do practical and pre-graduate training at the Bank.

The HR Department conducts monitoring of salaries in the banking sector in order to ensure their adequate level at the Bank. From 1 July 2007, salaries of the head office were adjusted, and from 1 September 2007, graded compensation system was adopted at the branches.

With a view to develop lending to small and medium-sized companies, Credit units for such clientele were set up in eight branches (in Kemerovo, Kurgan, Nizhny Novgorod, Orenburg, Perm, Surgut, Tyumen and Chelyabinsk) in 2007.

In the year under review, in-house recruitment and staff rotation were proactively applied, owing to expanded business of the Bank and career growth of the staff. The social programme of the Bank includes discount lending, training, financial support, health policies for all employees after the probation period.

In-house corporate web-site is in place at the Bank to cover all areas of presence via Internet. Such electronic tool enables the staff to communicate with each other throughout the country and to be aware of corporate events.

HR DEVELOPMENT TREND

In connection with the policy of the Bank aimed to expand regional presence and continuing improvement in quality and spectrum of services, the Bank annually increases the staff. To illustrate, in 2007 average number of employees rose 10.4% to 1,254, in particular, at the head office it went up 4.6% to 343, and in the branches it increased 12.7% to 911.

FINANCIAL RESULTS AND HIGHLIGHTS FOR 2007

Financial results are based on official reporting

FINANCIAL RESULTS

In 2007, Agropromcredit Bank enhanced its positions in the Russian financial market. Total assets increased RUR2,724 million to RUR20,842 million as of the year-end, or 15% higher than 2006.

Equity (capital) was RUR2,374 million as of the year-end 2007. Therefore, the capital rose by RUR546.2 million, or up 30% against the previous year-end.

All requirements of the Bank of Russia related to compliance with required legal ratios were met as of the reporting dates throughout the year under review.

Net interest income earned by the Bank in 2007 was RUR816.6 million, net profit from trading in securities was RUR305.6 million, net income from foreign exchange business was RUR11.5 million, commission and fee income was RUR875.5 million.

Administrative expenses of the Bank for 2007 were RUR1,248 million.

Profit before taxation was RUR203.8 million, and net profit was RUR7.1 million.

KEY EVENTS IN 2007

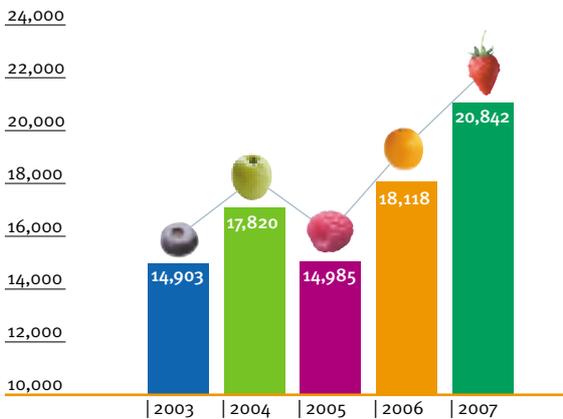
January

- Agropromcredit Bank made offering of the 13th tranche of the bonded debt for RUR500 million.

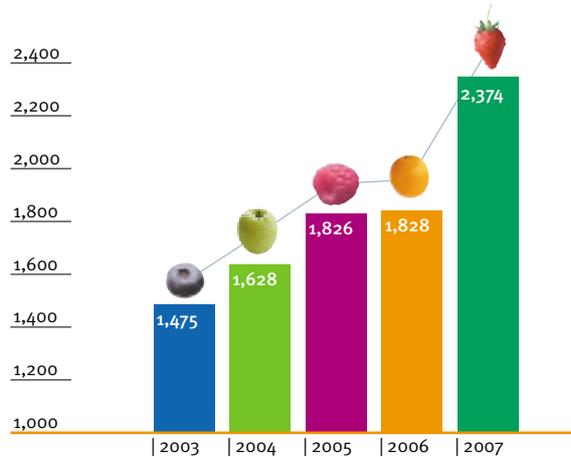
February

- Under the promissory note programme, Agropromcredit Bank launched an offering of the 14th tranche of promissory notes for RUR500 million.
- Agropromcredit Bank was a co-underwriter of the 9th issue of bonds by the Housing Mortgage Agency.
- Agropromcredit Bank launched a new service “ATM-based money transfers”.

TOTAL ASSETS in RUR millions



EQUITY (CAPITAL) in RUR millions



March

- Igor Sogin was appointed President of the Management Board of the Bank.
- Agropromcredit Bank jointly with Avtotor – Commercial Cars company launched a new car loan programme “Loans for new YUEJIN cars from Avtotor official dealers”.

April

- On 5 April 2007, the 2nd issue of certificated interest bearer’s bonds by TyumenEnergy was offered on MICEX Stock Exchange. The RUR2.7 billion issue was placed in full. Agropromcredit Bank was an arranger of the issue, and OAO Deutsche Bank was a co-arranger.
- On 12 April 2007, an offering of bonded debt by Yekaterinburg Power Network Company was made on MICEX Stock Exchange for a total face value of RUR1,000 million. Agropromcredit Bank was an arranger of the issue, and Credit Bank of Moscow acted as a co-arranger.
- Licence of a professional securities market player issued to Agropromcredit Bank was extended for unlimited term.
- Agropromcredit Bank launched new services for cardholders such as SMS Information and SMS Service.

May

- On 17 May 2007, a bonded debt by ChelyabEnergy was offered on MICEX Stock Exchange for a total face value of RUR600 million. Agropromcredit Bank was an arranger of the issue.
- On 29 May 2007, a bonded debt by PermEnergy was placed on MICEX Stock Exchange for a total face value of RUR1,000 million. Agropromcredit Bank was an arranger of the issue.
- Agropromcredit Bank opened a branch in Perm.
- The Bank launched new car loan programmes to purchase passenger cars from individuals, purchase of carriage transport and route transport; adjusted lending interest rate and terms and conditions under earlier programmes.

June

- Agropromcredit Bank jointly with ChelyabEnergO were arrangers of a children contest “Childhood is a safety territory”.
- Agropromcredit Bank was an arranger of four bonded debts for Yekaterinburg Power Network Company, ChelyabEnergO, TyumenEnergO and PermEnergO.

July

- Agropromcredit Bank made a successful offering of the 14th tranche of promissory notes for RUR445 million.

October

- Agropromcredit Bank launched a new programme to support small and medium-sized companies.

November

- Agropromcredit Bank became a Trading member on MICEX Stock Exchange derivative market and was granted an Individual Clearing Member status.

December

- Agropromcredit Bank was issued a licence of a stock exchange intermediary for futures and option trades in organised market in the Russian Federation.

MEDIA RATINGS FOR 2007

IN 2007, AGROPROMCREDIT BANK JOINED THE GROUP OF RUSSIAN LARGEST BANKS ACCORDING TO RATINGS ISSUED BY TOP MEDIA COMPANIES

Ranking	Nomination	Source	Rating name
27	Car loan amount	RBK. Rating	Best banks in personal loans in 2007
28	Towns and cities with a population above 50,000	RBK. Rating	Largest banking networks in 2007
28	Rouble bond offering amount	Kommersant	Top arrangers in rouble bonded debt as of 31 December 2007
43	Personal loan amount (net of mortgage)	RBK. Rating	Best banks in personal loans in 2007
45	Mortgage loan amount	RBK. Rating	Largest Russian mortgage banks as of 31 December 2007
48	Number of personal loans (net of mortgage)	RBK. Rating	Best banks in personal loans in 2007
54	Personal loan amount	Kommersant	Top 200 Russian retail banks as of 31 December 2007
61	Loan amount to small businesses	RBK. Rating	Best banks in loans to small businesses as of 31 December 2007
63	Number of loans to small businesses	RBK. Rating	Best banks in loans to small businesses as of 31 December 2007
85	Personal deposit amount	Forbes	Top Russian banks in 2007
88	Total assets	RBK daily	Top 100 banks in 2007
91	Total performing assets	Finance magazine	Russian bank highlights as of 31 December 2007
92	Total assets	Expert magazine	Top 200 Russian banks in 2007
92	Total net assets	RBK.Rating	Largest Russian banks as of 31 December 2007
94	Total net assets	Profile magazine	Top 200 Russian banks as of 31 December 2007
95	Total net assets	Money magazine	Top 100 Russian banks in terms of total assets in 2007
96	Total assets	Forbes	Top 100 Russian banks in 2007
96	Total assets	Kommersant	Top 200 Russian banks as of 31 December 2007
97	Total assets	Kommersant	Top 1,000 Russian banks in 2007

OUTLOOK FOR 2008

Agropromcredit Bank sees its top priorities for 2008 in retail banking development, further build-up and diversification of the corporate customer base through proactive efforts in provinces and cooperation with small to medium companies

Sustained demand for banking services from the population related to gradual rise in household income and need for better quality of life, and high return of lending business make the Bank focus on personal banking development. For 2008, the Bank aims to develop further the personal banking in all existent areas of business, including personal loans and deposits. It is worth saying that the Bank seeks harmony in developing all areas of personal lending, including mortgages, car loans, consumer lending, by strengthening the business and expanding the customer base.

In 2008, Agropromcredit Bank intends to develop corporate banking not only in the areas of presence of the regional network, but also in adjacent provinces. Based on a broad array of products and tailor-made approach under continuing volatility of the business environment, and with efficient governance and management throughout the organisation structure to address a great variety of challenges, the Bank is going to achieve essentially new level and therefore to win a substantial share in the domestic banking market.

In the year to come corporate banking will be developed based on attraction of new clientele, particularly, using the existent customer base of corporate clients and their staff for distribution of retail products. The Bank will continue expanding the array of products for the existing customers.

The Bank will place emphasis in 2008, particularly, on attraction of new borrowers from small and medium-sized enterprises represented by corporate customers and sole entrepreneurships from a variety of economy sectors.

Prime goals in investment banking for 2008 will be maintaining liquidity of the Bank, raising long-term funding from financial markets to support corporate and personal banking.

With a view to expand the existing services, in particular, telebanking, the Bank plans for 2008 to launch Internet banking for individual customers, implement remote training for the staff to handle retail products, start creating a common call centre and IVR (interactive voice response) services, and mobile banking.

In 2008, the Bank aims to launch a new Web site and implement a single front office solution on mortgage programmes. In the mid-term, such solution will also cover other personal lending programmes.

The Bank also plans essential improvement of the technology and modernisation of old cash dispensers.

Considerable focus will be placed in 2008 on expansion of the regional network. Rather low competition in regional markets and great unmet demand from households, enterprises, including small to medium companies, will enable the Bank to achieve higher return and diversify its funding base.

FINANCIAL STATEMENTS 2007

Audit of the financial statements of Commercial Bank “Agropromcredit” (Limited Liability Company) prepared in compliance with Russian accounting standards was conducted by ZAO KPMG.

INDEPENDENT AUDITOR’S OPINION

In our opinion, financial (accounting) statements of Commercial Bank “Agropromcredit” (Limited Liability Company) comprising the Balance sheet as of 31 December 2008, the Income statement for the year ended 31 December 2007, the Statement on capital adequacy and provision for impairment of loans and other assets as of 31 December 2007 present fairly, in all material respects, its financial position as of 31 December 2007 and the results of its operations for the period from, and including, 1 January 2007 to, and including, 31 December 2007, and the accounting principles based on which this report is prepared is in compliance, in all material respects, with applicable law of the Russian Federation.

ZAO KPMG
21 April 2008

INDEPENDENT AUDITOR

ZAO KPMG

Independent auditor's profile

Corporate name	ZAO KPMG
Licence number	E 003330
Licence issue date (dd/mm/yyyy)	17/01/2003
Licence expiry date (dd/mm/yyyy)	16/01/2013
Licensing authority	Ministry of Finance of the Russian Federation
Public registration certificate number	1027700125628
Public registration certificate date (dd/mm/yyyy)	13/08/2002
Membership in certified professional audit associations	Member of the Russian Audit Chamber Member of the Institute of Professional Accountants and Auditors of Russia
Feature of an audit firm (1) / an independent auditor (2)	Audit firm (1)
Chief Executive	R.Mannings
Position	General Director
Date (dd/mm/yyyy)	21/04/2008

Person verified the public statements

Name	N.V. Lukashova
Position	Director, ZAO KPMG
Document number	195
Document date (dd/mm/yyyy)	30/11/2006
Document name	Power of Attorney
Qualification certificate number	no. K 021936
Qualification certificate expiry date (dd/mm/yyyy)	Issued for unlimited term

BALANCE SHEET

(OFFICIAL REPORTING)
AS OF 31 DECEMBER 2007

in RUR thousands

no.	Items	2007	2006 (*)
I ASSETS			
1	Cash	896,305	720,145
2	Balances with the Bank of Russia	1,780,994	1,464,515
2.1	Legal reserves	238,924	235,649
3	Due from banks	82,684	44,418
4	Net investment in securities held for trading	2,026,840	1,356,762
5	Net outstanding loans	14,531,899	12,934,790
6	Net investment in financial securities held till maturity	0	1,178,323
7	Net investment in securities available for sale	1,053,151	0
8	Fixed assets, intangibles and inventories	309,421	320,869
9	Interest receivables	41,224	2,012
10	Other assets	119,509	96,316
11	Total assets	20,842,027	18,118,150
II LIABILITIES			
12	Due to the Bank of Russia	0	0
13	Due to banks	90,312	100,057
14	Due to customers (non-banks)	15,880,272	11,782,508
14.1	Personal deposits	5,158,331	3,847,255
15	Debt instruments issued	2,843,797	4,767,209
16	Interest payable	117,708	127,481
17	Other liabilities	112,804	18,310
18	Provision for impairment for notional credit-related liabilities, other losses and off-shore resident transactions	217,915	138,507
19	Total liabilities	19,262,808	16,934,072
III EQUITY			
20	Shareholders' (members') equity	1,000,000	1,000,000
20.1	Ordinary shares and participations registered	1,000,000	1,000,000
20.2	Preference shares registered	0	0
20.3	Unregistered share capital of unincorporated banks	0	0
21	Treasury shares	0	0
22	Share premium	0	0
23	Fixed asset revaluation	0	0
24	Deferred expenses and payments affecting equity (capital)	157,967	545,992

no.	Items	2007	2006 (*)
25	Funds and undistributed income for previous years at the disposal of the bank (unpaid losses for previous years)	730,070	565,833
26	Net profit (loss) for reporting year	7,116	164,237
27	Total equity	1,579,219	1,184,078
28	Total liabilities and equity	20,842,027	18,118,150
IV. OFF-BALANCE SHEET COMMITMENTS			
29	Irrevocable commitments	2,159,095	1,557,888
30	Guarantees issued	1,143,178	677,094
V. FIDUCIARY ACCOUNTS			
Asset-side accounts			
1	Cash	0	0
2	Securities under management	0	0
3	Precious metals	0	0
4	Loans made	0	0
5	Funds spent for other purposes	0	0
6	Fiduciary management settlements	0	0
7	Accrued interest (coupon) income paid for interest (coupon) debt instruments	0	0
8	Current accounts	0	0
9	Expenses for fiduciary management	0	0
10	Loss from fiduciary management	0	0
Liability-side accounts			
11	Capital under management	0	0
12	Fiduciary management settlements	0	0
13	Accrued interest (coupon) income earned from interest (coupon) debt instruments	0	0
14	Income from fiduciary management	0	0
15	Profit from fiduciary management	0	0

Chief Executive
VASSILY A. KORNEV



Chief Accountant
SVETLANA A. KHMELEVA




INCOME STATEMENT

(OFFICIAL REPORTING)

FOR THE YEAR ENDED 31 DECEMBER 2007

(in RUR thousands)

no.	Items	2007	2006 (*)
INTEREST EARNED AND RELATED INCOME FROM:			
1	Deposits with banks	89,698	34,712
2	Loans made to customers (non-banks)	1,746,829	1,407,063
3	Financial lease	0	0
4	Fixed-income securities	216,326	87,686
5	Other sources	1,492	2,215
6	Total interest earned and related income	2,054,345	1,531,676
INTEREST PAID AND RELATED EXPENSES FROM:			
7	Deposits from banks	10,477	10,687
8	Customer balances (non-banks)	689,703	391,570
9	Debt instruments issued	537,558	197,418
10	Total interest paid and related expenses	1,237,738	599,675
11	Net interest and related income	816,607	932,001
12	Net income from securities trading	305,637	114,046
13	Net income from foreign exchange	11,454	33,817
14	Net income from trading in precious metals and other financial instruments	0	0
15	Net income from foreign exchange revaluations	20,415	(10,424)
16	Fee and commission income	875,502	475,467
17	Fee and commission expenses	23,724	17,687
18	Net income from non-recurrent transactions	36,906	1,107
19	Other net operating income	41,096	(38,967)
20	Administrative expenses	1,247,824	911,404
21	Provision for impairment	(632,243)	(251,789)
22	Profit before taxation	203,826	326,167
23	Taxes accrued (including corporate tax)	196,10	161,930
24	Net profit for the reporting year	7,116	164,237

Chief Executive
VASSILY A. KORNEV



Chief Accountant
SVETLANA A. KHMELEVA




STATEMENT ON CAPITAL ADEQUACY, PROVISION FOR IMPAIRMENT OF LOANS AND OTHER ASSETS

(OFFICIAL REPORTING)
AS OF 31 DECEMBER 2007

no.	Items	2007	2006 (*)
1	Equity (capital), RUR'ooo.	2,373,859	1,827,644
2	Actual capital adequacy ratio, percentage	14	13,6
3	Required capital adequacy ratio, percentage	10	10
4	Estimated provision for loan impairment, RUR'ooo	1,349,623	797,998
5	Actual provision for loan impairment, RUR'ooo	1,349,623	797,998
6	Estimated provision for impairment, RUR'ooo	237,313	160,685
7	Actual provision for impairment, RUR'ooo	237,313	160,685

(*) Data as of 31 December 2007 can not be compared with the relevant data as of 31 December 2006 owing to changes in Russian law applicable to accounting principles and reporting of banks. More details are provided in Notes to the Annual financial statements of Commercial Bank "Agropromcredit" (Limited Liability Company) for the year ended 31 December 2007, based on which the statement above was prepared.

Chief Executive
VASSILY A. KORNEV




Chief Accountant
SVETLANA A. KHMELEVA



FINANCIAL STATEMENTS 2007

Audit of the financial statements of Commercial Bank “Agropromcredit” (Limited Liability Company) prepared in compliance with International Financial Reporting Standards was conducted by ZAO KPMG.

INDEPENDENT AUDITORS’ REPORT

To the Board of Directors
Commercial Bank «Agropromcredit» (LLC)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Commercial Bank “Agropromcredit” (LLC) (the “Bank”), which comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Financial Statements

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

Auditors’ Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the enti-

ty's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO KPMG
12 May 2008

AUDITOR

ZAO KPMG

ZAO KPMG, a company incorporated under the Laws of the Russian Federation and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Krasnopresnenskaya nabereznaya, 18, Block C
Moscow 123317 Russia
Telephone: +7 (495) 937-44-77
Fax: +7 (495) 937-44-00/99
Internet: www.kpmg.ru

BALANCE SHEET

AS AT 31 DECEMBER 2007

	2007 RUR'000	2006 RUR'000
ASSETS		
Cash and cash equivalents	2,565,478	2,010,000
Mandatory cash balances with the CBRF	238,924	235,649
Due from banks and other financial institutions	634,235	1,463,224
Financial instruments held for trading	4,375,216	3,779,044
Loans and advances to customers	13,307,582	10,526,150
Available-for-sale assets	–	–
Property and equipment	380,524	388,676
Other assets	83,411	53,262
Deferred tax asset	–	52,817
Total Assets	21,585,370	18,508,822
LIABILITIES AND EQUITY		
Financial instruments held for trading	1,942	–
Due to banks and other financial institutions	92,827	102,876
Customer accounts	15,555,046	11,378,915
Debt securities issued	2,765,572	4,610,400
Other borrowed funds	417,285	512,175
Income tax payables	80,447	2,015
Other liabilities	39,866	14,284
Deferred tax liability	49,975	–
Total Liabilities	19,002,960	16,620,665
Equity		
Charter capital	1,000,000	1,000,000
Retained earnings	1,582,410	888,157
Total Equity	2,582,410	1,888,157
Total Liabilities and Equity	21,585,370	18,508,822

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED
31 DECEMBER 2007

	2007 RUR'000	2006 RUR'000
Cash flows from operating activities		
Interest received	2,429,765	1,570,216
Interest paid	(1,073,944)	(600,290)
Income received from trading in financial instruments held for trading	171,313	109,607
Income received from early retirement of debt	–	9,191
Income received from trading in foreign currencies	11,454	33,812
Fees and commissions received	725,027	430,377
Fees and commissions paid	(38,508)	(17,687)
Other operating income received	118,525	16,148
Operating expenses paid	(1,289,066)	(974,986)
Cash flows from operating activities before changes in operating assets and liabilities	1,054,566	576,388
Changes in operating assets and liabilities		
Net increase in mandatory cash balances with the CBRF	(3,275)	(66,371)
Net increase in financial instruments held for trading	(519,811)	(593,119)
Net decrease/(increase) in due from banks and financial institutions	830,898	(382,881)
Net increase in loans and advances to customers	(3,162,792)	(2,840,672)
Net (increase)/decrease in other assets	(26,647)	14,974
Net decrease in due to banks and other financial institutions	(6,388)	(197,329)
Net increase in customer accounts	4,229,676	2,317,809
Net (decrease)/increase in debt securities issued	(1,681,125)	988,314
Net increase/(decrease) in other liabilities	23,301	(120,836)
Net cash from/(used in) operating activities before taxes paid	738,403	(303,723)
Taxes paid	(30,278)	(64,549)
Cash flows from operations	708,125	(368,272)
Cash flows from/(used in) investing activities		
Acquisition of available-for-sale assets	–	(4,410)
Net acquisition of property and equipment	(52,404)	(194,389)
Net cash used in investing activities	(52,404)	(198,799)
Cash flows from financing activities		
Redemption of other borrowed funds	(94,890)	(63,874)
Cash flows used in financing activities	(94,890)	(63,874)
Effect of exchange rate changes on cash and cash equivalents	(5,353)	(4,196)
Net increase/(decrease) in cash and cash equivalents	555,478	(635,141)
Cash and cash equivalents as at the beginning of the year	2,010,000	2,645,141
Cash and cash equivalents as at the end of the year	2,565,478	2,010,000

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED
31 DECEMBER 2007

	Charter capital RUR'000	Retained earnings RUR'000	Total RUR'000
Balance at 31 December 2005	1,000,000	617,241	1,617,241
Net profit for the year	–	270,916	270,916
Total income		–	270,916
Balance at 31 December 2006	1,000,000	888,157	1,888,157
Net profit for the year	–	694,253	694,253
Total income	–	–	694,253
Balance at 31 December 2007	1,000,000	1,582,410	2,582,410

Контактная информация

КОММЕРЧЕСКИЙ БАНК «КРЕДИТНЫЙ АГРОПРОМБАНК»
(Общество с ограниченной ответственностью)
ООО КБ «АГРОПРОМКРЕДИТ»
Генеральная лицензия Банка России № 2880

107023, г. Москва,
ул. Электrozаводская, д. 27, корп. 5
Телефон/факс: + 7 (495) 739-20-05
E-mail: info@apkbank.ru
www.apkbank.ru

Contacts

Commercial Bank “Agropromcredit”
(Limited Liability Company)
Commercial bank “Agropromcredit”
Full banking licence of the Bank of Russia no. 2880

27, Korp. 5, Ul. Elektrozavodskaya, Moscow
107023, Russian Federation
Phone/fax: +7 (495) 739-20-05
E-mail: info@apkbank.ru
www.apkbank.ru

