Мы с Вами работаем 18 лет,
и это давно не игрушки!

ГОДОВОЙ ОТЧЕТ
ANNUAL REPORT
2011

AGROPROMCREDIT
commercial bank

AGROPROMCREDIT BANK
ANNUAL REPORT
2011

We have been serving you for 18 years,
and this is already not to be trifled with!

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CHAIR'S STATEMENT

Distinguished ladies and gentlemen,

In the last year 2011, world's economy continued facing serious challenges, and sovereign debt problems within the Euro-zone, high volatility in the markets and substantial growth in commodity prices have still been the main ones. The debt crisis mostly affected Greece, Italy, Portugal, Spain and Ireland. Developing economies also reported reduced growth rates, and recession took place in large Asian economies — China and India. Despite complexity in the European financial market, the year 2011 saw a quite successful development of the Russian economy. Russia was among leaders within the Group of 20. Economic growth ensured favourable environment for banking business expansion.

The complicated situation in the foreign financial markets triggered a notable capital drain from the Russian Federation to exceed US$80 billion. The banking sector performance remains uneasy. Greater competition, unequal conditions for private and Government-run banks, high bad debt level, and decreased margin, deficient capitalisation of the private banking sector and insolvency of some commercial banks in 2011 do not add stability to the financial sector. However, there are some positive signs — sustained growth in deposits and resumed household lending.

In this economic situation, the Board of Directors evaluates the financial performance of the Bank in 2011 as satisfactory.

By the end of the reporting year, Agropromcredit Bank posted a positive growth in assets, by more than 4%, or RUR955 million. Total assets were RUR20.7 billion as of the year-end. The Bank holds solid positions within top-200 Russian credit institutions.

In the year under review, a positive financial result was achieved. Net profit was RUR13.2 million for the year under review. It stemmed from well-balanced and diversified sources of income of the Bank, covering all its lines of business. The Bank is resistant to changes in national financial and economic situation.

According to research analysts, in 2012 Russian economy will face a moderate pace of growth, having a weak domestic demand, low inflation level, increased Government influence and "manual control". Private banks will be still under pressure from Government-owned banks, being short of prime borrowers and having decreased margin.

However, while still facing considerable exposures in 2012, Agropromcredit Bank should make use of every opportunity for growth. To meet the goals, we are going to continue with our efforts in small and medium-sized business and household sectors, to have bad debt reduced and to monitor costs. It will allow us notably increase profit, and therefore, add value to the shares of the Bank. It is impossible to meet the goals without permanent career growth of the staff, and in 2011 we are going to continue investing in our core asset, that is the Agropromcredit Bank's team. We aim at making further efforts towards advancing information technologies to eventually achieve delivery of services in a prompt, easy and cheap manner.

Next year, the Bank will continue doing the utmost to ensure that more individuals and corporates select us as their preferred bank, that investors are confident about the future, and that customers regard Agropromcredit Bank as their most sound financial partner.

Artyom E. Bikov
Chair of the Board of Directors

We have been serving you for 18 years, and this is already not to be trifled with!

CHIEF EXECUTIVE'S STATEMENT

Distinguished ladies and gentlemen,
Distinguished shareholders,
Distinguished counterparties and customers,
Dear colleagues,

I am delighted to welcome you to the Agropromcredit Bank's annual report for the year 2011. In 2012, our Bank will mark its 18th anniversary. Given the fact that young people may become our depositors as from 18 years old, and they may become our borrowers as from 23 years old, we can be sure to say that we passed the start-up period together with our customers. In general, we and you have been working together for so long time and it is indeed obvious that our cooperation is serious and solid. It is our joint right choice. It is serious; this is not to be trifled with!

Today, Agropromcredit Bank is a proficient player in the banking market. While we have been cooperating, both our strategy and our team have taken shape, grew strong and quenched in repeated market cataclysms. We live, rather than survive and we are confident about the future. We remain a universal and multi-branch banking institution. We do not put all risks in one basket, and we support diversification of our business in terms of geography, industries and products. We continue to be conservative while making loans, that is, we finance sound customers at reasonable rates. We maintain deposit interest rates also at average conservative level.

Building up long-term and mutually rewarding relationship with customers enabled us to report quite good increase in lending volumes and in funds raised from our corporate and individual customers. Owing to conservative approach in risk management, sustained development and steady operation were achieved throughout the reporting year under prevailing economic conditions. The continuing moderate recovery was the main trend for 2011 in the Russian banking sector.

The 2008-2009 economic crisis drastically affected the banking sector environment. Before the crisis, the portfolio of individual loans had an average growth from 30% to 40%. Large demand by households and corporates for loans allowed all market players increase business volumes. After the crisis, the situation changed much. According to research analysts, average pace of growth in the loan portfolio will be hardly able to exceed 20% for the period of 2010 through 2012. Behaviour of liabilities in the banking sector is dependent, to a greater degree that in the pre-crisis years, on the household sector. To achieve consistently positive results in a changing environment with high solvency level being maintained, credit institutions should adopt and invariably pursue an essentially new conduct strategy in the market.

Universal banks had to amend its strategies to a lesser extent. It was enough to change focuses. When the crisis reached its peak, we suspended our corporate and household programmes aimed at capturing new customers, by concentrating our efforts on support of the existing customer base. After the crisis weakened, our Bank launched again notably updated programmes, and in a short time we achieved sizeable results.

According to RBC. Rating agency, our Bank hold high rankings as of the end of the reporting year:
33rd in terms of the portfolio of loans made to small and medium-sized companies
53rd among top consumer lending banks
66th among top mortgage banks
50th among top car loan banks
47th in terms of the number of proprietary cash dispensers

In 2012, Agropromcredit Bank will continue developing as a universal credit institution. We will further foster business banking and individual banking, offer financing to small and medium-sized enterprises. In so doing, it is with great pleasure that we will continue delivering our services!

We remain young, easy outgoing, open for innovations and ideas. Our experience does not make us inveterate pragmatists. It makes us more flexible. We do our job with joy, pleasure and enthusiasm. However, our job lacks adventurism. We take it very seriously adopting a well-balanced approach. The banking business is not a gamble, and we do not play it, but we do it in such a manner that our job affords not only pleasure or brings a sense of easiness, but also leads all of us to the needed outcome.

Vasiliy A. Kornev
President of the Management Board

1. PROFILE

Agropromcredit Bank (open joint-stock company) as a universal credit institution offers a full spectrum of banking services for individual and corporate customers. The Bank was established in 1994 as a bank of the federal level, retaining today strong positions in the Russian financial market.

REGIONAL BRANCHES

Regional network of the Bank comprises 11 branches in cities and towns such as Barnaul, Chelyabinsk, Kemerovo, Kurgan, Nizhny Novgorod, Orenburg, Perm, Saint Petersburg, Surgut, Tyumen, Yekaterinburg and 35 banking offices in five out of the eight federal districts nationwide.

11 Branches
29 Sub-offices
2 Teller offices
3 Off-premises cash desks
1 Back office department

CORPORATE GOVERNANCE

Governance of the Bank is conducted under applicable Russian law and its Articles of Association.

The supreme body of the Bank is its Annual General Meeting.

The Board of Directors is in charge of general governance of the Bank, except for matters referred to the terms of reference of the Annual General Meeting.

The President of the Management Board as the sole executive authority and the Management Board as a collective executive authority are in charge of ongoing management of the Bank, except for matters referred to the terms of reference of the Annual General Meeting or the Board of Directors.

The terms of reference of the Bank's governing bodies are set forth in its Articles of Association.

BOARD OF DIRECTORS

> **Artyom E. Bikov**
Chair
> **Vasiliy A. Kornev**
First Deputy Chair
> **Alexei O. Bobrov**
Board Member
> **Yury A. Zverev**
Board Member
> **Tatiana B. Chernykh**
Board Member

MANAGEMENT BOARD

> **Vasiliy A. Kornev**
President
> **Svetlana S. Ivanova**
First Executive Vice President
> **Irina V. Dovdyenko**
Executive Vice President
> **Pavel S. Ilyin**
Executive Vice President
> **Svetlana A. Khmeleva**
Chief Accountant

SHARE CAPITAL AND SHAREHOLDERS

Paid-up share capital is 1,890,000,000 roubles.

Every shareholder of the Bank owns twenty (20) percent of the shares having a face value of three hundred seventy eight million (378,000,000) roubles.

Shareholders in 2011
The shares are distributed among the shareholders as follows:

Shareholders	Shares as of 31 December 2011
Blaucent Ltd.	20%
Denciborg Ltd.	20%
Kinlaut Ltd.	20%
Autotransbureau Ltd.	20%
Project Finance Company (close joint-stock company)	20%

REPORTING AND AUDIT

Agropromcredit Bank prepares its financial statements both under the Russian Accounting Standards and the International Financial Reporting Standards.

Audit of the financial reporting was conducted by ZAO KPMG.

BANKING RATINGS

In May 2008, Moody's Investors Service assigned Agropromcredit Bank ratings as follows:

- international long-term rating at B2,
- short-term rating at Not-Prime (NP) for deposits in foreign and domestic currencies, and
- financial strength rating at E+ (BFSR).

Outlook is stable.

At the same time, Moody's Interfax Rating assigned the long-term rating to the Bank under Russian scale at Baa1.ru.

In August 2011, Moody's reaffirmed its credit opinion for the Bank, leaving the ratings and outlook unchanged.

For over several years, Agropromcredit Bank has invariably been among the top Russian banking institutions according to RBC.Rating, Russian agency, in terms of amount of liquid assets, number of proprietary cash dispensers, banking cards in issue, loan portfolio and deposit portfolio.

LICENCES

- Full banking licence No. 2880 issued by the Bank of Russia on 14 August 2009 for banking business
- Securities market professional's indefinite-term licence No. 150-08812-100000 issued by the Federal Financial Markets Service on 20 December 2005 for broker's business
- Securities market professional's indefinite-term licence No. 150-08814-010000 issued by the Federal Financial Markets Service on 20 December 2005 for dealer's business
- Securities market professional's indefinite-term licence No. 150-08816-001000 issued by the Federal Financial Markets Service on 20 December 2005 for securities management business
- Securities market professional's indefinite-term licence No.150-10075-000100 issued by the Federal Financial Markets Service on 29 March 2007 for custody business
- Licence LZ 0018139 Reg. No. 7730 X issued by the Russian Federal Securities Service on 16 September 2009 for cryptographic facility maintenance business
- Licence LZ 0018140 Reg. No. 7731 R issued by the Russian Federal Securities Service on 16 September 2009 for cryptographic facility distribution business
- Licence LZ 0018141 Reg. No. 7732 U issued by the Russian Federal Securities Service on 16 September 2009 for data encryption services.

MEMBERSHIP IN PROFESSIONAL ORGANISATIONS AND EXCHANGES

- Member of the MICEX Foreign Exchange Section having access to trading in all foreign currencies within the System of Electronic Trading (SELT) (decision No.15 by the MICEX Exchange Board of 22 February 2001)
- Member of the MICEX Stock Market Section (decision No.8 by the MICEX Exchange Board of 24 July 2003)
- VISA International Principal Member
- MasterCard Worldwide Affiliate Member
- SWIFT Member
- Member of the Moscow Regional Union of Industrialists and Entrepreneurs
- Member of the Association of Russian Regional Banks (Russia Association) (certificate No. 261 of 11 July 2003)
- Member of the Association of Russian Banks (Reg. No. 1383 of 30 March 2004)
- Member of the Chamber of Commerce and Industry of the Moscow Region
- Member of the National Association of Securities Market Participants (NAUFOR) since 29 November 2005
- Member of the Deposit Insurance system since 15 September 2005 under number 906.

2. MACROECONOMIC ENVIRONMENT IN 2011

The year 2011 saw continuing recovery of the global and Russian economies in the wake of the 2007–2009 global financial crisis.

GLOBAL ECONOMY

Prices of most goods tended to rise on global commodity markets in the period under review. For Russian exporters, global prices of goods remained better in 2011.

Growth slowdown was mainly due to more budget and financial tension in Euro-zone countries caused by the debt crisis which had the greatest impact on Greece, Italy, Portugal, Spain and Ireland.

Developed economies also reported slower pace of growth, and major Asian countries such as China and India were affected by recession.

RUSSIAN MACROECONOMIC ENVIRONMENT

The Russian economy was quite prosperous in 2011, despite of challenges in the European financial market. Russia leaded the G 20 major economies in terms of GDP growth (4.3%). Economic upturn fostered good conditions for banking business expansion.

Owing to an uneasy situation in foreign financial markets in 2011, considerable capital flight out of the Russian Federation took place.

RUSSIAN BANKING SECTOR

The year 2011 saw an increased ratio of banking assets to GDP in Russia to 76.3% from 74.8%, being this figure much lower than in the European Union and comparable with the South Africa's level within the BRICS grouping. Capital to GDP ratio went down by 0.9% to 9.6 for the reporting year. At the credit institutions, the funding base was derived chiefly from individual deposits. Within the banking assets, credits were prevalent.

There were 978 running credit institutions registered in Russia as of 31 December 2011 against 1,012 as of the start of the year 2011. Loss-making banks decreased in the year under review from 81 to 50.

Troubled banks to which anti-bankruptcy measures were taken in accordance with Federal Law №175-FZ of 27 October 2008 "On additional measures to consolidate the stability of the banking sector in the period prior to 31 December 2011", and banking entities to which anti-bankruptcy actions were taken from September through October 2008 before such law came into effect, decreased from 14 to 8 in number.

Consolidation of major players continued, and they accounted for 50% within the banking assets, being the paces of growth of 29% against 23% in the banking sector as a whole.

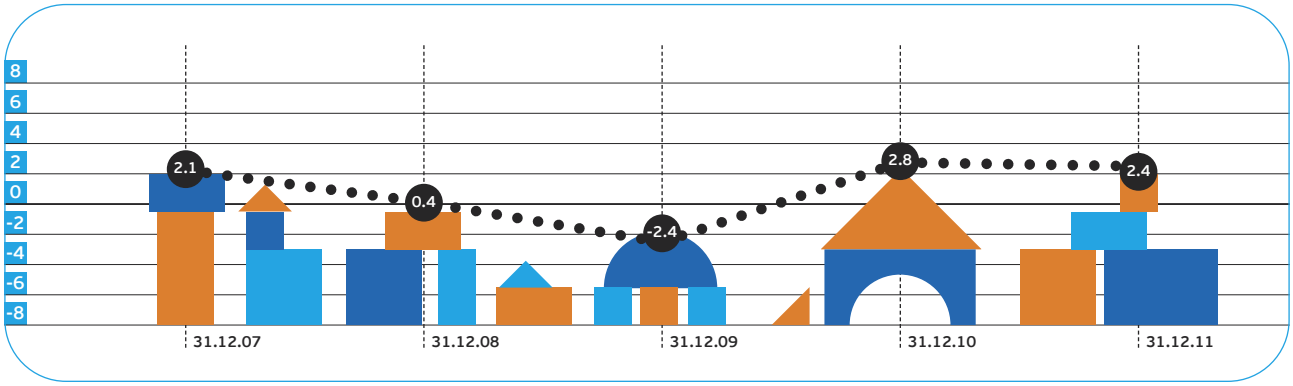
Business lending grew to 26% from 12.1%, and individual lending rose to 35.9 from 14.3% as compared to the year 2010.

Total loans to GDP ratio increased by 3.6% to 52.6%. Loans within the banking sector went up by 3.4% to 68.9%, while the ratio of total loans made to non-financial entities and individuals to GDP was a 2.4% higher to account for 42.6%.

Individual deposit raising slowed to account for 20.9% against 31.2% in 2010. Ratio of individual deposits to GDP remained unchanged at 21.7%.

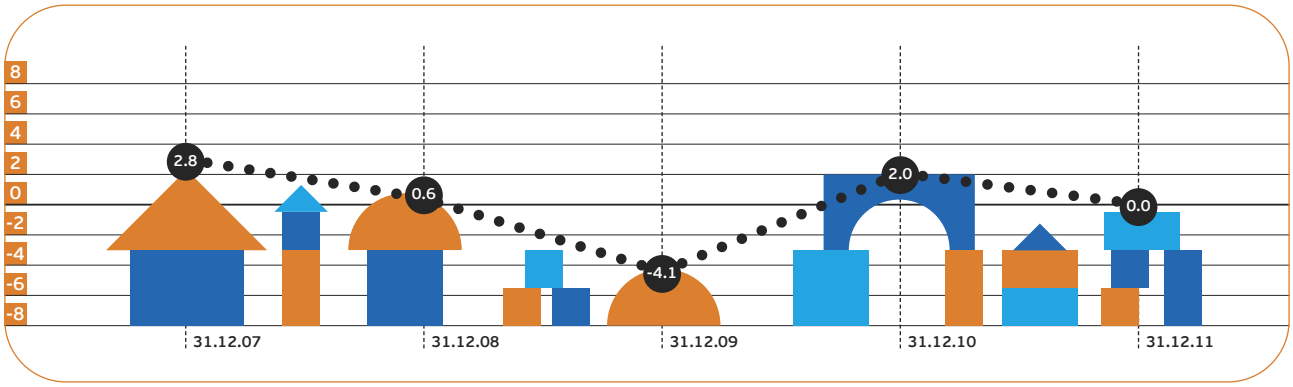
GDP IN THE USA

(% to the prior year)



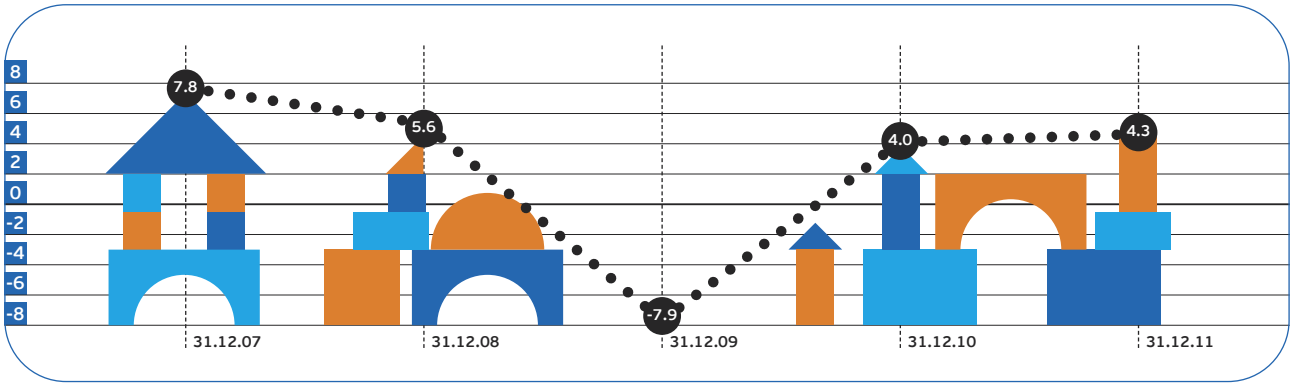
GDP IN THE EURO-ZONE

(% to the prior year)



GDP IN RUSSIA

(% to the prior year)



3.

FINANCIAL HIGHLIGHTS AND MAIN RESULTS FOR THE YEAR 2011

In the year under review, total assets reported a positive trend, showing a 4% growth, or by RUR955 million. The Bank kept its position among the top-200 domestic credit institutions.

Total assets were RUR20.7 billion, net outstanding loans increased to RUR12.1 billion as of 31 December 2011. Shareholders' equity was RUR 1.890 million, after a 59% increase in 2010.

Corporate customers kept confidence in the Bank, and their account balances reported a notable 26.3% rise, or RUR1.6 billion, amounting to RUR7.6 billion. Individual deposits, instead, decreased, as expected, by 3%, or RUR0.3 billion.

It was due to the fact that deposits are quite an expensive source of funding. That is why the Bank adopts a differentiated approach towards its fund base formation, rather than launching aggressive promotional campaigns in raising deposits. For the most part, expensive deposits, attracted in the crisis years between 2008 and 2009, were decreased. Deposits raised from households were RUR9.9 billion. Total balances kept in business and individual accounts, including promissory notes) were RUR18.1 billion.

Due to sustained funding sources, the Bank is able to make more loans both to individual customers and businesses. Outstanding loans made to households went up by RUR0.286 billion, whereas, those made to corporate customers, by RUR2.7 billion. Therefore, total loan portfolio reached RUR12.1 billion. In so doing, the Bank followed the positive trend in the Russian banking sector both in terms of increased and diversified funding sources, and in terms of asset-related transactions, in particular, lending.

In the year under review, the Bank was in compliance with the legal ratios imposed by the Bank of Russia. Moreover, it is worth noting that the Bank reported quite solid indicators in short-, medium- and long-term liquidity. As of 31 December 2011, the legal ratios complied with by the Bank were as follows:

- Capital adequacy ratio was 16.3% against the minimum allowed of 10%.
- Acid test ratio was 67.1% against the minimum allowed of 15%.
- Current liquidity ratio was 121.6% against the minimum allowed of 50%.
- Long-term liquidity ratio was 38.6% against the maximum allowed of 120%.

The Bank reported positive financial result. As of the end of the reporting year, pre-tax profit was RUR83.2 million, net profit was RUR13.2 million which was due to quite balanced and diversified sources of revenues, covering all its areas of business. The Bank is resistant to movements in national financial environment.

KEY EVENTS OF THE YEAR 2011

January

> Visa International and MasterCard WorldWide certified compliance of the processing system and Internet-based data resources of the Bank with PCI DSS standard.

> Web site of the Bank ensured access in Cyrillic area www.агропромкредит.рф.

> The Bank improved the functionality of its Internet Banking by adding a service allowing to make fund transfers in favour of electronic payment systems.

February

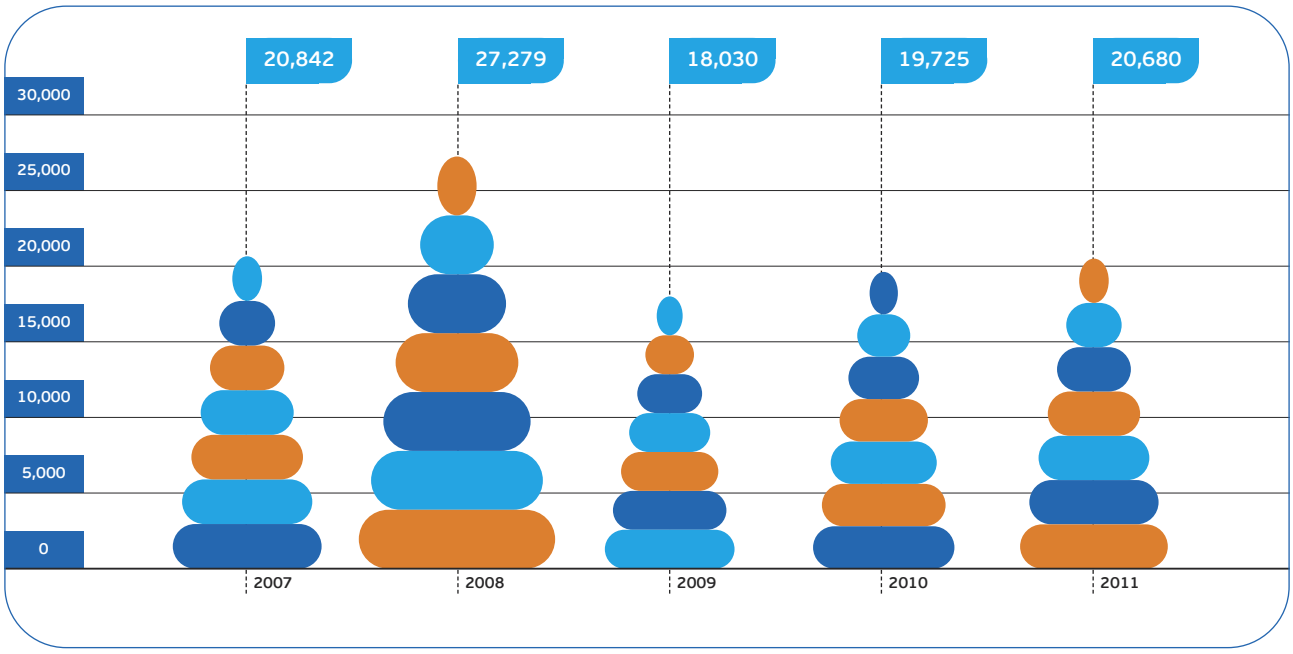
> The Internet Banking of the Bank was included in the Altai Gold Brand catalogue.

> Eight customers of the Bank were recognised winners of the final stage of the VISA promotional campaign "Let's try and you will like it".

> New services were added to the exiting ATM network at branches operating in Kurgan, Perm, Surgut, Urals and

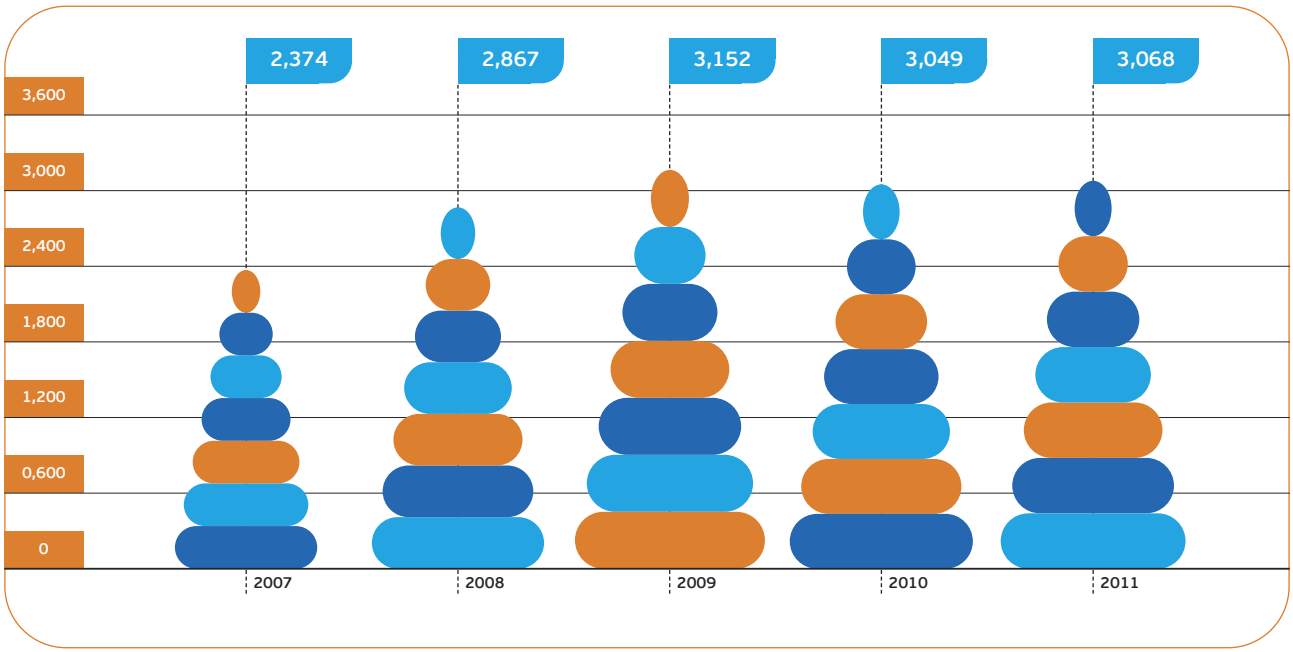
ASSETS

RUR millions



EQUITY

RUR millions



Chelyabinsk, making it possible to make payments in favour of Utel company, a major telecommunication operator in the Urals region.

March

> Agropromcredit Bank put the fourth POS terminal at LUX car wash chain in Saint Petersburg.
> The Bank took part in the conference-presentation held in Kolomna "New construction technologies, materials, engineering solutions in a modern city (town)" where a loan programme to finance energy efficiency projects was presented.
> An agreement was entered with the Guarantee Foundation for Small Business in Saratov Region.
> The Bank took part in the annual meeting held by the Moscow Banking Union.
> The Altai Branch was recognised as a qualified credit institution by the Territorial Investment Commission of the Altai Territory Administration to be recommended to entrepreneurs operating in the Altai Territory to take loans, with debt service being subsidised by the territorial budget in 2011.
> Agropromcredit Bank updated the Visa Platinum tariff plan on banking card issuance and handling. The customers of the Bank were able to get premium credit cards with grace period, by presenting the only one instrument, that is, the national identity document.
> The Bank launched a Premium tariff plan for customers who are able to get a Gold credit card with grace period with no income source confirmation.
> Down payment on credit cards with grace period was abolished.
> The Bank took part in the annual general meeting held by the Ural Banking Union where Guidelines for the banking sector development in the Sverdlov Region for the Period through 2020 were adopted.

April

> Agropromcredit Bank launched a large-scale socially relevant "Credit Agent" project, by inviting all comers to be engaged professionally in the banking sector.
> A new service was launched by the Bank for businesses and self employed who are customers of the Surgut branch — mobile messages on account movements.
> The Bank won the XI Interbank Internet Championship on banking laws traditionally held by VEP agency.
> Agropromcredit Bank took part in the Russian Business Week annually held by the Russian Union of Industrialists and Entrepreneurs.
> Novy Urengoi-based office was moved to another address.

May

> An agreement was entered into with CONTACT system, making it possible for the customers to replenish their accounts.
> The Bank captured more customers for its Internet Banking system, and they were able to make payments in favour of more than 1,800 companies.
> Lending terms were improved under loans "For you" and "For you. Big".
> Agropromcredit Bank took part in the Annual General Meeting held by the Association of Regional Bank of Russia.
> Age limits were extended for borrowers taking consumer loans and asking for credit cards with grace period.
> The Bank won the Fourth Regional Contest "Kusbass Financial Market-2010" in the "Most Socially Responsible Bank" nomination.
> Facing its 17 anniversary, Agropromcredit Bank reduced its interest rates on rouble-denominated loans for corporate customers.

June

> The Bank expanded the functionality of its Internet Banking system by adding control of account movements on multicurrency cards and credit cards with grace period.
> An agreement was entered into with the Guarantee Foundation for Small and Medium-Size Enterprises in Orenburg Region where such businesses will be able to finance its activities against the Foundation guarantees whenever they lack security.
> On 9th June, Agropromcredit Bank marked its 17th anniversary on the Russian financial market. Any individual customer, who made an application for any credit-related product, got a cinema ticket and other pleasant surprises.
> A new service was launched at all Surgut-based offices — payments in favour of Yugratel company, universal telecommunication operator of the region.
> The Bank held its Annual General Meeting of shareholders.
> Agropromcredit Bank took part in a meeting held by the Association of Regional Banks of Russia on Project Finance: New Legal Opportunities

July

> The Bank took part in a conference held by the Accounting and Reporting Committee at the Association of Regional Banks of Russia dedicated to discussion of the project prepared by the Bank of Russia — the Regulation on Accounting for Derivatives.
> Expiration date of the credit cards was extended, with grace period being 2 years.
> Interest rates on consumer loans such as "Family" and "Friends" were reduced, and the lending limit, increased.
> Agropromcredit Bank took part in the Banking Leader Forum held by Expert rating agency and supported by the Association of Regional Banks of Russia.
> Application approval procedure for car loans was streamlined. Now the application is processed within one day after the borrower has submitted the application and the national ID document.
> The Bank took part in the round table of the Association of Russian Banks dedicated on Guidelines of Banking Regulation and Supervision under the Banking Sector Strategy Development for the period through 2015.

> A promotional campaign "Sweet Deposits" was launched at offices of the Kemerovo branch — every individual customer who opened or replenished the account, received a sweet surprise.
> Basic interest rates on car loans were reduced, while the lending limit was increased.

August

> Agropromcredit Bank launched a promotional campaign intended for corporate customers "SMS info for 3 months free of charge".
> A new service was implemented for corporate users of the Client-Bank system — OTP-token assisted account statements.
> Customers of the Bank were declared winners of the first stage of the lottery arranged by Visa International "Let's try and you will like it".
> Annual service of credit cards with grace period was reduced to be twice as cheap.
> Customers living in Orenburg were offered a new service format, where distant merchant terminals were installed at major shopping centres.
> Moody's Investors Service updated its credit ratings for Agropromcredit Bank at the prior levels, with the Stable outlook.
> The Web site of the Bank appeared among the top ten sites of the contest "RuNet rating-2010" in the Finance, Investment, Banks nomination.
> The Bank took part in the XII Pan-Russian Banking Forum held by the Association of Russian Banks in Nizhny Novgorod.

September

> A new lending plan "Big Money. Mortgage Loan" was launched under which customers are able to get money both in case of a contingency and to buy residential property.
> The Bank opened a clearing account in Chinese renminbi.
> Agropromcredit Bank took part in the Forum gathered integrated banking systems designers which was held by the Association of Russian Banks and supported by the Bank of Russia.

October

> The Kolomna branch was recognised winner of the contest "Modern taxpayer of the Moscow Region-2011" among corporate customers.
> Agropromcredit Bank increased interest rates on deposits such as Maximum, Comfort and Pensioner denominated in Russian roubles and US dollars.
> A sub-office was opened in Kolomna on the premises of the branch located in this town.
> A promotional campaign "Sweet Interests" was launched where depositors were eligible to get a sweet surprise.
> Basic interest rates on AUTOritet plan intended for customers at the Tyumen and the Surgut branches, accordingly, were reduced.
> A clearing account in Swiss francs was opened.

November

> Agropromcredit Bank improved its cooperation with Western Union payment system. The customers were able to make money transfers in foreign and domestic currencies in favour of foreign and Russian businesses as partners of the Western Union Payments system.
> Two new car loan plans, AUTOEXPRESS and AUTOEXPRESS+, were launched for customers at the Tyumen and the Surgut branches, accordingly. No confirmation of source of income or employment is needed.
> Interest rates on rouble-denominated deposits Confidence, Excellent, Maximum, Savings for a Dream, and on a term deposit Comfort were increased.
> The existing line of consumer loans was expanded. The Bank offered a new tariff plan "Mortgage Pawn Office" where money for contingency purposes is paid against real estate which is served as a security, and for purchasing residential property and commercial real estate.
> Basic interest rates on guarantor-free loan "For you. Big" were decreased, while the lending limit, increased.
> Eight cardholders were declared winners of the second stage of the lottery arranged by Visa international "Let's try and you will like it".
> Agropromcredit Bank was among winners of the XIV Annual Federal Contest in annual reports and corporate Web sites held by the magazine "Securities market". The Bank was the third in the Best Annual Report Design, Printwork and Idea nomination.
> The Bank took part in the first meeting of the Basel II and Risk Management Committee of the Association of Russian Banks.
> Agropromcredit Bank took part in the II annual business Financial forum of Russia held by the Vedomosti newspaper editorial staff and supported by the Russian Ministry of Finance.

December

> VISA cardholders were offered by the Bank new plans within Visa Privilege World collection — airline ticket bookings for XXX London Olympic Games at Web site www.kassir.ru and personal discounts for international delivery from BayRu service.
> Agropromcredit Bank supported the youth project contest "You are an entrepreneur" held in Kemerovo.
> A cooperation agreement was entered into with LenSpetsSMU, Saint-Petersburg-based construction company under which customers at Surgut branch are able to purchase residential property in Saint-Petersburg or in the Moscow Region at a special 17% Christmas discount.
> The Tyumen branch customers were offered a new service — to pay for traffic penalties at any office of the Bank located in Tyumen, Ishim or Tobolsk.
> Agropromcredit Bank took part in a meeting held by the Committee on appraisal and credit risks of the Association of Regional Banks of Russia.

4. CORE LINES OF BUSINESS IN 2011

personal banking

In 2010, the Bank focused in personal banking on diversified line of products and proactive efforts to improve the position of the Bank in this market. Mr Pavel Ilyin, Deputy Chair, was appointed as the head of Personal Banking to achieve such goals. Development strategy in this business area provided for expanded sale channels, larger customer base, and better efforts in several areas at once such as administrative, product- and technology-related. We are confident about saying that the Bank succeeded in meeting that goals and offering customers easy, understandable and standardised banking products. New channels to promote and sell retail products were implemented, and the line of lending and deposit products was improved. Better customised service and most competitive products was the core principle in this area intended for households.

To enhance promotional efforts, the branches entered into agreements with a variety of merchants. Staff of the Bank was to the greater extent motivated to sell products in the personal segment.

Agropromcredit Bank is a bank for innovations. It engineers new products, implements new service formats, offers more new opportunities to efficiently manage their accounts.

RAISING HOUSEHOLD DEPOSITS

Unlike the year 2010, in the reporting year households preferred to spend more their savings, rather than to keep them. In 2011, total deposit portfolio was RUR9.9 billion, while RUR9.106 billion were term deposits which posted a 2.9% decrease from the prior year figures. In the year under review, the Bank made efforts to stabilise the liability-side portfolio at the level it had before. The Bank succeeded in raising new term deposits and maintaining the existing deposits on renewal by keeping the interest rates at market rates of the competitors available in its areas of presence. In so doing, the Bank relied upon the restrictions (the rates tended to decrease through October 2011) and amendments in interest rates imposed every decade in 2011 by the Bank of Russia.

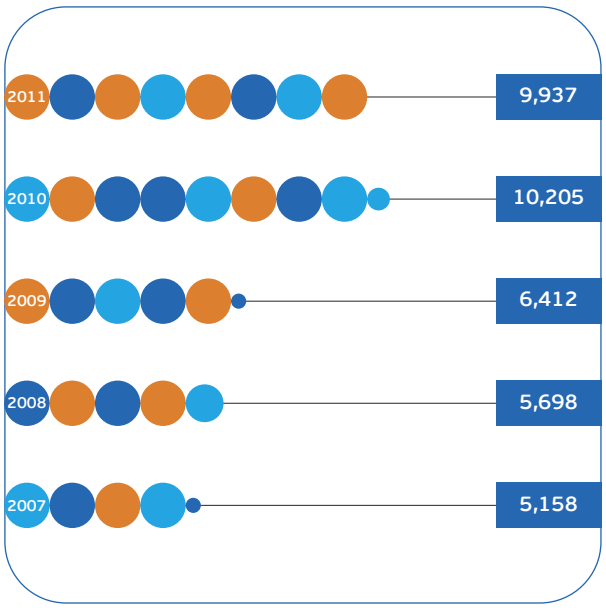
Depositors, like the previous year, preferred to place money in term deposits denominated in Russian roubles. The rouble portfolio of the Bank reported a 3.2% rise to 79%, while deposits in US dollars decreased by 1.3% to 12%, and euro deposits also went down by 1.9% to 9%. No changes were found in volume of deposits in pounds sterling.

Term rouble-denominated deposits were most demanded in 2011. Yield on the Comfort deposit was RUR1,397 million, on the Pensioner deposit, RUR414 million, on the Energy deposit, by RUR382 million, the Excellent deposit, by RUR254 million, and the Maximum deposit, by RUR122 million. Term deposits denominated in foreign currencies also reported an increase: the Confort deposit, by US$587 million and €348 million, and the Excellent deposit, by US$56 million and €18 million, accordingly.

PAYMENT CARDS

Agropromcredit Bank is a VISA International principal member and a MasterCard Worldwide affiliate member. In 2011, the Bank continued issuing and handling payment cards from such systems — throughout the year 16,859 cards were issued. As of the year-end, total cards in issue were 55,861 in number.

The payment card of the Bank is not only a convenient payment instrument, but a modern way to manage its per-

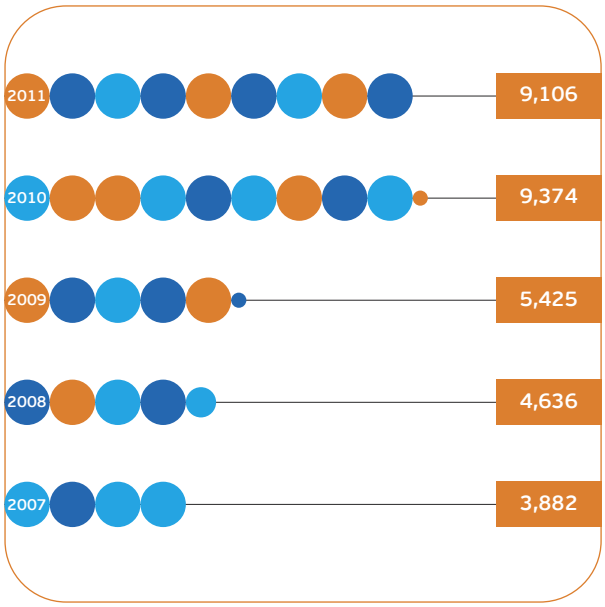


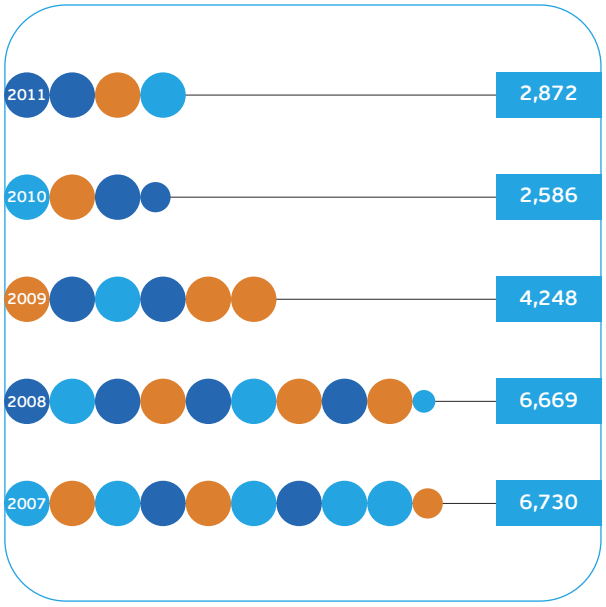
PERSONAL BALANCES

(RUR millions)

PERSONAL TERM DEPOSITS

(RUR millions)





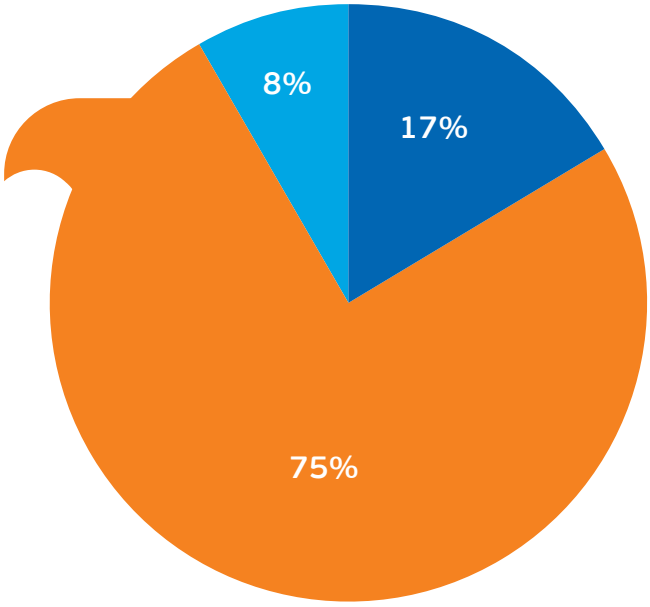
OUTSTANDING LOANS

(RUR millions)

PAYMENT CARDS ISSUED IN 2011

(including those reissued)

Within consumer lending:	2,803	/	17%
Within payroll plans:	12,650	/	75%
Others:	1,406	/	8%
Total:	16,859	/	100%



sonal account balances via proprietary cash dispensers, which allow customers pay for the services of the federal and regional mobile operators and satellite TV, make money transfers from cards to account maintained with the Bank, and to take benefit of the 13-th Salary product (the customer keeps the minimum interest-bearing balance). There were 179 cash dispensers as of 31 December 2011.

Handling account of the staff from corporate customers under payroll plans is an important part of the card business of the Bank. In 2011, the Bank handled 42,174 payroll-based cards.

In the year under review, the Bank continued providing up-to-date products — multi-currency cards and credit cards with grace period, and Visa Platinum Premium cards.

Multi-currency proprietary Visa or MasterCard card is an international payment instrument giving access to three accounts at once maintained with the Bank — in Russian roubles, US dollars and Euros. The card allows make savings and payments in any of such currencies without additional conversion charges. Balances of the multi-currency cards are interest-bearing at term deposit rates.

In the reporting year, the Bank took a set of measures towards enhanced security in handling payments cards. Visa International and MasterCard WorldWide systems acknowledged the processing system to be in compliance with their requirements, and Web-based information resources, with the Payment Card Industry Data Security Standard (PCI DSS). Our certificate of conformity ensures high level of protection for client's personal data in banking business.

With a view to promote card products in the provinces, the Bank continued entering into discount agreement with merchants, particularly, car dealers, shops, travel and health care companies. Such agreements provide discounts for products and services to be paid using proprietary Visa and MasterCard cards. The programme has clear benefits both for merchants and for the Bank itself. Hence, the counterparties cooperating with the Bank mushroomed throughout the year 2011.

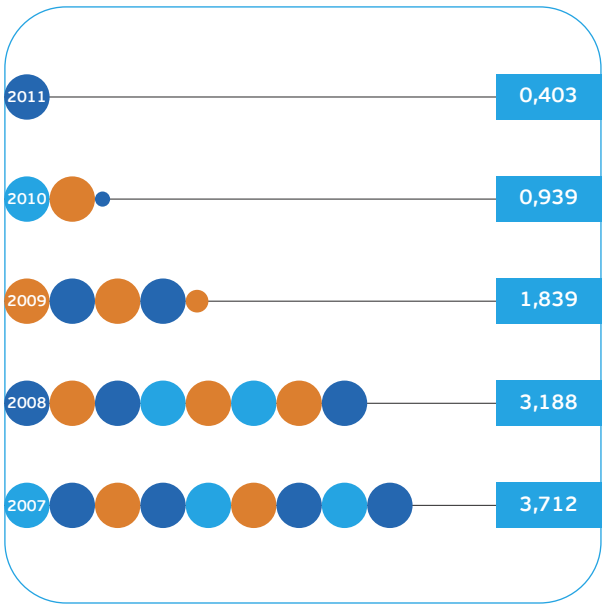
Within the reporting year, the Bank was proactively involved in global promotional campaigns initiated by Visa International. 14 Agropromcredit Bank's clients were declared winners in such campaigns.

LENDING

Given the overall stabilisation in the economy in 2011, Russian banks responded by cutting loan interest rates. Therefore, domestic lending market notably revived to outperform the pre-crisis level. The banking industry showed at the year-end a notable growth in total loan portfolio (over 70%), both corporate and personal ones. Under the economic situation in 2011, the Bank pursued moderate lending policy, comprising more weighted risk assessment for personal loans. The Bank increased lending limits intended for individual customers, negative credit history concept was liberalised.

Within the year, the Bank went on developing new lines of products to meet demands of the customers. For example, in February 2011, the Bank expanded the consumer lending scheme by implementing tariff plans such as "For you" and "For you. Big" comprising guarantee-free contingency loans. Loans are made on attractive terms and conditions, with a reduced set of documents being submitted.

In September 2011, new consumer loan, "Big Money. Mortgage loan" was launched, under which money is given both for contingency purposes and for real estate purchase. Residential or commercial property owners, and prospecti-

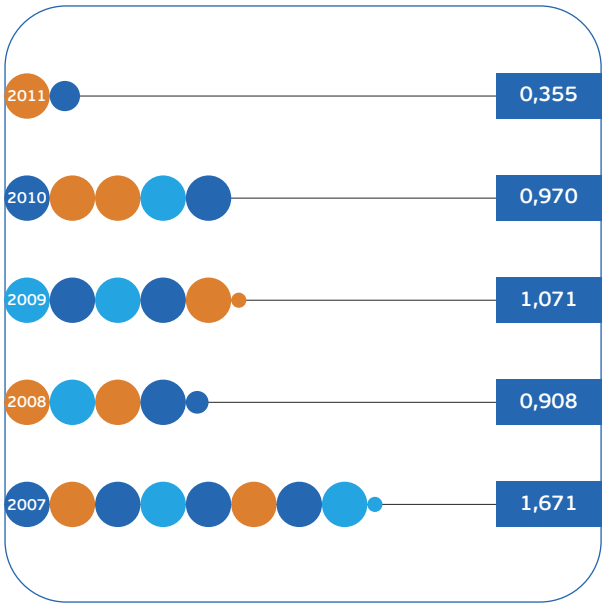


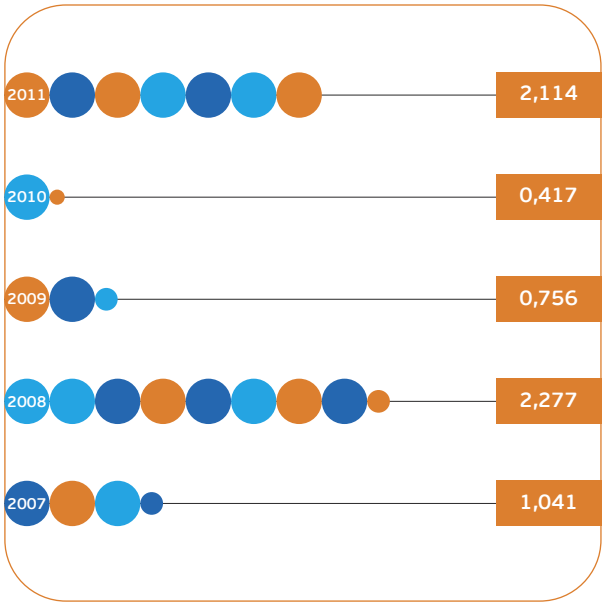
OUTSTANDING CAR LOANS

(RUR millions)

OUTSTANDING MORTGAGE LOANS

(RUR millions)





OUTSTANDING CONSUMER LOANS

(RUR millions)

ve real estate buyers can take advantage of such product. This product's key advantage is no set-up application fee, loan disbursement fee, nor early payment penalty. It is designed particularly for those borrowers who seek to improve their living conditions, taking the loan with any additional charges or overpayments.

November 2011 saw three new loan schemes to be launched such as "Autoexpress" and "Autoexpress+" (intended for customers served at the Tyumen and the Surgut branches of the Bank; such schemes allow buy a car on credit at a car dealer as a partner of the Bank on fast-track contracting terms; the main strength is a quick application processing and no need to acknowledge the employment by the borrower), and the Mortgage Pawn Office (against pledge of a real estate, for contingency purposes, and to buy residential or commercial property; its benefits are increased lending limit, denomination in Russian roubles, US dollars or Euros, and no need to submit a surety).

In 2011, the Bank eased its requirements for borrowers by reducing age limits for individual customers. Minimum required age was reduced to 21 years for holders of the card with grace period, and for borrowers who take any purpose consumer loans such as "Family" and "Friends". Even retired persons who do not have employment are able to take consumer loans with no guarantors such as "For you" and "For you. Big".

Interest rates were also cut on consumer loans such as "Family", "Friends" and "AUTO credit" and loan limit was increased. These lending schemes allow customers meet their important plans, by taking the bank loan for a large amount and at attractive interest rate.

To expand its presence in the car loan market, the Bank developed fast-track contracting terms for such loans. Now, the application approval can be granted within one day by submitting, besides the questionnaire, only the national ID document. As to the remaining instruments needed to complete the loan-making process, the borrower should deliver them the day after the application approval.

Total outstanding loans made to individual customers were RUR2.9 million, including:

73.5% — consumer loans (RUR2.13 billion);
12.4% — housing mortgages (RUR0.36 billion);
14.1% — car loans (RUR0.41 billion).

In the fiscal year, the Bank made the existing distribution channels more efficient and larger in number by more complete mastering of products, distribution channels, regulations, gaining experience in planning, conducting and analysing retail sales. At the year-end, the Bank achieved maximum monthly sale volumes which were record for the reporting year and the last several years. By the end of the year, requirements were liberalised for prospective borrowers owing to positive credit discipline of the customers.

MONEY TRANSFERS

The Bank offers account-based money transfers and money orders in favour of individual and corporate customers (RUR, USD, EUR). The number of partner entities receiving regular payments from households is escalating. In 2011, the Bank reported 13,166 money transfers and money orders amounted to RUR28,4 million, or a 24% rise in volume and a 12% increase in number as compared to the prior year figures.

As to money orders, the Bank expanded the exiting spectrum of services intended for corporate customers due to a new agreement entered into with LLC NPO Western Union DP Vostok. The Bank offered customers to take advantage not only paper-based, but also paper-free technologies, as well as the loyalty system using the Western Union Gold Card to reduce time of service.

Beginning from August 2011, Agropromcredit Bank initiated money transfers and money orders via Western Union in Russian roubles. Such service made it possible for the Bank to increase its commission and fee income against the last year indicators. Total commission and fee income in this business segment in 2011 was RUR2.1 million.

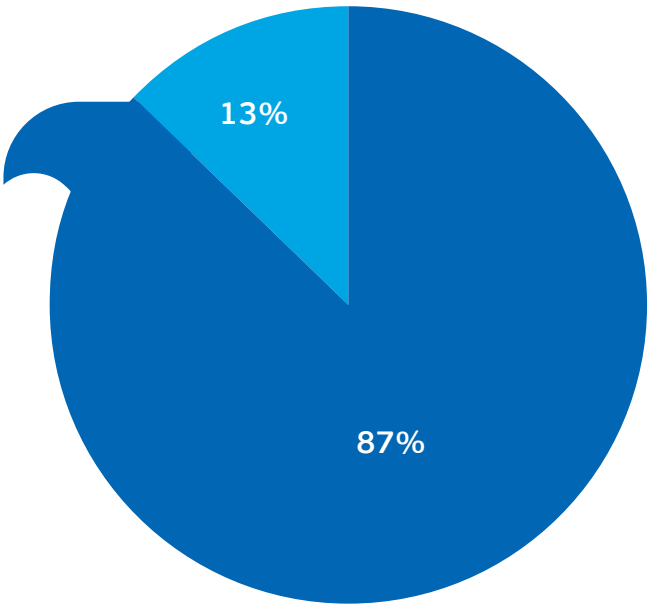
BRANCHES

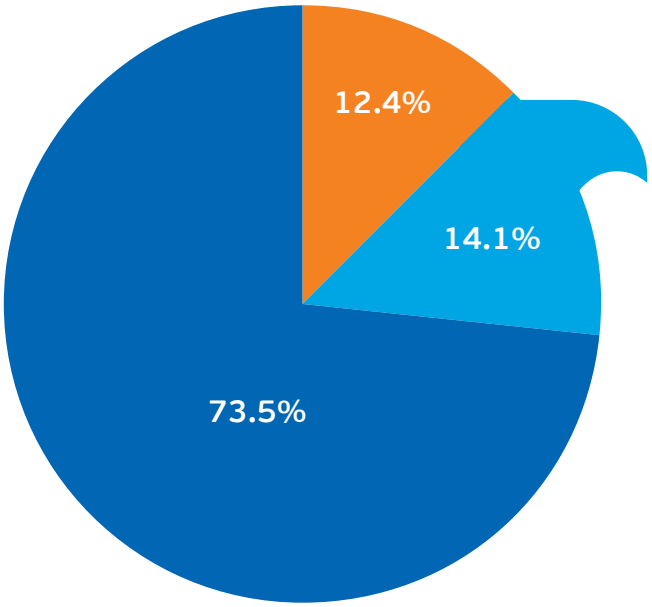
In 2011, the regional branch network was optimised in line with the current market situation. Emphasis was placed on further quality improvement in the regional business, rather than on its expansion.

Based on a comprehensive study of the Bank's activities, the management decided to have the regional network optimised. In October 2011, after structural adjustments were introduced, the Kolomna branch was changed over into another format becoming a sub-office. The Kolomna

PAYMENT CARD IN ISSUE AT THE YEAR-END 2011

Visa:	48,811	/	87%
MasterCard:	7,050	/	13%
Total:	55,861	/	100%



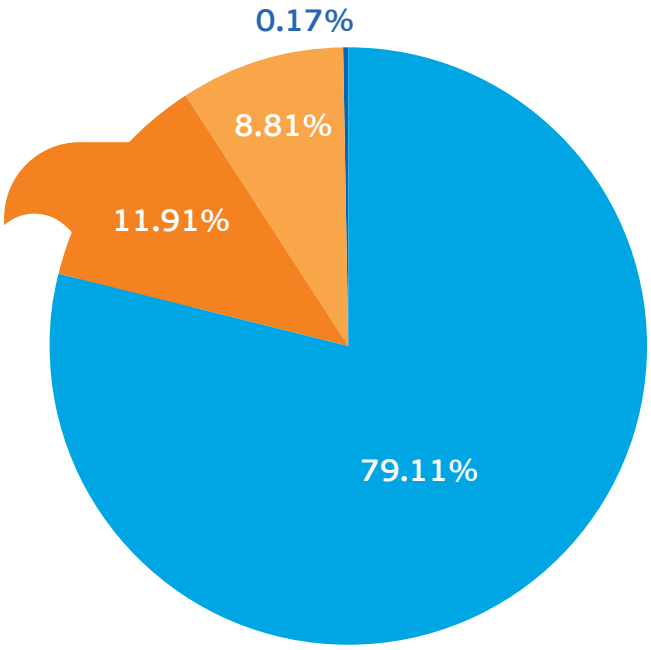


PERSONAL LOAN PORTFOLIO

73.5% • purpose/no purpose
14.1% • car loans
12.4% • housing mortgages

TERM DEPOSITS

79.11% • RUR
11.91% • USD
8.81% • Euro
0.17% • Pounds sterling



branch was disincorporated on 24th November 2011. The representative office in Vladivostok was also closed.

Therefore, regional network run by Agropromcredit Bank comprised 11 branches and 35 offices located in six out of the eight Federal districts throughout the country as of 31 December 2011. Branches of the Bank are present in cities and towns such as Barnaul, Chelyabinsk, Kemerovo, Kurgan, Nizhny Novgorod, Orenburg, Perm, Saint Petersburg, Surgut, Tyumen, and Yekaterinburg.

Altai branch

The branch, which started its operations in 2002, incorporates a sub-office in Biysk.

The branch was qualified as a banking institution to be recommended to Altai Territory-based businesses, which could take loans with part of the bank interest rate being financed from the territorial budget. In addition, the branch is involved in lending programme against guarantees issued by the Altai insurance fund.

In 2010, the Altai branch of Agropromcredit Bank was winner of the Best-Service-of-the Year banking contest, where presentation of the Internet-banking system took place.

Urals branch

The branch was established in Yekaterinburg in 2006. At present, another two sub-offices were established in the Sverdlov Region, namely, in Yekaterinburg and Verkhny Tagil.

The branch is a member of the Urals Banking Union and it is proactively involved in the Union's activities, public events and charity campaigns within the Region.

Kemerovo branch

The branch was established in 2003. As two its sub-offices are operating in Gurievsk and Novokuznetsk, the wide range of services of the Bank is made available to corporate and personal customers in the south of the Kuznetsk Basin. The branch serves coal mining enterprises in the Kemerovo Region, companies engaged in mineral field development, insurance and consulting companies, small and medium-sized businesses, and individuals.

By the year-end, the branch entered into an agreement with the Government-run Kemerovo Region Business Support Foundation and started to finance businesses under the foundation programme against its guarantees.

Kurgan branch

The branch, which started in 2003, incorporates four offices, and three of them are located in the Kurgan City (a branch, a sub-office and one off-premises cash desk) and one sub-office located in Shadrinsk.

Nizhny Novgorod branch

The branch, which was established in September 2007, is located in the centre of the city. It provides corporate and individual customers domiciled in Nizhny Novgorod with a broad array of banking services and financial consulting.

The Nizhny Novgorod branch is proactively involved in public activities of the city and sponsors municipal gala events.

Orenburg branch

The branch has been operating in the Orenburg Region since 2002, and over that period expanded the personal banking segment, with its business going outside the regional borders. At present, the structure of the branch comprises seven sub-offices located in towns such as Orenburg, Orsk, Mednogorsk, Buzuluk, Buguruslan, Saratov, and in Energetic settlement.

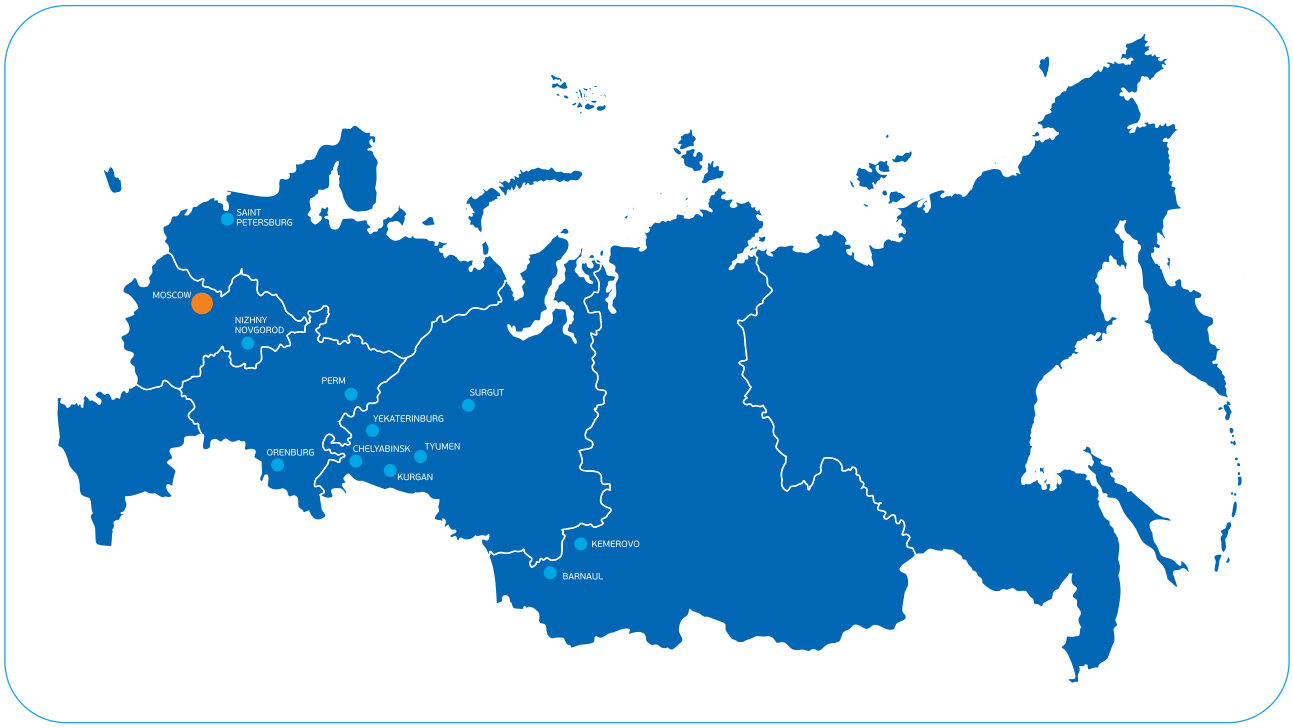
The branch is actively involved in the life of banking community in the Region and it is a member of the Association of commercial banks of the Orenburg area. Since 2010, the branch has been cooperating with the Guarantee Foundation for Small and Medium-Sized Businesses in the Orenburg Region and the Guarantee Foundation for Small Businesses in the Saratov Region, and making loans to private enterprises against the Foundation guarantees.

Perm branch

The branch started its operations in April 2007. Over that period, many companies and individuals could appreciate the reliability and the wide spectrum of services of the Bank. Important regional enterprises such as Urals interregional distribution network company from PermEnergo, Electrosetstroi-11, Grazhdanservice and many others are among its customers.

Individual customers were offered full range of services, including payments through business accounts, deposits, loans for a variety of purposes, transactions involving currency exchange and payments from currency accounts.

REGIONAL BRANCHES



North-Western branch

The branch has been operating in Saint Petersburg since 2002, with both corporate and personal banking segments being served. The Ozierki sub-office is the second banking office in this city. The branch is a member of the Association of Banks of the North-West and is actively involved in events held by the Association.

Surgut branch

The branch has been operating since 2001. At present, there are five offices of the Bank located in the region — three branches established in Surgut, one in Nefteyugansk and one in Kogalym, accordingly. Over many years, the branch has been serving enterprises from the energy sector, construction companies, trade and services undertakings. The Surgut branch sponsors community and sports events held in Surgut, Kogalym and Nefteyugansk.

Tyumen branch

The branch started in 2001. It has offices located within the Tyumen Region, the Khanty-Mansy Autonomous District and the Yamalo-Nenets Autonomous District, namely — the head office of the branch, a teller office and two off-premises cash desks in Tyumen, sub-offices in towns such as Ishim, Nizhnevartovsk, Novy Urengoy, Noyabrsk, Tobolsk and Izluchinsk settlement.

Chelyabinsk branch

The Chelyabinsk branch was established in 2003, and its sub-office in Magnitogorsk started in 2006. Over that operating period in the Southern Urals, the branch was recognised as a strong and reliable counterparty, handling corporate entities and small and medium-sized companies so as to ensure mutually rewarding cooperation, and taking care of individual customers.

Moscow area

Offices of the Bank located in the Moscow area comprise five sub-offices (the Moscow sub-office, the Tsvetnoy Bulvar sub office, the Sokol sub-office, Kolomna sub-office and Yegorievsky sub-office) and the Agropromcredit Bank's clearing department. Our offices are proactively involved in activities of the banking community, taking part on a regular basis in meetings held by the Association of Russian Banks and the Association of Regional Banks of Russia, and the Moscow Banking Union.

corporate banking

HANDLING CORPORATE CUSTOMERS

The year 2011 was another successful benchmark in further corporate banking progress. Increased loan portfolio and deposits, reduced bad debts, risk-free business segments efficiently developed, new attractive products for the Bank's customers launched. The reporting year can be defined as a period of fierce competition in the banking market, mainly, by proactive efforts of the Government-run banks able to offer their clientele cheap financing. In this situation, banks rivalled hard for comprehensive services of better quality and reliability. Agropromcredit Bank proactively used its competitive edge such as a broad line of products, efficiency and promptness, high quality IT services using the most sophisticated banking technologies, wealth of industry-based experience and customised approach. Such features have always enabled the Bank to be winner in the competition not only with other privately-held banks in Russia, but also with Government-run and foreign banks operating in the domestic market.

Customers of the Bank are enterprises from core industries of the national economy such as power generation, machinery, metallurgy, transport, construction and agribusiness. The Bank's main focus is to offer high quality and comprehensive services of the top level.

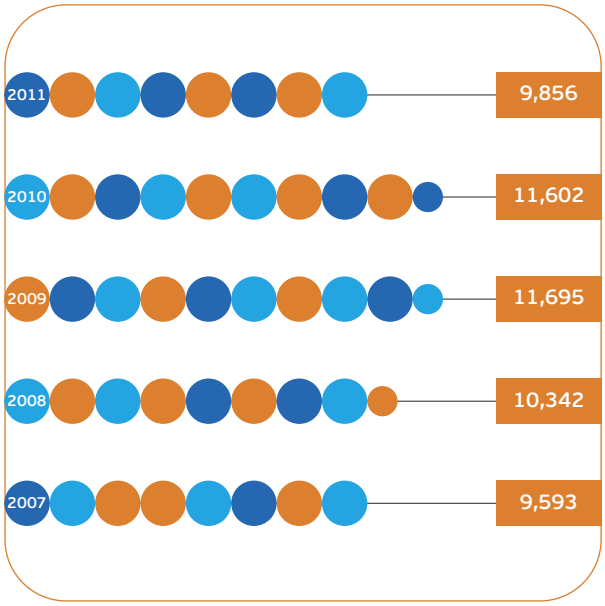
RAISING CORPORATE FUNDS

Throughout the reporting year, the Bank pursued a conservative policy, raised funds at interest rates not exceeding the market ones within volumes needed for its lending business. The increase in term deposit balances stemmed both from loyal customers of the Bank and those captured in 2011. Due to the developed branch chain, the Bank succeeded in achieving the high level of regional diversification in fund raising.

Corporate balances were RUR7,632 million as of 31 December 2011, including RUR2,868 million in corporate term deposits, and RUR4,764 million in business accounts and current accounts.

The Bank placed idle funds of corporate customers in promissory interest-bearing notes and promissory discount notes. They are safe, gainful and liquid instruments of the financial market to be used in payments in favour of counterparties for products and services supplied, and as saving instruments.

CORPORATE ACCOUNTS
(net of promissory notes)



CORPORATE LENDING

In the reporting year, Agropromcredit Bank offered its corporate customers lending products as follows: commercial loans along with crediting funds to the business account; overdrafts; credit facilities with the preset disbursement limit, outstanding limit, disbursement limit and outstanding limit; bank guarantees for auctions and tenders.

Loans to corporate entities and sole trades were made in Russian roubles and in foreign currencies. Emphasis was placed on projects and transactions with short-term and medium-terms return.

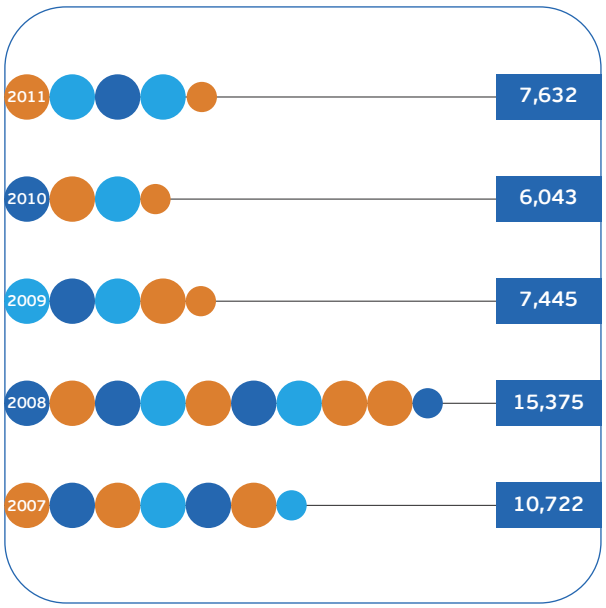
When considering new applications and with a view to reduce credit risks, preference was given to customers having positive credit history, good financial standing and sound collateral.

Loan portfolio as far as corporate borrowers are concerned (outstanding loans) was RUR7.0 billion as of 31 December 2010, including RUR4.8 billion from the head office and RUR2.2 billion from the branches. Such portfolio reported a 104% rise, including a 103% increase by the head office and a 105% increase by the branches. Therefore, by the year-end the loan portfolio achieved the pre-crisis level in late 2008.

The Altai, the Tyumen and the Kemerovo branches were the main drivers of growth in the loan portfolio, chiefly, from credits made to corporate borrowers at the Tyumen, the Kemerovo and the Surgut branches.

Throughout the reporting year, the Bank continued performing the agreements entered into with SME support foundations which a focus on providing favourable conditions for steady SME development in Russian provinces based on efficient financial support mechanisms.

The Altai branch performed the agreement entered into with the Altai Guarantee Foundation, non-profit entity. In 2011, new agreements were signed by the Orenburg branch with the Guarantee Foundation for Small and Medium-Size Enterprises in the Orenburg Region and the Guarantee Foundation for Small Businesses in the Saratov Region, by the Kemerovo branch, with the Government-run Kemerovo Region Business Support Foundation.

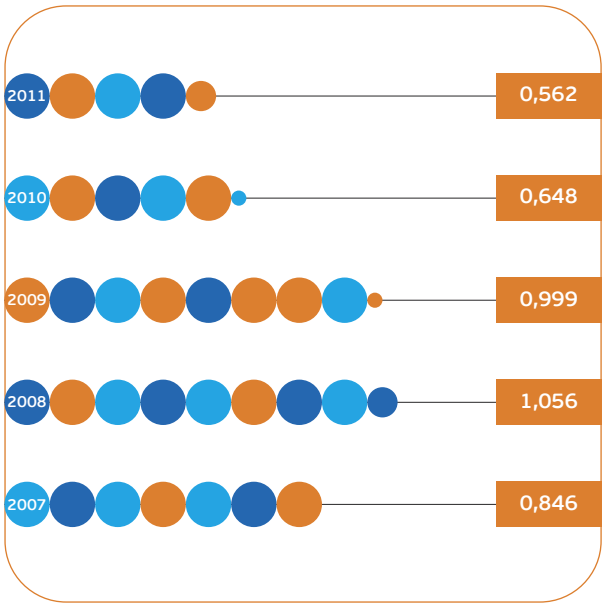


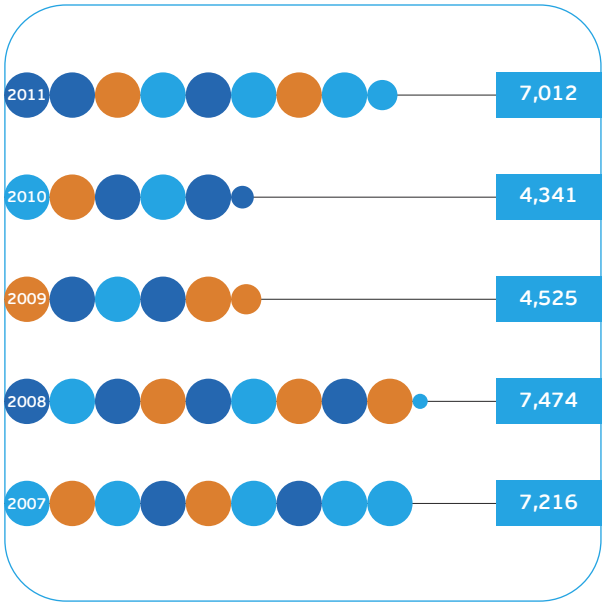
CORPORATE BALANCES

(RUR millions)

INTEREST-BEARING CORPORATE INCOME

(RUR millions)





CORPORATE OUTSTANDING LOANS

(RUR millions)

liquidity management and financial markets

Drawing on many years of the operating experience, the Bank notably increased its efficiency in liquid asset management. By supporting the loan portfolio and maintaining the securities portfolio volume at the same level, the Bank made use of all sources of funding available and ensured customer payments in full. Clearing account balances in Russian roubles and in foreign currencies with the head office and the branches were used, swap transactions were carried out at the MICEX, interbank loans were made and taken (including those against pledge of securities), repo deals in bonds and promissory notes at the MICEX and on OTC market were transacted. Particular emphasis was placed on transactions entered into with the Bank of Russia — taking part in repo auctions and placing deposits, among others.

Early in 2011, the Bank went on increasing placings in debt securities (notes and bonds). That was possible thanks to lesser crisis phenomena in the economy and in the financial markets, considerable and variable supply of securities in the primary market, short term idle funds available at the Bank. It is worth saying that corporate bonds, including those included in the Bank of Russia Lombard list, prevailed within the securities portfolio (bonds) in 2011.

The Bank was involved in active forex transactions in the domestic foreign currency market. Spare funds available at the Bank allowed make interbank loans, carry out short term deposit-related transactions with a view to place funds with the Bank of Russia.

2011 saw the Bank engaged in reverse and direct repo trades with credit institutions and the Bank of Russia.

In the year under review, fiduciary transactions were more than two times as much (fiduciary management of cash and securities) with ZAO Capital Asset Management company.

The Bank has invariably been net lender in the interbank market, which is evidenced by the following examples.

Borrowings in the interbank market	Placings in the interbank market
6.9 RUR billions	71.9 RUR billions

Swap deals on MICEX

Currency	Trade volume
USD	4.9 billion
Euros	3.5 billion

The Bank placed much emphasis on optimising cash balances at the cashier desk and cash dispensers. In particular, large efforts were made to improve the methodology to estimate optimum ATM loading during business days and holidays.

FOREIGN EXCHANGE TRANSACTIONS

In 2011, the Bank continued improving the quotation system with respect to exchange rates for basic world currencies depending on customers' demand. For example, holders of multi-currency cards issued by the Bank were offered more attractive exchange rates through cash dispensers.

Customers who buy considerable amount of foreign currencies, got access to a flexible rate formation on request within the banking day. Moreover, customers received practical advice on Forex market.

To minimize non-performing balances on the clearing account with the Bank of Russia, the Treasury of the Bank redistributed funds between branches online within the payments volume based on payment orders and forecast for proprietary transactions.

TRADING IN SECURITIES

In 2011, the Bank succeeded in increasing the securities portfolio as compared to the prior year using a variety of funding sources. The portfolio was structured subject to an efficient securities portfolio concept developed at the Bank based on principles related to liquidity margin and proactive trading portfolio owing to which its yield exceeds the model portfolio. Trading position management and a conservative approach in selecting issuers made it possible to earn substantial income from the securities portfolio.

INVESTMENT BANKING

In the year under review, the Bank continued performing its duties as a paying agent for coupon payments and bond issue redemption as follows:

- TyumenEnergo bonds, series 02
- Yekaterinburg power supply network company bonds, series 02
- Urals interregional distribution network company, series 01

Full spectrum of services related to corporate bond issue was delivered to Intertechelectro — New Generation company. In particular, issue-related documents were prepared, assistance was given in corporate procedures, disclosure of information, the issue was underwritten in full on MICEX Stock Exchange, advice was given on with Russian laws and regulations on abuse of insider information and market manipulation.

PROMISSORY NOTE PROGRAMME

In 2011, the Bank continued with its promissory note programme. Discount and interest-bearing promissory notes of the Bank were offered to customers to be used as a payment instrument or an investment instrument.

Currency	Total promissory notes
RUR	702 million
USD	3.92 million

correspondent banking

In the reporting year, the Bank kept optimising its correspondent banking network to meet changing demands of its customers.

In response to particular features inherent in international trade relations of Russia and growing interest of customers in payments in Renminbi and Swiss francs, the Bank opened clearing accounts in such currencies. In addition, clients have access to payments in many other foreign currencies via multi-currency account maintained with UniCredit Bank.

By expanding its relations with top-notch partners, mainly using software-hardware means, the Bank developed most convenient and efficient conditions to make payments in a variety of foreign currencies.

At the same time, the Bank continued closing clearing vostro accounts and nostro accounts maintained with other banks which were idle for a long time.

When optimising its operations with clearing accounts, the Bank also focused on reduced expenses for other transactions. Say, a clearing account was opened in 2011 with the State Corporation "Bank for Development and Foreign Economic Activities (Vnesheconombank)" for trading in Eurobonds as further development of the cooperation between our financial institutions.

Therefore, the Bank maintained 14 vostro accounts and 28 nostro accounts at the year-end. Main clearing banks were VTB BANK (DEUTSCHLAND) AG in US dollars, and COMMERZBANK AG in Euros.

Downstream clearing banks and institutions

No.	Credit institution	Currency
1	Non-bank "Central Clearing Chamber", Moscow, Russia	RUR
2	Khlebobank, Moscow, Russia	RUR, USD
3	Roubliov Bank, Moscow , Russia	RUR, USD
4	Commercial bank "Forshtadt", Orenburg, Russia	RUR, USD, EUR
5	SB Bank (Sudostroitelny bank), Moscow, Russia	RUR
6	Guta-Bank, Moscow, Russia	RUR, USD
7	Almaz-Invest-Bank, Moscow, Russia	RUR
8	National Collateral Bank, Dolgoprudny, Moscow Region, Russia	RUR
9	Credit Bank of Moscow, Moscow, Russia	RUR

Upstream clearing banks and institutions

No.	Credit institution	Currency
1	Gazprombank, Moscow, Russia	RUR
2	NOMOS-BANK, Moscow, Russia	RUR, USD
3	UniCredit Bank, Moscow, Russia	USD, GBP
4	Petrocommerce, Moscow, Russia	RUR, USD, EUR
5	SME Bank, Moscow, Russia	RUR, USD, EUR
6	Russian Agricultural Bank, Moscow, Russia	RUR
7	SredneRusskiy Bank of Savings Bank of Russia, Moscow, Russia	RUR, USD
8	Bank “National Clearing Centre”, Moscow, Russia	USD
9	Rossgosstrakh Bank	RUR
10	RUSSLAVBANK, Moscow, Russia	RUR, USD, EUR
11	VTB Bank, Saint Petersburg, Russia	RUR
12	Petrocommerce, Moscow, Russia	RUR, USD, EUR
13	Vnesheconombank	USD
14	VTB Bank (Deutschland) AG, Frankfurt am Main, Germany	USD, EUR
15	Commerzbank AG, Frankfurt am Main, Germany	EUR
16	Bank for Reconversion and Development, Minsk, Belarus	BER

risk management policy

Risk management policy of the Bank is based on a comprehensive and unified approach within the organisation towards how risk management process is arranged, mainly, to the extent applicable to identifying all material risks, developing their assessment and mitigation methodology and procedures, and monitoring.

Main exposures affecting banking business strategy in many respects are dependent on national macroeconomic situation, in particular, pace and nature of structural adjustments in the economy, growth in all sectors, inflation level, exchange rate of the domestic currency, oil prices, official bank rate and rates for legal reserves imposed by the Bank of Russia. Political risks are also an indicator of changes in Russian securities market, money market and financial market and affect the investment climate, capital inflow and national economy upsurge.

Besides external factors making an impact on strategy formation of the Bank, there are several in-house factors. Most important is corporate governance quality. Top priority is to shape an up-to-date governance system which is adequate to the scale and complexity of the business and meets the relevant international standards.

The Bank faces risks inherent in banking entities. Main risks are credit risk, liquidity risk, foreign exchange risk, interest rate risk, market risk, country risk and others.

Comprehensive efforts are made on risk management, which comprise ensuring efficient internal control, compliance with prudential standards imposed by the Bank of Russia.

CREDIT RISK

The Bank defines credit risk as a risk of losses caused by non-performance, delayed performance or misperformance by the debtor of its obligations to the Bank in accordance with the terms and provisions of the loan agreement. Credit risk is assumed on credit-related transactions entered into with all counterparties (corporates, financial institutions and individual customers), including those related to a variety of lending products, issuing guarantees, confirming letters of credit, purchasing debt securities, purchasing claims, bullion and securities loans, hire selling or purchasing financial assets (delivery of financial assets), and with respect to lease and factoring payments.

Credit risk is the most crucial challenge for banking institutions. Credit risk is managed at the Bank along the following lines:

- setting limits on transactions to mitigate credit risk
- setting limits on borrowers/counterparties; on groups of related borrowers/counterparties; by countries/industries/regions; on debt securities
- establishing security with respect to credit-related transactions
- monitoring exposures to be assumed by the Bank and delivering the relevant management reporting to the Credit Committee, the top executives and subdivisions
- assessing regulatory and economic capital to cover exposures assumed on transactions and ensuring their adequacy
- hedging transactions
- permanent internal control over compliance with banking regulations and risk measurement and risk management procedure by an independent subdivision.

As to credit risk management arrangements, the Bank follows recommendation made by the Bank of Russian and the Basel Committee on Banking Supervision.

COUNTRY RISK

Country risk is an exposure related to economic, social and political conditions of the issuer's country.

Political and economic situation in Russia can be estimated as stable in the medium term. The national economy has its specific features inherent in emerging nations. These are lack of convertibility of the national currency, quite low liquidity at stock exchanges and the OTC securities markets and high level of inflation.

The Bank is engaged in banking business in the Russian Federation. The investment rating given to Russia suggests that the economic situation is improving, and therefore, the country risk is going down. If the national situation is getting worse, the issuer will do whatever it can to ensure interests of its customers.

Agropromcredit Bank is exposed to such risks as much as any other Russian bank. Exposures are assessed depending on country risks, which are beyond control of the issuer.

In case of national emergency and strikes in the country and the region where the issuer is incorporated as a tax-

payer and/or is engaged in its core business, the Bank performs its obligations under the applicable laws and emergency rules.

Geography-related risks, including high exposure to natural disasters, interruption in transportation owing to long distances and/or problematic access, etc. are minimal.

MARKET RISK

When managing market risks, Agropromcredit Bank follows requirements imposed by regulations of the Bank of Russia, and applies in-house models in compliance with recommendations of the Basel Committee on Banking Supervision, in particular, those related to economic capital which is subject to reserve provision to cover market risks.

Market risks comprise securities risk, foreign exchange risk and interest risk.

The Bank assumes banking-related pricing risk (exposure to lower income and loss caused by adverse changes in market prices for securities). However, owing to the risk management arrangements in place at the Bank, which, suggests, in particular, control over compliance with limits for trading in securities, and monitoring stock market developments, the exposure is well within the safety margins and, therefore does not have impact on quality and timely performance by the Bank of its obligations, including, those assumed with respect to securities in issue.

FOREIGN EXCHANGE RISK

The Bank assumes foreign exchange risk inherent in its business (exposure to lower income and loss caused by adverse fluctuation in exchange rates). However, owing to the risk management arrangements in place at the Bank which involves open currency position regulation, exposure level is well within the safety margin and, therefore does not have impact on quality and timely performance by the Bank of its obligations.

Main sources of interest risk are as follows:

- gap in maturities of assets, liabilities and off-balance sheet claims and obligations on fixed-rate instruments
- gap in maturities of assets, liabilities and off-balance sheet claims and obligations on floating-rate instruments (exposure to interest rate adjustment)
- fluctuations in yield curve with respect to long and short positions for trading in financial instruments from one issuer, causing exposure to loss due to overbalance of prospective expense over gain while closing such positions (yield curve exposure)
- gap in frequency of changes in interest rates between raising and placing levels for fixed-rate financial instruments provided they match maturities
- gap in frequency of changes in interest rates (basis risk) for floating-rate financial instruments provided they have equal frequency of changes in floating interest rate.

However, owing to the risk management arrangements in place at the Bank, which, suggests, in particular, control over compliance with limits for trading in securities, and monitoring interest rate position, timely adjustments in interest rates for fund raisings and fund placings and using floating rates, the exposure is within the safety margins and, therefore does not have impact on quality and timely performance by the Bank of its obligations.

LIQUIDITY RISK

Liquidity risk is the main risk affecting the ability of the Bank to perform in due time and in full its obligations to holders of securities in issue. Maintaining the balance sheet structure in compliance with the requirements and liquidity ratios (internal and prudential ones) while having permanent control in place exercised by the relevant subdivisions and collective governance bodies allows the Bank meet in full its obligations, including those related to principal payments and interest service in favour of holders of securities in issue.

To mitigate adverse impact of the risk, the Bank complies with legal liquidity ratios imposed by the Bank of Russia, and internal ratios established by the corporate risk management.

OPERATIONAL RISK

The Bank faces operational risk, defined as an exposure to loss owing to a gap in the nature and scale of the business and/or requirements of applicable laws and regulations, by-laws and in-house banking procedures and other transactions, abuse by the staff and/or any other persons (caused by incidental or wilful act or omission), gap (insufficiency) in functional capabilities of data storage, technological and other systems in place at the bank, or their disruption, or due to external events.

To manage operational risk, the Bank conducts on a regular basis procedures ensuring risk identification, control and mitigation measures. When arranging such risk management, the Bank follows principles set forth in regulations of the Bank of Russia (including letter "On arrangements with regard to operational risk management at credit institutions" No. 76T of 24 May 2005), and documents of the Basel Committee on Banking Supervision.

Applicable Russian law is quite complicated and ambivalently construed, and the court practice is contradictory. Therefore, it results in rulings being adopted which make it impossible to execute court orders. Some provisions in tax law suggest ambivalent meanings. In addition, practical application of Russian tax law lacks experience, which can lead to increased tax-related risks and, therefore, to more expenses for the issuer bank and the securities holders. There is also a risk of changes in tax law to the detriment of taxpayer interest.

REPUTATION RISK

The Bank regards reputation risk as giving rise to loss caused by reduced customer base owing to a negative image of the bank's financial solvency, quality of services or its business nature in general.

No situations have occurred in business activities of the Bank posing threat to its reputation since its inception. The Bank has always placed emphasis on delivering high-quality and fail-safe banking services. Even when the crisis broke out, the Bank met such goal and continued making in time both customer and proprietary payments in favour of its depositors and creditors.

STRATEGIC RISK

The Bank defines strategic risk as an exposure to loss caused by errors (deficiencies) in making decisions crucial for the business development strategy. Such risk suggests miscalculations in threats to the Bank's activities, wrongly or deficiently defined prospective areas of business where it can achieve competitive edge, lack of resources and arrangements or their deficiency to meet its strategic goals.

Under the fierce competition environment, Agropromcredit Bank adopts an in-depth approach in preparing its development strategy. It suggests increased scale of transactions and enhanced competitive positions along the core lines of banking business both in conventional services (corporate banking, raising household deposits) and new services which were proactively developed recently in Russia (investment banking, loans to small undertakings and households, raising funds from international capital markets).

hardware and software complex and in-house technology modernisation

Throughout the reporting year, the Bank succeeded in implementing several projects focused on improved quality of services, ensuring adequate data safety, and optimising its internal business processes. In addition, the Bank was engaged in activities on a regular basis to achieve fail-safe and efficient operation of the existing IT infrastructure.

INNOVATIONS

Issue of multicurrency payment cards was an important innovation for the customers in 2011. Such card is an instrument giving access to accounts maintained in three currencies. It allows the customers be flexible in handing its account balances depending on the market situation.

An Internet-banking project for individual customers was implemented suggesting instant payments. At present, customer can make payments for more than 1,800 services rendered by operators and providers from all Russian provinces. And the Bank plans to have their number increased.

MODERNISATIONS

ICM and IVR sub-systems of the Cisco UCC Enterprise-based call centre were modernized. Welcome voice subsystem functional in night time and in holidays was improved, incoming call processing was optimised.

A complex of measures to establish communication with CONTACT payment system was implemented with a view to expand the array of services. It ensured a secure IT platform for quality and fail-safe rendering of services.

In December 2011, MT Solution integration module was installed within the RBC system to generate money order transactions via Western Union and to estimate fees charged by the Bank on such transactions within the system software. Such solution enabled to improve quality and reduce time of services through teller desk optimisation.

Top-priority tasks for the year 2012, were, in particular, projects to enhance the functionality of the Client-Bank ("iBank2") system intended for corporate customers, to add a new functional to the CONTACT system, and to increase the number of teller offices.

DATA SAFETY

OTP-tokens were added to the iBank2 system with a view to enhance its data safety. Filtering mode for payment order processing was improved.

A project to protect and monitor data transfers via Internet and branch-based local network based was performed. At present, Fortinet-made equipment is installed at the branches, being in compliance with up-to-date Russian standards regulating data cryptography and hacker attacks.

A project to create a unified mail gateway between the head office and the branches was implemented. Such solution allows monitor centrally and prevent leaks of emailed confidential information between internal and external addressees.

The Bank will make efforts in the future to improve its data safety. For this purpose in mind, a fully connected telecommunication infrastructure and fail-safe data storage are scheduled to be designed and implemented at the Bank.

administration and hr management

MANPOWER AND QUALITY OF THE STAFF

As of 31 December 2010, manpower of the Bank was 1068 employees, including 342 (32%) employees at the head office, and 726 (68%) staff members employed at the regional offices.

Manpower posted a 11% increase as compared to the previous year, owing to new retail product departments established at the branches and proactive capturing of front-office staff to perform retail lending programmes.

Out of total manpower:

46% were employees aged between 35 and 55 years old

80% of the employees were university graduates

78% of the staff have their length of service in the banking industry above three years

9 employees have been employed by the Bank for over 10 years.

HUMAN RESOURCE POLICY

In its HR policy, the Bank places emphasis on capture and employment of new staff, adapting fresh staff members, improving motivation system, arranging professional training, employee job evaluation and certification. With a view to develop banking business, efforts were made to capture skilled professionals, in particular, dealing with sale of banking products and services at the branches and sub-offices.

An important HR area is staff reserve formation to ensure their promotion to management positions. Lists of nominees were prepared to be included in the staff reserve of the Bank, fields of concern and evaluation model for managerial capabilities of staff reserve were determined.

A complex of measures is performed at the Bank to motivate job efficiency of the staff, using both financial and moral incentives. With this purpose in mind, the HR Department together with the Retail Sale Department prepared in 2011 a motivation system for staff engaged in sale of retail products, and the Regulation on financial motivation of the regional retail staff was approved.

PROFESSIONAL TRAINING

In the context of external staff reserve formation and HR capability formation, university student were invited to the Bank to undergo practice at its structural subdivisions with a view to provide employment for most talented people. Lectures conducted by branch directors for universities students at regional level to prepare them professionally and capture for further banking career orientation is an example of efficient cooperation between the Bank and higher education centres.

To achieve a better system of comprehensive professional and social adaptation of new employees, a Guidance paper for a new staff was prepared to assist them in adapting themselves in a new job environment, becoming familiar with the labour routine and code of ethics at the Bank.

Training is one of the components in career development. Off-house professional training programme was proactively implemented, with target trainees increased both at the head office and the branches.

In-house training is most important for career development of the staff. Throughout the year 2011, training courses were prepared for several areas of concern such as sale management, phone communications, operation management. Training was conducted for branch directors, retail staff, in particular, for Telebanking Centre staff.

200 employees underwent training the head office, while 272 staff members were prepared at the branches.

The Bank placed emphasis on a project dealing with coach training. Subject to an approval of the Certification Committee of the Bank of Russia, Agropromcredit Bank was qualified to train cashier office staff (with the duly given certificate) qualified to handle transactions in national and foreign currencies.

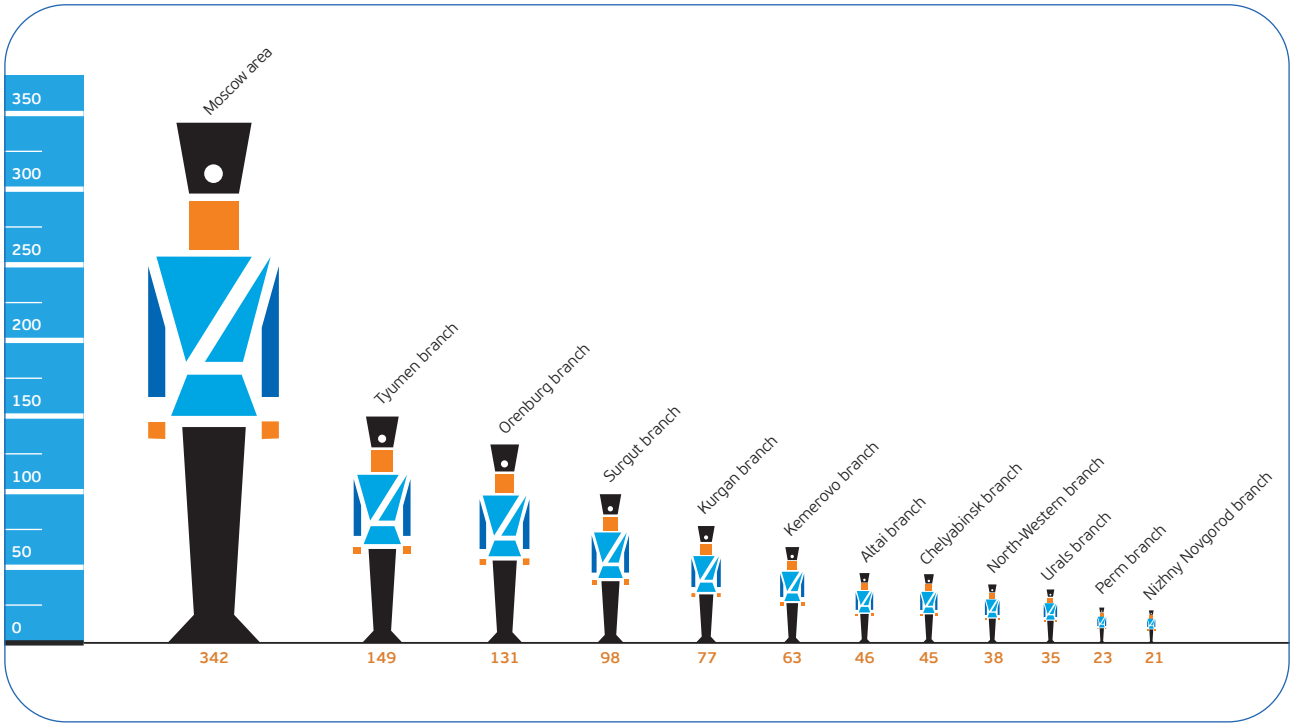
The Bank is proactively involved in Internet-based interbank contests which are team building activities and contribute to evaluate skills of the staff. The team of the Bank was the second and won assistance at distant training courses and electronic banking library.

Distant training system is being actively implemented, with results being as follows:

- 15 courses and 7 tests on Loans were implemented;
- 12 in-house electronic courses and tests for remote in-house knowledge data base were prepared, implemented and displayed on the corporate Web site;
- staff evaluation (certification) procedure was automated.

In 2011, over 130 employees was successfully evaluated subject to the Regulation on staff certification.

MANPOWER


350
300
250
200
150
100
50
0
Moscow area
342
Tyumen branch
149
Orenburg branch
131
Surgut branch
98
Kurgan branch
77
Kemerovo branch
63
Altai branch
46
Chelyabinsk branch
45
North-Western branch
38
Urals branch
35
Perm branch
23
Nizhny Novgorod branch
21

5. SPONSORSHIP AND CHARITY

Responsibility to customers, counterparties, and surrounding community for which we serve has been the essence of social responsibility of the business, a cornerstone of our activities. The Bank has always pursued such an approach since its inception.

Agropromcredit Bank is fully aware of how it is important to be in the right place and in the right time to assist those most in need. That is why every year the Bank gives target support to a great variety of social projects in terms of scale and coverage.

In the year under review, the Bank channelled its initiatives in sponsorship and charity for development of education and arts, protection of national cultural and historical heritage, organisation of socially-relevant events in areas of its business presence.

The Bank has traditionally cared for young generation and cultivating respect for the history, arts and society. Throughout the reporting year, the Bank proactively supported gala events for children and took part in campaigns to help orphans.

Large contribution was made to keep historical heritage and Russian popular traditions. The Bank sponsored painting, music and handicrafts.

SPONSORSHIP AND CHARITY IN 2011

Culture, art and education

> In Chelyabinsk, the Bank supported the VII gala event where the popular prize "Loving Past" was given to the winners.
> In Kolomna, the Bank sponsored of the gala concert in Ozerov House cultural centre held within the Theatre Lounge project of the A. Yablochkina Central House of Actor.
> In Orenburg, the Bank inaugurated a sole exhibition of paintings "Paints state of mind" by Albina Kalvina, from that town.
> Agropromcredit Bank supported a young musician to take part in a folk music international contest-festival "Talents-2011" held in Saratov.
> In Surgut, the Bank sponsored the Tutor-of-the-Year nomination at the town contest "Schoolmaster of the Year-2011".
> In Tyumen, the Bank sponsored the folk art exhibition dedicated to the 60-th anniversary of Lyudmila Zerkalova, famous Tyumen-based folk craft artist.
> Agropromcredit Bank provided financial support to the Charity Foundation for Philharmonic Activities in the Kurgan Region and sponsored the 2011 concert season of the Kurgan Philharmonic Society.

Urban gala events

> Agropromcredit Bank supported the Town Day in Kogalym, by sponsoring the main gala event held by the Surgut Administration.
> The Bank sponsored the nomination "Siberian Treasure" under the XI Interregional television clip contest on the native shore "I love you" held during the Town Day festivities in Tyumen.
> The Bank supported gala events dedicated to the Town Day festivities in Kurgan and Shadrinsk, by sponsoring several entertainment programmes.
> Agropromcredit Bank arranged a gala party for elder people living in the Nursing Centre of Khanty-Mansy Autonomous Region on occasion of the New Year eve.

History, cultural heritage

> Agropromcredit Bank took part in the Pan-Russian St. George Ribbon event dedicated to the 66 Anniversary of the victory in the World War II.

> By joint efforts with the municipal council of the Tyumen Central Administrative District, Agropromcredit Bank arranged the charity concert for WW II veterans under the Victorious May motto.
> The Bank gave a collection of Russian XVII century copper coins to be exhibited at the Kurgan History Museum branch.

The Bank supports children

> Agropromcredit Bank undertook a charity initiative "Care of children means care of the future", giving a target support to 15 orphan's homes in all its areas of operation.
> Agropromcredit Bank arranged a child drawing contest "Mom, Dad and me are a banking family" dedicated to the 17th anniversary of the Bank, and winners received valuable gifts.
> The Bank took part in a charity initiative "Let's prepare the child for the school" held in Orenburg.
> On occasion of the new school year, Agropromcredit Bank undertook a charity initiative for boarding school No. 27 in Kemerovo under its mentorship.
> The Bank was a sponsor of the annual art contest "Yuntagor" in Kogalym, traditionally held by the Department for Culture and Youth Policy of the local Administration.
> Agropromcredit Bank arranged and sponsored the New Year gala concert "Winter Fairy Tale" at the children's orthopaedic department of the Surgut-based territorial hospital.
> The Bank arranged a Christmas and New Year eve gala party for children living at a Kurgan boarding school, giving them useful gifts.
> A New Year party at boarding school No. 27 in the Kemerovo City was arranged with the financial support of the Bank, where a New Year party was held along with a theatrical performance and gifts.

6. OUTLOOK FOR THE YEAR 2012

Agropromcredit Bank focuses on further strengthening its positions in the financial market as a universal banking institution.

To meet such goal, it is essential to ensure its earning power and business stability, including through diversified loan portfolio and income sources, to improve customer base quality, to maintain capital adequacy. The Bank continued enhancing its brand awareness and improving service quality, ensuring greater technological capability, governance quality and staff efficiency, putting into service new innovative products.

In 2012, business banking will be further developed and individual banking and services for small and medium-sized companies are to be substantially increased.

INDIVIDUAL BANKING

Individual banking development strategy at the Bank for the year 2012 suggests a well-balanced growth of all its components, with quite a uniform distribution of its efforts and vectors. Such well-balanced evolution will enable the Bank to give quick responses to the foreign trade-related national situation, to select whatever development strategy it pursues, and to easily adjust the main line of business development in the given banking sector.

For the year 2012, the Bank intends to strengthen its positions in its areas of business presence by keeping its regional specialised sale offices further developed. The regional chain of the Bank will be optimised in terms of branch location, format and reasonable consolidation of branches into larger entities. In so doing, all sale management system will be further developed, including the retail management main department. Growing automation for the lending process and other components of the retail business process will be an important area in this sector.

In terms of product supply, retail sale efforts will be made chiefly on locomotive-drivers such as consumer loans, credit cards, fee-based services and deposits, while maintaining the broad array of products and services. Payroll schemes, capture of new corporates as individual customers will be proactively enhanced to contribute to the customer base expansion. It will enable the Bank to develop the lending process based on the more "understandable" customer segment at a quite rapid pace and a high quality level of the portfolio.

From above development focuses, outlook for the individual banking in 2012 allows forecast its all-round qualitative, vigorous and stable growth.

CORPORATE BANKING

Main line of business in corporate banking which the Bank is going to maintain, develop and put into practice, are as follows:

- proactive efforts in corporate lending (keeping the focus on traditional clientele) and further growth in corporate loan portfolio;
- customer base expansion together with preparing flexible packages in tariff plans to have commission income increased (income earning base).

In 2011, the Bank will continue with loans to the real sector of the economy: manufacturing enterprises, agribusinesses and developers. In addition, efforts will be further made within the framework of agreements entered into with Foundations for support of small and medium-sized companies, with their main goal being to ensure favourable environment for such companies in Russian provinces through efficient financial support mechanisms.

ADMINISTRATION AND HR MANAGEMENT

In order for unified principles and approaches to HR management to be met in all areas of business presence of the Bank, main emphasis will be placed on top-priority HR areas as follows:

- activities to prepare job efficiency evaluation criteria for the staff employed at the head office and the branches, and to implement the Regulation on incentive-driven compensation for staff members;
- comprehensive efforts to prepare and cultivate the HR reserve to be promoted to management positions, evaluating and monitoring skills and qualification of subdivision heads;
- further improvement of adaptation programmes intended for newly employed staff;
- implementation of motivation schemes for certain classes of staff of the Bank.

7.1

FINANCIAL STATEMENTS FOR 2011 UNDER THE RAS

Audit of the financial statements of JOINT-STOCK COMMERCIAL BANK "AGROPROMCREDIT" (Open Joint-Stock Company), prepared in compliance with the Russian accounting standards, was conducted by ZAO KPMG.

INDEPENDENT AUDITOR'S OPINION

To the shareholders of
JOINT-STOCK COMMERCIAL BANK
"AGROPROMCREDIT" (Open Joint-Stock Company)

We have audited the accompanying financial statements (annual report) of JOINT-STOCK COMMERCIAL BANK "AGROPROMCREDIT" (Open Joint-Stock Company) (hereinafter "the Bank") for the year 2011.

The accompanying financial statements (annual report), consisting of forty two (42) folios, comprise:

- Balance sheet statement (Disclosure form) as at 31 December 2011
- Income statement (Disclosure form) for the year ended 31 December 2011
- Cash flow statement (Disclosure form) for the year ended 31 December 2011
- Statement on capital adequacy, provision for impairment of loans and other assets (Disclosure form) as at 31 December 2011
- Statement on compliance with legal ratios (Disclosure form) as at 31 December 2011
- Notes to the financial statements.

Responsibility of the Bank for these financial statements (annual report)

The executive management of the Bank is responsible for the preparation and fair presentation of these financial statements in accordance with applicable law of the Russian Federation as related to preparation of financial statements (annual reports) and for such internal control required for preparation of these financial statements (annual report) that are free of material misstatement, whether due to fraud or error.

Responsibility of the independent auditor

Our responsibility is to express an opinion as to whether these financial statements (annual report) based on our audit give a true and fair view in all material respects. We have conducted our audit in accordance with the Federal law "On auditing", the Federal law "On banks and banking", and federal auditing standards. These standards require compliance with applicable code of conduct, and planning and conducting an audit so as to give reasonable assurance that the financial statements (annual report) are free from material misstatement.

An audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements (annual report). The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, we considered the internal control system relevant to the preparation and fair and true presentation of the financial statements (annual report) 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 internal control.

The audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evalua-

ting the overall presentation of the financial statement (annual report).

We believe that the audits we have conducted give reasonable assurance so as to draw our conclusion on a fair and true view of the financial statements (annual report).

Opinion
In our opinion, the accompanying financial statements (annual report) to this Auditor's report present fairly, in all material respects, the financial position of the Bank as at 31 December 2011 and its financial performance and its cash flows for the year then ended in compliance with applicable law of the Russian Federation as to preparation of the financial statements (annual reports) by credit institutions.

Natalia V. Lukashova
Director, ZAO KPMG
Power of attorney No. 41/10 as of 1 October 2010
Qualification certificate to conduct auditing business in banking audit No. 01-000456 issued for unlimited term 16 May 2012

DATA ON THE INDEPENDENT AUDITOR

Business name:
KPMG (Limited Liability Company)

Domicile (registered address):
Office 3035, 18/1 Olympiysky Prosp., Moscow 129110, Russian Federation

Postal address:
Floor 31, house C, 10 Presnenskaya Nab., Moscow 123317, Russian Federation

Public registration:
- registered with the Moscow Registration Chamber; certificate No. 011.585 of 25 May 1992
- A record entry was made in the Unified State Register of Companies by the Interdistrict Inspectorate of the Russian Ministry on Taxes and Duties No. 39 for the Moscow City under No. 1027700125628 on 13 August 2002; certificate series 77 No. 005721432.

Membership in certified professional audit associations:
- Member of the Russian Audit Chamber

- Main registration number with the public register of auditors and audit institutions: 10301000804

DATA ON AUDITED ENTITY

Business name
JOINT-STOCK COMMERCIAL BANK "AGROPROMCREDIT" (Open Joint-Stock Company)

Domicile (registered address)
5th Mikrorayon, kvartal 2, 13 Lytkarino, Moscow Region 140083, Russian Federation

Postal address
5th Mikrorayon, kvartal 2, 13 Lytkarino, Moscow Region 140083, Russian Federation
Stroyeniye 5, 27 Ul. Electrozavodskaya, Moscow 107023, Russian Federation.

Public registration
- Registered by the Bank of Russia; Certificate on State Registration of the Credit Institution, registration number 2880.
- Registered with the Unified State Register of Companies by the Federal Revenue Service Department of the Moscow Region under No. 1095000004252 of 14 August 2009; Certificate series 50 No. 010638817.

Licences for banking business valid in the fiscal period
Full banking licence No. 2880 issued by the Bank of Russia on 14 August 2009 for banking business.

Licences for professional business in the securities market
Securities market professional's licences issued by the Federal Financial Markets Service:
- for broker's business
  No. 150-08812-100000 issued on 20 December 2005
- for dealer's business
  No. 150-08814-010000 issued on 20 December 2005
- for securities management business
  No. 150-08816-001000 issued on 20 December 2005
- for custody business
  No.150-10075-000100 issued on 29 March 2007.

Subject to Directive no. 2172-U of the Bank of Russia of 20 January 2009 "On publication and presentation of data on performance of credit institutions and banking (consolidated) groups", the executive management of JOINT-STOCK COMMERCIAL BANK "AGROPROMCREDIT" (Open Joint-Stock Company) decided to waive publication of the Notes to the financial statements (annual report) for the year 2011 consisting of thirty six (36) folios.

balance sheet statement

(Disclosure form) as at 31 December 2011

(in thousands of roubles)

no.	Items	As at 31 December 2011	As at 31 December 2010 (*)
I.	ASSETS		
1	Cash	857,018	716,197
2	Balances with the Bank of Russia	613,949	700,382
2.1	Legal reserves	195,828	111,515
3	Due from banks	394,439	1,185,960
4	Net investment in securities at fair value through profit or loss	4,030,335	3,156,249
5	Net outstanding loans	12,083,380	11,225,918
6	Net investment in available-for-sale securities and other financial assets	4,366	4,366
6.1	Investment in subsidiaries and related entities	0	0
7	Net investment in held-till-maturity securities	217,571	308,464
8	Fixed assets, intangibles and inventories	1,374,697	1,433,219
9	Other assets	1,104,211	994,459
10	**TOTAL ASSETS**	**20,679,966**	**19,725,214**
II.	LIABILITIES		
11	Due to the Bank of Russia	0	0
12	Due to banks	11	2,711
13	Due to customers (non-banks)	17,579,400	16,272,232
13.1	Personal deposits	9,937,214	10,205,407
14	Financial liabilities at fair value through profit or loss	0	0
15	Debt instruments issued	495,414	797,071
16	Other liabilities	173,639	211,514
17	Provision for impairment for notional credit-related liabilities, other losses and off-shore resident transactions	78,910	102,339
18	**TOTAL LIABILITIES**	**18,327,374**	**17,385,867**

no.	Items	As at 31 December 2011	As at 31 December 2010 (*)
III.	**EQUITY**		
19	Shareholders' (members') equity	1,890,000	1,890,000
20	Treasury shares (ownership interest)	0	0
21	Share premium	0	0
22	Reserves	268,844	268,844
23	Mark-to-market valuation of available-for-sale securities	0	0
24	Fixed asset adjustment	0	0
25	Undistributed profit (uncovered loss) for previous years	180,503	7,210
26	Net profit (loss) for the reporting year	13,245	173,293
27	**TOTAL EQUITY**	**2,352,592**	**2,339,347**
IV.	**OFF-BALANCE SHEET COMMITMENTS**		
28	Irrevocable commitments	2,540,688	3,384,177
29	Guarantees issued	590,616	2,563,190
30	Notional non-credit commitments	0	0

President of the Management Board
Vasiliy A. Kornev

Chief Accountant
Svetlana A. Khmeleva

(*) To ensure comparability of statements, data for 2010 have been adjusted owing to a changed approach applicable to the accounting preparation procedure.

income statement

(Disclosure form) for the year ended 31 December 2011

(in thousands of roubles)

no.	Items	For the repoting year	For the previous year (*)
1	Total interest income from, including:	2,208,149	2,054,079
1.1	Deposits with banks	153,160	143,112
1.2	Loans made to customers (non-banks)	1,674,497	1,757,720
1.3	Financial lease	0	0
1.4	Investment in securities	380,492	153,247
2	Total interest expense due to, including:	1,035,403	1,122,083
2.1	Deposits from banks	5,877	1,847
2.2	Customer balances (non-banks)	997,411	1,024,119
2.3	Debt instruments issued	32,115	96,117
3	Net interest income (negative interest margin)	1,172,746	931,996
4	Total amendment to provision for loan impairment, credit-related and similar liabilities, clearing account balances, and interest income accrued, including:	(148,234)	474,499
4.1	Amendment to provision for interest income impairment	(6,631)	13,787
5	Net interest income from (negative interest margin) after provision for impairment	1,024,512	1,406,495
6	Net income from trading in securities at fair value through profit or loss	(80,833)	41,297
7	Net income from trading in available-for-sale securities	6,298	57,875
8	Net income from trading in held-till-maturity securities	0	0
9	Net income from dealings in foreign exchange	59,070	49,432
10	Net income from foreign exchange revaluations	(17,934)	(2,771)
11	Income from participations in other companies	0	0
12	Fee and commission income	280,160	350,929
13	Fee and commission expense	36,607	38,301
14	Amendment to provision for impairment of available-for-sale securities	0	7,373

no.	Items	For the repoting year	For the previous year (*)
15	Amendment to provision for impairment of held-till-maturity securities	870	0
16	Amendment to provision for other impairment	24,786	(42,329)
17	Other operating income	281,319	352,306
18	Net income (expense)	1,541,641	2 182,306
19	Operating expense	1,458,480	1 941,042
20	Before-tax profit (loss)	83,161	241,264
21	Taxes accrued (paid)	69,916	67,971
22	After-tax profit (loss)	13,245	173,293
23	Total payments from after-tax profit, including:	0	0
23.1	Dividends	0	0
23.2	Allocations for reserves	0	0
24	Net profit (loss) for the reporting year	13,245	173,293

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statement on capital adequacy, provision for impairment of loans and other assets

(Disclosure form) as at 31 December 2011

no.	Items	As at 31 December 2010	Increase (+) / decrease (-)	As at 31 December 2011
1	**Total shareholders' equity (capital) (RUR'000), including:**	**3,049,026**	**19,259**	**3,068,285**
1.1	Total share capital, including:	1,890,000	0	1,890,000
1.1.1	Registered ordinary shares (ownership interest), face value	1,890,000	0	1,890,000
1.1.2	Registered preference shares, face value	0	0	0
1.2	Treasury shares	0	0	0
1.3	Share premium	0	0	0
1.4	Bank's reserves	268,844	0	268,844
1.5	**Financial result on estimated equity (capital):**	**117,998**	**19,147**	**137,145**
1.5.1	for the previous years	7,210	173,293	180,503
1.5.2	for the reporting year	110,788	(154,146)	(43,358)
1.6	Intangible assets	882	(112)	770
1.7	Subordinated loans (facilities, deposits, bonded debt)	773,066	0	773,066
1.8	Additional capital (part of it) involving investors' improper assets	0	0	0
2	Required capital adequacy ratio (percentage)	10.0	X	10.0
3	Actual capital adequacy ratio (percentage)	18.9	X	16.3
4	**Actual total provision for impairment (RUR'000), including:**	**1,137,584**	**114,726**	**1,252,310**
4.1	loans, outstanding loans and similar liabilities	1,012,756	140,382	1,153,138
4.2	other risk-bearing assets and other impairments	22,489	(2,157)	20,332
4.3	contingent credit-related liabilities shown on off-balance sheet accounts, and derivatives	89,042	(24,277)	64,765
4.4	transactions with off-shore residents	13,297	778	14,075

For reference

1.	Reserve provision for impairment of loans, outstanding loans and similar liabilities,	3,979,107
	including those caused by:	
1.1.	making loans	2,815,439
1.2.	changed loan quality	484,276
1.3.	alterations in foreign exchange rate against that of the rouble as quoted by the Bank of Russia	7,383
1.4.	other reasons	672,009
2.	Total recovery (decrease) of the reserve provision for impairment of loans, outstanding loans and similar liabilities in the reporting period (in RUR thousands),	3,838,725
	including those caused by:	
2.1.	bad loan write-off	7,852
2.2.	loan repayment	2,060,730
2.3.	changed loan quality	812,837
2.4.	alterations in foreign exchange rate against that of the rouble as quoted by the Bank of Russia	14,167
2.5.	other reasons	943,139

President of the Management Board
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Chief Accountant
Svetlana A. Khmeleva

statement on compliance with legal ratios

(Disclosure form) as at 31 December 2011

(Percentage)

no.	Items	Required ratio	Actual ratio as at 31 December 2011	Actual ratio as at 31 December 2010
1	Capital adequacy (N1)	>=10	16.3	18.9
2	Quick liquidity ratio (N2)	>=15	67.1	83.7
3	Current liquidity ratio (N3)	>=50	121.6	155.3
4	Long-term liquidity ratio (N4)	<=120	38.6	33.9
5	Highest risk per borrower or group of related borrowers (N6)	<=25	max 18.8 min 2.1	max 16.6 min 4.7
6	Largest credit risk (N7)	<=800	290.3	321.3
7	Largest loans, bank guarantees and sureties issued by the bank to its members (shareholders) (N9.1)	<=50	0.0	0.0
8	Aggregate risk on the bank's insiders (N10.1)	<=3	0.8	0.6
9	Equity applied to purchase shareholdings (ownership interest) in other corporate entities (N12)	<=25	0.0	0.0

President of the Management Board
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Chief Accountant
Svetlana A. Khmeleva

AGROPROMCREDIT commercial bank

statement of cash flow

(Disclosure form) for the year ended 31 December 2011

(in thousands of roubles)

no.	Item	Cash flow for the reporting year	Cash flow for the previous year (*)
1	**Net cash received from operating activities**		
1.1	Total cash received from/applied in operating activities before amendments in operating assets and liabilities, including:	175,827	(437,846)
1.1.1	Interest received	2,139,383	1,423,052
1.1.2	Interest paid	(1,094,132)	(1,065,363)
1.1.3	Fees and commissions received	275,311	351,349
1.1.4	Fees and commissions paid	(36,561)	(37,305)
1.1.5	Income, net of expense, from operations in available-for-sale financial assets at fair value through profit or loss	46,321	53,367
1.1.6	Income, net of expense, from trading in held-till-maturity securities	0	0
1.1.7	Income, net of expense, from dealings in foreign exchange	59,070	49,432
1.1.8	Other operating income	24,093	14,934
1.1.9	Operating expense	(1,208,915)	(1,150,032)
1.1.10	Expense/repayment on corporate tax	(28,743)	(77,280)
1.2	Total inflow/outflow in net cash from operating assets and liabilities, including:	(1,131,619)	(1,489,314)
1.2.1	Net inflow/outflow in legal reserves with the Bank of Russia	(84,313)	(16,905)
1.2.2	Net inflow/outflow in investment securities at fair value through profit or loss	(890,936)	(1,876,268)
1.2.3	Net inflow/outflow in outstanding loans	(1,036,158)	(850,366)
1.2.4	Net inflow/outflow in other assets	(149,003)	(356,199)
1.2.5	Net inflow/outflow in loans, deposits and other balances due to the Bank of Russia	0	0

no.	Item	Cash flow for the reporting year	Cash flow for the previous year (*)
1.2.6	Net inflow/outflow in balances due to banks	(2,700)	(19,950)
1.2.7	Net inflow/outflow in corporate balances (non-banks)	1,330,193	2,339,711
1.2.8	Net inflow/outflow in financial liabilities at fair value through profit or loss	0	0
1.2.9	Net inflow/outflow in debt securities issued	(322,364)	(675,367)
1.2.10	Net inflow (outflow) in other liabilities	23,662	(33,970)
1.3	Sub-total for Section 1 (item 1.1 + item 1.2)	(955,792)	(1,927,160)
2	**Net cash received from/applied in investing activities**		
2.1	Purchase of securities and other financial assets identified as "available-for-sale"	0	0
2.2	Proceeds from sale and redemption of securities and other financial assets identified as "available-for-sale"	0	0
2.3	Purchase of securities identified as "held-till-maturity"	0	0
2.4	Proceeds from redemption of securities identified as "held-till-maturity"	93,815	0
2.5	Purchase of fixed assets, intangible assets and inventories	(7,318)	(21,114)
2.6	Proceeds from sale of fixed assets, intangible assets and inventories	80,935	9,918
2.7	Dividends received	0	0
2.8	Sub-total for Section 2 (sum of items 2.1 through 2.7)	167,432	(11,196)
3	**Net cash received from/applied in financing activities**		
3.1	Payments by shareholders (members) to the share capital	0	0
3.2	Purchase of treasury shares	0	0
3.3	Sale of treasury shares	0	0
3.4	Dividends paid	0	(284,400)
3.5	Sub-total for Section 3 (sum of items 3.1 through 3.4)	0	(284,400)

no.	Item	Cash flow for the reporting year	Cash flow for the previous year (*)
4	**Effect of changes in official exchange rates of foreign currencies against rouble quoted by the Bank of Russia on cash and cash equivalents**	**(33,085)**	**67,479**
5	**Inflow/application of cash and cash equivalents**	**(821,445)**	**(2,155,277)**
5.1	Cash and cash equivalents at the start of the reporting year	2,491,023	4,646,300
5.2	Cash and cash equivalents at the end of the reporting year	1,669,578	2,491,023

President of the Management Board
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Chief Accountant
Svetlana A. Khmeleva

(*) To ensure comparability of statements, data for 2010 have been adjusted owing to a changed approach applicable to the accounting preparation procedure.

7.2

FINANCIAL REPORTING 2011 IFRS

Audit of the financial statements of Joint-Stock Commercial bank "Agropromcredit" prepared in compliance with International Financial Reporting Standards, was conducted by ZAO KPMG.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
JOINT-STOCK COMMERCIAL BANK
"AGROPROMCREDIT"
(Open Joint-Stock Company)

We have audited the accompanying financial statements of JOINT-STOCK COMMERCIAL BANK "AGROPROMCREDIT" (Open Joint Stock Company) (the Bank), which comprise the statement of financial position as at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO KPMG
28 May 2012

AUDITOR

ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a subsidiary of KPMG Europe LLP, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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statement of comprehensive income

for the year ended 31 December 2011

Notes	2011 RUB'000	2010 RUB'000
Interest income	1,523,615	1,610,582
Interest expense	(1,036,977)	(1,122,303)
Net interest income	**486,638**	**488,279**
(Charge for) recovery of impairment on loans to customers	(75,416)	1,076
Net interest income after (charge for) recovery of impairment on loans to customers	**411,222**	**489,355**
Fee and commission income	283,195	344,881
Fee and commission expense	(36,560)	(35,518)
Net fee and commission income	**246,635**	**309,363**
Net loss on financial instruments at fair value through profit or loss	(53,265)	(4,180)
Net foreign exchange income	41,125	46,660
Net loss on available-for-sale financial assets	(23,661)	(2.843)
Other operating income	764,721	419,176
Operating income	**1,386,777**	**1,257,531**
General administrative expenses	(1.293.208)	(1,227,037)
Profit before income tax	**93,569**	**30,494**
Income tax expense	(36,796)	(6.274)
Net profit for the period	**56,773**	**24,220**
Other comprehensive (loss) income, net of income tax		
Revaluation reserve for available-for-sale financial assets:		
• net change in fair value, net of income tax	(21,029)	62,317
• net change in fair value transferred to profit or loss, net of income tax	18,929	2,274
Other comprehensive (loss) income, net of income tax	**(2,100)**	**64,591**
Total comprehensive income for the period	**54,673**	**88,811**

President of the Management Board
Vasiliy A. Kornev

Chief Accountant
Svetlana A. Khmeleva

AGROPROMCREDIT commercial bank

statement of financial position

as at 31 December 2011

Notes	2011 RUB'000	2010 RUB'000
ASSETS		
Cash and cash equivalents	1,817,243	2,673,701
Mandatory reserve deposit in the Central Bank of the Russian Federation	195,828	111,515
Loans and advances to banks	1,316,763	2,957,104
Financial instruments at fair value through profit or loss	5,733,486	5,526,636
Loans to customers	9,700,764	5,476,342
Available-for-sale financial assets	932,079	1,348,902
Property, equipment and intangible assets	282,042	321,223
Assets held-for-sale	1,152,292	1,192,336
Current tax asset	42,173	83,619
Deferred tax asset	-	10,072
Other assets	94,045	536,134
Total assets	**21,266,715**	**20,237,584**
LIABILITIES		
Deposits and balances from banks	1,451	26,236
Current accounts and deposits from customers	16,953,831	15,601,845
Promissory notes	488,153	845,302
Other borrowed funds	773,066	773,066
Deferred tax liability	7,804	-
Other liabilities	26,160	29,558
Total liabilities	**18,250,465**	**17,276,007**
EQUITY		
Share capital	1,890,000	1,890,000
Revaluation reserve for available-for-sale financial assets	(27,467)	(25,367)
Retained earnings	1,153,717	1,096,944
Total equity	**3,016,250**	**2,961,577**
Total liabilities and equity	**21,266,715**	**20,237,584**

President of the Management Board
Vasiliy A. Kornev

Chief Accountant
Svetlana A. Khmeleva

statement of cash flows

for the year ended 31 December 2011

Notes	2011 RUB'000	2010 RUB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	1,427,497	1,524,620
Interest payments	(1,100,795)	(1,050,882)
Net (payments on) receipts from financial instruments at fair value through profit or loss	(18,018)	1,721
Net receipts from foreign exchange	59,059	49,431
Net payments on available-for-sale financial assets	(23,661)	(2,843)
Fee and commission receipts	281,992	343,295
Fee and commission payments	(33,731)	(32,736)
Other receipts	764,721	225,176
Other general administrative expenses payments	(1,269,810)	(1,150,611)
(Increase) decrease in operating assets		
Mandatory reserve deposit in the Central Bank of the Russian Federation	(84,313)	(16,905)
Loans and advances to banks	1,640,895	(2,253,933)
Financial instruments at fair value through profit or loss	(175,510)	(4,569,788)
Loans to customers	(3,838,390)	2,361,166
Available-for-sale financial assets	405,633	251,513
Other assets	443,279	(7,225)
Increase (decrease) in operating liabilities		
Deposits and balances from banks	(10,418)	(19,950)
Current accounts and deposits from customers	1,350,606	2,285,177
Promissory notes	(314,064)	(699,145)
Other liabilities	312	(20,310)
Cash used in operating activities before income tax paid	**(906,827)**	**(2,782,229)**
Income tax received (paid)	23,052	(58,943)
Cash flows used in operations	**(883,775)**	**(2,841,172)**

Notes	2011 RUB'000	2010 RUB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of assets held-for-sale	-	(261,500)
Sales of assets held-for-sale	40,044	-
Net purchases of property and equipment	(9,945)	(23,444)
Cash flows provided from (used in) investing activities	**30,099**	**(284,944)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	-	(284,400)
Cash flows used in financing activities	**-**	**(284,400)**
Net decrease in cash and cash equivalents	**(853,676)**	**(3,410,516)**
Effect of changes in exchange rates on cash and cash equivalents	(2,782)	94,895
Cash and cash equivalents as at the beginning of the period	2,673,701	5,989,322
Cash and cash equivalents as at the end of the period	**1,817,243**	**2,673,701**

President of the Management Board
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Chief Accountant
Svetlana A. Khmeleva

statement of changes in equity

for the year ended 31 December 2011

	Share capital RUB'000	Revaluation reserve for available-for-sale financial assets RUB'000	Retained earnings RUB'000	Total equity RUB'000
Balance as at 1 January 2010	**1,000,000**	**(89,958)**	**2,247,124**	**3,157,166**
Total comprehensive income				
Net profit for the period	-	-	24,220	24,220
Other comprehensive income				
Net change in fair value of available-for-sale financial assets, net of income tax RUB 15,579 thousand (note 12)	-	62,317	-	62,317
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of income tax RUB 569 thousand (note 12)	-	2,274	-	2,274
Total other comprehensive income	-	64,591	-	64,591
Total comprehensive income	**-**	**64,591**	**24,220**	**88,811**
Transactions with owners, recorded directly in equity				
Increase in the nominal value of shares with the use of retained earnings	890,000	-	(890,000)	-
Dividends paid (RUB 0.2844 per share)	-	-	(284,400)	(284,400)
Total transactions with owners, recorded directly in equity	**890,000**	**-**	**(1,174,400)**	**(284,400)**
Balance as at 31 December 2010	**1,890,000**	**(25,367)**	**1,096,944**	**2,961,577**

	Share capital RUB'000	Revaluation reserve for available-for-sale financial assets RUB'000	Retained earnings RUB'000	Total equity RUB'000
Total comprehensive income				
Net profit for the period	-	-	56,773	56,773
Other comprehensive loss				
Net change in fair value of available-for-sale financial assets, net of income tax RUB 5,257 thousand (note 12)	-	(21,029)	-	(21,029)
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of income tax RUB 4,732 thousand (note 12)	-	18,929	-	18,929
Total other comprehensive loss	-	(2,100)	-	(2,100)
Total comprehensive income	**-**	**(2,100)**	**56,773**	**54,673**
Balance as at 31 December 2011	**1,890,000**	**(27,467)**	**1,153,717**	**3,016,250**

President of the Management Board
Vasiliy A. Kornev

Chief Accountant
Svetlana A. Khmeleva

Мы с Вами
работаем 18 лет,
и это давно
не игрушки!

КОНТАКТЫ

КОММЕРЧЕСКИЙ БАНК «АГРОПРОМКРЕДИТ»
(Открытое акционерное общество)
Сокращенное наименование Банка: ОАО КБ «АГРОПРОМКРЕДИТ»

Генеральная лицензия Банка России: № 2880
Дата регистрации Банком России: 9 июня 1994 года

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(Open Joint-Stock Company)
Abbreviated name: JSCB “Agropromcredit”

Full banking licence issued by the Bank of Russia: no. 2880
Date of registration by the Bank of Russia: 9 June 1994

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