



Bank Petrocommerce

Group "IFD Kapital"

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ADDRESS BY THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE PRESIDENT OF THE BANK



Chairman of the Board
of Directors
Leonid Fedun



President
Vladimir Nikitenko

Dear shareholders, partners and customers,

2008 will mark the newest history of the Russian economy as the year when the most severe global financial crisis, which the world has known for the recent fifty years, drastically changed the macroeconomic situation in the country.

The crisis has become a real strength test for development strategies, business methods and risk management systems of credit institutions. The crisis has certainly not passed unnoticed for Bank Petrocommerce, one of the major players of the Russian financial market.

However, our business is based on a strong foundation. Our policy has never provided for undertaking exorbitant risks. Our priority has always been the maintenance of a high quality of assets and risk management; we have always made a special emphasis on increasing business efficiency. As a result, today we are well positioned to weather the crisis: we have robust financial indicators, an ample liquidity position, a high level of capital adequacy, and we have no problems with servicing external debts.

We are grateful to our shareholders for their support and confidence. In 2008, the shareholders approved the increase of the Bank's capital by RUR 3 billion for the account of their own funds. Therefore, Bank Petrocommerce is well prepared to face the crisis environment.

All crises tend to come to an end followed by a period of stability and growth. Under the current circumstances, one of the priorities facing the Bank is to support its clients and ensure high standards of banking services. The Bank's further performance heavily depends on how flexible and poised its decisions will be.

Bank Petrocommerce is focused on establishing long-term cooperation and partnership with customers. We are aware of the difficulties our partners had to face, and we use our best endeavours to solve them together as we understand that the support is especially valuable in such hard times.

Going forward, we intend to maintain the status of a responsible financial market player. The Bank's ultimate success depends on the welfare of its clients. We can proudly state that our clients reciprocate: the trend in customer account balances evidences their trust to the Bank.

We have no doubt that we will weather the crisis and will be one of the banks, which will considerably strengthen their positions on the market. We have enough resources for this, including the key element – a strong team of professional and responsible people capable of bringing the Bank to the new stages of development.

Yours faithfully,

Chairman of the Board of Directors



Leonid Fedun

President



Vladimir Nikitenko

BANK PETROCOMMERCE. HISTORY OF DEVELOPMENT

- 1992–1993** Limited Liability Partnership Commercial Bank Petrocommerce is established and registered by the Central Bank of the Russian Federation (registration number 1776)
general banking licence is obtained
- 1993–1997** the Bank expands its influence within the financial community and develops business processes
the Bank enters bank card market, creates an ATM network and its own processing centre
the Bank becomes an associate member of Visa International and gets a status of a principal member later
- 1998–1999** the Bank becomes the main bank of LUKOIL
audited financial statements are prepared in accordance with both Russian and international standards
Vladimir Nikitenko is elected President of the Bank
operations commence on the main trading platforms of the money and stock market – the MICEX and RTS
- 2000** Limited Liability Partnership Commercial Bank Petrocommerce is re-organised as Open Joint-Stock Company Commercial Bank Petrocommerce
the Bank becomes an authorized bank of the State Customs Committee of the Russian Federation
Standard & Poor's assigns its rating to the Bank
the Bank ranks among Russia's 30 largest banks in terms of the main financial and economic indicators
- 2002** the first customs card is issued for settlement and payment of customs duties at the customs points of the State Customs Committee of the Russian Federation
the Bank ranks among top 1000 banks in the world by equity (in accordance with The Banker)
- 2003** Moody's Investors Service assigns its rating to the Bank
the Bank begins to issue cards of MasterCard Int.
- 2004** IFD Kapital Group acquires a 64.82 per cent stake in the Bank
- 2005** the Bank becomes a member of the mandatory deposit insurance system and is recorded under number 420.
- 2006** the Bank becomes an authorized bank of the Government of Moscow
MasterCard authorizes acquiring operations for MasterCard and Maestro cards
IFD Kapital Group increases and consolidates its stake in the Bank to over 87 per cent
- 2007** 100 per cent of issued authorized capital of BC Unibank S.A. (Moldova) is divested
- 2008** the Board of Directors approves the Development Strategy of Bank Petrocommerce for 2008–2012
the Central Bank of the Russian Federation issues a licence for operations with precious metals
the Bank's authorized capital is increased to RUR 6,000,000,000 by way of additional issue of ordinary registered shares in book-entry form, bringing the actual stake of IFD Kapital Group in the Bank to 88.6757 per cent
Expert RA assigns the highest rating of A.rm to the Bank's risk management system based on its certification of risk management systems of Russian banks

MAIN INDICATORS

INDICATOR	VALUE
Assets, RUR'000	181,801,299
Loan Portfolio¹, RUR'000, including	115,886,061
retail loan portfolio, RUR'000	11,689,181
corporate loan portfolio, RUR'000	104,196,880
Customer Accounts & Deposits, RUR'000, including	114,918,154
individual customer accounts & deposits, RUR'000	37,504,724
Liquidity Reserves, RUR'000	57,181,661
Share Capital, RUR'000	6,000,000
Equity, RUR'000	22,851,643
Net Profit, RUR'000	1,103,016
Net Interest Income, RUR'000	9,098,575
Net Interest Margin, %	5.22
ROAA², %	0.62
ROAE³, %	6.23
Cost/Income Ratio, %	42.8
Average Number of Employees, people	3,051

CREDIT RATINGS

Standard & Poor's

International scale
B+/B/Negative
National scale
ru A

Moody's Investors service

International scale
Ba3/NP/Stable
Financial Strength Rating: D-

Moody's Interfax

National scale
Aa3.ru

Expert RA

National scale
A+/Stable

Rus-Rating

National scale
BB+/Not defined

¹ Before provisions for loan impairment, excluding repo transactions

² Return on Average Assets = Net profit / Total assets (average chronological)

³ Return on Average Equity = Net profit / Sources of equity (average chronological)

THE BOARD OF DIRECTORS

The main objective of the Bank's Board of Directors as a management board is ensuring observance of the shareholders' interests.

The Board of Directors of the Bank exercises general management of the Bank's activities, including determination of the priority areas of development of the Bank as well as control and supervisory functions.

The activities of the Board of Directors are governed by the effective laws of the Russian Federation, the Bank's Charter, the Regulation of the Board of Directors, the Code of Corporate Behaviour, the resolutions of the General Meeting of the Bank's Shareholders, and other internal documents of the Bank.

Each member of the Board of Directors performs his duties on the basis of the complete compliance with the following fundamental principles:

- legitimacy and fairness;
- impartial and unbiased judgment;
- surveillance and protection of rights and legitimate interests of the Bank's shareholders;
- equal treatment of all shareholders of the Bank;
- professionalism;
- bona fide performance of duties;
- transparency in discussions and decision-making process in respect of the matters falling within the competence of the Board of Directors;
- strict adherence to the ethical norms of corporate behaviour.

In 2008, the Bank's Board of Directors:

- reviewed and approved the Bank's Development Strategy for the period 2008–2012;
- continued the improvement of risk management standards and approved the Regulation of management of the risk of loss of the Bank's business reputation;
- reviewed and approved amendments to the Bank's Credit Policy;
- approved the Bank's Information Security Policy;
- regularly controlled performance of the budgets and key indicators;
- assessed the Bank's corporate governance system.

The Board of Directors performs its duties in close contact with the Bank's management and holds a pro-active position in respect of management of the Bank's business within the scope of its competence.

Only one out of nine members of the Board of Directors is a member of the Bank's executive management board. As of 31 December 2008, one member of the Board of Directors had the status of independent director (in accordance with the requirements of the Regulation of the Board of Directors approved by the Resolution of the General Meeting of Shareholders, Minutes №5 dated 24.05.2002 (as amended), which are in full compliance with the national and international criteria of assessment of directors' independence).

Throughout 2008, not a single member of the Board of Directors missed a meeting. The secretary of the Board of Directors ensures regularity and timeliness of informational support of the Board's activity, including collection and delivery of materials. Each member of the Board of Directors can familiarize himself with the materials for the meeting at least 2 (two) days prior to holding thereof.

MANAGING BOARD

The management of the current activities of the Bank is carried out by Chief Executive Officer – the President of the Bank and the Managing Board of the Bank.

The competence of the President and the Managing Board of the Bank shall include all matters pertaining to the management of the day-to-day business of the Bank, with the exception of the matters falling within the scope of the competence of the General Meeting of Shareholders of the Bank or the Board of Directors of the Bank.

In particular, the following crucial matters fall within the scope of the competence of the Bank's Managing Board:

- approval of the procedures and authority of the Bank's credit committees and the business management committee;
- control over the lending process;
- determination of the credit policy guidelines and the Bank's strategic objectives in terms of lending;
- formation of the funding policy guidelines;
- determination of the risk management guidelines;
- formation, functioning and improvement of the risk management system;
- formation and control over performance of the current budget;
- determination of the Bank's HR policy.

The changes in the compositions of the Managing Board and the increase of the number of its members in 2008 reflect the upgrading process of the management structure and the aspiration to expand the management team by including heads of the Bank's core business areas in it.

MANAGING BOARD OF BANK PETROCOMMERCE

Vladimir Nikitenko	President, Chairman of the Managing Board
Denis Milovidov	First Vice President, Deputy Chairman of the Managing Board
Vladimir Vinogradov	First Vice President
Victor Zhidkov	Vice President
Natalia Kolobova	Vice President
Vyacheslav Oreshkin	Vice President
Galina Tokmakova	Vice President
Oleg Grishin	Vice President
Svetlana Fridman	Vice President
Ekaterina Funtova	Chief Accountant
Sergey Karikov	Head of Security Department
Natalia Zhukova	Advisor to the President

ANALYSIS OF THE BANK'S PERFORMANCE

In 2008, Bank Petrocommerce continued to develop its core business areas and to emerge onto the new ones. Today, Bank Petrocommerce is a universal credit and financial institution providing the whole range of banking services with an impeccable track record and a professional team.

As of the end of 2008, Bank Petrocommerce ranks among the top 15 largest private banks of the country by net assets¹ and by equity². The Bank maintained its strong positions among private banks in terms of loans and funding, including individual customer funding.

Petrocommerce Banking Group comprises the following commercial banks:

- OJSC Stavropolpromstroybank;
- OJSC Komiregionbank Ukhtabank;
- CJSC Bank Petrocommerce-Ukraine.

Bank Petrocommerce has historically relied on a broad branch network ensuring coverage of key economic zones with high growth potential, which contributes to a high geographic diversification of the Bank's business. As at year-end, the Banking Group had 162 outlets (141 in the Russian Federation, 21 on the territory of Ukraine), 1,029 ATMs and 3,196 POS-terminals.

The Bank's focused strategy allows it to benefit fully from its potential even in the current negative market environment by efficiently using its own capabilities and expertise.

The Bank's key competitive edges consist in the following:

- qualified shareholders;
- strong management team;
- large business volume by Russian standards;
- well-developed competences in servicing key client groups – large- and medium-sized corporate clients, premium segment of individuals and employees of corporate customers;
- a well pondered regional development policy underpinned by an efficient cost management system and a high proportion of the branch network in the Bank's business;
- an efficient risk management system;
- relatively low reliance on international financial markets;
- excellent business track record in the banking sector.

Main Factors of Impact on the Bank's Performance in 2008

The key exogenous factor having a material impact on the Bank's performance in 2008 was the consequence of volatility on the world financial markets driven by the

crisis in the US financial system. This led to a considerable deterioration of lending capabilities and liquidity on the capital markets, cut interbank lending volumes, reduced refinancing options for financial institutions and corporations as well as resulted in the general review of approaches to making credit decisions and widening of credit spreads.

Such instability could not help influencing the Russian banking sector as a whole and Bank Petrocommerce in particular. On the one hand, the Bank's financial indicators were influenced by the increasing cost of international borrowings for Russian companies and growing demand for credit resources of corporate customers, which, in its turn, fuelled the increase of the Bank's net interest income for the period from 01 January 2008 to 01 January 2009 by 48.5 per cent, or RUR 2.97 billion (as of the end of 2008, the Bank's net interest income was RUR 9.10 billion) (analysis of comparable data). On the other hand, an unprecedented fall of financial markets and adverse economic changes resulted in losses from negative revaluation of securities as well as higher requirements for provisions for loan impairment.

In such environment, liquidity management and maintenance of the loan portfolio quality gain priority over increase in the volume of operations on the asset side of the balance sheet. In 2008, the Bank took pro-active measures to form liquidity reserves, while maintaining an adequate level of performing assets.

Balance Sheet Analysis

As of the end of 2008, the Bank's total assets increased by RUR 12.0 billion, or 7.1 per cent, to RUR 181.80 billion, while in 2007 the assets went up by 31.2 per cent. Slower paces of the asset growth were driven by the shift of priorities of the Bank's development to maintaining a high level of liquid funds and quality of assets.

¹ According to RBC.Rating

² According to Finmarket Information Agency (Interfax-100 rating)

Liquid Assets

During 2008, the Bank continued gradual increase of liquid funds to the extent enabling it to feel confident and independent in the financial crisis environment. The Bank has reached its objective, first of all, due to a stable deposit base and a lower volume of risk operations, including reverse repo transactions. For instance, as of 1 January 2009, the volume of reverse repo transactions with customers was RUR 3.59 billion, down by over 75 per cent as compared with year-start.

This allowed to create a sizeable liquidity reserve¹, which stood at RUR 57.18 billion, or 31.5 per cent of the Bank's assets as of the end of the reporting year.

Loan Portfolio

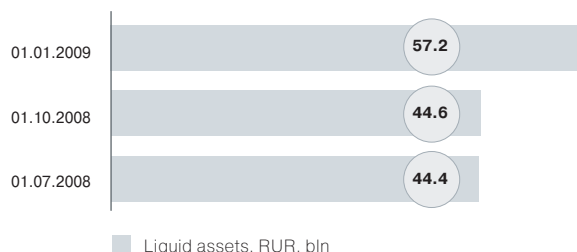
The Bank's loan portfolio is the main means of placement of the Bank's funding, approximating 64 per cent of the Bank's assets as of 01 January 2009, up by 5.4 per cent as compared with 01 January 2008 to RUR 115.89 billion (excluding reverse repo transactions, before provisions for loan impairment). The retail loan portfolio grew at a faster pace by 47.8 per cent to 10.1 per cent of the total loan book, or RUR 11.69 billion (excluding reverse repo transactions, before provisions for loan impairment). The growth of the retail loan portfolio is attributable to the implementation of the Bank's strategy aimed at further diversification of the Bank's business.

The main part of the retail loan book accounts for the employees of the Bank's corporate clients reflecting the focused strategy of the Bank's development and a prudent approach to credit risks inherent in lending to individuals.

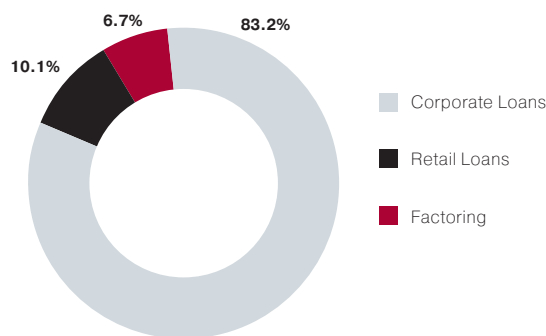
The corporate loan book is constituted by industrial, trade and other companies, including those of federal and regional level.

Despite the crisis phenomena in the economy, the Bank managed to maintain a relatively high quality of the loan portfolio throughout 2008. As at year-end, provisions for loan impairment amounted to RUR 7.24 billion, exceeding the level of non-performing loans by over 1.64 times thus evidencing the Bank's conservative approach to provisioning.

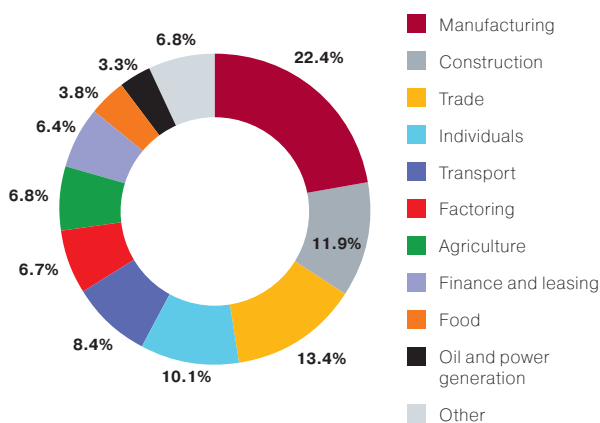
Changes in the Bank's Liquid Assets in 2008



Loan Portfolio Composition



Loan Portfolio Composition by Industry



¹ Liquid assets with maturity of over 30 days calculated using the CBR methodology.

Securities Portfolio

In 2008, Bank Petrocommerce continued its planned decrease of the securities portfolio commenced in 2007.

The securities portfolio of Bank Petrocommerce and risk limits underwent a substantial review in order to reduce reliance on volatile income and to increase their quality. The structure of the securities portfolio was also adjusted: the share of the most risky assets, such as equities, went down significantly. Since the beginning of 2008, the portfolio of equities has been reduced by 55.9 per cent (excluding repo transactions), while the total securities portfolio of the Bank (excluding repo transactions) was cut by 38.2 per cent.

This resulted in a relatively low reliance of the Bank on funding from stock markets as the portfolio of equities represents 0.7 per cent of the Bank's assets. The Bank's total securities portfolio, which accounts for 5.9 per cent of the Bank's assets, consists mainly of sovereign and municipal bonds.

Customer Accounts & Deposits and Funding from Financial Markets

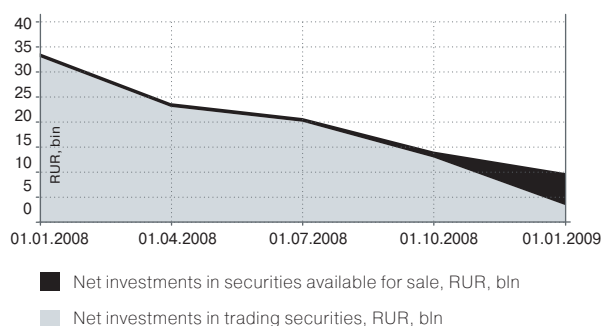
The Bank's funding base is well-balanced by maturities and sources of funding. Total funding from international markets does not exceed 15 per cent, which results in a relatively low reliance of the Bank on international financing.

The Bank maintains a high proportion of customer funding in its liabilities (RUR 114.92 bln, or 70.8 per cent of the Bank's liabilities), which today represents the most stable source of liabilities characterised by low volatility. The Bank does not face any outflow of customer funding and the account balances demonstrate a positive trend. For example, in 2008, the growth of individual customer accounts and deposits was 5.6 per cent, which allowed to reach the level of RUR 37.50 billion (excluding savings certificates issued by the Bank and acquired by individuals), or 23.1 per cent of the Bank's liabilities, the growth of individual customer deposits constituting 9.7 per cent, or RUR 2.75 billion. Customer deposits represent 48.7 per cent, or RUR 55.99 billion of the customer funding.

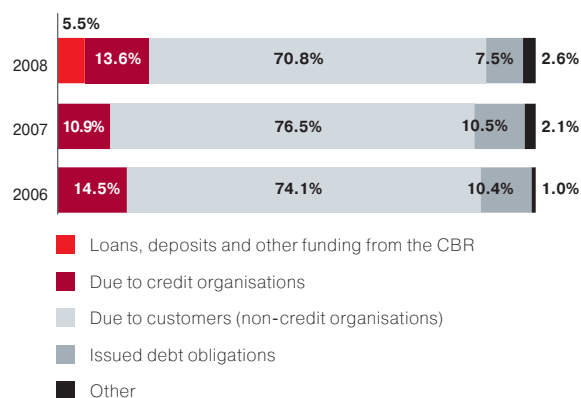
In July 2008, Bank Petrocommerce issued 04 series bonds worth RUR 3 billion. Besides, despite a complicated market environment, the Bank preserved its capacity to raise funding from foreign financial institutions.

For instance, on 15 October 2008, the Bank entered into a one-year U.S.\$106 million syndicated loan agreement at LIBOR + 1.5 per cent. The lead-managers were GarantiBank International N.V., Landesbank Berlin AG, UniCredit Bank Austria AG and Bayerische Hypo- und

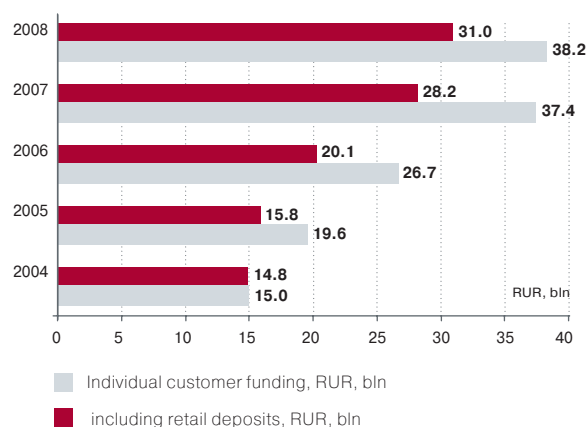
Changes of the Bank's Securities Portfolio



Changes of the Liability Structure



Trend in Individual Customer Deposits, Savings Certificates, Card and Current Accounts



Vereinsbank AG (acting together and separately under the name of UniCredit Markets & Investment Banking), Standard Bank Plc, and WestLB AG (London branch). The oversubscription exceeded U.S.\$30 million.

Besides, on 16 October 2008, Bank Petrocommerce drew down the second tranche of the facility from ING Bank N.V. (Netherlands) amounting to over EUR 10.7 million. The total amount of this 5 year facility exceeds EUR 19 million, is insured by Atraduis DSB and is made available within the framework of financing an infrastructure project of the Bank's client.

Equity (Capital)

The Bank's capitalisation remains at a high level, which is an important competitive edge of the Bank in the current market environment. As of the end of 2008, the capital adequacy ratio was 15.1 per cent, exceeding the minimum required level by over 1.5 times, while the Bank's equity (capital) stood at RUR 22.85 billion.

In 2008, the Bank's share capital was increased by 20 per cent by an additional issue of 100 million ordinary registered shares each of RUR 10 par value. The majority shareholders of the Bank subscribed for the issue at the price of RUR 30 per share. Therefore, the Bank's capital was increased by RUR 3 billion.

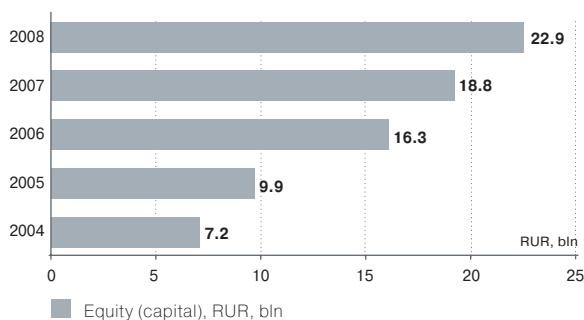
Analysis of the Statement of Income

Interest Income

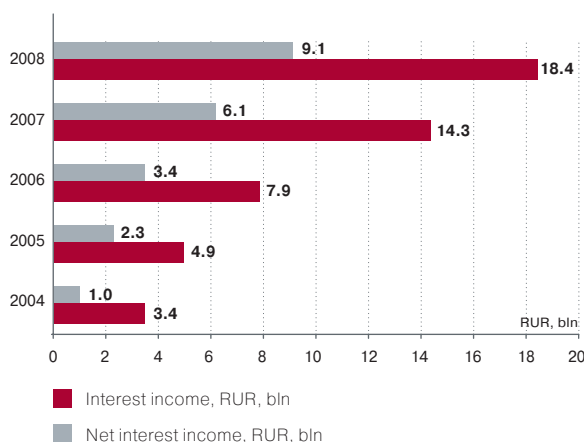
The Bank is focused on generating stable revenues underpinned by a high proportion of loans in assets. The Bank's focus on development of its core business – lending – allowed it to achieve a substantial growth of interest and net interest income. The Bank's interest income went up by 28.2 per cent to RUR 18.37 billion as compared with the end of 2007, while net interest income increased by 48.5 per cent to RUR 9.1 billion.

In 2008, the refinancing instruments became scarce on international capital markets, while the demand of corporate clients for credit resources increased considerably, which resulted in the widening of credit spreads and, consequently, the growth of the Bank's net interest margin. Net interest margin was 5.2 per cent, up by 18.2 per cent as compared with 2007.

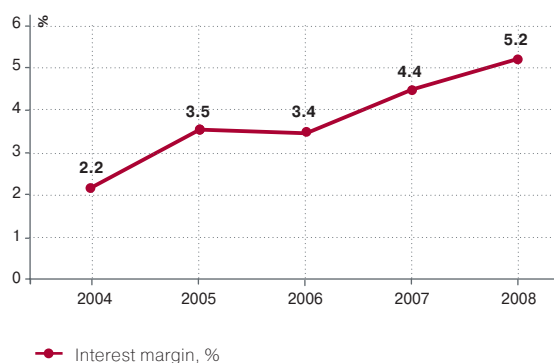
Changes of the Bank's Equity (Capital)



Changes of Interest and Net Interest Income



Changes of the Bank's Net Interest Margin



Fee and Commission Income

The second core source of income is constituted by fees and commissions representing 8.9 per cent of the Bank's income as of the end of 2008, i.e. RUR 1.74 billion. As compared with 2007, the growth of the fee and commission income was 11.9 per cent, which was primarily driven by the growth of the volumes of operations involving the use of bank cards as well as settlement services rendered to large and medium-sized corporate clients.

Financial Result from Securities Trading

In 2008, total losses from securities trading, which include income less expenses from securities trading and interest income from debt securities, were RUR 208.6 million. This is attributable to negative revaluation of securities on the background of an unprecedented fall of the stock markets. As the main part of the Bank's securities portfolio is constituted by bonds, negative revaluation corresponds to the decreasing level of bond market indices. Losses from debt securities revaluation are to be offset by bond redemption.

Operating Costs

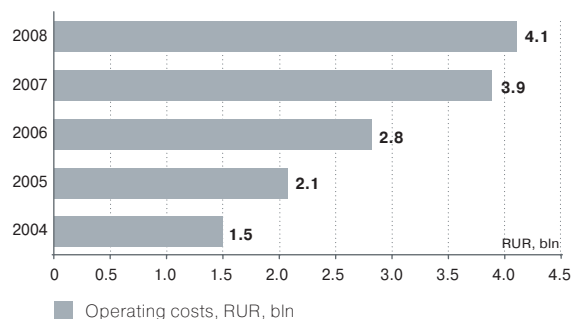
The growth of operating costs in 2008 was 5.7 per cent, which is significantly lower than in 2007 (38.1 per cent) and is connected with the streamlining of business processes implemented in the reporting year with the view of increasing the efficiency of the Bank's operations. As of the end of 2008, operating costs were RUR 4.10 billion (as compared with RUR 3.88 billion for the same period of the previous year).

Personnel expenses representing almost 57 per cent of the Bank's operating costs experienced only a slight increase in 2008 by 5.7 per cent to RUR 2.32 billion.

Net profit

As of the end of 2008, the Bank's net profit decreased from RUR 1.52 billion (in 2007) to RUR 1.10 billion, which is primarily attributable to lower income from securities trading. At the same time, the Bank's core revenues (comprising net interest income before provisions and net fee and commission income) went up by 40.9 per cent to RUR 10.12 billion. Therefore, in spite of the reduction of net profit, the Bank was able to achieve the increase in sustainable core revenues and less reliance of the revenue composition on volatile financial instruments. This reflects the Bank's policy aimed at decreasing reliance on income from financial market operations as the source of revenues using them more as a liquidity management instrument.

Changes of the Bank's Operating Costs



CORPORATE BANKING

COMPLEX SERVICES FOR CORPORATE CLIENTS

The strategic objective of the Bank's client policy is building long-term complex customer relationship on the basis of a high-quality tailor made product range ensuring efficient partnership between the client and the Bank.

The Bank's service technologies and fee policy are common for the whole network thus providing for a high quality of customer services irrespective of the region of operation. This approach does not only ensure further geographic diversification of the Bank's business, but also meets the demands of large corporate clients, especially holding companies with a broad branch network.

In the reporting year, the Bank pursued the development of the complex of liquidity management and treasury services for large corporate clients designed to provide the package of services including cash pooling, monitoring, control and management of financial flows, a broad line-up of deposit products, and corporate dealing.

Many years of gaining expertise in implementation and customisation of sub-systems of the complex ensure quick installation thereof as well as further uninterrupted methodical and organisational support.

Today, the Client's Settlement Centre, one of the complex sub-systems, services more than 140 corporates and maintains over 860 accounts. Additional tailor made sub-systems and modifications of the complex are launched for specific clients: there are particular info pooling services, additional payment control "contours", account operation regimes, an option of installation of specialised automated workstations for acceptance and on-line monitoring of payments.

This ensures prompt consolidation of funding and cash flows by corporate clients, provides for the increase in the return on assets, lower volumes and costs of international borrowings for the account of redistribution of intragroup resources and allows for the transparency of intragroup borrowings and settlement.

The complex may be easily customised and provide wide range of services. One of the major advantages of the complex is the possibility of its integration with proprietary IT solutions applied by the companies for management and financial accounting.

The complex provides for the unique mechanisms of sub-system functioning in the Bank's head office, branches, subsidiaries on the territory of the Russian Federation and Ukraine subject to local legal environment and national settlement systems.

In 2008, the Bank started implementing the system of investment resources management, which was

offered by the Bank in an abridged version as far back as in 2007 for the tenders held by the companies of RAO UES under the programme of power generation priority project financing.

Yet another new product for foreign currency liquidity management offered by the Bank in 2008 was foreign currency denominated sweep deposit, which is especially relevant today for companies dealing with foreign economic operations. A sweep deposit allows to gain additional revenues in foreign currency and perform prompt management of foreign currency denominated funds.

In 2008, the Bank completed the implementation of the electronic document clearance system for corporate foreign currency operations by creating a full cycle of document processing, including foreign currency control documents within the Bank-Client system. The launch of the electronic document clearance system allowed to speed up the document approval process, reduce operational risks and ensure prompt settlements between the clients and their foreign counterparties.

Another area of development of the Bank-Client system was the provision of services for the management of payments of regional branches or subsidiaries of corporate clients. Combinations of various services of the system, rights and authorities to execute and sign payment documents allows to sign payment documents from the central automated workstation, accept payments in real-time mode, keep common archives of electronic documents and obtain the necessary confirming documents to be provided to the regulatory or other supervisory state bodies. These capabilities allow companies to cut costs connected with the regional branches and to create a centralised accounting department and treasury.

Since February 2008, Bank Petrocommerce has been a direct payment member of the System of Bank Electronic Term Payments. Throughout the year, the Bank carried out planned measures for connecting branches to this system. Today, 14 outlets of the Bank are direct payment members of the System of Bank Electronic Term Payments. The turnover of funds of the System of Bank Electronic Term Payments exceeded RUR 60 billion in 2008. The participation in the System of Bank Electronic Term Payments provides for the efficient liquidity management of the Bank and its branches, term payments on the interbank market and term payments for customers.

In 2009, the Bank will keep improving the technological banking service platforms and upgrading the product range in order to ensure the clients' access to top-notch banking products and services allowing to increase the efficiency of use of the clients' funds.

CORPORATE LENDING

Corporate lending is the cornerstone of the Bank’s business. For example, as of the end of 2008, the corporate loan book amounted to RUR 104.20 billion, or 57.3 per cent of the Bank’s assets (before provisions for loan impairment, excluding reverse repo transactions).

The Bank’s corporate loan book covers all the main economic sectors and regions of the Russian Federation.

Manufacturing enterprises financed by the Bank by way of loans operate in the areas of ferrous metallurgy, commercial transportation and production of equipment for agricultural, road construction, power generation, building, gold mining, oil and gas, coal, mining, and other sectors.

The projects financed in the building sector comprised state orders for the construction of roads of federal and regional importance, housing complexes as well as projects connected with the expansion of the range of products and volumes of production by manufacturers of construction materials.

Trade was mainly represented by the Russian leading wholesale and retail operators on the market of food and industrial goods, electronic and home appliances.

Lending to agribusiness was aimed at the specific projects implemented by agricultural companies from cultivation, including grain, and provender milling to construction and development of feed mills, swine complexes, poultry farms and meat plants.

As of 01 January 2009, the branches accounted for 39 per cent of the total corporate loan portfolio.

In 2008, the Bank continued to improve the quality of customer services and to streamline business processes.

For instance, in 2008, the Bank established the Medium Credit Committee in charge of determination of the main terms and conditions of corporate loans, where the aggregate amount of obligations of the borrower (group of related borrowers) does not exceed the equivalent of RUR 500 million. The redistribution of authority between the Bank’s credit committees also allowed to improve the quality of structured credit transactions and speed up the credit approval process.

In 2008, the Bank pursued further improvement of the quality of interaction between the Bank’s head office and its regional network, including subsidiaries, in respect of corporate lending. The Bank launched a program of on-site inspections with the view of valuation of the quality of loan portfolios of the Bank’s regional outlets. This allowed to:

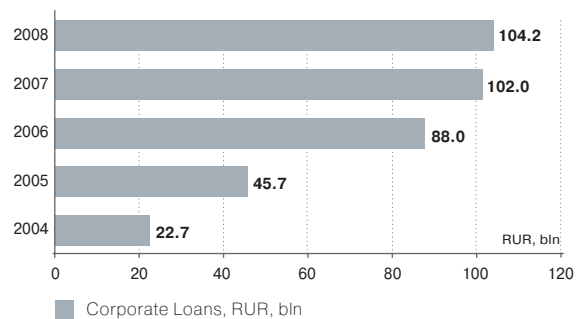
- speed up the corporate credit approval process at the branches and subsidiaries;

- tighten control over compliance by the branches and subsidiaries with the requirements of the intrabank regulations;
- formalise the process of interaction throughout the Bank’s network and head office in respect of credit operations.

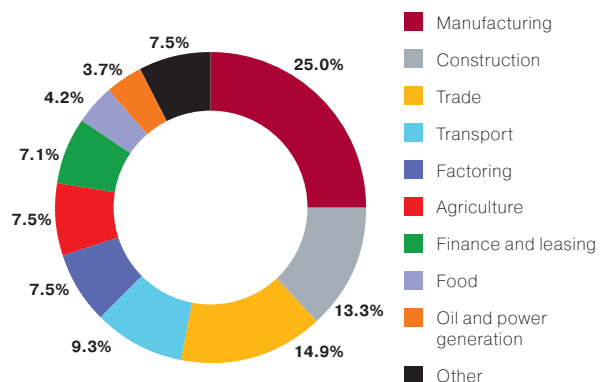
In 2008, the restated key internal regulations of the Bank in respect of corporate lending were approved and the standard forms of loan and security agreements were amended taking into account the specifics inherent in lending in the crisis environment. The Bank’s steps to automate its reporting forms enabled it to speed up the process of obtaining analytical information for more efficient management of the Bank’s loan portfolio.

In response to the aggravation of the crisis, the Bank has elaborated and approved “The Lending Guidelines of Bank Petrocommerce in the Crisis Environment” complementing the Bank’s credit policy.

Corporate Loan Book Growth



Loans by Economic Sector, as of 01.01.2009



The Guidelines set the following main objectives of the Bank's lending activities in the crisis environment:

- preservation of the existing customer base and its further optimisation;
- provision of additional security of the loan portfolio;
- support of the Bank's image as an institution capable of pursuing lending activities, including for the purpose of the funding base maintenance;
- increase of the transparency of the borrowers' business for the Bank by transferring their cash flows, main accounts etc. to the Bank;
- maintenance of revenue generation from lending activities;
- on-going valuation/revaluation of the loan portfolio to identify problem loans at the outset;
- introduction of restrictions for the purpose of preventing credit risks, new approaches to the valuation of the borrowers' financial condition, new requirements to the pledge used as security for the loan and pricing parameters;
- establishment of a system of limits to control the rates of growth of the loan book and diversify credit risks.

With the view of speeding up the business management decision-making process, in 2008, the Bank set up the Committee for Business Management dealing with the matters pertaining to lending to large corporate borrowers, restructuring of the outstanding loans, working with non-performing loans, reviewing the product range as well as the issues connected with the operation of the Bank's network.

CUSTOMER ACCOUNTS AND DEPOSITS

Bank Petrocommerce offers its corporate clients a broad range of deposit products and programmes of settlement services.

As of 1 January 2009, corporate customer funding stood at RUR 77.41 billion accounting for 47.7 per cent of the Bank's liabilities. Corporate customer deposits amounted to RUR 25.03 billion.

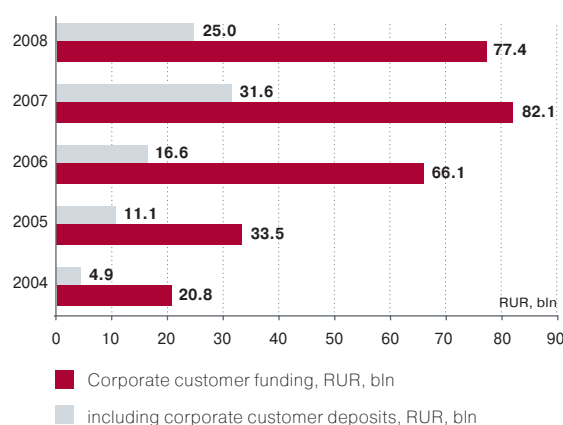
In order to increase corporate customer funding volumes, in 2008, the Bank took part in the tenders for opening and servicing accounts of natural monopolies of the Russian Federation and became one of the winners of the right to conclude an agreement on opening and maintaining up to ten bank accounts of the companies comprised within OJSC Russian Railways and performing settlements under these accounts during 2008-2010 in any of the regions of the Russian Federation, where the Bank operates.

The Bank continued its cooperation with state and municipal bodies, which it had commenced a year before. Participation in public tenders, interaction with state corporations, collaboration with local administrations for the purpose of placement of available funds and provision of a complete array of services allowed the Bank to enter into master agreements for the carrying out of deposit operations with the Ministry of Finance of the Russian Federation (Federal Treasury), the Fund for the Promotion of the Housing Reform and to pursue its cooperation with the Department of Finance of St. Petersburg.

Another area of the Bank's activities was cooperation with management and insurance companies. Taking into account the specific requirements of this segment, it was resolved to increase the maximum maturity of corporate customer deposits from 1.5 to 3 years. A three-year floating rate deposit was also designed and launched during the first six months of 2008. The floating interest rate depends on the average inflation level. These steps contributed to attracting long-term funding from Alfa-Capital Management Company, Sogaz-Zhizn Insurance Company, TRINFICO Management Company etc.

The Bank makes a special emphasis on servicing non-state pension funds. The Bank's clients include such funds as LUKOIL-GARANT Non-State Pension Fund, NEFTEGARANT Non-State Pension Fund, Pensionny Kapital Non-State Pension Fund, Kuban Pension Fund Non-State Pension Fund, Interindustrial Professional Non-State Pension Fund etc.

Changes of Corporate Customer Funding



In 2008, the Bank continued to pursue its activities aimed at the provision of corporate clients with services of short-term fund placement in the form of minimum required account balances. Taking into account the changes of the market situation, the combination of concurrent placement of funds into deposits and minimum required balances offered by the Bank allows corporate clients to manage their liquidity more efficiently and to reduce risks by diversifying assets by maturity. In 2008, major Russian financial, machine-building, oil, transport, investment, media, tourist and construction companies, such as Metrowagonmash, Transport Company Spetsnefttrans, Gaz-Oil Trading, Group NITOL, TechnoStroyOlymp, Capital Investments, Mediainvest, Russian Radio-Eurasia, City Booking and Travel Centre etc. used the service of placement of funds in the form of minimum required account balances for the first time.

In 2008, the Bank also continued working with treasuries of large corporations, holdings, trade and industrial groups, which resulted in, inter alia, the conclusion of a master agreement with INTER RAO UES.

A new area of activity in 2008 was cooperation with the Russian Union of Car Insurers in order to implement a mechanism of direct reimbursement for losses under the mandatory insurance of automobile civil responsibility. This mechanism envisages placement of special insurance deposits with the authorised banks by insurance companies, being the members of the Russian Union of Car Insurers. As of the end of 2008, Bank Petrocommerce was included in the list of authorised banks. The launch of the special insurance deposit is scheduled for the first quarter 2009.

TRADE FINANCE

Bank Petrocommerce offers a broad range of trade finance products to its corporate clients engaged in international trade.

The Bank has a track record of success in cooperation with major international banks and financial institutions of Europe, America, South-Eastern and Central Asia, especially in the area of sourcing short-term and medium-term trade finance as well as ECA-covered long-term funding.

The Bank's trade finance activities include mainly pre-export finance, import finance, issuance of letters of credit and guarantees. These operations are funded by loans from correspondent banks matching in terms of currency, maturity and interest rates (fixed or floating).

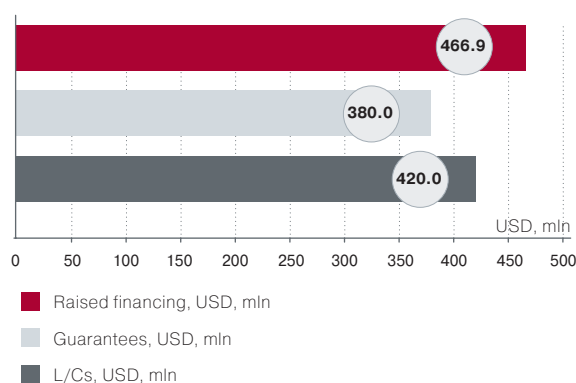
In addition to the established credit lines, the Bank raised financing on the basis of case by case approvals of correspondent banks. Such approvals are subject to the available limit allocated for Russia by the appropriate bank.

Besides, the Bank applied the financing programmes offered by export credit agencies of such countries as Germany, the USA, Croatia, Belgium, Switzerland, and Holland.

During 2008, the Bank raised short-term and long-term export and import financing for various types of goods (equipment, vehicles, consumer goods, services, food, agricultural products) on the basis of the agreements with The Bank of New York Mellon, JPMorgan Chase Bank National Association, Commerzbank AG, Bayerische Hypo- und Vereinsbank AG, Landesbank Berlin AG, KBC Bank N.V., Privredna Banka, Credit Suisse, UBS AG, and VTB Bank.

Due to the lack of liquidity on international financial markets the cost of funding increased in the reporting year. Some foreign banks cut their limits for Russia and their capabilities in terms of financing export and import operations of Russian banks' customers are limited. However, this situation had no impact on the volume of the proposed transactions of Bank Petrocommerce in 2008.

Trade Finance Volumes
(in USD equivalent, as of 01.01.2009)



FACTORING

Bank Petrocommerce has traditionally held leading positions on the Russian factoring market. As of the end of 2008, the Bank's factoring portfolio increased by over 12 per cent to RUR 61.05 billion.

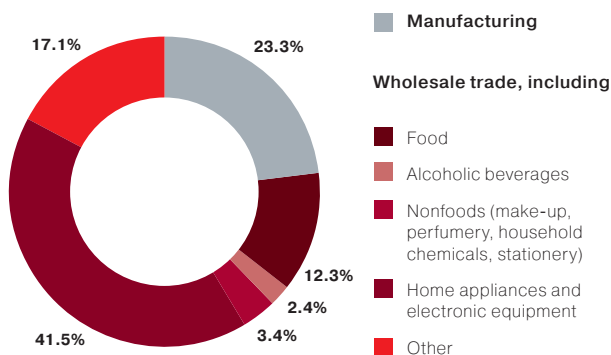
Factoring services are most popular with the manufacturing and trade companies engaged in pharmaceuticals, perfume, household chemical goods, oil and oil products, food, computer equipment, and communications.

The most demanded products include complex factoring with recourse allowing to replenish working capital and to simplify control over liquidity risks as well as factoring without recourse allowing the Bank's clients to insure themselves against the risk of the debtor's failure to effect the payment.

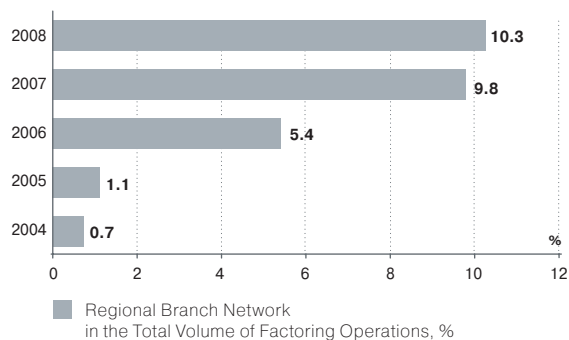
The Bank makes a special emphasis on the regional diversification of its factoring portfolio. For instance, in 2008, the share of Bank's regional branches in the total volume of assigned receivables exceeded the level of 10 per cent for the first time.

In 2008, the Bank focused not only on increasing the volume of factoring services rendered to clients, but also on improving the systems of management of specific risks inherent in factoring and streamlining the technology of customer relationship in the process of the provision of factoring services. This allowed to cut the average turnover period of the assigned receivables, to simplify the process of document clearance, to increase technological efficiency and convenience of factoring services.

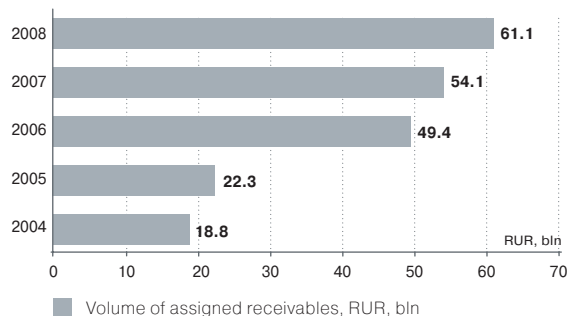
Factoring Portfolio by Economic Sector



Share of Regional Branch Network in Total Volume of Factoring Operations



Volume of Assigned Receivables



FINANCIAL MARKETS

In spite of the fact that 2008 turned out to be quite a difficult year for the market of investment banking services, financial market operations remain an important business area of Bank Petrocommerce.

The Bank's financial market activities include securities trading, distribution, underwriting, brokerage, repo transactions, forex market operations, money market deals, asset management, custody services, analytical research for customers etc. Besides, in August 2008, Bank Petrocommerce was licensed by the Bank of Russia to carry out operations with precious metals, which allowed to expand the range of the Bank's services.

Securities Market

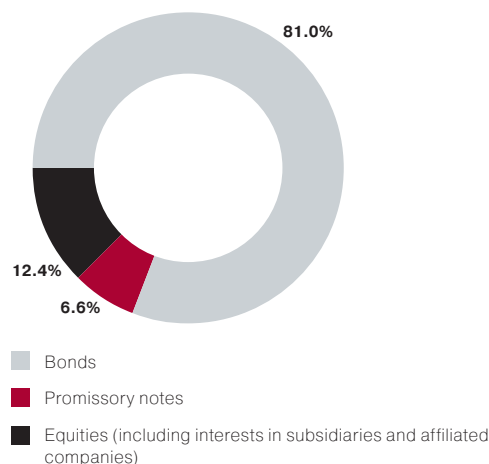
The Bank operates on all the main Russian trading floors (MICEX, RTS, OTC market) and deals with a broad array of instruments.

Bank Petrocommerce follows a conservative strategy in respect of securities markets operations. Since 2007, the Bank has been pursuing a targeted policy aimed at the reduction of the market risk and reliance of the financial result on the securities market situation. Therefore, in 2008, the securities portfolio (excluding repo transactions) has been reduced by 38.2 per cent from RUR 17.24 billion to RUR 10.65 billion. The structure of the securities portfolio was also adjusted: the share of the most risky assets, such as equities, went down significantly. Since the beginning of 2008, the portfolio of equities has been reduced by 55.9 per cent (excluding repo transactions) to RUR 1.3 billion representing 0.7 per cent of the Bank's assets, while the total securities portfolio of the Bank is 5.9 per cent of the Bank's assets.

The Bank's securities portfolio consists mainly of highly reliable and liquid sovereign and municipal bonds.

One of the principal portfolio management objectives in 2008 was the reduction of the portfolio duration, which went down from 2.5 years to 1.5 years as of the end of the year.

Securities Portfolio Structure



Debt Market

Despite a significant fall in primary bond placement volumes, which took place in 2008, the Bank maintained its positions of a proactive player of this market. As of the end of 2008, according to Cbonds, the Bank was ranked in the 18th place in a league table of bond issue arrangers rising from the 28th place. The Bank ranked 22nd among underwriters.

In July 2008, the Bank issued its own series 04 3-year RUR 3 billion bonds (state registration number 40401776B). The bonds pay a coupon of 9.99% p.a. A put option in a one-year period is embedded in the terms and conditions of the issue. The Bank currently has outstanding bonds worth RUR 6 billion comprising series 02 and 04 issues, for the amount of RUR 3 billion each.

Besides, on 15 October 2008, in spite of the difficult market conditions, the Bank entered into a one-year U.S.\$106 million syndicated loan agreement at LIBOR + 1.5%. The lead-managers were GarantiBank International N.V., Landesbank Berlin AG, UniCredit Bank Austria AG and Bayerische Hypo- und Vereinsbank AG (acting together and separately under the name of UniCredit Markets & Investment Banking), Standard Bank Plc, and WestLB AG (London branch). The over-subscription exceeded U.S.\$30 million.

Repo Market

On the repo market Bank Petrocommerce provides services of available liquidity placement for a certain tenor subject to repayment, provision of security and payment of consideration.

The Bank vests a lot of efforts into the development of the repo market infrastructure and the systematisation of the regulatory base for repo transactions. The Bank participated in drafting a Master Repurchase Agreement in accordance with the standards of the National Stock Exchange Association, which aims at the minimisation of risks of non-performance and/or improper performance of the repo transactions. All repo transactions, including those on the stock exchange, are performed by the Bank solely on the basis of legally binding agreements concluded with its counterparties. It enabled the Bank to avoid losses in the course of settlement of outstanding obligations under repo transactions.

Bank Petrocommerce made a considerable contribution to the improvement of the technological and regulatory bases of the MICEX undertaken by the Repo Council at the National Stock Exchange Association in 2008 to reflect the crisis trends prevailing in the economy. The Bank's expertise in repo transactions has been repeatedly used by the Bank of Russia for the development of new instruments of the banking system refinancing.

In view of the destabilisation of the situation on the financial markets in August and September 2008, the Bank suspended repo limits and cut down its reverse repo portfolio by over 75 per cent. As of 1 January 2009, the volume of reverse repo transactions was RUR 3.59 billion.

Interbank Cooperation

Bank Petrocommerce has traditionally been focused on the development of the interbank cooperation. At the same time, in 2008, the financial market volatility compelled the Bank to proceed with significant cutting of limits set for its counterparties with the view of eliminating risks of possible losses on the interbank lending market. At the same time, the Bank has maintained its own limit field, which created a considerable volume of instant liquidity.

Throughout 2008, the Bank performed interbank lending transactions with counterparty banks secured by the pledge of its own debt securities. This allowed not only to reduce the risks, but also to support the Bank's debt instruments, to enhance the counterparties' interest in acquiring the Bank's securities: promissory notes, bonds, and eurobonds.

Analytical Research

In 2008, Bank Petrocommerce continued to enhance its analytical research area. The Bank benefited from its extensive corporate investment decision expertise and faced the crisis with a developed methodology of evaluating credit quality of the issuers. The application of the internal methodology of bond valuation and risk management procedures allowed to cut off the overwhelming majority of unreliable issuers and to make relatively comfortable investments on the public debt market.

Extensive corporate business expertise and detailed macroeconomic analysis put the Bank's analytical department in the spotlight of the mass media. The attention of the mass media to the research made by the Bank does not only increase its professional reputation, but also is a crucial component of an efficient cooperation with the Bank's clients. Apart from the assessment of the market players, the Bank's expertise was highly appreciated by the state authorities and the Bank's research publications were included in the monitoring list of the Ministry of Finance of the Russian Federation.

RETAIL BANKING

PRIVATE BANKING

Private banking is the key component of the Bank's retail business. It is distinguished by an individual approach to each customer, provision of a client with a package of services, a professional attitude to forming investment portfolios, and a high level of client counselling.

The cornerstone of private banking is the Bank's reliability and stability. This business area is aimed at building customer relationship on the basis of mutual trust and benefit.

The Bank's extensive expertise in this area allowed it to set up a VIP Customer Service Department at the end of 2006. It is in charge of the implementation of the complex wealth management programme. The programme formed by the end of 2008 consists of four product lines (banking, investment, advisory, privilege) and the Family Office system and is the fruit of two years of the Bank's labour.

A high level of services created a "boutique" image for the product lines included in the Wealth Management programme, which are customised by the following means:

- choice by personal managers of the optimum investment products and options of dealing with other financial issues of the customers,
- complete satisfaction of the client's requirements for investment, tax and legal advisory services as well as representation of the client's interests before other organisations,
- dealing with non-financial matters connected with the customer lifestyle management.

Expansion of the range of services and improvement of the quality thereof allowed the Bank to increase the number of VIP clients by 22 per cent, to achieve the growth of the VIP customer account balances and to augment the Bank's fee and commission income in the second half of 2008 even during the crisis period.

The highlight of 2008 was the service of precious metal trading in book-entry form offered to clients, which was launched a few days after the Bank had obtained a licence for the carrying out of operations with precious metals.

In view of a high demand for tax advisory and accounting services (outsourced to the Bank's partner company) the counselling boutique pursued its development in 2008.

Over 30 new partner companies joined the Bank's Privilege Programme, which allowed to expand the range of services rendered to VIP clients, including the arrangement of vacation tours and business trips, acquisition of real estate in Russia and abroad, purchase and rental

of cars, hire of household servants, and VIP services at airports.

VIP clients were offered tailor made insurance programmes (personal, property, and civil liability) from the largest Russian insurance companies. Together with International SOS, the Bank launched the Comfort Service Programme enabling the holders of Gold and Platinum cards (over 7,500 persons) to benefit from the information support and assistance in any matters 24 hours a day.

The Family Office system continued its development aimed at establishing relationship with the people belonging to the clients' closest circle, first of all, family members (spouses, parents, and children).

A special emphasis was made on the professional training of the employees of the VIP Customer Services Department, customer relationship divisions of additional offices and branches aimed at learning new products and mastering the sales technology.

The Bank's efforts were also focused on provision of the branches' VIP customers with the access to the same scope of products and services as those of the head office. Thus the range of products offered by the branches was complemented by:

- multicurrency deposit,
- savings certificates,
- unallocated bullion accounts,
- loans secured by deposits,
- securities trading,
- brokerage and depositary agreements.

Besides, special attention was paid to speeding up the transactions performed by the VIP clients at the branches.

This allowed the Bank to shift the focus from VIP services to financial advisory, finance management, and lifestyle management.

The cornerstone of the VIP customer services remained a complex approach to dealing with the main objectives of banking services connected with saving. The Bank's line-up of investment instruments was expanded considerably for this purpose.

The share of deposits, while remaining the instrument designed to save the capital (rather than to increase capital gains), materially went down in the clients' portfolio for the account of inclusion of more complex and high-yield products. However, the increasing general financial market volatility revived their appeal to customers. Clients possessing significant amounts of funds denominated in foreign currency are also interested in assets allowing to increase the yield of investments

(eurobonds issued by the Ministry of Finance of the Russian Federation or major Russian companies).

The clients also took a great interest in products allowing to minimize risks of negative scenario (the multicurrency deposit with an option of performing conversion transactions, individual dealing, and unallocated bullion accounts).

Loans secured by deposits and savings certificates, collection services and delivery of valuables, bank transfers, letters of credit and bank cards continued to find good demand among the Bank's clients.

The Special Client card (a co-branding project with Restaurant Club), a symbol of the Bank's Privilege Programme, has considerably expanded its geographical coverage (adding 8 more cities in Russian and the CIS), the number of members and cardholders.

The development of wealth management services resulted in a significant growth of the VIP clients in 2008. This evidences the accrual of the most important capital of the Bank – a high level of customer trust.

This thoroughly designed system of VIP customer services and support enabled the Bank not only to face severe competition on the market of private banking services, but also to strengthen its positions on this market in the financial crisis environment.

INDIVIDUAL CUSTOMER SERVICES

The foundation of the Bank's retail strategy is the provision of complex services to corporate clients' employees and private banking services.

In accordance with the Bank's strategy on the retail banking market as a component of corporate customer complex services, the key client groups are divided into the following categories:

- **Standard** – employees of corporate clients, especially those serviced under payroll projects;
- **Business** – middle management of large private, municipal and budget companies as well as top managers of small companies not falling within the category of VIP clients;
- **Entrepreneur** – owners (co-owners) of small businesses;
- **VIP** – retail clients serviced under private banking programmes.

This net segmentation of the clients allowed to shift the focus from the product approach to the client approach. For this purpose, the Bank regularly holds systemic events to improve the infrastructure and sales technology, increase their efficiency and develop new retail products.

A special emphasis is made on development of card technologies, evolution of a broad range of deposits and new credit products, use of various instruments of cash flow management, electronic account management services, special loyalty programmes for corporate clients' employees and high net worth individuals. In aggregate, all of these factors allow for a material increase in demand for the Bank's services and expansion of the clientele.

Individual Customer Funding

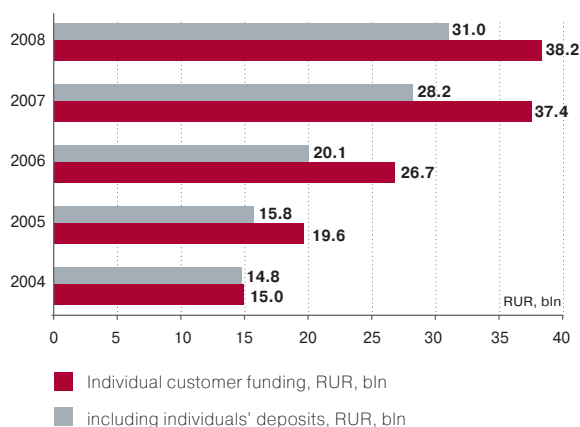
As of 1 January 2009, individual customer funding (deposits, savings certificates, bank card and current accounts) amounted to RUR 38.21 billion, accounting for almost 23.5 per cent of the Bank's liabilities. Individual customer deposits approximated RUR 31 billion.

Promo-actions are an integral part of the individual deposit taking policy. Throughout 2008, the Bank made different special and seasonal offers to its depositors.

From 08 March 2008 till 31 May 2008, the Bank held a promo-action and offered its customers the Spring deposit at the highest interest rates with the possibility of winning prizes and a free of charge issue of Visa/MasterCard. The amount of funds attracted on deposits during the promo-action exceeded RUR 175 million. Over 360 deposits were opened.

From 01 September 2008 till 31 December 2008, the Bank held a promo-action and offered its customers the High-Yield deposit at the highest interest rates with the following maturities: 91, 181, 360 days. The amount of funds attracted on deposits during the promo-action exceeded RUR 580 million. Over 1,300 deposits were opened.

Changes in Individual Customer Funding
(Deposits, Savings Certificates, Bank Card
and Current Accounts)



Lending

As of the end of 2008, the retail loan portfolio increased by 47.8 per cent, or RUR 3.78 billion, reaching the level of RUR 11.69 billion (before provisions for loan impairment, excluding reverse repo transactions), or 10.1 per cent of the Bank's total loan portfolio.

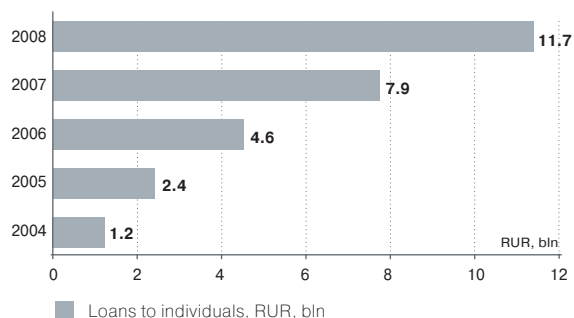
The Bank's retail loan portfolio is distinguished by its geographic diversification, with about 74 per cent (before provisions for loan impairment, excluding repo transactions) accounting for the Bank's regional network.

Consumer lending dominated the Bank's loan book and represents 69 per cent of total retail loans. It should be noted that the borrowers' obligations towards the Bank are secured by suretyships of individuals and/or corporates, pledge of property: vehicles, real estate objects owned by the surety, and liquid securities.

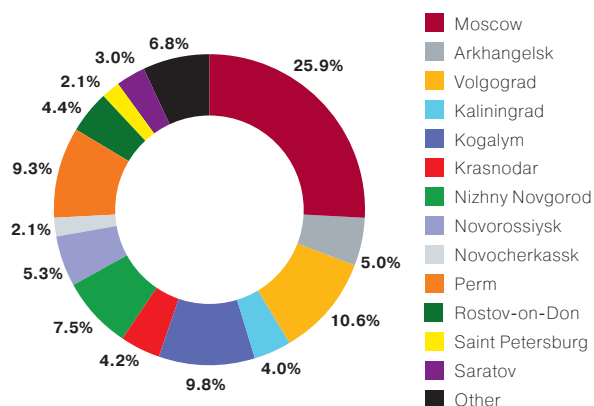
In 2008, the Bank made available consumer loans mainly to the employees of its corporate customers as well as the employees of companies serviced by the Bank under payroll projects.

In 2008, the Bank started setting up mobile offices at the premises of its corporate clients. This considerably increased the access of corporate employees to the Bank's products and services and made the provision of services more convenient.

**Changes in the Retail Loan Portfolio
(before provisions for loan impairment, excluding reverse repo transactions)**



Retail Loan Portfolio by Region



Bank Cards

Bank Petrocommerce is one of the leaders on the Russian bank card market; it is a member of international payment systems VISA Int. and MasterCard Worldwide and has its own certified processing centre. In April 2008, Bank Petrocommerce obtained a certificate for issuing one million VISA cards from VISA International CEMEA.

By the end of 2008 the Bank had issued 847.8 thousand cards, up by 25.7 per cent as compared with the previous year.

The main source of the increase of the issued card volume was the attraction of a considerable number of companies for payroll services. The total number of such payroll projects was 3,370 (up by 42 per cent), with the main part accounting for the Bank's regional network – 3,026 projects. As of the end of 2008, the majority of payroll projects was implemented by the Bank's branches in such cities as Volgograd (923 projects), Kogalym (285 projects), Perm (275 projects), Nizhny Novgorod (259 projects), Kaliningrad (190 projects), and Moscow (344 projects).

In 2008, the total bank card cash flows amounted to RUR 96.9 billion, up by 34 per cent as compared with 2007.

During 2008, the Bank held a number of promo-actions for cardholders in order to increase the number of cards and acquiring volumes. The total acquiring turnover in 2008 was RUR 82.9 billion, up by 36 per cent as compared with 2007.

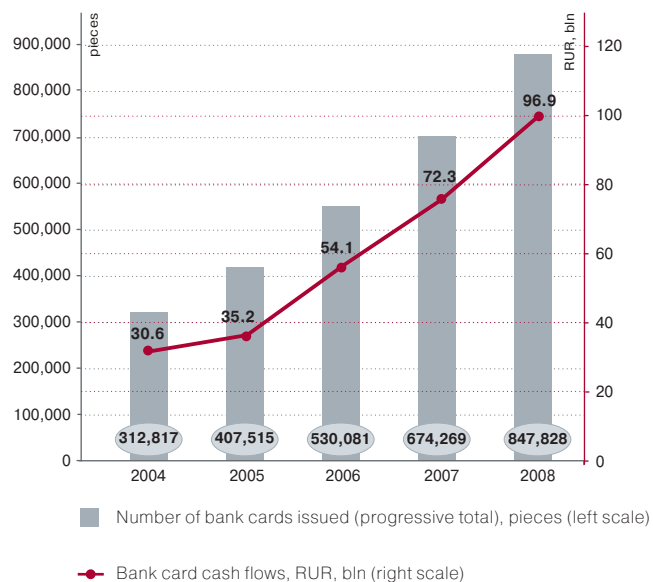
In May 2008, Bank Petrocommerce, together with VISA Inc., held a joint promo-action among Visa cardholders and one of the Bank's clients from Kaliningrad won the main prize – a trip to the Olympic Games in Beijing.

Mandatory Pension Insurance

In 2008, Bank Petrocommerce continued to render agency services for the conclusion of mandatory pension insurance contracts between the insured persons and LUKOIL-GARANT Non-State Pension Fund. In the reporting year the following branches joined the Bank's agency network: Astrakhan, Volgograd, Novosibirsk, and Rostov-on-Don. Today, this service is offered at 16 branches.

All sales persons in charge of this service took a remote education course at the Education and Development Portal of LUKOIL-GARANT Non-State Pension Fund, which boosted the sales – in 2008, 2,597 mandatory insurance contracts were concluded.

Bank Cards Issued and Cash Flows



REGIONAL DEVELOPMENT. BRANCH NETWORK



The regional network of Bank Petrocommerce is the cornerstone of the Bank's business ensuring its high diversification. For instance, in 2008, the Bank's regional network (excluding subsidiary banks) accounted for 74 per cent of the retail loan portfolio¹, 39 per cent of the corporate loan portfolio, and 92 per cent of the issued bank cards.

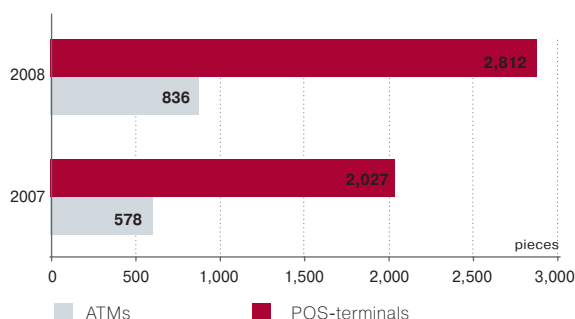
Bank Petrocommerce has 19 branches in Arkhangelsk, Astrakhan, Volgograd, Kaliningrad, Kirov, Kogalym, Krasnodar, Lipetsk, Murmansk, Nizhny Novgorod, Novorossiysk, Novosibirsk, Novocherkassk, Perm, Rostov-on-Don, Samara, St. Petersburg, Saratov, and Chelyabinsk.

In 2008, the Bank's network increased by 10 offices, the number of ATMs went up by 45% (or by 258 machines), while the number of POS-terminals augmented by 39% (or 785 terminals). As of the end of 2008, the Bank's network comprised 88 offices (14 - in Moscow, 74 - in other regions of the Russian Federation), as well as 836 ATMs and 2,812 POS-terminals.

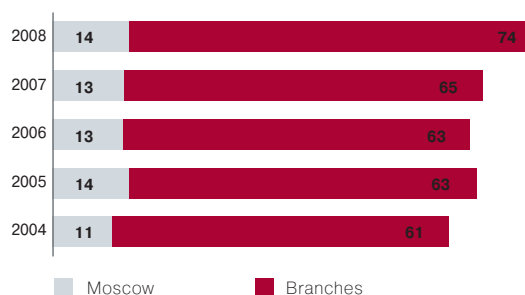
The Bank's efficient regional policy ensures coverage of key economic zones with high growth potential. The Bank's strongholds include the Volgograd region, the Tyumen region, the Krasnodar region, the Nizhny Novgorod region, the Rostov region, and the Perm region.

¹ Excluding reverse repo transactions, before provisions for loan impairment

Expansion of ATMs and POS-terminal Network



Regional Sales Outlets*



* Sales outlets include the head office, branches, representative offices, additional offices, cash offices, credit and cash offices, exchange points etc.

The Volgograd Region

The Volgograd region is a part of the Southern Federal District. The region benefits from its geographical location, being the gateway to the south of Russia connected with Iran, Iraq, the Caucasus, and Kazakhstan.

Administrative centre – the city of Volgograd.

Population – 2,608,800 people (as of 01.01.2008).

Total area - 112,900 sq.km.

The territory of the region is crossed by important railways, highways, waterways, and airways.

The Volgograd region is an important industrial centre with highly developed agriculture (a significant part of the industrial production accounts for chemical, petrochemical, power generation, machinery and metal processing plants).

5 head offices and 74 branches of regional banks are situated in the Volgograd region.

The branch of Bank Petrocommerce in Volgograd represents a significant proportion of the total banking sector of the region: 9.2 per cent of the total corporate loans, 12.1 per cent of the total volume of issued cards.

In 2008, the Volgograd branch acquired new corporate clients for payroll projects, such as Federal State Unitary Enterprise Barrikady Manufacturing Association (2,600 people), Volgograd Shipbuilding Plant (2,300 people) etc.

The Volgograd branch ranks first among the branches of Bank Petrocommerce by loans to individual customers.

The Tyumen Region

The Tyumen region is a part of the Urals Federal District. Administrative centre – the city of Tyumen.

Population – 3,373,400 people (as of 01.01.2008).

Total area -1,435,200 sq.km.

The Tyumen region ranks third in Russia by area and eleventh by population.

The majority of the country's reserves of oil and gas are concentrated in the Tyumen region. The region ranks first in Russia by the volume of manufactured industrial products. The main branch is fuel industry (86.4 per cent of the industrial production volume).

19 head offices and 150 branches of regional banks are situated in the Tyumen region.

The branch of Bank Petrocommerce in Kogalym accounts for 3.5 per cent of the total number of cards issued in the Tyumen region.

The branch of Bank Petrocommerce in Kogalym ranks first among the Bank's branches in terms of customer accounts and deposits (both corporate and individual). The branch services such major companies as LUKOIL-Zapadnaya Sibir, West Siberian branch of Eurasia Drilling Company, LUKOIL-Uralnefteprodukt etc.

The Krasnodar Region

The Krasnodar region is a part of the Southern Federal District.

Administrative centre — the city of Krasnodar.

Population – 5,121,800 people (as of 01.01.2008).

Total area – 76,000 sq.km.

The Krasnodar region is the oldest oil exploration province of Russia. Oil exploration was commenced in 1684. The leading role in the industrial structure is played by processing branches. Tourism is an important economic sector, in particular, in Sochi, Gelendzhik, and Anapa. Tourism is rapidly developing at the Azov Sea coast.

The 2014 Olympic Games are expected to attract a flow of investments to the infrastructure of the Black Sea coast.

16 head offices and 109 branches of regional banks are situated in the Krasnodar region (including two branches of Bank Petrocommerce – in the cities of Krasnodar and Novorossiysk).

The Bank's branches service such major local companies as Lukoil-Yugnefteprodukt, Novorossiysk Transport Holding, CJSC Tander etc.

The Nizhny Novgorod Region

The Nizhny Novgorod region is a constituent of the Russian Federation situated in the Central European part of Russia. The Nizhny Novgorod region is a part of the Povolzhsky Federal District.

Administrative centre – the city of Nizhny Novgorod.

Population – 3,359,800 people (as of 01.01.2008).

Total area – 76,900 sq.km.

The Nizhny Novgorod region is one of the largest industrial centres of Russia with a high share of processing industry in the economy. The unique scientific and technical potential of its military and industrial complex, combined with a strong educational base, put the region on the 4th place in Russia in terms of innovation potential.

The main branches of industry include machine building and metal processing, chemistry, ferrous metallurgy, timber, pulp and paper, light and food.

18 head offices and 117 branches of regional banks are situated in the Nizhny Novgorod region.

The branch of Bank Petrocommerce in Nizhny Novgorod accounts for 4.7 per cent of the total corporate loans of the region.

The branch's largest corporate clients include LUKOIL-Nizhegorodnefteorgsintez, LUKOIL-Volganefteprodukt, Cheboksarsky Plant of Industrial Tractors, GAZ Automobile Plant etc.

The Nizhny Novgorod branch holds leading positions among the Bank's branches in terms of assets, corporate loan portfolio and the financial performance indicator for 2008.

The Perm Region

The Perm region is a part of the Privolzhsky Federal District.

Administrative centre — the city of Perm.

Population – 2,718,200 people (as of 01.01.2008).

Total area – 160,200 sq.km.

Mineral resources of the Perm region include oil, gas, black coal, gold, diamonds etc.

The regional economy is based on a highly developed industrial complex. The key industries are oil, chemicals and petrochemicals, ferrous and non-ferrous metallurgy, machine-building and timber.

7 head offices and 77 branches of regional banks are situated in the Perm region.

The branch of Bank Petrocommerce in Perm represents 2 per cent of the total individual customer funding of the region and 3.8 per cent of the total number of bank cards issued in the region.

The branch's largest corporate clients include LUKOIL-Permnefteorgsintez and Permneftegazpererabotka.

The Rostov Region

The Rostov region has been a part of the Southern Federal District since 2002.

Administrative centre – the city of Rostov-on-Don.

Population – 4,254,400 people (as of 01.01.2008).

Total area – 100,800 sq.km.

The Rostov region is a large industrial, cultural and scientific centre, a river port and an important transport nodal point.

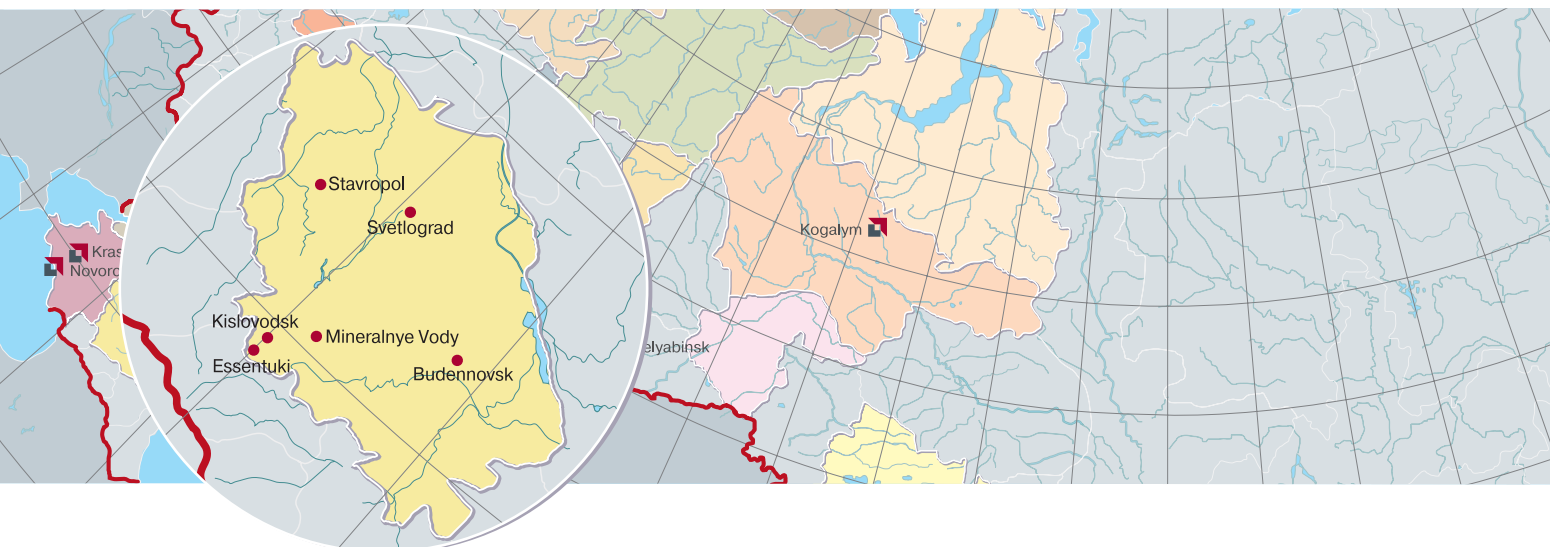
Heavy and agricultural machine-building, coal, automobile production and agribusiness are the most developed local industries.

23 head offices and 109 branches of regional banks are situated in the Rostov region.

The branch accounts for 3.1 per cent of the total loan portfolio of the regional banking sector and 2.2 per cent of the total number of the issued bank cards.

The branch's largest corporate clients include SGC TGK-8, LUKOIL-Nizhnevolzhsknefteprodukt, Valary Ltd etc.

PERFORMANCE OF SUBSIDIARY BANKS



OJSC STAVROPOLPROMSTROYBANK

OJSC Stavropolpromstroybank is one of the largest banks of the Stavropol region. It came into being as Commercial Bank STAVROPOLYE in December 1990 on the basis of Promstroybank of the USSR.

In December 1991, the bank was re-registered as Joint-Stock Investment Commercial Industrial and Construction Bank Stavropolye – Open Joint-Stock Company (OJSC Stavropolpromstroybank).

Since March 2003, OJSC Stavropolpromstroybank has been a subsidiary of Bank Petrocommerce. In 2005, the Bank obtained the status of an Associate Member of VISA International.

The core business areas of OJSC Stavropolpromstroybank, being of priority importance for the performance indicators, include the following:

- loans to retail and corporate clients;
- settlement services for corporate clients;
- payroll projects for corporate clients and their employees;
- services for individuals: deposit-taking, money transfers (Contact, Migom, Blizko, Western Union), utility payments;
- bank card issuance and service.

OJSC Stavropolpromstroybank is a member of the

Association of Regional Banks ROSSIYA, Association of Russian Banks, the National Stock Exchange Association, and the National Commodity Exchange.

The bank's network comprises 6 branches, 16 additional offices, 6 separate cash offices, 2 exchange points, 79 ATMs and 193 POS-terminals located in the cities and towns of the Stavropol region. All outlets are designed to render complex services to customers and possess state-of-the-art banking equipment.

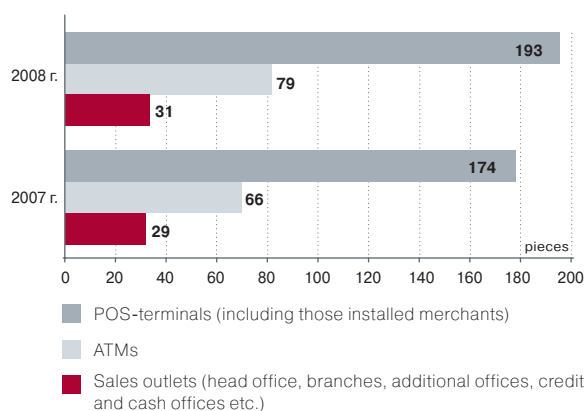
In 2008, OJSC Stavropolpromstroybank opened 2 additional offices in Pyatigorsk and Essentuki.

In 2008, the bank launched a technology of individual customer service allowing clients to get all services at the same place. The bank launched a project of currency exchange at ATMs equipped with a cash-in function and set up a cardholder support service. In 2009, the bank intends to continue increasing the issue of bank cards, acquiring at merchants and providing additional services: repayment of loans, deposit replenishment, utility payments at ATMs etc.

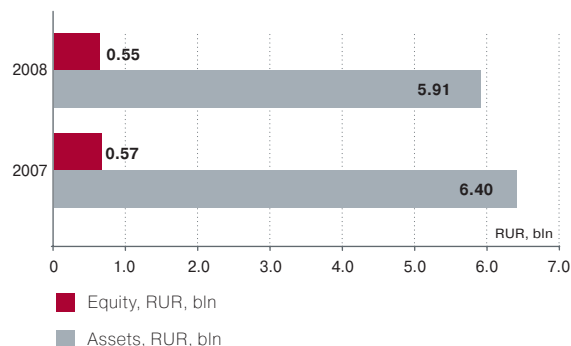
In 2008, the number of the bank's corporate clients went up by over 38 per cent, while retail customer base grew by 13 per cent. The bank's clients include such major regional companies as Service Group, AgroKhimUniversal, Transit-Zerno, Nord-Service, ESKOM Scientific and Production Concern, Stavrolen etc.

MAIN INDICATORS		2008, RUR, mln
1.	Assets	5,905.1
2.	Loan portfolio	4,520.7
3.	Retail loan portfolio	1,516.6
4.	Customer accounts and deposits	4,153.6
5.	Individual customer accounts and deposits	2,383.6
6.	Equity	545.1
7.	Share capital	38.8
8.	Net profit	48.0
9.	Net interest income	498.4
10.	Average number of employees	711
11.	Cost/income ratio, %	52

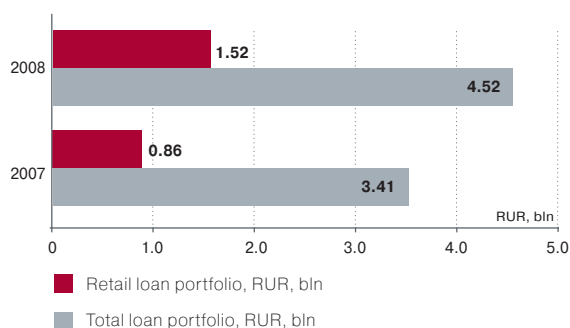
Regional Network of OJSC Stavropolpromstroybank



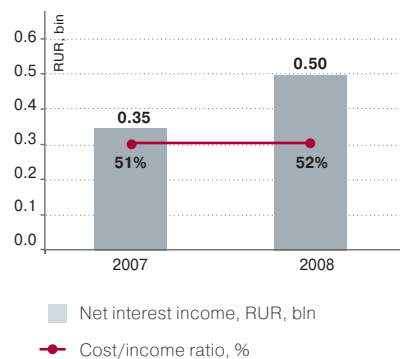
Assets and Equity of OJSC Stavropolpromstroybank

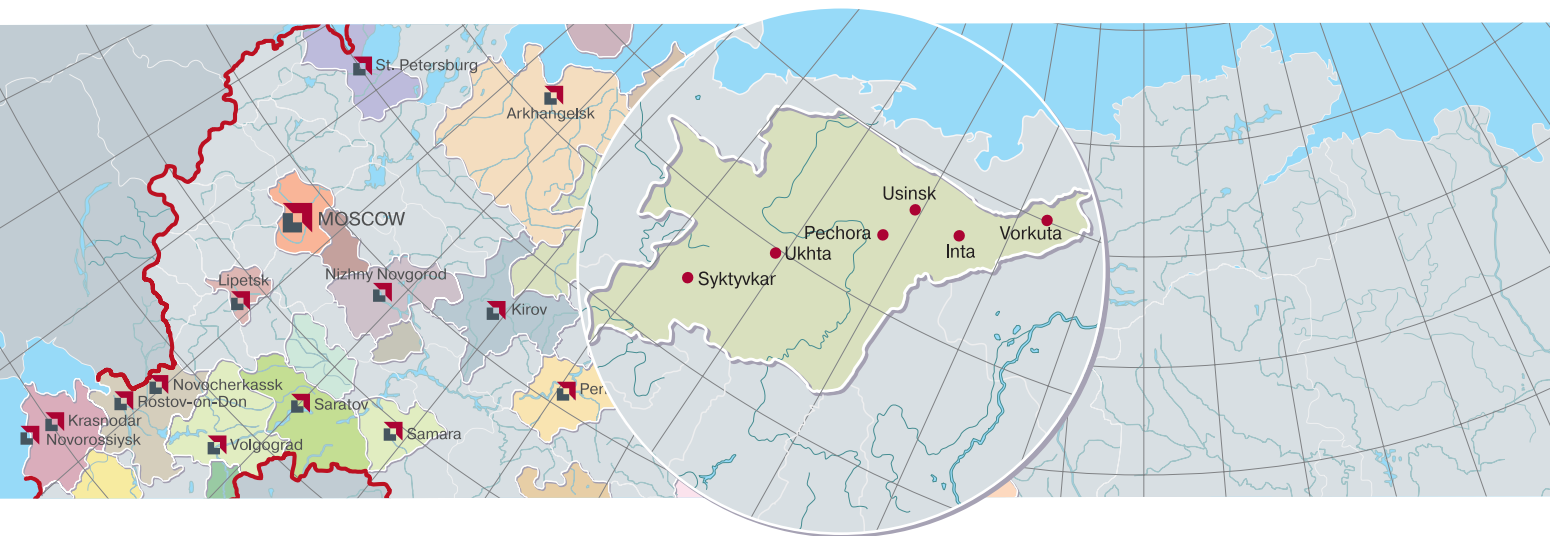


Loan Portfolio of OJSC Stavropolpromstroybank



Net Interest Income and Cost/Income Ratio of OJSC Stavropolpromstroybank





OJSC KOMI REGIONAL BANK UKHTABANK

OJSC Komi Regional Bank Ukhtabank is one of the largest private banks in the Komi Republic. It was founded in December 1991 by the leading companies of the gas, oil extraction and refining industries of the region.

In 2002, OJSC Komi Regional Bank Ukhtabank became a subsidiary of Bank Petrocommerce. In 2005, Bank Petrocommerce acquired the interests in Ukhtabank from other shareholders to increase its stake in the bank's capital to 96.05 per cent.

In the reporting year Bank Petrocommerce acquired the rest of the shares of its subsidiary bank and consolidated 100 per cent of the issued shares of Ukhtabank.

Ukhtabank is a full-service regional commercial bank. It provides its clients with a broad range of state-of-the-art banking products and services.

The core business areas of OJSC Komi Regional Bank Ukhtabank, being of priority importance for the performance indicators, include the following:

- loans to retail and corporate clients;
- settlement services for corporate clients, including SMEs;
- payroll projects for corporate clients and their employees;
- term deposit taking,
- retail payments and money transfers,
- conversion operations for foreign currency contracts of legal entities, foreign currency exchange for private individuals.

OJSC Komi Regional Bank Ukhtabank is a member of the Association of Regional Banks ROSSIYA, the National Stock Exchange Association, and the Moscow Interbank Currency Exchange.

The bank's network comprises 6 branches, 15 additional offices, 71 ATMs and 160 POS-terminals located in the cities and towns of the Komi Republic. In 2008, Ukhtabank put into operation 10 ATMs, 16 self-service terminals, 17 POS-terminals and concluded 11 acquiring agreements.

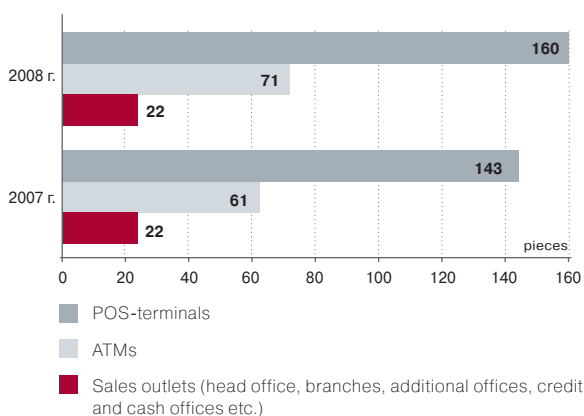
In the reporting year, the bank remained focused on maintaining a high quality of assets. By reducing the securities portfolio, it mitigated the risks considerably (during the year the securities portfolio went down from RUR 1.54 billion to RUR 0.52 billion, with the share of securities going down to 7.5 per cent of the Bank's total assets). The high quality of retail loans was preserved (the NPLs accounting for less than 1 per cent).

OJSC Komi Regional Bank Ukhtabank intends to develop further its payroll project competence, individual and corporate deposit taking, retail payments at self-service terminals and the bank's cash offices, foreign currency conversion operations, lending to companies of the real sector of economy and individuals.

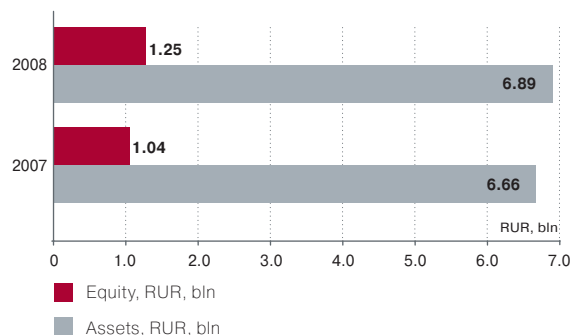
In 2008, the number of the bank's corporate clients went up by 3 per cent, while retail customer base grew by over 5 per cent. The bank's clients include such key regional companies as LUKOIL-Komi, LUKOIL-Ukhtaneftepererabotka, Vorgashorskaya Mine and Vorgashorskaya-2 Mine, JSC WGC-3, Pechora SDPP etc.

MAIN INDICATORS		2008, RUR, mln
1.	Assets	6,889.9
2.	Loan portfolio	3,392.5
3.	Retail loan portfolio	1,418.4
4.	Customer accounts and deposits	5,521.5
5.	Individual customer accounts and deposits	3,821.8
6.	Equity	1,252.3
7.	Share capital	35.0
8.	Net profit	246.0
9.	Net interest income	514.2
10.	Average number of employees	561
11.	Cost/income ratio, %	42.6

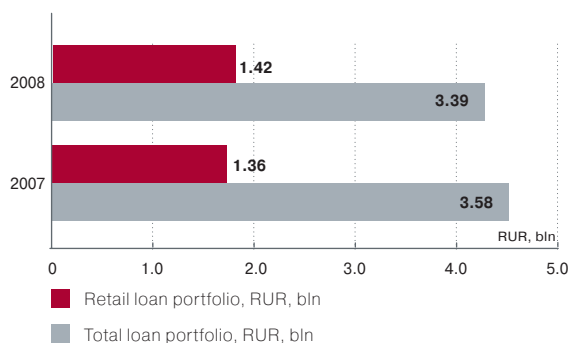
Regional Network of OJSC Komi Regional Bank Ukhtabank



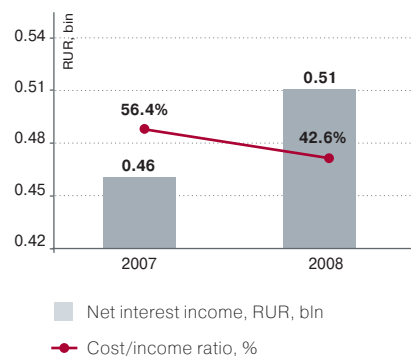
Assets and Equity of OJSC Komi Regional Bank Ukhtabank

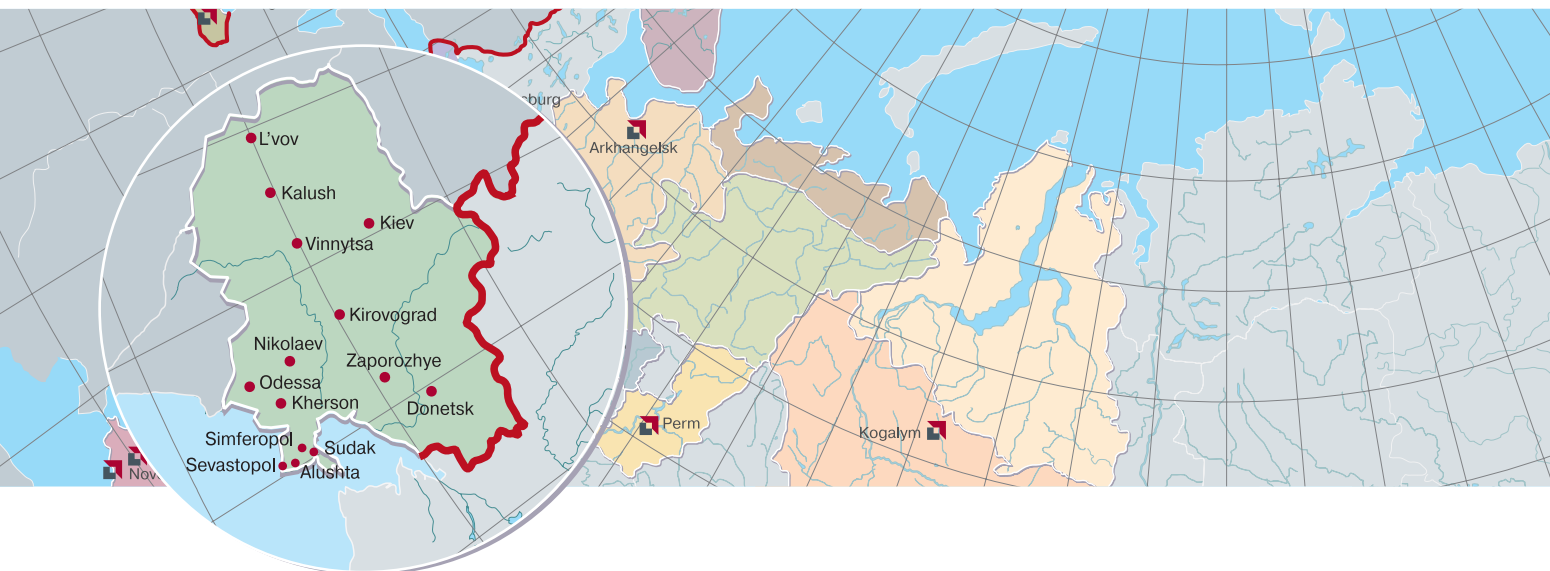


Loan Portfolio of OJSC Komi Regional Bank Ukhtabank



Net Interest Income and Cost/Income Ratio of OJSC Komi Regional Bank Ukhtabank





CJSC BANK PETROCOMMERCE-UKRAINE

CJSC Bank Petrocommerce-Ukraine was founded in September 1996 on the basis of the Kiev branch of Russian Joint-Stock Commercial Bank Aeroflot.

The bank was included in the Petrocommerce Banking Group in 2002 and was renamed CJSC Bank Petrocommerce-Ukraine.

In 2008, Bank Petrocommerce increased its stake in the subsidiary to 90.06 per cent, while the share capital went up to UAH 113.04 million.

During 7 years of performance under the brand of Petrocommerce-Ukraine, the bank's network expanded from 5 to 21 outlets. The bank's regional coverage was extended to comprise 11 regions of Ukraine, with the majority of sales points being located in the south-east of the country.

As of the end of 2008, the bank ranked among medium-sized banks, holding the 82nd place by assets. In the reporting year, Credit-Rating Agency affirmed its long-term credit rating by the national rating scale at the level of uaA-, outlook - Stable.

The core business area of the bank has traditionally been corporate customer service. At the bank corporate

clients can obtain the whole range of settlement and lending services by raising long-term funding for business development and working capital financing.

The retail business is developing, first of all, as an instrument for servicing employees of corporate customers and raising term liabilities.

The bank is an active player of the interbank lending market and has an extensive network of correspondent banks both in Ukraine and abroad. The technical base in place as well as the professional level of the staff allow the bank to carry out efficient operations on the money market, while at the same time ensuring the performance of the clients' obligations.

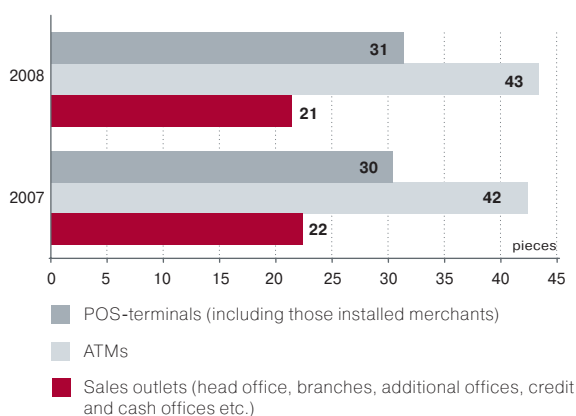
The bank is a member of Visa International.

The bank's network comprises 2 branches, 18 additional offices, 43 ATMs, and 31 POS-terminals.

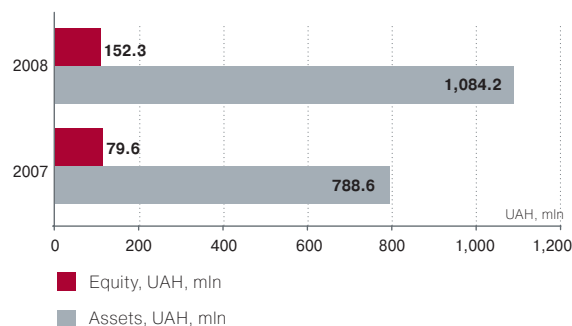
During 7 years, the Bank had formed a stable and high-quality customer base comprising corporate clients ranking among the TOP 100 Ukrainian companies. The bank's clients include such companies as Lukoil-Ukraine, Datalux Group, Kronos Ltd, Investment Company Petrusk-Alco, Quiza-Trade Ltd, CJSC Creative, Tatneft-Ukrnefteprodukt etc.

MAIN INDICATORS		2008, UAH, mln
1.	Assets	1,084.2
2.	Loan portfolio	789.7
3.	Retail loan portfolio	127.6
4.	Customer accounts and deposits	599.7
5.	Individual customer accounts and deposits	259.7
6.	Equity	152.3
7.	Share capital	113.0
8.	Net profit	5.7
9.	Net interest income	51.4
10.	Average number of employees	498
11.	Cost/income ratio, %	60

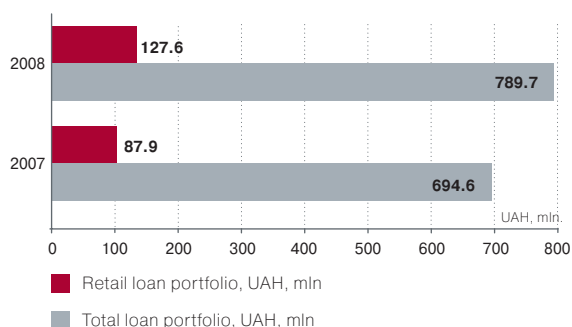
Regional Network of CJSC Bank Petrocommerce-Ukraine



Assets and Equity of CJSC Bank Petrocommerce-Ukraine



Loan Portfolio of CJSC Bank Petrocommerce-Ukraine



Net Interest Income and Cost/Income Ratio of CJSC Bank Petrocommerce-Ukraine

