



2008

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The annual report



Appeal of the Chairman of the Management Board

Dear participants, partners and clients!

Presented to your attention is the annual report on the results of operation of National Business Bank Co. Ltd in 2008.

Another year of successful operation of COMMERCIAL BANK "NATIONAL BUSINESS DEVELOPMENT BANK" COMPANY LIMITED is over. For as long as 15 years, we have been operating on the financial market of Russia and have been able to show ourselves as a reliable, dynamically developing financial institution.

Reviewing the performance of the Bank in 2008, with satisfaction I would like to note that the Bank has not only maintained its positions in the Russian banking sector in the year when the global financial crisis unprecedented by its scale stroke, but also was able to show positive development dynamics, having improved its major characteristics: increased clientele in lending – as of January 1, 2008, NATIONAL BUSINESS BANK's loan portfolio totaled in 3.052 bn. rubles (growth of 11.2% compared to the previous year); increased investing in large projects in Krasnodar Territory; greatly expanded the range of services rendered in the framework of retail business. The Bank continues active operation on the equity market.

The essential growth of the indicators in literally all lines of activities of the Bank is the result of the skillfully and competently realized development strategy, founded upon the principles of dynamic expansion of the range of services based upon the bank's traditional strengths, such as financing small and medium businesses,

vigorous activity on the national and foreign currency markets, financing investment and infrastructure projects in regions.

Traditionally touch policy of NATIONAL BUSINESS BANK in the area of risk management has enabled the bank to meet the tsunami of the global financial crisis armed at all points, having taken care of the quality growth of the Bank's assets and cutting investments in risky assets early in the day. NATIONAL BUSINESS BANK can proudly note the fact that the events of 2008 have not affected the performance of NATIONAL BUSINESS BANK.

NATIONAL BUSINESS BANK continues to remain a reliable business partner for thousands of enterprises and individual clients all over Russia, strives to provide the best conditions for the development of the business, becoming more and more attractive to clients. Therefore, one of the priority areas for the retail business of NATIONAL BUSINESS BANK is the development and offering of new banking products for the population.

Today, the Bank has got all assumptions and necessary conditions for the successful development during the next year, which, as it is clear already, is going to be uneasy for the monetary system. Taking advantage of the up-to-date risk management policy, well-defined organizational structure, and flexible approach to demands of each client and using modern banking technologies, NATIONAL BUSINESS BANK intends to expand significantly its presence on the financial services market of Russia, defining 2009 as

the year of great opportunities for the Bank.

In our plans for 2009, the priority is given to further increase in lending, including further development of financing programs in association with the Russian Bank for Development; increase in the Bank's turnover and profitability on operations on the financial market, continuation of financing sports object for the winter Olympic Games, Sochi-2014.

In the conclusion, I would like to acknowledge the inestimable input of the Bank's entire staff to the achievement of the results the Bank has achieved and thank all employees who have contributed their expertise, efforts and talent to the completion of current task.

On behalf of the management of the Bank, I thank all the participants, clients

and partners of the National Business Bank for putting trust in us, which composes the foundation of our mutual cooperation, which is going to be just as successful and fruitful in 2009 too. Also, I sincerely wish our clients and partners to work fruitfully for the good of further advancement of the economy of Russia.

Chairman of the Management Board of
National Business Bank Co. Ltd
A.A. Kulakov



● Important Events Calendar Year 2008

MARCH

Implemented of a 24-hour information service for holders of the Bank's VISA cards to send text messages to customers' mobile phones.

NOVEMBER

Put into operation the "BANK'S OWN BILLS OF COLLECTION, DEPOSIT AND SAVINGS CERTIFICATES" module of the "Bank XXI Century" ABS (DBMS ORACLE) by "INVERSIA" ("Inversion").

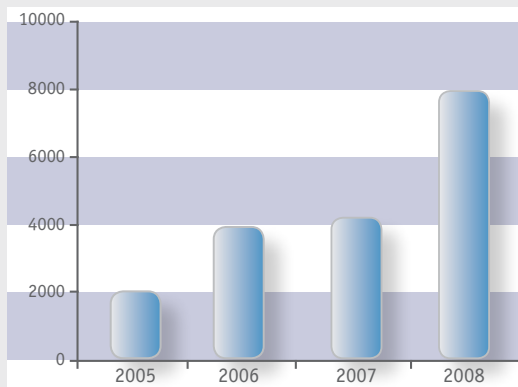
DECEMBER

Launched issuing VISA plastic cards with predefined limit of allowed overdraft.



Dynamics in Major Financial Indicators for Year 2008

Total Assets
(in million RUR)



National Business Bank is proud to have maintained the positive dynamics achieved during the years before. The balance-sheet total has grown to 8.5 billion rubles.

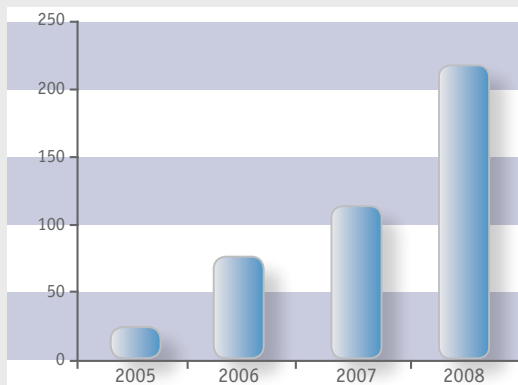
Shareholders' equity has reached 2.103 billion rubles.

Noticing the dynamics of profit growth: for the year 2008, the profit of the Bank has grown by almost 2 times and totaled at 212 million rubles.

The Bank is a universal lending office; at the same time, special attention is given to: corporate lending, mortgage lending according to AHML standards, operations on the inter-bank market and stock market, capital investments to enterprises of the Krasnodar Territory.

The all-time high quality of the services and expansion of National Business Bank's product line are supported by the trust of the Bank's partners in all major directions. Particularly, the Bank has increased the amounts for inter-bank lending limits and has limits from high-class counterparties on the inter-bank market.

Retained earnings trend
(in million RUR)



Primary Objectives for Year 2009

Bringing corporate management standards to the best in the industry, increasing efficiency.

Taking advantage of opportunities provided by the development of the situation in the monetary system of Russia and the world for the expansion of the Bank's business.

Further development of customer base while maintaining primary focus on small and medium enterprises, as well as on individual customers of high and medium income strata.

Placing raised funds to the expansion of the small and medium business lending programs, development of mortgage housing programs, expanding sales channels.

Expanding footprint on financial markets.

Further development of the network of representative offices and satellite offices throughout the Krasnodar Territory.

Expanding product line for corporate customers: expanding lending and lease programs, depository accounting services, developing payroll card programs.

Expanding the range of retail services for individual customers: development of mortgage housing lending programs in the Krasnodar Territory; expanding the range of services using the Visa International payment system, increasing the number of ATMs, developing money wire services through Western Union, «ONTACT», Anelik® and other systems.

Realization of capital investment projects in the Krasnodar Territory and further funding of the most important objects: "Gornaya Karusel" sports and tourist center in Krasnaya Polyana, multi-purpose sporting and touring center "SOCHI-GOLF", rebuilding the hotel "Moskva".

● Financial Policy

The objectives of National Business Bank's financial policy in 2008 were determined by strategic goals for the development of the Bank's business and were split into the following blocks:

Ensuring sufficiency and effectiveness in utilization of own and raised resources.

Managing risks on each of the Bank's activity directions and managing overall risk.

Tightened inspection of the realization of the capital investment projects in the area of executing target income and profitability indicators.

Managing prime cost of banking products and ongoing optimization of spending articles.

Increasing margin between interest rate for depositing funds and cost of raised funds to further increase the profitability and cost efficiency levels of the Bank's business.

The Bank's strategy has enabled it to painlessly get through all the challenges fallen upon the Russian financial sector at the end of 2008 without a single failure and provide the best conditions for depositing own and raised financial resources.

In the current conditions, while promoting the line of own banking products to the market, National Business Bank accentuates the development of offers of high reliability level.



● Funding Sources

The primary element of the funding base in 2008 was the funds of participants in the Bank's authorized capital.

That witnesses for high level of trust to the development strategy chosen for the bank by the top management and high level of competence in carrying out business processes at National Business Bank.

An essential share of own funds in the liabilities opens the opportunity to considerably increase the volume of funding for large capital investment projects with duration of up to 5 years and ensure the growth of the Bank's profit for the future.

An important component of National Business Bank's funding base is its customer's funds, which as of January 1 2009 totalled at 1.239 billion rubles; out of that, 34% of the clients' funds are deposits with fixed periods.

The major part of the clients' remainders are funds on the residents' accounts.

Along the course of year 2008, National Business Bank had continued to actively work with individual customers. The share of individual customers in the liabilities totals at 7%. Considerably increased remainders on the accounts of holders of the VISA plastic cards; in 2009, the Bank is planning to not only maintain the positive trend in the growth of its quantitative and qualitative indicators but to significantly accelerate the growth.

In the end of 2008, the Bank has made contracts with enterprises on servicing their payroll projects and issuing VISA plastic cards, by which it has issued about 2 thousands of the cards with the payroll fund of up to 50 million rubles. Worthy of noticing is the stable positive dynamics of the funds raised from individuals.

High level of capitalization enables to raise investments into profitable segments of the financial market.



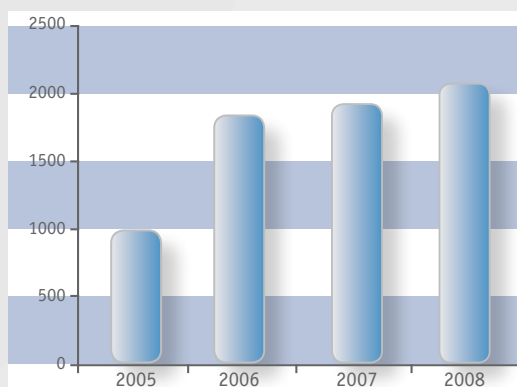
Capital

The Bank's capital as of January 1, 2008, totaled at 2.032 billion rubles.

The structure of the capital: AC — 1.871 billion rub (92% of capital), additional capital — 89.1 million rubles (4% of capital). The value of the H1 (capital adequacy ratio) has not dropped below 56.3% during the entire year. As of January 1, 2008, the capital adequacy ratio 64.1% (capital adequacy at high level). The diversification of the Bank's resource base is at sufficient level; diversification of the corporate customer base by industry

and loan holder groups — at the medium level. The dynamics of the resource base demonstrates stable growth. Sufficient liquidity, income rate and turn-around rate of own securities on the OTC market. The resource base is persistent in the short run, which is supported by the stability of the remainders on the MRF accounts during the last half a year and the absence of significant fluctuation of this value. Target liquidity indicators are high.

Equity dynamics
(in million RUR)



Loan Portfolio

Lending to corporate customers is a strategically most important, actively advancing direction of National Business Bank's business.

Increasing the volume of National Business Bank's loan portfolio is carried out in the full compliance with the principles of the Bank's lending policy on assessing qualitative characteristics of potential borrowers.

By increasing the volume of its lending portfolio, the Bank purposefully lowers the level of its concentration. The foundation for the diversification of the loan portfolio is composed of loans, predominantly to medium-business enterprises. The key factors for the success in this activity are the thorough knowledge of the customers' business and high quality of service.

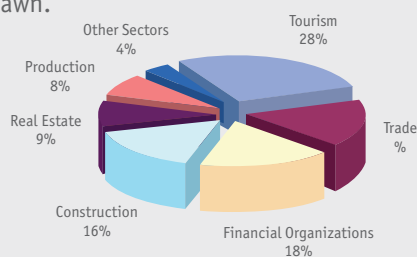
The 2008 loan portfolio broken down into currencies is formed as follows: 12% — loans in foreign currencies, 88% — ruble currencies. Compared to 2007, the total amount of the loan portfolio has increased (by 14%). In 2008, the amount of lending to subjects of small and medium business in terms of the state program for lending SMB carried out through the Russian Bank for Development has significantly grown. Slightly grown past-due accounts (by 1%).

In 2008, National Business Bank has lodged securities for the amount of 12 million rubles for participating in different tenders, contests, and escorting contracts through the customs.

The Bank continues to focus primarily on corporate loans project funding, which enables maintaining the amount of past-due accounts at low level.

Among borrowers, special attention is paid to such industries as: fuel and energy complex, construction, travel industry, whole-sale and retail trade, private air carriage, freight services, processing industry.

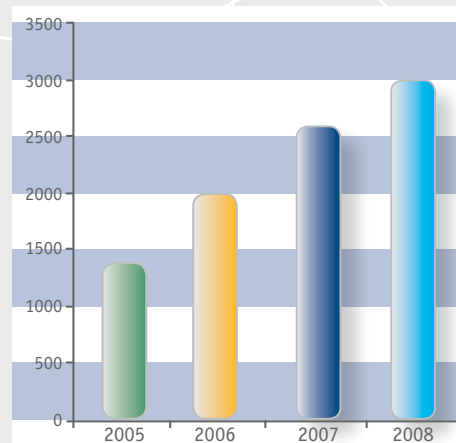
When lending to corporate customers, the Bank pays special attention to the quality of backing and its insurance. The appraisal of proposed pawn is carried out by appraisal companies accredited with the Bank, whose competence allows relying on adequacy in appraising the value of the pawn.



The priority points for making the decision on lending to a customer are the history of the partnership between the customer and the Bank, stability of the business, high business reputation, development trends, etc.

In compliance with the requirements of the Bank of Russia, National Business Bank constantly monitors the reserves formed for compensating possible loss to make sure that they have sufficient volume with reference to risk groups. The efficiency of the current credit risk management system is proven by the high quality of the lending portfolio and low share of past-due accounts.

Change of Loan Portfolio
(before reserves are subtracted)
In million RUR



Leasing

The Bank's plans include further development of the lease. It is planned to increase the span of the lease financed by the bank to 5 years.

The interaction of the Bank with leasing companies creates favorable prerequisites for launching the funding of projects on the modernization of manufacture and purchasing equipment in developed countries (France, Austria, and Germany). At this time, the Bank is able to provide

its customers with favorable conditions for raising funds on the western capital markets.

The amount of loans National Business Bank has issued for funding lease agreements in 2008 has totaled at 530 million rubles.



● Securities

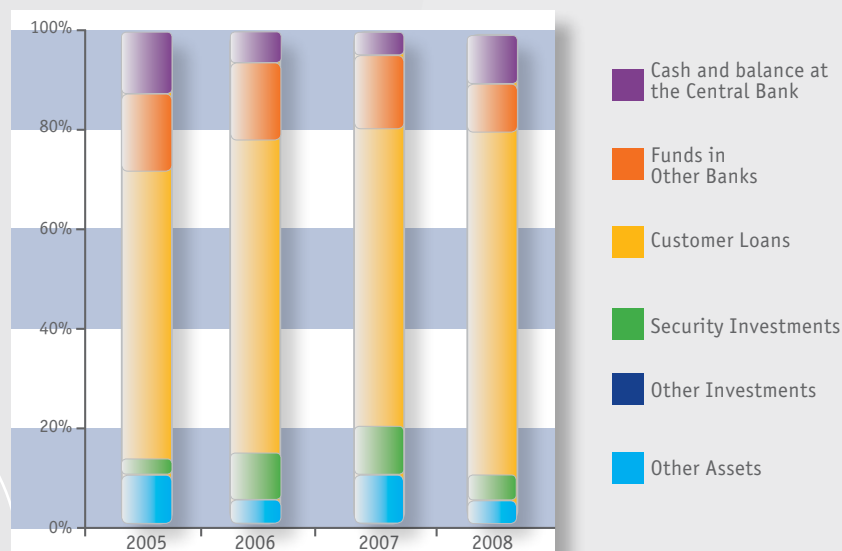
Along the course of year 2008, National Business Bank had followed the conservative approach when depositing funds to the securities portfolio.

Despite that as of January 01, 2009, the securities portfolio had dropped in comparison with the previous year, we appreciate the result of our activities on the financial market. The Bank's high standards in the risk management policies have enabled to approach to the beginning of the 2008's financial crisis with well-structured portfolio, enabled to keep out of losses in this activity. In everything else, the Bank maintains high quality of the assets deposited in securities; the portfolio consists primarily

of securities of first-class issuers.

Year 2008 has become the key point for the activity on the stock market, having proven the right conservative approach of the Bank to the market's risk. At the same time, the Bank's employees perfectly acknowledge the opportunities of the stock market, which are going to open for the Bank in 2009-2010. During the next year, the Bank is planning to make a considerable increase in the turn-around on operations with securities of first-class in the new market environment.

Structure of Assets



Correspondent Accounts and Position on the IBL Market

The remainders on the correspondent account with the Central Bank had been maintained at a high level along the course of the year. The turnover by the correspondent account with the Bank of Russia and nostro accounts in non-resident banks had been steadily growing during year 2008.

National Business Bank continues to hold the active position on the inter-bank market, partnering with over 150 Russian banks and cooperating with a broad network of correspondent banks, including those that are located abroad. Developing the circle of its counter-agents, National Business Bank follows the conservative strategy, giving priority to the reliability of its partners.

The Bank takes advantage of the opportunities of the inter-bank market predominantly for managing temporarily available short resources. Following this approach, National Business Bank has been constantly improving the risk evaluation system for inter-bank operations, which enabled it to maintain its positions on the monetary market in 2008 and not suffer losses.

For year 2008, the Bank has slightly lowered the turnover on the inter-bank monetary and currency markets; the reason for that was had become the lowering of activity of the Russian inter-bank market near the year's end. But in spite of all the challenges fallen on the Russian financial system, National Business Bank continues to remain a reliable counter-agent for such well-known banks as "Alfa-Bank" OJSC, OJSC JSCB "Metalinvestbank", JSB "Gazprombank", JSCB "Promsvyazbank", "Nomos-Bank" (OJSC), OJSC "Petrocommerc", and others.

Major counter-agents on nostro accounts: Raiffeisen Zentralbank Osterreich Aktiengesellschaft (Vienna, Austria); VTB Bank (Deutschland) AG, Frankfurt am Main, Germany; BANK WINTER UND CO. AKTIENGESELLSCHAFT, Vienna, Austria, INTERNATIONALE BANK FUER AUSSENHANDEL AG, Vienna, Austria, JSCB "Metalinvest. National Business Bank's correspondent banks are known for their outstanding reliability, and the Bank is proud to be in partnership with them."

The Bank carries out quality and prompt service on customers' payments. Conversion payments are carried out at a beneficial exchange rate, and the currency is deposited to the customers' accounts on the same day. The Bank is always open to provide consulting services to its customers.

National Business Bank is a member of SWIFT and an operator for Reuters Dealing. That enables the bank to promptly carry out deals and wire payments nominated in any of the world's leading accounting currencies the "to a day" principle (valuating the payments with the date the wire application was accepted). Besides that, in 2009 National Business Bank is planning to offer its customers all the benefits of the online banking system (in particular, will be able to see how the money travels through the accounts in the real time).

Correspondent Banks Currency

Correspondent Banks	Currency
BANK WINTER UND CO. AKTIENGESELLSCHAFT , Vienna, Austria	EUR
Raiffeisen Zentralbank Osterreich AG, Vienna, Austria	EUR, USD
VTB Bank (Deutschland) AG, Frankfurt am Main, Germany	EUR, USD
INTERNATIONALE BANK FUER AUSSENHANDEL AG, Vienna, Austria	USD
Metallurgical Investment Bank, Moscow, Russia	EUR, USD, RUB
Alfa-Bank, Moscow, Russia	USD, RUB
Bank for Foreign Trade, Moscow, Russia	USD, RUB
BANK URALSIB, Moscow, Russia	USD, RUB
Petrocommerce, Moscow, Russia	USD, RUB
Russian Agricultural Bank, Moscow, Russia	USD, RUB
Russian Bank for Development, Moscow, Russia	USD, RUB
MDM Bank, Moscow, Russia	RUB



Customers

In its customer relationships, National Business Bank aspires to:

Conduct respectfully, honestly and openly, by the mutual benefit principle.

Assist in selecting services.

Ensure the highest quality of products and services provided.

Carry out balanced and adequate pricing policy.

Provide customers with necessary information on the Bank's activities provided that it is not qualified as banking, official and/or commercial secret.

Maintain secrecy of bank account and bank deposit, transitions with account and customer profile, disclose that information only in the cases and by procedure prescribed by the law.

Promptly resolve claims and complaints and take necessary measures for eliminating the consequences of committed violations.

The customer sections of National Business Bank's website on the Internet allow visitors to obtain dense, easily comprehensible and complete information.

The website carries detailed information on products and services provided by the Bank — from their detailed descriptions through calculation

of the cost of mortgage (loan calculator) loans.

The website has an e-mail link, nbbank@nbbank.ru, and allows obtaining online consultations from the Bank's specialists on all current subjects. If visitor submits his contact information, he will be certainly provided a substantiated reply.

Customer Policy

Building long-term and mutually beneficial relationships with customers is the keystone for successful realization of National Business Bank's business strategy and determines the basic principles of the Bank's customer policy.

High quality of customer service.

Equal-right partnership.

Efficient feedback.

National Business Bank is aimed at the maximum satisfaction of demands from corporate and individual customers in the context of the offered product line. The Bank has been constantly adjusting the parameters of the services provided, setting just and competitive tariffs and improving its customer care service.

Following the ideology of building honest and open relationships with its customers, National Business Bank denies the possibility of providing inadequate or corrupted information on its current financial situation and operation in general.

The Bank observes the terms of confidentiality and banking secrecy. The disclosure of information on customers is possible only in the cases and by the procedure prescribed by the law of the Russian Federation.

Informing individual customers on the products and their pricing parameters is intended for drawing the service as close to the customer as possible. Besides promotional booklets, customer can obtain a personal consultation from the Bank's specialists.

An important component of the

National Business Bank's customer policy — is positive psychological structuring of the employees, focused on the creation of the most comfortable environment for rendering services. The Bank continuously develops new customer niches, bringing to the market the most current and competitive products, which help:

- Corporate customers — to advance their businesses, renovate manufactures, and realize investment projects of various scales.
- Retail customers — to improve quality of living, preserve and multiply their savings.

As is known, when selecting a bank, the potential customer gives priority to the quality of customer care, reliability and reputation. These exact qualities support the high level of the National Business Bank's customer policy and enable the Bank to increase its customer base from year to year.

Corporate Banking

Corporate customers are represented by companies from different sectors of the economy.

National Business Bank's largest strategic customers are enterprises operating in the area of fuel and energy complex (OJSC "Independent Energy Distribution Company" of the Krasnodar Territory (OJSC "NESK"), OJSC "Krasnodarteploenergo", OJSC "NESK-Elektroseti", OJSC "Heat and Power Company of the Krasnodar Territory") and travel industry in the Krasnodar Territory (OJSC "Krasnaya Polyana" (Gornaya Karusel sports and tourist center), OJSC "Pansionat "Olympiysky Dagomys", OJSC "Moskva" hotel, etc.

The second by volume industrial segment of the Bank's customers is the consumer goods sector.

Large customers in this sector: The "Wild Orchid" Group of Companies, "Hexeline" LLC, (dealer of the German HEXELINE trademark), CJSC "Pedigree Cage Plant "Rodina" (Homeland), "KUPPERSBERG GROUP" LLC, CJSC "Soyuz Produkt" (Union Food).

The third by volume industrial segment is the insurance and lease services sector. Among customers and partners are: "International Leasing Company" LLC, OJSC "MIK", OJSC "Military Insurance Company", CJSC "Moscow Joint-Stock Insurance Company".

The Bank's long-term customer is: CJSC "Informzaschita (Information Defense)", Research and Development Company.



Private Banking

Since 2005, National Business Bank has been a participant of the deposit insurance system; thus the Central Bank of Russia has confirmed the compliance of the Bank with applicable requirements. For that reason, in year 2008 the Bank kept working on the optimization of the tariff plans for retail customers and development of services for providing integrated approach to servicing individuals.

Mortgage program

Wide range of operations with plastic cards of the VISA payment system

Profitable by time and interest rate line for depositing processing payments through «CONTACT» and Western Union payment systems

Depositary services, placement to bank-managed mutual funds

Lease of individual safety deposit boxes

Having optimized the environment for servicing retail customers, the Bank was targeting to create the key stone for strengthening its positions in this sector.

Among the National Business Bank's plans for year 2009 is the further expansion of the range of services for retail customers and improving the quality of those. In particular, the Bank is planning to develop mortgage programs addressed to regional customers in compliance with the AHML standards.

During the last 1.5 years, the Bank has been actively developing mortgage lending in the Krasnodar Territory, Novosibirsk Region, Krasnoyarsk Territory, and Taimyr Autonomous Area.

A considerable share of housing mortgage lending falls upon the Krasnodar Territory. The population's ability to meet payments and the capacity of the mortgage market in the Krasnodar Territory is believed to be high.

In 2008, the Bank has drawn employees of the enterprises – customers of the Bank – to servicing their payroll projects and issuing VISA plastic cards. About 2 thousands VISA International cards have been issued.

Among the plans for year 2009 is offering to the Bank's customers VISA banking cards with a fixed allowed overdraft, which had begun with the bank's employees in the end of 2008 r.

Information Technology

In 2008, increased attention was given to the application of advanced technologies in the areas of information system development, telecommunications, caring for consumers of IT services. The development of information technologies is a part of National Business Bank's business strategy, and is implemented in the following directions:

Technical support and development of information banking systems used at the bank.

Automation of business processes.

Infrastructure support and development.

Maintenance and development of payment services (remote access, ATMs, self-service banking terminals).

During year 2008, National Business Bank's Information System Administration has realized a number of significant projects on the improvement and automation of the Bank's business processes.

The works conducted on the infrastructure elements during 2008 targeted the improvement of the communication channels and bringing the telecommunication services demanded by the Bank's departments to a standard in order to meet the Bank's high demands to the capacity and reliability of communication channels.

A communication system built upon the VPN-secured communication channels has been deployed for accessing

the information resources of the Bank, its branch and additional offices. Upon this technology are also built: integration of the automated banking systems, file exchange, corporate e-mail system and monitoring ATMs, in both Moscow and the Krasnodar Territory.

In November, 2008, put into operation the "BANK'S OWN BILLS OF COLLECTION, DEPOSIT AND SAVINGS CERTIFICATES" module of the "Bank XXI Century" ABS (DBMS ORACLE) by "INVERSIA". In 2009, the information systems administration will continue the works on the automation of operations with securities, embedding the "FUND" module by "INVERSIA" that also uses ORACLE for the DBMS.

Ensuring the high quality of the remote services rendered to the Bank's customers is one of the highest-priority tasks for the Information Systems Administration, as advancement of remote services lowers the load upon the

traditional sales network and has a great potential for lowering the prime cost.

Reliable and prompt service opens to greater opportunities to National Business Bank for the development of its branch network.

Regional Development

In 2008, the Bank continued strengthening its positions in the Krasnodar Territory, realizing a moderate transformation from a lending institution with operations localized in the Moscow Region to a bank with complete functionality for meeting the needs of customers in the Krasnodar Territory.

Started its operation the branch office in the city of Krasnodar — the organization's first department opened in a different region. Through that, the experience has been acquired and the next steps have been taken toward the creation of a network of regional subdivisions, where the Bank's customers would be able to obtain the full range of the Bank's services. An additional office has been opened in the city of Sochi (the elected host city for the 2014 Olympic Games).

The analysis of performance of regional offices and representative offices for 2008 has enabled to determine the perspectives for improving the operations technology and product line with reference to specialties in the economical environment of the Krasnodar Territory.

National Business Bank's plans for 2009 include the strategy for the expansion and diversification of the banking business. Scheduled for 2009 is the opening of new branch offices and additional offices under the auspices of the existing representative offices.

In 2009, the Bank is intends to invest several billions of rubles into the development of the business in the Krasnodar Territory. The Bank's branch development policy on the highly competitive banking market will target more proactive work with retail customers — the vast majority of new points of sale will specialize in retail services. Nevertheless, servicing corporate customers, providing them with the full service package, is also a priority direction.



Bank's Human Resource Policy

The primary goals of National Business Bank in the area of human resource management are current provision with and management of human resources for the operation of the Bank and enhancement of efficiency of the employees' output.

One of the most important tasks in the area of personnel management is keeping the balance between achieving the Bank's goals and meeting personal wants of the staff members. At the same time, the Bank is aiming at getting the maximum return on the investment into its personnel.

The development of the National Business Bank's policy in the area of human resource management goes in the following directions:

Staff recruitment and motivation, creation of productive environment, development of corporate culture and corporate values, personnel development and training, creating personnel reserve, basic principles of National Business Bank's policy in the area of human resource management: strict compliance with the Labor law of the Russian Federation, forming the Bank's personnel out of qualified, active, initiative specialists. Creation and ongoing adjustment with reference to changes on the labor market of a system for rewarding productive performance financially, development of an employee motivation system, evaluating employee performance against the balanced indicators system on the regular basis, development of a career advancement system by providing education, training, and rising of qualification, development and improvement

of programs aiming at creation of a corporate culture and establishing a special moral and emotional climate among the staff, development of programs for protecting employees' health and ensuring the safety of their labor by organizing work places meeting all sanitary and technical norms, regulations and standards.

Constant improvement of employees' professional and personal qualities is considered as an important component in the development of the business. During year 2008, the Bank has financed the training for its employees, resulted in obtaining qualification certificates from FFMS of Russia.

National Business Bank is aiming at forming a corporate culture and developing corporate values, at giving each employee the feeling of belonging to the realization of the Bank's mission and strategic tasks standing before it.

Risk Management

A keystone for successful operation in the environment of unstable financial markets is using quality risk management.

Risk management system is a crucial component in the complex management system at National Business Bank.

Ongoing improvement of this system has always been considered by the Bank as one of its priority directions.

The development of the risk management system is conducted with consideration of the latest technical know-how, both own and using others' experience in the development of banking business. Changes related to changes of the external environment are entered into the system promptly. Thanks to this approach, the management, monitoring and control over risks are carried out in the real time. As the consequence, risks are either eliminated or minimized within boundaries of determined restrictions.

The Bank's risk management system is meant for minimizing the lending risk (risk of losses in case the counter-agent fails to carry out his duties), market risk (risk of change in market environment related to fluctuations in currency exchange rate, alterations in interest rates, price of securities and derivative securities), risk of liquidity loss (risk of insufficiency of funds for carrying out obligations in full and promptly) and

operating risk (risk caused by wrong actions if the personnel or failures in the operation of information systems).

To prevent potential risks and minimize the damage in case they come to pass, in 2008, the Bank has approved the "Provision on system for assessing and controlling banking risks". That's a package plan that includes coherent actions of different structure divisions of the bank.

In compliance with the requirements of the Bank of Russia, National Business Bank constantly monitors the reserves formed for compensating possible loss to make sure that they have sufficient volume with reference to risk groups.

Yet another risk management factor – ensuring the purposeful use of borrowed funds and monitoring activities of the borrower to discover potential problems with returning the loan. In the context of fulfilling the requirements of the law "On credit histories", National Business Bank interacts with the loan office — National Credit History Bureau.

The efficiency of current system for managing credit risks is supported by high quality of the loan portfolio low share of past-due accounts.

In 2008, National Business Bank continued to improve its system for managing market risks — interest and currency risks.

The Bank's activity on the foreign currency market determines the priority of daily monitoring and prognosticating the change in the Bank's open currency position, both broken down to individual currencies and by currency position in whole.

The Bank's investment portfolio was optimized with reference to the results of a professional analysis of the issuers. The foundation of forming the portfolio reflects not only the analysis of the short-term environment, but also consideration of the Bank's risks: thus, investment limits were tracked precisely.

The liquidity risk management functions have been perfectly split between the Finance Committee and the Treasury. Current risk analysis and management methods have ensured the completion of the mandatory regulatory requirements of the Bank of Russia in the area of liquidity

and uninterrupted completion of customer payments.

The operating risk management is based upon a clear delineation of responsibilities between different structural subdivisions of the Bank. The internal security system built in the full compliance with the regulatory requirements of the Bank of Russia and recommendations of the Basel Committee also functions.

Besides all the above, to minimize its operating risks, the Bank carries out a set of measures on raising the professional qualification of its employees, constantly improves its information-banking technologies.



● Financial Monitoring and Analysis

The fight against legitimization of proceeds of crime and financing terrorism are the current tasks for the governments of many countries and international organizations today.

To prevent the possibility of using the Bank's services for legitimizing proceeds of crime and financing terrorism, as well as to maintain good business reputation of the Bank among its customers and business partners, National Business Bank has developed (and coordinated with the Bank of Russia and FFMS of Russia) internal control regulations for opposing the legitimization (laundering) of proceeds of crime and financing terrorism.

The primary principle of the operations in this direction is participating of all employees of the lending office, regardless to the position held and in the context of their

competency, in discovering "suspicious" transactions. To coordinate such activity, National Business Bank has created a special structural subdivision—Financial Monitoring Department. The objective of the department is daily monitoring and analysis of accounts and transactions of the Bank's customers and, in case of necessity, prompt delivery of information on the customer, operation or transaction of the customer to the authorized institution. The other objective of the department is the realization of the Internal control regulations for the purposes of opposing the legitimization (laundering) of proceeds of crime.



Corporate Management

National Business Bank is aiming at the practical realization of the information disclosure principles, accountability of the management to participants, division of responsibility and creation of efficient internal control system.

The Bank has adopted a fully compliant with the legislation procedure of informing participants who are in the proper way and timely notified of holding meetings via sources recommended by the law and by the order prescribed by the Constitution of the Bank. Through different channels (Annual Report, press releases, personal communication, and business correspondence) participants are provided with information required for making informed decisions. All necessary measures are carried out at the Bank for spreading the results of the annual general meeting among participants.

For the purposes of ensuring the reliability of provided financial information and operation efficiency, the Bank runs the internal control system — the process carried out jointly with the Board, management and employees of the Bank in the context of their authority.

National Business Bank constantly improves the quality of information it provides, expanding the list of data included in the report. The Bank discloses information on its purposes and operating strategy, financial state, members of the Board, Directors, etc. (Find out more at: www.nbbank.ru).

National Business Bank presents financial statements on its operating results in compliance with international financial reporting standards (IFRS). The statements are certified by the auditor, «FinEkspertiza» (FinExpertise) LLC (License No. E 002588).

National Business Bank believes that presenting financial statements in compliance with IFRS:

- Raises business reputation of the bank.
- Contributes to raising foreign investments.
- Improves relationships with participants and partners.
- Effective when making strategic decisions.

By no means an unimportant element of corporate management in the Bank's opinion is the activity on forming a corporate culture and putting high standards of business ethics into practice.



PR Strategy

National Business Bank's information disclosure principles:

Carried out timely and on the regular basis.

Access to the corresponding information is unhampered.

Disclosed information is complete and accurate.

Is consistent.

Channels for distributing information are selected in the way that ensures free access of interested persons to information being disclosed. Taking into account that of the greatest convenience for distributing and collecting information are resources of the Internet, the Bank consolidates the information it discloses at its own website at www.nbbank.ru, aspiring to update and actualize the data published there on the regular basis. The Bank's website provides its customers with detailed information on the Bank's business, its administration authorities, products and

services, important events in the Bank's operation, its achievements and financial results. Through the website the Bank also delivers information necessary for participants: on essential projects, founding documents, administration authorities, etc. Also published there are details on the structure of the authorized capital.

National Business Bank is aimed at maintaining feedback with its customers and partners, allowing them to contact with authorized employees, making feedback forms and contact phone numbers available on the website.



● Participants

The Bank builds its relationships with its participants on the basis of the necessity to provide equal rights to all groups of participants, achieve balance in their interests, eliminate any restrictions on participating in managing the Bank, obtain information on the Bank's operations.

These and other principles, securing the rights of participants of National Business Bank, are reflected in the Constitution of the Bank and a number of other normative documents, regulating such relationships.

The bank aspires to provide its participants with information required for making informative decisions, properly notify them of scheduled meetings through sources prescribed in the legislation and by the order prescribed in the Constitution of the Bank, as well as to carry out all necessary measures on delivering the results of the annual general meeting among its participants.

The most important document the Bank delivers to its participants is Annual Report, certified by Executives of the Bank; it reflects its financial state and contains the description of the business, strategy and the Bank's strategic plans, its balance sheet and audit opinion.

Auditor

NAME

000 FinExpertiza

LOCATION

129110, Moscow, Prospect Mira, 69/1.

STATE REGISTRATION

000 FinExpertiza is registered in the Moscow Registration Chamber (certificate of registration № 937.341 as of May 5, 1997. Primary state registration number 1027739127734).

AUDIT ACTIVITY

License № E 002588 issued by the Ministry of Finance of the Russian Federation as of November 6, 2002. The term of the licence validity was extended until 06 November, 2012.

000 FinExpertiza is accredited to carry out statutory audit of state and municipal unitary enterprises of Moscow.

Auditors' Report on Financial (accounting) Statements for the period from 1 January 2008 to 31 December 2008

To the shareholders of Commercial Bank «National Business Development Bank» Company Limited.

We have audited the accompanying balance sheet of Commercial Bank «National Business Development Bank» Company Limited (hereinafter — «the Bank») as of 31 December 2008, and the related consolidated statements of income, changes in equity and cash flows for the year 2008. These financial statements are the responsibility of the Bank's management. 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 plan and perform the audit to obtain reasonable assurance on whether the consolidated financial statements are free of significant misstatements. An audit includes examining on a selective basis the evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements represent accurately, in all significant aspects, the financial position of the Bank as of 31 December 2008 and the results of its operations and its cash flows for the year 2008 in accordance with International Financial Reporting Standards.

Deputy CEO



Borzova N.E.

Audit examination manager

Privalovskaya L.V.

ООО ФИНАКСПЕРТИЗА
Moscow, Russia

Balance Sheet as at 31 December 2008

('000 RUR)

Assets		2008	2007
1	Cash and cash equivalents	450,015	106,133
2	Placements with banks and other financial institutions	429,563	952,158
3	Financial instruments at fair value through profit or loss	-	310,526
4	Loans to customers	2,999,535	2,764,038
5	Investments in associate	4,000	4,000
6	Property and equipment	15,950	19,459
7	Other assets	15,116	14,733
Total assets		3,914,179	4,171,047
Liabilities			
1	Deposits and balances from banks and other financial institutions	176,279	495,419
2	Current accounts and deposits from customers	1,239,764	974,776
3	Promissory notes	7,847	194,570
4	Deferred tax liability	74,844	106,740
5	Current tax liability	9,976	-
6	Other liabilities	1,228	14,412
Total liabilities		1,509,938	1,785,917
Equity			
1	Charter capital	1,871,168	1,871,168
2	Additional paid in capital	47,941	47,941
3	Retained earnings	485,132	466,021
Total equity		2,404,241	2,385,130
Total liabilities and equity		3,914,179	4,171,047

Chairman of the Board

Chief Accountant



A.A. Kulakov

N.S. Korneeva

Income Statement for the year ended 31 December 2008

		2008	2007
1	Interest income	480,471	381,137
2	Interest expense	(48,137)	(48,850)
	Net interest income	432,334	332,287
1	Net (loss)/gain on financial instruments at fair value through profit or loss	(50,381)	36,352
2	Net foreign exchange (loss)/gain	105,690	(37,539)
3	Fee and commission income	15,310	17,317
4	Fee and commission expenses	(3,025)	(2,036)
5	Other operating income	12,457	7,445
6	Impairment allowance originated	(201,293)	23,928
7	General administrative expenses	(265,558)	(153,894)
	Cash profit	45,534	223,860
	Income before tax	45,534	223,860
	Income tax (expense)	(26,423)	(57,084)
	Income after tax	19,111	166,776
	Net income	19,111	166,776

Chairman of the Board

Chief Accountant



A.A. Kulakov

N.S. Korneeva

Statement of Changes in Equity for the year ended 31 December 2008

	Charter capital	Additional paid in capital	Retained earnings	Total
Balance at 1 January 2007	1,871,168	47,941	299,245	2,218,354
Net profit for the year	-	-	166,776	166,776
Balance at 31 December 2007	1,871,168	47,941	466,021	2,385,130
Net profit for the year	-	-	19,111	19,111
Balance at 31 December 2008	1,871,168	47,941	485,132	2,404,241

Chairman of the Board

Chief Accountant



A.A. Kulakov

N.S. Korneeva

Cash Flow Statement for the year ended 31 December 2008

	2008	2007
Cash flows from operating activities		
Interest and fee and commission receipts	508,070	399,161
Interest and fee and commission payments	(59,553)	(47,915)
Net receipts from financial instruments at fair value through profit or loss	(50,381)	25,024
Net receipts from foreign exchange	9,313	11,256
Other operating income	12,457	7,445
General administrative expenses	(255,777)	(146,169)
Income tax paid	(48,889)	(22,428)
Operating income before changes in operating assets and liabilities	115,240	226,374
Cash flows from operating assets and liabilities		
<u>Net (increase)/decrease in assets:</u>		
Minimum reserve deposit in the Bank of Russia	17,316	1,092
Financial instruments at fair value through profit or loss	310,526	(37,573)
Placements with banks and other financial institutions	522,583	(260,399)
Amount receivable under reverse repurchase agreements		73,648
Loans to customers	(456,328)	(81,381)
Other assets	1,339	(9,514)
<u>Net (increase)/decrease in liabilities:</u>		
Placements with banks and other financial institutions	(319,140)	467,506
Current accounts and deposits from customers	263,560	(198,178)
Promissory notes	(176,358)	(236,280)
Other liabilities	(13,184)	1,049
Net cash flows from (used in) operating activities	265,554	(53,656)
Cash flows from investing activities		
Purchases of property and equipment	(733)	(13,105)
Net cash flows used in investing activities	(733)	(13,105)

	2008	2007
Effect of changes in exchange rates on cash and cash equivalent	96,377	(27,582)
Net increase (decrease) in cash and cash equivalents	361,198	(94,343)
Cash and cash equivalents at the beginning of the year	86,808	181,151
Cash and cash equivalents at the end of the year	448,006	86,808

Chairman of the Board

Chief Accountant




A.A. Kulakov

N.S. Korneeva

General Information on the Bank

National Business Bank Co. Ltd is included in the mandatory deposit insurance system. (Certificate of government corporation Deposit Insurance Agency, Registration No. 845 of 04.08.2005.)

Participants of the Bank

Limited-liability company "VISTOUN GARANT",

Primary state registration number: 1027700312529. Date recorded in USRLE: October 14, 2002.
Certificate: МПП No. 002.042.283. of 26.04.2001. TIN 7715273175, CRR 771501001
Location: 127410, Moscow, Pomorskaya Str., 33.

Limited-liability company "Industria-Invest",

Primary state registration number: 1035004451624. Date recorded in USRLE: January 04, 2003.
Certificate: МПП No. 50:11:02482 of 30.05.2001. TIN: 5024047769, CRR: 502401001
Location: 143400 Moscow Region., Krasnogorsk, Tsyolkovskogo Str, 17.

Limited-liability company "Sibinvestproject",

Primary state registration number: 1037739182601. Date recorded in USRLE: January 22, 2003.
Certificate: МПП No. 967.348. of 27.06.2000. TIN: 7715238220, CRR: 771501001
Location: 127015, Moscow, Bolshaya Novodmitrovskaya Str, 14 bldg 2.

Limited-liability company "Trait",

Primary state registration number: 1035004461469. Date recorded in USRLE: April 07, 2003.
TIN: 5024058048 CRR: 502401001
Location: 143400, Moscow Region, Krasnogorsk, Volokolamskoe Hwy, 6.

Limited-liability company "Boot Trading",

Primary state registration number: 1037739181336. Date recorded in USRLE: January 22 2003.
Certificate: МПП No. 001.067.512 of 02.09.1999. TIN: 7705299463, CRR: 770501001
Location: 115035, Moscow, B.Ordynka Str., 7.

Limited-liability company "Al'Sinta",

Primary state registration number: 1027700312474. Date recorded in USRLE: October 14, 2002.
Certificate: МПП No. 001.500.936. of 27.09.1999. TIN: 7715217491, CRR: 232001001
Location: 354000, Krasnodar Territory, Sochi, Kurortny Ave., 18.

Licenses

Licenses from the Bank of Russia:

- No. 2795 of 08.05.2002 – To conduct banking operations with funds of legal entities in rubles and foreign currency.
- No.2795 of 08.05.2002 – To deposit monetary funds of individuals in rubles and foreign currency.

Licenses from the Federal Financial Markets Service (FFMS):

- FFMS License No.177-10780-100000 of 29.11.07 (unlimited) – To conduct broker activities.
- No.177-10783-010000 of 29.11.07 (unlimited) – To conduct dealer activities.
- FFMS License No.77-10787-001000 of 29.11.07 (unlimited) – To conduct activities on managing securities.
- FFMS License No.177-10790-000100 of 29.11.07 (unlimited) – To conduct depository activities.
- FFMS License No.1007 of 19.06.2007 – To conduct activity of Exchange intermediary, making commodity futures and option contracts in exchange trade.

Licenses from Center of the Federal Security Service of the Russian Federation for Licensing, Certification and Protection of State Secrets:

- Л3 No.0003591 Reg. No.3832X of 15.02.2007 (valid through 16.10.2011) – To perform technical servicing of encryption (cryptographic) tools.
- Л3 No.0003592 Reg. No.3833P of 15.02.2007 (valid through 16.10.2011) – To distribute encryption (cryptographic) tools.
- Л3 No.0003593 Reg. No.3834Y of 15.02.2007 (valid through 16.10.2011) – To render data encryption services.

Membership in leading professional associations and unions

- Association of Russian Banks (ARB)
- Association of Regional Banks of Russia (“Russia” Association)
- Moscow Interbank Currency Exchange, Category A currency market section
- CJSC “MICEX Stock Exchange”
- Self-regulated organization “National Association of participants of stock market” (NAUFOR)
- Self-regulated organization “National Stocks Association” (SRO NFA)
- International Payment System “Visa International”
- Russian National Association of S. W. I. F. T. Members



MOSCOW

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SOCHI

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MOSCOW, 2009