



Russian Agricultural Bank

Annual report 2008



Key Financial Highlights

**No 1 LARGEST BANK
BY AUTHORIZED CAPITAL**

**No 3 LARGEST BANK
BY TOTAL CAPITAL**

**No 2 LARGEST
BANK BY REGIONAL
BRANCH NETWORK**

**No 4 LARGEST BANK
BY ASSETS**

CONSOLIDATED FINANCIAL STATEMENT

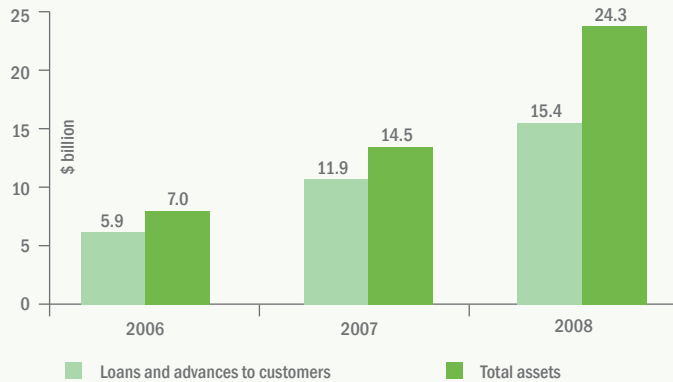
\$ million	FYE 2008	FYE 2007	FYE 2006
Summary of consolidated income statement			
Net interest income	904.1	693.7	313.2
Net interest income after provision for loan impairment	580.9	566.9	213.3
Profit before tax	113.5	238.0	44.7
Profit for the year	69.9	177.3	32.4
Summary of consolidated balance sheet			
Cash and cash equivalents	2,831.1	1,384.5	517.1
Mandatory cash balances with the Central Bank of the Russian Federation	32.8	99.5	65.2
Securities	2,310.5	777.3	268.0
Due from other banks	3,297.5	66.3	108.8
Loans and advances to customers	15,394.8	11,877.1	5,919.7
Premises and equipment	304.0	282.0	91.9
Other assets	101.3	33.0	39.6
Total assets	24,272.1	14,519.8	7,010.3
Due to other banks	8,274.4	2,497.1	1,342.8
Customer accounts	5,258.5	3,908.7	1,308.9
Promissory notes issued	335.1	1,318.2	1,452.2
Other borrowed funds	5,987.6	3,881.4	1,431.8
Syndicated loans	358.5	634.3	99.3
Derivative financial instruments	144.7	145.0	24.4
Other liabilities	57.0	51.9	11.4
Subordinated debts	1,550.0	705.5	506.5
Total liabilities	21,965.8	13,142.0	6,177.4
Total equity	2,306.3	1,377.7	832.9
Total liabilities and equity	24,272.1	14,519.8	7,010.3

STRONG CAPITALIZATION

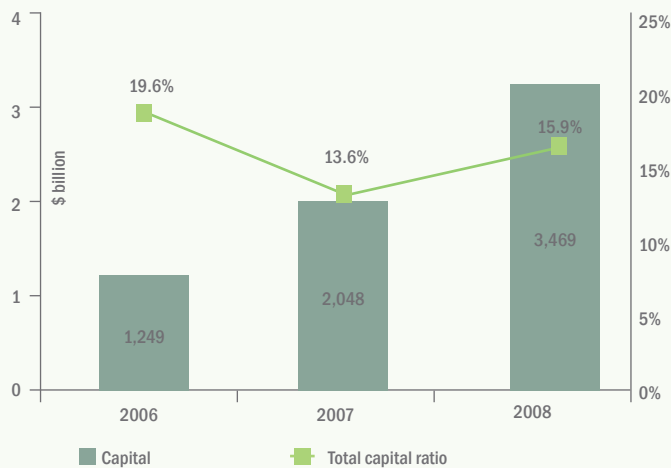
\$ million, %	FYE 2008	FYE 2007	FYE 2006
Tier I Capital	2,325.1	1,340.9	832.8
Tier II Capital	1,143.7	707.5	416.4
Total Capital	3,468.8	2,048.4	1,249.2
Total RWA	21,768.7	15,043.1	6,361.2
Tier I Capital / RWA	10.7%	8.9%	13.1%
Total Capital Ratio	15.9%	13.6%	19.6%

Source: Company Information as of YE 2008. Audited financial statements (IFRS) as of December 31, 2006, December 31, 2007 and December 31, 2008

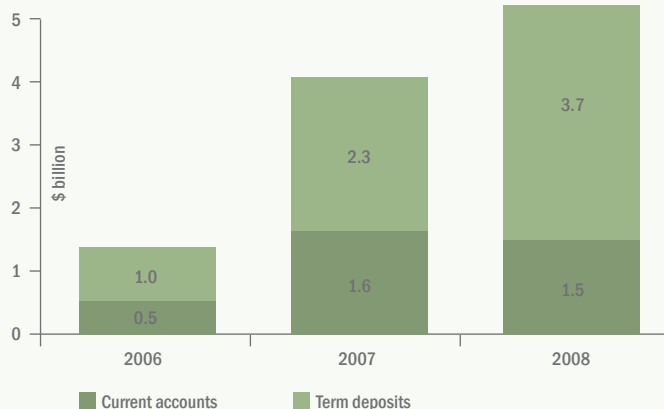
Strong Asset Growth



Capitalization



Deposit Growth



Chairman of the Supervisory Board Letter Chairman of the Management Board Letter

Economic Environment

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- Agribusiness Sector
- Macroeconomic Outlook 2009

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 - New Products Initiatives
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Russian Federation



Victor A. Zubkov

First Deputy Prime Minister of the Russian Federation,
Chairman of the Supervisory Board,
Russian Agricultural Bank

LETTER BY VICTOR A. ZUBKOV

The Russian Federation managed to fully unlock high potential of the national agribusiness in 2008. Positive shifts that the country's agribusiness saw in the recent years were further anchored and evolved in 2008.

The potential of the agribusiness sector was strengthened; its competitiveness was raised and the sector became more attractive for long-term investments. High performance was achieved within the framework of the Federal Program on Agribusiness Development 2008-2012.

Agribusiness of the Russian Federation today employs over 6 million people, which comprises 10% of all those employed in the national economy.

The dynamics of the agricultural production bear evidence of the positive changes in the national agribusiness: in 2008 agricultural output index amounted to 111%. Plant breeding grew by 17%, animal breeding – by 3.4%. In 2008, one registered high grain yield totaling 108 million tons, which is a record yield in the last 15 years. This amount allows to satisfy the primary needs for food and feed grain and gives the country export capacity of 15-20 million tons. Today, Russia has joined the world's five largest exporters of grain.

Such high performance of the national agribusiness was achieved in large part due to expansion of financial support of agricultural producers.

The decision of the Government of the Russian Federation to increase almost twofold the authorized capital of Russian Agricultural Bank – the main financial institution supporting the sector – has allowed the

national agribusiness to mitigate negative developments caused by financial turmoil.

Within the framework of the main lines of the Federal Program on Agribusiness Development 2008-2012 Russian agricultural producers received over RUR 380 billion of subsidized loans – a 1.5 times growth as compared to the target figures set in the Federal Program. It should be emphasized that Russian Agricultural Bank was the major contributor of such loans. More than one third of these funds were allocated for longer terms.

The growing demand for credit resources speaks well for the fact that the rural population cares for its native land and is eager to live and work on it. The first year of the Federal Program implementation has shown that agribusiness revives nowadays, the status of rural labor improves, the sector sees upsurge of business activity.

We are going through difficult times now. Financial crisis that broke out abroad has had a severely adverse effect on the international financial architecture, disrupted the liquidity of the Russian banking system and endangered many enterprises of the real economy sector, including agribusiness. Agricultural goods producers are most vulnerable in this context.

Agribusiness is a highly leveraged sector, it has a lengthy production cycle and it is exposed to climatic risk. Nevertheless, the turbulence in the global economy provides additional benefits to the agribusiness of the Russian Federation. The demand for the key agriproducts has a steady upward trend, evidenced by world argiproduct market price dynamics.

Credit for the steady development of the national agribusiness and its recent breakthroughs should be

given to the personnel of Russian Agricultural Bank. In 2008, the Bank demonstrated positive dynamics of its key performance indicators. Amid the liquidity crisis and collapse of confidence in the banking sector, when many banks have virtually scaled down their lending programs, Russian Agricultural Bank maintains upward dynamics of lending and expands the range of its programs.

In order to introduce the best practices of corporate management the Government of the Russian Federation approved appointment of independent directors to the Supervisory Board of Russian Agricultural Bank in 2008. They were also included in a number of committees supporting the activity of the Supervisory Board.

Due to the substantial increase of the Bank's authorized capital the Supervisory Board initiated the process of RAB strategy updating. The revised strategy of Russian Agricultural Bank will define the Bank's mission in the new economic environment, its priorities and business prospects. The objective of the renewed strategy is to balance the interests of the Bank's activity as an agribusiness development institute and a commercial bank.

In 2009, we should maintain the positive dynamics of the sector development, promote import substitution processes and ensure the transition of the national agribusiness to a new level in order to provide the whole population of the Russian Federation with foodstuffs. I firmly believe that despite current turbulence Russian Agricultural Bank will further stick to its consistent and transparent lending policy and ensure credit availability and continuous financing of priority agribusiness programs. ■



Yuri V. Trushin

Chairman of the Management Board and CEO,
Russian Agricultural Bank

Russian Federation

LETTER BY YURI V. TRUSHIN

Year 2008 was a challenging year for the financial market of the Russian Federation. The financial storm that broke out in the year under review has affected both the country’s banking system and the real manufacturing sector. The situation with fundraising had shortly become aggravated. The banking sector faced new threats and risks. The general crisis of confidence affected the financial sector.

The Government of the Russian Federation has undertaken a set of measures for crisis combating with the view to support and strengthen the national banking and real manufacturing sectors. The Government has chosen Russian Agricultural Bank to be among the main contributors to the implementation of these measures by providing credit and financial support to agricultural producers.

This task demands utmost efforts and dedication from the Bank’s personnel. Given the current tangled situation in the agribusiness, a special focus should be given to maintaining availability of credit resources for agricultural producers and rural population, updating forms and mechanisms of credit support.

Amid resource and confidence shortage in the national credit system the Bank continues its stable and sustainable

operations, while duly and fully meeting its obligations. In this regard the priority is given to the credit support of the national agribusiness.

In 2008, RAB maintained high growth rates in lending, even in times of aggravation of crisis developments. In fact, the volumes of lending support gained significant momentum. In 2008, the Bank extended loans to the total amount exceeding RUR 335 billion - a 36% growth as compared to 2007. Virtually all credit resources were allocated in the frameworks of special federal programs. At year-end 2008, RAB gross loan portfolio exceeded RUR 466 billion and showed a 60% growth. Upward dynamics was registered both in corporate and retail lending. The market share of RAB in the financing of national agribusiness well exceeds 50%.

Despite the liquidity crisis and current trend of banking deposits outflow, the Bank has not only managed to retain its funding base, but has expanded it significantly. Steady expansion of RAB client base serves best to show that confidence in the Bank grows. Since the start of 2008, the Bank has registered over 360 thousand new clients. Overall, RAB serves over one million clients today.

Given the current challenges and threats, the Bank seeks to take adequate measures by introducing immediate changes to its lending, funding, interest rate policies and risk-management, and ensuring continuous operation of all the Bank’s units.

The set of crisis prevention measures developed and implemented in the Bank has already allowed to eliminate or at least mitigate the detrimental effect of certain negative factors on the Bank’s activity.

The high capitalization level and extensive regional branch network allow the Bank to continue consecutive buildup of its loan portfolio. Expansion of credit and financial support of agricultural producers becomes a matter of urgent importance in the view of ensuring the country’s food security – a challenging target for the national agribusiness set by the Government of the Russian Federation.

The recent years experience has shown that investments in agribusiness proved to be highly efficient. This is evidenced by steady demand and upward dynamics of the world market prices for the main agriproducts. In fact, each ruble invested in the rural areas development pays out by recovering underutilized land, improving living standards of the rural population.

This poses a large-scale and crucial task for the staff of Russian Agricultural Bank for 2009. We are determined to continue focusing on agribusiness lending support by expanding the scale of lending to agricultural enterprises and rural population and ensuring achievement of the objectives outlined by the Government. ●

ECONOMIC ENVIRONMENT

Strong Position in the Downturn Global Economy

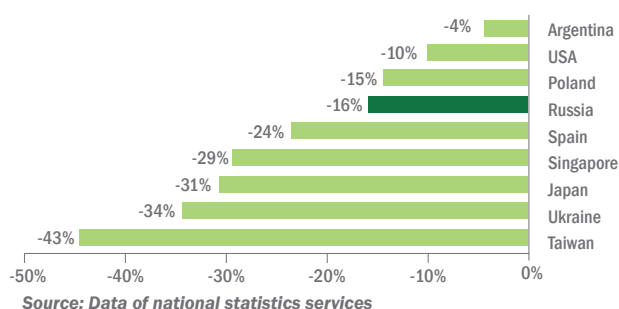
MACROECONOMIC CLIMATE

The performance of the Russian economy since 1998 has been impressive. Between 1998 and 2007, Russian GDP expanded by an estimated 69%, real incomes of the population grew by 82%. Unprecedented macroeconomic stability was achieved in the context of strong budgetary and current account surpluses. Important taxation, budgetary and administrative reforms facilitated the rapid development of market institutions in many areas. Modernization and productivity growth outside the oil and gas sector have been important contributing factors to the recent expansion, although major strengthening of oil, gas, and other prices on Russia's commodity exports also gave a new boost to economic growth since 2003.

In the first six months of 2008, real GDP growth in Russia continued at a brisk pace of about 8%, reflecting a booming economy and strong macroeconomic fundamentals (table 1, chart 2).

Russia's macroeconomic outlook has started deterioration in the third quarter alongside a perfect storm of financial market and macroeconomic developments. After a decade of high growth, the Russian economy is experiencing now a slowdown in the wake of the global financial crisis (chart 1).

CHART 1. INDUSTRIAL PRODUCTION DYNAMICS IN JANUARY 2009, AS COMPARED TO JANUARY 2008



Russia's strong short-term macroeconomic fundamentals, prudent fiscal policy, and lack of exposure to the US sub-prime crisis made it better prepared than many emerging economies to deal with the crisis. Russia entered the crisis with eight years of budget surpluses behind it and the world's third-largest gold and foreign exchange reserves.

The government has taken all possible measures to mitigate growing financial and economic difficulties. These include but are not limited to cutting banks' reserve requirements and oil companies' export duties several times; injecting liquidity (more than \$200 billion in federal budget fund deposits, subordinated loans, and the like), increasing coverage of retail bank deposit insurance by 75%; intervening in the foreign exchange market, evidenced in a decline of more than \$100 billion in reserves; committing an additional \$50 billion of reserves to solve refinancing difficulties in banks and companies and using another \$20 billion from its national wealth fund to boost domestic stock markets directly (table 2).

The turbulence in the global financial market in the second half of 2008, contraction of business activity, collapse of oil prices, growing outflow of private capital

TABLE 1. RUSSIAN FEDERATION: MAIN ECONOMIC INDICATORS

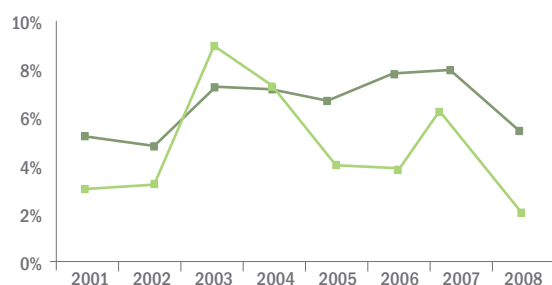
Economic indicator	2005	2006	2007	2008	2009f
GDP, \$ billion	764.9	990.2	1,295.4	1,642.2	1,418.7
GDP growth, % yoy	6.4	7.7	8.1	5.6	-2.2
Industrial production index, % yoy	4.0	3.9	6.3	2.1	-7.4
Capital stock investment growth, %	10.5	16.7	21.1	9.1	-14.8
Consumer prices, % yoy	10.9	9.0	11.9	13.3	13.0
Central Bank policy rate, %	12.0	11.0	10.0	13.0	11.0
Budget balance, % of GDP	7.7	7.4	5.4	4.0	-7.4
Trade balance, \$ billion	118.4	139.2	130.9	179.8	40.0
Current account, \$ billion	84.4	95.6	76.5	98.9	7.1
Forex reserves, \$ billion	168.4	303	476.4	427.1	315.4
Foreign debt / GDP, %	31.0	31.3	36.3	29.8	34.2

Source: Federal State Statistics Service, Central Bank of Russia, Ministry of Economic Development of the Russian Federation

TABLE 2. FISCAL AND BUDGET POLICY MEASURES AIMED AT CRISIS PREVENTION

	RUR billion	\$ equivalent	% of GDP
1. Fiscal and budget policy measures, total	2045.3-2145.3	61.2-64.2	5.2-5.4
2. Fiscal policy measures	900-1000	26.9-29.9	2.3-2.5
Reduction of income tax by 4 points	400-500	12-15	1.0-1.3
Increase of depreciation charges from 10% to 30%	150	4.5	0.4
Cutting oil companies' export duties	250	7.5	0.6
Others, including reduction of SME tax, support of fisheries	100	3	0.3
3. Budget policy measures	1145.3	34.3	2.9
Replenishment of authorized capitals	439	13.1	1.1
<i>Including Russian Agricultural Bank</i>	75	2.2	0.2
Subordinated loans	450	13.5	1.13
<i>Including Russian Agricultural Bank</i>	25	0.7	0.06
Interest rates subsidizing for agribusiness	18.07	0.5	0.05
SME development	6.2	0.2	0.02
Labor market measures	43.7	1.3	0.11
Upgrading unemployment benefits	35	1	0.09

Source: Ministry of Finance of the Russian Federation

CHART 2. GDP AND INDUSTRIAL PRODUCTION GROWTH IN 2001-2008

Source: Ministry of Economic Development of the Russian Federation

from the Russian economy have affected year 2008 results. In 2008, the Central Bank of Russia registered net capital outflow amounting to \$129.9 billion as compared to net capital inflow of \$83.1 billion in 2007. These factors together combined to squeeze the Russian economy from both the external and domestic side. The growth rates of GDP, capital stock investments and disposable real income of the population have slowed down as compared to 2007. The GDP growth rate in 2008 was 5.6%, in 2007 the GDP grew by 8.1% (chart 3). According to the economists estimations stable recovery and return to 2007 indicators can be expected in 2010.

The macroeconomic effects of the ongoing financial crisis continue to play out in Russia's key eurozone, US, emerging Europe and Asian export markets.

CHART 3. GROWTH RATES OF GDP, CAPITAL STOCK INVESTMENTS AND DISPOSABLE REAL INCOMES

Source: Central Bank of Russia

BANKING SECTOR

In the first six months of 2008, banking sector in Russia continued impressive growth reflecting a strong economy and macroeconomic fundamentals. Until 2H2008, Russian banking sector remained untouched by the world financial turbulence.

The rise of external financial and economic threats of the deteriorating global economy and aggravating problems of the Russian banking sector have caused a decline in its financial strength in 2H2008. It resulted in contraction by 10-20% of the key performance indices of the banking sector in 2008 as compared to 2007.

However, altogether Russian banking sector has shown significant growth in 2008 - total assets of the Russian banking sector grew by 39.2%, total capital – by 42.7% (chart 4).

In terms of retail deposits growth rate the market grew by 14.5%. Corporate deposits grew by 18%.

The corporate lending sector increased by 34.5%, retail lending sector – by 35.2%.

The fact that in September, October and November of 2008 the banking sector growth rates were slower than in 2007 has most affected the sector performance.

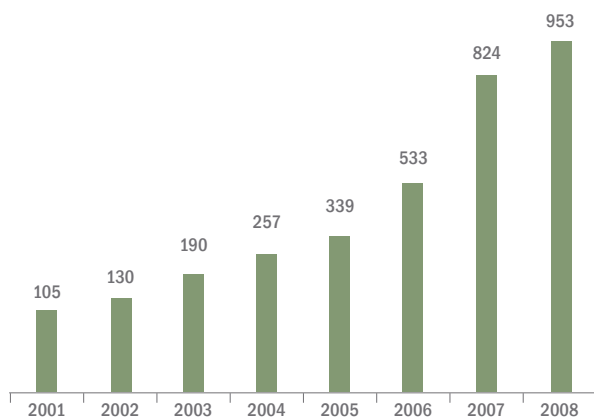
As of January 1, 2009, the total NPL level of banks amounted to 3.8%, loan loss provisions reached 5% of the total loan portfolio.

External debt of the Russian banking sector has remained almost unchanged. At the start of 2009, the total external debt of the Russian banks amounted to \$166.1 billion. As of January 1, 2008, it totaled \$163.7 billion.

Liquidity issues and tightening credit in Russia are reflective of economic and banking sector developments globally, particularly in the benchmark eurozone, UK and US economies. The short-term liquidity problem was successfully resolved; however the long-term liquidity issue remains the main challenge.

Systemic risk to the banking sector appears limited because of the government's resolve to support the systemically important banks and a sizable package of measures taken to date. However, private and smaller banks faced liquidity shortages. In Russia there are currently 1,108 banks, of which the 20 largest account for 70% of household deposits and corporate loans.

CHART 4. RUSSIAN BANKING SECTOR ASSETS (IN \$ BILLION)



Source: Central Bank of Russia

As a result, bank consolidation has been restarted with several banks being taken over by other, stronger banks or the government. Given the fragmented Russian banking system and the large number of small banks, orderly consolidation could contribute to a stronger and healthier banking sector emerging after the crisis.

The Central Bank moved decisively to support liquidity in the system and help restore confidence during the September liquidity crunch. Worsening of global financial conditions in the third quarter of 2008 and the liquidity

crisis in September caused the Central Bank to change the policy course and provide substantial liquidity in its efforts to alleviate the confidence crisis and unfreeze the interbank credit market. These actions were swift, appropriate, and proportionate to the problem at hand.

The government is expected to continue to support financial markets and the real economy.

AGRIBUSINESS SECTOR

Year 2008 turned out to be rather successful for the agribusiness of the Russian Federation. During the last 15 years one ever managed to achieve such remarkable results. For the first time agribusiness grew higher than the whole economy. Gross agricultural output index amounted to 111% (chart 5). A record net grain yield was registered – namely, 108 million tons. Furthermore, Russia has an export capacity of 15-20 million tons of grain.

All this was achieved due to timely and proper measures. The size of arable plough land was expanded by 2 million ha, including 1 million ha for account of underutilized land. The efficiency of spring field works was further increased. Lending to farmers and purchase of new machinery was enhanced: farmers purchased over 23 thousand tractors and 9 thousand combine harvesters during the year under review. That translates to a 15% growth as compared to previous years.

In 2008, the Federal Program on Agribusiness Development 2008-2012 was launched. The Federal Program includes both production parameters and social aspects of rural areas development, as well as measures on preservation and rehabilitation of land used in agribusiness.

One of the priority areas of the Federal Program implementation is accelerated development of animal breeding. Milk production in all categories of enterprises in 2008 grew by 354 thousand tons or by 1.1% and amounted to 32.5 million tons. Such increase was achieved due to sustainable growth of milk yield. For the first time in the animal breeding statistics of Russia average milk yield per cow exceeded 4 tons of milk.

Dairy stock farming will receive further impetus in 2009. A special program on development of dairy stock farming and increase of milk production in Russia 2009-2012 was introduced. Additional RUR 20 billion will be allocated from the federal budget for its implementation. The program stipulates that by 2012 milk production in Russia will be increased by almost 18% to reach 37 million tons.

During two years of the National Priority Project on Agribusiness Development implementation 197 new projects for 126 thousand cows were completed and put into operation, 786 milk complexes and farms were renovated with the use of modern technologies and processes, ca. 300 thousand pedigree cattle were supplied to the milk farms.

Year 2008 saw further growth of animal breeding production. In particular, poultry production grew some 17%, production of other types of meat – ca. 8%. This creates solid basis for further success in 2009.

The Government of the Russian Federation is currently taking additional comprehensive measures for stabilization of the situation in agribusiness sector. The main objective of these measures is to sustain the momentum gained in the agribusiness lending.

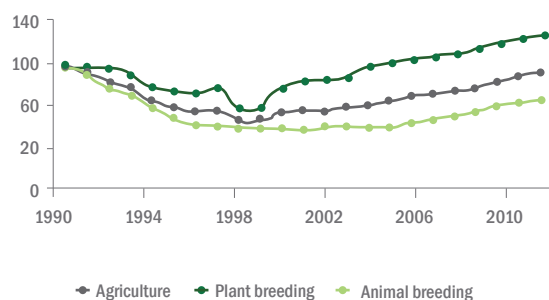
The Government's crisis combating policy includes the following systemic measures of agribusiness support:

- ensuring credit availability for agribusiness enterprises;
- providing for domestic market protection;
- promoting import substitution, i.e. ensuring national production growth and expanding export of homegrown agriproducts;
- providing state support to systemic enterprises;
- promoting investment activity in agribusiness.

The scale of agribusiness budget support for 2009 was increased by more than 1.5 times to RUR 182.8 billion from RUR 115 billion.

Given the global financial turbulence the Government decreed to increase the amount of subsidies for compensation of interest expenses on loans to 80% from 2/3rds (66.7%) of the Bank of Russia refinancing rate and to 100% - for animal breeding enterprises.

CHART 5. GROSS AGRICULTURAL OUTPUT INDEX (IN COMPARABLE PRICES, IN % TO 1990)



Source: Ministry of Agriculture of the Russian Federation

The set of crisis combating measures also include cutting of import poultry quotas by 300 thousand tons and import of pork by 200 thousand tons.

The volume of stock-exchange deals on grain purchase and commodities interventions reached ca. 3.5 million tons. The state will continue such interventions as part of price stabilization program.

The Food Security Doctrine of the Russian Federation was developed to ensure supply of the country's population with homegrown foodstuffs, which are competitive to the imported goods in terms of price and quality.

All these measures combined will allow to mitigate possible losses of the national agribusiness due to the financial turmoil and will give new growth capacities.

MACROECONOMIC OUTLOOK 2009

Given that the global crisis has a lot further to run, the final outcome will depend on the rather uncertain global economic outlook.

Past crises suggest that the first and second quarters after the crisis are the weakest in growth terms (i.e. 4Q2008 and 1Q2009). However, financial support policies enacted to date, plus the substantial amount of international reserves held by the country, should help Russia weather the depth of global crisis in 2009 and rebound to further growth by 2010.

A general recovery in Russia is expected to begin in 2010. Credit conditions are likely to loosen on the back of an expected recovery in the eurozone and US, as well as from an improvement in Russian banks' balance sheets, made possible through government capital injections in 2008 and 2009.

Russia remains an attractive strategic economic play. It accounted for 0.8% of nominal global GDP at the start of the century. The share has grown to 2.7% today and will probably increase further.

Significant progress has been made but many challenges lie ahead:

- overcoming spatial development of the regions;
- diversifying the economy;
- encouraging growth of SME;
- raising productivity growth;
- improving competitiveness;
- building human capital;
- improving governance.

With that the crisis also presents an opportunity to address the medium- to longer term challenges of competitiveness, economic diversification, and financial sector modernization which are necessary to boost growth and living standards.

This would ensure that Russia emerges from this global crisis with a stronger basis for dynamic, productivity-led growth and is better placed to take advantage of global integration. ■

2008 CALENDAR

December

- RAB capital increase by total amount of RUR 45 billion approved by the Government of the Russian Federation.
- General Shareholders meeting approved RAB joining the Canada Eurasia Russia Business Association and the Association of Farms and Agricultural Cooperatives of Russia.
- Ranked 4 by assets among the largest banks, according to the Profile magazine.
- RAB placed its series 05 non-convertible interest bearing bonds payable on demand worth RUR 10 billion maturing in 2018.

November

- Awarded National Banking Premium in the nomination Leader in Regional Branch Network Development. The bronze statuette of the winged lion symbolizes the highest quality of the financial institution services.
- RAB 2007 Annual Report was named among the best three reports in the nomination Best Annual Report in Financial Sector and became the laureate of the award in the nomination Best Presentation of Information in the Annual Report for Foreign Investors on X Annual Report Awards initiated by the rating agency Expert RA.

October

- Opening of RAB's Corporate University.
- National Bank of the Republic of Belarus issued a permit to establish a Representative Office of Russian Agricultural Bank in Minsk, Belarus.
- RUR 25 billion subordinated loan with 8% interest rate and final maturity in 2019 extended to Russian Agricultural Bank by the Government of the Russian Federation.
- Number 3 among the leading banks of the Russian Federation by growth of individual deposits in the ranking published by the Kommersant magazine.

September

- Ranked 4 by net assets among the largest banks in 1H2008, according to Russian Business Consulting.

August

- Number 4 by assets among the largest banks in 2Q2008, according to Interfax.
- Opening of the 78th regional branch in Chelyabinsk.
- Increase by the Government of the Russian Federation of the Bank's authorized capital by RUR 31.495 billion.

July

- Awarded the Diploma of the Ministry of Agriculture of the Russian Federation for the active investment activity in the framework of the Federal Program on Agribusiness Development 2008-2012.
- Number of RAB's clients reached 1.184 million, including 130 thousand legal entities and 1.054 million individuals.

- Chairman of the Board and CEO of Russian Agricultural Bank Yuri V. Trushin was honored with an Order for Achievements in the Development of Banking Industry in Russia.

- Long-term foreign currency deposit rating upgraded by Moody's to Baa1, positive outlook.
- Number 372 in terms of capital in the world's 1000 largest banks listing published in the July 2008 issue of The Banker magazine. RAB was ranked 10 among the largest banks of the Russian Federation and 11 among the largest banks of Central and Eastern Europe.
- Regional branch network includes 77 regional branches and 1,300 additional offices covering the whole territory of the Russian Federation and servicing over 1 million clients.

June

- RAB has extended loans to the total amount of over RUR 600 billion to the agribusiness and rural population within 8 years of its business activity. The Bank's share in the total volumes of agribusiness lending in the Russian Federation exceeds 54%.
- Successful placement of RUR 5 billion 7th bonds issue maturing in 2018.
- Named Best Local Trade Bank in Russia by Trade Finance Magazine in recognition of its leadership in trade finance operations on national and international markets.

May

- Ranked 5 by net assets among the largest banks in 1Q2008, according to Interfax.
- Issue of \$1.75 billion loan participation notes over two tranches – 5 and 10 year, priced to yield 7.125% and 7.75% correspondently. The issue is assigned A3 rating by Moody's and BBB+ long-term rating by Fitch.
- Signed Cooperation Agreement with the Ministry of Agriculture of the Russian Federation concerning the Implementation of the Federal Program on Agribusiness Development 2008-2012.
- Number of RAB's clients exceeded 1 million.

April

- Issue of CHF 150 million 6.263% Senior Eurobond maturing in April 2012. Ratings assigned: Moody's – A3, Fitch – BBB+.
- Chairman of the Board and CEO of Russian Agricultural Bank Yuri V. Trushin became the laureate of the all-Russia anniversary award The Best Banker of the Year in 2007.
- Laureate of the premium Financial Elite of Russia in the nomination Efficiency and Profitability, awarded based on Expert RA rating agency analysis.
- Opening of the 77th regional branch in Chukotka.
- Increase by the Government of the Russian Federation of the Bank's authorized capital by RUR 2 billion.

March

- The best depository bank working with rubles and number 4 depository bank working with Euros, according to Russian Business Consulting.
- Long-term foreign currency deposit rating Baa2 reviewed by Moody's for possible upgrade.

February

- Ranked number 5 in terms of net assets among the largest banks of the Russian Federation according to the Profile magazine.

January

- RUB 152.5 billion extended in the framework of the National Priority Project on Agribusiness Development.

KEY EVENTS AFTER THE REPORTING DATE

January 2009

- Number 4 by own capital among 200 largest banks of the Russian Federation, 5 in terms of lending to non-state enterprises, 8 in terms of lending to individuals and 10 in terms of attracting deposits from individuals in ranking published by the Profile magazine.

February 2009

- RAB's authorized capital increased by RUR 45 billion and reached RUR 106.223 billion.
- Russian Agricultural Bank and JSC Akron signed Agreement on the financial support of mineral fertilizers delivery to the domestic agribusiness in 2009-2010.

March 2009

- Russian Agricultural Fuel Company established with the purpose to secure timely provision of agribusiness producers with fuel. RAB possesses 90% of the Company.
- RAB's bonds Series 03, Series 06, Series 07 included in the first class quotation list "A" of the MICEX Stock Exchange. The listing indicates reliability, informational transparency and financial stability of the Bank.
- Representative Office opened in Belarus with the purpose of facilitation of the business contacts established between enterprises of the Russian Federation and the Republic of Belarus.
- RAB was ranked 3 among 100 most reliable banks of the Russian Federation according to banks listing published in the March 2009 issue of the Forbes magazine.

- Russian Agricultural Bank signed Cooperation Agreement with Belagroprombank, Republic of Belarus, with the view to boost bilateral economic relations and exchange of experience in the areas of banking operations and international trade development.

- Russian Agricultural Bank signed Cooperation Agreement on Implementation of the Federal Program on Agribusiness Development 2008-2012 with Altay Territory and the Republic of Adygeya.

April 2009

- Konstantin M. Kudakov appointed Member of the Management Board, Deputy Chairman of the Management Board of Russian Agricultural Bank. Earlier Konstantin M. Kudakov was Director of Branch Network Development Department of Russian Agricultural Bank.
- Russian Agricultural Bank and AgromachHolding signed Cooperation Agreement on implementation of the special-purpose program for financing of the procurement of agricultural machinery and/or equipment under its pledge.
- Fitch Ratings affirmed Russian Agricultural Bank's ratings at the current level.
- Russian Agricultural Bank ranked 3 among 100 most reliable banks of the Russian Federation according to the Finance magazine and number 4 by net assets and by cash balance on corporate clients' accounts according to the Profile magazine.

May 2009

- The Euromoney awarded Russian Agricultural Bank as the Best Managed Bank 2009 in the Russian Federation.
- Chairman of the Board and CEO of Russian Agricultural Bank Yuri V. Trushin became the laureate of the all-Russia anniversary award The Best Banker of the Year in 2008.
- Representative Office is opened in the Republic of Tajikistan.
- Russian Agricultural Bank signed Cooperation Agreement on Implementation of the Federal Program on Agribusiness Development 2008-2012 with the Karachayevo-Cherkessian Republic.
- Based on 1Q2009 results Russian Agricultural Bank was ranked 4 among the largest banks of the Russian Federation in terms of assets and capital, according to Interfax.

June 2009

- RAB priced a highly successful 5-year US\$1 billion bond - the first fully distributed benchmark Eurobond from Russia since July 2008. The offering was five times oversubscribed and priced at the tight end of the guidance - 9%. Moody's and Fitch rated the issue Baa1 and BBB, respectively. ■

MISSION AND STRATEGY STATEMENT

Building on Strong Record of Success

Mission of RAB:

- focus on availability of accessible, innovative and effective banking products and services for agribusiness engaged entities and rural population;
- financial support of sustainable development of agribusiness and rural territories;
- facilitation of development and operation of modern credit and financial system of the agribusiness sector of the Russian Federation.

Representing the cutting-edge agribusiness financing Russian Agricultural Bank pursues the following strategic objectives:

- facilitate federal programs implementation;
- expand access to banking services for agribusiness and the rural population;
- develop new products and lines of business tailored to the specific requirements of its target customers;
- strengthen presence in the agribusiness sector of the Russian economy;
- ensure investment appeal, efficiency, sustainability and resilient development;
- pursue high growth of agribusiness using new opportunities;
- follow principles of social and environmental responsibility.

These seven objectives have been central to RAB since its establishment in early 2000. Adhering to these strategic objectives and applying best international practices and technology has delivered RAB to the top 5 largest financial institutions of the Russian Federation.

In order to ensure its strategic objectives implementation the Bank strives to enhance its operations efficiency and introduces innovations. Nowadays RAB has become a modern competitive financial institution and has proved its standing of a reliable partner for Russian and foreign banks.

As the world economy works its way through current period of financial turmoil, RAB remains confident about its growth prospects. RAB has continuity of management and team-oriented employees with an ability to face demanding challenges.

RAB strength will continue to rest in its ability to combine long-term commitment to its clients, sound financial standing, extensive knowledge of agribusiness, government commitment, close relationships with local administrations, solid reputation and wide local presence.

Activity guidelines:

- a relentless focus on clients' needs – establishing new financial solutions and compelling value propositions to address clients' needs and promote relationship-based banking;
- recognition of teamwork importance – working together across businesses and regions to deliver added value to clients, fostering corporate culture full of vitality and conducive to innovation;
- integrity and sound management – complying with laws and regulations while maintaining the highest ethical standards;
- ensure reputation - maintaining, enhancing and monitoring solid reputation acting with professionalism, integrity and respect and serving as a reliable partner.

Financial targets:

- maintain a strong financial profile and competitive position;
- diversify operations in various regions and agricultural sub-sectors;
- increase share in the subsidized lending market;
- develop and increase customer accounts/deposits and fee and commission income.

Corporate development framework:

- implement modern banking and information technologies to improve efficiency and deliver high quality service;
- develop talent and maintain high performance standards across the whole branch network in order to ensure good banking practices and client service;
- maintain prudent policies in respect of management of operations expansion – costs control;
- continue to improve risk management standards;
- expand regional branch network.

RAB aims to offer its clients an original financial structure that closely matches their needs and concerns, and to enable them to become long-term partners in a structure built on the values of proximity, responsibility and solidarity.

In 2008, Russian Agricultural Bank generated strong performance based on its unique mandate in agribusiness lending in the Russian Federation, close and trusting relationships with rural population, regional and local administrations, diversified product line, wide distribution network with presence in key regions, robust capital position, high quality assets, well-managed balance sheet, high level of service quality, talented and highly experienced staff sharing a strong culture of teamwork and integrity.

RAB's existing achievements allow it to look forward to tomorrow's challenges clearly and confidently with ambition of becoming one of the top financial institutions operating in the Russian Federation and the leader in agribusiness lending. ■

HISTORICAL MILESTONES

Solid Foundation for Long-standing Growth

Agribusiness complex takes one of the particular places in the whole national economy of the Russian Federation. In Russia there are 10% of all the ploughed lands of the world. Farming gives about 40% of the yield production of agribusiness, livestock sector – more than 60%.

Modern agribusiness production systems are capital intensive. As such, a large portion of capital used in agribusiness is borrowed. Credit is necessary to facilitate input purchases and can be a significant cost of production. The availability and use of credit plays a significant role in the sustained profitability of agribusiness enterprises. In this regard, a symbiotic relationship exists between agricultural producers and their lenders; the health of one depends on the condition of the other.

In all countries, agribusiness credit operates with specific analyses meant to consider particular characteristics of the sector activity. Russia has developed financing methods that are adjusted to the needs of the agribusiness and of the farmers. Types of agribusiness financing are also adapted to the specific financial needs of those involved in agribusiness, which are determined by planting, harvesting and marketing cycles. Like seeds and chemicals, agribusiness credit options are changing and expanding with new and innovative products.

In the late 19th century, in Russia agriculture was struggling to find suitable credit, i.e. long-term, flexible and cheap. Thus, the agrarian credit system in Russia goes back to 1882 when the first specialized banks – ‘Peasant Land Bank’ and ‘Gentry Land Bank’ – were established. During the Soviet period about 90% of all long-term loans were extended to agribusiness. At that time the sector included 35,000 offices all over the USSR and employed 110,000 people.

Russian Agricultural Bank was set up in 2000 under the special Decree of the President of the Russian Federation with the mission to be the conductor of the state credit and financial policy in agribusiness sector, to facilitate a strong performance by clients, to invest in the core businesses and technology and to be the basis of the national credit and financial system of agribusiness in the Russian Federation.

In the period from 2000 to 2008, Russian Agricultural Bank has made considerable efforts to grow from the unknown newly established Bank to one of the top 5 financial institutions of the Russian Federation (scheme 1). It has

established the second largest branch network in the country and became a leader in agribusiness lending with 58% share (chart 6). Through its regional branches and additional offices RAB offers a highly varied range of financial services and products. Such a position nearby its broad customer base coupled with the diversity of its activities enables RAB to achieve stable results, and in doing so continue to respond to the changing needs of its clients.

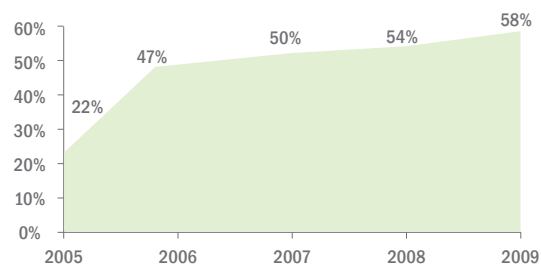
RAB continuously develops its business relations with financial institutions, international organizations and improves its products and services in accordance with international standards. RAB has a wide and well-structured correspondent network, which is expected to grow further.

Strong government support, significant role in the implementation of all federal programs on agribusiness development, large regional branch network, positive credit history and sound positioning on the international financial market will further allow RAB to enjoy strong and successful growth in accordance with its strategy.

Russian Agricultural Bank today:

- one of the major players within Russian banking arena;
- 58% market share in agribusiness lending in the Russian Federation;
- serving 27% of the country's population;
- employing more than 24,000 persons;
- countrywide presence through 78 regional branches and over 1,400 additional offices;
- recognized as reliable partner for Russian and foreign banks.

CHART 6. RAB MARKET SHARE IN AGRIBUSINESS LENDING IN THE RUSSIAN FEDERATION



Note: RAB estimations

SCHEME 1. KEY HISTORICAL EVENTS

2000

Set up in 2000 by the Presidential Decree to implement state policy in agribusiness and facilitate development of rural areas.

2001

Two state capital increases of RUR 430 million and RUR 2 billion.
Compensations distribution in Federal Program "Reconstruction of the economy in Chechnya".

2002

Launch of lending program for personal household plots owners.
Obtaining license on attraction of retail deposits.
State capital increase of RUR 994 million.

2003

Capital reached RUR 4.9 billion.
The Bank as a State Agent embarked on the program aimed at financial rehabilitation of agricultural enterprises.

2004

Moody's Interfax Rating Agency assigned RAB national scale ratings.
First Ruble bonds issue.

2005

Moody's Investors Service and Fitch Ratings assigned RAB ratings at investment grades.
First Eurobond issue of USD 350 million.
Capital increase of RUR 6.1 million.

2006

No 729 by The Banker.
No 2 by branch network.
State Agent in the National Project on Agribusiness Development.
Capital reached RUR 20.9 billion.
Over 40% share in agribusiness.
Joined Top 10 largest banks by total assets.

2007

No 472 by The Banker.
Over 50% share in Agribusiness.
Best Financial Borrower 2007 in the Central and Eastern Europe by Euromoney magazine.
No 6 by net assets and shareholder equity.
Authorized capital reached RUR 27.7 billion.

2008

No 372 by The Banker.
No 4 by capital and assets.
Key Bank in the Federal Program on Agribusiness Development 2008-2012.
Best Local Trade Bank in Russia by Trade Finance Magazine.
58% share in Agribusiness.
Capital increase by RUR 2 billion and RUR 31.5 billion.

CORPORATE GOVERNANCE

Transparency and Business Integrity



Yuri V. Trushin

Chairman of the Board and CEO



Stanislav G. Baranov

First Deputy Chairman of the Board



Gennady M. Antonov

Deputy Chairman of the Board



Arkady G. Kulik

Deputy Chairman of the Board



Valentin L. Kondurin

Deputy Chairman of the Board



Sergey A. Smirnov

Deputy Chairman of the Board



Konstantin M. Kudakov

Deputy Chairman of the Board



Oleg V. Nikonov

Member of the Board, Chief Accountant



Igor N. Baginsky

Member of the Board, Department Director



Oleg U. Avis

Member of the Board, Department Director

CORPORATE GOVERNANCE

Transparency and Business Integrity

Russian Agricultural Bank aspires to the highest standards of corporate governance as means of driving the performance of the business. RAB challenges and refreshes approach to corporate governance in order to keep well embedded and at the forefront of best practice development.

SUPERVISORY AND MANAGEMENT BOARDS

General Shareholder's Meeting is the highest level of management and ultimate decision making body of RAB. Supervisory Board performs the supervisory role within RAB. This means that the Board supervises the policy pursued by the Management Board. As a part of this task, the achievement of the Bank's objectives, the strategy, business risks, design and operation of the internal risk management and control systems, the financial reporting process and compliance with laws and regulations are discussed at length and tested regularly. In addition, the Supervisory Board has an advisory role in respect of the Management Board.

Management Board is responsible for the management of RAB. This includes responsibility for achievement of objectives of the Bank as a whole, its policy, results, compliance with all relevant laws and regulations, management of business risks and financing of operations. The Management Board reports

on all these aspects to the Supervisory Board. Members of the Management Board are appointed by the Supervisory Board.

Chairman of the Management Board and CEO of Russian Agricultural Bank has powers to act in the name of the Bank and to represent it towards third parties. Chairman of the Management Board is appointed by the Supervisory Board.

Corporate governance is a dynamic process. RAB regularly checks its corporate governance in light of new events, statutory requirements and developments in domestic and international standards, and makes appropriate adjustments.

To strengthen the support provided to the management of the Bank and to develop a new strategic vision in the current global environment, in 2008 Independent directors were appointed to the Supervisory Board. These changes were introduced with the purpose to follow recommendations of the Basel Committee that is:

- to increase transparency and management efficiency;
- to enhance expertise of the members of the Supervisory Board;
- to follow best international practices.

Status of the Supervisory Board was also upgraded due to nomination of the First Deputy Prime Minister of the Russian Federation to the position of Chairman of the Supervisory Board of Russian Agricultural Bank.

Supervisory Board

Victor A. Zubkov
Anatoly B. Ballo

First Deputy Prime Minister of the Russian Federation
Deputy Chairman of State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)"

Sergei M. Guriev

Rector of Non-governmental educational institution "Russian Economic School (Institute)" (independent director)

Tatyana V. Paramonova

Representative of the President of the Russian Federation in the National Banking Council of the Bank of Russia, Adviser to the President of JSC "Russian railways" (independent director)

Elena B. Skrynnik
Alexander I. Sobol
Yuri V. Trushin

Minister of Agriculture of the Russian Federation
Deputy Chairman of the Management Board of JSC "Gazprombank"
Chairman of the Management Board and CEO, Russian Agricultural Bank

Management Board

Yuri V. Trushin
Stanislav G. Baranov
Gennady M. Antonov
Arkady G. Kulik
Valentin L. Kondurin
Sergey A. Smirnov
Konstantin M. Kudakov
Oleg V. Nikonov
Igor N. Baginsky
Oleg U. Avis

Chairman of the Board and CEO
First Deputy Chairman of the Board
Deputy Chairman of the Board
Deputy Chairman of the Board
Deputy Chairman of the Board
Deputy Chairman of the Board
Deputy Chairman of the Board
Member of the Board, Chief Accountant
Member of the Board, Department Director
Member of the Board, Department Director

COMMITTEES AND COMMISSIONS

The Supervisory Board has three standing committees:

- Audit Committee - reviews in detail RAB accounts and monitors its risk and internal control environment;
- Remuneration Committee - sets policy and approves the remuneration of senior executives;
- Strategic Planning and Development Committee – is responsible for setting and supervision of general and priority strategic objectives, for recommendations on dividend policy, and for appraisal of RAB's operations efficiency.

The Management Board is supported by a number of committees and commissions, including:

ALCO Committee

ALCO Committee is composed of First Deputy Chairman of the Management Board, who serves as Chairman of the Committee, Managing Directors of Treasury, Planning and Economy Department, Risk Assessment and Control Department, Finance and Taxation Department, Deputy Managing Director of Methodology and Credit Management Department and Chief Accountant. The ALCO Committee typically meets once per week.

ALCO Committee reviews proposals to be considered by the Management Board and prepares materials for the Management Board on such matters as:

- implementation of the Bank's limits policy;
- adoption of internal procedures for regulating financial risk management;
- approval of the terms on which new funding is provided to RAB and the use of such funding.

ALCO Committee makes decisions independently, including funds allocation between the regional branches, setting limits and sub-limits to the regional branches and personal limits to the employees of the head office within the authorities provided by the Management Board.

Credit Committee

Credit Committee is headed by Deputy Chairman of the Management Board, and is made up of Managing Directors of Methodology and Credit Management Department and Legal Department, Deputy Chief Account, and Deputy Managing Directors of Risk Assessment and Control Department, Planning and Economy Department, and Security Department.

Credit Committee is independent from the Lending Department.

Credit Committee is responsible for approving the terms of individual credit transactions and preparing proposals for the improvement of the Bank's credit policy. Specifically, the Committee's main duties are:

- to establish and to modify criteria used by RAB in the analysis of asset quality and asset classification by risk category;
- to develop procedures for creation and use of reserves;
- to establish minimum interest rates for the Bank's loans;
- to review and analyze the results of inspections of RAB by external auditors, regulatory bodies and the Internal Control Service.

Credit Committee meets as often as three times a week, as needed.

In addition, RAB has credit committees at the regional branch level and credit committees at the additional office level that approve terms of individual credit transactions for regional branches and additional offices, respectively. Credit committees of regional branches also approve credit transactions of additional offices in excess of the established credit limits.

Technological Committee

Technological Committee is headed by the First Deputy Chairman of the Management Board, who serves as Chairman, and consists of representatives of Planning and Economy Department, Accounting and Financial Reporting Department, Security Department, Director of Information Technology Department, Managing Director of Methodology and Credit Management Department. Technological Committee meets as often as twice a month.

Technological Committee functions:

- to determine RAB's IT development strategy;
- to update existing and to develop new banking technologies;
- to purchase, design and introduce new soft- and hardware with the view to streamline technologies of the Bank's management.

Branch Network Committee

The Branch Network Committee is headed by Deputy Chairman of the Management Board, who serves as Chairman, and consists of Managing Directors of Branch Network Development Department, Human Resources Department, Cash Operations Department, Retail Lending Department, Deputy Managing Directors of Security Department, Finance and Taxation Department, Methodology and Credit Management Department and representative of Corporate Lending Department.

Branch Network Committee activity is aimed at:

- implementing RAB's branch network development policy;
- delivering proposals on its modernization;
- building system of efficient branch network management.

IFRS Committee

IFRS Committee is headed by Managing Director of Accounting and Financial Reporting Department and consists of representatives of Information Technology

Department, Capital Markets Department, Cash Operations Department, Finance and Taxation Department, Planning and Economy Department, Accounting and Financial Reporting Department, International Operations Department, Methodology and Credit Management Department, Retail Lending Department and Treasury.

IFRS Committee has the following competences:

- ensuring coordination of the Bank's units financial reporting based on IFRS;
- operational control over financial statements preparation;
- contacting external auditor.

Committee on Implementation of Agribusiness Development Programs

The Committee is headed by Chairman of the Board and CEO. Committee is comprised of Deputy Chairman, representatives of Accounting and Financial Reporting Department, Information Technology Department, Branch Network Development Department, Legal Department, Internal Control Service, Retail Lending Department, Treasury, and Finance and Taxation Department.

Committee was organized for coordination of the Bank's units and regional branches activities on implementation of Agribusiness Development Programs, starting from the National Priority Project on Agribusiness Development initiated in 2007 and further on the Federal Program on Agribusiness Development 2008-2012.

Corporate Development Committee

Corporate Development Committee is headed by Chairman of the Board and CEO and is comprised of Deputy Chairmen, representatives of Finance and Taxation Department, Accounting and Financial Reporting Department, Planning and Economy Department, Corporate Lending Department, Legal Department and Internal Control Service.

Corporate Development Committee activity is aimed at:

- reviewing RAB's development projects and the Bank's corporate development;
- establishing and restructuring the Bank's units;
- updating IT development strategy;
- developing internal normative base;
- updating existing and adopting new banking technologies.

Corporate Ethics Committee

Corporate Ethics Committee is headed by Deputy Managing Director of Planning and Economy Department and includes representatives of Finance and Taxation Department, Cash Operations Department, Corporate Lending Department, Internal Control Service, Human

Resources Department, Branch Network Development Department.

Corporate Ethics Committee activity is aimed at:

- promotion of corporate culture;
- control of compliance with principles and rules of corporate ethics.

Strategy Development Committee

Strategy Development Committee is headed by Deputy Chairman of the Management Board, who serves as Chairman, Managing Director of Planning and Economy Department, who serves as Deputy Chairman of the Committee. Other members of the committee are representatives of the following departments: Planning and Economy Department, Accounting and Financial Reporting Department, Human Resources Department, International Department, Credit Management Department, Technological Development Department, Corporate Lending Department, Retail Lending Department, Treasury, Branch Network Development Department, and representatives of the Academy of National Economy under the Government of the Russian Federation, who act as advisory of the project.

Strategy Development Committee is responsible for management, monitoring and coordination of the project "RAB Strategy Development".

Crisis Combating Committee

The Committee is headed by the First Deputy Chairman of the Management Board and comprised of two Deputy Chairmen of the Management Board, Managing Directors of Methodology and Credit Management Department, Finance and Taxation Department, Planning and Economy Department, Capital Markets Department, Corporate Lending Department, Risk Assessment and Control Department, Treasury and Chief Accountant.

Crisis Combating Committee was established in 2H2008 to deal with negative influence of financial instability.

Committee competences are defined as follows:

- to monitor and to estimate current economic situation in the Russian Federation and in the world;
- to work out a set of crisis combating measures at RAB to ensure its stable development;
- to coordinate the activity of RAB's departments on implementation of crisis combating measures.

Nomination Commission

Nomination commission is headed by Deputy Chairman of the Management Board, who serves as Chairman, and is comprised of Managing Directors of Human Resources Department, Legal Department, Branch Network Development Department, Planning and Economy

Department, Methodology and Credit Management Department, and representative of Finance and Taxation Department.

Nomination Commission is responsible for:

- conducting ongoing succession planning;
- delivering recommendations on candidates for appointment to executive positions in head office and regional branches.

Remuneration Commission

Remuneration Commission is headed by Director of Finance and Taxation Department, who serves as Chairman, Deputy Chairman of the Commission is Deputy Managing Director of Planning and Economy Department. Commission is comprised of Head of Internal Control Service, Managing Director of Human Resources Department, Deputy Managing Director of Legal Department, and Deputy Chief Accountant. Remuneration Commission allocates financial resources on salary payment in view of the number of employees and growth of salaries.

Occupational Safety and Health Commission

Commission is headed by Deputy Chairman of the Management Board, who serves as Chairman, and is comprised of representatives of Human Resources Department, Administrative Department, Legal Department, Cash and Non-Cash Operations Department, Information Technology Department and Security Department.

Occupational Safety and Health Commission is responsible for training and testing of health and safety requirements of employees.

Additional Social Security Commission

Additional Social Security Commission is comprised of representatives of Administrative Department, Human Resources Department, Finance and Taxation Department, and Accounting and Financial Reporting Department.

Commission is responsible for additional preferences and services offered to the employees in the framework

of their social security, including but not limited to health of employees and their kids, compensation of stay in the sanatorium facilities, recreation facilities and other.

Pension Commission

Commission is headed by Deputy Chairman of the Management Board and is comprised of Managing Directors of Human Resources Department and Finance and Taxation Department and representatives of Legal Department, and Chief Accountant.

Pension Commission is responsible for non-government pension fund of the Bank's personnel.

Scholarship Commissions

Commissions are headed by Deputy Chairman of the Management Board, who serves as Chairman, and is comprised of representatives of the University or Academy and representatives of RAB's Finance and Taxation Department, Human Resources Department and Legal Department.

Two Scholarship Commissions for Russian State Agrarian University – MTAA named after K.A. Timiryazev and for Finance Academy under the Government of the Russian Federation are organized in RAB with the purpose to select candidates from students and post-graduates to receive scholarships.

Operations Maintenance Commission

Commission is headed by Deputy Chairman of the Management Board, who serves as Chairman, and is comprised of Managing Directors of Finance and Taxation Department, Accounting and Financial Reporting Department, Planning and Economy Department, Information Technology Department and Head of Public Relations Department.

Operations Maintenance Commission was established in 2H2008 as part of the Bank's crisis combating program. It is responsible for strict control of expenses and compliance with budgeted costs estimation. ■

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERFORMANCE REVIEW

Strength, Diversity and Resilience

2 008 was split into two distinct periods. In the first six months of 2008, the robust growth of the Russian Federation economy continued, real GDP grew at a brisk pace of about 8%, reflecting a booming economy and strong macroeconomic fundamentals.

In the second part of the year the financial and economic turmoil being felt globally has placed a strain on both developed and emerging economies. After a decade of high growth, it has affected the Russian Federation, pushing economic growth off the cliff and posing a new challenge for banking sector performance.

Strong short-term macroeconomic fundamentals made the Russian Federation better prepared than many emerging economies to deal with the crisis. Prudent fiscal management and substantial financial reserves have protected the country from deeper consequences of this external shock. The government's policy response so far - swift, comprehensive, and coordinated - has helped limit the impact.

2008 became a mixed year for Russian Agricultural Bank and was marked by two major facts.

- First, the Bank met goals set in the business plan for 2008 in an unusually difficult business environment of the banking sector. The eventual outcome was profitable, controlled, balanced growth over the year.
- Second, the world banking sector as a whole was affected by the crisis. RAB YE2008 operations did not remain untouched by the financial turmoil. In this difficult and highly unstable environment RAB continued a full scale support of the agribusiness sector of the Russian Federation.

The effects of the financial market crisis required RAB to identify additional challenges in its operations and agribusiness market growing demand for credit and financial support.

RAB successful performance is based on client-oriented modernized and resilient mechanism of banking products and services provision. RAB promotes creation of a truly customer-centric culture. Aiming at improved customer satisfaction RAB establishes partner relationships with each client responding to individual needs and requirements, and developing and rendering individual services.

RAB strictly complies with all its obligations, provides high quality services and broadens range of banking products and services offered to its clients. All these allow the Bank to strengthen its position in the market by attracting new clients and growing turnover.

RAB YE2008 results confirm its strong market position and clients' loyalty (table 3).

Growing Scale of Business

- 58% market share in agribusiness lending in the Russian Federation;
- second largest branch network in the Russian Federation, including 78 regional branches and 1,414 additional offices;
- ranked 4 by capital and by assets among the largest banks, according to Russian Business Consulting and the Profile magazine;
- ranked number 372 in the Top 1000 World Banks listing, number 10 among the largest banks of the Russian Federation and number 11 among the largest banks of Central and Eastern Europe according to The Banker magazine.

TABLE 3. KEY PERFORMANCE INDICATORS

	YE2008	YE2007
Authorized Capital	RUR 62.0 billion \$2.1 billion	RUR 28.5 billion \$1.2 billion
Total Equity	RUR 67.8 billion \$2.3 billion	RUR 33.8 billion \$1.4 billion
Total Capital	RUR 101.9 billion \$3.5 billion	RUR 50.3 billion \$2.1 billion
Total Assets	RUR 713.1 billion \$24.3 billion	RUR 356.5 billion \$14.5 billion
Loan Portfolio	RUR 452.3 billion \$15.4 billion	RUR 291.6 billion \$11.9 billion
Profit before tax	RUR 3.3 billion \$0.1 billion	RUR 5.8 billion \$0.2 billion
Profit for the year	RUR 2.1 billion \$0.07 billion	RUR 4.4 billion \$0.18 billion
Personnel	24.5 thousand employees	19 thousand employees
Clients	over 1 million retail and 150.5 thousand corporate	800 thousand retail and 110 thousand corporate

Russian Agricultural Bank has now achieved six years of continuous positive and from year to year improving financial results. The Bank is well placed for further organic growth with broadly diversified businesses by asset class, by region and by client type.

This section is partly prepared in accordance with Russian Accounting Standards.

STRONG CAPITAL POSITION

In 2008, RAB's capital continued to grow both from federal and market sources. In April 2008 and in August 2008, RAB's capital was increased by RUR 2 billion (\$68 million) and RUR 31.5 billion (\$1.1 billion), respectively, and amounted to RUR 61.223 billion (\$2.1 billion) as at YE2008 according to Russian Accounting Standards. In October 2008, RAB received RUR 25 billion (\$851 million) subordinated loan from the Government. As a result its own capital amounted to RUR 106.2 billion according to Russian Accounting Standards (\$3.6 billion) (table 4).

TABLE 4. RAB CAPITALIZATION

Date	Capital Increase, RUR million	Authorized capital, RUR million
Jun-00 start-up	375	375
Mar-01	430	805
Jul-01	2,000	2,805
Dec-02	994	3,799
Jun-03	850	4,649
Sep-05	6,121	10,770
Feb-06	493	11,263
May-06	3,700	14,963
Dec-06	5,908	20,871
Dec-07	6,857	27,728
Apr-08	2,000	29,728
Aug-08	31,495	61,223
Total YE 2008		61,223
Feb-09	45,000	
Total		106,223

Note: according to Russian Accounting Standards as of March 1, 2009

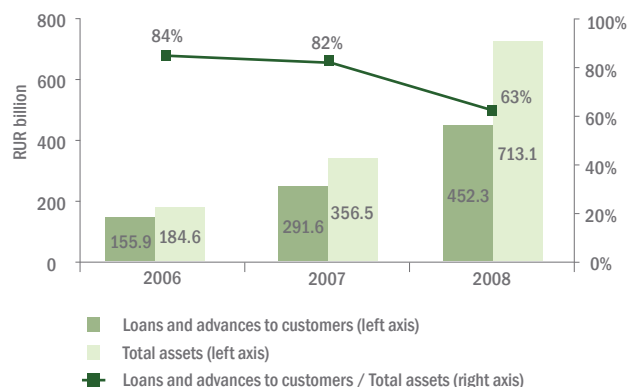
The Government is committed to funding further capital increases of RAB to support the lending activity under the Federal Program on Agribusiness Development 2008–2012.

Looking ahead RAB's capital position is strong, particularly following RUR 31.5 billion (\$1.1 billion) and RUR 45 billion (\$1.5 billion) of equity contributions, respectively, in August 2008 and February 2009. RAB believes that capital strength and liquidity are two of its key features, ensuring that it is positioned to seize new opportunities for agribusiness support wherever they arise.

UPWARD FINANCIAL TRENDS

In 2008, RAB showed substantial financial results: total assets amounted to RUR 713.1 billion (\$24.3 billion), loan portfolio reached RUR 452.3 billion (\$15.4 billion). RAB

CHART 7. STRONG ASSET GROWTH

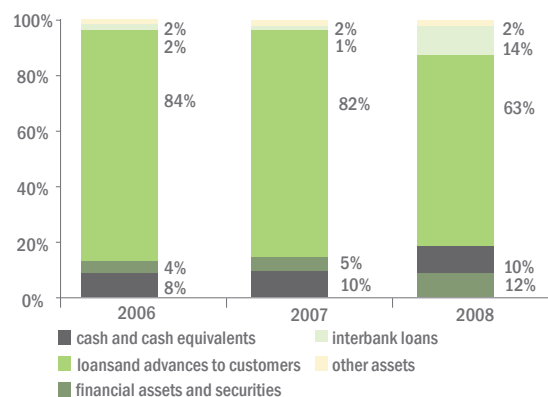


has achieved strong asset growth by 1.7 times in line with management's expectations and objectives (chart 7).

Assets vs. Liabilities – Well Structured Balance Sheet

The share of corporate and retail loans decreased by 19%, nevertheless they represent the major assets application with a 63% share of the total assets. Interbank loans volume increased to 14%, volume of cash and cash equivalents climbed to 12%. The share of financial assets and securities reached 10%. Other assets remained stable (chart 8).

CHART 8. ASSET STRUCTURE DYNAMICS



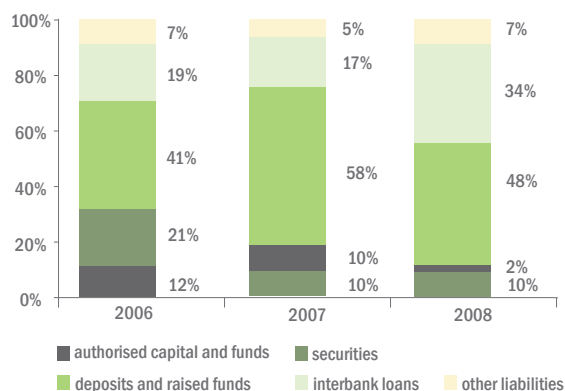
RAB liabilities are reasonably diversified (chart 9). Dominant positions in liabilities structure are kept by:

- deposits and other raised funds – 48%;
- interbank loans – 34%.

Incomes vs. Expenses - Improved returns

In 2008, interest income increased by RUR 23.5 billion (\$800 million) or 72% to RUR 56.1 billion (\$1.9 billion). This year-on-year increase was primarily due to 86.6%

CHART 9. LIABILITIES STRUCTURE DYNAMICS



increase in total average interest-earning assets that amounted to RUR 456.3 billion (\$15.5 billion). Interest income on loans and advances to customers increased by 66% and reached RUR 51.7 billion (\$1.8 billion), representing 92% of RAB's total interest income.

Investing in the future profitable and sustainable growth is a priority for RAB. In 2008, operating expenses remained under particular tightened control, with continued investments in new growth initiatives.

Interest expenses increased by 89% and reached RUR 29.5 billion (\$1 billion). Such increase resulted from the overall growth of interest-bearing liabilities utilized by RAB to fund its growing loan portfolio. Total administrative and other operating expenses grew 54%. Staff costs accounted for 60.4% of the total net increase in administrative and other operating expenses

RAB focuses on balancing growth and returns with expenses to maximize operating efficiency and value creation.

SUSTAINABLE LENDING BUSINESS

Being present in 79 regions of the Russian Federation - and at every point in-between - RAB is well-positioned to support its customers - rural population - wherever they do business.

From the financial standpoint, RAB achieved considerable results in relation to loan portfolio growth, confirming its market share in the major agribusiness segments and enhancing the quantitative and qualitative value of its customer base.

In the current situation when many financial institutions have suspended lending activities and in particular suspend lending to agribusiness RAB continued operations routinely and provided all necessary support to agribusiness and rural population.

Throughout 2008, the Bank's loan portfolio has grown in accordance with the business plan by 55% and reached

RUR 452.3 billion (\$15.4 billion) (chart 10). The volume of loans extended totaled RUR 334 billion (\$11.4 billion), including 1Q2008 - RUR 59 billion (\$2 billion), 2Q2008 - RUR 80 billion (\$2.7 billion), 3Q2008 - RUR 92 billion (\$3.1 billion), and 4Q2008 - RUR 103 billion (\$3.5 billion) according to Russian Accounting Standards. Over RUR 255 billion (\$8.7 billion) were allocated in 2008 in line with the Federal Program on Agribusiness Development 2008-2012.

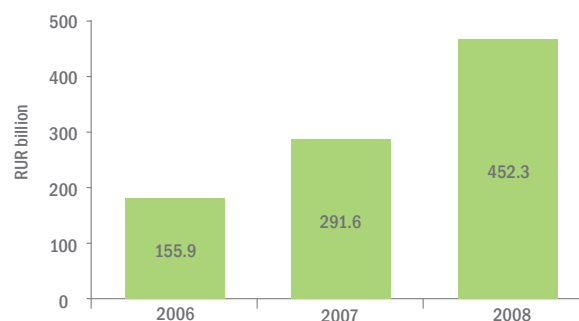
In total, RAB lending to agribusiness in 2008 grew to RUR 373.4 billion (\$12.7 billion) from RUR 246.4 billion (\$8.4 billion). 80% of RAB loan portfolio is extended to agribusiness and related subsectors.

Insofar the customer base is concerned: the total number of credit agreements reached 544.4 thousand - 1.3 times growth through the year. Traditionally agribusiness loans prevail in the Bank loan portfolio with an 80% share.

RUR 398.5 billion (\$13.6 billion) - 85% of loan portfolio - are granted to corporate clients. Retail portfolio amounted to RUR 58.5 billion (ca. \$2 billion) (12%).

In total, in 2008 RAB extended RUR 334 billion (\$11.4 billion), loan portfolio grew RUR 160.7 billion (\$5.5 billion).

CHART 10. LOAN PORTFOLIO DYNAMICS



RAB maintains high quality of loan portfolio and continuously improves it. The Bank takes the most effective and sustainable types of loan pledge. Loans pledge highly exceeds the loans extended.

The traditional conservative lending policy, in addition to rigorous criteria for identification of doubtful outcomes, allowed for limiting the amount of non-performing loans to only 1.8% according to Russian Accounting Standards and to 4% according to International Financial Reporting Standards despite the overall trend in the banking sector for accelerated NPL growth. 2009 focus - limited growth of overdue loans.

Today RAB is the key lender to agribusiness sector with 58% share. Namely, in lending to agricultural cooperatives RAB accounts for 90%, in lending to personal households - 75%, in lending to farms RAB's share exceeds 70%.

As a State Agent for agribusiness development RAB continued lending in the framework of the list of government agribusiness related programs and proved again its reputation of one of the most reliable financial institutions with fair trade practice.

RAB continued to function as a State Agent to implement the program on recovering of loans extended from 1992 to 2000 from the Russian federal budget and extra-budgetary sources, the Federal Law “On Financial Rehabilitation of Agricultural Enterprises” and financing of grain purchase and commodity interventions.

Lending Diversification

RAB is the only government-owned bank in the Russian Federation exclusively focused on providing services to agribusiness and rural population that makes up 27% of the total population of the Russian Federation.

RAB’s credit policy stipulates that at least 70% of the loan portfolio is devoted to agribusiness. 80% of RAB loans were extended to agribusiness in 2008. Upward dynamics was registered both in corporate and retail lending.

The Bank strengthened its market position by increasing lending to those sub-sectors of the agribusiness and regions

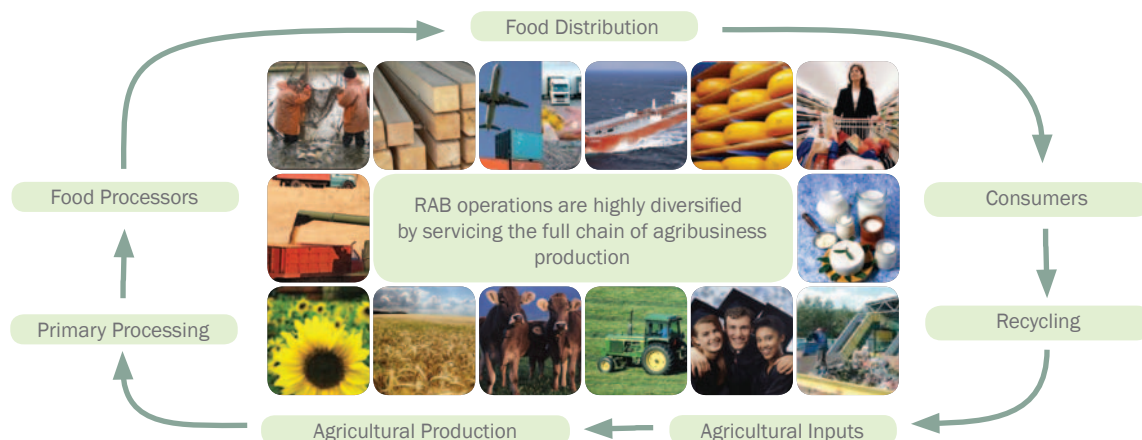
Agribusiness is a highly diversified sector with over 20 sub-sectors and related industries.

Agribusiness focus provides multiple areas for lending including the whole chain of agribusiness production (scheme 2).

- Agricultural inputs - equipment, machinery, construction, manufacture, port reconstruction, road construction, fertilizers production, fuel, etc.
- Agricultural production- animal breeding, including livestock, poultry, pork, sheep, horses, deer, fur-bearing animals, fishery, reindeer breeding, yak breeding, aquaculture; plant breeding including crops and perennial plants, growing cereal, edible oils, rape, grain, wheat, soy bean, corn, buckwheat, sunflower, feed crops, potato, rice growing, tea leaves, wine, vegetable growing, sugar beet and sugar cane; timber and wood production, etc.
- Primary processing - harvesting and storing, e.g. harvesters, elevators.
- Food processors - food and processing enterprises (dairy, meat, poultry, pork and other).
- Food distribution - trade enterprises, trade chains, supply chains, logistics.
- Recycling – processing of agribusiness waste, biowaste, waste of production and other.

RAB is also engaged in rural infrastructure development, mortgage lending and consumer lending, loans designed

SCHEME 2. THE AGRIBUSINESS PRODUCTION CHAIN



in which the demand for banking products remains largely unsatisfied through its network of regional branches and additional offices, as well as by improving the quality of its banking services and broadening the range of products and benefits provided to its customers.

In addition to strengthening its marketing and distribution capabilities, the lending business benefited from a diversified product range.

to promote the implementation of modern environment friendly technologies like biofuel production, drop irrigation, sewage treatment, etc. RAB has elaborated special innovative lending programs targeted to develop indigenous handicrafts and local agricultural particularities.

Russian Agricultural Bank will further provide large-scale credit and financial support to the national agribusiness and

REGIONAL DIVERSIFICATION



rural population. It is planned that loan portfolio will amount to RUR 600 billion (\$20.4 billion) in 2009. At present special focus is given to financing of seasonal field works.

Corporate Lending

Lending to agribusiness producers, food and processing enterprises, wholesale and retail traders is a dominating area of RAB lending business. Corporate loan portfolio climbed to RUR 398.5 billion (\$13.6 billion), number of loans – to 42.4 thousand.

RAB now is the core lender to agribusiness producers in the Russian Federation. 60% of corporate loan portfolio is granted to agribusiness – RUR 281.4 billion (\$9.6 billion), including farmers - RUR 24.9 billion (ca. \$850 million) and food and processing enterprises – RUR 47.9 billion (\$1.6 billion).

Successful lending program elaborated by RAB envisages financing of the procurement of agricultural machinery and/or equipment. Under this program loans are secured by collateral of these machinery and/or equipment. In 2008, the number of loan agreements under this program and their total amount grew by 54% to 15,900 and RUR 63 billion (\$2.1 billion), respectively.

Another RAB program, which is of high demand among clients, is “Lending for purchase of pedigree livestock under its pledge”. In 2008, lending under this program increased by 32% to RUR 3.2 billion (\$109 million).

Russian Agricultural Bank offers to agricultural producers additional lending programs for purchasing grain-drying, feeding, milk and meat processing equipment, as well as second-hand self-propelled harvesting, road-building, municipal and sprinkling machinery. RAB also provides short-term lending programs for traders of machinery and equipment.

RAB supports implementation of modern environment friendly technologies and provides loans designed to promote biofuel production, drop irrigation, sewage treatment, etc. in agribusiness production and processing with a special emphasis on livestock breeding and fishing industries development. RAB has elaborated special innovative lending programs oriented at development of indigenous handicrafts and local agricultural particularities: reindeer breeding, yak breeding, horse breeding, aquaculture development lending, and etc.

By implementing a wide range of lending programs and offering a large-scale list of lending products RAB has developed a well diversified corporate loan portfolio both by product type, by maturity and region (chart 11).

Dynamic growth of lending is combined with high performance of the extended loans. Prevailing part of the loan portfolio, namely 92%, belongs to the 1st and 2nd quality categories. These are loans with zero profitability of default.

RAB provides its clients with new lending initiatives. At the beginning of April 2009 RAB launched automotive lending program for individuals purchasing cars manufactured in the Russian Federation. The program is based on the Government of the Russian Federation Decree and is implemented in the framework of crisis combating measures and support of national automotive manufacture. Its will also ensure higher living standards and social status of rural residents.

RAB believes that successful performance of loan portfolio in 2008 was among other ensured due to timely and adequate update of methodological approaches to lending. Following recessionary trends a list of programs, orders, rules and other on lending were brought into compliance with market situation.

CHART 11. CORPORATE LOAN PORTFOLIO DIVERSIFICATION BY PRODUCT, MATURITY AND REGION

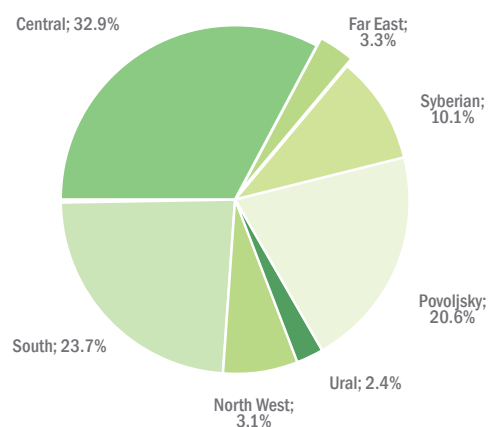
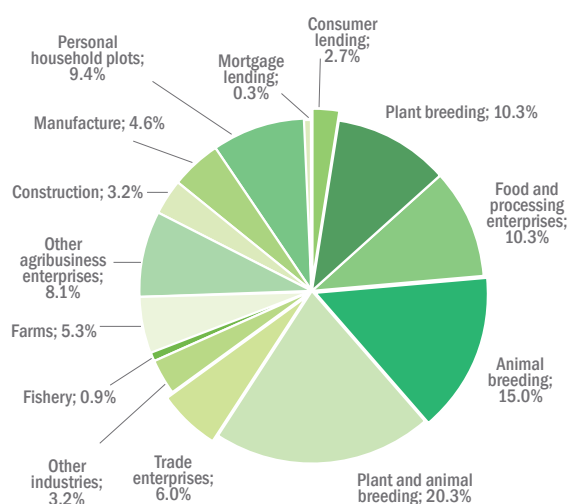
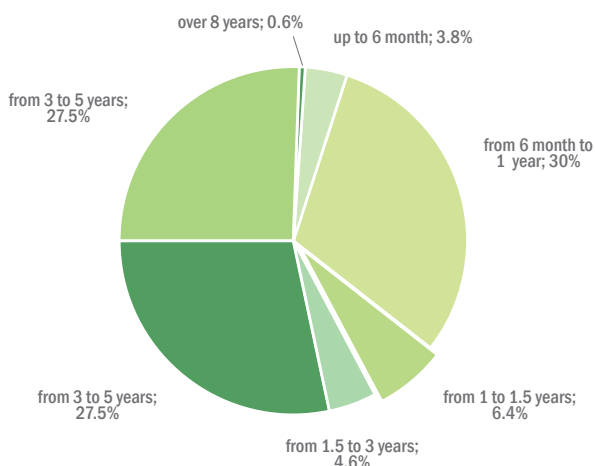


CHART 11. (CONTINUED)



In 2009, RAB is determined to continue focusing on agribusiness lending support by expanding the scale of lending to agricultural enterprises and rural population and ensuring achievement of the objectives outlined by the Government.

Cooperatives Development

Financial support of agricultural cooperatives is one of the priority business activities of RAB. As a part of its function of state agent for agribusiness development RAB assists credit consumer cooperatives development as an important part of rural areas economic and financial stabilization.

In 2008, RAB continued to grow scope of lending to cooperatives. Lending to consumer cooperatives grew by 1.2 times and to credit consumer cooperatives – by 1.3 times.

In 2008, consumer cooperatives were granted over 1 thousand loans to the total amount of RUR 4.6 billion (\$157 million). Cooperatives loan portfolio reached RUR 7.8 billion (\$265 million).

RAB's activity allows to:

- increase capitalization of cooperatives and their loan portfolio;
- develop SMEs in agribusiness;
- receive fixed dividends;
- minimize risks of micro-level financing.

RAB also provides information support to agricultural cooperatives, including legal and financial consulting services, through its network of regional branches and additional offices.

Agribusiness development depends heavily on situation in the agrimarkets. To support agricultural production sales market evolvement and formation of distribution system for small business RAB extended first loans for

foundation and expanding capacities of agricultural cooperatives markets.

Retail Lending

RAB offers a full range of lending services and products together with professional advice and effective management. These services are available through multiple distribution channels, including regional branches, additional offices and operating cash desks.

In 2008, RAB continued dynamic development of its retail lending programs. The number of loans extended amounted to 203 thousand to the total amount of RUR 30.4 billion (ca. \$1 billion). Retail loan portfolio reached RUR 58.5 billion (ca. \$2 billion) (chart 12).

Growing retail portfolio is strengthened by RAB elaborated branch network that allows covering almost all rural population.

Lending to personal household plots owners and farmers is one of the most demanded RAB's retail programs. In 2008, 127 thousand loan agreements to the amount of RUR 20 billion (\$681 million) were executed. The total number of such agreements exceeded 419 thousand to the amount of RUR 62 billion (\$2.1 billion). The average loan amount was RUR 147.2 thousand (\$5 thousand) and average term – 4.4 years.

Loans of up to two years in duration are granted for purchases of livestock, fodder, seeds, making of payments for leased land and to fund other expenses incurred in connection with personal farm production operations.

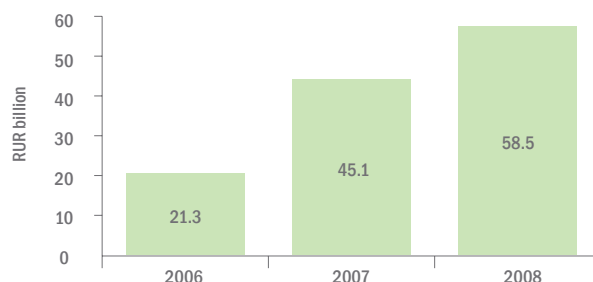
Loans of up to five years are granted for the purchases of machinery, livestock, land plots and construction and reconstruction of premises used in production or processing operations, as well as for other types of capital expenditures.

For rural settlements gasification RAB extended 2,287 loans to the amount of RUR 140.9 million (\$4.8 million). Total amount of gasification lending reached RUR 311.2 million (\$10.6 million).

In 2008, RAB extended 946 mortgage loans for the total amount RUR 677.7 million (\$23.1 million). Mortgage loan portfolio climbed to 2 881 loans, RUR 1,606.3 million (\$54.7 million).

Lending to individuals is an important aspect of financial

CHART 12. RETAIL LOAN PORTFOLIO



support of Russian agribusiness. Growing scale of RAB financial support and its growing importance for the implementation of the Federal Program for Agribusiness Development prescribe the Bank additional reliability for the social and economic development of agribusiness and social welfare of the rural areas.

In this context RAB's programs on credit and financial support of housing and utility infrastructure, construction and purchase of houses in the rural areas, gasification, water-supply facilities, utilities, purchase of household appliances and automobiles, and etc. become very important. In 2008, RAB extended over 63 thousand loans to the amount of RUR 8 billion (\$272 million) for social support of rural population.

RAB possesses the largest share in lending to small enterprises in agribusiness: 75% in lending to personal household plots, 70% - in lending to farmers, ca. 90% - in lending to agricultural consumer cooperatives.

GROWING CUSTOMER BASE

The main goal of corporate governance at RAB is to offer the clients an original financial structure that closely matches their needs and concerns, and to enable them to become long-term partners in a structure build on the values of proximity, responsibility and solidarity.

RAB promotes the creation of a truly customer-centric culture aiming for improved customer satisfaction and customer retention. RAB does its best to allow its customers to receive dedicated and personalised follow-up. It offers enhanced service, attractive solutions and advice in both banking service and conduct of their own business when necessary.

RAB extends its network of additional offices – over 1,500 points of sale - throughout rural areas to provide access to its financial services to all potential clients. RAB's stability and reliability as a government-owned institution together with

competitive products and services are of high attractiveness for rural population. Its customer-centric approach allowed the bank to attract new clients even in the unstable financial conditions characterising year 2008.

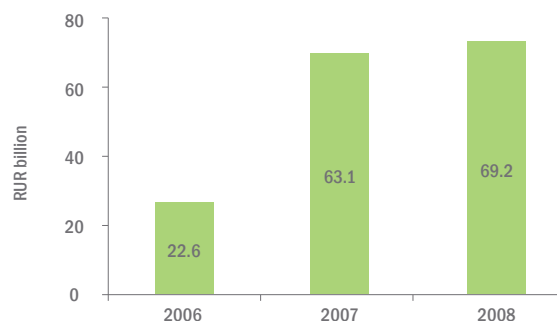
For the enhanced management of client needs a new Client Relations Department was established in 2008. New Department is focused on improvement management of client's accounts and improved customer satisfaction.

RAB clients are both corporate entities and individuals residing in rural and urban areas. In 2008, RAB attracted 40 thousand corporate clients; as a result number of corporate clients grew 36.4% and reached 150.5 thousands (chart 13), number of individuals – over 1 million. Corporate cash balance on settlement accounts grew RUR 3.9 billion (\$133 million), this is 13% compared to the previous year. Actual volume of corporate deposits grew RUR 2.2 billion (\$74.9 million) and climbed to RUR 36.6 billion (\$1.2 billion) (chart 14).

CHART 13. CORPORATE CUSTOMERS BASE DYNAMICS



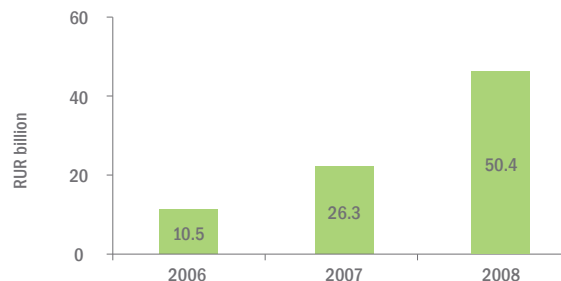
CHART 14. CORPORATE CUSTOMERS DEPOSIT BASE



The agribusiness market experience of RAB and its subsidiaries makes it possible to attract rural population deposits and savings. Number of retail clients exceeded 1 million, this is 25% growth from 800 thousand clients in 2007.

In 2008, RAB retail clients deposit base again showed significant upward growth – almost 2 times (chart 15).

CHART 15. RETAIL CUSTOMERS DEPOSIT BASE



In 2008, RAB customer accounts grew to RUR 154.5 billion (\$5.3 billion) from RUR 96 billion (\$3.3 billion) in 2007.

Having a very strong regional presence RAB provides banking services for individual clients, farmers, corporate customers and local authorities. Regional branches provide a full range of banking and financial products and services including corporate lending and retail lending, particularly mortgage loans and consumer finance, access to payments systems, maintenance of accounts and deposit taking, etc. These services are available through the local branch network and a range of supplementary channels – additional offices and operating cash desks.

NEW PRODUCTS INITIATIVES

RAB continuously provides its clients with new banking products and services. In 2008, the Bank continued offering innovative region-specialized lending programs oriented at development of indigenous handicrafts and local agricultural particularities: reindeer breeding, yak breeding, horse breeding, aquaculture development lending, and to support implementation of modern environment friendly technologies like biofuel production, drop irrigation, sewage treatment, etc.

Core breakthrough in the Bank's activity in 2008 was launch of payment cards and initiation of wheat futures market.

Payment Cards

In 2008, payment cards became one of the flagship products of the Bank that strengthened its position in the market. RAB extensive branch network will promote major distribution of the cards throughout the country.

In January 2008, RAB issued first local cards "Green card". Later during the year RAB issued its first VISA cards. During the year, 360 ATMs and 940 cash advance points were put in place and brought into operations. Number of cards in operation exceeded 50 thousand.

Now RAB offers a wide range of cards:

RSHB VISA Classic
RSHB VISA Platinum
RSHB VISA Country

RSHB VISA Gold
RSHB VISA Business
RSHB Local Card

In the 1Q2009, RAB arranged Internet banking service "Internet office", which right away yields careful attention of the clients. According to the Bank's estimations number of cards in circulation will reach about 300 – 400

thousand by YE2009, 1 – 1.5 million by YE2010, and with consequent annual increase by 1 million clients - from 5 to 7 million in 2015.

Customer Service

In 2008, RAB continued its efforts at improvement of customer satisfaction and customer retention. With this purpose a new Client Relations Department was established in the Bank. Client Relations Department does its best to allow customers to receive dedicated and personalised follow-up, and to enable them to become long-term partners in a structure build on the values of proximity, responsibility and solidarity.

Futures Market

In April 2008, Russian Agricultural Bank became one of the initiators of establishing trading in delivery futures on wheat launched by National Mercantile Exchange (NAMEX), part of Russia's MICEX (Moscow Interbank Currency Exchange) Group. The project was implemented with the support of Ministry of Agriculture of the Russian Federation, Administration of Krasnodar Region and Russian Grain Association. It was a major contribution to the development of Russia's grain industry and its financial markets. Russian Agricultural Bank as a member of the Section participated in the first trades. In the course of the year RAB under the instructions of its clients has concluded 14,500 futures transactions in wheat futures for the overall amount of RUR 5 billion (\$170 million). Total amount of transactions on NAMEX reached 80,000 contracts in wheat futures; this is about 5 million tons of wheat, for the overall amount of RUR 26 billion (\$885 million).

RAB has now achieved six years of continuous positive and from year to year improving financial results. The Bank is well placed for further growth with broadly diversified businesses by asset class, by region and by client type. In long term RAB sees significant further opportunities to grow organically in institutional, retail and high net worth channels, supplemented by branch network development including growth to CIS countries which strengthens business.

RAB present operations and franchise allow one to presume that RAB will continue to successfully implement its mission and facilitate its growth and efficiency along with profound changes in the national agriculture and social development of the Russian countryside. ■

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTERNATIONAL OPERATIONS

Resilience in the Turbulent Markets

Russian Agricultural Bank is a reliable banking partner to major financial institutions around the world. The experience gained by the Bank in international activity, transparency acknowledged by the leading international rating agencies, as well as diversified investor base combined with the strong governmental support allowed the Bank to strengthen its positions in the international market.

While steering its business through turbulent times, RAB made significant commercial breakthroughs in most of its international business-lines, due to the efforts aimed at strengthening its relations with foreign financial institutions, investors, correspondent banks, export credit agencies and foreign agribusiness producers.

2008 – 1H2009 Highlights:

- Number 372 in the Top 1000 World Banks listing, the 10th among the largest banks of the Russian Federation and 11th among the largest banks of Central and Eastern Europe according to the publication in the July 2008 issue of The Banker magazine.
- Best Local Trade Bank in Russia according to the Trade Finance Magazine.
- Opening of Representative Office in Minsk, Belarus.
- Joined the Canada Eurasia Russia Business Association.

CORRESPONDENT RELATIONS

In the year under review RAB continued to strengthen its correspondent banks network and has further increased its operational efficiency. RAB's correspondent net today includes over 100 banks world-wide. In 2008, RAB opened JPY correspondent account with VTB Bank (Deutschland) AG, EURO correspondent account with VTB Bank (Austria) AG and USD correspondent account with Citibank N.A., USA. In its turn Russian Agricultural Bank opened loro/vostro accounts for 7 foreign banks.

With the view to maintaining financial stability in the volatile markets, hedging specific currency-related risks and meeting the demand of its clients with respect to Russian rubles, RAB signed series of ISDA-governed SWAP confirmations, cross-currency deposit exchange agreements, fully funded CDS and swaption agreements with international top-ranking banks, such as JPMorgan Chase Bank N.A., Barclays Bank PLC, Goldman Sachs Int., Dresdner Bank AG and FX-netting agreement with BNP Paribas.

For the purpose of further development of liquidity and risk management, Russian Agricultural Bank has re-established negotiations with a number of leading foreign banks for executing ISDA Master Agreements which shall assist reducing operational and legal risks of SWAP transactions and give RAB the possibility to broaden derivative relations with its correspondents

and to strengthen its presence in the relevant markets. The prospects of International Swaps and Derivatives Association membership are also being considered.

As a state agent for agribusiness development, Russian Agricultural Bank has taken a number of measures aimed at supporting international cooperation in this field. With the view of bilateral relations development, expansion of project development financing and technical re-equipment of agribusiness, food and processing industry RAB signed cooperation agreements with Uzbek AKB Microcreditbank, Turkmen State Bank of Commerce Dayhanbank and Golomt Bank of Mongolia.

In order to put into practice the decisions of Russian Government and its international agreements aimed at financing supply of agricultural machinery and equipment, chemical fertilizers, cattle, and other production from Russian exporters to its foreign partners, RAB signed agreements on interbank lending with three Mongol banks: ANOD Bank, Chinggis Khaan Bank Golomt Bank, and loan agreement with Belagroprombank.

RATINGS

Two international rating agencies - Moody's and Fitch Ratings – regularly assess the Bank's financial standing. Russian Agricultural Bank's ratings correspond to the sovereign credit rating of the Russian Federation and are all investment grade ratings.

Fitch

Long-term Issuer Default Rating	BBB, negative
Short-term Issuer Default Rating	F3
Individual	D
Support Rating	2
Support Rating Floor	BBB
National Long-term Rating	AAA(rus), stable

Senior unsecured debt rating	BBB
Subordinated debt rating	BBB-

Moody's

Long-term foreign currency deposit rating	Baa1, stable
Short-term foreign currency deposit rating	Prime-2, stable
Financial strength rating	E+, stable
National scale ratings	Aaa.ru long-term

Senior unsecured debt rating	Baa1
Subordinated debt rating	Baa2

TRADE AND STRUCTURED FINANCE

Against the background of the current liquidity deficit on the international financial markets trade finance is one of the most important sources of funds. Russian Agricultural

TABLE 5. TRADE FINANCE PROJECTS

\$35,500,000 EcoNiva Technique Foreign agricultural machinery purchase	\$46,000,000 OOO "AST" Foreign agricultural machinery purchase	\$4,000,000 OOO "Urozhay" Agricultural equipment purchase	€1,050,000 OAO "Nizhegorodagrosnab" Foreign agricultural machinery purchase	\$3,300,000 Yupiter-9 Agricultural equipment purchase
€6,311,250 Povolzhskaya agricultural company Foreign agricultural machinery purchase	€3,590,000 ZAO "Evropeyskaya Agrotehnika" Agricultural equipment purchase	\$3,212,729 Ajax-Agro Company Foreign agricultural machinery purchase	€2,092,500 Agrobureau VVC Foreign agricultural machinery purchase	RUR 83,000,000 FGU SP "Rus" Foreign agricultural machinery purchase
€11,530,000 OAO "Zhelezobeton" Production equipment purchase	€2,102,500 OOO "Grafital"Packaging equipment purchase	€6,700,000 OOO "Bashkirskiy M.Gafuri poultry complex" Poultry equipment purchase	€5,800,000 Poultry farm "Akashevskaya" Poultry equipment purchase	€1,130,000 Poultry farm "Zaokskaya" Poultry equipment purchase
€660,000 OOO "Sever" Poultry equipment purchase	\$680,000 Can making factory "Kholmokskaya" Tin-plate purchase	€1,904,000 OAO "DENEB" Purchase of soft drinks filling line	€722,500 Lemonade factory "Maykopskaya" Bottling equipment purchase	€1,900,000 Nalchikskaya macaroni mill Purchase of equipment
€4,500,000 Sibirskie Fermi Dairy unit equipment purchase	€6,000,000 Pig Complex "Ozersky" Pig complex equipment purchase	€850,000 Meat Corporation Pig complex equipment purchase	RUR 648,000,000 Kievo-Juraki APK Pig complex construction	€4,999,835 ZAO "Orelselprom" (Mosselprom) Pig complex construction
€3,400,000 SPK Kommunar Milk processing equipment purchase	€8,400,000 OOO "Krasnaya Gorka" (EuroService Group) Poultry complex and slaughter facility construction	€25,000,000 Confectionary plant "Krasnaya Zarya" Confectionary plant reconstruction	€5,200,000 OOO "Centarion" Construction of hotel-sanatory complex in Anapa	€3,655,000 OAO "Buinsky elevator" Purchase of seed production equipment
€2,500,000 SPK PZ "Starodvorsky" Pedigree livestock purchase	\$903,000 OOO "Absolut-Agro" Pedigree livestock purchase	RUR 1,000,000,000 OOO "Yantarnoe" Plant oil delivery	\$70,000,000 OOO "Magma" Crude oil and refined products delivery	\$36,500,000 OOO "Shildinsky elevator" Wheat and meal delivery
\$34,500,000 OOO "Sinee more" Purchase of frozen fish / canned goods delivery	€1,600,000 ZAO "Krasny Oktyabr" Pedigree livestock purchase	€9,000,000 OOO "Chekhovskiy sad" Purchase of equipment for glasshouse complex	€1,180,000 Fuel biotechnology "Vologodskiy" Purchase of equipment for wood processing	€2,330,000 OOO "Kutuzovskoe" Agricultural equipment purchase
€1,780,000 OOO "Viktoria" Purchase of equipment for wood processing	\$880,000 Tikhookeanskaya fishing company Sea vessel purchasing	€1,430,000 Pig complex "Maksimovskiy" Pedigree livestock purchase	\$8,000,000 Trading house "OGO-Produkty" Grain purchase	

Bank offers agribusiness project financing. The Bank acts as arranger of this kind of loans that are critical for large-scale investment projects as facilitating long-term financing based on future cash flows.

Trade finance operations developed successfully in 2008, backed up by the Bank's international cooperation network.

In foreign trade finance RAB's customers in particular expect financing arrangements together with professional advice and effective management. The segment's full-range service capability represents a clear differentiating edge over the competition. By combining classical trade products with professional individual approach to the customers RAB is deliberately moving from a simple lending relationship towards the goal of offering structured solutions (table 5).

RAB offers a wide range of trade related services, including:

- Import L/C;
- Export L/C;
- Deferred Payment;
- Reimbursement Authorization;
- Reimbursement Undertaking;
- Guarantee Operations;
- Import Documentary Collection;
- Export Documentary Collection;
- Clean Collection;
- Post – Finance.

Structured finance transactions ensure high efficiency of the Bank's operations, since they do not multiply inflation

TABLE 6. EXPORT CREDIT AGENCIES - RAB PARTNERS

ASHRA	Israel	EDC	Canada	Euler Hermes	Germany	NEXI	Japan
ATRADIUS	Netherlands	EGAP	Czech Republic	FINNVERA	Finland	SACE	Italy
CESCE	Spain	EKF	Denmark	KUKE	Poland	SERV	Switzerland
COFACE	France	EKN	Sweden	OeKB	Austria	Sinusure	China
ECGD	UK	Ex-Im Bank	USA	ONDE	Belgium		

of the national currency. Project finance transactions are an additional source of the Bank's non-interest income.

RAB intensified its activity in the area of export-import financing and cooperated constantly with leading export credit agencies (ECAs) worldwide to cover risks. ECAs provide government-backed loans, guarantees and insurance covering both commercial and political risk. At the present day RAB is accredited and maintains relations with 19 export credit agencies (table 6).

In 2008, RAB focused on increasing trade finance operations efficiency and achieved substantial results in these endeavors. The volume of documentary operations, such as LC and guarantees showed significant growth. Structured finance operations amounted to \$846.9 million. 80 trade finance agreements were signed. LC operations totaled \$343.8 million and their number reached 142.

CAPITAL AND MONEY MARKETS

Debt Capital Markets business offers a comprehensive range of debt instruments for both reducing risks by placing funds in the market and raising additional funds, including REPO operations, ruble bonds, loan participation notes and trading in Russian Government and municipal debt securities, corporate debt securities, promissory notes and equities.

RAB envisages developing its asset management business using its wide regional branch network. RAB's funding policy is to meet funding requirements of the regional branches and the head office at an acceptable cost. The policy is characterized by the diversification of funding sources, flexibility of funding instruments and active investor relations. Apart from traditional refinancing via interbank borrowings, RAB raises liquidity by way of issuing paper in the main financial markets.

In 2008, RAB was an active player on both international and domestic capital markets and arranged several successful borrowings, which is an important achievement, especially given the current challenges and threats in the world financial markets.

- In June 2008, Russian Agricultural Bank placed in a full volume its 7th documentary interest-bearing bond payable on demand worth RUR 5 billion and maturing in 2018. On the run of the auction 46 investors placed orders in the total amount of RUR 6.662 billion.
- In December 2008, Russian Agricultural Bank placed RUR 10 billion 5th series non-convertible interest-bearing bond issue, maturing in 2018 that was brought to the market at MICEX. Effective yield of the bonds to the 3-years tender was 13.96%.
- In April 2008, Russian Agricultural Bank issued Senior CHF 150 million Eurobond with coupon 6.263% and the final maturity in 2012.
- In May 2008, Russian Agricultural Bank issued loan participation notes in the total amount of \$1.75 billion over two tranches and the final maturity in 5 and 10 years. The long 5 year tranche priced to yield 7.125% and the 10 year priced to yield at 7.75%. The notes were issued under the updated \$5 billion loan participation notes program for RSHB Capital S.A.

Facilities were made available for general corporate purposes including, but not limited to, providing select customers of RAB with trade-related finance.

The success of RAB's issues was underpinned by the bank's unique position in Russian banking sector, clearly defined business strategy, high level of commitment from the state to develop RAB and positive market conditions.

Investors took a keen interest in the loan participation notes that offer secure returns and the prospect of an attractive bonus.

For debt instruments such as bonds and REPO and for hedging products such as interest rate, currency and commodity derivatives, RAB will continue to expand its product range and strengthen its distribution capabilities.

COVENANTS

RAB ensures strict compliance with its obligations under domestic and international agreements and contracts to which it is a Party. In particular, the Bank abides by all the mandatory financial ratios, as well as covenants and other requirements under debt financing agreements:

- State share in RAB's capital continues to exceed by far the minimal threshold of 50% + 1 share.
- Capital Adequacy Ratio (in accordance with the IFRS) is constantly above 8%.
- Capital Adequacy (per CBR) is equal to or exceeds the minimum required by the Russian law (currently - 10%).
- Other economic ratios and requirements, including current, short - and long term and total liquidity ratios conform to the values prescribed by the Russian law.
- Long term, unsecured, unsubordinated debt obligations ratings are either equal to or exceed Baa3 by Moody's and BBB - by Fitch.
- No overdue taxes are allowed to exist, other than those that the Bank would be contesting in good faith in the framework of appropriate proceedings and in respect of which adequate reserves would be established.
- RAB does not enter into transactions to sell, lease, transfer or otherwise dispose of any asset the book value of which exceeds 10 per cent of the Bank's Total Assets; it ensures that none of its Material Subsidiaries do so.
- The Bank discloses all the information required by its contractual obligations.

Neither the Bank nor any of its subsidiaries are in default on any of their contractual obligations.

This allows the Bank to promote optimum terms of credit agreements with foreign financial institutions.

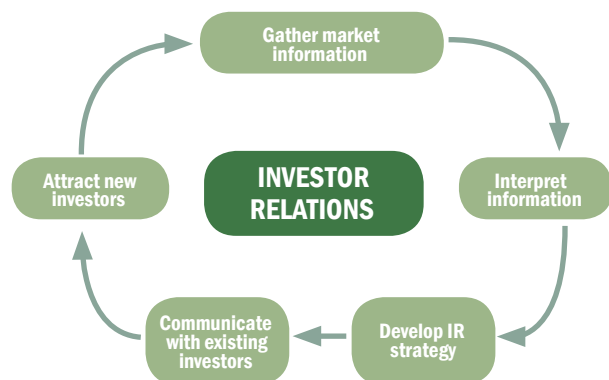
INVESTOR RELATIONS

RAB continued to apply and expand its targeted communication policy toward the capital market in the year under review. Reliable relationships with lenders are essential

for broadening access to the international capital market. Even in challenging times RAB continued to intensify contacts with analysts and especially with investors to meet their desire for in-depth information on the Bank's business activities.

The Bank's investor relations activity is aimed at making information on RAB business development and outlook available to investors and analysts. Through its policy

SCHEME 3. INVESTOR RELATIONS CIRCLE



of openness and transparency, RAB works to ensure that investors and analysts have correct and adequate information about the Bank and thus to create good and long-lasting relations (scheme 3).

RAB capital market communications in 2008 centered on various key themes: the Bank's strategy and business performance, efficiency-enhancing measures, new products, crisis combating policy, RAB positioning in the Russian banking market and the resulting opportunities for growth.

In 2008, the Bank conducted numerous investor relations events. This included a series of roadshows upon the release of financial reports. Alongside numerous investor group discussions and one-on-one meetings, the Bank held regular due diligence meetings, at which RAB Board members presented their personal area of responsibility and answered questions put by various investors and analysts in attendance. The high degree of transparency and the willingness of the Board members to answer investors' and analysts' questions were rated very highly.

RAB conducted non-deal roadshows, i.e. one-on-ones with institutional investors without any concrete intention to market a new issue, to make contact with existing and potential providers of debt capital.

The Bank provided a mass of information on its Investor Relations page on the Web. RAB's website contains the Bank's Charter and internal regulations, annual and quarterly reports, financial statements (consolidated and

interim), rating information and other data. RAB also provides information in the form of presentations, press releases, as well as at press conferences and meetings with investors, media and other individuals.

The Bank has significantly improved its transparency vis-à-vis the capital markets. This result will spur RAB on to make every effort to further optimize its investor relations work in 2009.

INTERNATIONAL BUSINESS COUNCILS MEMBERSHIP

RAB is an active member of Russian-Chinese Business Council, US-Russia Business Council and the International Confederation of Agricultural Credit (CICA) that adds to the Bank's potential to further develop its business and international cooperation in the sphere of lending to agribusiness.

In 2009, RAB joined the Canada Eurasia Russia Business Association (CERBA). As the member of CERBA the Bank will actively develop cooperation with financial institutions of Canada in the fields of international account settlement, trade finance, share their business experiences, as well as information in the area of banking business development and operational practices.

Such business councils membership allows RAB to take advantage of additional potential for business development, strengthening of relations with international organizations and investment funds, establishment of new business contacts and to obtain and analyze new market intelligence.

RAB sits in bilateral Intergovernmental commissions on economic, scientific and technological cooperation with Hungary, Israel, Norway, the Netherlands and Turkmenistan, co-chaired by the First Deputy Prime Minister and Chairman of RAB Supervisory Board Victor A. Zubkov, as well as in Intergovernmental commissions on trade and economic cooperation with Australia, Greece and Mongolia. RAB participation in the commissions work allows to expand the Bank's involvement in the global economic environment and to expand the number of foreign partners.

RAB representatives also contribute to the work of the Committee on International Activity of the Association of Russian Banks, thus sharing experience and best practice in the banking area.

In challenging times of significant market adjustments caused by the ongoing global financial turmoil the Bank continued to adapt its international operations to new market realities and remained true to its primary mission. ■

MANAGEMENT'S DISCUSSION AND ANALYSIS

RURAL AREAS DEVELOPMENT FACILITATION

State Agent for Agribusiness Development

Russian Agricultural Bank is an institution with a unique position in the market, fostering sustainable development of agribusiness sector of the Russian Federation. Through its regional branches and additional offices RAB has one of the widest financial distribution networks in Russia and offers a highly varied range of financial services and products.

Russian Agricultural Bank assists the Government of the Russian Federation in implementing federal policy in the agribusiness sector and is a State Agent for implementation of agribusiness development programs.

RAB is a core participant in all agribusiness innovative lending programs, including:

- fishery, fish farms, aquaculture and mariculture;
- timber and wood processing industry;
- environment friendly technologies: bio fuel, drop irrigation, sewage treatment;
- development of indigenous handicrafts and local agricultural particularities: reindeer breeding, yak breeding, horse breeding.

RAB is one of the core participants of federal projects and programs among financial institutions. RAB has Cooperative agreements for implementation of federal programs and agribusiness support with major administrations of republics and regions of the Russian Federation.

FEDERAL PROGRAM ON AGRIBUSINESS DEVELOPMENT 2008-2012

Federal Program on Agribusiness Development 2008-2012 reflects a new advanced level of implementation of agribusiness policy on the federal level.

Federal Program was introduced by the Government of the Russian Federation in July 2007 in the framework of implementation of the Federal Law "On the Development of Agriculture", adopted in December 2006. Year 2008 turned out very efficient for the Federal Program implementation.

Objectives of the federal program are:

- steady development of rural areas, improvement of working and living standards of rural population;
- improved competitiveness of domestic agriculture, backed by financial incentives;
- accelerated development of key agribusiness sub-industries;
- recultivation, protection and continued use of crop lands.

Russian Agricultural Bank is one of the main financial institutions supporting implementation of the Federal Program on Agribusiness Development 2008-2012.

In May 2008, the Bank signed Cooperation Agreement with the Ministry of Agriculture of the Russian Federation

on implementation of the Federal Program on Agribusiness Development 2008-2012. According to the Agreement the Bank provides loans to a wide range of agricultural producers, including farmers, personal household plot owners and credit consumer cooperatives. The Bank extends loans to increase the crop-bearing capacity of soils, to enhance training and further training of specialists in agribusiness, the development of non-agricultural productive activities in the rural areas. RAB also introduced special lending programs for the development of engineering infrastructure in the rural areas.

In 2008-2009, it was outlined in the Program that special focus should be given to dairy and meat livestock production. Federal and regional interest rate subsidies for these productions were increased to 100% from the federal budget and extra 3% from the regional budgets. RAB became a key bank to implement state policy of dairy and meat production facilitation.

Altogether RAB has elaborated over 20 special-purpose programs to implement goals of the Federal Program. In July 2008, the Bank was awarded the Diploma of the Ministry of Agriculture of the Russian Federation for the active investment activity in the framework of the Program.

Financial Support of the Federal Program on Agribusiness Development 2008-2012 Implementation

Initially the Government of the Russian Federation has allocated budgetary funds of RUR 551 billion (\$22 billion) to support the execution of the Program in 2008-2012. Additional RUR 855 billion (\$34 billion) will come through budgetary institutions and external sources. Planned budgetary fund for state support of the Federal Program implementation amounted to RUR 85.6 billion in 2008, and to RUR 100 billion in 2009.

In 2008, RAB executed loan agreements to the total amount of RUR 333.6 billion. Lending to the participants of the Federal Program reached RUR 255 billion, about 80% of the total amount of loans, including but not limited to:

- short-term lending – RUR 78 billion;
- investment projects – RUR 17 billion;
- reconstruction and modernisation of animal production units – RUR 15.9 billion.

RETAIL LENDING

Lending to individuals is an important aspect of financial support of Russian agribusiness. Growing scale of RAB financial support endues the Bank with additional responsibility for the social and economic development of agribusiness and social welfare of the rural areas.

In this context RAB's lending programs on housing and utility infrastructure, construction and purchase of houses in the rural areas, gasification, water-supply facilities, utilities, purchase of household appliances and automobiles, and other become very important. In 2008, RAB extended over 63 thousand loans to the total amount of RUR 8 billion for social support of rural population.

Lending to personal household plots owners and farmers is one of the most demanded RAB's retail programs. Lending to individuals involved in producing agricultural products on household land plots is done by providing fixed interest rate loans of up to five years. The aim of these loans is the development of the production, processing and distribution of agriproducts. Loans of up to two years in duration are granted for purchases of livestock, fodder, seeds, making of payments for leased land and to fund other expenses incurred in connection with personal farm production operations. Loans of up to five years are granted for the purchases of machinery, livestock, land plots and construction and reconstruction of premises used in production or processing operations, as well as for other types of capital expenditures.

In 2008, 127 thousand loan agreements with personal household plots owners to the amount of RUR 20 billion were executed. For rural settlements gasification RAB extended 2,287 loans to the amount of RUR 140.9 million. In 2008, RAB extended 946 mortgage loans for the total amount of RUR 677.7 million. Mortgage loan portfolio climbed to 2,881 loans totaling RUR 1,606.3 million.

RAB possesses the largest share in lending to small enterprises in agribusiness: 75% in lending to personal household plots, 70% - in lending to farmers, ca. 90% - in lending to agricultural consumer cooperatives.

SOCIAL AND SUSTAINABLE LENDING

Addressing issues that impact the rural society is a primary goal of the Bank. RAB conducts its business with regard to the living standards of the rural population, resilient growth of agricultural enterprises and sustainable development of the rural infrastructure.

RAB is involved in sustainability programs focused on the social aspects. The aims of these programs are to provide affordable financing to companies in agribusiness, to improve their financial performance so that the rural population may benefit from them.

RAB implements a list of socially important programs aimed at sustainable and comprehensive development of the agribusiness sector. It has established program "Sel'skoe podvorie" and also takes part in sustainability programs focused on the social aspects and initiated by the Government.

RAB is engaged in:

- **Program "Sel'skoe podvorie"** for financial support of the social and economic development of the rural areas. This program promotes lending to individuals residing in small towns and rural areas and involved in agricultural production.
- **Recovering of loans extended from 1992 to 2000 from the Russian federal budget and extra-budgetary sources to legal entities engaged in agribusiness.** In 2008, RAB recovered RUR 724.4 million. The total amount of loans recovered in the framework of the program reached RUR 5,463.6 million.
- **Implementation of the Federal Law "On Financial Rehabilitation of Agricultural Enterprises"**. RAB monitors financial standing of the enterprises participating in the rehabilitation. 5,644 restructuring agreements are executed as of January 1, 2009.
- **Financing of grain purchase and commodity interventions** as part of the price stabilization program of the state. For the purpose of the program implementation RAB budgeted RUR 36.1 billion of the Bank's funds, according to the decision of the Supervisory Board. Within 2008 RAB purchased for safe storage 5.3 million tons of grain, including 3.3 million tons (62%) of bread grain and 2 million tons (38%) of feeding grain. In total, RAB allocated RUR 24.6 billion for grain purchase and commodity interventions.
- **Lending to Consumer and Credit Consumer Cooperatives** as part of rural areas economic and financial stabilization. RAB assists credit consumer cooperatives development and cooperatives' market establishment. In 2008, loan portfolio allocated to cooperatives reached RUR 7.8 billion.

SUBSIDIZED LENDING

Agribusiness producers, agribusiness enterprises, farmers, agricultural consumer cooperatives and other agribusiness related entities receive compensation in the form of a subsidy from federal and/or regional budgets for a portion of their interest costs for the loan.

As a part of its crisis combating policy the Government of the Russian Federation by the Decree No. 90 dated February 4, 2009 approved an enhanced list of activities under which borrowers are eligible for a portion of their interest costs compensation and increased proportion of subsidized interest costs.

For a borrower to receive the compensation from the relevant budget, a loan must be granted to agricultural producers, farmers, SMEs, agricultural cooperatives, personal household plots, for the purchase of agricultural machinery or equipment, seeds, fodder, fertilizers or other similar products required for seasonal works and other products in compliance with the list approved by the Ministry of Agriculture of the Russian Federation. The borrower should also have a good credit history and be in good financial condition.

Since February 4, 2009, borrowers are eligible for increased interest rate subsidies amounting to:

Corporate enterprises:

- federal subsidies of 80% of the Central Bank of Russia's refinancing rate;
- regional subsidies of 20% of refinancing rate;
- meat and dairy production – 100% of refinancing rate federal subsidies and extra not less than 3% of refinancing rate regional subsidies.

Individuals and farmers:

- federal subsidies at 95% of the refinancing rate, and
- remaining 5% compensated by regional budgets.

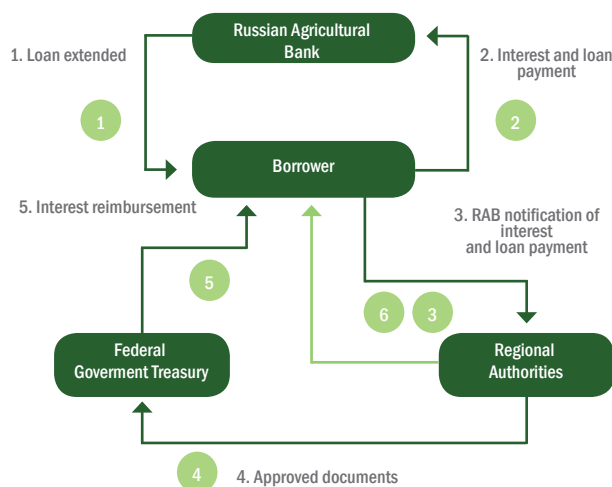
Subsidy calculation is based on the Bank of Russia's refinancing rate which is set at 12.5%, as of April 24, 2009.

Depending on the purpose of the loan and the category of the borrower, loans subject to subsidies may have maturities of up to ten years.

Subsidized lending allows RAB to improve the quality of the loan portfolio, as punctual payments on subsidized loans are stated in the Law as a condition to the compensation of the borrower's interest expenses by the state (scheme 4).

As a part of its crisis combating policy the Government of the Russian Federation has increased the amount of subsidies for compensation of interest expenses by RUR 17 billion (\$500 million) to RUR 62 billion (\$2 billion) in 2009.

SCHEME 4. SUBSIDISED LENDING PROCEDURE



In total, the scale of agribusiness budget support for 2009 was increased by more than 1.5 times to RUR 182.8 billion (\$5.5 billion) from RUR 115 billion (\$3.5 billion).

In 2009, RAB will continue to provide existent and to launch new banking products and services that promote sustainability and resilience of the national agribusiness and social development of the Russian countryside. ■

MANAGEMENT'S DISCUSSION AND ANALYSIS

OUTLOOK 2009

Taking on New Business Challenges

In 2009, Russian Agricultural Bank will proceed to expand credit and financial resources to agricultural producers and rural population and to increase credit availability. The Bank's priority objective will be implementation of the Federal Program on Agribusiness Development 2008-2012. Priorities of RAB lending policy in the midterm include additional funding of long-term projects in animal breeding, provision of facilities, which are put into operation, with working assets, and financing of state grain purchase and commodities interventions. All these tasks are aimed at providing financial funds to the national agribusiness amid current financial turbulence.

According to the Bank's calculations, the increase in animal breeding production by 2013 as stipulated in the Federal Program will be to a wide extent ensured due to capacity gains at those enterprises, which received RAB loans. According to expert estimations, the Federal Program indicators for milk production growth by 43% will be achieved by those complexes and farms that received RAB loans, for meat production – by more than 30%.

In 2009, the Bank plans to extend loans to the total amount of some RUR 400 billion. By year-end RAB gross loan portfolio is to reach RUR 600 billion. The Bank will further develop its regional branch network. During 2009 one plans to open 158 new additional offices.

While maintaining stable upward dynamics, RAB ensures high level of financial strength in order to protect the interests of its shareholder, clients and investors.

Among other RAB priorities for 2009 is lending to agricultural consumer cooperatives. By evolving agricultural consumer cooperatives system the Bank contributes to the development of market infrastructure serving farms, personal households and SME's and satisfies their demand for available funds, agriproducts distribution and processing.

The Bank has initiated and will further advance development of land mortgage lending system that will allow employing large potential of the land market in commercial and financial turnover.

RAB will facilitate implementation of state programs on development of dairy stock farming, animal breeding, fisheries and timber production.

At the beginning of April 2009, Russian Agricultural Bank launched automotive lending program for individuals purchasing cars manufactured in the Russian Federation. Implementation of the program will allow borrowers to expand their production facilities, to improve living standards in the rural areas, and to provide conditions for growth of demand for domestic automotive vehicles.

RAB will further enhance its payment cards business

development. In 2009, Russian Agricultural Bank plans to join MasterCard International System. The Bank will promote Internet banking service "Internet office" expanding the range of the services provided. Through its extensive branch network RAB will promote major distribution of the payment cards throughout the country. By year-end 2009 the number of cards issued should reach 300-400 thousand.

RAB will adhere to the following client service development strategy:

- improving customer satisfaction;
- expansion of the products and services range;
- business-processes optimization;
- further cooperation with municipal, regional and federal authorities on the elaboration and implementation of agribusiness development programs;
- further IT development to provide extensive client database and perfect client service.

For the enhanced management and understanding of client needs a new Client Relations Department was established in 2008. The activity of the newly established Department in 2009 will be focused on further improvement of clients relations and delivering high-quality services to them.

In 2008, RAB managed to boost and increase the efficiency of overdue loans repayment and prevention of non-performing loans growth by establishing a specialized Asset Management Department. In 2009, Assets Management Department will further ensure efficient problem asset management and repayment of overdue loans.

In order to promote its solid and sustainable operations and to carry out the functions outlined by the Government of the Russian Federation the Bank will give special focus to the following areas:

- increasing quality of lending and efficiency of overdue loans repayment and prevention of NPL growth;
- raising profitability of the Bank's transactions;
- promoting costs optimization;
- expanding client base and stimulating deposit based growth;
- enhancing risk management and IT;
- improving HR management.

Russian Agricultural Bank is facing large-scale and demanding challenges. The state has great expectations of the Bank providing lending to agribusiness. At the same time, one strives to ensure reliability and stability of the Bank itself. Therefore, the Bank will focus its efforts on solving this dual task in the coming year.

The crisis combating measures taken by the Bank and its sound results in the year under review evidence for the fact that RAB fully retains its manageability and finds itself on a solid basis. ■

CONTROLS AND PROCEDURES

Modern and Comprehensive

Russian Agricultural Bank's business model combines comprehensive internal control, risk management and disclosure controls and procedures with a strong, profitable and growing business, especially in corporate and retail lending, and expanding customer base. In the light of the most severe financial crisis experienced in decades, this broad base is the key to stability of the Bank's development.

INTERNAL CONTROL

The internal control is an important management tool, defined as all procedures and mechanisms undertaken by the Supervisory Board, Management Board, heads of business units and employees of the Bank to manage and to control operations and risks of all kinds and to ensure that all transactions are carried out in compliance with laws, regulations, internal and ethical standards.

The internal control system and procedures can be classified by their purpose:

- financial performance, based on effective and adequate use of the Bank's resources, and protection against the risk of loss;
- timely provision of comprehensive, accurate information required to take decisions and manage risks;
- compliance with internal and external regulations;
- prevention and detection of fraud and error;
- accuracy and completeness of accounting records and timely presentation of reliable accounting and financial information.

The Internal Control Service that adheres to the principles of consistency, independency, neutrality and professional competence, monitors and assesses compliance with internal procedures at all levels of RAB management on a daily basis. Internal Control Service reports to the Supervisory Board semi-annually and provides it with recommendations on the efficiency of risk management procedures.

RISK MANAGEMENT

The worldwide loss of confidence in securitized credit markets in 2008 underscored the necessity of a risk management system based on economic principles.

Effective risk management is fundamental to the success of RAB. The Bank defines risk management as the use of a comprehensive set of tools to deal with risks. The primary goals of risk management are to ensure that the outcomes of risk-taking activities are predictable and consistent with the Bank's objectives and risk tolerance, and that there is an appropriate balance between risk and reward.

RAB has a comprehensive and continuously enhanced

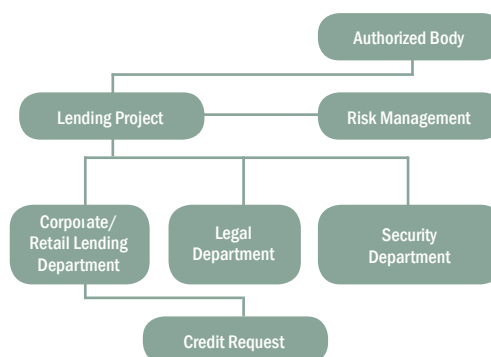
risk management system to monitor, evaluate and manage principal risks.

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligations to the Bank. Credit risk management principals include:

- centralized risk management system;
- formalised and documented risk evaluation, controlling and monitoring procedures;
- selected priorities of credit projects depending on lending targets, loan repayment sources, borrower's financial standing, credit history, etc.;
- loan portfolio diversification and limited credit risks;
- realistic risk assessment of loan loss provisions;
- mandatory collateral: type of property, property rights, personal guarantees or third party guarantees whenever appropriate;
- continuous risk monitoring.

RAB's **credit risk** management and control system is based on preliminary, current and consequent credit risk control. For the purpose of credit risk minimization loan portfolio concentration for a single branch is not exceeding 15% of total loan portfolio of RAB. Credit risks are allocated between regional branches based on volume of agribusiness production in the region and on the level of cooperation with local administrations. Regulatory acts of RAB define the general procedure and main principles of lending. Decision to extend the loan includes a set of approved steps (scheme 5).

SCHEME 5. CREDIT DECISION MAKING PROCEDURE



Market risk refers to the potential loss resulting from unfavorable market movements, which can arise from changes in market prices and rates, including interest rates, credit spreads, equity prices, foreign exchange rates and commodity prices.

Market risks include:

- interest rate risk - the risk of loss due to: changes in the level, slope and curvature of the yield curve; the volatility of interest rates; and mortgage prepayment rates;
- liquidity risk - the risk that the Bank is unable to meet its financial obligations in a timely manner at reasonable prices. The objective of liquidity management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due, and that wholesale market access is coordinated and disciplined;
- foreign exchange risk - the risk of an investment's value changing due to changes in currency exchange rates;
- stock risk - the risk caused by changes in stock price due to market volatility.

RAB uses a comprehensive range of quantitative tools for monitoring and managing risks. As a matter of policy, the Bank continually assesses the appropriateness and the reliability of these tools in light of the changing risk environment.

The following tools are the most important ones that RAB currently uses to manage and report risks: value-at-risk analysis, liquidity gap analysis, GARCH analysis, stress tests, scenario analyses.

The key elements of the Bank's system of market risks assessment and management are establishing clear target figures for the assets and liability structures based on size, term, profitability/cost; procedure for establishing and firmly controlling compliance with limits on the Bank's acceptance of market risks; diversification of operations; evaluation of the economic capital necessary to cover market risks.

Operational risk is the risk of loss, whether direct or indirect, to which the Bank is exposed due to external events, human error, or the inadequacy or failure of processes, procedures, systems or controls.

The Bank has developed policies, standards and assessment methodologies to ensure that operational risk is appropriately identified, managed and controlled and is taken in compliance with the principles established by the regulatory acts of the Central Bank of Russia, and the Basel Committee on Banking Supervision.

Basel II implementation is one of the major plans of the Bank in the near future. RAB is now introducing a plan of measure for organization of the Bank's performance in compliance with Basel capital standards of the Basel Committee on Bank Supervision, which regulates finance and banking internationally.

Legal risk is a potential for loss arising from the uncertainty of legal proceedings, such as bankruptcy, and potential legal proceedings. Legal risk management policy is aimed at minimising possible losses to the Bank by ensuring compliance with the regulatory legal acts of the Russian Federation and the countries of non-resident clients and counterparties of the Bank, with the internal documents of the Bank and AML provisions.

Reputational risk is the risk that negative publicity regarding the Bank's conduct or business practices will adversely affect its revenues, operations or customer base, or require costly limitation or other defensive measures. Reputational risk management policy is aimed at the safekeeping and maintenance of the Bank's business reputation with its clients, regulatory and supervisory authorities, financial market participants, state and local government authorities.

The Bank approved regulations for the risk evaluation and management system, which defines the goals, objectives and principles of the risk evaluation and management system, as well as risk classification. In the context of these regulations, a number of internal documents have been developed specifying risk management methods applied in the Bank's divisions. Risk management regulations and procedures are revised and updated on a regular basis. The system is integrated with the Bank's strategy and business planning processes.

Decision Making

Decision making authorities are allocated between RAB management bodies to assure appropriate risk management (scheme 6).

SCHEME 6. RISK MANAGEMENT POLICY AND PROCEDURES



- As implemented by (1) Treasury; (2) Risk Management; (3) Internal Audit.
- As approved by the Supervisory Board which also approves annual control plan for the Internal Audit.
- Supervisory Board approves loans that exceed Management Board limit of approx. \$64 million (RUR 2 billion).
- Credit Committee approves loans up to \$16 million (RUR 500 million).
- Risk Management Departments are organised in regional branches.
- Credit risk assessment procedure is extensive.
- Geography-specific limits are set for the aggregate amount of loans issued at branch level and types of loans in place.
- Loan portfolio size of any branch cannot exceed 15% of RAB's total loan portfolio.
- Single borrower limits at branch level are set from \$640 thousand to \$13 million and are reviewed on a regular basis.

The Supervisory Board is responsible for the following procedures related to risk management policy:

- defines general risk management policy and annual control plan in consistency with business strategy;
- reviews reports prepared by the Internal Control Service;
- approves large-scale lending transactions in excess of Management Board authorities;
- sets limits on interbank and securities market transactions based on business units and Risk Management Committee proposals.

The Management Board approves policies on reserves, financial risk management and credit risk management relating to transactions with affiliated parties, lending transactions that exceed the limits of authority of Credit Committee or the limits of authority of the regional branches.

ALCO Committee reviews proposals to be considered by the Management Board and prepares materials for the Management Board on limits policy implementation, internal procedures for financial risk regulation, funds allocation. ALCO Committee makes decision independently, including funds allocation between the regional branches, setting limits and sub-limits to the regional branches within the authorities provided by the Management Board.

Credit Committee responsibilities include:

- approval of terms of individual lending transactions in excess of limits established for regional branches;
- preparation of proposals for credit policy improvement;
- establishment and modification of criteria for asset quality and asset classification by risk category, reserves policy and minimum interest rates;
- review of results of inspections by external auditors, regulatory bodies and Internal Control Service.

Credit committees are established at the regional branch and additional office level. At regional branches credit committees approve lending transactions of additional offices in excess of their limits. Credit committees are independent from Lending Departments of head office and regional branches.

In the coming year the Bank will continue developing, refining and optimizing risks assessing models. Further initiatives in 2009 will include the elaboration of new supervisory tools, regular procedural reviews, the awareness and training programs for all staff throughout the branch network and in the head office.

PREVENTING MONEY LAUNDERING, CORRUPTION AND TERRORIST FINANCING

RAB takes its responsibility to preserve the integrity of the financial system, and its own operations, very seriously.

According to laws and regulations of the Russian Federation as well as international recommendations, Russian Agricultural Bank is committed to high standards of Anti-money Laundering compliance and requires management and employees to adhere to these standards. RAB set up anti-money laundering policy and guidelines designed to prevent, detect, and combat money laundering and terrorist financing.

In accordance with Federal Law No.115-FZ dated August 7, 2001 "On countering legalization of proceeds from criminal activity (Money Laundering) and financing of terrorism" and regulatory documents of the Bank of Russia, Russian Agricultural Bank has established and operates a system of special internal control, which organizational principles are based on the FATF recommendations, standards of the Basel Committee on Banking Supervision of the Bank for International Settlements and on the Wolfsberg Principles.

Along with the Federal Law and the Central Bank's recommendations, this system is based on the Rules of Internal Control of Russian Agricultural Bank, specially developed for this purpose. Within the framework of the Rules, 10 programs of Internal Control are implemented.

To increase efficiency of risk management and to maintain business reputation, the management of Russian Agricultural Bank has extended measures to combat money laundering to all of its structural units, business lines, banking products and services.

Compliance officers were appointed at the Bank's head office and at its regional branches with a responsibility to combat legalization of proceeds from criminal activity (money laundering) and financing of terrorism.

Russian Agricultural Bank takes measures to identify its clients through the "Know Your Client" program. The Bank identifies and examines all clients to whom banking services are provided. RAB collects all necessary data and documents to identify its clients.

Within the framework of "Know Your Client" program RAB:

- obtains from a client information and documents that allow to identify a third party, in case the client opens an account (places money on deposit) in the name of a third party;
- does not open accounts for (accept deposits from) anonymous holders, i.e. without presentation by the person opening the account, either an individual or a legal entity, of documents necessary for their identification;
- does not open accounts for (accept deposits from) individuals without the physical presence of the person concerned, or of his/her official representative;
- takes appropriate and reasonable in the current circumstances measures to identify among its private clients, existing or perspective, foreign public officials and to determine the origin of their monetary funds or other property;

- uses questionnaires to draw up a file containing information about the client and his/her activities;
- specifies and identifies the beneficiary, i.e. the person on behalf of whom the client is acting. For this purpose, the Bank collects the data and documents that serve as a legal basis for banking operations and other types of transactions, as well as other relevant information and documents;
- on the basis of all the information and documents that allow to identify and examine the client, the Bank determines the client's and counterparties' spheres of business activity and evaluates level of risk of the client's potential involvement in legalizing proceeds from criminal activities and financing of terrorism.

Criteria for evaluation of the risk level of a client's potential involvement in legalizing proceeds from criminal activity and financing of terrorism are set by the Rules of Internal Control of Russian Agricultural Bank. If the Bank considers the risk of a client's involvement in legalizing proceeds from crime and financing of terrorism to be high, it will pay special attention to all transactions on the client's accounts.

All information received during the identification of the client and of the ultimate account beneficiary is regularly updated either as any changes are revealed, or according to the risk level of the client's involvement in legalizing proceeds from criminal activities (money laundering) and financing of terrorism.

While establishing correspondent relations Russian Agricultural Bank inquires whether the correspondent bank implements a policy on combating legalization of proceeds from criminal activities (money laundering) and financing of terrorism, including the client identification carried out by the correspondent bank and its implementation of KYC program.

If the correspondent bank does not implement such measures, Russian Agricultural Bank will refrain from establishing correspondent relations with such an institution.

Russian Agricultural Bank neither establishes nor maintains correspondent relations with non-resident banks that have no permanent governing bodies in countries

where they are registered. RAB also prevents establishment of correspondent relations with non-resident banks if there is evidence of their accounts being used by banks with no permanent governing bodies in countries where they are registered.

Russian Agricultural Bank monitors on a daily basis all operations via special automated banking system and, in accordance with the legislation of the Russian Federation, forwards information about transactions subject to anti-money laundering control to the Federal Financial Monitoring Service.

If a party, either an individual or a legal entity, performing a banking transaction, is known to be involved in extremist activities, the Bank suspends such operations.

Controlling divisions of the Bank's head office, regional branches of the Bank of Russia and the external auditor of Russian Agricultural Bank perform regular issue-related checks of the way the Bank and its regional branches establish and implement anti-money laundering control.

The anti-money laundering measures have been considerably improved over 2008 across the various units of the Bank. Effective risk management and optimized security systems meet the highest anti-money laundering standards and enable RAB to identify, analyze, and assess potential threats, and to take appropriate measures to avoid such risks.

Adherence to the RAB Anti-money Laundering Policy is the responsibility of all employees. RAB has an ongoing, formal compliance program to train and to update the respective employees in all indicated facts to prevent money laundering and terrorist financing. Anti-money laundering policy applies to head office and all regional branches.

Further initiatives in 2009 include elaboration of new supervisory tools, regular procedural reviews, awareness and training programs for all staff throughout the branch network and in the head office. These measures will further enhance the effectiveness of the Anti-money Laundering system of Russian Agricultural Bank. ■

INFORMATION TECHNOLOGY

Modern Banking IT Architecture

Information support is among the key factors driving the Bank's overall performance and operating results. Successful implementation of integrated design and comprehensive IT solutions heavily depend on an efficient technology landscape and availability of IT resources.

Today RAB employs modern banking IT architecture, standards and processes to improve efficiency and render high quality services, develop and upgrade professionalism of the personnel and maintain unified high standards of performance throughout the whole branch network. Thus RAB ensures well-structured management of all its activities.

In 2008, the Bank succeeded in further updating its system stability and functionality. It restructured the core application systems to address the needs of all business lines and reduced the operation risk following the data centralization, thereby enabling the provision of modern banking services and ensuring significant reduction in operating costs. Accounting, loans, deposits, payment systems, client relationships, securities, processing for international operations are some of the areas that were updated as new clients were brought in and new products introduced.

RAB maintains strong and secure operating platform, which allows to handle the increased volume of transactions and growing number of clients and to ensure safe and steady operation.

The pillars of the current IT system of RAB include:

- unified information technology system ABS-Biscuit, which offers an integrated solution for the head office, as well as regional branches and additional offices, and allows RAB to conduct real-time operations;
- Diasoft systems for accounting and handling of securities operations;
- "Bank-Client" system for remote client service;
- reserve servers for back-up records of each operational day.

Having a unified core banking platform ensures consistency of information across all banking units and helps to maintain high quality of data. It is therefore essential to ensure that the Bank effectively meets risk management requirements and effectively rides the credit crunch.

A specialized Technological Development Department is set up in the Bank to manage IT issues. It is responsible for managing technological development projects, contacting external IT consultants and suppliers, holding tenders and preparing contracts on IT development issues, testing business processes and providing proposals on banking activity optimization and elaborating internal performance quality standards for existing and new banking technologies.

A key focus for the Bank is a consistent and large-

scale application of up-to-date management and banking technologies, used in international banking practice.

The process of technological modernization requires a number of significant transformations, involving all lines of the Bank's activity. Adopted in 2007 IT Strategy defines RAB's targeted IT-architecture and the programs for its development. The strategic plan on IT development includes over 50 interrelated projects, total value of which exceeds \$100 million.

Priority areas of IT Strategy implementation are:

- introduction of the full-service information system for the retail customers;
- implementation of information system for loan services;
- development of a unified information warehouse and financial reporting system, under IFRS and Basel II.

The implementation of these projects will allow RAB to improve the quality of services provided to the clients, introduce new banking products, increase the efficiency of the resources used, enable further reduction of operating risks and ensure the transition to new methods of capital adequacy assessment according to Basel II without strangling business growth.

Within the framework of IT development strategy, in 2008 RAB implemented Visa card issuing and servicing project – "Green card", the number of ATMs was increased to 100, the full-function processing centre of the Bank was certified in the VISA payment system. RAB has introduced Internet banking facilities to help those clients, who do not have access to traditional banking infrastructure.

RAB has launched such key projects as System of automation of sales of retail banking products (Oracle Siebel), Automated system of human resources management (SAP AG), Applications integration (IBM WebSphere), System of foreign public officials' identification on the basis of Factiva PFA, Common client database and other.

The projects are focused on:

- upgrading management and control system;
- centralization of information and information infrastructure;
- increasing efficiency of labour capacity;
- improving quality of client service.

During 2008 RAB purchased an informational system "Financial risk manager" for the analysis of the financial situation of partner banks, insurance companies, corporate clients, as well as subsidiary analysis.

RAB considers information technology to be an integral part of its operations and is committed to continue investment in information technology to support the efficiency of the growing scale of its operations and to ensure that the Bank maintains the highest possible management standards and transparency. ■

In 2008, RAB finalized process of a large-scale regional branch network development with the purpose of providing access to banking services to the rural population and agribusiness enterprises in all territories of the Russian Federation.

As of today, Russian Agricultural Bank possesses the second largest regional branch network in the Russian Federation. The Bank's regional branch network covers the whole territory of the country. RAB is focused mainly on providing credit and financial services to the rural regions, which population makes up 27% of the total population of the Russian Federation (scheme 7).

RAB believes that rural areas provide opportunities for business development. In the regions RAB expands its presence through organic growth of existing branches and opening of new branches, where a presence is deemed economically beneficial.

RAB pursues a strategy of sustainable, profitable growth by means of a unified approach to structuring the relations between the head office, regional branches and additional offices.

In 2008, RAB opened 2 regional branches, namely in Chukotka and Chelyabinsk, on the basis of a former subsidiary Bank, and 152 additional offices.

As of January 1, 2009, Russian Agricultural Bank possessed 78 regional branches and 1,414 points of sales including 1,364 additional offices, 41 operational cash desks and 9 out of the office cash counters in municipal entities (chart 16). In 176 rural settlements RAB is represented by 446 authorized representatives of the regional branches.

RAB's expansion is build upon well managed organic growth of the branch network guided by unsatisfied market demand for banking and financial services. Offices' opening is based on economic efficiency of the Bank presence in the

region. RAB performs an in-depth analysis of the region, number of potential clients, demand for financial services and other before making decision on office opening. New office can be opened only when analysis shows that it will reach break-even point or become profitable within 6 months from opening.

In 2008, RAB devoted much energy to improve customer satisfaction, including approaching clients in the region of residence, optimizing operations hours and delegating extra authorities to additional offices.

The expansion risks are well managed – RAB provides training programs for staff at all levels, employees of the head office conduct trainings at the branches.

RAB sets a high value on development of official relations with regional and local administrations. Regional branches and additional offices openings are strongly supported by the administrations as they enhance the agribusiness development in the regions. As of January 1, 2009, RAB signed 56 cooperation agreements aimed at agribusiness development with administrations of the constituent republics, regions and districts of the Russian Federation. 32 of these agreements were signed in the framework of Federal Program on Agribusiness Development 2008-2012 implementation.

Through the wide-spread branch network RAB participates in the financing of various regional programs aimed at economic and social development of the constituencies of the Russian Federation. The extensive branch network allowed RAB to win a 58% market share in the country's agribusiness lending.

In 2008, the expansion and optimization of RAB's regional branch network were aimed at:

- establishment of regional branches and additional offices in each rural district of the Russian Federation;

SCHEME 7. RAB CORE COMPETITIVE ADVANTAGE

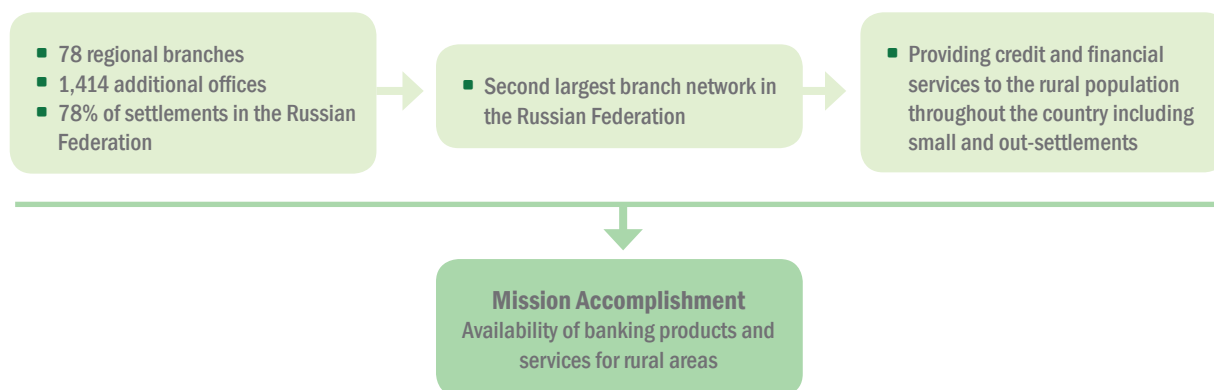
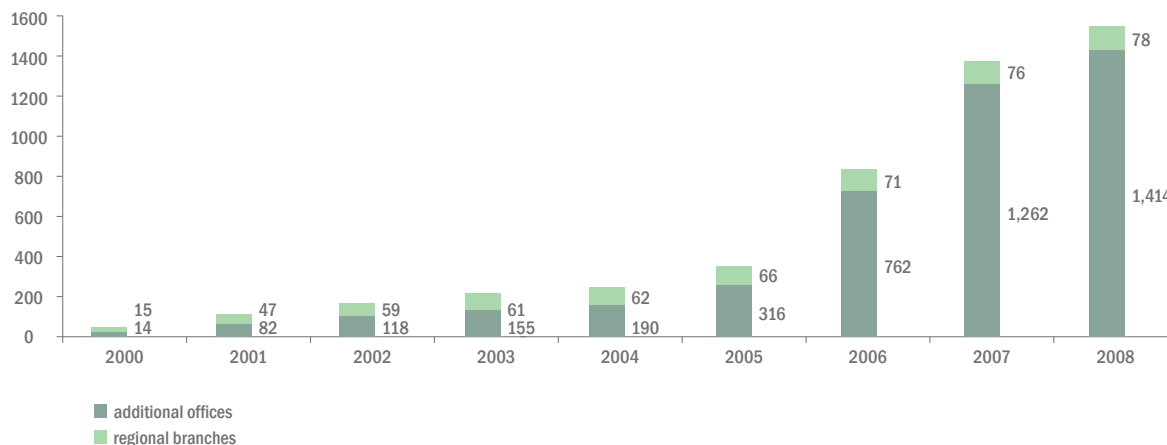


CHART 16. DYNAMICS OF BRANCH NETWORK DEVELOPMENT



- opening of operational cash-desks in small settlements;
- supporting the development of agricultural credit consumer cooperatives in accordance with the legislation (consulting, refunding, etc.);
- supporting the establishment of land mortgage agencies and rural infrastructure.

RAB made all necessary efforts to achieve its purposes. Today RAB's regional branch network covers the whole territory of the Russian Federation, credit and financial services are available for residents of small settlements, and agricultural credit consumer cooperatives have

received material impulse for further development. In 2009, RAB's regional branch network will be given special focus in the following areas:

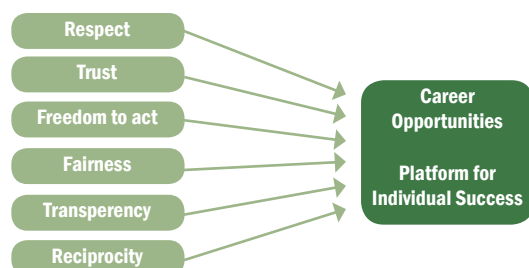
- further enhancement of the quality of client services;
- enlarging and unification of range and availability of banking products and services for clients;
- approaching clients in the region of residence;
- increasing operational efficiency;
- facilitating cooperation with clients;
- further development of land mortgage system and rural infrastructure;
- supporting domestic producers of machinery and equipment.

People are the most valuable asset of Russian Agricultural Bank. Managing people effectively is fundamental to the success of the business.

Precisely for this reason, the Bank views efficient Human Resources policy as a strategic objective underlying dynamic long-term development.

Engaging, developing and retaining a high-value workforce is therefore a priority at RAB and in 2008 the Bank continued to invest in its personnel. RAB strives to ensure that its personnel has the range of skills and experience necessary to meet client needs and to expand the Bank operations. Today RAB employs a talented team dedicated to the Bank's main goals (scheme 8).

SCHEME 8. ADVANTAGES OF WORKING AT RAB



Over the course of the reporting year RAB staff increased to 24,181 from 18,674 persons, with 5.2% employed in head office, 32.6% in regional branches and 62.2% in additional offices (table 7, chart 17).

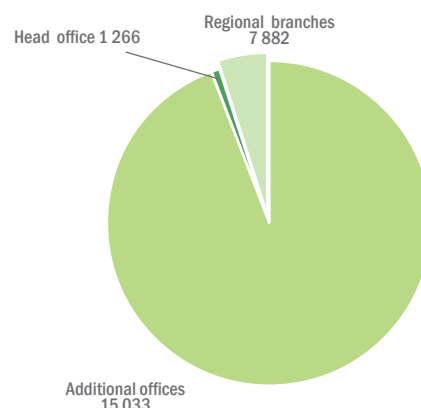
TABLE 7. CHANGES IN RAB STAFF NUMBER

	2006	2007	2008
Head office	757	1,032	1,266
Regional branches	9,968	17,642	7,882
Additional offices	5,580	11,454	15,033
Total	10,725	18,674	24,181

The rise in the number of RAB employees was primarily due to the implementation of the Bank's growth initiatives. The active regional network development has resulted in RAB policy to recruit qualified human resources at each region.

RAB gives special focus to recruiting and developing necessary human resources at each region of its operations in order to continue providing services with close ties to the local community.

CHART 17. SPLIT OF RAB STAFF BY NUMBER



RAB relies on the expertise, talent and commitment of its staff. The Bank enjoys the benefit of employing exceptionally dedicated and qualified personnel. 67% of RAB employees are university graduates and 50% of all staff members are people aged under 35 years. 120 employees have academic degree (charts 18, 19).

Recruitment

In a relatively short period of time RAB has become a network of close to 24,200 employees operating in all regions of the Russian Federation. To control this strong growth the Bank puts effort into personnel recruitment, retention and development.

Hiring is done on a competitive basis and primarily focuses on maintaining a balance between both experienced professionals and young specialists to work in the Bank's team.

Only with talented, vigorous and well-qualified people the Bank can achieve its ambitions of market leadership in the Russian Federation. That is why RAB employs and retains highly-educated and gifted students of the best agricultural universities. 1,316 students have undergone practical training both in head office and regional branches in 2008. Close relationship between the Bank and universities offers a straightforward access to highly qualified human resources. For the purpose of attracting talented students RAB extends special scholarships to students and post graduates of agricultural universities.

The Bank has a strong, talented and experienced management team. RAB puts the emphasis on hiring to managerial positions persons who possess a profound expertise and substantial banking experience. A special Nomination Commission is established in RAB, which conducts ongoing succession planning and recommends candidates for appointment to executive positions in head office and regional branches.

CHART 18. RAB STUFF SPLIT BY AGE

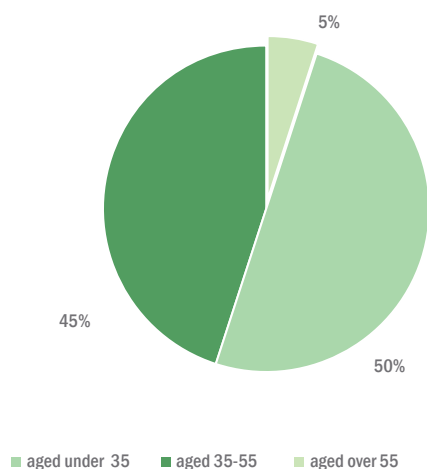
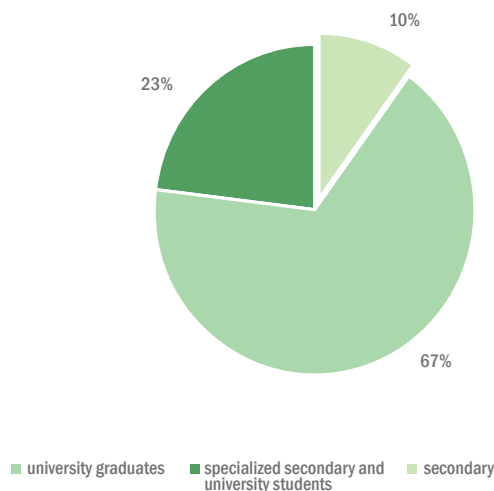


CHART 19. RAB STUFF SPLIT BY EDUCATION



Learning and Development

Helping employees unlock their full potential - by giving them opportunities to learn and advance toward their career goals – is a priority at RAB. The Bank has developed an employee succession plan to ensure continuous development and expansion of its operations (scheme 9).

The Bank makes significant investments to strengthen the range of internal and external courses available aimed at increasing staff efficiency. In 2008, employees of head office and regional branches participated in external corporate trainings with further transfer of obtained knowledge to other employees. Internal training is organized in close cooperation with leading educational institutions, both regional and in Moscow.

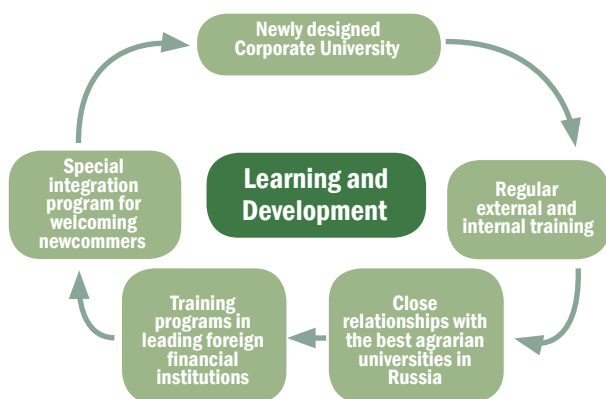
As one of the most dynamically developing financial institutions in Russia the Bank implements training

programs for employees abroad in cooperation with leading foreign financial institutions.

The Bank offers special integration traineeships for welcoming newcomers. New employees receive one-on-one advice and guidance from senior personnel, allowing them to efficiently absorb the essentials of working at RAB. Providing such orientation training and gaining their loyalty to the Bank are key aspects of these trainings.

The Bank promotes talent management and leadership development, understanding that both capabilities are important factors in ensuring high-quality client service and long-term business success. In 2009, RAB management development programs will continue to shape talented future leaders.

SCHEME 9. LEARNING AND DEVELOPMENT



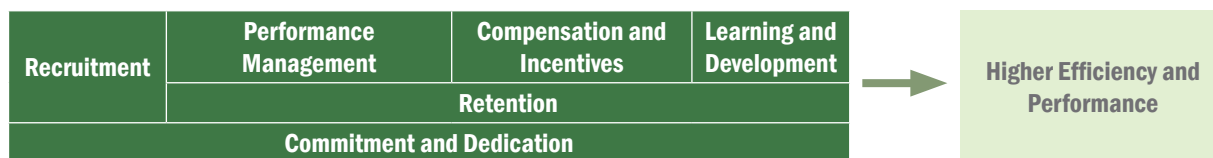
Corporate University

RAB is convinced that education is the most effective tool for fostering social and economic progress. In 2008, the Bank launched Corporate University, which offers a series of newly designed business-focused training and development programs for employees. In the framework of the Corporate University 5 training centers in Krasnodar, Tver, Kazan, Novosibirsk and Orel were opened throughout 2008.

In 2009, RAB will further strengthen university projects related to innovation and development of the new banking products and technologies.

Performance Management

RAB ensures an ongoing employee-manager dialogue. All employees participate in a year-round performance management process that assesses individual achievements, skills and knowledge. This process supports staff development, links behavior to corporate values and

SCHEME 10. MANAGING HUMAN CAPITAL

helps ensure that employees have the skills required to meet clients' needs and implements RAB strategic goals.

Corporate Culture

Given the intensive development of the Bank's activity and the increase in the number of staff, special emphasis is put on the work to promote corporate culture that unites the Bank's staff and strengthens its team spirit. In the framework of the corporate culture development and promotion and optimization of staff motivation system RAB follows the Code of Corporate Conduct that outlines the rules of good conduct that staff members are expected to abide by.

The development of RAB's corporate culture, as well as the solution of other above-mentioned tasks of HR policy

will contribute to the professional advancement of each employee based on his or her competence, loyalty and commitment to the Bank.

All the above mentioned steps of managing human capital receive high appreciation and positive response from RAB's staff (scheme 10).

In 2009, RAB aims to strengthen its competitive advantages by nurturing and strengthening its personnel, by ensuring conditions that will help its employees to fully unlock their talents and potential to better meet clients' needs and deliver results for the Bank. ■

CORPORATE RESPONSIBILITY

Sustainable Value Creation

As a leading financial institution in the area of agribusiness lending Russian Agricultural Bank is confronted with the concerns and expectations of a wide and diverse range of stakeholders. Along with clients, investors and employees, various government regulators and regional municipalities and administrations can also be said to have a stake in the Bank. In a broader sense, the rural areas and local communities in which RAB has a presence are stakeholders too. RAB takes corporate responsibility to mean the process of understanding, assessing, weighing and addressing the concerns and expectations of these groups.

Being a State Agent for agribusiness development RAB is engaged in the whole agribusiness food chain development and therefore is responsible for food safety of the Russian Federation.

During 2008, RAB continued with a wide range of important and effective corporate responsibility related activities from charity, rural areas development and human rights to anti-money laundering. Even in difficult times, RAB remains a reliable partner for its stakeholders.

Social Responsibility

RAB, together with its employees, seeks to have a positive influence on the social and environmental wellbeing of the rural areas in which it operates, and on rural communities which make up to 27% of the total population of Russia. The Bank does this through its social programs.

RAB implements federal programs on livestock meat and milk production facilitation initiated early in 2009. In 2008, the Bank promoted innovative lending programs on fishery, fish farms, aquaculture and mariculture, and timber and wood processing industry.

With the purpose of developing local trades, native agricultural trends like stag breeding, yak breeding and horse breeding RAB has elaborated special lending programs. The Bank also provides loans promoting implementation of modern environment friendly technologies like biofuel production, drop irrigation, sewage treatment and likewise in agribusiness production.

Since August 2003, Russian Agricultural Bank has been participating in implementation of the federal program "Social Development of Rural Areas till 2010" insofar as it concerns the construction of dwelling houses, roads and gasification of the rural areas.

RAB provides affordable housing to young specialists in the rural areas, and extends student loans to rural population to be educated in specialized institutes and universities, preparing specialists for agriculture.

Investing in human capital is an important aspect of the Bank's activity. In 2008, RAB launched educational projects with the view to identify and develop talent. As a result 23 students from different institutes throughout the country were granted with special scholarships. To manage these projects two Scholarship Commissions were organized at the Bank - at Russian State Agrarian

University – MTAA named after K.A. Timiryazev and at Finance Academy under the Government of the Russian Federation.

RAB gives students from rural regions an opportunity to start their carrier in the Bank. With this purpose sixteen special Students' Financial Teams for students of agribusiness universities of the Russian Federation were organized. Teams' members got an opportunity to work at RAB's regional branches.

Sponsoring and supporting social, cultural and sporting activities via its broad regional branch network is an integral part of broader strategy of communication with society. In 2008, RAB participated and sponsored a series of sport and cultural event in the regions of its presence.

Charity is an integral part of RAB corporate responsibility strategy. As a state owned financial institutions RAB has elaborated strict approach for selecting objectives for its charitable activities.

In 2008, RAB joined efforts to revive the Voskresensky New Jerusalem Stauropigial Friary Monastery of the Russian Orthodox Church. President of the Russian Federation Dmitry Medvedev and Patriarch of Moscow and All Russia Alexy II initiated the establishment of the Charity Fund for Reconstruction of the Monastery. This initiative makes a major contribution to further development of national identity.

Besides the engagement of the Bank and its employees, RAB also provides its clients with the opportunity to contribute to charitable purposes. Any organization or individual can contribute to the process of restoring this unique historical and cultural monument of universal importance by making charitable donations for the restoration of the Monastery in all offices of Russian Agricultural Bank.

RAB facilitates financial support of the most underfinanced industry and population resulting in agribusiness development and improvement of living standards in rural areas.

Employee Responsibility

The Bank pays special attention to ensuring comfortable working conditions for its employees viewing it as part of its social obligations (scheme 11). To this end, the Bank provides its personnel with pension insurance and voluntary medical insurance on special favorable terms.

SCHEME 11. SOCIAL ENVIRONMENT OF RAB EMPLOYEES



Given the intensive development of the Bank's activity and the increase in the number of staff, special emphasis is put on promotion of corporate culture that unites the Bank's staff and strengthens its team spirit. With the purpose to promote corporate culture, to control compliance with principles and rules of ethics Corporate Ethics Committee was established at the Bank. In the framework of the corporate culture development and promotion and optimization of staff motivation system RAB follows the Code of Corporate Conduct that outlines the rules of good conduct that staff members are expected to abide by.

The development of RAB's corporate culture, as well as the solution of other above – mentioned tasks of HR policy contributes to the professional advancement of each employee based on his or her competence, loyalty and commitment to the Bank.

In 2008, a Corporate University with Educational Centers at a number of regional branches was established at the Bank. University is responsible for upgrade of head office and regional branches employees' professional knowledge and systematization of training process. It supports development of the distant education, and providing of methodological support

for employees in obtaining new skills and knowledge. Corporate University launched its activity with an orientation seminar "Introduction of the Bank to a new employee", which is now organized on a regular basis. Providing such orientation training and gaining personnel loyalty to the Bank are key aspects of these trainings.

RAB ensures an ongoing employee-manager dialogue. All employees participate in a year-round performance management process that assesses individual achievements, skills and knowledge. RAB implements a special employee-succession plan under which successful employees can be promoted. With this purpose a special Nomination Commission was established at the Bank. Nomination Commission conducts ongoing succession planning and recommends candidates for appointment to executive positions in head office and regional branches. This process supports staff development, links behavior to corporate values and helps ensure that employees have the skills required to meet clients' needs and implements RAB strategic goals.

Employee engagement supports workforce retention and performance. RAB believes that good health and good employability form the key to successful career. Employees are actively engaged through communication and participation in different events of the Bank including social, cultural and sport activities.

RAB tries to make a comfortable communicating environment for every member of the team. Magazine "Agrocredit" is important means of internal communications for the Bank. The Bank's magazine provides employees with an opportunity to get a better understanding of the Bank's mission and strategy, its organization, regional branches performance, recent events and developments and perceive themselves as an integral part of the whole Bank's network.

In 2009, RAB aims to strengthen its competitive advantage by developing conditions that will help people to unlock their full potential.

RAB takes its responsibility very seriously and is committed to working for the common good through different social programs, donations, sponsorship in diverse areas of society, especially in agribusiness sector. ■

REGIONAL BRANCHES ADDRESSES

Adygea Regional Branch

Reg. Number: 3349/12 of 27.09.2000
385000, Maikop, 24
Krasnooktyabrskaya St.
Tel: +7 (8772) 52-30-24
Fax: +7 (8772) 57-12-01
E-mail: Director@adg.rshb.ru

Altay Regional Branch

Reg. Number: 3349/18 of 18.12.2000
656015, Altai Territory,
Barnaul, 80B Lenin Ave.
Tel/Fax: +7 (3852) 35-69-39
E-mail: afrshb@alt.ru

Amur Regional Branch

Reg. Number: 3349/23 of 18.12.2000
675000, Blagoveshchensk, 142 Lenin St.
Tel: +7 (4162) 22-18-00
Fax: +7 (4162) 22-18-01
E-mail: referent@amur.rshb.ru

Arkhangelsk Regional Branch

Reg. Number: 3349/48 of 04.10.2001
163000, Arkhangelsk,
34 Karl Libknecht St.
Tel/Fax: +7 (8182) 65-38-42
E-mail: info@arhrshb.ru

Astrakhan Regional Branch

Reg. Number: 3349/17 of 18.12.2000
414000, Astrakhan, 34 Sverdlov St.
Tel: +7 (8512) 63-28-02
Fax: +7 (8512) 63-28-00
E-mail: rshb@astranet.ru

Bashkir Regional Branch

Reg. Number: 3349/62 of 26.04.2004
450077, Ufa, 70 Lenin St.
Tel/Fax: +7 (3472) 73-54-32
E-mail: info@bash.rshb.ru

Belgorod Regional Branch

Reg. Number: 3349/30 of 10.04.2001
308800, Belgorod, 24 Popov St.
Tel/Fax: +7 (4722) 32-80-29
E-mail: BRF@belg.rshb.ru

Bryansk Regional Branch

Reg. Number: 3349/69 of 14.09.2006
241007, Bryansk, 1/5 Begitskaya St.
Tel: +7 (4832) 68-19-22
Fax: +7 (4832) 68-19-65

Buryatia Regional Branch

Reg. Number: 3349/59 of 01.08.2002
670034, Ulan-Ude, 4A Khakhalov St.
Tel/Fax: +7 (3012) 44-20-64
E-mail: rshb@burnet.ru

Chechen Regional Branch

Reg. Number: 3349/34 of 10.04.2001
364051, Grozny, 10/77 Revolution Ave.
Tel: +7 (495) 228-14-40
Fax: +7 (8712) 22-28-01
E-mail: admin_chech@rshb.ru

Chelyabinsk Regional Branch

Reg. Number: 3349/78 of 07.08.2008
454090, Chelyabinsk, 35 Lenin Ave.
Tel: +7 (351) 263-78-51
E-mail: bank@chel.rshb.ru

Chita Regional Branch

Reg. Number: 3349/47 of 04.10.2001
672039, Chita,
Ingodninsky Administrative District,
21 Alexandro-Zavodskaya St.
Tel: +7 (3022) 36-99-10
Fax: +7 (3022) 36-99-85
E-mail: referent@chita.rshb.ru

Chukotka Regional Branch

Reg. Number: 3349/77 of 07.04.2008
689000, Anadyr, 47 Lenin St.
Tel: +7 (427-22) 2-88-65
Fax: +7 (427-22) 2-90-24

Chuvash Regional Branch

Reg. Number: 3349/11 of 27.09.2000
428032, Cheboksary, 31 President's Blvd.
Tel: +7 (8352) 66-24-64
Fax: +7 (8352) 42-37-48
E-mail: RF@chuvashia.rshb.ru

Dagestan Regional Branch

Reg. Number: 3349/4 of 27.09.2000
367000, Makhachkala,
54a Gamidov Ave.
Tel/Fax: +7 (8722) 51-71-01, 51-71-02
E-mail: rsb@dinet.ru

Gorno-Altai Regional Branch

Reg. Number: 3349/70 of 06.10.2006
649000, Republic Altay, Gorno-Altai,
68 Kommunistichesky Ave.
Tel: +7 (38822) 2-47-49

Jewish Regional Branch

Reg. Number: 3349/29 of
22.03.2001
679000, Birobidjan,
6 Komsomolskaya St.
Tel/Fax: +7 (42622) 4-02-84
E-mail: rshbbir@on-line.jar.ru

Ivanovo Regional Branch

Reg. Number: 3349/38 of
29.05.2001
153012, Ivanovo,
44 Suvorov St.
Tel: +7 (4932) 41-41-42 (int. 1001)
Fax: +7 (4932) 41-41-42 (int. 1007)
E-mail: ivrshb@ivanovo.rshb.ru

Irkutsk Regional Branch

Reg. Number: 3349/66 of 13.10.2005
664040, Irkutsk,
180 Rosy Luxembourg St.
Tel/Fax: +7 (3952) 44-42-75
E-mail: rshb@irk.ru

Ingush Regional Branch

Reg. Number: 3349/42 of 21.06.2001
386102, Nazran, 31A Moskovskaya St.
Tel: +7 (8732) 22-64-96
Fax: +7 (8732) 22-53-12
E-mail: ingrshb@list.ru

Kabardino-Balkaria Regional Branch

Reg. Number: 3349/44 of
26.06.2001
360030, Nalchik, 10A Kouliev Ave.
Tel: +7 (8662) 47-77-94, 40-60-19
Fax: +7 (8662) 40-00-13
E-mail: kbr@kbal.rshb.ru

Kaliningrad Regional Branch

Reg. Number: 3349/55 of
06.03.2002
236016, Kaliningrad,
51V Alexander Nevsky St.
Tel/Fax: +7 (4012) 55-62-71
E-mail: info@klngd.rshb.ru

Kalmyk Regional Branch

Reg. Number: 3349/36 of
20.04.2001
358003, Elista, Y. 87 Klykov St.
Tel/Fax: +7 (84722) 2-46-16, 6-43-58
E-mail: rshb@elista.ru

Kaluga Regional Branch

Reg. Number: 3349/27 of 13.02.2001
248001, Kaluga, 9A Kirov St.
Tel: +7 (4842) 57-50-03
Fax: +7 (4842) 57-11-68
E-mail: rsb@kaluga.ru

Kamchatka Regional Branch

Reg. Number: 3349/53 of
08.02.2002
683023, Petropavlovsk-Kamchatsky,
63 Pobedy Ave.
Tel: +7 (4152) 46-78-00
Fax: +7 (4152) 46-79-46
E-mail: rshb@mail.kamchatka.ru

Karachay-Cherkessia Regional Branch

Reg. Number: 3349/31 of 10.04.2001
369000, Cherkessk,
19 Kavkazskaya St.
Tel/Fax: +7 (87822) 6-03-32
E-mail: rschb@mail.svkchr.ru

Karelia Regional Branch

Reg. Number: 3349/21 of 18.12.2000
185910, Petrozavodsk,
50 Pervomaisky Ave.
Tel/Fax: +7 (8142) 70-34-57
E-mail: krlrshb@karelia.ru

Kemerovo Regional Branch

Reg. Number: 3349/56 of
06.03.2002
650025, Kemerovo,
109 Kommunisticheskaya St.
Tel: +7 (3842) 25-45-97
Fax: +7 (3842) 25-45-89
E-mail: office@kemerovo.rshb.ru

Khabarovsk Regional Branch

Reg. Number: 3349/75 of 01.10.2007
680000, Khabarovsk,
22 Shevchenko St.
Tel/Fax: +7 (4212) 31-66-52, 32-56-58
E-mail: priem@hab.rshb.ru

Khakasia Regional Branch

Reg. Number: 3349/37 of 20.04.2001
655017, Abakan,
115 Pushkin St.
Tel/Fax: +7 (3902) 25-44-60
E-mail: office@hakas.rshb.ru

Kirov Regional Branch

Reg. Number: 3349/22 of 18.12.2000
610017, Kirov, 5 Gorkiy St.
Tel: +7 (8332) 57-96-45
Fax: +7 (8332) 54-16-99
E-mail: kirrshb@rshb.kirov.ru

Komi Regional Branch

Reg. Number: 3349/74 of 05.06.2007
167000, Syktyvkar,
112/1 Pervomayskaya St.
Tel/Fax: +7 (8212) 44-83-79, 44-80-19
E-mail: filial@komi.rshb.ru

Kostroma Regional Branch

Reg. Number: 3349/51 of 11.01.2002
156602, Kostroma, 37 Marshal Novikov St.
Tel/Fax: +7 (4942) 37-35-20
E-mail: kosrshb@kmtn.ru

Krasnodar Regional Branch

Reg. Number: 3349/3 of 27.09.2000
350038, Krasnodar,
Central District,
2 Korolenko St.
Tel: +7 (861) 253-66-15
Fax: +7 (861) 253-66-25, 251-10-02
E-mail: rshb@ugtel.ru

Krasnoyarsk Regional Branch

Reg. Number: 3349/49 of 13.12.2001
660017, Krasnoyarsk, 33 Perensona St.
Tel/Fax: +7 (3912) 67-67-00
E-mail: info@krsn.rshb.ru

Kurgan Regional Branch

Reg. Number: 3349/45 of 27.07.2001
640000, Kurgan, 11 Gogol St.
Tel/Fax: +7 (3522) 41-20-19
E-mail: rshb@kurgan.rshb.ru

Kursk Regional Branch

Reg. Number: 3349/32 of 10.04.2001
305004, Kursk,
12 Sadovaya St.
Tel/Fax: +7 (4712) 51-38-71, 39-05-80
E-mail: rshb@kursknet.ru

Lipetsk Regional Branch

Reg. Number: 3349/24 of 18.12.2000
398600, Lipetsk, 2 Skorokhodov St.
Tel/Fax: +7 (4742) 72-24-87
E-mail: office@lip.rshb.ru

Magadan Regional Branch

Reg. Number: 3349/40 of 13.06.2001
685000, Magadan,
70 Yakoutsckaya St.
Tel: +7 (4132) 65-16-41
Fax: +7 (4132) 60-64-05
E-mail: rshb@online.magadan.su

Mari El Regional Branch

Reg. Number: 3349/16 of
29.09.2000
424000, Yoshkar-Ola, 116 Volkova St.
Tel: +7 (8362) 45-23-55
Fax: +7 (8362) 63-81-21
E-mail: rshb@mari-el.ru

Mordovia Regional Branch

Reg. Number: 3349/20 of 18.12.2000
430000, Saransk,
47A Sovetskaya St.
Tel: +7 (8342) 29-23-00
Fax: +7 (8342) 29-23-99
E-mail: info@mrd.rshb.ru

Moscow Regional Branch

Reg. Number: 3349/63 of 28.01.2005
127550, Moscow,
2D Listvennichnaya Alley
Tel: +7 (495) 644-02-41
Fax: +7 (495) 644-02-30
E-mail: referent@rshb.ru

Murmansk Regional Branch

Reg. Number: 3349/33 of 10.04.2001
183032, Murmansk, 11 Pavlov St.
Tel/Fax: +7 (8152) 25-86-61
E-mail: murmrshb@polarnet.ru

Nizhny Novgorod Regional Branch

Reg. Number: 3349/39 of 13.06.2001
603022, Nizhniy Novgorod,
3 Kulibina St.
Tel/Fax: +7 (831) 211-62-70
E-mail: nnrshb@mts-nn.ru

North Ossetia Regional Branch

Reg. Number: 3349/26 of
09.02.2001
362040, Vladikavkaz,
2 Kantemirov St.
Tel: +7 (8672) 53-22-81
Fax: +7 (8672) 53-44-30
E-mail: rshb@osetia.ru

REGIONAL BRANCHES ADDRESSES

Novgorod Regional Branch

Reg. Number: 3349/8 of 27.09.2000
173610, Veliky Novgorod,
8/33 Fedorovsky Rouchey St.
Tel/Fax: +7 (8162) 63-22-21
E-mail: rshbngd@novgorod.net

Novosibirsk Regional Branch

Reg. Number: 3349/25 of 09.02.2001
630007, Novosibirsk, 13 Fabrichnaya St.
Tel/Fax: +7 (383) 218-30-35
E-mail: bank@nsk.rshb.ru

Omsk Regional Branch

Reg. Number: 3349/9 of 27.09.2000
644099, Omsk, 3 Krasny Pout St.
Tel/Fax: +7 (3812) 24-34-23
E-mail: post@rshb.com.ru

Orenburg Regional Branch

Reg. Number: 3349/5 of 27.09.
460000, Orenburg, 59 Leninskaya St.
Tel/Fax: +7 (3532) 77-02-95
E-mail: rshborn@mail.esoo.ru

Orel Regional Branch

Reg. Number: 3349/10 of 27.09.2000
302030, Orel, 60 Dubrovinskiy Emb.
Tel: +7 (4862) 43-41-05
Fax: +7 (4862) 54-33-79
E-mail: ref@orel.rshb.ru

Penza Regional Branch

Reg. Number: 3349/15 of 29.09.2000
440018, Penza,
39 Bekeshskaya St.
Tel: +7 (8412) 42-18-73
Fax: +7 (8412) 42-18-45
E-mail: info@penza.rshb.ru

Perm Regional Branch

Reg. Number: 3349/76 of 14.12.2007
618740, Perm Territory,
Dobryanka, 15 Lenin St.
Tel/Fax: +7 (342-65) 2-49-00
E-mail: perm.rshb@mail.ru

Primorsky Regional Branch

Reg. Number: 3349/54 of 08.02.2002
690091, Vladivostok,
26-1 Okeansky Ave.
Tel/Fax: +7 (4322) 22-35-87
E-mail: Referent@rshbprim.ru

Pskov Regional Branch

Reg. Number: 3349/68 of 14.09.2006
180000, Pskov,
44A Nekrasov St.
Tel: +7 (8112) 66-42-62
Fax: +7 (8112) 66-81-18

Rostov Regional Branch

Reg. Number: 3349/7 of 27.09.2000
344038, Rostov-on-Don,
14A M. Nagibin Ave.
Tel: +7 (863) 243-28-00
Fax: +7 (863) 243-25-36
E-mail: rshb@rshb7.donpac.ru

Ryazan Regional Branch

Reg. Number: 3349/58 of 31.07.2002
390046, Ryazan,
126 Vvedenskaya St.
Tel: +7 (4912) 28-42-00
Fax: +7 (4912) 28-41-83
E-mail: bank@rshb.ryazan.ru

Samara Regional Branch

Reg. Number: 3349/13 of
29.09.2000
443011, Samara,
10 Academician Platonov St.
Tel/Fax: +7 (846) 276-62-93
E-mail: rshb@samtel.ru

Saint-Petersburg Regional Branch

Reg. Number: 3349/35 of
12.04.2001
197376 Saint-Petersburg,
23 Prof. Popov St.
Tel/Fax: +7 (812) 335-06-30
E-mail: office@rshb.spb.ru

Saratov Regional Branch

Reg. Number: 3349/52
of 06.02.2002
410012, Saratov,
45/51 Universitetskaya St.
Tel/Fax: +7 (8452) 51-75-35
E-mail: info@saratov.rshb.ru

Sakhalin Regional Branch

Reg. Number: 3349/72 of 19.04.2007
693020, Sakhalin Region,
Yuzhno-Sakhalinsk, 107 Mira Ave.
Tel/Fax: +7 (4242) 31-21-01
E-mail: office.shl@rshb.ru

Smolensk Regional Branch

Reg. Number: 3349/43 of 25.06.2001
214000, Smolensk, 4B
Kommunisticheskaya St.
Tel/Fax: +7 (4812) 38-14-41
E-mail: info@smol.rshb.ru

Stavropol Regional Branch

Reg. Number: 3349/6 of 27.09.2000
355037, Stavropol Territory,
Stavropol,
107A Shpakovskaya St.
Tel/Fax: +7 (8652) 55-03-90
E-mail: rshb@stavropol.net

Sverdlovsk Regional Branch

Reg. Number: 3349/73 of
18.05.2007
620151, Sverdlovsk Region,
Ekaterinburg,
2A Pushkin St.
Tel: +7 (343) 371-41-65
Fax: +7 (343) 371-01-64
E-mail: rsxb73@mail.ru

Tambov Regional Branch

Reg. Number: 3349/2 of 27.09.2000
392000, Tambov,
20 Maksim Gorky St.
Tel: +7 (4752) 63-03-05
Fax: +7 (4752) 63-03-07
E-mail: office@tambov.rshb.ru

Tatarstan Regional Branch

Reg. Number: 3349/67 of 16.03.2006
420021, Kazan,
1/5 Kayum Nasyri St.
Tel: +7 (843) 570-53-20
Fax: +7 (843) 570-53-34

Tomsk Regional Branch

Reg. Number: 3349/64 of
11.05.2005
634050, Tomsk,
8B Moskovsky Trakt
Tel/Fax: +7 (3822) 42-60-69
E-mail: gerasimov@tomsk.rshb.ru

Tver Regional Branch

Reg. Number: 3349/19 of 18.12.2000
170006, Tver, 37 Dmitry Donskoy St.
Tel/Fax: +7 (4822) 77-37-20
E-mail: rshb@tvcom.ru

Tyva Regional Branch

Reg. Number: 3349/57 of 06.03.2002
667000, Tyva Republic, Kyzyl,
23 Tyvinskie Dobrovoltsy St.
Tel: +7 (39422) 2-04-01
Fax: +7 (39422) 1-41-01
E-mail: rshb@tuva.ru

Tula Regional Branch

Reg. Number: 3349/1 of 27.09.2000
300045, Tula, 114A Oboronnaya St.
Tel/Fax: +7 (4872) 37-07-91
E-mail: filial@tula.rshb.ru

Tyumen Regional Branch

Reg. Number: 3349/71 of 29.12.2006
625003, Tyumen, 24/3 Republic St.
Tel: +7 (3452) 45-64-45
Fax: +7 (3452) 64-00-54

Udmurt Regional Branch

Reg. Number: 3349/28 of
26.02.2001
426057, Izhevsk, 112 V. Sivkov St.
Tel: +7 (3412) 91-14-80
Fax: +7 (3412) 50-16-76
E-mail: rshb@udmlink.ru

Ulyanovsk Regional Branch

Reg. Number: 3349/65 of 17.06.2005
432063, Ulyanovsk, 15 Minayev St.
Tel: +7 (8422) 41-00-22
Fax: +7 (8422) 41-07-76

Vladimir Regional Branch

Reg. Number: 3349/41 of 21.06.2001
600001, Vladimir,
36 Studenaya Gora St.
Tel/Fax: +7 (4922) 32-48-78, 42-12-80
E-mail: info@vladimir.rshb.ru

Volgograd Regional Branch

Reg. Number: 3349/46 of 04.10.2001
400050, Volgograd,
57B Parkhomenko St.
Tel/Fax: +7 (8442) 23-72-01
E-mail: mail@volg.rshb.ru

Vologda Regional Branch

Reg. Number: 3349/50 of 11.01.2002
160002, Vologda, 4 Petin St.
Tel/Fax: +7 (8172) 53-33-05
E-mail: vologda@metacom.ru

Voronezh Regional Branch

Reg. Number: 3349/14
of 29.09.2000
394006, Voronezh, 12 Lenin Sq.
Tel: +7 (4732) 59-81-38
Fax: +7 (4732) 55-36-39
E-mail: vrf@vrn.rshb.ru

Yakutsk Regional Branch

Reg. Number: 3349/60
of 11.02.2003
677000, Yakutsk, 28/1 Kourashov St.
Tel/Fax: +7 (4112) 34-37-73
E-mail: office@yarshb.sakhanet.ru

Yaroslavl Regional Branch

Reg. Number: 3349/61 of 11.06.2003
150040, Yaroslavl, 28A Pobedy St.
Tel/Fax: +7 (4852) 32-12-44
E-mail: rshb@yaroslavl.ru

ABBREVIATIONS AND GLOSSARY

ALCO - Asset and Liability Management Committee.

AML/CFT - Anti-money laundering/combating the financing of terrorism.

ATM - Automated teller machine.

BASEL II - Revised capital adequacy framework of the Basel Committee which has replaced the former Basel I regulations especially on the calculation of the regulatory risk position.

CAPITAL ADEQUACY RATIO - Key figure for banks expressing in % the ratio between their capital according to Basel II and their regulatory risk position comprised of credit risks, market risks and operational risks. The minimum total capital ratio to be complied with is 8 %.

CASH FLOW STATEMENT - Calculation and presentation of the cash flow generated or consumed by a company during a financial year as a result of its business, investing and financing activities, as well as the reconciliation of holdings of cash and cash equivalents (cash reserve) at the beginning and end of a financial year.

COLLATERAL - Assets pledged as security for a loan or other obligation. Collateral can take many forms, such as cash, highly rated securities, property, inventory, equipment and receivables.

COST/INCOME RATIO - The ratio of operating costs and general expenses to net income. The lower the cost/income ratio, the more efficiently a company is operating. Also called "efficiency ratio".

CREDIT RISK - Risk that customers may not be able to meet their contractual payment obligations.

DERIVATIVE PRODUCTS - Financial contracts whose value is derived from an underlying price, interest rate, exchange rate or price index. Forwards, options and swaps are all derivative instruments.

FOREIGN EXCHANGE CONTRACTS - Commitments to buy or sell a specified amount of foreign currency on a set date and at a predetermined rate of exchange.

HEDGING - A strategy under which transactions are effected with the aim of providing cover against the risk of unfavorable price movements (interest rates, prices, commodities).

IFRS INTERNATIONAL FINANCIAL REPORTING STANDARDS - Financial Reporting Rules of the

International Accounting Standards Board to ensure globally transparent and comparable accounting and disclosure. Main objective is to present information that is useful in making economic decisions, mainly for investors.

IMPAIRMENT - Unscheduled write-down of the value of assets such as loans and advances, securities, intangible assets, and property and equipment in the amount by which the amortized cost or cost less depreciation exceeds the amount recoverable in the market.

INVESTOR RELATIONS - Systematic and continuous two-way communication between companies and both current and potential providers of capital. Information is supplied on major corporate events, financial results, business strategy and the capital market's expectations of management. One objective of investor relations activities is to ensure that a company's equity is appropriately valued by the market.

IT - Information technology.

KYC PROGRAM - "Know Your Client" program for clients identification in the framework of the Rules of Internal Control.

LIBOR - London Inter-Bank Offered Rate. The short-term interest rate that creditworthy international banks charge each other for loans.

LIQUIDITY RISK - Risk to the earnings and capital arising from the bank's potential inability to meet matured obligations without incurring unacceptably high losses.

MARKET RISK - Arises from the uncertainty concerning changes in market prices and rates (including interest rates, share prices, foreign exchange rates and commodity prices), the correlations among them and their levels of volatility.

NETTING AGREEMENTS - Contracts between two parties that under certain circumstances – e.g. insolvency – mutual claims from outstanding business can be offset against each other. The inclusion of a legally binding netting agreement reduces the default risk from a gross to a net amount.

OPERATIONAL RISK - Potential for incurring losses in relation to employees, contractual specifications and documentation, technology, infrastructure failure and disasters, projects, external influences and customer relationships. This definition includes legal and regulatory risk.

RATING - Standardized assessment of the creditworthiness of companies, countries or of

debt instruments issued by them, on the basis of standardized qualitative and quantitative criteria carried out by specialized agencies. The rating process forms the basis for determining the probability of default, which in turn is used in calculating the capital needed to back the credit risk.

REPO TRANSACTIONS - Abbreviation for repurchase agreements; these are combinations of spot purchases or sales of securities and the simultaneous forward sale or repurchase of these securities in an agreement involving the same counterparty.

RETURN ON ASSETS - Annualized income divided by average assets.

RETURN ON EQUITY - Annualized income divided by average equity.

RISK - Financial institutions face a number of different risks that expose them to possible losses. These risks include credit risk, market risk, operational risk, liquidity and funding risk, reputation risk, regulatory and legal risk, environmental risk, insurance risk, strategic risk, competitive risk and systemic risk.

RISK-WEIGHTED ASSETS - Calculated using weights based on the degree of credit risk for each class of counterparty. Off-balance sheet instruments are converted to balance sheet equivalents, using specified conversion factors, before the appropriate risk weights are applied.

STANDBY LETTERS OF CREDIT AND LETTERS OF GUARANTEE - Assurances given by the Bank that it will make payments on behalf of clients to third parties. The Bank has recourse against its clients for any such advanced funds.

STRESS TEST - A simulating procedure designed to assess the impact of extreme market scenarios on the Bank's overall exposure to risk.

SWAPS - In general: exchange of one payment flow for another. Interest rate swap: exchange of interest payment flows in the same currency with different terms and conditions (e.g. fixed or floating). Currency swap: exchange of interest payment flows and principal amounts in different currencies.

TIER 1 AND TIER 2 CAPITAL RATIOS - Measures of the capital adequacy of a bank as determined in accordance with specific regulatory guidelines. Tier 1 ratio refers to core capital while Tier 2 ratio refers to supplementary capital.

TOTAL CAPITAL RATIO - Total capital of the bank expressed as a percentage of total risk-weighted commitments. The minimum standard set by the Bank for International Settlements is 8%.

VALUE AT RISK (VAR) - A technique which uses the statistical analysis of historical market trends and volatilities to estimate the likelihood that a given portfolio's losses will exceed a certain amount. ■

CORPORATE INFORMATION

Name in Russian:

Открытое акционерное общество «Российский Сельскохозяйственный банк»

Name in English:

Russian Agricultural Bank

Date of Registration: April 24, 2000

Registration Authority: Central Bank of the Russian Federation

Registered Address of Head Office: 3 Gagarinsky Pereulok, 119034 Moscow, Russia

Tel/Fax: + 7 495 363 06 53

SWIFT: RUAGRUMM

Telex: 485493 RSB RU

Internet website: www.rusagrobank.com

E-mail: fininst@rshb.ru, ir_rusagrobank@rshb.ru

Licenses:

General Banking License number 3349 of 25.07.2007

License number 077-08455-100000 of 19.05.2005 of the professional security market player to fulfill brokerage activity

License number 077-08456-010000 of 19.05.2005 of the professional security market player to fulfill dealer activity

License number 077-08461-000100 of 19.05.2005 of the professional security market player to fulfill depositary activity

Appointed Auditor

ZAO PricewaterhouseCoopers Audit

Address: 52, bld. 5 Kosmodamianskaya Nab., 115054 Moscow, Russia

Nostro Correspondent Accounts of Russian Agricultural Bank

Correspondent	Currency	Account No.	SWIFT
JPMorgan Chase Bank, NY	USD	400-807408	CHAS US 33
Commerzbank AG, Frankfurt am Main	EUR	400886853100EUR	COBA DE FF
DZ Bank AG, Frankfurt am Main	EUR	EUR 0000140450	GENO DE FF
	USD	USD 0001140450	
VTB Bank (Deutschland) AG, Frankfurt am Main	EUR	0104678396	OWHB DE FF
	USD	0104678412	
	GBP	0104678420	
	NOK	0104678438	
	CHF	0104678446	
Belagroprombank, Minsk	BYB	1702080840014	BAPBBY 2X

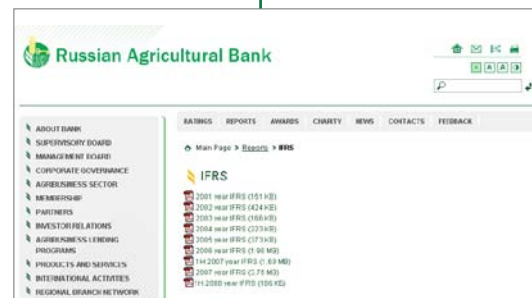
GUIDE TO RAB WEBSITE

Russian Agricultural Bank

www.rusagrobank.com



English version of the Website provides the Bank's foreign partners and investors with updated information on RAB's activity.



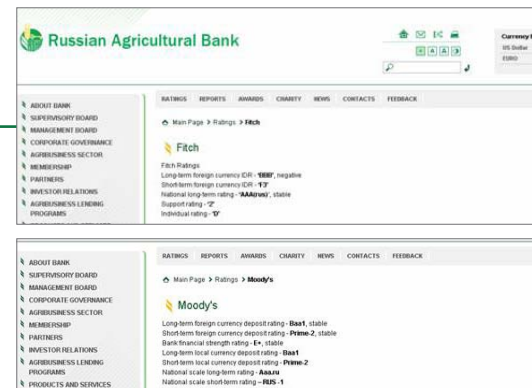
Reports section of the Website includes three subsections – Annual Reports since 2000, financials in accordance with IFRS since 2001 and presentations outlining RAB performance.



Feedback form allows to contact directly the Bank's IR Service.



This section of the Website includes recent developments, investment highlights and key financial information.



RAB ratings history is available at Website

Please contact us at IR_RusAgroBank@rshb.ru or fill in the Feedback form



Russian Agricultural Bank

www.rusagrobank.com