



annual report

2008

Bank details

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Web Site: www.slaviabank.ru

Full name:	Joint-Stock Commercial Bank «SLAVIA» (Closed Joint-Stock Company)
Abbreviated name:	JSCB «SLAVIA»
License of the Central Bank of the Russian Federation:	№2664 as of January 16, 2003
Location (address):	5A, Kedrova Street, Moscow, Russia, 117292
INN:	7726000596
Correspondent account:	№ 30101810300000000318 in Branch №5 of the Moscow Main Territorial Department of the Bank of Russia
BIK:	044552318

Branches

Lyubertsy

112 Otyabr'skiy prospect
Lyubertsy, Moscow region
Russia, 140002
Phone: +7 495 981-81-37
Fax: +7 495 981-81-36

Pskov

2 Lev Tolstoy Street
Pskov, Pskov Region
Russia, 180000
Phone / Fax: +7 811 273-70-41

Additional office

Moscow

Building 3, 3 Dobrolyubova prospect,
Moscow, Russia, 127254

Kotelniki

6 Novoryazanskoye highway Kotelniki,
Moscow Region Russia, 140052

Operational cash desks

Moscow

21B Pererva Street
Moscow Russia, 109651

Domodedovo

17 Krasnodarskaya Street Domodedovo,
Moscow Region
Russia, 142000

Kotelniki

6 Novoryazanskoye highway Kotelniki,
Moscow Region Russia, 140052

Malakhovka 1

3A Kasimovskoye highway Settlement
Malakhovka
Lyuberetsky Area
Moscow Region, Russia, 140030

Malakhovka 2

7 Kasimovskoye highway Settlement
Malakhovka
Lyuberetsky Area
Moscow Region, Russia, 140030

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Dear friends!

Here is the Bank Annual Report for 2008. The time has come to sum up and analyze the achievements.

In the beginning of the year we specified the targets, defined the development strategy and our priorities. Absolute priorities for the Bank are high liquidity, liability for the obligations, crediting and rendering services to enterprises of the real sector of economy. An individual approach to our clients, stability of the Bank, balanced policy and high standards of service allowed us to achieve obvious growth that is reflected in the financial indicators provided by the Annual Report. Growth of chartered and own capital, increase in the credit portfolio – these are our undoubted achievements which are evidence of high reliability of the Bank, especially obvious in the hard time for the world economy.

2008 witnessed the new central office of the Bank to open its doors for clients and constant growth of the employees: we have created a well-knit professional team capable to solve the problem of the modern bank business.

The Report figures are backed by a year of fruitful work and achievements. We are building partner relations on principles of long-term cooperation, an openness and responsibility. Allow me to thank all those who are art and part in our general success: clients, partners, shareholders and employees of the Bank.

We appreciate your confidence and are fully confident that our mutually advantageous cooperation has an excellent future!



E. Gromova

the Chairman of the Board

Today JSCB
«SLAVIA» is
a universal credit
institution taking
strong positions
in the financial
market of Russia.

Traditions of the SLAVIA Bank

JSCB "SLAVIA"* was set up in the beginning of 1994 and has received license № 2664 of the Bank of Russia to carry out operations in rubles and foreign currency with legal and physical persons.

On September 7, 2005 the Bank was included in the Register of banks-participants of the system of obligatory insurance of deposits under number 892. The Bank is a member of the Association of the Russian Banks. The maximum satisfaction of the client's needs both physical and legal bodies has been the Bank's priority for over fifteen-year period.

Nowadays the Bank possesses all modern instruments to carry out inter-bank settlements both in national and foreign currencies, including the SWIFT system. The Bank maintains correspondent relations with the world's largest banks that allows its clients to carry out transactions with the partners quickly and in due time.

The Bank is a member of the international VISA and MasterCard payment systems, and provides its clients, who are carrying out foreign trade activities, with the possibility to effect payments by means of the Customs card.

The Bank provides the clients with all the complex of bank services, including settlement and cash services, credit and deposit of money, currency transactions, operations with securities, encashment of money resources etc.

The best advertising for the Bank is its reliability. We managed to achieve it mainly thanks to the weighed policy and professional management. Workings at ground zero of the Bank were Russian and foreign investors who are still continue to actively invest in the development of the Russian economy. The steady financial position of the Bank has provided confidence on the part of clients.

Striving to the maximum openness, the Bank considers important to promulgate and strictly adhere to the following principles of the corporate policy in its activity:

- The Bank complies with the law, ethical standards and rules of doing fair business, unconditionally fulfills its obligations and values its reputation;
- The Bank adheres to the principle of neutrality with respect to financial and industrial groups, political parties and associations and carries out its activity in the interests of investors, clients and shareholders;
- The Bank develops new operations and directions;
- The Bank protects the interests of every client;
- The Bank values its employees and creates conditions at when every officer can completely realize its abilities, as well as takes care of the veterans.

For the Annual Report for 2008 - SLAVIA Bank or Bank.

**The SLAVIA Bank
uses modern
principles
of management.**

Corporate governance

Process of management in the Bank is founded on construction on the general standards of the corporate governance accepted in the credit organizations in the territory of Russia.

The supreme body of the Bank management is the general meeting of its shareholders which elects the members of the Supervisory Board of the Bank which, in turn, appoints the Chairman and members of the Board of the Bank. Active parts in the Bank work are two collective bodies, performing consultative functions - Credit and Finance Committees of the Bank. According to the Charter there is a Committee of advisers in the Bank which functions at the Bank Supervisory Board.

Decision-making with respect to the specified above advisory and management bodies is founded on the basis of consensus within the framework of free exchange of opinions. The decisions made are subject to unconditional execution. Each employee of the Bank has the right to address the higher management echelon in order to have one or another question to solve. There is a chain of command in the Bank for realization of functions of management and control of execution of the decisions taken which includes Departments, Services, Directorates, Divisions and Sectors. Each of Vice-President of the Board of the Bank supervises or heads one or another structural or isolated division of the Bank. Some divisions, for example, the Credit Department have the so-called matrix structure of management which is expressed in subordination of an employee to two different officials of the Bank who have various administrative functions.

**The SLAVIA Bank
creates corporate
culture specified by
its mission and
development
strategy.**

Human resources management

The SLAVIA Bank considers its experts as one of the basic resources and highly appreciates the employees working in the Bank. Each expert coming to the Bank is a new link in constructing harmonious collective which effectively and competently solves the problems of business. The main objective of the HR strategy is to build the corporate culture aimed at rendering the highest quality services to our clients.

Nowadays, despite the crisis consequences, the Bank continues to actively build up the client base and develop services which led to the increase in number of the personnel in the accounting year. The number of the Bank employees has increased by 20 % as compared with 2007 and amounted to 186 persons as of 01.01.2009.

In 2008 the SLAVIA Bank continued to invest in training and personnel development. More than 12 % of its employees participated in various seminars and trainings with the subsequent assignment of certificates. In 2009 the Bank plans to go on with investments in training and personnel development, increasing the number of highly skilled employees in such a way.

The SLAVIA Bank has moved to a new building in August, 2008 where the employees were provided with the workplaces meeting the highest standards and equipped at the highest level.

The main objective of the personnel policy in the forthcoming year is to maintain the constant inflow of professionals, to improve professional skill and to promote the most talented employees, i.e. to do the needful to keep the Bank growing.

The Bank is actively working on development of the corporate culture to create fruitful atmosphere within the collective and provide the employees with wholehearted work. The Bank HR division successively meets the challenges, thus, that is to say, the Bank confirms its reputation of reliable and successful employer.

Basic financial indicators

The equity capital of the Bank
has increased

by **283,2** million rubles

and has made

862,8 million rubles

Dynamic growth

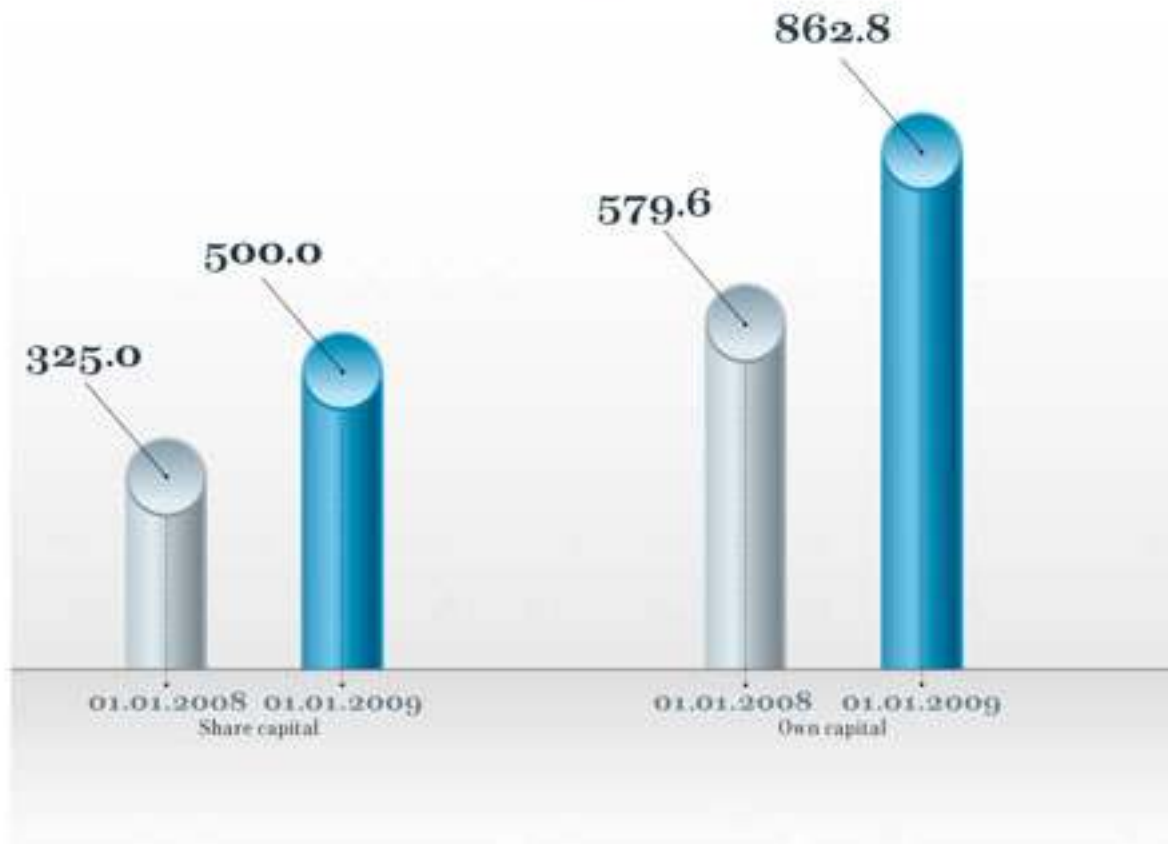
Bank capital

There was an additional share issue by the Bank in October, 2008 for the sum of 175 million rubles that allowed increasing the chartered capital up to 500 million rubles.

With a view of increasing its share capital the Bank attracted a subordinated deposit in November, 2008 amounting to 5,0 million US dollars.

As a result of additional share issue and attraction of subordinated deposit the volume of the Bank own capital has increased by 283,2 million rubles in comparison with the beginning of the year and amounted to 862,8 million rubles.

Dynamics of the authorized and owned capital (million rubles)



The sum of the working assets has increased

by **63,9** million rubles

and amounted to

1521,2 million rubles

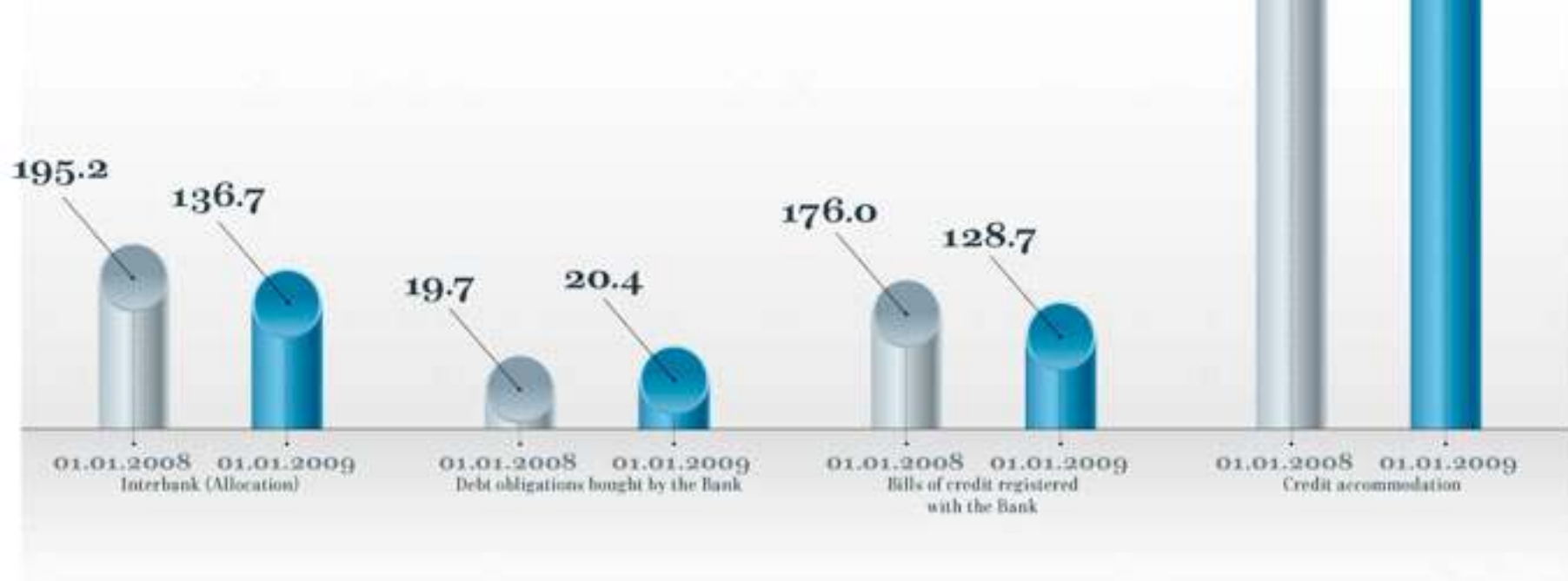
Growing assets

Bank assets

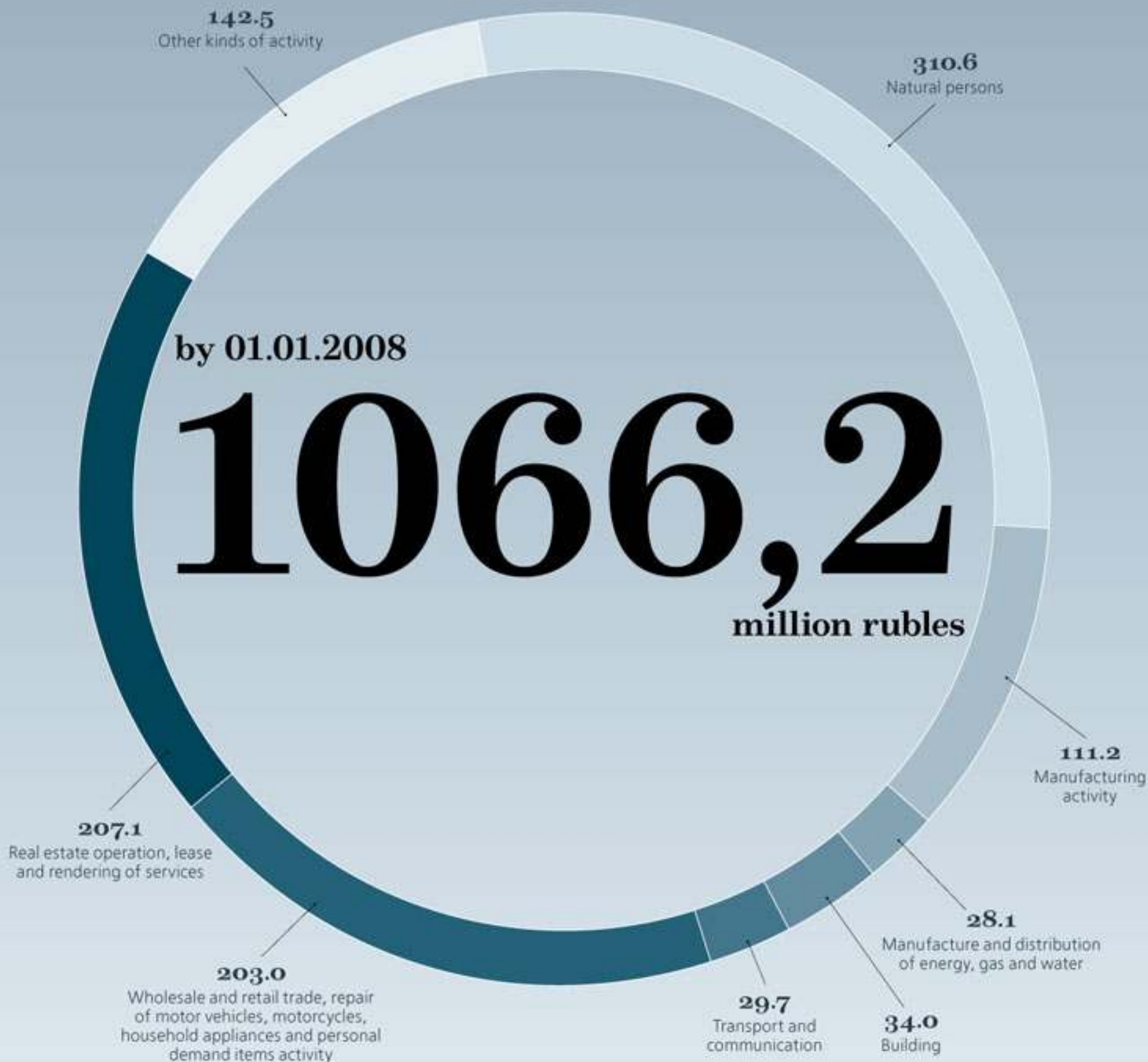
The sum of the working assets has increased by 63,9 million rubles in comparison with January 1, 2008 and has amounted to 1521,2 million rubles.

Formation of the resource base from the sources involved for the intermediate term and long-term basis has allowed the Bank to increase the volume of the credits provided to legal and physical persons: their share in the structure of the working assets has increased from 73,2 % as of 01.01.08 to 81,2 % on 01.01.09. Thus the share of the short-term interbank credits was reduced from 13,4 % as of 01.01.08 to 9,0 % on 01.01.09.

Dynamics and structure of the working assets (million rubles)



Structure of the credit portfolio (million rubles) as of 01.01.2008



Increase in the credit portfolio

The volume of the credit portfolio has increased

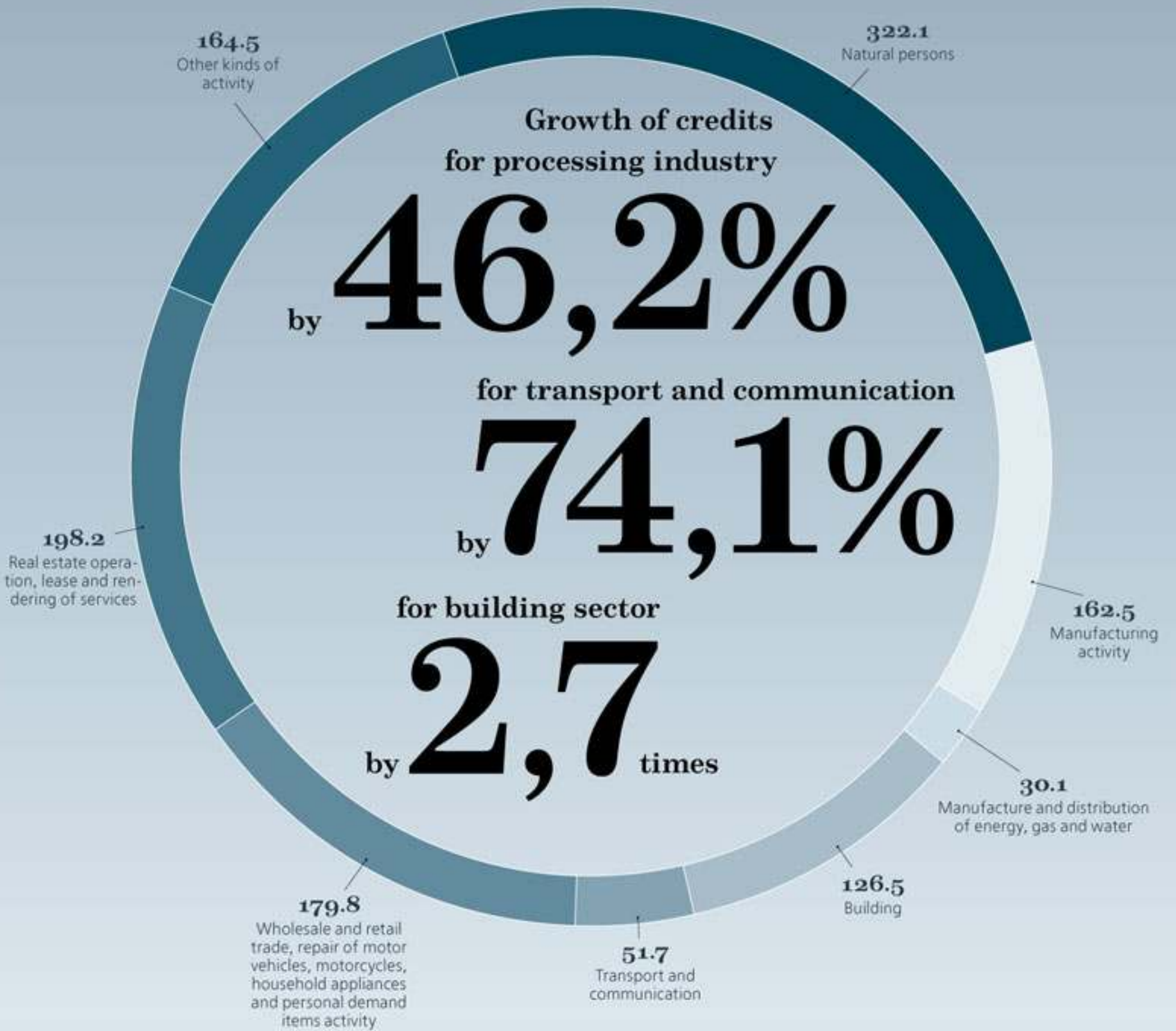
by **169,2** million rubles

or by **15,8 %**

and amounted as of 01.01.2009 to

1235,4
million rubles

Structure of the credit portfolio (million rubles) as of 01.01.2009



**Growth of credits
for processing industry
by 46,2%**

**for transport and communication
by 74,1%**

**for building sector
by 2,7 times**

Crediting of the real sector of economy: small & medium size enterprises

The Bank paid special attention to crediting real sector of economy in the accounting year.

The amount of credits given to the enterprises of the processing branches as of January 1, 2009 has increased by 46,2 % in comparison with January 1, 2008, as well as the enterprises of transport and communication - by 74,1 % and the enterprises of the building branch - 2,7 times.

During the accounting year the Bank was giving credits for development of manufacture of the hoisting-and-transport equipment, confectionery products and a foodstuff, production of the chemical industry, for building of housing estates, manufacturing and installation of PVC and wooden windows, as well as for deliveries of the ophthalmologic equipment, chemical fibers and socially significant goods.

Formation of the stable resource base

The amount of funds attracted from the legal entities has grown up by

1,5 times

The amount of funds attracted from the natural persons has grown up

by **3** times

Stability

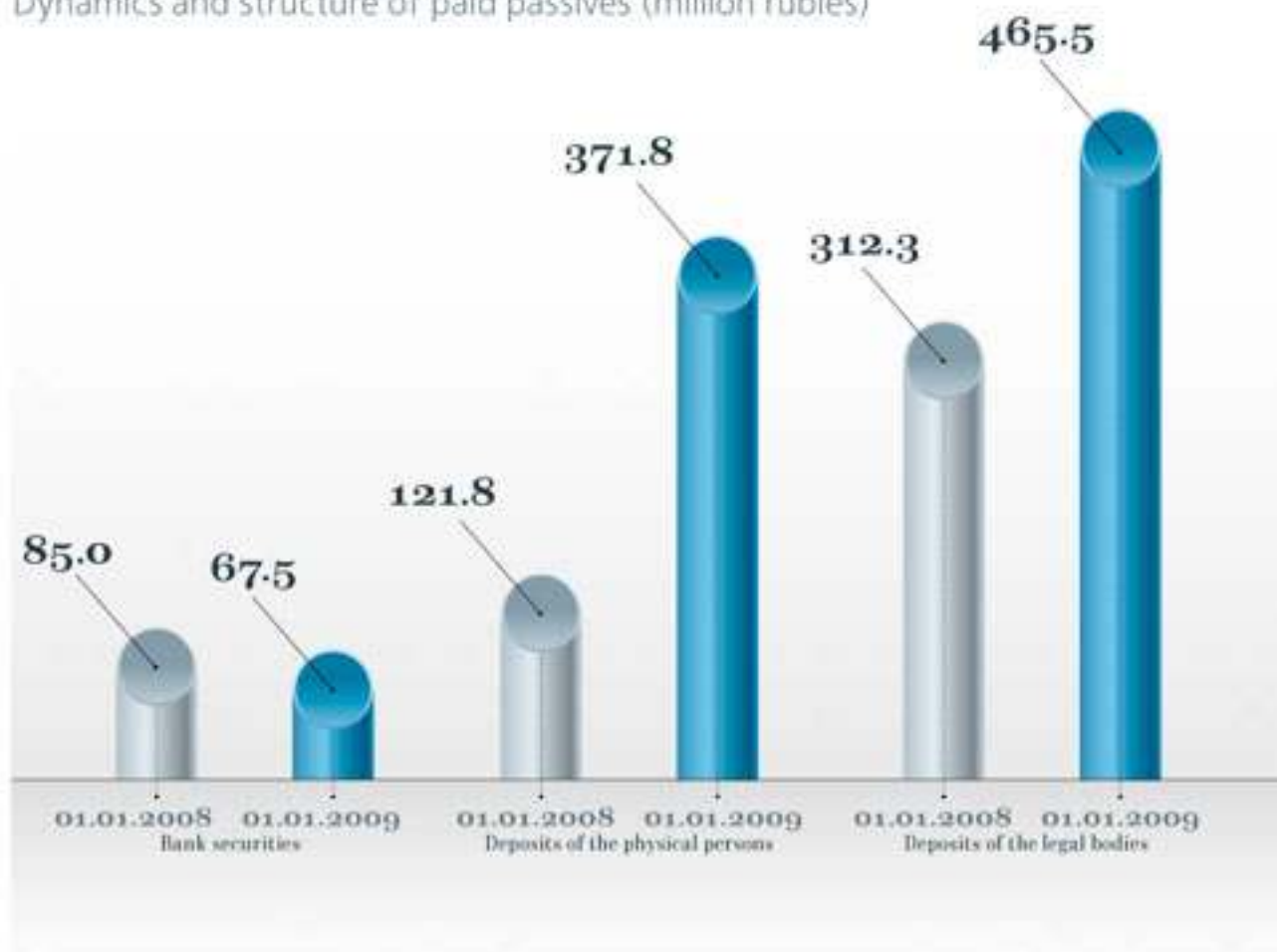
Bank resources

Formation of stable resource base was one of the primary goals of the Bank throughout 2008.

The basic efforts have been concentrated on attraction of deposits of legal and natural persons for the intermediate and long-term basis.

In comparison with January 1, 2008 the volume of funds attracted from the legal bodies has increased by 1,5 times and from the physical persons - 3 times as of January 1, 2009.

Dynamics and structure of paid passives (million rubles)



The client base has grown

by **49,4 %**

The accounts opened
by legal bodies have grown

by **13,0 %**

The accounts opened
by natural persons have grown

by **115,6 %**

Individual approach to the clients

The number of accounts opened by legal and physical persons in 2008 has increased by 13,0 % and 115,65 % accordingly. The general growth has amounted to 49,39 %.

Dynamics of open accounts (quantity of units)



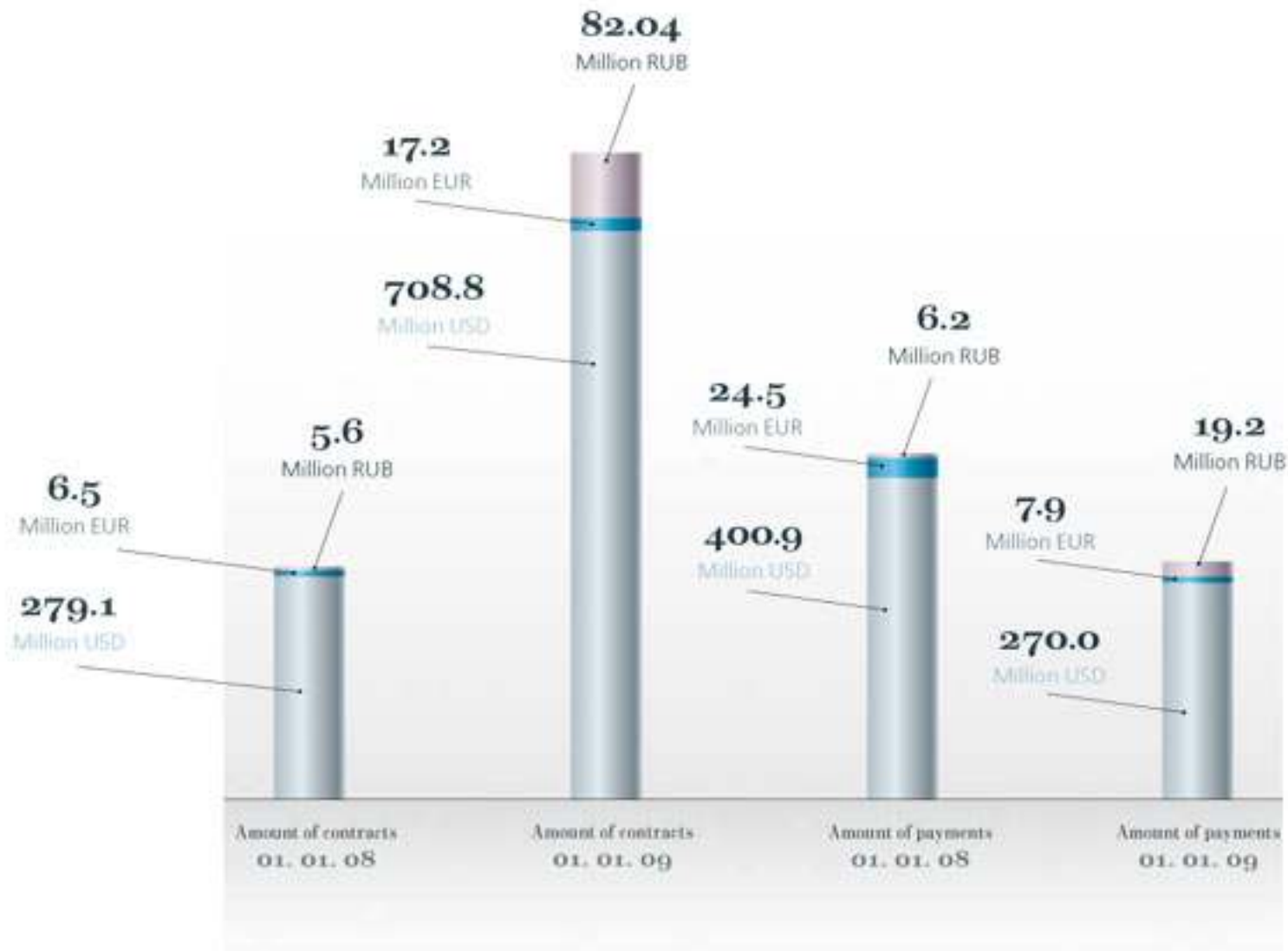
Cooperation with financial institutions. Foreign trade activities.

The SLAVIA Bank carries out operations in the currency and money markets within the framework of the open lines, carries out interbank crediting and provides for the issue of own bills of credit. The bank has cooperation agreements with more than 50 banks-partners. All the operations under interbank transactions are carried out within the framework of limits for each counterpart, established on the basis of all-round analysis of financial condition of specific bank-counterpart and the weighed estimation of risks.

Foreign trade activities (million units)

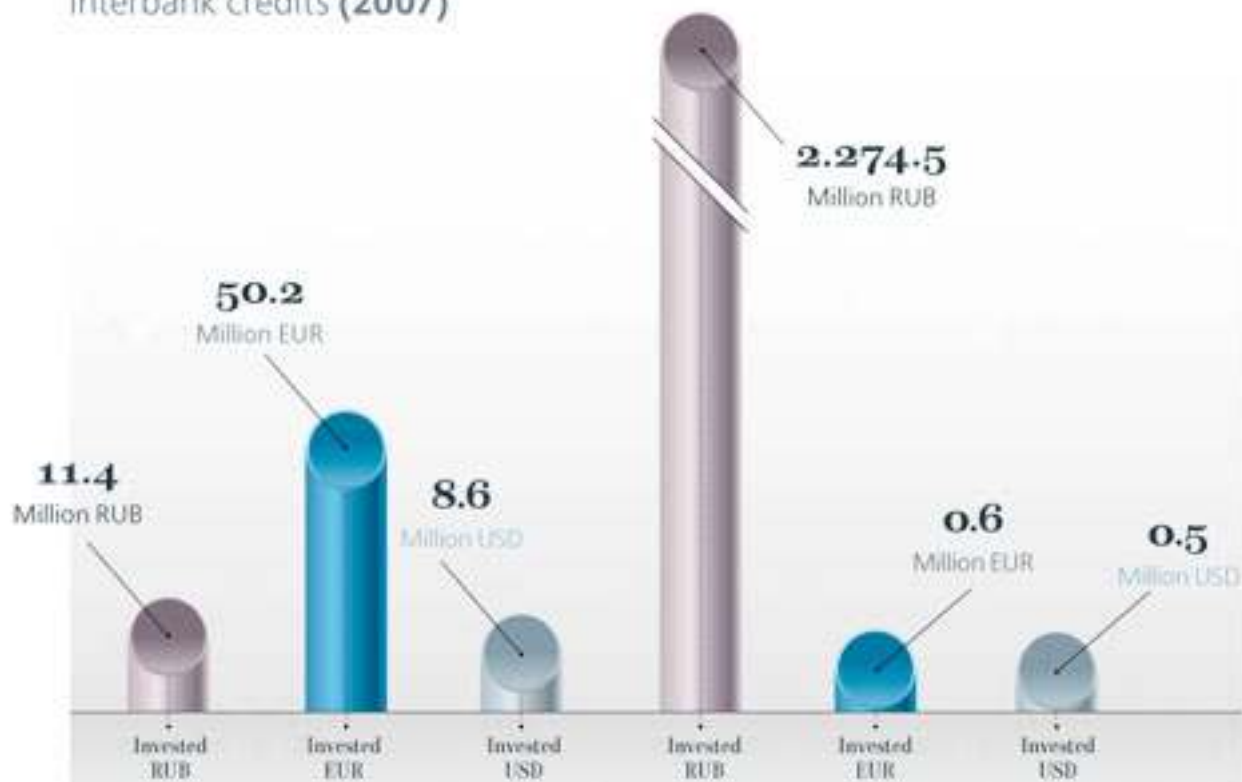
	as of 01.01.2008	as of 01.01.2009
Amount of contracts		
USD	279.1	708.8
EUR	6.5	17.2
RUB	5.6	82.0

Currency operations

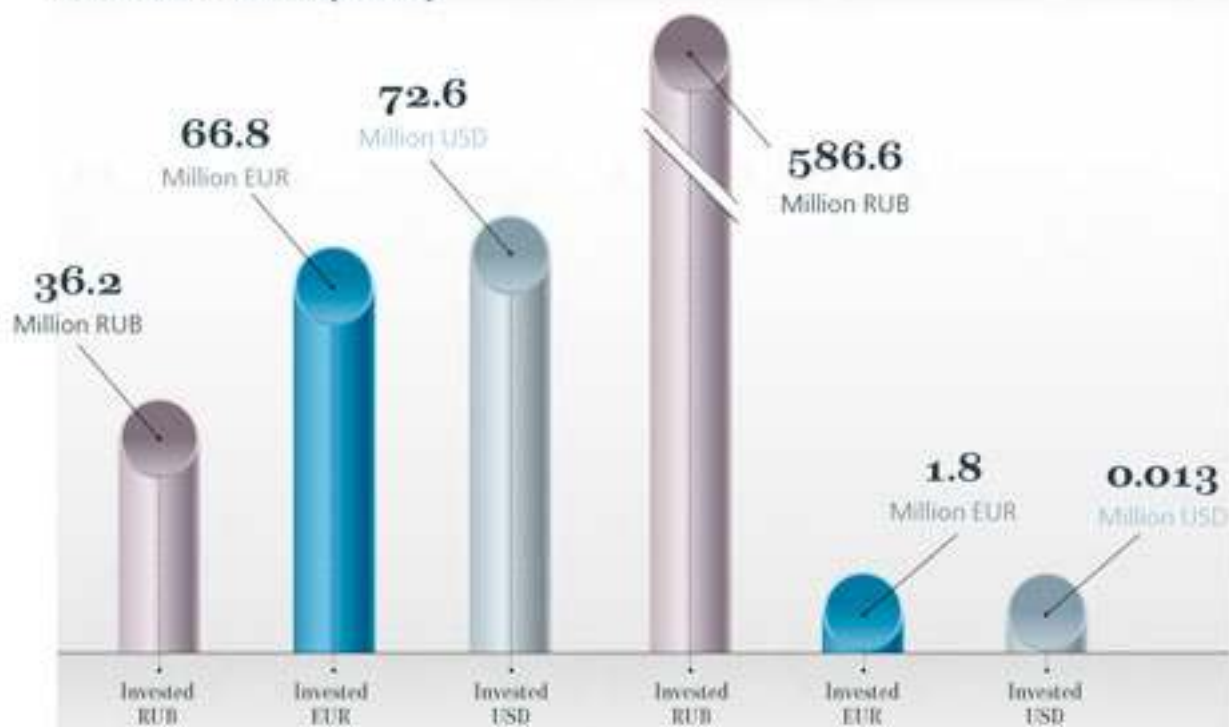


Treasury operations

Interbank credits (2007)

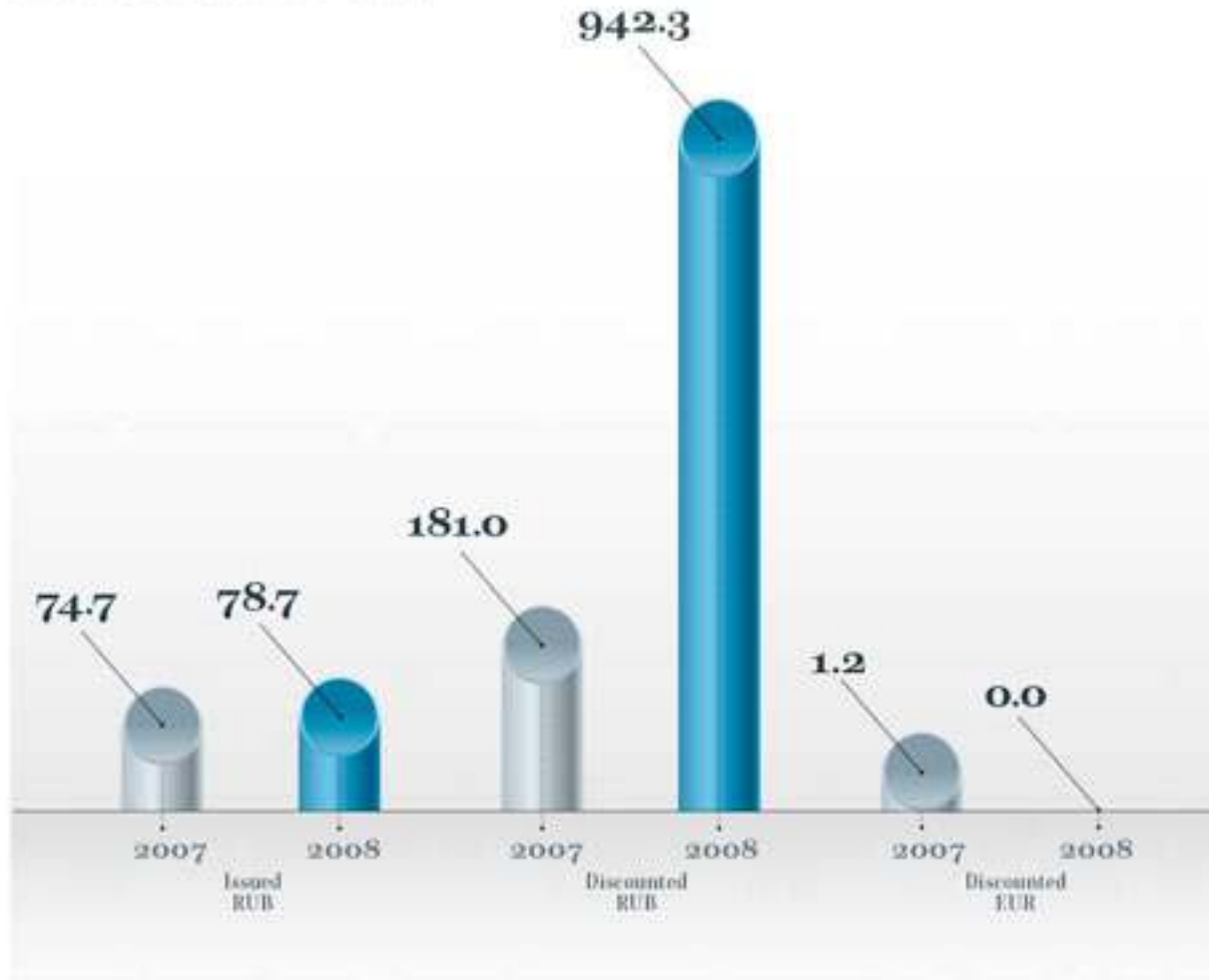


Interbank credits (2008)

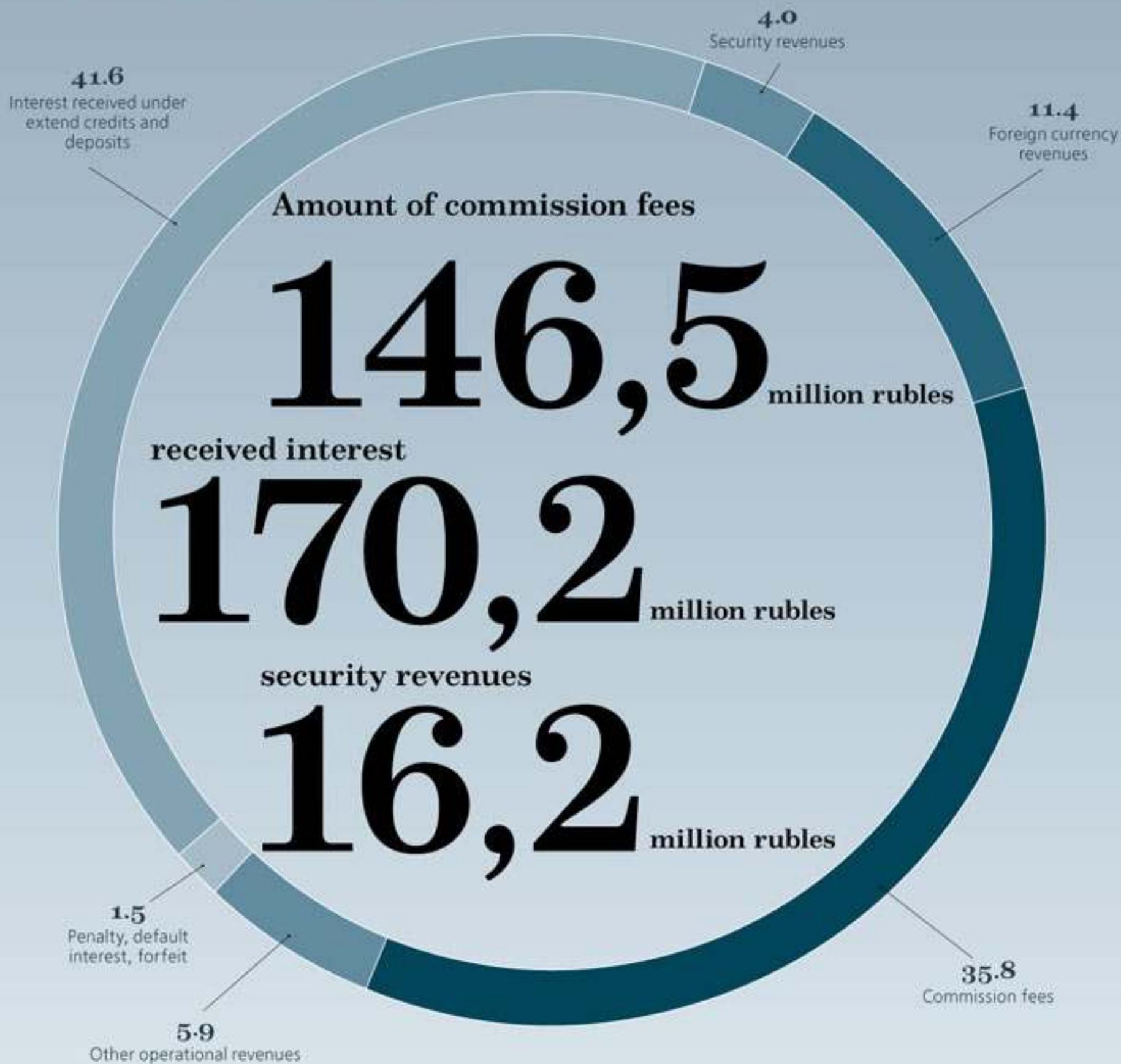


Treasury operations

Bills of credit (million units)



Structure of incomes in 2008 (in percentage)



Diversification of the incomes structure

Incomes

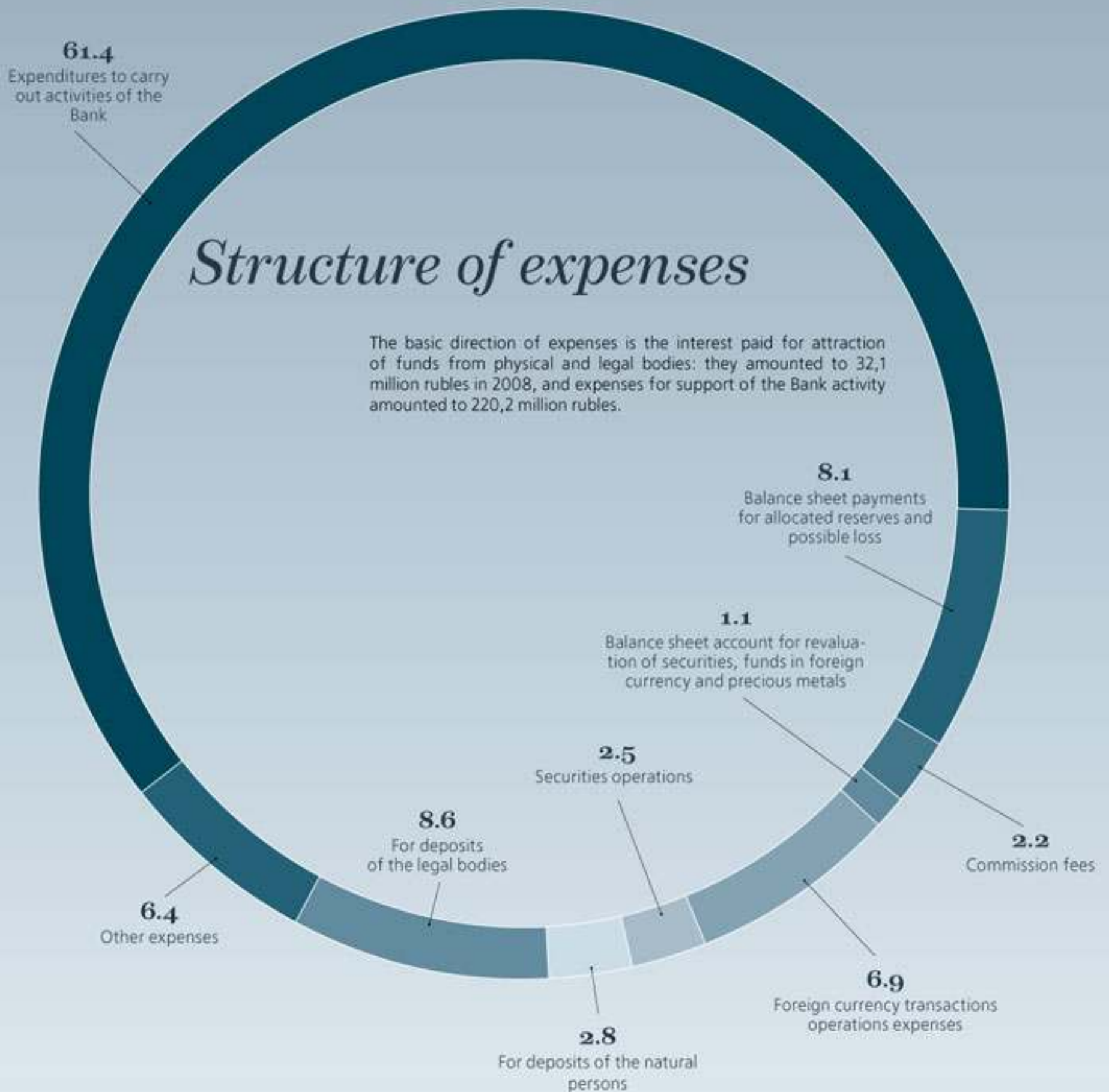
The basic income item of the Bank is the interest received under the extended credits, commissions and security revenues.

Expansion of spectrum of the rendered services, development of network of the separate divisions of the Bank has allowed to increase the amount of received commissions from 76,3 million rubles in 2007 up to 146,5 million rubles in 2008.

The increase in volume of the credit portfolio has allowed to increase the amount of the interest received from 163,8 million rubles in 2007 up to 170,2 million rubles in 2008.

In the reporting year the Bank was actively carrying out operations with bills of the banks-counterparts. The security revenues have increased by 11,4 million rubles in comparison with 2007 and have amounted to 16,2 million rubles.

Structure of expenses for 2008 (in percentage)



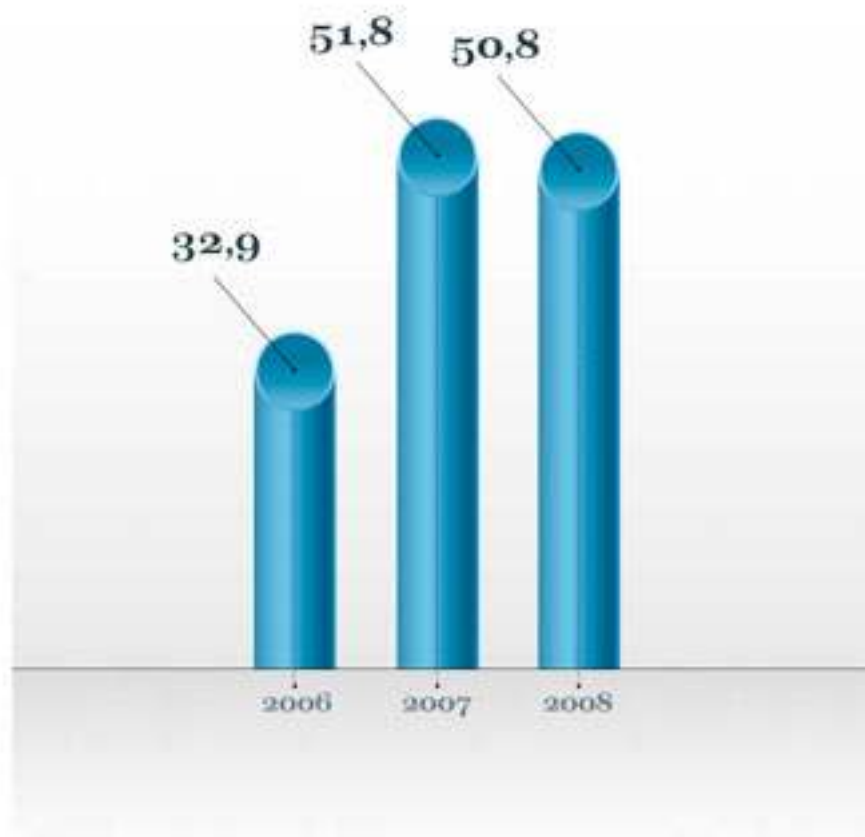
Balanced policy. Reliability

Profit

In the conditions of economic stability the Bank profit in 2008 should have exceeded the indicators of 2007. The economic situation emerged from the fall of 2008 has affected the profit of the accounting period.

The Bank has been actively allocating temporarily surplus funds of the clients in the short-term interbank market throughout its activity. However during the last months of 2008 with a view of minimization of risks of non-return of the interbank credits by the banks-counterparts in conditions of the financial crisis the Bank was compelled to reduce the volume of operations in the interbank market that has affected the volume of the interest yields from this kind of operations.

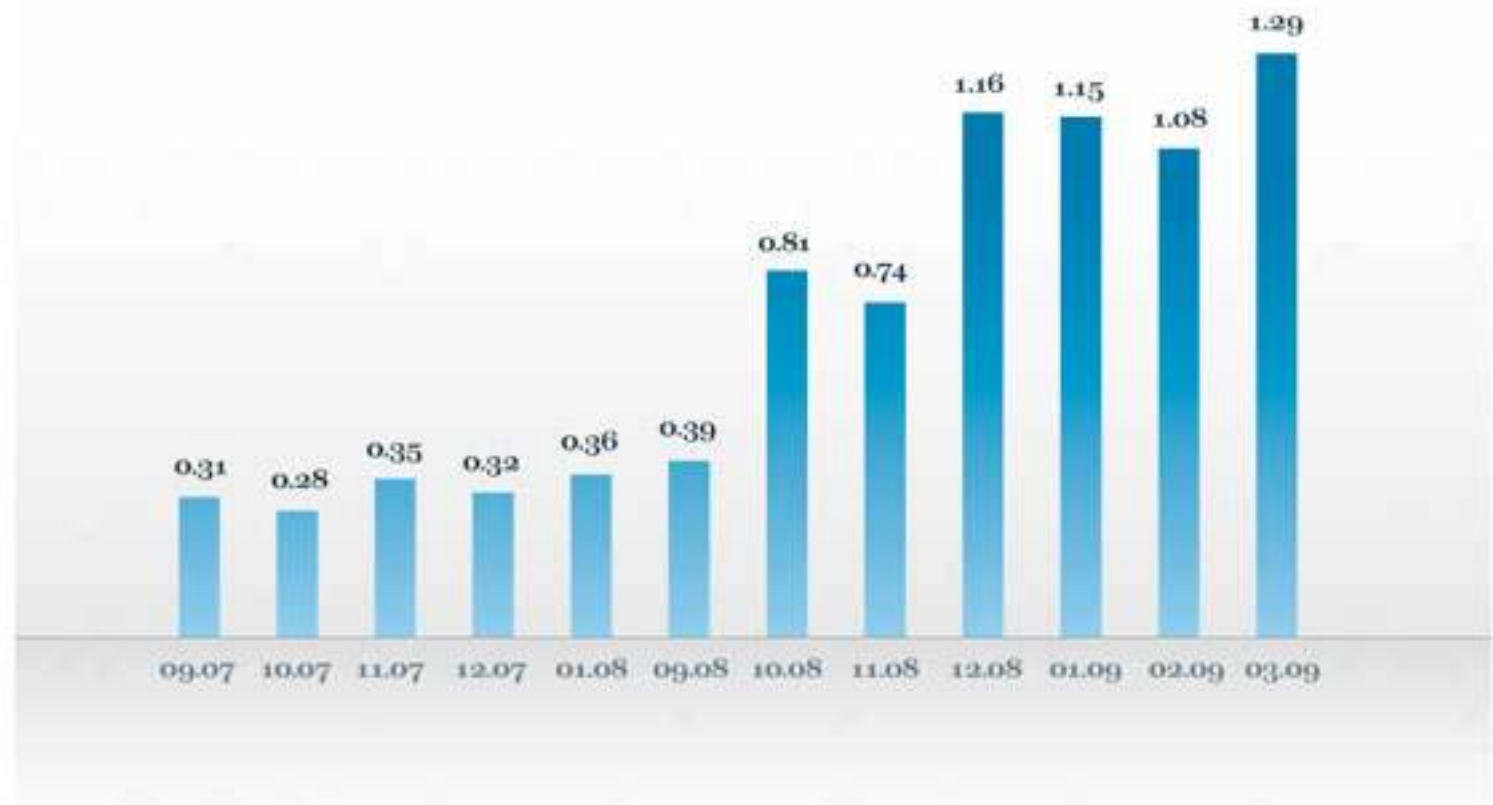
Balance sheet profit (million rubles)



Financial responsibility and ability to be liable for its obligations – sound liquidity

According to assessment of the National Rating Agency as of January, 01, 2009 JSCB "SLAVIA" (CJSC) is rated among the group of banks with extra-high liquidity (<http://www.ra-national.ru/print.php?page=bank&id=394>).

Liquidity ratio amounted to 1.15 on 01.01.2009. The given estimation is based on indicators which evaluate the solvency of the Bank and allow defining the level of the Bank ability to be liable for its obligations.



Annual report based on IFRS, approved by audit company

01.01.2009

Balance sheet as at December 31, 2008

Statement of income for the year ended 31 December 2008

Statement of cash flow for the year ended 31 December 2008

Statement of changes in equity for the year ended 31 December 2008

Audit statement

Joint-Stock Commercial Bank «SLAVIA» (Closed Joint-Stock Company)
Balance sheet as of December 31, 2008

(In thousands of Russian Rubles)

	2008	2007
Assets		
Cash and its equivalents	627569	193596
Mandatory reserves with The Central Bank of Russia	4087	17963
Trading securities as fair value through profit or loss	140851	195666
Due from other banks	142527	201270
Loans and advances to customers	1078444	866860
Fixed assets and intangible assets	25422	17186
Financial assets available for sale	0	1580
Other assets	55771	12627
Current tax asset	128	13987
Deferred tax asset	0	2146
Total assets	2074799	1522881
Liabilities		
Due to other banks	0	64023
Due to customers	1036680	759682
Promissory notes issued	62061	79182
Subordinated deposits	313952	166801
Other liabilities	20602	11777
Current tax liability	1500	10858
Deferred income tax liability	266	-
Total liabilities	1435061	1092323
Equity		
Share capital	587778	412778
Retained earnings	51960	17780
Total equity of shareholders	639738	430558
Total equity and liabilities	2074799	1522881

On behalf of the Board
June 26, 2009
The Chairman of the Board:
Chief accountant:



E. Gromov
M. Semenchenko



Joint-Stock Commercial Bank «SLAVIA» (Closed Joint-Stock Company)
Statement of income for the year ended December 31, 2008

(In thousands of Russian Rubles)

	2008	2007
Interest income	186684	164421
Interest expense	(48617)	(29998)
Net interest income	138067	134423
Provision for loan impairment	(18324)	(61584)
Net interest income after provision for loan impairment	119743	72839
Gains less losses arising from trading securities as fair value through profit or loss	(1768)	(172)
Gains less losses arising from dealing in foreign currencies	21831	7346
Foreign exchange translation gains less losses	(1567)	(561)
Fee and commission income	146940	76406
Fee and commission expense	(7895)	(4108)
Provision for financial assets impairment	(420)	(420)
Other operating income	27835	14610
Net operating income	305539	165940
Administrative and other operating expenses	(246728)	(147614)
Profit before tax	58811	18326
Income tax expense	(24631)	(5826)
Net profit	34180	12500

On behalf of the Board
June 26, 2009
The Chairman of the Board:
Chief accountant:




E. Gromova
M. Semenchenko



Joint-Stock Commercial Bank «SLAVIA» (Closed Joint-Stock Company)

Statement of cash flow for the year ended December 31, 2008

(In thousands of Russian Rubles)

	2008	2007
Cash flow from operating activities		
Interest income	181232	168217
Interest paid	(31871)	(34576)
Net income received from trading securities as fair value through profit or loss	(1768)	(172)
Net income received from dealing in foreign currencies	21831	7346
Fees and commissions received	146940	76406
Fees and commissions paid	(7895)	(4108)
Other operating income received	27835	14318
Other operating expenses paid	(242847)	(144772)
Income tax paid	(18648)	(3057)
Cash flow from operating activities before changes in operating assets and liabilities	74809	79602
Changes in operating assets and liabilities		
Net increase (decrease) in mandatory reserve with The Central Bank of Russia	13876	(451)
Net increase(decrease) in trading securities	55703	(145160)
Net increase(decrease) in due from other banks	58617	(92594)
Net increase(decrease)in loans and advances to customers	(208199)	(52762)
Net increase(decrease) in other assets	(44801)	(1379)
Net increase(decrease) in due to other banks	(63787)	64000
Net increase(decrease) in customer accounts	214135	174112
Net increase(decrease) in other liabilities	(1598)	806
Net cash used in operating activities	98755	26174
Cash flow from investing activities		
Acquisition of premises, equipment and intangible assets	(10341)	(6039)
Acquisition of financial assets available for sale	–	(2000)
Revenue from financial assets available for sale	2000	–
Net cash used in investing activities	(8341)	(8039)
Cash flow from financial activities		
Emission of equity shares	175000	–
Inflow from issuance of debt equity	–	78500
Discharge of issued debt equity	(18561)	–
Attraction of subordinated deposits	146902	–
Net cash used in financial activities	303341	78500
Effect of exchange rate changes on cash and cash equivalents	40218	(561)
Net increase in cash and cash equivalents	433973	96074
Cash and cash equivalents at the beginning of the year	193596	97522
Cash and cash equivalents at the end of the year	627569	193596

On behalf of the Board
June 26, 2009
The Chairman of the Board:
Chief accountant:



E. Gromova
M. Semenchuk



Joint-Stock Commercial Bank «SLAVIA» (Closed Joint-Stock Company)
Statement of changes in equity for the year ended 31 December, 2008

(In thousands of Russian Rubles)

	Share capital	Accumulated deficit	Total equity
Balance as of 1 January 2007 (before recounting)	412778	5280	418058
Profit for the year 2007	–	12500	12500
Balance as of 31 December 2007	412778	17780	430558
Profit for the year 2008	–	34180	34180
Emission of equity shares	175000	–	–
Balance as of 31 December 2008	587778	51960	639738

On behalf of the Board
June 26, 2009
The Chairman of the Board:
Chief accountant:





E. Gromova
M. Semenchenko



AUDITOR'S REPORT

To the shareholders of Joint Stock Commercial Bank SLAVIA
(Close Joint Stock Company):

We have audited the accompanying financial statements of Joint Stock Commercial Bank SLAVIA (Close Joint Stock Company) (hereinafter referred to as the "Bank"), which comprise the balance sheet as at 31 December 2008, the income statement, the statement on changes in equity, the cash flow statement for the year ended 31 December 2008, and the summary of significant accounting policies and other explanatory notes.

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our opinion on these financial statements.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2008, its financial performance and its cash flows for the year ended 31 December 2008 in accordance with International Financial Reporting Standards.

OOO FINEXPERTIZA

Moscow, Russia
26 June 2009

Ms. Natalia Borzova
Deputy CEO

Ms. Tatiana Pliousnina
Audit Manager