



Dear Stockholders, Customers and Business Partner of our Bank!

Under conditions of aggravated competition between credit establishments, regional expansion of large Russian and foreign banks, the Energobank demonstrated this accounting year the results to be undoubtedly proud of. A weighty acknowledgement of the Bank's achievements was including thereof into the list of the 200 largest banks of Russia. For example, the Energobank was, according to the first half of year 2006's Expert Magazine rating, the first among thirty leaders in assets movements of that period and took the 181st place in weighted assets.

The JSCB "Energobank" celebrated its 18th anniversary with successful implementation of its key strategic task to increase its authorized capital more than twice - up to RUB2.1 billion. The Bank's total balance cleared the RUB5.1 billion barrier, and its profit at the year-end exceeded RUB100 million. The Bank's real investments exceeded RUB5.2 billion.

In 2006, a considerable breakthrough was made in services for physical persons - a number of retail loan products was developed that included Auto Loan, mortgage lending, as well as retail products for cellular operators' service payments using the Bank's cash machines and for community charges payments using the Finist-Retail system.

The Bank's purposeful work at enlargement of its branch network provides availability of modern banking technologies, products and services for a larger set of customers in the regional market. At the same time, the Energobank's acquiring network is being extended, the branches are being equipped with point-of-sale terminals and cash machines.

The Energobank's positions are additionally strengthened by its successful work on development and implementation of the most perfect information technologies, equipment of the Bank with the most modern engineering tools and software, as well as providing new banking services and products to the customers.

Strategic objectives achieved by the Bank in 2006 and successful development rates create the necessary prerequisites for its steady growth and effective solutions for new, large-scaled tasks it faces on financial markets.

We highly appreciate our stockholders, customers and partners for their cooperation and hope to continue it fruitfully and successfully in future.

Chairman of Board of the JSCB "Energobank"
(Public Corporation)

A handwritten signature in black ink, appearing to read 'D. I. Vagizov'.

D I. Vagizov



- NAME:** Joint-Stock Commercial Bank "Energobank" (Public Corporation)
- ABBREVIATION:** JSCB "Energobank" (Public Corporation)
- THE BANK WAS FOUNDED ON:** the 2nd of March 1989, License #67 issued by the Central Bank of the Russian Federation
- LOCATION AND MAILING ADDRESS:**
32 Sari Sadikovoy str. (former 172 Narimanova str.), Kazan, 420021, the Republic of Tatarstan
- CERTIFICATE OF THE COMPANY'S STATE REGISTRATION:**
#102160000289 of the 13th of August.2002, Registration Number 67 of the Bank of Russia of the 21st of May 1999
- INFORMATION ABOUT THE AUTHORIZED CAPITAL OF THE BANK:**
The company's authorized capital makes RUB2 137 400 000 (Two billion one hundred and thirty seven hundred million four hundred thousand Russian rubles). It is divided into 21 374 000 nominal equities, nominal value of each share is 100 Russian rubles.
- THE COMPANY'S AUDITOR ON RUSSIAN AND INTERNATIONAL STANDARDS:**
Closed Company "Ekaterinburgskiy Audit Center"
Location: 620062, Ekaterinburg, pr. Lenina, 60A
Telephone (fax) number: +7 (343) 375-74-02/375-69-82/375-74-02
General State Registration Number: 1036604386367; TIN: 6662006975
License #E 000455 of the 25th of June 2002; Duration of the License: 5 years.
Organ issued the License: the Ministry of Finance of the Russian Federation.
Name, Patronymic and Surname of the Director: Vladimir Mikhailovich Boikov.
- THE COMPANY'S REGISTER HOLDER:**
Closed company "Interregional Registering Company".
Location: 89 Liebknecht str., 422433 Buinsk, the Republic of Tatarstan
Mailing Address: 56 Levobulachnaya str., 420021, Kazan, Russia
Tel.: +7 (843) 236-93-15
General State Registration Number: 1021600812551; TIN: 1616010551
License #10-000-1-00297 of the 20th of February 2004;
Duration of the License: no limitations on duration of the license;
Organ issued the License: Federal Commission for the Securities Market.
Name, Patronymic and Surname of the Director: Eduard Fanisovich Badretdinov
- COMPOSITION OF THE SUPERVISORY BOARD:**
- | | | |
|--|---------------------------|-----------|
| | Chairlady - S.A. Koltsova | no shares |
| <i>Members of the Supervisory Board:</i> | | |
| | V.Yu. Petrushenko | no shares |
| | O.R. Kondrashev | no shares |
| | N.Ya. Golubeva | no shares |
| | A.A. Fatkhullova | no shares |
- THE COMPANY'S SOLE EXECUTIVE BODY:** the Chairman of the JSCB "Energobank" (Public Corporation)
Dmitry Ilgizovich Vagizov.
- MASS MEDIUM:** newspaper «VREMYA I DEN'GI» (Time & Money).

By the decision of the Stockholder Meeting, the dividends over year 2005 were not paid out.

LICENSES UNDERLYING THE BANK'S ACTIVITIES:

License for performing ob banking operations with funds in rubles and foreign currency;
 License of a professional participant in the securities market for brokerage activities;
 License of a professional participant in the securities market for dealing activities;
 License of a professional participant in the securities market for administration of securities;
 License of a professional participant in the securities market for depositary activities;
 License for activities concerning information classified as state secret;
 License for servicing in the field of data encryption;
 License for distribution of encrypting (cryptographic protection) facilities;
 License for technical maintenance of encrypting (cryptographic protection) facilities.

THE BANK'S PARTICIPATION IN INTERNATIONAL PAYMENT SYSTEMS, SETTLEMENT SYSTEMS, MEMBERSHIPS IN INTERNATIONAL ASSOCIATIONS, STOCK EXCHANGES:

Member of the Moscow Interbank Currency Exchange (MICEX)
 Member of the Association of Russian Banks (ARB)
 Member of the Tatarstan Banking Association (TBA)
 Participant of the Society for Worldwide Interbank Financial Telecommunications (SWIFT)
 Principal member of payment systems Union Card, MasterCard Int, VISA Int.

STARTING FROM 2005, THE JSCB "ENERGOBANK" HAS BEEN A MEMBER OF THE OBLIGATORY ENDOWMENT INSURANCE SYSTEM.**BASIC FINANCIAL FIGURES AS OF THE 31st OF DECEMBER 2006:**

The Bank's authorized capital Russian rubles	2 137 400 thousand
The Bank's equity basis calculated according to the Regulations # 215-II of the Central Bank of Russia Russian rubles	2 599 076 thousand
the Bank assets Russian rubles	5 143 933 thousand
the balance sheet profit Russian rubles	100 847 thousand



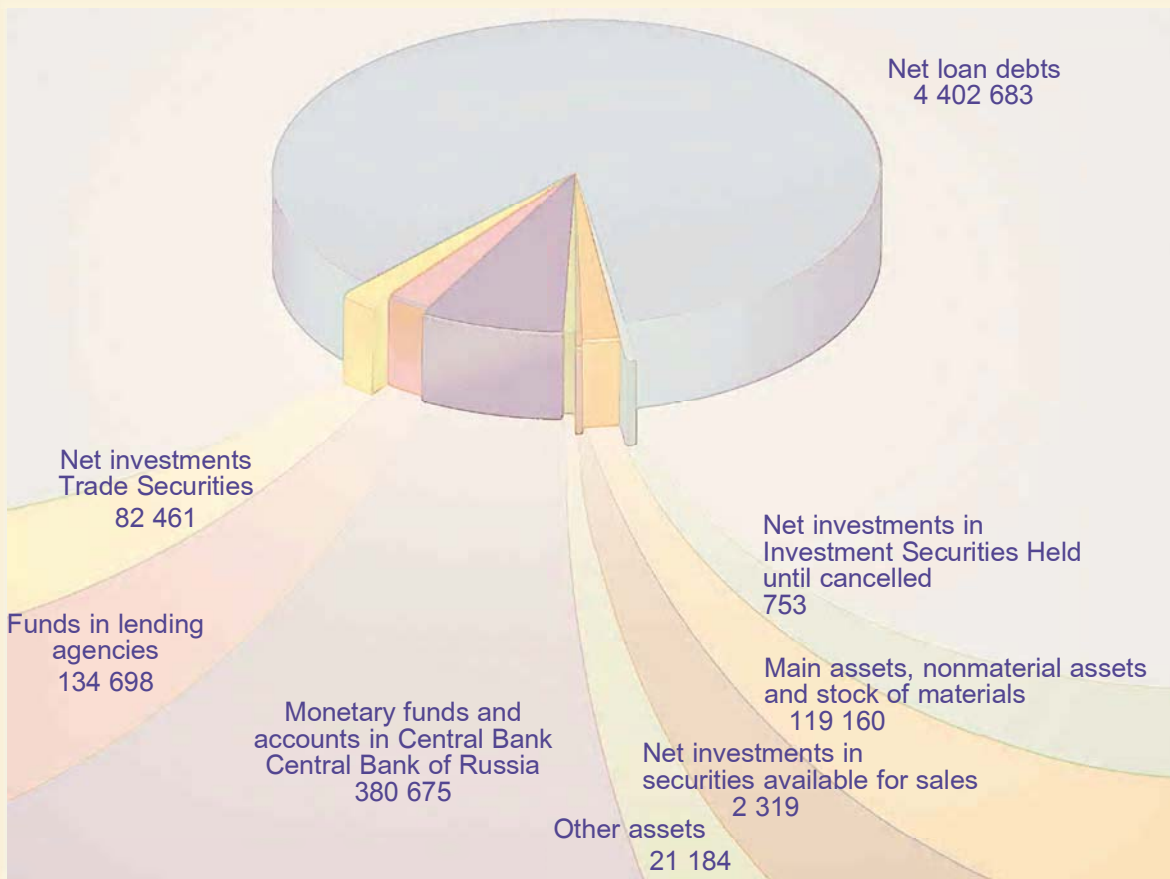
FIGURES REPRESENTING FINANCIAL ACTIVITIES

The main figures representing financial activities of the Bank continued to grow in the accounting year:

- ◆ the Bank's assets exceeded RUB5143.9 million;
- ◆ the Bank's own funds increased 3.5 times and made RUB2599 million;
- ◆ the Bank's credit portfolio (without taking into consideration interbank credits), as of the end of 2006, made an amount exceeding RUB3 712.3 million, whereas the credits granted in the real economy within year 2006 made RUB5 243.3 million that 2.1 times exceeds the previous year's volume;
- ◆ the attracted investments of population increased 3.5 times and made RUB1 1293.2 million as of the end of the accounting year;
- ◆ the total turnovers that characterize the Bank's activities as a whole reached RUB 410.2 billion;
- ◆ the balance sheet profit obtained by the Energobank during year 2006 made RUB100.8 million, which 1.8 times exceeded the previous year's profit.

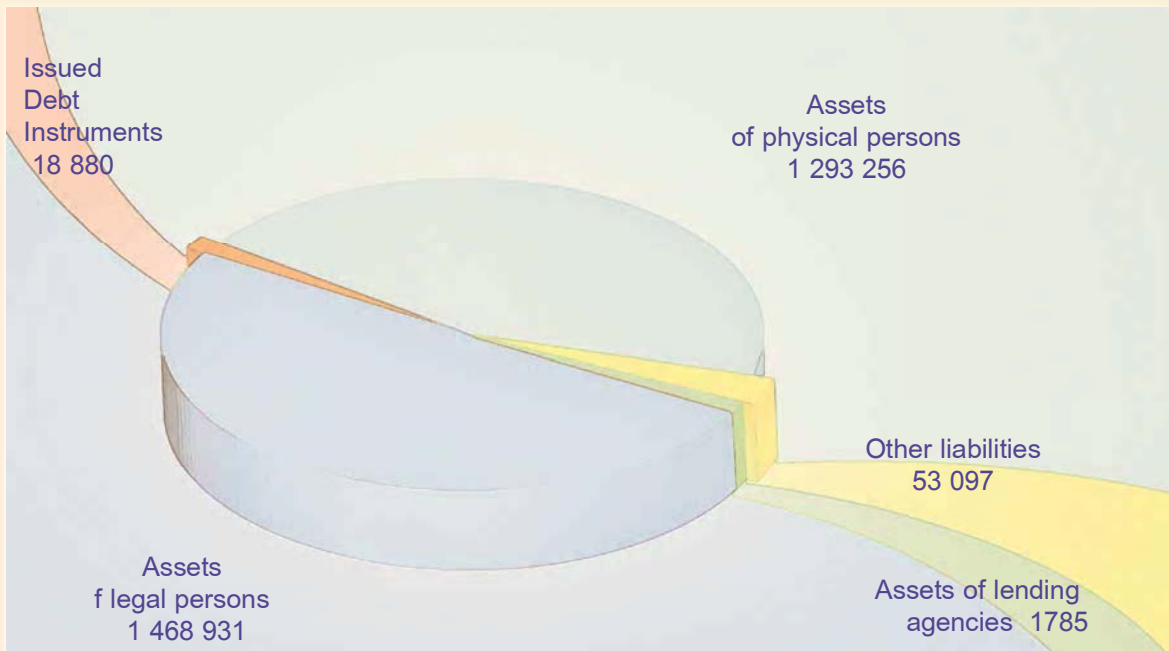
The Bank's assets holdings increased 3.2 times. The Bank's credit portfolio is still its main asset and makes 85.6 % of the total amount of assets.

ASSETS STRUCTURE AS OF THE 1ST OF JANUARY 2007 (IN RUB THOUSAND)



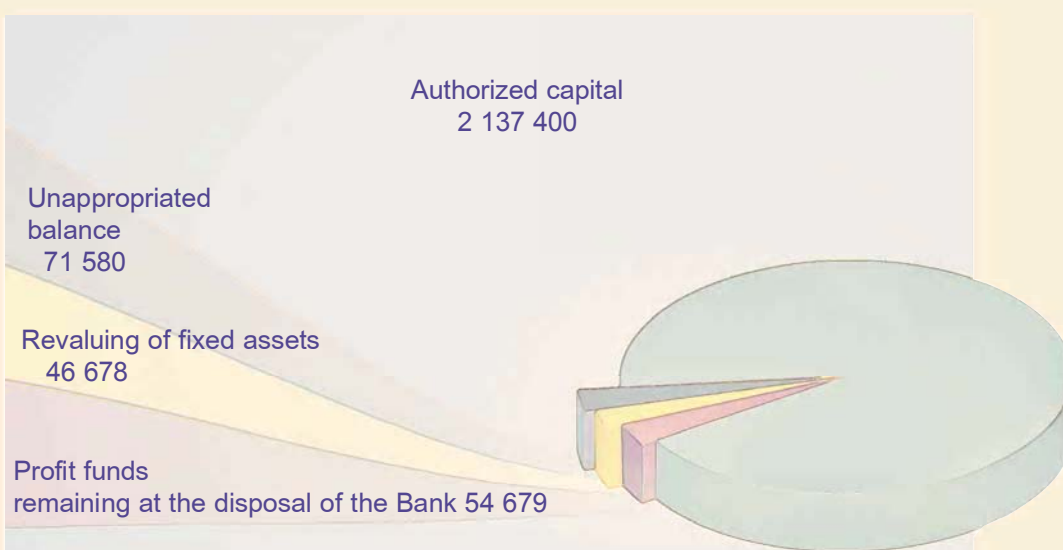
The Bank's liabilities for year 2006 increased 3.2 times and made RUB2 853 919 thousand. The structure of the debt capital is basically represented by assets of physical and legal persons (96.7%). Physical persons' deposits increased considerably (2.8 times).

STRUCTURE OF LIABILITIES AS OF THE 1ST OF JANUARY 2007 IN (RUB THOUSAND)



As a result of year 2006, the capital of the JSCB "Energobank" (calculated according to the Regulations of the Central Bank of Russia on accounts to be published) made RUB2 290 014 thousand that 3.1 times exceeds the level of the previous year. The authorized capital makes 93.3% of the own funds.

THE OWN FUNDS (CAPITAL) AS OF THE 1ST OF JANUARY 2007 (IN RUB THOUSAND)



DEVELOPMENT OF THE CLIENT BASE AND BRANCHES, EXTENSION OF SERVICE RANGE

The basic principle of the Bank's working with its customers still remains individual approach to solving specific tasks of clients, as well as the client layer when providing banking services.

The Bank's growth potential is broadly determined by its client base, so the Accounts Department has been addressing commercial offers and meeting the most prospective clients and potentials within the whole accounting year. Due to the Bank's well-directed efforts, the client base grew by over 14% in 2006; over 1100 accounts in Russian rubles and in foreign currencies were opened for enterprises, organizations and employers. The main clients of the Energobank are enterprises that function in real economy, big and medium businesses.

The Bank's impeccable reputation, its customer-centered orientation allowed it to provide in the accounting year the increase of the average balances on clients' accounts 2.4 times or RUB823 million, whereas the total volume of incomes on clients' accounts within year 2006 reached RUB103,5 billion, or 168 % compared to the previous year.

DEVELOPMENT OF BRANCHES

In 2006, the Bank continued its methodical work on development and expansion of the Bank's territorial presence in Kazan and in the Republic of Tatarstan. In the framework of its development strategy, as well as in order to approach the banking services to customers, 4 branches were opened within the past year. The offices are located in Dekabristov str., Mira str., Peterburgskaya str. In Kazan and one office in one of the most developed towns of Tatarstan's south-east

- Bugulma. Designing and constructing operations at the branch to be opened in Adoratskogo str. in Kazan have been

practically completed. At present, the Energobank is represented with its organization departments and offices in all districts of Kazan.

All the Bank's offices provide the full-scaled settlement and cash services for legal and physical persons including consumer loans. Offices operate considering customers' needs: they are open on weekdays and on Saturdays to 8 p.m., the office located in the city center (in Hypermarket Koltso) is open 7 days a week.

Branches in Almetyevsk and in Bugulma have reached considerable increase in volumes of consumer lending and auto lending. Their credit portfolios as of the 1st of January 2007 made RUB111407.2 thousand and RUB83946.4 thousand, respectively.

In general, activities of the Bank's branches within and outside the city were quite successful in 2006 which is warranted by the growth of economic indexes.

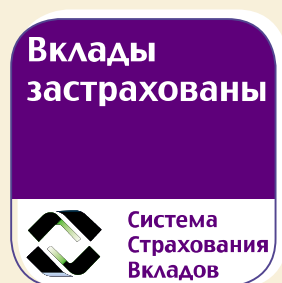
AS OF THE 1ST OF JANUARY 2007, BRANCHES OF THE JSCB "ENERGOBANK" ACCOUNT FOR:

- 76.8% of investors' deposits in RUB, balances of which make 40.6% of the Bank's total balances in RUB;

- 42% of investors' accounts in foreign currencies, balances of which make 68% of the Bank's total balances in foreign currencies;

- 66% of open current accounts of legal persons in RUB, the chronological average balance of which makes 78.5% of the Bank's total balance of clients' accounts in RUB;

- 52% of income gained from settlement and cash services and from funds transfer for physical persons.



BANKING SERVICES FOR PHYSICAL PERSONS

The Energobank has been paying great attention to banking of the citizens' private savings. Physical persons may deposit their savings in any of the Bank's office upon flexible terms: many deposits can be replenished, they provide a stable income due to market interest rates. For the clients' convenience, tacit extensions for uncalled deposits provided, as well. The Bank's provisions for private deposits proved their attractiveness for depositors and high creditability: The depositors' balances grew considerable, more than 3.5 times, during year 2006. The amount of depositors increased from 6.7 thousand to 10.4 thousand. Balances on bank cards increased almost 4 times having exceeded RUB26.8 million.

In the accounting year, the Bank became a member of the international system of express money ordering for physical persons without opening a bank account - Unistream.

In 2006, the Bank introduced system Finist-Retail of servicing for physical persons. The system allows the Bank's clients to pay community charges, transfer money, buy and sell cash currencies, etc.

The Bank's income from servicing for physical persons made RUB8.2 million, which is three times as much as in the preceding year.

PLASTIC CARD OPERATIONS

In 2006, the JSCB "Energobank" became the full member of international payments systems MasterCard Int. and VISA Int.

As compared to the previous year, the amount of active plastic cards increased three times and made 7 000 pieces.

The most of cards of international payments systems EuroCard/MasterCard issued in 2006 account for cards issued in the framework of "salary projects" that provide wage payments to factory workers using plastic cards of the JSCB "Energobank". The Bank contracted with over 100 businesses for using its plastic cards to pay salaries to employees. For three of them, the special "corporate" plastic cards were issued.

In 2006, the Bank offered to plastic card holders a new service that allows them to top up their mobile phone accounts via the Bank's cash machines in the real-time mode.

IN 2006, IN THE BANK'S ACQUIRING NETWORK:

- ◆ cash money were paid to holders of plastic cards of the Russian payments systems Union Card and STB Card, as well as of international payments systems EuroCard/MasterCard Int. and VISA Int.;
- ◆ settlements were made with trade and service companies that had contracted with the Bank for usage of its plastic cards as means of payments for their products and services. The companies amounted to 25.

To increase the issue and develop the Bank's acquiring network, 5 electronic terminals were installed in the branches, as well as 4 cash machines.



DEVELOPMENT DYNAMICS OF THE BANK'S OPERATIONS

Credit Operations

LEGAL PERSONS LENDING

The increase of the Bank's resources due to the growth of its authorized capital at floatation of additional stock issue in the amount of RUB1.5 billion, due to collection of subordinate loans, attraction of new clients, and through the growth of deposit accounts of legal and physical persons allowed the bank to most completely satisfy credit orders of enterprises, organizations and physical persons. The volume of credits granted to the real economies in 2006 made RUB5 243.3 million, including those in foreign currencies evaluated in Russian rubles as RUB233.4 million, which 2.1 times more than the volume of credits granted in the previous year. The credits were granted to 158 enterprises and organizations of the real economies.

In 2006, in the sectoral structure, the volume of credits granted to agricultural enterprises increased by RUB780 million, to trade companies - by RUB 2 143.7 million, to construction firms - by RUB433.5 million. In the accounting year, 95 small businesses were granted with credits of totally RUB 543.3 million; the Bank laid out RUB888.1 million to consumer loans including RUB 56.9 million - for mortgage lending.

THE MOST IMPORTANT PROJECTS AND INVESTMENTS.

◆ In order to implement the National Russian Government Project of the agroindustrial complex development in Tatarstan, the Bank granted purpose loans to the public corporation of "Krasniy Vostok Agro". This allowed the corporation to timely supply the operating industry with fodder, seed, fuel, as well as to pay in time for construction of animal buildings. In village Chuvashskiy Brod of Alkeevskiy district, an animal building for 4100 head of cattle was placed in operation in 2006. All the above actions allowed public corporation "Krasniy Vostok Agro" to achieve high working and financial results. 86240 tons of milk and 3146.7 tons of meat were produced.

◆ Credits for purchasing of primary goods for dairy industry were granted to closed joint-stock company "Kombinat Molochnikh Produktov Edelweis-M". The whey processing line producing butter was installed in the industry within the year. The company started to produce new brands - whey beverages, school milk enriched with vitamins and iodine, 8 trade names of hard cheese. The company produced in 2006: 58.4 ths. tons of whole milk products, 6.8 ths. tons of soft cheese, 5.3 ths. tons of nonfat products.

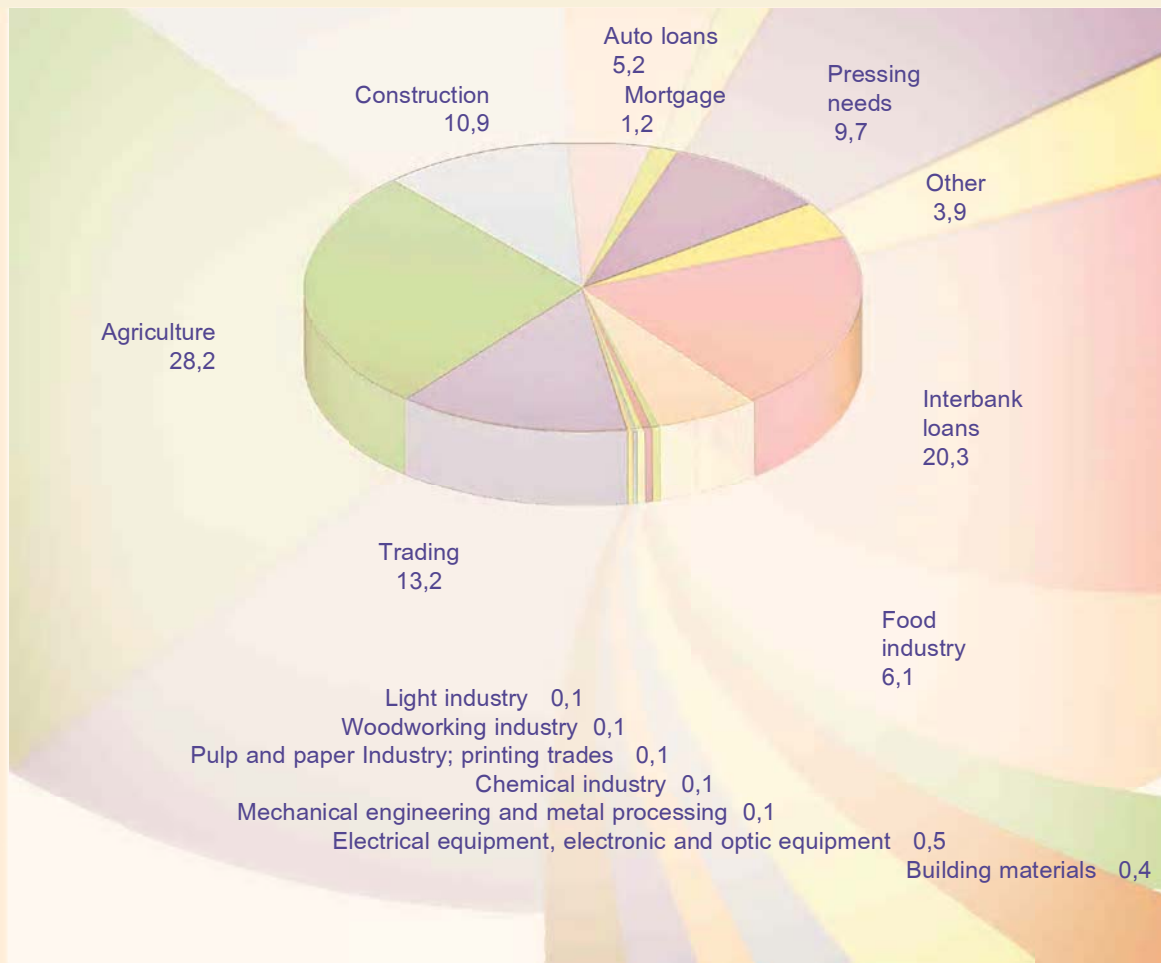
◆ In 2006, the JSCB "Energobank" granted the JSC "Krasniy Vostok - Stroimontazhservice" a credit for capital construction in the amount of totally RUB302.5 million. The Bank also participated in financing of constructing city trade infrastructure (the 1st stage of hypermarket "Koltso" provided with modern shop and processing equipment on the area of 46000 q. m; the shopping complex GUM-3 on 3800 q. m; hypermarket "Edelweis" on 2800 q. m), livestock complexes ("Levashovo", "Chuvashskiy Brod", "Bilyarsk", "Yukhmachi", for 4100 head of cattle each).

◆ Credits were granted to the CJSC "Vostok - Zernoprodukt" aimed at purchasing of service parts and materials for agricultural equipment repairs, buying of chemical fertilizers, seed, plant defenders, combustive-lubricating materials, paying of regular fees for insurance. This allowed the CJSC "Vostok - Zernoprodukt" to produce 200665 centners of barleycorn, 476373 centners of maize, 411629 centners of wheat, 83887 centners of rye, 80326 centners of raps.

◆ The Bank credited the CJSC "Plemennoe Delo" for purchasing of pedigree cattle, reconstruction of livestock complexes, construction of fattening areas. This allowed the company to sell 6186.4 tons of productive cattle and gain profit of RUB112.1 million within year 2006.



THE LOAN INDEBTEDNESS STRUCTURE AS OF THE END OF 2006

**CONSUMER LENDING**

During year 2006, the Energobank was actively upgrading its credit portfolio for physical persons in both the purpose lending (mortgage, auto loans) and no-purpose lending (loans for pressing needs). The population was being credited in both the Bank's headquarters and all its branches.

As of the end of 2006, the credit portfolio for physical persons made RUB741.8 million that 6.5 times higher than the same figure of year 2005.

In 2006, the Bank developed and launched the new auto-lending program that included various competitive provisions of auto lending, which resulted in essential extension of the client base in this segment. The auto-lending portfolio made RUB26.5 million as of the beginning of 2006 and it was RUB240.7 million by the end of 2006.

In the accounting year, the Bank started its own mortgage crediting program. The mortgage lending started with realization of five-year credit programs for purchasing ready-built apartments (secondary housing), as well as for buying apartments in new buildings in different construc-

tion phases. In March 2006, the Bank concluded the agreement on cooperation with building holding "Unistroi". That allowed developing a system of crediting borrowers within 2-3 days with the minimal package of documents to be submitted by builder. During the accounting year, the Bank also established crediting of participatory construction for the following companies: CJSC "Stroitelnaya gruppa "Brik", LLC "Stroitelnaya kompaniya "Orimex-Suvar". Huge competition on the mortgage credit market led the Bank to the necessity of creating long-term programs that started their realization in June 2006 when the Bank offered its customers mortgage products credited for 12 years. By the end of the year, the mortgage credit portfolio had made RUB56.8 million. The next year, the Bank is planning, along with realization of its own mortgage crediting programs, to start mortgage crediting according to the AHML standards and standards of the bank "DeltaKredit" within the refunding programs.

The yield to consumer lending operations grew 6.2 times compared to the previous year and made RUB86.2 million.

The course for improving the system of credit risk minimization, for implementation of new prospective facilities will allow the Bank to accrue the amount of credits granted.

INTERBANK LENDING, ASSET-LIABILITY MANAGEMENT

In the framework of the accepted strategy, in 2006, the Bank continued strengthening its positions on the interbank market and development of partner relations with other Russian banks. As a result of extending and deepening of cooperation, the amount of banks established contract relations with the Bank doubled. The main counteragents of the Bank are large and highly reliable banks of Russia and Tatarstan.

The cooperation development resulted in that the average annual turnover of operations on the interbank lending market grew 12 times. The total turnover of involving and placing of money on the interbank market in Russian rubles and in foreign currency evaluated in Russian rubles made about RUB100 billion in 2006. The net profit gained by the Bank on operations on the interbank market during year 2006 made RUB78.7 million, which 14.8 times exceeded the same figures of 2005.

The following technologies and electronic communications used by the Bank help to keep the high pace of business development on financial and money markets: information terminal system REUTERS, accounting/dealing and information traffic of the Interbank Accounting System, system S.W.I.F.T., etc.

In the Russian system of finance, the liquidity risk is the most important risk for a commercial bank. In this connection, the liquidity management is the backbone of the Bank's asset-liability management. This is why the Bank's Treasury consolidates the Bank's operations on money and financial markets, realizes the day-to-day management of the interbank credit portfolio. Active operations on the interbank market, close relations to a large range of partnering banks allow the Bank to effectively arrange for its customers' payments, manage the Bank's liquidity, as well as use the interbank lending tool for interest arbitration.

In 2006, the Bank continued its works at improving the system of budgeting (evaluation) of its departments and branches. The Bank monthly evaluates incomes and expenditures of profit centers, controls the cost of involved and placed resources at rates that provide their refunding plus the margin sufficient for the Bank's maintenance and development. The Bank also developed a method of transfer resources, which allowed the Bank to determine the real profitability of its departments and branches, effective use of resources. All that positively influenced financial stimulation of the staff.



FOREIGN CURRENCY TRANSACTIONS

The Bank's available currency balance on currency transactions made USD4.6 million as of the end of 2006.

In the accounting year, legal persons opened 39 new accounts in foreign currencies.

The annual turnover of the operations made USD3770.8 million and EUR143.5 million.

As before, Energobank successfully fulfills functions of an agent of currency exchange regulation of the Bank's clients' operations in Russian rubles and in foreign currencies with both former Soviet republics and foreign countries.

In 2006, the following went into servicing:

- ◆ for exporting goods and services - 216 new contracts of totally USD7.2 million, RUB268 million;
- ◆ for importing goods and services - 89 new contracts of totally USD40.8 million, EUR34.3 million, and RUB23.8 million.

In the accounting year, the Bank's customers exported goods and services of totally USD6.1 million, EUR2.5 million, and RUB179 million. The profits of exporting goods and services made totally USD4.8 million and RUB207.5 million.

The goods and services imported in the accounting year made totally USD19.5 million, EUR20.3 million, RUB4.2 million. Payments for imported goods and services made totally USD6.6 million, EUR26.4 million, RUB771.4 million.

The non-cash currencies were sold to the Bank's clients in the amount of:

USD329.0 million, EUR26.8 million

The non-cash currencies were bought from the Bank's clients in the amount of:

USD305.2 million; EUR26.0 million

Profits of the conversion transactions on the internal money market made RUB21.7 million.

The total amount of operations of cash currency exchange made USD22.9 million and EUR4.2 million. The profits from noncommercial operations made RUB4.6 million.

OPERATIONS WITH SECURITIES

The increase of the Bank's own capital due to its successful emission in the amount of RUB1.5 billion allowed it to increase both credit and investment portfolios.

The part of investments in securities in the Bank's assets as of the 1st of January 2007 made RUB85.5 million, whereas the weighted average cost of the securities portfolio made RUB121 million in 2006.

The largest part in the income structure of the Securities Department in 2006 was made of the income of the accumulated coupon income of corporate bonds - over RUB9.6 million. In the accounting year, some new securities were included into the Bank's portfolio - corporate bills of credit issued by companies of St. Petersburg. The papers of two issuers were purchased - "Baltiyskiy Bereg" and "Medoviy Dom" - over RUB16 million in total. The profitability of this

investment made 18% per annum. All in all, the income on discounted bills of exterior issuers made RUB4.6 million in 2006.

The Bank's traders effectively used the short sales of shares. The income from these operations made RUB7.7 million. Having applied methods of fundamental and technical analyses, the professionals working in the Securities Department formed the corporate securities portfolio for short-term investing and gaining the maximal profit.

The Bank's dividend income from the investment securities portfolio made RUB477 thousand in 2006.

The new line of the Bank's activities on the security market in 2006 was performing of agency operations of selling pays in Unit Investment Trusts. The Bank concluded agency contracts with five management companies - "Maxwell Capital", "Holding Capital", "Kit-Finance", "Dvortsovaya Ploschad", "Solid". Operations with pays can be currently performed in the branch office in Karl Marx street.

Issuing of own bills of credit is one of the ways to attract resources in the securities market. In 2006, the JSCB "Energobank" issued bills of credit of totally RUB500 million. The Bank's bills of credit are a credible and profitable security, so many customers are actively using these securities as a way to make profit, as well as apply them in their turnover or as a pledge. Construction companies, insurance enterprises, trade unions, trade companies, physical persons are among the customers that hold bills of credit of the JSCB "Energobank" (Public Corporation).



The Bank's participation as a co-underwriter in floatation of the Suvar-Kazan company's bonds allowed the Bank to gain additional profit of RUB200 thousand.

In 2006, the Bank implemented a new service - pledging of securities. This service removes many problems of the Bank's customers when they submit their pledges.

In the accounting year, the Bank's Securities Department, together with public corporation of "Kazanskiy Torgoviy Dom" performed the redemption of stock from the Bank's stockholders. Thus, the amount of the Bank's stockholders decreased from 166 to 42.

As a result of year 2006, the total income on all operations with securities made over RUB23.0 million.

WORK OF ISSUE AND CASH

The cash turnover of the JSCB "Energobank" increased in 2006 compared to the previous year by 54 % and made RUB21.9 billion. This allowed the Bank to both completely satisfy needs of enterprises and organizations serviced for and bring considerable amounts of cash money to the State Cash Processing Center and support other banks in the city. The Bank's collection service developed successfully in the reporting year. The amount of customers serviced for increased by 52% whereas the amount of the collected rev-



enue increased by 92%. The Bank's collecting service transported values of totally RUB5.8 billion in 2006 vs. RUB4.7 billion in the preceding year.

IT DEVELOPMENT

In the accounting year, within the framework of the new strategy, the Bank developed management technologies to the necessary extent. The basic results in this field are:

- ◆ enhancement of services provided to the Bank's staff members on their workplaces aimed at prompt and effective servicing for the Bank customers' accounts and investments;
- ◆ reliability creation for software and hardware operating in the Bank;
- ◆ improving of the telephoning and computer-based communication systems;
- ◆ equipment with new computer workstations;
- ◆ support and maintenance of hardware and software in use;
- ◆ organization of communications in the processing center of "Zenit" and the trading network "Edelweis".

In 2006, the Bank completed introduction of the Program and Technological Complex of Data Processing that allows sending all necessary reports as messages protected with an authentication code.

In the framework of operations aimed at enhancement of retail business range, the project of implementing the "Finist-Retail" system was started and payment system "Unistream" was run. The Bank's professionals also introduced five systems for unit investment funds and an online complex for electronic document management with the Pension Fund.

For the electronic communications department of the Bank, the reporting year was marked by successful preparation for the second stage of transferring to SWIFTNet characterized by its high level of security, reliability and financial data exchange rate.

The electronic banking system Client-Bank worked in a very stable way. The amount of customers serviced for through this system increased 1.5 times and reached 550. The revenues of operations performed within the system made RUB1 058.9 thousand.

A special attention was paid, as before, to the issues concerned with security and reliability upgrade of the systems maintaining the Bank's external document management via networks of SWIFT/Telex, through reservation mechanisms and providing the emergency procedures for fast recovery of all systems.

The new strategy includes solving new tasks on improving and development of management technologies, information technologies to develop the Bank's competitive edge.

RISK MANAGEMENT

The risk management and minimization of risks are the priority tasks for the JSCB "Energobank". The Bank, as a market credit institution, faces risks of different types that impact the results of the Bank's activities - credit risk, liquidity risk, operational risk, stock risks, etc.

The effective risk management system is based on the actual order of taking risks, upholding and performing transactions, as well as on the approved limitations and other operational conditions. A reasonable conservative policy, timely monitoring of all risk factors and concurrent response to possible negative tendencies allow the Bank to keep the capital secured and to avoid purposeless losses.

Activities of the Bank's Reporting, Analytical and Risk Evaluation Service created in 2006 are based on risk evaluation for individual transactions, portfolios, positions, and the Bank's total risk, as well as on making proposals for operational limits and monitoring of the Bank's external and internal risks.

The risk management methods are:

- monitoring of changes in the Bank's overall risk;
- calculation of liquidity risk, interest and exchange risks by analyzing the involved resources and charting the Bank's customers and counterparties towards the corresponding market indicators;
- use of the borrowers' credit status internal rating system related to the corresponding estimated probability of borrowers' defaults;
- use of the concentration limiting system for one or a group of related debtors;
- approving of the maximal loss level for programs of crediting physical persons, securities portfolios and other positions of the Bank;
- order of the Bank departments' interaction in emergency situations.

Credit Risk is the risk of the Banks possible losses caused by borrowers' breach of the credit contract provisions. Crediting policy is developed by the Credit Committee of the Bank and approved by the Bank Direction. There is an approved crediting procedure in the Bank under which loans are granted and then monitored. To reduce its credit risks, the Bank searches for validity of the borrowers' credit histories and financial circumstances, as well as availability of the necessary set of documents.

Liquidity Risk consists in probability of the maturity mismatching of assets and liabilities. The liquidity risk management system of the Bank is used permanently and regulated on the basis of analyzing the cash flows considering real terms of assets realization and liabilities claims and extinctions.

To provide high level of reliability and stability within the effective risk management system, the Energobank pays great attention to meeting all important economic requirements. Thus, the capital adequacy index (N1), as of the 1st of January 2007, made 52.9 % whereas the Central Bank of Russia required minimum 10 %. The indexes of instantaneous (N2) and the current (N3) liquidity were equal to 26.4 % and 79.7 %, respectively, whereas the Central Bank's required minimum 15% and 50%, respectively.

Exchange risk represents the risk caused by open positions authorized by the Bank, in foreign currencies. The exchange risk is managed according to limits of open foreign exchange position set by the Central Bank of the Russian Federation and by the Bank. To minimize the exchange risk, the risk management system includes limitations on open positions for each currency the Bank may operate with.

Interest rate and market risks occur for financial instruments sensitive to changes in the interest rates. The interest rate risks are managed through regular making of accounts reflecting the difference between assets and liabilities on which interests are paid. The interest rate risk is managed within the system of internal control over procedures of searching for validity and accuracy of data used in the interest rate risk management models and in other control means, as well as auditing the system of interest rate risk evaluation, monitoring and internal control conducted by independent auditors.

The Bank does not perform hedging operations, and, correspondingly, hedging policy was not developed.



THE BANK'S FUTURE PROSPECTS

The successful results of the Bank's development allow us to look ahead optimistically. Accurate following its strategic plans must allow the Bank to enter by its basic banking activities the top five largest banks of the Republic of Tatarstan in the nearest future.

ENLARGEMENT OF THE BANK'S TERRITORIAL SCOPE

The balanced development of its territorial network and reasonable working with potentials must determine the growth in the amount of corporate and individual customers of the Bank. Within the framework of this strategy, the Bank is planning to open its branches on the territory of both the Republic of Tatarstan and the most economically attractive neighboring regions. The network of branches will offer a unified package of services and banking products and work under unified standards.

EXTENDING THE SCALE OF OPERATIONS IN THE FIELD OF CREDITING

The key products of corporate crediting will still remain credits granted to medium-scale businesses and to agricultural companies. The Bank is also planning to start crediting small-scale businesses.

Within the framework of retail credit program realization, the Bank intends to make a qualitative progress in issues concerning enlargement and standardization of the range of products offered, enhancement of technologies, improvement of client servicing. The Bank is also planning considerable growth and strengthening of its positions on the market of auto loans and on the mortgage market. So, for instance, the Bank is going to increase the amount of auto loans including those granted within the framework of the program of loans for used cars. Along with realization of its own mortgage credit programs, the Energobank is planning to start mortgage crediting under the AHML (the Agency for Housing Mortgage Lending) and Delta Credit Bank standards within the refinancing schemes.



Commission operations are an essential source of non-interest incomes and allow the Bank to keep the sufficient breakeven level under the conditions of reducing the market spreads. Due to this, the Bank will expand the range of its services in money transferring for physical persons, in brokerage and in depositary servicing.

As related to working towards attraction of financial resources, it is planned to diversify the system of deposits, offer multicurrency deposits for the customers, and keep the existing tradition of promoting actions confined to significant dates and events.

Extending the Scale of Operations with Securities

To extend the resource basis, the Bank is planning to provide attraction of resources on financial markets. In this connection, the Bank intends to develop stage by stage acceptance credits, bonded debts, issuing of mortgage notes, as well as increase realization of various companies' shares within an agent's program and realization of debt securities to physical persons.

In operations with bank cards, the main task in development is introducing of a lending program for crediting in form of an "overdraft" using bank cards. The service range for the Bank's customers that hold bank cards is planned to be extended: lending, payments for public utilities and communications.

To enlarge the acquiring network: installation of cash machines, increasing the amount of trading enterprises that accept payments through bank cards according to their agreements with the Energobank.

In the field of improvement and development of banking technologies, a special attention will be paid to enlargement of the range of services provided by the Bank to its customers using automated means, to development of information and technological base. Within the framework of this strategy, the Bank is planning to improve its electronic document management and data reserving systems and to place new standards of information security.

As the Bank's client base and network of branches develop, the range of operations increases and the Bank's activities grow, its risk management concept and procedures must dynamically change, too. The further development of the Bank management system considering risks is closely related to the necessity to increase adequacy of risk evaluation, solving the problem of capital allocation considering risks of different kinds, and penetrating of the risk management procedures into all activities of the Bank with the purpose of stable profiting.

The JSCB "Energobank" development priorities must provide its further dynamic development reserving and augmenting its achievements, as well as reaching new horizons.



FINANCIAL ACCOUNTS

These present Financial Accounts are closed according to the Direction of the Central Bank of Russia # 1530-V "On Discipline of Preparing Annual Accounts by Lending Agencies" and show the financial results considering Events After the Balance Sheet Date

The Annual Accounts were preliminarily approved by the Supervisory Board of the JSCB "Energobank" (Public Corporation). (Minutes from the 11th of April 2007)

THE BALANCE SHEET OF THE JOINT-STOCK COMMERCIAL BANK "ENERGOBANK" (PUBLIC CORPORATION)
AS OF THE 1ST OF JANUARY 2007
 (published form)

	IN RUB THS.	
	AS OF THE REPORTING DATE	AS OF THE CORRESPONDING REPORTING DATE OF THE PREVIOUS YEAR
I. ASSETS		
1. Money funds	82873	38818
2. Funds of credit institutions in the Central Bank of the Russian Federation	297802	73767
2.1. Statutory provisions	72646	17829
3. Funds in lending agencies	134698	21033
4. Net investments in trading securities	82461	32527
5. Net debts	4402683	1316925
6. Net investments in investment securities held to maturity	753	5988
7. Net investments in securities available for sale	2319	4543
8. Fixed assets, intangible assets, and material assets	119160	104292
9. Interest claims	9205	10302
10. Other assets	11979	3063
11. TOTAL ASSETS	5143933	1611258
II. LIABILITIES		
12. Credits of the Central Bank of the Russian Federation	0	0
13. Funds of lending agencies	1785	0
14. Funds of customers (non-credit organizations)	2762187	847672
14.1. deposits of physical persons	1293256	462007
15. Debentures issued	18880	4098
16. Interest liabilities	26919	12307
17. Other liabilities	26178	6100
18. Reserves for possible losses on conditional credit liabilities, as well as other possible losses and operations with residents of offshore areas	17970	4843
19. TOTAL LIABILITIES	2853919	875020
III. SOURCES OF OWN FUNDS		
20. Funds of stockholders	2137400	637400
20.1. Registered equities and shares	2137400	637400
20.2. Registered privileged shares	0	0
20.3. Unregistered authorized capital of non-stock lending agencies	0	0
21. Own shares bought out from stockholders	0	0
22. Issuing income	0	0
23. Fixed assets revaluation	46678	46678
24. Deferrals and planned payments that influence the own assets (capital)	20323	2704
25. Funds and unrealized profits of previous years at the lending agency's disposal outstanding debts of previous years)	54679	14177
26. Profits to be distributed (losses) for the accounting period	71580	40687
27. Total sources of own assets	2290014	736238
28. TOTAL LIABILITIES	5143933	1611258
IV. OFF-BALANCE SHEET LIABILITIES		
29. Irrevocable liabilities	376908	110720
30. Guaranties given	48047	33655
V. NO ASSET MANAGEMENT OPERATIONS WERE PERFORMED.		

**ANNUAL PROFIT AND LOSS STATEMENT
OF THE JOINT-STOCK COMMERCIAL BANK "ENERGOBANK" (PUBLIC CORPORATION)
ACCOUNTING YEAR 2006
(PUBLISHED FORM)**

	IN RUB THS.	
	DATA FOR THE ACCOUNTING PERIOD	DATA FOR THE SAME PERIOD OF THE PREVIOUS YEA
INTEREST EARNED AND SIMILAR INCOME ON:		
1. ALLOCATION OF FUNDS IN LENDING AGENCIES	82121	5957
2. LOANS GRANTED TO CUSTOMERS (NON-CREDIT ORGANIZATIONS)	350556	175856
3. PROVIDING SERVICES IN FINANCE LEASE (LEASING)	0	0
4. FIXED INTEREST SECURITIES	12733	9895
5. OTHER SOURCES	1303	592
6. TOTAL INTEREST EARNED AND SIMILAR INCOME	446713	192300
INTEREST EXPENSE AND SIMILAR CHARGES ON:		
7. Borrowed funds of lending agencies	2823	47
8. Borrowed funds of customers (non-credit organizations)	130409	43708
9. Debentures issued	129	665
10. Total interest expenses and similar charges	133361	44420
11. Net interest earned and similar income	313352	147880
12. Net income on securities trading	6918	3152
13. Net income on exchange	20230	6718
14. Net income on exchange of precious metals and other financial instruments	0	0
15. Net income on foreign currency revaluation	-153	-301
16. Commission earnings	65080	26760
17. Commission expenses	4093	2419
18. Net income on individual transactions	1562	89
19. Other net operating incomes	-17477	-5146
20. General and administrative expenses	96683	70638
21. Reserves for possible losses	-178874	-41425
22. Income before income tax	109862	64670
23. Tax accruals (including income tax)	38282	23983
24. Profit gained within the accounting period	71580	40687

**REPORT OF THE CAPITAL ADEQUACY, SIZE OF RESERVES TO COVER IN-DOUBT LOANS,
AND OTHER ASSETS AS OF THE 1ST OF JANUARY 2007**

Item Name	AS OF THE REPORTING DATE	AS OF THE CORRESPONDING REPORTING DATE OF THE PREVIOUS YEAR
1. Own funds (capital), RUB ths.	2600461	734921
2. True value of the own funds/capital adequacy, percentage	52.9	45.8
3. Regulatory value of the own funds/capital adequacy, percentage	10.0	10.0
4. Calculated reserves for possible losses on loans and indebtedness, RUB ths.	270684	104892
5. Actual reserves for possible losses on loans and indebtedness, RUB ths.	270684	104892
6. Calculated reserves for possible losses, RUB, ths.	18126	5203
7. Actual reserves for possible losses, RUB, ths.	18126	5203

Chairman of Board of the JSCB Energobank

Dmitry Vagizov

Chief Accountant

Flura Yagofarova

The Auditor's Conclusion

**made by the Closed Company "Ekaterinburgskiy Audit Center"
about accounting reports of the JSCB "Energobank" (Public Corporation)
formed on its return in 2006**

Адресат:

Directed to:
Stockholders of the Joint-Stock Commercial Bank "Energobank" (Public Corporation).

Auditor:

Location: 620019, Ekaterinburg, ul. Belinskogo, 34
Tel.: (343) 375-69-28, 375-70-42.
Fax: (343) 375-74-02

State Registration: Certificate of making an entry in the Unified State Register of Legal Entities issued by the Inspectorate of the Ministry for Taxes and Charges of the Russian Federation in Oktyabrskiy District of Ekaterinburg city of Sverdlovsk Region on the 4th of January 2003, general state registration #1036604386367.

License #E 000455 of the 25th of June 2002 issued by the Ministry of Finance of the Russian Federation.

Duration of the License: Five years.

The auditor's organization, the Closed Company "Ekaterinburgskiy Audit Center", is a member of the nonprofit partnership "Institute of Professional Accountants and Auditors of Russia".

Entity under Audit:

Name: Joint-Stock Commercial Bank "Energobank" (Public Corporation).
Location: 32 Sari Sadikovoy str. (former 172 Narimanova str.), Kazan, 420021
Tel./fax: (843) 293-27-87, 293-27-47.

Certificate of the State Registration: the main state registration #1021600000289 of the 13th of August 2002.

State Registration: Registered in the Central Bank of the Russian Federation on the 21st of May 1999, #67.

We have audited the attached financial (accounting) reports of the JSCB "Energobank" (Public Corporation) for the period between the 1st of January to the 31st of December 2006 inclusive. The reports of the Joint-Stock Commercial Bank "Energobank" (Public Corporation) (to be referred to as the "Bank") consists of:

- ◆ annual balance sheet;
- ◆ profit and loss statement considering events that took place after the reporting date;
- ◆ summary list of events that took place after the reporting date;
- ◆ explanatory note;
- ◆ published reports (balance sheet as of the 1st of January 2007, profit and loss statement for year 2006, report of the capital adequacy, size of reserves to cover in-doubt loans, and other assets as of the 1st of January 2007)

In the opinion of the auditor, the Closed Company "Ekaterinburgskiy Audit Center", the financial/accounting reports of the Joint-Stock Commercial Bank "Energobank" (Public Corporation) authentically represent in all essential respects its financial situation as of the 31st of December 2006 and the results of its economical and financing activities within the period from the 1st of January to the 31st of December 2006 inclusive in compliance with the legislation of the Russian Federation concerning preparation of financial accounts.

On the 9th of April 2007.

General Director, Candidate of Economic Sciences

V.M. Boykov

(Qualification Certificate # K018251 of the Ministry of Finance of the Russian Federation in the field of bank audit in perpetuity issued as exchange on the 5th of August 2004)

Audit Leader, auditor

Z.G. Kashhapova

(Qualification Certificate # K00707 of the Ministry of Finance of the Russian Federation in the field of bank audit in perpetuity issued as exchange on the 26th of August 2002)

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