Bank “Petrocommerce” Group

Consolidated Financial Statements and Auditors’ Report

31 December 2004

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PRICEWATERHOUSECOOPERS

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AUDITORS' REPORT

To the Shareholders and the Board of Directors of Bank Petrocommerce:

We have audited the accompanying consolidated balance sheet of Bank Petrocommerce and its subsidiaries (the "Group" as defined in Note 1 to the consolidated financial statements) as at 31 December 2004, and the related consolidated statements of income, of cash flows and of changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the Group's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2004 and the consolidated results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Moscow, Russian Federation
21 June 2005

(in thousands of Russian Roubles)

	Note	2004	2003
Assets			
Cash and cash equivalents	5	18 368 040	12 342 281
Mandatory reserve deposits with central banks		1 189 891	3 135 311
Trading securities	6	10 511 984	6 849 358
Due from other banks	7	666 420	983 073
Loans and advances to customers	8	26 484 193	19 753 555
Investment securities available for sale	9	1 689 185	1 966 942
Other assets	10	791 433	1 344 985
Deferred tax asset	23	113 128	-
Premises and equipment	11	1 977 448	1 509 526
Total assets		**61 791 722**	**47 885 031**
Liabilities			
Due to other banks	12	1 369 245	1 218 669
Customer accounts	13	43 141 465	28 502 004
Debt securities in issue	14	6 570 789	10 037 080
Other borrowed funds	15	1 821 772	-
Other liabilities	16	288 620	401 452
Deferred tax liability	23	7 182	68 216
Total liabilities		**53 199 073**	**40 227 421**
Minority interest	17	**60 206**	**57 780**
Shareholders' equity			
Charter capital	18	6 269 671	6 273 335
Fair value reserve for investment securities available for sale	9	71 109	79 662
Retained earnings	19	2 191 663	1 246 833
Total shareholders' equity		**8 532 443**	**7 599 830**
Total liabilities, minority interest and shareholders' equity		**61 791 722**	**47 885 031**

Approved for issue by the Board of Directors and signed on its behalf on 21 June 2005.

Nikitenko V.N.
President

Funtova E.V.
Chief Accountant

(in thousands of Russian Roubles)

	Note	2004	2003
Interest income	20	4 342 311	3 334 604
Interest expense	20	(2 654 324)	(2 478 359)
Net interest income		**1 687 987**	**856 245**
Provision for loan impairment	8	(433 691)	(354 838)
Net interest income after provision for loan impairment		**1 254 296**	**501 407**
Gains less losses arising from trading securities		763 376	1 281 388
Gains less losses arising from investment securities available for sale		167 473	772 140
Gains less losses arising from trading in foreign currencies		505 844	454 315
Foreign exchange translation losses less gains		(56 957)	(229 833)
Fee and commission income	21	1 160 112	935 115
Fee and commission expense	21	(218 067)	(134 051)
Other operating income received		193 912	192 932
Operating income		**3 769 989**	**3 773 413**
Operating expenses	22	(2 135 334)	(1 997 052)
Losses arising from early retirement of debt	15	(25 839)	-
Profit before tax		**1 608 816**	**1 776 361**
Income tax expense	23	(241 755)	(435 786)
Profit after tax		**1 367 061**	**1 340 575**
Minority interest	17	(3 244)	(3 418)
Net profit		**1 363 817**	**1 337 157**
Earnings per share (in RR per share)	24	**2.82**	**2.88**

(in thousands of Russian Roubles)

	Note	2004	2003
Cash flows from operating activities			
Interest received on loans		4 252 215	3 273 073
Interest paid		(2 882 576)	(2 661 566)
Income received from trading in trading securities		733 561	1 224 232
Income received from trading in foreign currencies		475 661	381 769
Fees and commissions received		1 160 112	935 115
Fees and commissions paid		(218 067)	(134 051)
Other operating income received		86 249	62 460
Operating expenses paid		(1 915 224)	(1 837 482)
Income tax paid		(367 311)	(277 098)
Cash flows from operating activities before changes in operating assets and liabilities		**1 324 620**	**966 452**
Change in operating assets and liabilities			
Net decrease/(increase) in mandatory cash balances with central banks		1 945 420	(903 727)
Net increase in trading securities		(3 707 160)	(594 227)
Net decrease in due from other banks		315 511	3 324 583
Net increase in loans and advances to customers		(6 930 344)	(6 357 633)
Net decrease/(increase) in other assets		553 552	(471 056)
Net increase/(decrease) in due to other banks		154 458	(2 866 456)
Net increase in customer accounts		14 896 240	9 531 077
Net (decrease)/increase in debt securities in issue		(3 393 966)	4 651 126
Net (decrease)/increase in other liabilities		(94 195)	176 816
Net cash from operating activities		**5 064 136**	**7 456 955**
Cash flows from investing activities			
Acquisition of investment securities available for sale, net of sale proceeds		73 648	770 271
Purchase of premises and equipment	11	(659 469)	(339 883)
Proceeds from sale of equipment	11	4 819	14 238
Dividend income received		107 663	130 472
Net cash (used in)/provided from investing activities		**(473 339)**	**575 098**
Cash flows from financing activities			
Proceeds from other borrowed funds		3 539 268	-
Repayment of other borrowed funds		(1 568 831)	-
Acquisition of treasury shares	18	(2 647)	(935)
Dividends paid	25	(412 164)	(305 807)
Net cash provided from/(used in) financing activities		**1 555 626**	**(306 742)**
Effect of exchange rate changes on cash and cash equivalents		**(120 664)**	**(143 062)**
Net increase in cash and cash equivalents		**6 025 759**	**7 582 249**
Cash and cash equivalents at beginning of the year		12 342 281	4 760 032
Cash and cash equivalents as at the end of the year	5	**18 368 040**	**12 342 281**

(in thousands of Russian Roubles)

	Note	Charter capital	Fair value reserve for investment securities available for sale	Retained earnings	Total sharehloders' equity
Balance as at 1 January 2003		**6 274 628**	**190 287**	**229 380**	**6 694 295**
Net fair value gains arising on investment securities available for sale, net of taxation		-	394 742	-	394 742
Transfer of net fair value gains arising on investment securities available for sale to net profit, net of taxation		-	(505 367)	-	(505 367)
Acquisition of treasury shares		(1 293)	-	358	(935)
Net profit		-	-	1 337 157	1 337 157
Other movements		-	-	(13 603)	(13 603)
Dividends declared	25				
- ordinary shares		-	-	(162 459)	(162 459)
- preference shares		-	-	(144 000)	(144 000)
Balance at 31 December 2003		**6 273 335**	**79 662**	**1 246 833**	**7 599 830**
Net fair value gains arising on investment securities available for sale, net of taxation		-	73 285	-	73 285
Transfer of net fair value gains arising on investment securities available for sale to net profit, net of taxation		-	(81 838)	-	(81 838)
Acquisition of treasury shares		(3 664)	-	1 017	(2 647)
Net profit		-	-	1 363 817	1 363 817
Other movements		-	-	(8 085)	(8 085)
Dividends declared	25				
- ordinary shares		-	-	(216 919)	(216 919)
- preference shares		-	-	(195 000)	(195 000)
Balance at 31 December 2004		**6 269 671**	**71 109**	**2 191 663**	**8 532 443**

1 Principal Activities

These consolidated financial statements include the financial statements of OAO Bank Petrocommerce (the "Bank") and its subsidiaries. The Bank and its subsidiaries together are referred to as the "Group" or "Bank Petrocommerce Group". The activities of the Group are regulated by the Central Bank of the Russian Federation (the "CBRF"), legislation of the Russian Federation and that of countries in which the Group companies are registered.

The Bank is an open joint-stock commercial bank owned by shareholders whose liability is limited. The Bank was established in the Russian Federation as a partnership and was granted its general banking licence on 6 September 1993. In March 2000, the Bank changed its legal status from a partnership to an open joint stock company. The principal activity of the Bank includes deposit taking and commercial lending, support of clients' export/import transactions, foreign exchange, securities trading and trading in derivative financial instruments. The Bank's operations are conducted in both Russian and international markets.

On 24 May 2004, the Bank applied for participation in the state deposit insurance scheme, which was introduced by Federal Law No. 177-FZ "On Insurance of Individuals' Deposits with Banks of the Russian Federation" dated 23 December 2003. In July-August 2004, the CBRF reviewed the Bank's compliance with requirements of the state deposit insurance programme. On the basis of the CBRF's decision, on 11 January 2005 the Bank became a participant in the state deposit insurance programme.

The Bank's office is registered at the following address: Petrovka 24, Moscow, Russia 127051. The Bank has 19 branches (2003: 17 branches) in the Russian Federation. The average number of the Bank's employees during the year was 1 905 (2003: 1 650).

On 24 September 2004 the Bank's main shareholder was changed. OAO LUKOIL, a major Russian company, which was the Bank's main shareholder, sold a controlling ordinary block of shares, accounting for 64.82% of the Bank's voting shares to the financial group IFD Capital. IFD Capital is primarily focused on operations in Russia and participates in the following businesses: trading and brokerage activities, trust activities, investment advisory services, administration of pension funds and the provision of insurance services within the Russian Federation. IFD Capital and OAO LUKOIL also concluded a preliminary agreement on the sale and purchase of the remaining 17.47% of the Bank Petrocommerce's shares before 1 July 2007 for certain consideration.

The main subsidiaries of Bank Petrocommerce Group are the following subsidiaries: OAO Komi Regional Bank Ukhtabank, ZAO Bank Petrocommerce-Ukraine, Stavropolpromstroybank - OAF and ACB UNIBANK S.A.

Below is a description of the main activity of the principal subsidiaries.

Joined-Stock Company Komi Regional Bank Ukhtabank (hereinafter, "Ukhtabank") is a commercial bank owned by shareholders whose liability is limited. The Bank's principal business activity is commercial and retail banking operations within the Russian Federation, operations with securities and foreign exchange. The Bank has operated under a banking license issued by the CBRF since 1991. The head office of Ukhtabank is located at the following address: Russia, 169300, Komi Republic, Ukhta, Oktyabrskaya str., 14. Ukhtabank has six branches within the Russian Federation (2003: six). The average number of employees of Ukhtabank during the year was 455 (2003: 401). The controlling block of shares of Ukhtabank was acquired by the Group in 2002.

Initally ***ZAO Bank Petrocommerce-Ukraine*** (hereinafter, "Petrocommerce-Ukraine") was registered 0n 26 September 1996 by the National Bank of Ukraine as a joint-stock company under the name Aviatekbank. In January 2002, Aviatekbank was acquired by the Bank and in February 2002 it was renamed as AO Petrocommerce-Ukraine. The current banking licence #108-1 was received by Petrocommerce-Ukraine on 9 April 2002. AO Petrocommerce-Ukraine's main activities include provision of banking services to companies representing various economic sectors, state bodies and individuals. These services include deposit taking, loans, investments in securities and execution of payments in Ukraine and abroad. Petrocommerce-Ukraine's head office is located in the city of Kiev. Petrocommerce-Ukraine also has 4 branches in Ukraine. The average number of Petrocommerce-Ukraine's employees during 2004 was 480 (2003: 425).

1 Principal Activities (Continued)

Joint-Stock Investment Commercial Industrial and Construction Bank Stavropolie, an open joint-stock company (hereinafter, "Stavropolpromstroybank"), was created in December 1991 as the Commercial Bank Stavropolie as a result of restructure of commercial bank "Stavropolye" previously founded on 26 December 1990. In March 1996 the Bank changed its legal form and became an opened joined-stock company. In May 2002, Stavropolpromstroybank was acquired by the Group. Stavropolpromstroybank has banking licence #1288. Stavropolpromstroybank's main activities include deposit taking, loans, cash and settlement services to clients and transactions with securities and foreign currencies. Stavropolpromstroybank's head office is located in the city of Stavropol. Stavropolpromstroybank has 7 branches in the Russian Federation. The average number of Stavropolpromstroybank employees during 2004 was 513 (2003: 520).

Commercial Bank Unibank S.A. (hereinafter, "Unibank") was created in the Republic of Moldova on August 1992. In December 2002 it has become a subsidiary of the Bank. Unibank has a type "B" licence for all types of banking activities excluding trust activities. Unibank's main activities include deposit taking, loans, cash and settlement services to clients and transactions with securities. Unibank has 5 branches in the Republic of Moldova. The average number of Unibank's employees during 2004 was 201 (2003: 180).

In the normal course of business the Group enters into transactions with its related parties. These transactions include, but are not limited to, settlements, loans, deposit taking, guarantees, trade finance and foreign currency transactions. As at 31 December 2004, a substantial portion of the Groups's liabilities (33% of total liabilities) are due to related parties and a significant component of the Group's income and expense are derived from activities with related parties. Refer to Note 31.

2 Operating Environment of the Group

The Group performs its activity mainly in the Russian Federation. Whilst there have been improvements in economic trends in the country, the Russian Federation continues to display certain characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible in most countries outside of the Russian Federation, restrictive currency controls, and relatively high inflation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently.

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

The banking sector in the Russian Federation is particularly sensitive to adverse fluctuations in confidence and economic conditions. Furthermore, the need for further developments in the bankruptcy laws, the absence of formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the difficulties experienced by banks currently operating in the Russian Federation.

In 2004, following a general fall in confidence in the Russian banking system, the Russian banking sector experienced a reduction in liquidity. Management is unable to predict what effect, if any, any further significant deterioration in liquidity or confidence in the Russian banking system could have on the financial position of the Group.

3 Basis of Presentation

Basis of Preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Group has prepared its consolidated financial statements in accordance with IFRS for the first time. The Group's companies maintain accounting records in compliance with the banking and accounting regulations of the country of residence. The Group prepared consolidated accounting reports in accordance with Russian Accounting Rules ("RAR"). These consolidated financial statements have been prepared from those accounting records and adjusted as necessary in order to be in accordance with IFRS. The Management established 1 January 2003 as the date of transition to IFRS. Refer to Note 26 for a description of IFRS adjustments made to the RAR consolidated accounting reports.

3 Basis of Preparation (Continued)

The Group did not apply any of the optional exemptions allowed by IFRS 1 "First Time Application of International Financial Reporting Standards", except that IFRS 3 "Business Combinations" was not applied retrospectively for acquisitions that occurred before the date of transition to IFRS.

These consolidated financial statements have been measured in the national currency of the Russian Federation, Russian Roubles ("RR"). As the characteristics of the economic environment of the Russian Federation indicate that hyperinflation has ceased, effective from 1 January 2003 the Group no longer applies the provisions of IAS 29 "Financial Reporting in Hyperinflatoinary Economies" ("IAS 29"). Accounting for the effects of hyperinflation prior to 1 January 2003 is detailed in Note 4.

The preparation of these consolidated financial statements requires the use of estimates and assumptions that effect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on Management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

4 Significant Accounting Policies

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over financial and operating policies. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are removed from consolidation from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, the equity instruments issued or the liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill.

Intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Minority interest is that part of the net results of operations and of the net assets of a subsidiary attributable to interests, which are not owned, directly or indirectly, by the Group. Minority interest in the consolidated balance sheet is recorded separately from liabilities and shareholders' equity and is affected by the foreign currency translation adjustment applicable to the minority shareholders' interest in the subsidiaries. Minority interest related to operational results of the current year is recorded in the consolidated statement of income.

Other movements in the consolidated report on changes in shareholders' equity include the result of net assets revaluation arising on the consolidation of the Group's subsidiaries, whose functional currency differs from the Group's functional currency (Russian Roubles).

Cash and cash equivalents. Cash and cash equivalents are items which can be converted into cash within a day. All short term interbank placements, beyond overnight placements, are included in due from other banks. Amounts, which relate to funds that are of restricted nature, are excluded from cash and cash equivalents.

Mandatory cash balances with central banks. Mandatory cash balances with central banks represent mandatory reserve deposits which are not available to finance the Group's day to day operations. Therefore, they are not considered as part of cash and cash equivalents for the purposes of the consolidated cash flow statement.

Trading securities. Trading securities are securities, which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading securities if it has an intention to sell them within a short period after purchase, i.e. within 12 months.

4 Significant Accounting Policies (Continued)

Trading securities are initially recognised at cost (which includes transaction costs) and subsequently remeasured at fair value based on their market value or after the application of various valuation methodologies. In determining market value, all trading securities are valued at the last trade price.

All related realised and unrealised gains and losses are recorded within gains less losses arising from trading securities in the consolidated statement of income in the period in which the change occurs. Interest earned on trading securities is reflected in the consolidated statement of income as interest income on trading securities. Dividends received are included in dividend income within other income.All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to purchase or sell the asset. Otherwise such transactions are recorded as derivatives instruments until settlement occurs.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are included into trading securities or investment securities available for sale as appropriate. The corresponding liability is presented within due to other banks or customer accounts. Securities purchased under agreements to resell ("reverse repo") are recorded as due from other banks or loans and advances to customers as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

Originated loans and advances and provisions for loan impairment. Loans originated by the Group by providing money directly to the borrower or to a sub-participation agent at draw down, other than those that are originated with the intent of being sold immediately or in the short-term which are recorded as trading assets, are categorised as originated loans.

Originated loans and advances are recognised when cash is advanced to borrowers. Initially, loans and advances are recorded at cost, which is the fair value of the consideration given. Subsequently they are carried at amortised cost less provision for loan impairment. Amortised cost is based on the fair value of cash consideration given determinable by reference to market prices at origination date. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

A credit risk provision for loan impairment is established if there is objective evidence that the Group will not be able to collect the amounts due according to original contractual terms. The amount of the provision is the difference between the carrying amount and estimated recoverable amount, calculated as the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the instrument's original effective interest rate.

The provision for loan impairment also covers losses where there is objective evidence that probable losses are present in components of the portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings assigned to the borrowers and reflect the current economic environment, in which the borrowers operate.

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to other income in the consolidated statement of income.

The Group does not enter into transactions for purchases of loans with third parties.

Other credit related commitments. In the normal course of business, the Group enters into other credit related commitments including letters of credit and guarantees. Specific provisions are recorded against other credit related commitments when losses are considered probable.

Promissory notes purchased. Promissory notes purchased are included in trading securities, investment securities avaiable for sale, or in due from other banks or in loans and advances to customers, depending on their substance, and are recorded and subsequently remeasured and accounted in accordance with the accounting policies for these categories of assets.

4 Significant Accounting Policies (Continued)

Investment securities available for sale. This classification includes investment securities which Management intends to hold for an indefinite period of time, that may be sold in response to needs for liquidity or changes in interest rates, exchange rates or market prices. Management determines the appropriate classification of its investment securities at the time of purchase.

Investment securities available for sale are initially recorded at cost (which includes transaction costs) and subsequently remeasured to fair value based on quoted bid prices. Certain investment securities available for sale for which there is no available external independent quotation have been fair valued by Management on the basis of results of recent sales of equity interests in the investees between unrelated third parties, consideration of other relevant information such as discounted cash flows and financial data of the investees and application of other valuation methodologies. Unrealised gains and losses arising from changes in the fair value of investment securities available for sale are recognised in the consolidated statement of changes in shareholders' equity. When the investment securities available for sale are disposed of, the related accumulated fair value adjustments are included in the consolidated statement of income as gains less losses arising from investment securities available for sale. In accordance with IFRS, impairment and reversal of impairment of investment securities available for sale is recorded through the consolidated statement of income. An investment security available for sale is impaired if its carrying amount is greater than its estimated recoverable amount. The recoverable amount is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

All regular way purchases and sales of investment securities available for sale are recorded at trade date, which is the date that the Group commits to purchase or sell the asset. All other purchases and sales are recorded as derivative forward transactions until settlement.

Premises and equipment. Premises and equipment are stated at cost, restated to the equivalent purchasing power of the Russian Rouble as at 31 December 2002 for assets acquired prior to 1 January 2003, less accumulated depreciation and provision for impairment, where required.

Construction in progress is carried at cost, restated to the equivalent purchasing power of the Russian Rouble as at 31 December 2002 for assets acquired prior to 1 January 2003, less provision for impairment where required. Upon completion of construction, assets are transferred to premises and equipment at their carrying value. Construction in progress is not depreciated until the asset is available for use.

At each reporting date the Group assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, the Group estimates the recoverable amount, which is determined as the higher of an asset's net selling price or its value in use. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the difference is charged to the consolidated statement of income.

Gains and losses on disposal of premises and equipment are determined by reference to their carrying amount and are taken into account in determining profit/(loss). Repairs and maintenance are charged to the consolidated statement of income when the expenditure is incurred.

Depreciation. Depreciation is applied on a straight-line basis over the estimated useful lives of the assets using the following rates:

Premises: 2% p.a.;

Equipment 20-33% p.a.;

Leasehold improvements: over the term of the underlying lease.

Operating leases. Where the Group is the lessee the total lease payments including those on expected termination are charged by the lessee to the consolidated statement of income on a straight-line basis over the period of the lease.

Borrowings. Borrowings are recorded initially at 'cost', being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective yield method.

4 Significant Accounting Policies (Continued)

If the Group purchases its own debt, it is removed from the consolidated balance sheet and the difference between the carrying amount of a liability and the consideration paid is included in gains arising from early retirement of debt.

Debt securities in issue. Debt securities in issue include promissory notes, certificates of deposit and debentures issued by the Group. Debt securities in issue are recorded initially at cost being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Subsequently, debt securities in issue are stated at amortised cost and any difference between net proceeds and the redemption value is recorded in the consolidated statement of income over the period of the security issue using the effective yield method.

If the Group purchases its own debt securities in issue, they are removed from the consolidated balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from early retirement of debt.

Accrued interest income and accrued interest expense. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount, are included in the carrying values of related balance sheet items.

Ordinary and preference shares. Ordinary and preference shares are stated at cost restated to the equivalent purchasing power of the Russian Rouble as at 31 December 2002. Preference shares that are not redeemable and upon which dividends are declared at the discretion of Management, are classified as equity.

Treasury shares. Where the Bank or its subsidiaries purchases the Bank's equity share capital, the consideration paid including any attributable incremental external costs net of income taxes is deducted from total shareholders' equity as treasury shares until they are cancelled or disposed of. Where such shares are subsequently disposed or reissued, any consideration received is included in shareholders' equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Dividends declared after the balance sheet date are disclosed in the subsequent events note. The statutory accounting reports of the Group are the basis for profit distribution and other appropriations.

Income tax. Taxation has been provided for in the consolidated financial statements in accordance with the Russian legislation currently in force. The income tax charge in the consolidated statement of income for the year comprises current tax and changes in deferred tax. Current tax is calculated on the basis of the expected taxable profit for the year, using the tax rates enacted as at the balance sheet date. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recorded to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted at the balance sheet date. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

Deferred income tax relating to the fair value remeasurement of investment securities available for sale, which is charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recorded in the consolidated statement of income when the gain or loss on the securities is realised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

4 Significant Accounting Policies (Continued)

Income and expense recognition. Interest income and expense are recorded in the consolidated statement of income for all interest bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all the contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recorded based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Fees, commissions and other income and expense items are recorded on an accrual basis when the service has been provided. Loan origination fees for loans which are probable of being drawn down, are deferred (together with related direct costs) and recorded as an adjustment to the effective yield on the loan. Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recorded on completion of the underlying transaction.

Foreign currency translation. Transactions denominated in foreign currency are recorded at the exchange rate ruling at the transaction date. Exchange differences resulting from the settlement of transactions denominated in foreign currency are included in the consolidated statement of operations using the exchange rate ruling on that date.

Monetary assets and liabilities denominated in foreign currency are translated into Russian Roubles at the official exchange rate of the Central Bank of the Russian Federation at the balance sheet date ruling on that date. Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange translation gains and losses. Translation differences on non-monetary items such as equity securities held for trading or available for sale are recorded as part of the fair value gain or loss. Thus, underlying translation differences on equity investment securities available for sale are recorded through the fair value reserve for investment securities available for sale in shareholders' equity.

The Group determines the appropriate measurement currency for each subsidiary. The statements of income and of cash flows of foreign entities are translated into Russian Roubles at average official exchange rates of the CBRF for the year and their balance sheets are translated into Russian Roubles at the official exchange rate of the CBRF at the balance sheet date. Exchange differences arising from the translation of the net investment in foreign entities are recorded within shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the consolidated statement of income as part of the gain or loss on sale.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at Russian Roubles at the official exchange rate of the CBRF at the balance sheet date.

As at 31 December 2004 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 27.7487 (2003: USD 1 = RR 29.4545). Exchange restrictions and controls exist relating to converting Russian Roubles into other currencies. At present, the Russian Rouble is not a freely convertible currency in most countries outside of the Russian Federation.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, are initially recorded in the consolidated balance sheet at cost (including transaction costs) and subsequently are remeasured at their fair value. Fair values are obtained using the market rates for respective derivatives at the year end. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivatives are included in gains less losses arising from trading in foreign currency.

The Group does not apply hedge accounting.

(in thousands of Russian Roubles)

4 Significant Accounting Policies (Continued)

Fiduciary assets. Assets and liabilities held by the Group in its own name, but on the account of third parties, are not reported on the consolidated balance sheet. Commissions received from such business are shown in fee and commission income within the consolidated statement of income.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Accounting for the effects of hyperinflation. The Russian Federation previously has experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29. Accordingly, prior to 1 January 2003 the adjustments and reclassifications made to the statutory records for the purpose of IFRS presentation included the restatement of balances and transactions for the changes in the general purchasing power of the Russian Rouble in accordance with IAS 29.

IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. IFRS indicates that reporting operating results and financial position in the local currency without restatement is not useful because money loses purchasing power at such a rate that the comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading

As the characteristics of the economic environment of the Russian Federation indicate that hyperinflation has ceased, effective from 1 January 2003 the Group no longer applies the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current as at 31 December 2002 are treated as the basis for the carrying amounts in these consolidated financial statements.

The restatement was calculated using the conversion factors derived from the Russian Federation Consumer Price Index ("CPI"), published by the Russian Statistics Agency, and from indices obtained from other sources for years prior to 1992. The CPI used to restate the consolidated financial statements is based on 1988 prices using 100 as the base index. The CPI for the five years ended 31 December 2002 and the respective conversion factors are the following:

	CPI	Conversion Factor
1998	1 216 400	2.2
1999	1 661 481	1.6
2000	1 995 937	1.3
2001	2 371 572	1.1
2002	2 730 154	1.0

Provisions. Provisions are provided for where there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Pension costs. The Group, in the normal course of business, makes payments to the pension and social insurance funds on behalf of its employees. All of these payments are expensed when incurred and included within staff costs.

Segment reporting. A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are ten percent or more of all the segments are reported separately. Geographical segments of the Group have been reported separately based on the ultimate domicile of the counterparty, e.g. based on economic risk rather than legal risk of the counterparty.

(in thousands of Russian Roubles)

5 Cash and Cash Equivalents

	2004	2003
Cash on hand	2 240 722	1 186 155
Balances with central banks other than mandatory reserve deposits	11 544 022	8 171 241
Correspondent accounts and overnight placements with other banks		
- Russian Federation	650 892	332 404
- Other countries	1 914 414	1 548 359
Settlement accounts with trading systems	2 017 990	1 104 122
Total cash and cash equivalents	**18 368 040**	**12 342 281**

Geographical, currency and interest rate analyses of cash and cash equivalents are disclosed in Note 28. The information on related party balances is disclosed in Note 31.

6 Trading Securities

	2004	2003
Federal loan bonds (OFZ)	3 695 316	906 284
Corporate bonds	3 026 257	1 708 268
Corporate shares	1 864 406	220 778
US Treasury bills	1 264 965	-
Municipal bonds and bonds of the Russian Federation's regions	552 017	1 007 214
ADRs on corporate shares	-	1 730 337
Eurobonds of the Russian Federation	-	1 022 788
Other	109 023	253 689
Total trading securities	**10 511 984**	**6 849 358**

OFZ are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. OFZ have been issued with the discount at their origination. OFZ bonds have maturity dates from 20 July 2005 to 14 July 2010, coupon rates of approximately 7.5%- 10.0% p.a. and yield to maturity from 4.6% to 7.3% p.a. (2003: 3.2% - 8.3% p.a.) depending on the type of bond issue.

Corporate bonds are mainly issued by large Russian companies in the financial, extractive and railway transport sectors. These bonds are traded on Moscow Interbank Currency Exchange (MICEX), other Russian stock exchanges or on the over-the-counter market. These bonds have maturities from 31 April 2005 to 1 February 2010, coupon rates from 7.8% to 16.0% p.a. and yield to maturity from 6.0% to 19.3% p.a. (2003: from 8.3% to 16.1% p.a.) depending on the type of bond issue.

Corporate shares are shares of the largest Russian companies in the extractive, banking and production sectors. These shares are freely tradable in Russia.

US Treasury bills are interest bearing securities denominated in US dollars, issued by the US government, and are freely tradable internationally. These bonds mature in February 2011 and have a yield to maturity of 4% p.a.

Municipal bonds and bonds of the Russian Federation's regions are represented by debt securities of the Russian local authorities. These bonds are traded on Moscow Interbank Currency Exchange (MICEX), other Russian stock exchanges or on the over-the-counter market. As at 31 December 2004 these bonds have maturities from 7 April 2005 to 21 July 2014, coupon rates of 10% p.a. and yield to maturity from 7.1 to 12.5% p.a.

ADRs on corporate shares are depository receipts on shares, issued by a large Russian company, and are freely tradable internationally.

Eurobonds of the Russian Federation are interest bearing securities denominated in USD, issued by the Ministry of Finance of the Russian Federation, and are freely tradable internationally. As at 31 December 2003 the bonds had maturity from 24 June 2028 to 31 March 2030 and coupon rates from 5% to 12.75%.

(in thousands of Russian Roubles)

6 Trading Securities (Continued)

As at 31 December 2004 OFZ securities with the fair value of RR 1 609 460 thousand (2003: RR 252 740 thousand) have been pledged to the CBRF for the credit limit opened by the CBRF to the Bank. As at 31 December 2004 the Group had no deposits from the CBFR attracted within this credit limit (2003: nil). Refer to Note 29.

Geographical, currency and interest rate analyses of trading securities are disclosed in Note 28. The information on trading securities issued by related parties is disclosed in Note 31.

The Bank is licensed by the Federal Commission on Securities Markets for trading in securities.

7 Due From Other Banks

	2004	2003
Current term placements with other banks	629 896	916 976
Reverse sale and repurchase agreements with other banks	36 524	66 097
Total due from other banks	**666 420**	**983 073**

As at 31 December 2004 fair value of securities purchased under reverse sale and repurchase agreements was RR 40 576 thousand (2003: RR 69 480 thousand).

As at 31 December 2004 the estimated fair value of due from other banks was RR 666 420 thousand (2003: RR 983 073 thousand). Refer to Note 30.

As at 31 December 2004 term placements with other banks totalling RR 110 808 thousand (2003: 42 879) have been pledged to third parties as collateral with respect to term placements of other banks. Refer to Notes 12 and 29.

Geographical, currency, maturity and interest rate analyses of due from other banks are disclosed in Note 28.

8 Loans and Advances to Customers

	2004	2003
Current loans	27 273 935	20 592 133
Overdue loans	854 961	373 504
Less: provision for loan impairment	(1 644 703)	(1 212 082)
Total loans and advances to customers	**26 484 193**	**19 753 555**

Movements in the provision for loan impairment are as follows:

	2004	2003
Provision for loan impairment as at 1 January	**1 212 082**	**860 755**
Provision for loan impairment during the year	433 691	354 838
Loans and advances to customers written off during the year as uncollectible	(1 070)	(3 511)
Provision for loan impairment as at 31 December	**1 644 703**	**1 212 082**

(in thousands of Russian Roubles)

8 Loans and Advances to Customers (Continued)

Economic sector risk concentrations within the customer loan portfolio are, as follows:

	2004		2003	
	Amount	**%**	**Amount**	**%**
Trade	5 493 393	20	4 584 578	22
Manufacturing	5 433 137	19	3 832 381	18
Oil and energy	4 457 232	16	3 295 105	16
Food industry	3 104 373	11	1 338 674	6
Construction	1 985 199	7	2 039 924	10
Individuals	1 521 393	5	811 908	4
Transportation	1 315 786	5	542 043	3
Finance sector	1 088 566	4	1 949 426	9
Other	3 729 817	13	2 571 598	12
Total loans and advances to customers (before provision for impairment)	**28 128 896**	**100**	**20 965 637**	**100**

As at 31 December 2004 the estimated fair value of loans and advances to customers was RR 26 484 193 thousand (2003: RR 19 753 555 thousand). Refer to Note 30.

Geographical, currency, maturity and interest rate analyses of loans and advances to customers are disclosed in Note 28. The information on related party balances is disclosed in Note 31.

9 Investment Securities Available for Sale

	2004	2003
Corporate shares	633 972	228 877
Corporate bonds	426 287	422 024
Promissory notes issued	242 307	1 044 633
Bonds of the Russian Federation's regions and municipal bonds	247 930	77 465
Other	138 689	193 943
Total investment securities available for sale	**1 689 185**	**1 966 942**

Corporate shares mainly include shares of major Russian energy, mining and financial sector companies. These shares are freely tradable in Russia.

Corporate bonds are interest bearing securities denominated in Russian Roubles issued by large Russian companies and banks. These bonds are traded on Moscow Interbank Currency Exchange (MICEX), other Russian stock exchanges or on the over-the-counter market. These bonds have maturity dates ranging from April 2005 to December 2009, coupon rates from 5.4% to 16.0% p.a. and yields to maturity from 5.9% to 18.7% p.a. as at 31 December 2004, depending on the type of bond issue.

Promissory notes are securities denominated in Russian Roubles issued by large Russian companies and banks. These securities are purchased at discount to nominal value and traded on the over-the-counter market. As at 31 December 2004 these promissory notes had maturity dates from January 2005 to December 2005, discount rates from 7.0% to 15.0% p.a., and yield to maturity from 10.1% to 15.4% p.a., depending on the type of issue.

Bonds of the Russian Federation regions and municipal bonds include Russian Rouble denominated securities traded on MICEX and other Russian stock exchanges. As at 31 December 2004, these securities had maturity dates from August 2005 to December 2014, coupon rates from 2.5% to 16.9% p.a., and yield to maturity from 2.9% to 14.4% p.a., depending on the type of bond issue.

Geographical, currency, maturity and interest rate analyses of investment securities available for sale are disclosed in Note 28. The information on related party debt investment securities available for sale is disclosed in Note 31.

(in thousands of Russian Roubles)

10 Other Assets

	Note	20	20
Trade debtors and other prepayments		411 973	296 936
Settlements on taxes		141 596	164 175
Settlements on other operations		125 315	429 706
Balances arising from derivative financial instruments	29	26 967	216 733
Other		85 582	237 435
Total other assets		**791 433**	**1 344 985**

Geographical, currency and maturity analyses of other assets are disclosed in Note 28. The information on related party balances is disclosed in Note 31.

11 Premises and Equipment

	Land & buildings	Office and computer equipment	Construction in progress	Total
Net book amount as at 31 December 2003	**704 718**	**488 871**	**315 937**	**1 509 526**
Book amount at cost				
Opening balance	768 253	903 967	315 937	1 988 157
Additions	250 931	233 707	174 831	659 469
Transfers	138 514	35 924	(174 438)	-
Disposals	-	(96 254)	-	(96 254)
Closing balance	**1 157 698**	**1 077 344**	**316 330**	**2 551 372**
Accumulated depreciation				
Opening balance	63 535	415 096	-	478 631
Depreciation charge (Note 22)	18 753	167 975	-	186 728
Disposals	-	(91 435)	-	(91 435)
Closing balance	**82 288**	**491 636**	**-**	**573 924**
Net book amount at 31 December 2004	**1 075 410**	**585 708**	**316 330**	**1 977 448**

Construction in progress consists mainly of construction and refurbishment of branch premises and equipment. Upon completion, assets are transferred to the appropriate category of fixed assets.

12 Due to Other Banks

	2004	2003
Term placements of other banks	1 144 091	265 928
Correspondent accounts	225 154	952 741
Total due to other banks	**1 369 245**	**1 218 669**

As at 31 December 2004 term placements of other banks of RR 144 102 thousand (2003: RR 88 923 thousand) have been collaterised by term placements with other banks of RR 110 808 thousand (2003: RR 42 879 thousand). Refer to Notes 7 and 29.

(in thousands of Russian Roubles)

12 Due to Other Banks (Continued)

As at 31 December 2004 the estimated fair value of due to other banks was RR 1 369 245 thousand (2003: RR 1 218 669 thousand). Refer to Note 30.

Geographical, currency, maturity and interest rate analyses of due to other banks are disclosed in Note 28.

13 Customer Accounts

	2004	2003
State organisations		
- Current/settlement accounts	1 485 233	29 080
- Term deposits	-	5 071 969
Corporate entities		
- Current/settlement accounts	17 016 617	10 725 097
- Term deposits	6 371 463	2 289 110
Individuals		
- Current/demand accounts	3 710 125	2 926 760
- Term deposits	14 558 027	7 459 988
Total customer accounts	**43 141 465**	**28 502 004**

Economic sector concentrations within customer accounts are as follows:

	2004		2003	
	Amount	%	Amount	%
Individuals	18 268 152	42	10 386 748	36
Crude production and refining	10 076 330	23	6 093 161	21
Trade	4 751 136	11	3 081 919	11
Finance sector	4 051 829	10	1 022 791	4
Government bodies	1 485 233	4	5 101 049	18
Other	4 508 785	10	2 816 336	10
Total customer accounts	**43 141 465**	**100**	**28 502 004**	**100**

As at 31 December 2004 included in customer accounts are deposits of RR 2 067 257 thousand (2003: RR 749 315 thousand) held as collateral for irrevocable credit related commitments. Refer to Note 29.

As at 31 December 2004 the estimated fair value of customer accounts was RR 43 141 465 thousand (2003: RR 28 502 004 thousand). Refer to Note 30.

Geographical, currency, maturity and interest rate analyses of customer accounts are disclosed in Note 28. The information on related party balances is disclosed in Note 31.

14 Debt Securities in Issue

	2004	2003
Promissory notes issued	5 444 144	5 755 963
Bonds	976 230	1 160 299
Deposit and savings certificates	150 415	3 120 818
Total debt securities in issue	**6 570 789**	**10 037 080**

(in thousands of Russian Roubles)

14 Debt Securities in Issue (Continued)

As at 31 December 2004 the estimated fair value of debt securities in issue was RR 6 574 526 thousand (2003: RR 10 029 223 thousand). Refer to Note 30.

Geographical currency maturity and interest rate analyses of debt securities in issue are disclosed in Note 28. The information on related party debt securities in issue is disclosed in Note 31.

15 Other Borrowed Funds

	2004	2003
Term borrowed funds	1 821 772	-
Total other borrowings	**1 821 772**	**-**

Term borrowings represent funds attracted on the international financial markets by issuance of bonds arranged through a large foreign bank. The bonds had a nominal value of USD 120 000 000 and were issued by the Group in February 2004 at par value, contractual interest rate of 9% p.a. and maturity date of February 2007.

In November 2004 part of the securities with a nominal value of USD 55 560 000 were claimed by holders for early redemption and were repaid by the Group in connection with notification of bond holders on changes in the shareholding structure of the Bank (Refer to Note 1). Expenses of the Group on early redemption of part of the bonds amounted to RR 25 839 thousand.

As at 31 December 2004 the estimated fair value of other borrowed funds was RR 1 845 419 thousand. Refer to Note 30.

Geographical, currency, maturity and interest rate analyses of other borrowed funds are disclosed in Note 28.

16 Other liabilities

	Note	2004	2003
Settlements		169 074	167 798
Balances arising from derivative financial instruments	29	16 248	33 372
Other		103 298	200 282
Total other liabilities		**288 620**	**401 452**

Geographical, currency and maturity analyses of other liabilities are disclosed in Note 28. The information on related party balances is disclosed in Note 31.

(in thousands of Russian Roubles)

17 Minority Interest

The table below represents the movements in minority interests of the Group:

	2004	2003
Minority interest as at 1 January	**57 780**	**55 740**
Share of net profit	3 244	3 418
Share of other movements in equity	(818)	(1 378)
Minority interest as at 31 December	**60 206**	**57 780**

18 Share Capital

Authorised, issued and fully paid share capital of the Bank comprises:

	2004			2003		
	Number of shares, in thousand units	**Nominal amount**	**Inflation adjusted amount**	**Number of shares, in thousand units**	**Nominal amount**	**Inflation adjusted amount**
Ordinary shares	450 000	4 500 000	6 228 658	450 000	4 500 000	6 228 658
Preference shares	500	500 000	523 900	500	500 000	523 900
Less: treasury shares	(34 887)	(348 870)	(482 887)	(34 622)	(346 223)	(479 223)
Total share capital	**415 613**	**4 651 130**	**6 269 671**	**415 878**	**4 653 777**	**6 273 335**

All ordinary shares have a nominal value of RR 10 per share, rank equally and carry one vote.

The preference shares have a nominal value of RR 1 000 and carry no voting rights but rank ahead of the ordinary shares in the event of liquidation of the Bank. The minimum dividend to be received by holders of preference stock shares is not stipulated by the Charter of the Bank. The amount of dividend is determined and approved annually at the Bank's annual general meeting. If dividends are not declared, the preference shareholders obtain the right to vote as common shareholders until such time that the dividend is paid. If no dividend is declared at the Bank's annual general meeting, the preference shares are entitled to one vote per share.

As at 31 December 2004 treasury shares include 34 887 thousand ordinary shares of the Bank (2003: RR 34 622 thousand) repurchased by the Group.

During 2004 the Group acquired 264 699 ordinary shares of the Bank at par value with total nominal value RR 2 647 thousand. The difference of RR 1 017 thousand between nominal value of shares and amount adjusted on inflation of RR 3 664 thousand has been credited directly to shareholders' equity.

19 Retained Earnings

In accordance with Russian Law on Banks and Banking Activity, the Group distributes profits as dividends or transfers them to reserves (fund accounts) on the basis of financial statements prepared in accordance with Russian Accounting Rules. The Group's reserves under Russian Accounting Rules as at 31 December 2004 are RR 3 050 951 thousand (2003: RR 2 763 483 thousand).

(in thousands of Russian Roubles)

20 Interest Income and Expense

	2004	2003
Interest income		
Loans and advances to customers	3 372 757	2 578 815
Debt trading securities	658 691	525 259
Placements with other banks	162 148	125 787
Correspondent accounts with other banks	18 075	20 958
Debt investment securities available for sale	130 640	83 785
Total interest income	**4 342 311**	**3 334 604**
Interest expense		
Term deposits of individuals	1 128 512	635 916
Debt securities in issue	716 687	702 438
Term deposits of legal entities	295 404	784 963
Other borrowed funds	272 078	-
Current accounts of corporate entities	123 113	107 363
Term placements of other banks	74 462	232 349
Other	44 068	15 330
Total interest expense	**2 654 324**	**2 478 359**
Net interest income	**1 687 987**	**856 245**

21 Fee and Commission Income and Expense

	2004	2003
Commission income		
Commission on settlement transactions	695 508	549 013
Commission on cash transactions	217 559	248 404
Commission on cash collection	32 088	23 988
Other	214 957	113 710
Total fee and commission income	**1 160 112**	**935 115**
Fee and commission expense		
Commission on settlement transactions	111 490	78 222
Commission on cash collection	19 676	9 548
Commission on cash transactions	9 524	11 796
Other	77 377	34 485
Total fee and commission expense	**218 067**	**134 051**
Net fee and commission income	**942 045**	**801 064**

(in thousands of Russian Roubles)

22 Operating Expenses

	2004	2003
Staff costs	1 044 525	862 328
Administrative expenses	277 580	237 053
Depreciation of premises and equipment (Note 11)	186 728	175 717
Taxes other than on income	161 226	195 362
Rent	135 563	57 091
Other expenses related to premises and equipment	71 255	102 579
Advertising and marketing	69 938	50 368
Other	188 519	316 554
Total operating expenses	**2 135 334**	**1 997 052**

23 Profits Taxes

Income tax expense comprises the following:

	2004	2003
Current tax charge	413 216	394 585
Deferred taxation movement due to origination and reversal of temporary differences	(174 162)	5 055
Less: Deferred tax recorded directly to equity	2 701	36 146
Income tax expense for the year	**241 755**	**435 786**

The income tax rate applicable to the majority of the Group’s income is 24% (2003: 24%). The reconciliation between the expected and the actual taxation charge is provided below.

	2004	2003
IFRS profit before taxation and minority interest	**1 608 816**	**1 776 361**
Theoretical tax charge at the applicable statutory rate (2004: 24%; 2003 24%)	386 116	426 327
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non deductible expenses	40 681	12 632
- Income on government securities taxed at different rates	(62 709)	(15 938)
- Income which is exempt from taxation	(36 194)	(12 893)
- Other non-temporary differences	(86 139)	25 658
Income tax expense for the year	**241 755**	**435 786**

Differences between IFRS and Russian and between IFRS and statutory taxation regulations of subsidiary non-resident banks comprising the Group give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and for profits tax purposes. The tax effect of the movement on these temporary differences is recorded at the rate of 24% (2003: 24%), except for income on state securities of the Russian Federation that is taxed at 15% (2003: 15%).

(in thousands of Russian Roubles)

23 Profit Taxes (Continued)

	2002	Movement	2003	Movement	2004
Tax effect of deductible temporary differences					
Provision for loan impairment	133 678	34 156	167 834	(8 715)	159 119
Debt securities in issue	3 777	29 537	33 314	27 720	61 034
Other	8 222	1 046	9 268	1 810	11 078
Net deferred tax asset	**145 677**	**64 739**	**210 416**	**20 815**	**231 231**
Tax effect of taxable temporary differences					
Premises and equipment:	(81 686)	6 636	(75 050)	3 142	(71 908)
Fair valuation of investment securities available for sale	(61 387)	36 146	(25 241)	2 701	(22 540)
Fair valuation of trading securities	(30 711)	(137 593)	(168 304)	151 613	(16 691)
Other	(35 054)	25 017	(10 037)	(4 109)	(14 146)
Gross deferred tax liability	**(208 838)**	**(69 794)**	**(278 632)**	**153 347**	**(125 285)**
Total net deferred tax (liabilities)/assets	**(63 161)**	**(5 055)**	**(68 216)**	**174 162**	**105 946**

The net deferred tax asset represents income taxes recoverable through future revenues and is recorded on the consolidated balance sheet. Deferred income tax assets are recorded for tax loss carry forwards only to the extent that realisation of the related tax benefit is probable.

In the context of the Group's current structure, tax losses and current tax assets of different companies may not be offset against current tax liabilities and taxable profits of other companies and, accordingly, taxes may accrue even where there is a net consolidated tax loss. Therefore, a deferred tax asset of one company of the Group may not be offset against a deferred tax liability of another company. As a result of this, a deferred tax asset in the amount of RR 113 128 thousand (2003: nil) and a deferred tax liability in the amount of RR 7 182 thousand (2003: RR 68 216 thousand) have been recorded in the consolidated balance sheet.

A deferred tax liability of RR 22 540 thousand arises as at 31 December 2004 (2003: RR 25 241 thousand) as a result of the fair valuation of investment securities available for sale. Deferred taxation relating to the fair value remeasurement of investment securities available for sale, which is charged or credited directly to equity, is also credited or charged directly to shareholders' equity and is subsequently recorded in the consolidated statement of income when the gain or loss on the securities is realised.

24 Earnings per Share

Basic earnings per share are calculated by dividing the net loss or profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

The Bank has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share.

	2004	2003
Net profit attributable to shareholders	1 367 061	1 340 575
Less: preference dividends (Note 25)	(195 000)	(144 000)
Net profit attributable to ordinary shareholders	1 172 061	1 196 575
Weighted average number of ordinary shares in issue (thousands)	415 245	415 424
Earnings per share (in RR per share)	**2.82**	**2.88**

(in thousands of Russian Roubles)

25 Dividends

	2004		2003	
	Ordinary	**Preference**	**Ordinary**	**Preference**
Dividends payable as at 1 January	902	-	250	-
Dividends declared during the year	216 919	195 000	162 459	144 000
Dividends paid during the year	217 164	195 000	161 807	144 000
Dividends payable as at 31 December	**657**	**-**	**902**	**-**
Dividends per share declared during the year (in RR per share)	**0.52**	**390.0**	**0.39**	**288.0**

On 4 June 2004 the Annual General Meeting of Shareholders, based on the financial results of 2003 year, declared a dividend on ordinary shares in amount of RR 216 919 thousand (RR 0.52 per ordinary share) and a dividend on preference shares in amount of RR 195 000 thousand (RR 390 per preference share). All dividends are declared and paid in Russian Roubles.

26 Description of Adjustments to the Consolidated Accounts Prepared in Accordance with Russian GAAP

Please find below an explanation of equity reported in accordance with Russian GAAP (RAR) as at 1 January 2003 (date of transition to IFRS), and also to the consolidated statement of income for the year ended 31 December 2004 and consolidated balance sheet as at 31 December 2004.

The consolidated balance sheet was prepared in accordance with regulatory documents of the CBRF. Russian GAAP was considered to be the previous GAAP as defined in IFRS 1 for the preparation of the consolidated balance sheet as at 1 January 2003. Russian GAAP differs in certain aspects from IFRS. When preparing the IFRS consolidated shareholders equity as at 1 January 2003, the consolidated statements of income for the years ended 31 December 2003 and 2004 and the consolidated balance sheets as at 31 December 2003 and 2004 the Management of the Group introduced certain adjustments to comply with IFRS.

When preparing the IFRS consolidated shareholders' equity at 1 January 2003 the Management of the Group introduced certain adjustments to comply with IFRS.

(i) Adjustments to loan loss provision. Russian GAAP on provisioning differs significantly from IAS 39 "Financial Instruments: Recognition and Measurement" (IAS 39);

(ii) Recording the impact of IAS 29 and IAS 16 "Property, Plant and Equipment" ("IAS 16") on fixed assets;

(iii) Adjustment of fair value of financial instruments in accordance with IFRS;

(iv) Accrued income and expense recognition;

(v) Writing off other provisions as they do not meet requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" ("IAS 37");

(vi) Adjustments to record the general effect of deferred tax in accordance with IAS 12 "Income Tax" ("IAS 12"); and

(vii) Consolidation of subsidiaries not subject to consolidation in accordance with Russian GAAP.

(in thousands of Russian Roubles)

26 Description of Adjustments to the Consolidated Accounts Prepared in Accordance with Russian GAAP (Continued)

A reconciliation to IFRS consolidated equity as at 1 January 2003 is given below.

	As at 1 January 2003
Russian GAAP	**6 772 766**
Loan loss provision	(402 571)
Fixed assets	408 484
Fair value adjustments	(151 353)
Accruals, net	(182 413)
Other reserves	72 019
Deferred tax	50 633
Intergroup settlements	132 463
Other	(5 733)
IFRS	**6 694 295**

When preparing the IFRS consolidated income statement for 2004 the Management of the Group introduced certain adjustments to comply with IFRS.

(i) Reclassifications of certain income and expenses;

(ii) Accrued income and expense recognition;

(iii) Adjustments to loan loss provision. Russian GAAP on provisioning differs significantly from IAS 39;

(iv) Writing off other provisions as they do not meet requirements of IAS 37;

(v) Recognition of additional depreciation of fixed assets;

(vi) Consolidation of subsidiaries not subject to consolidation in accordance with Russian GAAP;

(vii) Adjustments to record the general effect of deferred tax in accordance with IAS 12.

(in thousands of Russian Roubles)

26 Description of Adjustments to the Consolidated Accounts Prepared in Accordance with Russian GAAP (Continued)

A reconciliation from the Russian GAAP financial statements to the IFRS consolidated statement of income for the year ended 31 December 2004 year is given below.

	RAR	Reclas-sification	Accruals	Losses arising from early retirement of debt	Loan loss provision	Losses on available for sale recorded directly in equity, net	Valuation of financial instruments	Derivatives	Othe provi-sions	Depreciation	Deffered tax	Intragroup settlements	Other	IFRS
Interest income	4 209 488	-	132 823	-	-	-	-	-	-	-	-	-	-	4 342 311
Interest expense	(2 813 291)	-	158 967	-	-	-	-	-	-	-	-	-	-	(2 654 324)
(Provision)/ release of provision for loan impairment and other provisions	(97 103)	-	-	-	(336 588)	-	-	-	-	-	-	-	-	(433 691)
Gains less losses arising from trading securities	1 085 472	(110 438)	-	-	-	-	(211 658)	-	-	-	-	-	-	763 376
Gains less losses arising from investment securities available for sale	-	-	-	-	-	8 553	158 920	-	-	-	-	-	-	167 473
Gains less losses arising from trading in foreign currencies, including foreign exchange translation gains less losses	386 270	-	-	-	-	-	-	54 389		-	-	-	8 228	448 887
Fee and commission income	1 167 148	-	-	-	-	-	-	-		-	-	-	(7 036)	1 160 112
Fee and commission expense	(222 759)	-	-	-	-	-	-	-		-	-		4 692	(218 067)
Other operating income received	34 055	110 438	-	-	-	-	-	-	-	-	-	-	49 419	193 912
Losses arising from early retirement of debt	-	-		(25 839)	-	-	-	-	-	-	-	-	-	(25 839)
Operating expenses	(1 944 200)	(250 932)	-	-	-	-	-	-	73 612	(71 504)	-		57 690	(2 135 334)
Income tax expense	(666 849)	250 932	-	-	-	-	-	-		-	174 162		-	(241 755)
Minority interest	(81 181)	-	-	-	-	-	-	-		-	-	77 937	-	(3 244)
Total	**1 057 050**	**-**	**291 790**	**(25 839)**	**(336 588)**	**8 553**	**(52 738)**	**54 389**	**73 612**	**(71 504)**	**174 162**	**77 937**	**112 993**	**1 363 817**

26 Description of Adjustments to the Consolidated Accounts Prepared in Accordance with Russian GAAP (Continued)

When preparing the IFRS consolidated balance sheet as of 31 December 2004 the Management of the Group introduced certain adjustments to comply with IFRS.

(i) Reclassification of assets and liabilities to reflect difference between Russian GAAP and IFRS;

(ii) Adjustments to loan loss provision. Russian GAAP on provisioning differs significantly from IAS 39;

(iii) Recording impact of IAS 29 and IAS 16 on fixed assets;

(iv) Writing off other provisions as they do not meet requirements of IAS 37;

(v) Writing off impaired positive goodwill based on IAS 36 "Impairment of Asset" ("IAS 36") and writing off negative goodwill based on IFRS 1;

(vi) Adjustment of fair value of financial instruments in accordance with IFRS;

(vii) Adjustments to record the general effect of deferred tax in accordance with IAS 12; and

(viii) Consolidation of subsidiaries not subject to consolidation in accordance with Russian GAAP.

(in thousands of Russian Roubles)

26 Description of Adjustments to the Consolidated Accounts Prepared in Accordance with Russian GAAP (Continued)

A reconciliation from the Russian GAAP financial statements to the IFRS consolidated balance sheet as at 31 December 2004 is presented below.

	Russian RAR	Reclassification of assets and liabilities	Loan loss provision	Fixed assets	Derivatives	Accruals	Other provisions	Goodwill	Mark to market of securities	Deferred tax	Intergroup settlements	IFRS
Assets												
Cash and cash equivalents	13 910 129	4 433 610	-	-	-	-	-	-	-	-	24 301	18 368 040
Mandatory reserve deposits with central banks	1 106 659	83 232	-	-	-	-	-	-	-	-	-	1 189 891
Due from other banks	4 151 468	(3 485 048)	-	-	-	-	-	-	-	-	-	666 420
Loans and advances to customers	28 534 421	(1 803 498)	(382 978)	-	-	198 703	-	-	-	-	(62 455)	26 484 193
Trading securities	7 155 286	3 283 641	-	-	-	76 585	-	-	(3 528)	-	-	10 511 984
Investment securities available for sale	3 756 082	(2 437 969)	-	-	-	17 570	-	-	111 542	-	241 960	1 689 185
Investment securities held to maturity	750 578	(750 578)	-	-	-	-	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	-	-	-	-	-	113 128	-	113 128
Positive goodwill	23 110	-	-	-	-	-	-	(23 110)	-	-	-	-
Premises and equipment	1 558 994	-	-	174 288	-	-	-	-	-	-	244 166	1 977 448
Other assets	832 907	(92 267)	-	-	26 967	-	-	-	-	-	23 826	791 433
Total assets	**61 779 634**	**(768 877)**	**(382 978)**	**174 288**	**26 967**	**292 858**	**-**	**(23 110)**	**108 014**	**113 128**	**471 798**	**61 791 722**
Liabilities												
Due to other banks	3 245 034	(1 875 789)	-	-	-	-	-	-	-	-	-	1 369 245
Customer accounts	42 494 487	31 372	-	-	-	66 182	-	-	-	-	549 424	43 141 465
Debt securities in issue	7 215 238	(384 750)	-	-	-	127 649	-	-	-	-	(387 348)	6 570 789
Other borrowed funds	-	1 786 656	-	-	-	35 116	-	-	-	-	-	1 821 772
Other liabilities	606 179	(326 366)	-	-	16 248	31 102	(108 745)	-	-	-	70 202	288 620
Negative goodwill	45 803	-	-	-	-	-	-	(45 803)	-	-	-	-
Deferred tax liability	-	-	-	-	-	-	-	-	-	7 182	-	7182
Total liabilities	**53 606 741**	**(768 877)**	**-**	**-**	**16 248**	**260 049**	**(108 745)**	**(45 803)**	**-**	**7 182**	**232 278**	**53 199 073**
Shareholders’ equity	**7 702 992**	**-**	**(382 978)**	**174 288**	**10 719**	**32 809**	**108 745**	**22 693**	**108 014**	**105 946**	**649 215**	**8 532 443**
Minority Interest	**469 901**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(409 695)**	**60 206**
Total liabilities, minority interest and shareholders’ equity	**61 779 634**	**(768 877)**	**(382 978)**	**174 288**	**26 967**	**292 858**	**-**	**(23 110)**	**108 014**	**113 128**	**471 798**	**61 791 722**

(in thousands of Russian Roubles)

27 Analysis by Segment

The Group's primary format for reporting segment information is business segments and the secondary format is geographical segments.

Business Segments. The Group is organised on the basis of three main business segments:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.
- Other – this segment includes other operations not included in the above categories.

The Group does not have an internal management accounting system for reallocation of funds and/or operating expense between the segments.

Segment information for the main reportable business segments of the Group for the years ended 31 December 2004 and 31 December 2003 is set out below:

2004	Retail banking	Corporate banking	Other	Total
External revenues	294 315	6 729 195	109 518	7 133 028
Segment results	(887 068)	4 604 496	83 679	3 801 107
Unallocated costs	-	-	-	(2 192 291)
Profit before tax				**1 608 816**
Income tax expense				(241 755)
Profit after tax				**1 367 061**
Minority interest				(3 244)
Net profit				**1 363 817**
Segment assets	2 025 250	57 036 745	639 151	59 701 146
Unallocated assets	-	-	-	2 090 576
Total assets				**61 791 722**
Segment liabilities	18 268 151	32 812 928	2 110 812	53 191 891
Unallocated liabilities	-	-	-	7 182
Total liabilities				**53 199 073**
Other segment items				
Capital expenditure	26 628	622 675	10 166	659 469
Depreciation charge	(7 660)	(176 144)	(2 924)	(186 728)

(in thousands of Russian Roubles)

27 Analysis by Segment (Continued)

2003	Retail banking	Corporate banking	Other	Total
External revenues	220 581	6 594 520	155 393	6 970 494
Segment results	(443 550)	4 291 403	155 393	4 003 246
Unallocated costs				(2 226 885)
Profit before tax				**1 776 361**
Income tax expense				(435 786)
Profit after tax				**1 340 575**
Minority interest				(3 418)
Net profit				**1 337 157**
Segment assets	1 954 507	44 090 226	330 772	46 375 505
Unallocated assets				1 509 526
Total assets				**47 885 031**
Segment liabilities	10 386 748	29 371 005	401 452	40 159 205
Unallocated liabilities				68 216
Total liabilities				**40 227 421**
Other segment items				
Capital expenditure	10 747	321 566	7 570	339 883
Depreciation charge	(5 470)	(166 394)	(3 853)	(175 717)

Unallocated costs in the tables above totalling RR 2 192 291 thousand (2003: RR 2 226 885 thousand) represent mainly operating expenses of the Group.

Geographical segments. Segment information for the main geographical segments of the Group is set out below for the years ended 31 December 2004 and 31 December 2003.

2004	Russia	OECD	Non OECD	Total
External revenue	6 639 906	210 753	282 369	7 133 028
Assets	57 326 119	2 052 110	2 413 493	61 791 722
Liabilities	46 280 097	3 911 518	3 007 458	53 199 073
Credit related commitments	2 052 689	350 592	1 107 291	3 510 572
Capital expenditure	628 306	-	31 163	659 469

2003	Russia	OECD	Non OECD	Total
External revenue	4 944 000	1 751 230	275 264	6 970 494
Assets	43 854 328	2 148 783	1 881 920	47 885 031
Liabilities	38 415 656	439 234	1 372 531	40 227 421
Credit related commitments	2 773 115	282 550	287 315	3 342 980
Capital expenditure	323 895	-	15 988	339 883

27 Analysis by Segment (Continued)

External revenues, assets, other than as detailed below, liabilities and credit related commitments have generally been allocated based on domicile of the counterparty. Cash on hand, premises and equipment and capital expenditure have been allocated based on the country in which they are physically held.

28 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks (credit market geographical currency liquidity and interest rate) operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk. The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers and to geographical and industry segments. Such risks are monitored on a regular basis; limits are subject to an annual or more frequent review. Limits on the level of credit risk by product, borrower and industry sector are approved by the Credit Committee of the Bank.

The exposure to any one borrower including banks and brokers is further restricted by limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees.

The Group's maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the consolidated balance sheet. The effect of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Group uses the same credit policies in making conditional obligations as it does for on-balance sheet financial instruments through established credit approvals risk control limits and monitoring procedures.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in interest rate currency and equity products all of which are exposed to general and specific market movements. The Financial-Economic Committee sets limits on the value of risk that may be accepted, which is monitored on a regularly basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

(in thousands of Russian Roubles)

28 Financial Risk Management (Continued)

Geographical risk. The geographical concentration of the Group's assets and liabilities as at 31 December 2004 is set out below:

	Russia	OECD	Non OECD	Total
Assets				
Cash and cash equivalents	16 202 617	1 986 591	178 832	18 368 040
Mandatory reserve deposits with central banks	1 106 659	-	83 232	1 189 891
Trading securities	10 506 473	-	5 511	10 511 984
Due from other banks	368 849	29 324	268 247	666 420
Loans and advances to customers	24 783 818	-	1 700 375	26 484 193
Investment securities available for sale	1 649 109	36 195	3 881	1 689 185
Other assets	760 866	-	30 567	791 433
Deferred tax asset	97 985	-	15 143	113 128
Premises and equipment	1 849 743	-	127 705	1 977 448
Total assets	**57 326 119**	**2 052 110**	**2 413 493**	**61 791 722**
Liabilities				
Due to other banks	448 517	577 924	342 804	1 369 245
Customer accounts	39 356 024	1 412 866	2 372 575	43 141 465
Debt securities in issue	6 188 025	98 956	283 808	6 570 789
Other borrowed funds	-	1 821 772	-	1 821 772
Other liabilities	280 349	-	8 271	288 620
Deferred tax liability	7 182	-	-	7 182
Total liabilities	**46 280 097**	**3 911 518**	**3 007 458**	**53 199 073**
Net balance sheet position	**11 046 022**	**(1 859 408)**	**(593 965)**	**8 592 649**
Credit related commitments (Note 29)	**2 052 689**	**350 592**	**1 107 291**	**3 510 572**

Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located. Balances with Russian counterparties actually outstanding to/from off-shore companies of these Russian counterparties are allocated to the caption "Russia". Cash on hand, premises and equipment have been allocated based on the country in which they are physically held.

The geographical concentration of the Group's assets and liabilities as at 31 December 2003 is set out below:

	Russia	OECD	Non OECD	Total
Net balance sheet position	**5 438 672**	**1 709 549**	**509 389**	**7 657 610**
Credit related commitments (Note 29)	**2 773 115**	**282 550**	**287 315**	**3 342 980**

(in thousands of Russian Roubles)

28 Financial Risk Management (Continued)

Currency risk. The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Financial-Economic Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December 2004. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by currency. The off-balance sheet gap represents the difference between the notional amounts of foreign currency derivative financial instruments, which are principally used to reduce the Group's exposure to currency movements, and their fair values. At 31 December 2004, the Group had the following positions in currency:

	RR	USD	Euro	Other currencies	Total
Assets					
Cash and cash equivalents	15 843 797	1 847 276	407 379	269 588	18 368 040
Mandatory reserve deposits with central banks	1 106 659	-	-	83 232	1 189 891
Trading securities	9 197 467	1 309 006	-	5 511	10 511 984
Due from other banks	95 539	155 741	10 951	404 189	666 420
Loans and advances to customers	14 956 168	9 669 258	393 525	1 465 242	26 484 193
Investment securities available for sale	1 080 799	518 481	-	89 905	1 689 185
Other assets	746 820	14 056	-	30 557	791 433
Deferred tax asset	86 472	11 513	-	15 143	113 128
Premises and equipment	1 849 743	-	-	127 705	1 977 448
Total assets	**44 963 464**	**13 525 331**	**811 855**	**2 491 072**	**61 791 722**
Liabilities					
Due to other banks	340 838	739 069	1 703	287 635	1 369 245
Customer accounts	31 183 612	9 216 194	1 593 229	1 148 430	43 141 465
Debt securities in issue	5 794 273	776 516	-	-	6 570 789
Other borrowed funds	-	1 821 772	-	-	1 821 772
Other liabilities	235 589	44 760	-	8 271	288 620
Deferred tax liability	7 182	-	-	-	7 182
Total liabilities	**37 561 494**	**12 598 311**	**1 594 932**	**1 444 336**	**53 199 073**
Net balance sheet position	**7 401 970**	**927 020**	**(783 077)**	**1 046 736**	**8 592 649**
Off-balance sheet net notional position	**(1 284 754)**	**383 776**	**911 697**	**-**	**10 719**
Credit related commitments (Note 29)	**648 962**	**1 981 181**	**666 649**	**213 780**	**3 510 572**

(in thousands of Russian Roubles)

28 Financial Risk Management (Continued)

As at 31 December 2003, the Group has the following positions in currencies:

	RR	USD	Euro	Other currencies	Total
Net balance sheet position	**6 930 740**	**(790 937)**	**633 344**	**884 463**	**7 657 610**
Off balance sheet net notional position	**272 880**	**444 393**	**(736 480)**	**19 207**	**-**
Credit related commitments (Note 29)	**291 083**	**2 461 457**	**526 458**	**63 982**	**3 342 980**

Some of the Group loans and advances are denominated in foreign currencies. Depending on the revenue stream of the borrower, the appreciation of the currencies against the Russian Roubles may adversely affect the borrowers' repayment ability and therefore increases the likelihood of future loan losses.

Liquidity risk. Liquidity risk is defined as risk when the maturity of assets and liabilities does not match. The Group is exposed to daily calls on its available cash resources from overnight deposits current accounts maturing deposits loan draw downs guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Financial-Economic Committee of the Bank.

The table below shows assets and liabilities as at 31 December 2004 by their remaining contractual maturity unless there is evidence that any of these assets are impaired and will be settled after their contractual maturity dates, in which case the expected date of settlement is used. Some of the assets, however, may be of a longer term nature; for example, loans are frequently renewed and accordingly short term loans can actually have a longer term duration.

(in thousands of Russian Roubles)

28 Financial Risk Management (Continued)

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
Assets						
Cash and cash equivalents	18 368 040	-	-	-	-	18 368 040
Mandatory reserve deposits with central banks	1 189 891	-	-	-	-	1 189 891
Trading securities	10 511 984	-	-	-	-	10 511 984
Due from other banks	556 259	97 308	12 853	-	-	666 420
Loans and advances to customers	673 592	8 905 975	7 999 919	8 904 707	-	26 484 193
Investment securities available for sale	123 307	103 264	494 032	334 610	633 972	1 689 185
Other assets	466 209	6 205	2 676	316 343	-	791 433
Deferred tax asset	-	-	113 128	-	-	113 128
Premises and equipment	-	-	-	-	1 977 448	1 977 448
Total assets	**31 889 282**	**9 112 752**	**8 622 608**	**9 555 660**	**2 611 420**	**61 791 722**
Liabilities						
Due to other banks	710 128	292 461	309 134	57 522	-	1 369 245
Customer accounts	21 448 491	12 463 610	5 917 580	3 311 784	-	43 141 465
Debt securities in issue	1 099 565	771 168	3 310 724	1 389 332	-	6 570 789
Other borrowed funds	-	-	-	1 821 772	-	1 821 772
Other liabilities	238 176	8 228	42 216	-	-	288 620
Deferred tax liability	-	-	7 182	-	-	7 182
Total liabilities	**23 496 360**	**13 535 467**	**9 586 836**	**6 580 410**	**-**	**53 199 073**
Net gap	**8 392 922**	**(4 422 715)**	**(964 228)**	**2 975 250**	**2 611 420**	**8 592 649**
Cumulative liquidity gap at 31 December 2004	**8 392 922**	**3 970 207**	**3 005 979**	**5 981 229**	**8 592 649**	**-**
Cumulative liquidity gap at 31 December 2003	**4 798 317**	**(2 785 836)**	**2 608 137**	**5 294 240**	**7 657 610**	**-**

The entire portfolio of trading securities is classified within demand and less than one month as the portfolio is of a trading nature and Management believe this is a fairer portrayal of its liquidity position.

28 Financial Risk Management (Continued)

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the Management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these customer accounts provide a long-term and stable source of funding for the Group. However, in accordance with the Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but also may reduce or create losses in the event that unexpected movements arise.

The Group is exposed to interest rate risk principally as a result of lending at fixed interest rates in amounts and for periods which differ from those of term borrowings at fixed interest rates. In practice, interest rates are generally fixed on a short-term basis. Also, interest rates that are contractually fixed on both assets and liabilities are usually renegotiated to reflect current market conditions.

The Group sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily. In the absence of any available hedging instruments the Group normally seeks to match its interest rate positions.

The table below summarises the Group’s exposure to interest rate risks. Included in the table are the Group’s assets and liabilities at carrying amounts categorised by the earlier of contractual repricing or maturity dates.

(in thousands of Russian Roubles)

28 Financial Risk Management (Continued)

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-interest bearing	Total
Assets						
Cash and cash equivalents	18 368 040	-	-	-	-	18 368 040
Mandatory reserve deposits with central banks	1 189 891	-	-	-	-	1 189 891
Trading securities	8 647 578	-	-	-	1 864 406	10 511 984
Due from other banks	556 259	97 308	12 853	-	-	666 420
Loans and advances to customers	673 592	8 905 975	7 999 919	8 904 707	-	26 484 193
Investment securities available for sale	123 307	103 264	494 032	334 610	633 972	1 689 185
Other assets	-	-	-	-	791 433	791 433
Deferred tax asset	-	-	-	-	113 128	113 128
Premises and equipment	-	-	-	-	1 977 448	1 977 448
Total assets	**29 558 667**	**9 106 547**	**8 506 804**	**9 239 317**	**5 380 387**	**61 791 722**
Liabilities						
Due to other banks	710 128	292 461	309 134	57 522	-	1 369 245
Customer accounts	21 448 491	12 463 610	5 917 580	3 311 784	-	43 141 465
Debt securities in issue	1 099 565	771 168	3 310 724	1 389 332	-	6 570 789
Other borrowed funds	-	-	-	1 821 772	-	1 821 772
Other liabilities	-	-	-	-	288 620	288 620
Deferred tax liability	-	-	-	-	7 182	7 182
Total liabilities	**23 258 184**	**13 527 239**	**9 537 438**	**6 580 410**	**295 802**	**53 199 073**
Net gap	**6 300 483**	**(4 420 692)**	**(1 030 634)**	**2 658 907**	**5 084 585**	**8 592 649**
Cumulative gap at 31 December 2004	**6 300 483**	**1 879 791**	**849 157**	**3 508 064**	**8 592 649**	**-**
Cumulative gap at 31 December 2003	**4 798 317**	**(2 785 836)**	**2 608 137**	**5 294 240**	**7 657 610**	**-**

(in thousands of Russian Roubles)

28 Financial Risk Management (Continued)

The table below summarises the effective year end interest rates by major currencies for monetary financial instruments. The analysis has been prepared based on period-end effective rates used for amortisation of the respective assets/liabilities.

	2004				2003			
	USD	**RR**	**Euro**	**Other currencies**	**USD**	**RR**	**Euro**	**Other currencies**
Assets								
Cash and cash equivalents	1.5	0.1	0.9	0.0	0.0	0.3	0.0	0.5
Trading securities	4.0	7.6	-	0.0	0.0	9.9	-	7.3
Due from other banks	6.6	11.3	7.0	15.9	6.0	6.4	6.6	17.0
Loans and advances to customers	12.4	14.1	10.5	20.0	14.2	16.8	-	14.8
Investment securities available for sale	7.2	12.5	-	20.0	7.0	13.4	-	16.0
Liabilities								
Due to other banks	7.1	4.9	0.0	11.0	9.0	3.5	0.0	5.3
Customer accounts								
- current and settlement accounts	0.9	0.2	0.9	1.0	0.0	0.6	0.0	0.9
- term deposits	7.2	11.0	6.9	13.5	5.0	13.0	1.8	17.0
Debt securities in issue	7.6	8.3	-	-	6.6	13.3	5.8	-
Other borrowed funds	10.1	-	-	-	-	-	-	-

The sign "-" in the table above means that the Bank does not have the respective assets or liabilities in corresponding currency.

29 Contingencies, Commitments and Derivative Financial Instruments

Legal proceedings. From time to time and in the normal course of business claims against the Group are received. On the basis of its own estimates and internal professional advice the Management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these consolidated financial statements.

Tax legislation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Transfer pricing legislation, which was introduced from 1 January 1999, provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect to all controlled transactions, provided that the transaction price differs from the market price by more than 20%. Controlled transactions include transactions with related parties, and transactions with unrelated parties if the price differs on similar transactions with two different counter parties by more than 20%. There is no formal guidance as to how these rules should be applied in practice.

In addition, the tax consequence of transactions for Russian taxation purposes is frequently determined by the form in which transactions are documented and the underlying accounting treatment prescribed by Russian Accounting Rules. The consolidated statement of income includes reclassifications to reflect the underlying economic substance of transactions. The effect of these reclassifications does not have an effect on the Group's profit before taxation or the tax charge recorded in these consolidated financial statements.

(in thousands of Russian Roubles)

29 Contingencies, Commitments and Derivative Financial Instruments (Continued)

The Group's Management believes that based on its interpretation of the relevant legislation, tax liabilities of the Group have been fully recognized in these consolidated financial statements. Accordingly, as at 31 December 2004 no provision for potential tax liabilities had been recorded (2003: no provision).

Capital commitments. As at 31 December 2004 the Group has no capital commitments (2003: Nil).

Operating lease commitments. Where the Group is the lessee, the future minimum lease payments under non cancellable premises operating leases are as follows:

	2004	2003
No later than 1 year	28 551	75 860
Later than 1 year and not later than 5 years	52 346	237 005
More than 5 years	333	43 534
Total operating lease commitments	**81 230**	**356 399**

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit – which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties – carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to make loans at a specific rate of interest during a fixed period of time are accounted for as derivative instruments unless these commitments do not extend beyond the period expected to be needed to perform appropriate underwriting, in which case they considered to be "regular way" transactions. Outstanding credit related commitments are as follows:

	Note	2004	2003
Import letters of credit		1 716 269	1 533 802
Guarantees issued		1 660 608	1 211 372
Export letters of credit		133 695	597 806
Total credit related commitments	**13**	**3 510 572**	**3 342 980**

As at 31 December 2004 the Group also had commitments in relation to unused credit lines totalling RR 8 011 957 thousand (2003: 6 249 819 thousand), which includes non-cancellable commitments on overdrafts totalling RR 785 818 thousand (2003: 2 444 323 thousand).

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit the Group is potentially exposed to loss in an amount equal to the total unused commitments. However the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

The total outstanding contractual amount of guarantees, letters of credit, and undrawn credit lines does not necessarily represent future cash requirements, as these undrawn credit lines may expire or terminate without being funded.

Derivative financial instruments. Foreign exchange derivative financial instruments are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms.

(in thousands of Russian Roubles)

29 Contingencies, Commitments and Derivative Financial Instruments (Continued)

The principal amounts of certain types of financial instruments provide a basis for comparison with instruments recorded on the consolidated balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or principal amount of derivative financial instruments on hand, the extent to which instruments have favourable or unfavourable conditions and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The principal or agreed amounts and fair values of derivative instruments held are set out in the following table. This table reflects gross position before the netting of any counterparty position by type of instrument and covers the contracts with a maturity date subsequent to 31 December 2004. These contracts were entered into in December 2004 and are short term in nature.

	Domestic counterparties			**Foreign counterparties**		
	Principal or agreed amount	**Negative fair value**	**Positive fair value**	**Principal or agreed amount**	**Negative fair value**	**Positive fair value**
Deliverable forwards						
Foreign currency						
- sale of US dollars for Russian rubles	3 627 300	-	19 969	-	-	-
- purchase of US dollars for Russian rubles	1 248 692	9 359	-	-	-	-
Spot						
Foreign currency						
- sale of US dollars for Russian rubles	6 189 763	4 101	5 903	-	-	-
- sale of Euro for US Dollars	5 668	3	-	-	-	-
- sale of euro for Russian rubles	102 233	-	145	-	-	-
- purchase of US dollars for Russian rubles	7 747 437	2 785	674	-	-	-
- purchase of Euro for US Dollars	-	-	-	491 535	-	276
Total		**16 248**	**26 691**		**-**	**276**

For these deals the Group has recorded a net gain of RR 10 719 thousand which is included within gains less losses arising from trading in foreign currency.

Assets pledged and restricted. As at 31 December 2004 the Group has the following assets pledges as collateral:

		2004		**2003**	
	Note	**Asset pledged**	**Related liability**	**Asset pledged**	**Related liability**
Trading securities	6	1 609 460	-	252 740	-
Current term placements with other banks	7, 12	110 808	144 102	42 879	88 923
Total		**1 720 268**	**144 102**	**295 619**	**88 923**

As at 31 December 2004 OFZ securities with the fair value of RR 1 609 460 thousand (2003: RR 252 740 thousand) have been pledged to the CBRF for the credit limit opened by the CBRF to the Bank. As at 31 December 2004 the Group had no deposits from the CBFR attracted within this credit limit (2003: nil). Refer to Note 6.

In addition, mandatory cash balances with central banks in the amount of RR 1 189 891 thousand (2003: 3 135 311 thousand) represent mandatory reserve deposits which are not available to finance the Group's day to day operations.

(in thousands of Russian Roubles)

29 Contingencies, Commitments and Derivative Financial Instruments (Continued)

Fiduciary assets. These assets are not included in the Group's consolidated balance sheet as they are not the assets of the Group. Nominal values disclosed below are normally different from the fair values of respective securities. The fiduciary assets fall into the following categories:

	2004 Nominal value	2003 Nominal value
Shares of companies	1 364 705	913 063
State securities	4 001	120 261

30 Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group, using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display certain characteristics of an emerging market and economic conditions continue to limit the volume of activity in its financial markets. Market quotations may not be reflective of the values for financial instruments which would be determined in an efficient, active market involving willing buyers and willing sellers. While Management has used available market information in estimating the fair value of financial instruments, the market information may not be fully reflective of the value that could be realised in the current circumstances.

Financial instruments carried at fair value. Cash and cash equivalents, trading securities and investment securities available for sale are recorded in the consolidated balance sheet at their fair value.

Loans originated carried at amortised cost less provision for impairment. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Refer to Notes 7 and 8 for the estimated fair values of due from other banks and loans and advances to customers, respectively.

Liabilities carried at amortised cost. The estimated fair value of instruments with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest rate instruments without a quoted market price is based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Refer to Notes 12, 13, 14 and 15 for the estimated fair values of due to other banks, customer accounts, debt securities in issue and other borrowed funds, respectively.

Derivative financial instruments. All derivative financial instruments are carried at fair value as asset when the fair value is positive and as a liability when the fair value is negative. The fair value of derivative financial instruments is disclosed in Note 29.

31 Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance, not merely the legal form.

Banking transactions are entered into in the normal course of business with significant shareholders, directors and companies with which the Group has significant shareholders in common. These transactions include settlements, loans, deposit taking, guarantees, trade finance and foreign currency transactions. These transactions are priced predominantly at market rates. The outstanding balances at the year end and income and expense items as well as other transactions for the year with related parties are as follows:

(in thousands of Russian Roubles)

31 Related Party Transactions (Continued)

	2004		2003	
	Shareholders	**Other**	**Shareholders**	**Other**
Correspondent accounts and overnight placements with other banks as at the year end	-	3 378	-	52 399
Trading securities as at the year end	32 853	-	2 002 554	-
Loans and advances to customers				
Loans and advances as at the year end (average contractual interest rate: 2004: 14.9%; 2003:13.7%)	94 738	1 263 955	434 924	1 024 485
Interest income for the year	32 598	181 239	170 773	364 022
Debt investment securities available for sale				
Equity investment securities available for sale as at year	-	-	113 324	20 323
Due to other banks				
Correspondent accounts and overnight placements of other banks as at the year end	-	34 215	-	1 990
Interest expense for the year	-	7	-	13
Customer accounts				
Current/settlement accounts as at the year end	6 491 211	3 043 117	4 578 272	1 761 607
Term deposits outstanding as at the year end (average contractual interest rate: 2004: 8.5%; 2003: 3.4%)	3 559 303	3 639 882	747 074	1 632 276
Interest expense for the year	(165 617)	(240 354)	(70 199)	(89 467)
Debt securities issued				
Promissory notes issued in favour of related parties as at the year end (average interest rate 2004: 2.0%; 2003: 2.7%)	849 771	61 042	386 364	378 112
Interest expense for the year	(17 912)	(3 734)	(2 291)	(26 390)
Guarantees issued by the Group as at the year end	496 813	110 704	40 900	145 392
Guarantees received by the Group as at the year end	738 584	344 931	349 827	209 642
Import letters of credit as at the year end	162 760	7 710	73 685	-
Export letters of credit as at the year end	282 981	-	43 089	151 675
Fee and commission income for the year	387 025	150 071	235 689	116 946
Fee and commission expense for the year	(169)	(10 868)	-	(3 781)
Gains less losses arising from trading securities	480 735	353	764 528	554
Gains less losses arising from investment securities available for sale	76 557	-	361 839	-
Gains less losses arising from trading in foreign currencies	221 840	23 628	34 978	16 371

The "Other" column in the table mainly represents companies, in which Lukoil Group and IFD Capital Group has significant ownership in share capital.

As at 31 December 2004 included in customer accounts are amounts of RR 569 259 thousand (2003: RR 241 751 thousand) belonging to beneficial owners of IFD Capital Group. Interest expense on these customer accounts comprised RR 21 298 thousand (2003: RR 8 649 thousand).

In 2004 the total remuneration of members of the Management Board of the Bank, including discretionary compensation amounted to RR 22 941 thousand (2003: RR 25 787 thousand).

(in thousands of Russian Roubles)

32 Principal Consolidated Subsidiaries

Name	Nature of business	Percentage of the Bank's direct ownership	Percentage of Group's control	Country of incorporation
Komi Regional Bank "UKHTABANK"	Banking	51.00	96.74	Russia
Petrocommerce-Ukraine Bank	Banking	51.10	90.83	Ukraine
Stavropolpromstroybank	Banking	51.00	77.27	Russia
UNIBANK	Banking	100.00	100.00	Moldova

As described in the table above, a certain percentage of the share capital of the subsidiary banks is controlled by the Group via trust agreements.

33 Subsequent Events

On 20 May 2005 the Annual General Meeting of Shareholders declared a dividend on ordinary shares in amount of RR 229 373 thousand (RR 0.51 per ordinary share) and a dividend on preference shares in amount of RR 100 000 thousand (RR 200 per preference share).

On 22 April 2005 the Group has received a syndicated loan from a pool of foreign banks totalling USD 50 million. Interest rate on this loan is LIBOR 6 months + 2.85%, and maturity date is 24 October 2005.