

JSB ROSBANK AND SUBSIDIARIES

Independent Auditors' Report

Consolidated Financial Statements
6 Months Ended 30 June 2005

JSB ROSBANK AND SUBSIDIARIES

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JSB ROSBANK AND SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 30 JUNE 2005

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on page 2, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of Joint Stock Bank ROSBANK and its subsidiaries (the "Bank").

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Bank as of 30 June 2005, the results of its operations, cash flows and changes in equity for the 6 months then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- selecting suitable accounting principles and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Bank will continue in business for the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Bank;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Bank, and which enable them to ensure that the consolidated financial statements of the Bank comply with IFRS;
- maintaining statutory accounting records in compliance with legislation and accounting standards of the Russian Federation;
- taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- detecting and preventing fraud and other irregularities.

The consolidated financial statements for the 6 months ended 30 June 2005 were authorised for issue on 30 September 2005 by the Chairman of the Management Board of the Bank.

On behalf of the Board:

Chairman

30 September 2005
Moscow

Chief Financial officer

30 September 2005
Moscow

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of Joint Stock Bank ROSBANK:

We have audited the accompanying consolidated balance sheet of Joint Stock Bank ROSBANK and its subsidiaries (hereinafter - the "Bank") as of 30 June 2005, the related consolidated profit and loss account and consolidated statements of cash flows and changes in equity (the "consolidated financial statements") for the 6 months then ended. These consolidated financial statements are the responsibility of the Bank'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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of 30 June 2005, and the consolidated results of its operations and its consolidated cash flows for the 6 months then ended, in accordance with International Financial Reporting Standards.



30 September 2005
Moscow

JSB ROSBANK AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE 6 MONTHS ENDED 30 JUNE 2005 AND 3 MONTH ENDED 30 JUNE 2005

	Notes	6 months ended 30 June 2005 RUR'000	3 months ended 30 June 2005 RUR'000 (unaudited)	6 months ended 30 June 2004 RUR'000 (restated)	3 months ended 30 June 2004 RUR'000 (unaudited) (restated)
Interest income	4,27	6,820,581	3,939,502	4,898,604	2,431,474
Interest expense	4,27	(4,878,808)	(2,682,341)	(2,833,154)	(1,544,290)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		1,941,773	1,257,161	2,065,450	887,184
Provision for impairment losses on interest bearing assets	5	(242,466)	(723,547)	(691,570)	(238,531)
NET INTEREST INCOME		1,699,307	533,614	1,373,880	648,653
Net gain/(loss) on assets held-for-trading		817,216	542,607	30,052	(380,928)
Net gain on foreign exchange operations		356,303	291,036	15,593	181,267
Net gain/(loss) on precious metals operations		(19,108)	(21,673)	50,514	(3,880)
Fee and commission income	6,27	1,177,048	784,435	707,514	487,038
Fee and commission expense	6,27	(360,820)	(212,666)	(214,898)	(115,323)
Dividends received		19,222	2,692	3,414	2,320
Other income	8	177,133	122,419	38,425	25,167
NET NON-INTEREST INCOME		2,166,994	1,508,850	631,195	195,661
OPERATING INCOME		3,866,301	2,042,464	2,005,075	844,314
OPERATING EXPENSES	7,27	(3,002,938)	(1,704,245)	(1,567,997)	(715,427)
OPERATING PROFIT		863,363	338,219	437,078	128,887
Provision for impairment losses on investments and other balance sheet transactions	5	(50,661)	(39,247)	(18,148)	(23,271)
(Provision)/recovery of provision for guarantees and other off-balance sheet transactions	5	(93,654)	(36,576)	3,877	34,999
PROFIT BEFORE INCOME TAX		719,048	262,396	422,807	140,615
Income tax expense	9	(293,339)	(214,191)	(232,626)	(1,744)
NET PROFIT		425,709	48,205	190,181	138,871
Attributable to:					
Equity holders of the parent		434,649	442	190,181	139,883
Minority interest		(8,940)	47,763	-	(1,012)
		425,709	48,205	190,181	138,871
EARNINGS PER SHARE					
Basic and diluted (RUR)	10	1.25	0.14	0.56	0.41

On behalf of the Board:

Chairman

30 September 2005
Moscow

Chief Financial officer

30 September 2005
Moscow

The notes on pages 8-48 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on page 2.

JSB ROSBANK AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2005

	Notes	30 June 2005 RUR'000	31 December 2004 RUR'000
ASSETS:			
Cash and balances with Central and National banks	11	10,581,618	24,560,307
Assets held-for-trading	12,27	8,309,338	9,116,880
Loans and advances to banks, less allowance for impairment losses	13,27	32,155,131	28,066,385
Loans to customers, less allowance for impairment losses	15,27	93,214,489	57,113,909
Investments available-for-sale, less allowance for impairment loss	16,27	694,628	282,398
Fixed and intangible assets, less accumulated depreciation	17	714,785	122,885
Income tax assets	9	60,486	255,362
Other assets, less allowance for impairment losses	18	850,697	353,174
TOTAL ASSETS		146,581,172	119,871,300
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans and advances from banks	19,27	12,522,566	8,849,497
Customer accounts	20,27	97,948,019	80,485,624
Liabilities on transactions with securities		1,415,847	-
Debt securities issued	21,27	22,630,393	19,166,195
Provisions	5	239,017	239,809
Other liabilities	22	983,596	609,380
		135,739,438	109,350,505
Subordinated debt	23	1,450,000	1,450,000
Total liabilities		137,189,438	110,800,505
EQUITY:			
Share capital	24	5,478,179	5,478,179
Reserves		3,568,571	3,498,467
Equity attributable to equity holders of the parent		9,046,750	8,976,646
Minority interest		344,984	94,149
Total equity		9,391,734	9,070,795
TOTAL LIABILITIES AND EQUITY		146,581,172	119,871,300

On behalf of the Board:

Chairman

30 September 2005
Moscow

Chief Financial officer

30 September 2005
Moscow

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JSB ROSBANK AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS ENDED 30 JUNE 2005

	Share capital RUR'000	Share premium RUR'000	Translation reserve RUR'000	Accumula- ted deficit RUR'000	Sharehol- ders' equity attributable to equity holders of the parent RUR'000	Minority interest RUR'000	Total shareholder s' equity RUR'000
31 December 2003	5,478,179	3,672,190	(120,636)	(693,393)	8,336,340	92,395	8,428,735
Changes in							
translation reserves	-	-	19,898	-	19,898	-	19,898
Dividends declared	-	-	-	(299,665)	(299,665)	-	(299,665)
Net profit (restated)	-	-	-	190,181	190,181	-	190,181
30 June 2004	<u>5,478,179</u>	<u>3,672,190</u>	<u>(100,738)</u>	<u>(802,877)</u>	<u>8,246,754</u>	<u>92,395</u>	<u>8,339,149</u>
31 December 2004	5,478,179	3,672,190	(62,387)	(111,336)	8,976,646	94,149	9,070,795
Changes in							
translation reserves	-	-	(24,017)	-	(24,017)	-	(24,017)
Purchase of subsidiaries	-	-	-	-	-	259,775	259,775
Dividends declared	-	-	-	(340,528)	(340,528)	-	(340,528)
Net profit	-	-	-	434,649	434,649	(8,940)	425,709
30 June 2005	<u>5,478,179</u>	<u>3,672,190</u>	<u>(86,404)</u>	<u>(17,215)</u>	<u>9,046,750</u>	<u>344,984</u>	<u>9,391,734</u>

On behalf of the Board:

Chairman

30 September 2005
Moscow

Chief Financial officer

30 September 2005
Moscow

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JSB ROSBANK AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 6 MONTHS ENDED 30 JUNE 2005

	Notes	6 months ended 30 June 2005 RUR'000	6 months ended 30 June 2004 RUR'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax and minority interest		719,048	422,807
Adjustments for:			
Provision for impairment losses on interest bearing assets		242,466	691,570
Provision for impairment losses on other balance sheet transactions		50,661	18,148
Provision for impairment losses on other transactions		93,654	(3,877)
Net change in recovery value of derivative financial instruments		133,581	33,175
Depreciation and amortization		28,803	25,982
Change in interest accruals, net		756,730	592,182
Change in other accruals		(382,870)	-
Change in provision for legal claims		-	(207,609)
		<u>1,642,073</u>	<u>1,572,378</u>
Cash flow from operating activities before changes in operating assets and liabilities			
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the Central Bank of the Russian Federation		(1,031,214)	1,894,498
Loans and advances to banks		2,311,013	(3,251,321)
Assets held-for-trading		1,500,015	2,648,892
Loans to clients		(36,211,266)	(14,775,409)
Other assets		(370,377)	(183,024)
Increase/(decrease) in operating liabilities:			
Loans and advances from banks		3,657,535	2,346,867
Customer accounts		17,125,099	5,407,371
Trading liability		1,415,847	-
Other liabilities		416,558	(222,344)
Cash outflow from operating activities before taxation		<u>(9,544,717)</u>	<u>(4,562,092)</u>
Income tax paid		<u>(98,463)</u>	<u>(656,032)</u>
Net cash outflow from operating activities		<u>(9,643,180)</u>	<u>(5,218,124)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed and intangible assets		(683,061)	(12,499)
Proceeds on sale of fixed and intangible assets		-	23
Net purchase of investment securities		<u>(431,407)</u>	<u>(47,886)</u>
Net cash outflow from investing activities		<u>(1,114,468)</u>	<u>(60,362)</u>

JSB ROSBANK AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 6 MONTHS ENDED 30 JUNE 2005

	Notes	6 months ended 30 June 2005 RUR'000	6 months ended 30 June 2004 RUR'000
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from debt securities issued		2,833,567	2,153,970
Dividends paid		-	(299,665)
Subordinated debt		-	1,450,000
		<u>2,833,567</u>	<u>3,304,305</u>
Net cash inflows from financing activities		<u>2,833,567</u>	<u>3,304,305</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(7,924,081)	(1,974,181)
CASH AND CASH EQUIVALENTS, beginning of the period	11	<u>38,181,200</u>	<u>16,943,978</u>
Effect of foreign exchange rate changes		<u>(18,569)</u>	<u>19,898</u>
CASH AND CASH EQUIVALENTS, end of the period	11	<u><u>30,238,550</u></u>	<u><u>14,989,695</u></u>

Interest paid and received by the Bank during the 6 months ended 30 June 2005 amounted to RUR 3,895,347 thousand and RUR 6,593,850 thousand, respectively.

Interest paid and received by the Bank in cash during the 6 months ended 30 June 2004 amounted to RUR 2,424,438 thousand and RUR 5,082,070 thousand, respectively.

On behalf of the Board:

Chairman

30 September 2005
Moscow

Chief Financial officer

30 September 2005
Moscow

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JSB ROSBANK AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 30 JUNE 2005

1. ORGANISATION

ROSBANK is a joint stock bank which was incorporated in the Russian Federation in 1993. ROSBANK is regulated by the Central Bank of the Russian Federation (the “CBR”) and conducts its business under license number 2272. ROSBANK's primary business consists of commercial banking activities with corporate clients, dealing with securities, foreign currency transactions and retail banking.

On 14 September 2000, at a joint shareholders meeting, it was approved to merge UNEXIM Bank into ROSBANK. UNEXIM Bank was a joint stock bank incorporated in the Russian Federation. On 21 November 2000, the CBR approved the merger and de-registered UNEXIM Bank with ROSBANK as the successor bank.

The registered office of ROSBANK is located at 11, Masha Poryvaeva Street, Moscow, 107078, Russian Federation.

ROSBANK has 76 branches in the Russian Federation.

ROSBANK is a parent company of the banking group (the “Bank”) which consists of the following enterprises consolidated in the consolidated financial statements:

Name	Country of incorporation	ROSBANK's ownership interest/ voting power, %	Type of operations
Rosbank (Switzerland) SA	Switzerland	100/100	Banking
Rosbank International Finance BV	The Netherlands	100/100	Issue of eurobonds
RosInvest SA	Luxembourg	99.97/99.97	Reorganisation of UNEXIM Bank
Belrosbank	Byelorussia	50.00002/ 0/100	Banking
Russia International Card Finance S.A.	Luxembourg	(Contractual agreement)	Issue of eurobonds
Rosbank Finance S.A	Luxembourg	100/100	Issue of eurobonds
BaikalROSBANK JSC	Russia	19.99/89.95	Banking
ROSBANK-VOLGA CJSC	Russia	19.99/97.50	Banking
RB Finance CJSC	Russia	100/100	Operations with securities
Processing Company NICKEL LLC	Russia	100/100	Processing of card operations
RB LEASING LLC	Russia	40/100	Leasing

In 2003 JSC “Interros estate”, the major shareholder of the Bank, purchased controlling interest in OVK group. OVK group consists of 6 commercial banks and 35 other financial and service companies. The main activity of these banks is retail banking. There is a plan to merge OVK banks with the Bank during 2005. The management of ROSBANK has commenced the process of merging the operations of OVK with those of ROSBANK and, on 26 January 2004, the CBR approved ROSBANK's proposed plan of consolidation. The integration of banks as large as OVK group will require extensive management, personnel and monetary resources. The integration is expected to be completed by the end of 2005, prior to which time management will be faced with modernisation the OVK group network, integrating its operations and personnel with those of ROSBANK, merging its information technology systems with those of ROSBANK, and implementing group-wide financial and management information systems and controls. As of 31 December 2004 and from the date

Interros acquired controlling interest in OVK group, the latter is considered to be a related party to the Bank. OVK group will be acquired by ROSBANK by the end of 2005.

Total number of employees of the Bank as of 30 June 2005 and 31 December 2004 was 14,346 and 5,056, respectively.

As at 30 June 2005, the following shareholders owned the issued shares:

Shareholder	%
CJSC "Interros estate"	95.79%
Other	4.21%
Total	<u>100.00%</u>

2. BASIS OF PRESENTATION

Accounting basis

These consolidated financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements are presented in thousands of Russian Roubles ("RUR"), unless otherwise indicated. These financial statements have been prepared on accrual basis of accounting and under the historical cost convention, except for the revaluation of certain financial instruments and according to International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29").

ROSBANK maintains its accounting records in accordance with the Russian law. Other companies of the Banking Group maintain their accounting records in accordance with statutory accounting standards generally accepted in the countries where they operate. For the purpose of incorporation in the consolidated financial statements, the financial statements of ROSBANK, Rosbank (Switzerland) SA, Rosbank International Finance BV, RosInvest SA, Belrosbank, Russia International Card Finance S.A., Rosbank Finance S.A., BaikalROSBANK, ROSBANK-VOLGA, RB Finance, Processing Company NICKEL and RB LEASING LLC prepared under the statutory accounting standards generally accepted in the countries of their origin have been adjusted to conform with IFRS.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the provisions for impairment losses and the fair value of financial instruments.

Since the results of the Bank operations closely relate to and depend on changing market conditions, the results of the Bank operations for the interim period are not necessarily indicative of the results for the year.

Functional currency

The functional currency of these financial statements is the Russian Rouble.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of ROSBANK and entities controlled by ROSBANK (its subsidiaries) made up to the end of each period. Control is achieved where ROSBANK has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The minority interest is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Bank.

In translating the financial statements of a foreign subsidiary into the presentation currency for incorporation in the consolidated financial statements, the Bank follows a translation policy in accordance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" ("IAS 21") and the following procedures are done:

- assets and liabilities, both monetary and non-monetary, of the foreign entity are translated at closing rate;
- income and expense items of the foreign entity are translated at exchange rates at the dates of transactions;
- all resulting exchange differences are classified as equity until the disposal of the investment;
- on disposal of the investment in the foreign entity related exchange differences are recognized in the consolidated profit and loss account;
- Financial statements of CB Belrosbank that operates in a hyperinflationary economy are restated in accordance with IAS 29 and translated into the functional currency at closing rates for the purpose of inclusion into the consolidated financial statements.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Bank's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

The Bank tests goodwill for impairment at least annually.

If the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the Bank:

- (a) reassess the identification and measurement of the Bank's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and
- (b) recognise immediately in profit or loss any excess remaining after that reassessment.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in other subsidiaries and associates

Investments in corporate shares where the Bank owns more than 20% of share capital, but does not have ability or intent to control or exercise significant influence over operating and financial policies, or non-consolidation of such companies does not significantly affect the financial statements of the Bank as a whole, as well as investments in corporate shares where the Bank owns less than 20% of share capital, are accounted for at fair value or at approximate fair value. If such value cannot be estimated, investments are accounted for at cost. Management periodically assesses realizability of the carrying values of such investments and provides valuation allowances, if necessary. Such investments are accounted for as investments available-for-sale.

Recognition and measurement of financial instruments

The Bank recognizes financial assets and liabilities on its balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts with the Central Bank of the Russian Federation and National Banks, with original maturity within 90 days, loans and advances to banks in countries included in the Organization for Economic Co-operation and Development ("OECD"), except for margin deposits for operations with plastic cards, which may be converted to cash within a short period of time, Government trading debt securities and precious metals. For purposes of determining cash flows, the minimum reserve deposit required by the Central Bank of the Russian Federation and National Banks is not included as a cash equivalent due to restrictions on its availability (Note 11).

Precious metals

Assets and liabilities denominated in precious metals are translated at the current rate computed based on the second fixing of the London Bullion Market rates using the RUR/USD exchange rate effective at the date. Changes in the bid prices are recorded in net (loss)/gain on operations with precious metals in the profit and loss account.

Loans and advances to banks

In the normal course of business, the Bank maintains advances or deposits for various periods of time with other banks. Loans and advances to banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowance for impairment losses.

Assets held-for-trading

Assets held-for-trading represent assets acquired principally for the purpose of selling them in the near term, or it is a part of portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit-taking, or it is a derivative (except if it is designated and effective hedging instrument). Assets held-for-trading are initially recorded and subsequently measured at fair value. The Bank uses quoted market prices to determine fair value for the Bank's assets held-for-trading. When reliable market prices are not available or if liquidating the Bank's position would reasonably be expected to impact market prices, fair value is determined by reference to price quotations for similar instruments traded in different markets or management's estimates of the amounts that can be realized from an orderly disposition over a period of time, assuming current market conditions. Fair value adjustment on assets held-for-trading is recognized in profit and loss for the period.

Repurchase and reverse repurchase agreements

The Bank enters into sale and purchase back agreements ("repos") and purchase and sale back agreements ("reverse repos") in the normal course of its business. Repos and reverse repos are utilized by the Bank as an element of its treasury management and trading business.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the consolidated financial statements and consideration received under these agreements is recorded as collateralized deposit received.

Assets purchased under reverse repos are recorded in the consolidated financial statements as cash placed on deposit which is collateralized by securities and other assets.

In the event that assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains/ (losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense.

Derivative financial instruments

The Bank enters into derivative financial instruments to manage currency and liquidity risks and such financial instruments are held primarily for trading purposes. Derivatives entered into by the Bank include forwards, swaps and options.

Derivative financial instruments are initially recorded and subsequently measured at fair value which approximates the fair value of the consideration given. Fair values are obtained from the interest rates model. Most of the derivatives the Bank enters into are of a short-term and speculative nature. The results of the valuation of derivatives are reported in assets (aggregate of positive market values) or liabilities (aggregate of negative market values), respectively. Both positive and negative valuation results are recognized in the profit and loss for the period in which they arise under net gain/(loss) on respective transactions.

Originated loans

Loans originated by the Bank are financial assets that are created by the Bank by providing money directly to a borrower or by participating in a loan facility.

Loans granted by the Bank with fixed maturities are initially recognized in accordance with the policy stated above. The difference between the nominal amount of consideration given and the amortized cost of loans issued at lower than market terms is recognized in the period the loan is issued as initial recognition adjustment discounting using market rates at inception and included in the profit and loss account as losses on origination of assets. Subsequently, the carrying amount of such loans is adjusted for amortization of the losses on origination and the related income is

recorded as interest income within the profit and loss account using the effective interest method. Loans to customers that do not have fixed maturities are carried at cost. Loans to customers are carried net of any allowance for impairment losses.

Purchased loans

Loans acquired from another lender subsequently to the original date are either classified as loans or as available-for-sale investments. For purchased loans classified as available-for-sale investments, fair value is based on an active market or on a discounted cash flow (“DCF”) model. If market price is not available and DCF model is not practicable, the price for similar assets is used.

Write off of loans and advances

Loans and advances are written off against allowance for impairment losses in case of uncollectibility of loans and advances, including through repossession of collateral. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Bank and after the Bank has sold all available collateral. The decision on writing off bad debt against allowance for impairment losses for all major, preferential, unsecured and insider loans should necessarily be confirmed with a procedural document of judicial or notary bodies certifying that at the time of the decision the debt could not be repaid (partially repaid) with the debtor’s funds.

Non-accrual loans

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Allowance for impairment losses

The Bank establishes an allowance for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. The allowance for impairment losses is measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset’s original effective interest rate, for financial assets which are carried at amortised cost. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusted an allowance account. For financial assets carried at cost the allowance for impairment losses is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed. The determination of the allowance for impairment losses is based on an analysis of the risk assets and reflects the amount which, in the judgment of management, is adequate to provide for losses incurred. Provisions are made as a result of an individual appraisal of risk assets for financial assets that are individually significant, and an individual or collective assessment for financial assets that are not individually significant.

The change in the allowance for impairment losses is charged to profit and the total of the allowance for impairment losses is deducted in arriving at assets as shown in balance sheet. Factors that the Bank considers in determining whether it has objective evidence that an impairment loss has been incurred include information about the debtors’ or issuers’ liquidity, solvency and business and financial risk exposures, levels of and trends in delinquencies for similar financial assets, national and local economic trends and conditions, and the fair value of collateral and guarantees. These and other factors may, either individually or taken together, provide sufficient objective evidence that an impairment loss has been incurred in a financial asset or group of financial assets.

It should be understood that estimates of losses involve an exercise of judgment. While it is possible that in particular periods the Bank may sustain losses, which are substantial relative to the allowance for impairment losses, it is the judgment of management that the allowance for impairment losses is adequate to absorb losses incurred on the risk assets.

Investments available-for-sale

Investments available-for-sale represent debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at fair value. Subsequently the securities are measured at fair value, with such re-measurement recognized directly in equity, plus accrued coupon income recognized in consolidated profit or loss for the period as interest income on investment securities. The Bank uses quoted market prices to determine the fair value for the Bank's investments available-for-sale. If such quotes do not exist, management estimation is used. Dividends received are included in dividend income in the consolidated profit and loss account.

Non-marketable securities that do not have fixed maturities are stated at cost, less impairment losses unless there are other appropriate and workable methods of reasonably estimating their fair value. Impairment losses are recognized in consolidated profit or loss for the period.

When there is objective evidence that such securities have been impaired, the cumulative loss previously recognized in equity is removed from equity and recognized in profit and loss for the period. Reversals of such impairment losses on debt instruments, which are objectively related to events occurring after the impairment, are recognized in profit and loss for the period. Reversals of such impairment losses on equity instruments are not recognized in profit and loss.

Fixed and intangible assets

Fixed and intangible assets, acquired after 1 January 2003 are carried at historical cost less accumulated depreciation and any recognised impairment loss. Fixed and intangible assets, acquired before 1 January 2003 are carried at historical cost restated for inflation less accumulated depreciation and any recognised impairment loss. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation of fixed and intangible assets is charged on the carrying value of fixed assets and is designed to write off assets over their useful economic lives. It is calculated on a straight line basis at the following annual prescribed rates:

Buildings and other real estate	2 %
Furniture and computer equipment	20 %
Intangible assets	Over useful life of 3-10 years

The carrying amounts of fixed and intangible assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for fixed assets is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's current tax expense is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Countries where the Bank operates also have various other taxes, which are assessed on the Bank's activities. These taxes are included as a component of operating expenses in the consolidated profit and loss account.

Deposits from banks and customers

Customer and bank deposits are initially recognized at fair value, which amounts to the issue proceeds less transaction costs incurred. Subsequently amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated profit and loss account over the period of the borrowings using the effective interest method.

Debt securities issued

Debt securities issued represent promissory notes, certificates of deposit and debentures issued by the Bank. They are accounted for according to the same principles used for customer and bank deposits.

Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Share capital and share premium

Contributions to share capital and share premium, made before 1 January 2003 are recognized at their cost restated for inflation. Contributions to share capital and share premium, made after 1 January 2003 are recognized at cost. Non-cash contributions are not included into the share capital until realized in cash. Share premium represents the excess of contributions over the nominal value of the shares issued. Gains and losses on sales of treasury stock are charged or credited to share premium.

External costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under International Accounting Standard 10 “Events after the Balance Sheet Date” (“IAS 10”) and disclosed accordingly.

Retirement and other benefit obligations

In accordance with the requirements of the Russian legislation and other countries the Bank operates in, the Bank withholds amounts of pension contributions from employee salaries and pays them to the state pension fund. In addition such pension system provides for calculation of current payments by the employer as a percentage of current total disbursements to staff. Such expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by employees. The Bank does not have any pension arrangements separate from the state pension system. In other countries where Bank’s subsidiaries domicile it does not have any significant pension arrangements separate from the state pension system of those countries. In addition, the Bank has no post-retirement benefits or other significant compensated benefits requiring accrual.

Recognition of income and expense

Interest income and expense are recognized on an accrual basis using effective interest method. Interest income also includes income earned on investments in securities. Other income is credited to consolidated profit and loss account when the related transactions are completed. Loan origination fees, if significant, are deferred (together with related direct costs) and recognized as an adjustment to the loan’s effective yield. All other commissions are recognized when services are provided.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Russian roubles at the appropriate spot rates of exchange ruling at the balance sheet date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain on foreign exchange operations.

Rates of exchange

The exchange rates at period -end used by the Bank in the preparation of the consolidated financial statements are as follows:

	30 June 2005	31 December 2004	30 June 2004
RUR/1 US Dollar	28.6721	27.7487	29.0274
RUR/1 Euro	34.5241	37.8104	35.2915
RUR/Swiss Franc	22.3442	24.4827	23.1534
RUR/Gold (1 ounce)	12,532.57	12,087.33	11,489.04
RUR/Palladium (1 ounce)	5,246.99	5,105.76	6,298.95
RUR/Platinum (1 ounce)	25,346.14	23,850.01	23,033.24

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the balance sheet when the Bank has a legally enforceable right to set off the recognized amounts and the Bank intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Bank does not offset the transferred asset and the associated liability.

Fiduciary activities

The Bank provides trustee services to its customers. Also the Bank provides depository services to its customers that include transactions with securities on their depo accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Bank's financial statements. The Bank accepts the operational risk on these activities, but the Bank's customers bear the credit and market risks associated with such operations.

Restatements due to the changes in IFRS

Certain restatements have been made to the consolidated financial statements as of 31 December 2004 and for the 6 months ended 30 June 2004 to comply with the changes in IAS 1 "Presentation of Financial Statements" and IAS 39 "Financial Instruments: Recognition and Measurement" effective for the periods beginning on or after 1 January 2005. Restatements relating to IAS 1 "Presentation of Financial Statements" and IAS 39 "Financial Instruments: Recognition and Measurement" have been done retrospectively to the earliest financial statements period presented.

According to the revised IAS 1 "Presentation of Financial Statements", profit or loss attributable to minority interest should not be presented in the financial statements as items of income or expense.

According to the revised IAS 39 "Financial Instruments: Recognition and Measurement" the Bank derecognized investments available-for-sale and recognized them accordingly as held for trading. The cumulative effect of such adjustments is immaterial.

4. NET INTEREST INCOME

	6 months ended 30 June 2005 RUR'000	3 months ended 30 June 2005 RUR'000 (unaudited)	6 months ended 30 June 2004 RUR'000	3 months ended 30 June 2004 RUR'000 (unaudited)
Interest income				
Interest on loans to corporate customers	4,372,485	2,516,246	4,044,413	2,120,292
Interest on loans to individuals	1,280,334	866,805	70,389	39,488
Interest on debt securities	355,286	182,531	349,465	43,683
Interest on loans and advances to banks	782,489	353,389	418,773	219,445
Interest on reverse repurchase transactions	29,987	20,531	15,564	8,566
Total interest income	<u>6,820,581</u>	<u>3,939,502</u>	<u>4,898,604</u>	<u>2,431,474</u>
Interest expense				
Interest on corporate customer accounts	1,940,903	1,047,484	1,076,511	589,049
Interest on deposits from individuals	1,500,661	865,643	874,189	434,732
Interest on debt securities issued	1,111,059	584,129	553,819	366,231
Interest on loans and advances from banks	326,185	185,085	328,635	154,278
Total interest expense	<u>4,878,808</u>	<u>2,682,341</u>	<u>2,833,154</u>	<u>1,544,290</u>
Net interest income before provision for impairment losses on interest bearing assets	<u>1,941,773</u>	<u>1,257,161</u>	<u>2,065,450</u>	<u>887,184</u>

5. ALLOWANCE FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

The movements in allowance for impairment losses on interest earning assets were as follows:

	Loans and advances to banks RUR'000	Loans and advances to customers RUR'000	Total RUR'000
31 December 2003	31,156	2,422,410	2,453,566
Provision (unaudited)	<u>58,755</u>	<u>394,284</u>	<u>453,039</u>
31 March 2004 (unaudited)	89,911	2,816,694	2,906,605
Provision	<u>48,420</u>	<u>190,111</u>	<u>238,531</u>
30 June 2004	<u>138,331</u>	<u>3,006,805</u>	<u>3,145,136</u>
31 December 2004	206	2,829,246	2,829,452
Recovery of provision (unaudited)	(206)	(480,875)	(481,081)
Provision in acquired subsidiaries at acquisition date (unaudited)	<u>-</u>	<u>75,729</u>	<u>75,729</u>
31 March 2005 (unaudited)	<u>-</u>	<u>2,424,100</u>	<u>2,424,100</u>
Provision	8,870	714,677	723,547
Provision in acquired subsidiaries at acquisition date	<u>-</u>	<u>13,420</u>	<u>13,420</u>
30 June 2005	<u>8,870</u>	<u>3,152,197</u>	<u>3,161,067</u>

The movements in provision for impairment losses on other balance sheet transactions and provisions for off balance sheet transactions were as follows:

	Investment securities RUR'000	Other assets RUR'000	Provisions for guarantees, claims and other commitments RUR'000	Total RUR'000
31 December 2003	94,594	18,841	347,395	460,830
Write offs (unaudited)	-	-	(207,609)	(207,609)
(Recovery)/provision (unaudited)	<u>(5,004)</u>	<u>(119)</u>	<u>31,122</u>	<u>25,999</u>
31 March 2004 (unaudited)	89,590	18,722	170,908	279,220
Provision/(recovery)	<u>15,425</u>	<u>7,846</u>	<u>(34,999)</u>	<u>(11,728)</u>
30 June 2004	105,015	26,568	135,909	267,492
31 December 2004	123,106	25,701	239,809	388,616
Provision (unaudited)	7,364	4,050	57,078	68,492
Write offs (unaudited)	-	-	(95,104)	(95,104)
31 March 2005 (unaudited)	<u>130,470</u>	<u>29,751</u>	<u>201,783</u>	<u>362,004</u>
Provision in acquired subsidiaries at acquisition date	-	-	658	658
Provision/(recovery)	<u>49,470</u>	<u>(10,223)</u>	<u>36,576</u>	<u>75,823</u>
30 June 2005	<u>179,940</u>	<u>19,528</u>	<u>239,017</u>	<u>438,485</u>

Provisions for impairment losses on interest bearing assets are deducted from the respective assets. Provision for off-balance sheet transactions are recorded in liabilities.

6. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	6 months ended 30 June 2005 RUR'000	3 months ended 30 June 2005 RUR'000 (unaudited)	6 months ended 30 June 2004 RUR'000	3 months ended 30 June 2004 RUR'000 (unaudited)
Fee and commission income:				
Settlements	693,878	528,234	274,204	179,576
Cash operations	140,781	87,505	65,308	42,208
Depository and securities operations	119,140	44,012	169,449	119,174
Guarantees	89,294	68,076	110,863	80,083
Foreign exchange operations	82,949	21,201	52,033	37,587
Documentary operations	7,227	301	8,604	4,725
Other operations	43,779	35,106	27,053	23,685
	<u>1,177,048</u>	<u>784,435</u>	<u>707,514</u>	<u>487,038</u>
Fee and commission expense:				
Settlements	286,860	171,137	197,531	109,234
Securities operations	49,751	26,716	9,862	2,449
Cash operations	14,703	9,981	5,064	2,309
Foreign exchange operations	7,232	2,558	2,441	1,331
Guarantees	2,274	2,274	-	-
	<u>360,820</u>	<u>212,666</u>	<u>214,898</u>	<u>115,323</u>
Total fee and commission income	<u>1,177,048</u>	<u>784,435</u>	<u>707,514</u>	<u>487,038</u>
Total fee and commission expense	<u>360,820</u>	<u>212,666</u>	<u>214,898</u>	<u>115,323</u>

7. OPERATING EXPENSES

	6 months ended 30 June 2005 RUR'000	3 months ended 30 June 2005 RUR'000 (unaudited)	6 months ended 30 June 2004 RUR'000	3 months ended 30 June 2004 RUR'000 (unaudited)
Salary and bonuses	1,738,485	972,758	973,371	435,711
Operating lease expense	472,684	288,761	184,986	83,457
Taxes, other than income tax	153,448	87,122	77,294	20,397
Professional services fees	104,981	65,450	65,989	43,948
Repairs and maintenance expense	88,469	53,459	80,891	38,999
Security costs	87,291	56,398	21,630	12,821
Deposit insurance charge	67,751	46,093	-	-
Telecommunication service expenses	50,345	33,647	11,691	7,831
Advertising and marketing expenses	43,701	17,824	31,256	10,183
Expenses on stationery and other office expenses	40,923	30,781	11,387	5,609
Depreciation charge on fixed and intangible assets	28,803	8,872	25,982	13,297
Insurance	13,096	8,707	9,725	3,320
Business trip expenses	8,612	5,180	9,932	6,181
Penalties paid	8,589	7,901	509	215
Charity expenses	6,485	5,257	9,919	7,166
Representation expenses	5,635	2,667	6,415	3,003
Customs duties	959	761	11,729	7,431
Other	82,681	12,607	35,291	15,858
	<u>3,002,938</u>	<u>1,704,245</u>	<u>1,567,997</u>	<u>715,427</u>

8. OTHER INCOME

Other income for six and three months ended 30 June 2005 included amount received under cession agreement amounting to RUR 98,933 thousand.

9. INCOME TAXES

The Bank provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Bank and its subsidiaries operate and which may differ from International Financial Reporting Standards.

As of 30 June 2005 income tax assets of RUR 60,486 thousand comprise current income tax asset. As of 31 December 2004 income tax assets of RUR 255,362 thousand comprise current income tax asset.

The Bank is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 30 June 2005 and 31 December 2004 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as at 30 June 2005 and 31 December 2004 comprise:

	30 June 2005 RUR'000	31 December 2004 RUR'000
Deferred assets:		
Loans to banks and customers	2,270,936	1,758,416
Other liabilities	54,791	433,731
Investments available for sale	177,147	15,880
Assets held for trading	-	47,054
Other assets	2,256	20,309
Fixed assets	67,256	17,336
	<u>2,572,386</u>	<u>2,292,726</u>
Deferred liabilities:		
Assets held for trading	(27,677)	-
Deposits from banks and customer accounts	-	(15,947)
Total deferred liabilities	<u>(27,677)</u>	<u>(15,947)</u>
Net deferred assets	2,544,709	2,276,779
Net deferred tax asset at the statutory tax rate (24%)	610,730	546,427
Less: valuation allowance	<u>(610,730)</u>	<u>(546,427)</u>
Net deferred tax asset	<u>-</u>	<u>-</u>

Relationships between tax expenses and accounting profit for the 6 months ended 30 June 2005 and 30 June 2004 are explained as follows:

	6 months ended 30 June 2005 RUR'000	6 months ended 30 June 2004 RUR'000
Profit before income tax	<u>719,048</u>	<u>422,807</u>
Tax at the statutory tax rate	172,572	101,474
Change in valuation allowance	64,303	(251,610)
Tax effect of permanent differences	<u>56,464</u>	<u>382,762</u>
Income tax expense	<u>293,339</u>	<u>232,626</u>
Current income tax expense	293,339	232,626

10. EARNINGS PER SHARE

	6 months ended 30 June 2005 RUR'000	6 months ended 30 June 2004 RUR'000 (restated)
Profit:		
Net profit for the period	425,709	190,181
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>340,528,420</u>	<u>340,528,420</u>
Earnings per share – basic and diluted (RUR)	<u>1.25</u>	<u>0.56</u>

11. CASH AND BALANCES WITH CENTRAL AND NATIONAL BANKS

	30 June 2005 RUR'000	31 December 2004 RUR'000
Cash	3,067,993	2,691,000
Balance with Central and National banks	7,513,625	21,869,307
Total cash and balances with Central and National banks	<u>10,581,618</u>	<u>24,560,307</u>

The balances with Central and National banks comprise of balances with the Central Bank of the Russian Federation, the National Bank of Switzerland and the National Bank of Byelorussia as of 30 June 2004 and 31 December 2004 and include RUR 4,175,563 thousand and RUR 3,144,349 thousand, respectively, which represent the minimum reserve deposits required by Central and National banks. The Bank is required to maintain the reserve balance with Central and National banks at all times.

Cash and cash equivalents for the purposes of the statement of cash flows are comprised of the following:

	30 June 2005 RUR'000	31 December 2004 RUR'000
Cash and balances with Central and National banks	10,581,618	24,560,307
Loans and advances to banks in OECD countries	21,950,443	15,504,133
Trading government debt securities	1,322,705	1,192,395
Precious metals in vault	559,347	68,714
	<u>34,414,113</u>	<u>41,325,549</u>
Less minimum reserve deposits with the CBR	(4,175,563)	(3,144,349)
Total cash and cash equivalents	<u>30,238,550</u>	<u>38,181,200</u>

12. ASSETS HELD FOR TRADING

	30 June 2005 RUR'000	31 December 2004 RUR'000
Debt securities of corporates	2,900,083	3,421,141
Equity securities	1,767,297	1,752,418
Debt securities of central government	1,322,705	1,192,395
Debt securities of financial institutions	985,731	1,275,016
Debt securities of local authorities	713,294	1,330,033
Positive replacement value of derivatives	60,881	77,163
Precious metals	559,347	68,714
	<u>8,309,338</u>	<u>9,116,880</u>

	% rate to nominal	30 June 2005 RUR'000	% rate to nominal	31 December 2004 RUR'000
Debt securities:				
Corporates:				
Citigroup Global Markets Dt. DL-Notes				
04 (14) Reg.S Severstal	9%	852,377	-	-
Eurobonds of JSC Norilsk Nickel	7%	494,961	7%	467,705
Eurobonds of JSC Salavatnefteorgsintez	9%	188,825	9%	100,672
Bonds of JSC OMK	9%	165,167	-	-
Bonds of JSC Salyut-Energiya	14%	160,140	14%	464,830
Bonds of JSC Eastline	12%	153,017	-	-
Bonds of JSC RTK-Leasing	10%	150,466	-	-
Eurobonds of Euraz Securities	12%	125,166	-	-
Eurobonds of JSC Vympelcom	8%-10%	121,656	-	-
Bonds of JSC Rossiskie Ghelezhnye Dorogi	8%	110,646	-	-
Bonds of JSC TMK	11%	70,590	-	-
Bonds of JSC Uglemet-trading	12%	64,042	12%	225,385
Bonds of Pyaterochka Finance LLC	11%	52,674	-	-
Bonds of JSC NPO Irkut	16%	39,522	-	-
Bonds of JSC Roskhleboproduct	12%	37,282	-	-
Bonds of JSC Investproject	11%	32,792	-	-
Bonds of JSC Gazprom	8%	27,381	-	-
Bonds of LLC Neftegazovaya Kompaniya Itera	14%	26,501	14%	803,627
Bonds of LLC Russky Aluminy Finance	10%	12,067	-	-
Bonds of MIG Finance	16%	6,706	16%	182,307
Bonds of JSC NPO Saturn	12%	5,035	-	-
Bonds of JSC Chelyabinsky Metallurgichesky Kombinat	11%	3,070	12%	8,157
Bonds of LLC Roskhleboproduct	-	-	12%	602,161
Credit Linked Notes of JSC				
Salavatnefteorgsintez SNOS due May 2008	-	-	8%	181,570
Bonds of SU-155 Capital	-	-	12%	180,935
Eurobonds of JSC Sistema	-	-	9%	101,985
Promissory notes of Byelorussian companies	-	-	-	49,486
Bonds of JSC YuTK	-	-	12%	31,820
Eurobonds of MMK Finance	-	-	10%	20,501
		2,900,083		3,421,141
Local authorities:				
Bonds of Irkutsk Region Authority	11%	148,221	12%	177,214
Bonds of Moscow Region Authority	10%	122,499	-	-
Bonds of Krasnoyarsk Region Authority	11%	96,424	10-11%	200,235
Bonds of Yaroslavl Region Authority	11%	76,402	11%	3,694
Bonds of Krasnoyarsk City Authority	11%-13%	61,437	3-11%	139,026
Bonds of Moscow City Authority	10%	57,451	10%	93,931
Bonds of Yakutia Region Authority	14%	40,513	10-14%	218,044
Bonds of Khabarovsk Region Authority	12%-13%	37,930	12-13%	95,747
Bonds of Novosibirsk City Authority	13%	31,825	13-16%	231,594
Bonds of Voronezh Region Authority	13%	27,496	13%	45,869
Bonds of Chuvashia Region Authority	12%	13,096	10-12%	121,294
Bonds of St-Peterburg City Authority	-	-	9-10%	3,385
		713,294		1,330,033
Central government:				
OFZ bonds	8%-10%	1,190,926	8%-10%	578,458
T-bills of MF of Byelorussia	-	105,223	-	586,813
Eurobonds of RF	5%	25,272	-	-
RF Government Eurobonds	3%-10%	1,284	5%	2,681

	% rate to nominal	30 June 2005 RUR'000	% rate to nominal	31 December 2004 RUR'000
OVGZ bonds	-	-	-	24,443
		<u>1,322,705</u>		<u>1,192,395</u>
Financial institutions:				
Bonds of Russia Spread Trust	8%	870,865	-	-
Promissory notes of JSC Impexbank	9%	114,866	-	-
Promissory notes of JSC Vneshtorgbank	-	-	7%	1,229,600
Promissory notes of Byelorussian banks	-	-	-	45,416
		<u>985,731</u>		<u>1,275,016</u>

As at 30 June 2005 and 31 December 2004 included in assets held-for-trading is accrued interest income on debt securities amounting to RUR 110,599 thousand and RUR 39,069 thousand, respectively.

As of 31 December 2004 included in assets held for trading are Bonds of MF of Byelorussia with fair value RUR 586,811 thousand sold under the agreement to repurchase.

	30 June 2005 RUR'000	31 December 2004 RUR'000
Equity securities:		
ADR on shares of GMK Norilsky Nickel	523,856	12,209
Ordinary shares of RAO UES	360,780	135,539
Ordinary shares of GMK Norilsk Nickel	220,431	1,424,983
ADR on shares of JSC Sibneft	167,134	-
ADR on shares of JSC Surgutneftegaz	139,292	-
Ordinary shares of JSC Rostelecom	137,607	-
Ordinary shares of JSC Avtovaz	69,460	77,610
Ordinary shares of JSC Lukoil	63,173	1,894
ADR on shares of JSC Lukoil	47,494	-
Ordinary shares of JSC Sibneft	18,980	-
Ordinary shares of JSC YUKOS	6,317	6,701
Preferred shares of RAO UES	3,341	1,204
Ordinary shares of Easter Prop. Hold	2,187	2,517
Ordinary shares of GUM	1,687	1,134
ADR on shares of JSC Gasprom	1,419	-
Ordinary shares of Deutsche Telekom	1,159	1,395
Ordinary shares of JSC Surgutneftegaz	1,030	23,996
Ordinary shares of MGTS	343	299
Ordinary shares of JSC NPO IRKUT	-	36,287
Preferred shares of JSC Sberbank	-	25,730
ADR on shares of JSC YUKOS	-	793
Other	1,607	127
	<u>1,767,297</u>	<u>1,752,418</u>

13. LOANS AND ADVANCES TO BANKS

	30 June 2005 RUR'000	31 December 2004 RUR'000
Loans to banks	17,353,975	18,463,192
Advances to banks	13,322,716	9,105,231
Loans under reverse repurchase agreements	1,466,308	439,279
Accrued interest income on loans and advances to banks	21,002	58,889
	<u>32,164,001</u>	<u>28,066,591</u>
Less allowance for impairment losses	<u>(8,870)</u>	<u>(206)</u>
Total loans and advances to banks, net	<u>32,155,131</u>	<u>28,066,385</u>

Movements in allowances for impairment losses and advances to banks for the 6 months ended 30 June 2005 and 2004 are disclosed in Note 5.

As of 30 June 2005 and 31 December 2004 the Bank had loans and advances to nine and ten counterparties totaling RUR 23,354,348 thousand and RUR 21,759,305 thousand, respectively, which individually exceeded 10% of the Bank's equity.

As at 30 June 2005 and 31 December 2004 the maximum credit risk exposure of loans and advances to banks amounted to RUR 32,164,001 thousand and RUR 28,066,591 thousand, respectively.

As at 30 June 2005 and 31 December 2004 the Group included in loans and advances to banks loans under reverse repurchase agreements amounting to RUR 1,466,308 thousand and RUR 439,279 thousand with maturity of 2 months. Such agreements are secured with the following assets:

	30 June 2005 RUR'000	31 December 2004 RUR'000
United States treasury bills	836,393	-
Eurobonds of the Russian Federation	540,191	-
Ordinary shares of Gazprom OAO	83,750	74,032
Bonds of YTK OAO	-	274,395
Municipal bonds of Nobosibirsk City	-	40,756
Municipal bonds of Voronezh region	-	50,096
Other	5,974	-
	<u>1,466,308</u>	<u>439,279</u>
Total loans under reverse repurchase agreements	<u>1,466,308</u>	<u>439,279</u>

14. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2005				31 December 2004			
	Notional principal	Fair values		Net fair value	Notional principal	Fair value		Net fair value
	RUR'000	Asset	Liability	RUR'000	RUR'000	Asset	Liability	RUR'000
Foreign exchange contracts								
Forwards								
Positive replacement value	557,000	574,200	(557,000)	17,200	1,683,516	1,737,391	(1,683,516)	53,875
Negative replacement value	2,264,475	2,239,628	(2,264,475)	(24,847)	2,712,304	2,696,686	(2,712,304)	(15,618)
Swaps								
Positive replacement value	192,103	192,959	(192,103)	856	33,441	33,635	(33,441)	194
Negative replacement value	1,703,187	1,636,311	(1,703,187)	(66,876)	187,617	187,250	(187,617)	(367)
Total foreign exchange contracts asset/(liabilities)	4,716,765	4,643,098	(4,716,765)	(73,667)	4,616,878	4,654,962	(4,616,878)	38,084
Contracts on precious metals								
Forwards								
Positive replacement value	1,039,821	1,079,789	(1,039,821)	39,968	37,678	37,850	(37,678)	172
Negative replacement value	978,555	946,097	(978,555)	(32,458)	16,393	16,009	(16,393)	(384)
Swaps								
Positive replacement value	103,574	106,431	(103,574)	2,857	565,566	587,091	(565,566)	21,525
Negative replacement value	629,133	604,143	(629,133)	(24,990)	248,961	233,660	(248,961)	(15,301)
Total contracts on precious metals asset/ (liabilities)	2,751,083	2,736,460	(2,751,083)	(14,623)	868,598	874,610	(868,598)	6,012
Contracts on securities								
Forwards								
Positive replacement value	-	-	-	-	261,723	263,120	(261,723)	1,397
Negative replacement value	-	-	-	-	905	703	(905)	(202)
Total contracts on securities asset/(liabilities)	-	-	-	-	262,628	263,823	(262,628)	1,195

15. LOANS TO CUSTOMERS

	30 June 2005 RUR'000	31 December 2004 RUR'000
Originated loans	78,060,353	55,280,752
Purchased loans	16,987,292	4,422,592
Advances on finance lease	489,296	-
Net investments in finance lease	377,669	-
Accrued interest income on loans to customers	452,076	239,811
	96,366,686	59,943,155
Less allowance for impairment losses	(3,152,197)	(2,829,246)
Total loans to customers, net	93,214,489	57,113,909
	30 June 2005 RUR'000	31 December 2004 RUR'000
Loans collateralized by pledge of equipment	20,042,199	10,837,503
Loans collateralized by others	10,371,088	2,569,213
Loans collateralized by pledge of goods in turnover	6,514,995	6,861,365
Loans collateralized by pledge of real estate	6,166,995	3,304,459
Loans collateralized by pledge of securities	7,107,642	1,822,053
Loans collateralized by cash	1,231,176	-
Loans collateralized by corporate guarantees	6,113,419	836,222

	30 June 2005 RUR'000	31 December 2004 RUR'000
Unsecured loans	38,367,096	33,472,529
Accrued interest income on loans to customers	452,076	239,811
	<u>96,366,686</u>	<u>59,943,155</u>
Less allowance for loan losses	<u>(3,152,197)</u>	<u>(2,829,246)</u>
Total loans to customers, net	<u>93,214,489</u>	<u>57,113,909</u>

Movements in allowances for impairment losses for the 6 months ended 30 June 2005 and 2004 are disclosed in Note 5.

	30 June 2005 RUR'000	31 December 2004 RUR'000
Analysis by industry:		
Individuals	29,505,482	6,822,104
Trade	7,707,527	7,085,065
Finance	6,426,537	5,247,288
Government	6,387,901	3,914,898
Engineering	6,337,869	3,523,925
Construction	4,391,657	3,549,402
Heavy industry	4,342,337	1,410,967
Energy industry	3,811,671	2,363,955
Real estate and leasing	3,391,578	4,273,613
Ferrous metals manufacturing	3,048,664	3,535,256
Food industry	2,741,962	2,512,414
Transport	2,722,692	753,181
Manufacturing	2,347,661	2,689,624
Oil and gas	1,878,884	2,450,494
Telecommunications	1,726,529	2,442,865
Aircraft engineering	1,605,516	4,342,416
Precious metals and diamond extraction and manufacturing	1,367,609	941,477
Chemical	1,054,523	443,319
Agriculture	1,000,346	659,038
Non-ferrous metals manufacturing	834,563	131,213
Defence industry	775,944	-
Other	2,507,158	610,830
Accrued interest income on loans and advances to customers	452,076	239,811
	<u>96,366,686</u>	<u>59,943,155</u>
Less allowance for loan losses	<u>(3,152,197)</u>	<u>(2,829,246)</u>
Total loans to customers, net	<u>93,214,489</u>	<u>57,113,909</u>

As of 30 June 2005 and 31 December 2004 the Bank had loans to eight and eight customers totaling RUR 10,045,561 thousand and RUR 9,813,770 thousand, respectively, which individually exceeded 10% of the Bank's equity.

As of 30 June 2005 and 31 December 2004 included in loans and advances to customers are loans of RUR 716,803 thousand and RUR 1,693,718 thousand, respectively, pledged under advances received from the National Bank of Byelorussia of RUR 716,803 thousand and RUR 1,273,123 thousand, respectively.

As of 30 June 2005 a significant amount of loans (90% of total portfolio) is granted to companies operating in the Russian Federation, which represents significant geographical concentration in one region.

As of 30 June 2005 and 31 December 2004 the maximum credit risk exposure of loans to customers amounted to RUR 96,366,686 thousand and RUR 59,943,155 thousand, respectively.

The components of net investment in finance lease as of 30 June 2005 are as follows:

	30 June 2005 RUR'000
Minimum lease payments	570,134
Less: unearned finance income	(192,465)
Net investment in finance lease	<u>377,669</u>
Current portion	125,764
Long-term portion	251,905
Net investment in finance lease	<u>377,669</u>

The minimum lease payments due from customers under finance lease as of 30 June 2005 are as follows:

	30 June 2005 RUR'000
Not later than one year	215,739
Later than one year not later than five years	354,395
Total minimum lease payments	<u>570,134</u>

16. INVESTMENTS AVAILABLE-FOR-SALE

	30 June 2005 RUR'000	31 December 2004 RUR'000
Debt securities		
Certificates of Deposit of Belagroprombank	42,677	-
Promissory notes of Yarovit-M LLC	25,782	-
Promissory notes of JSC Agrotechservice	14,324	-
Bonds of Omsk city authority	2,614	2,614
Promissory notes of JSC Gorizont	1,593	-
	<u>86,990</u>	<u>2,614</u>
Equity securities		
Non-consolidated subsidiaries, associates and other investments	433,601	185,772
Ordinary shares of JSC Kamaz	231,711	197,103
Ordinary shares of JSC Rudnik Matrosova	43,466	1,640
Ordinary shares of Monchebank	35,881	-
Preferred shares of JSC Rudnik Matrosova	31,299	1,777
Ordinary shares of JSC Sosnovo-Borsky Aluminiyevy Zavod	6,340	6,340
Ordinary shares of JSC Silovie Mashini-ZTL	3,880	-
Ordinary shares of Natsionalnoe Bureau Kreditnykh Istorii	1,400	-
Ordinary shares of Hotel Nizhny Novgorod	-	10,200
Other	-	58
	<u>787,578</u>	<u>402,890</u>
Less allowance for impairment losses	(179,940)	(123,106)
Total investments available-for-sale	<u>694,628</u>	<u>282,398</u>

Movement of provision for impairment losses on investment securities for the 6 month ended 30 June 2005 and 31 December 2004 are disclosed in Note 5.

As of 30 June 2005 and 31 December 2004 included in securities available-for-sale was accrued

interest income on debt securities amounting to RUR 110 thousand and RUR 19,287 thousand, respectively.

Non-consolidated subsidiaries and associates and other investments comprise:

	Country	Industry	Share of ownership	30 June 2005 RUR'000	Share of ownership	31 December 2004 RUR'000
Subsidiaries						
LLC Security Agency Shield Plus	Russia	Security	100%	300	100%	300
LLC OP Regional detective agency	Russia	Security	100%	110	100%	110
LLC Trapeznaya	Russia	Catering	100%	50	100%	50
JSC KUI Yamal	Russia	Finance	-	-	75%	25,149
LLC Processing company Nickel	Russia	Plastic cards and processing	-	-	100%	10
CJC RB Finance	Russia	Finance	-	-	100%	10
				460		25,629
Associates and others						
JSC Lenzoloto	Russia	GoldMining	11%	278,719	-	-
LLC Customs Card	Russia	Finance	20%	56,000	-	-
LLS "Auto"	Russia	Services	20%	2,050	-	-
Technoexpluatatcia LLC	Russia	Services	20%	100	-	-
JSC Tverskaya 16	Russia	Real estate	20%	26,260	20%	26,260
JSC National Registration Company	Russia	Finance	20%	9,394	20%	9,394
LLC Interbank Loan Union	Russia	Finance	31%	8,466	31%	8,466
PMD Service LLC	Russia	Services	20%	12	-	-
JSC Rosinspektorat	Russia	Other	-	-	28%	13
Other			-	52,140	-	116,010
				433,141		160,143

Currently, it is not possible to reasonably estimate the fair value of the investments listed above, therefore these investments are stated at cost less allowance for impairment (if any).

17. FIXED AND INTANGIBLE ASSETS

	Buildings and other real estate RUR'000	Furniture, computer equipment and capital investment s RUR'000	Intangible assets RUR'000	Constructi on in progress RUR'000	Total RUR'000
At initial/indexed/revalued cost					
31 December 2004	<u>83,054</u>	<u>139,681</u>	<u>120,595</u>	<u>-</u>	<u>343,330</u>
Additions	64,770	592,860	25,431	-	683,061
Disposals	<u>-</u>	<u>(2,383)</u>	<u>(58,233)</u>	<u>-</u>	<u>(60,616)</u>
30 June 2005	<u>147,824</u>	<u>730,158</u>	<u>87,793</u>	<u>-</u>	<u>965,775</u>
Accumulated depreciation					
31 December 2004	32,031	106,051	82,363	-	220,445
Charge for the period	681	14,631	13,491	-	28,803
Acquisition of subsidiaries	12,129	50,113	103	-	62,345
Eliminated on disposals	<u>-</u>	<u>(2,370)</u>	<u>(58,233)</u>	<u>-</u>	<u>(60,603)</u>
30 June 2005	<u>44,841</u>	<u>168,425</u>	<u>37,724</u>	<u>-</u>	<u>250,990</u>
Net book value					
30 June 2005	<u>102,983</u>	<u>561,733</u>	<u>50,069</u>	<u>-</u>	<u>714,785</u>
31 December 2004	<u>51,023</u>	<u>33,630</u>	<u>38,232</u>	<u>-</u>	<u>122,885</u>

18. OTHER ASSETS

	30 June 2005 RUR'000	31 December 2004 RUR'000
Due from suppliers and other contractors	247,993	89,508
Debtors on plastic cards settlements	139,766	209,502
Debtors on operations with precious metals	133,332	-
Receivable on operations with securities	53,515	8,490
Taxes, other than income tax, recoverable	186,517	839
Other	<u>109,102</u>	<u>70,536</u>
	870,225	378,875
Less allowance for losses on other assets	<u>(19,528)</u>	<u>(25,701)</u>
Total other assets, net	<u>850,697</u>	<u>353,174</u>

Movement of provision for impairment losses on other transactions for the 6 month ended 30 June 2005 and 31 December 2004 is disclosed in Note 5.

19. LOANS AND ADVANCES FROM BANKS

	30 June 2005 RUR'000	31 December 2004 RUR'000
Correspondent accounts of other banks	1,369,438	1,176,993
Time deposits of banks	11,072,465	7,626,354
Loans under repurchase agreements	30,006	11,027
Accrued interest expenses	<u>50,657</u>	<u>35,123</u>
Total loans and advances from banks	<u>12,522,566</u>	<u>8,849,497</u>

As at 30 June 2005 and 31 December 2004 the Bank included in loans and advances from banks are loans under repurchase agreements amounting to RUR 30,006 thousand and RUR 11,027 thousand with maturity within 1 month. Such agreements are secured with the following assets:

As of 31 December 2004 securities sold under the agreement to repurchase represent Bonds of MF of Byelorussia that are included in assets held for trading at the fair value of RUR 11,593 thousand.

20. CUSTOMER ACCOUNTS

Customer accounts comprise:

	30 June 2005 RUR'000	31 December 2004 RUR'000
Time deposits	68,539,392	59,955,171
Repayable on demand	28,632,786	20,091,908
Accrued interest expense on customer accounts	<u>775,841</u>	<u>438,545</u>
Total customer accounts	<u>97,948,019</u>	<u>80,485,624</u>

	30 June 2005 RUR'000	31 December 2004 RUR'000
Analysis by industry:		
Individuals	42,721,296	24,337,309
Finance	14,898,642	12,222,997
Non-ferrous metallurgy	12,151,476	16,325,770
Ferrous metallurgy	5,456,181	5,427,568
Trading	4,023,194	3,577,064
Building construction	2,597,766	2,199,786
Housing	2,265,353	1,647,195
Electric power	1,580,676	244,205
Mechanical engineering	1,113,863	589,555
Professional services	1,089,239	343,357
Communications	1,076,252	527,037
Real estate dealership	1,004,613	859,233
Transportation	763,557	292,941
Oil and gas	728,281	6,576,179
Culture and art	717,448	141,555
Insurance	693,252	740,814
Agriculture	613,646	41,673
Public health and tourism	550,622	377,874
Food industry	527,899	22,268
Hotel business	404,408	751,744
Precious metals and diamond extraction and manufacturing	328,189	562,023
Regional government	243,372	636,785
Social organizations	128,704	83,789
Publishing	118,530	120,543
Information technology	81,283	112,038
Supply and production distribution	57,733	22,288
Geology	44,731	347,525
Aircraft industry	-	610,280
Leasing	-	29,818
Other	1,191,972	275,866
Accrued interest expense on customer accounts	775,841	438,545
	97,948,019	80,485,624

21. DEBT SECURITIES ISSUED

	30 June 2005 RUR'000	31 December 2004 RUR'000
Discount bearing promissory notes	10,629,969	7,528,822
Eurobonds due in 2009	8,143,540	6,131,746
Discount/interest free promissory notes	1,491,150	1,898,444
Adjustable Rate Guaranteed Bonds due in 2012	827,644	1,095,334
Bonds due in 2009	448,803	2,030,000
Certificates of deposit	30,000	342,324
Interest bearing promissory notes	289,131	-
Accrued interest expense on debt securities issued	770,156	139,525
	22,630,393	19,166,195

22. OTHER LIABILITIES

	30 June 2005 RUR'000	31 December 2004 RUR'000
Dividends payable	340,528	-
Negative replacement value of derivatives and financial liability on spot deals	157,628	45,895
Creditors on operations with securities and precious metals	90,425	16,649
Creditors on plastic cards settlements	87,398	55,984
Amounts received for forming statutory fund	54,549	-
Taxes, other than income tax, payable	94,893	23,563
Accrued bonuses	-	382,870
Other creditors	158,175	84,419
Total other liabilities	983,596	609,380

23. SUBORDINATED DEBT

	Currency	Maturity date year	Interest Rate %	30 June 2005 RUR'000	31 December 2004 RUR'000
Subordinated debt of CJSC Interros Estate	RUR	2010	8	850,000	850,000
Subordinated debt of CJSC Interros Estate	RUR	2012	10	600,000	600,000
Total subordinated debt				1,450,000	1,450,000

In the event of bankruptcy or liquidation of the Bank, repayment of this debt is subordinate to the repayments of the Bank's liabilities to all other creditors.

24. SHARE CAPITAL

As of 30 June 2005 and 31 December 2004 nominal share capital authorized, issued and fully paid comprised 340,528,420 ordinary shares with par value of RUR 10 each. All shares are ranked equally and carry one vote.

Share premium of RUR 3,672,190 thousand represents the excess of contributions received in share capital over the nominal value of shares issued.

On 23 June 2005 Annual Shareholders' Meeting of the Bank authorized payment of dividends of RUR 1 per share for the year 2004. Dividends were paid on 10 August 2005.

The Bank's reserves distributable among shareholders are limited to the amount of its reserves as disclosed in statutory accounts of ROSBANK. As of 30 June 2005 and 31 December 2004, non-distributable reserves are represented by a general reserve fund, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with the ROSBANK's statutes that provide for the creation of a reserve for these purposes.

25. FINANCIAL COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the balance sheet.

Provision for impairment losses on letters of credit and guarantees amounted to RUR 239,017 thousand and RUR 239,809 thousand as of 30 June 2005 and 31 December 2004, respectively.

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision.

As at 30 June 2005 and 31 December 2004, the nominal or contract amounts and risk-weighted amounts were:

	30 June 2005		31 December 2004	
	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount
Contingent liabilities and credit commitments				
Guarantees issued and similar commitments	12,920,951	12,891,920	7,165,121	7,140,972
Letters of credit and other transaction related contingent obligations	2,375,969	761,292	1,837,605	482,608
Commitments on loans and unused credit lines	13,091,001	2,698,023	15,891,455	4,235,813
Total contingent liabilities and credit commitments	28,387,921	16,351,235	24,894,181	11,859,393

Capital commitments – The Bank had no material commitments for capital expenditure outstanding as at 30 June 2005. As of 30 June 2005 letters of credit and other transaction related contingent obligations covered by cash amounted RUR 853,484 thousand and guarantees issued covered by cash amounted RUR 29,031 thousand.

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

	30 June 2005 RUR'000	31 December 2004 RUR'000
Not later than 1 year	1,568,404	573,771
Later than 1 year and not later than 5 years	2,534,805	859,233
Later than 5 years	927,409	62,905
Total operating lease commitments	5,030,618	1,495,909

Fiduciary activities – In the normal course of its business the Bank enters into agreements with limited right on decision making with clients for their assets management in accordance with specific criteria established by clients. The Bank may be liable for losses or actions aimed at appropriation of the clients' funds until such funds or securities are not returned to the client. The maximum potential financial risk of the Bank at any given moment is equal to the volume of the clients' funds plus/minus any unrealized income/loss on the client's position. In the judgment of management, as of 30 June 2005 and 31 December 2004 the maximum potential financial risk on securities accepted by the Bank on behalf of its clients does not exceed RUR 692,526 thousand and RUR 719,474 thousand, respectively.

The Bank also provides depositary services to its customers. As of 30 June 2005 and 31 December 2004, the Bank had customer securities totaling 6,069,737,699 items and 6,462,105,404 items, respectively, in its nominal holder accounts.

Legal proceedings – From time to time and in the normal course of business, claims against the Bank are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these financial statements.

Taxes – Due to the presence in Russian commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, if a particular treatment based on Management's judgment of the Bank's business activities was to be challenged by the tax authorities, the Bank may be assessed additional taxes, penalties and interest. Such uncertainty may relate to valuation of financial instruments, loss and impairment provisions and market level for deals' pricing. The Bank believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax years remain open to review by the tax authorities for three years.

Pensions and retirement plans – Employees receive pension benefits in accordance with the laws and regulations of the respective countries. As at 30 June 2005 and 31 December 2004, the Bank was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Operating environment – The Bank's principal business activities are within the Russian Federation. Laws and regulations affecting the business environment in the Russian Federation are subject to rapid changes and the Bank's assets and operations could be at risk due to negative changes in the political and business environment.

26. SUBSEQUENT EVENTS

On 22 August 2005 at the extraordinary shareholders' meeting the shareholders of the Bank decided to increase share capital of the Bank by issuing 340,528,420 ordinary shares of a nominal value of RUR 10 each.

On 8 July 2005 the Bank issued Medium Term Guaranteed Notes at nominal amount of USD 150 million. The issuer of the notes is Rosbank Finance S.A. which is a wholly owned subsidiary of Rosbank. The notes bear interest rate of 7.625% and mature on 9 July 2007. The interest is paid semiannually.

27. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 “Related party disclosures”, represent:

- (a) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Bank. (This includes holding companies, subsidiaries and fellow subsidiaries);
- (b) Associates – enterprises in which the Bank has significant influence and which is neither a subsidiary nor a joint venture of the investor;
- (c) Individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank;
- (d) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, including directors and officers of the Bank (also non-executive directors and close members of the families of such individuals);
- (e) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Bank and enterprises that have a member of key management in common with the Bank;
- (f) Parties with joint control over the Bank;
- (g) Joint ventures in which the Bank is a venture; and
- (h) Post-employment benefit plans for the benefit of employees of the Bank, or of any entity that is a related party to the Bank.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Bank had the following transactions outstanding with related parties as of 30 June 2005 and 31 December 2004:

	30 June 2005		31 December 2004	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
	RUR'000	RUR'000	RUR'000	RUR'000
Loans and advances to banks, gross	5,126,86	32,164,00	7,589,15	28,066,59
Allowance for loans and advances to banks	-	(8,870)	-	(206)
Assets held-for-trading	1,299,12	8,309,32	-	9,116,88
Loans to customers, gross	5,518,17	96,366,68	1,111,21	59,943,15
Allowance for loans to customers	(22,37)	(3,152,19)	(55,04)	(2,829,24)
Securities available-for-sale, gross	224,64	874,56	45,24	405,50
Allowance for impairment losses	(584)	(179,94)	(6,17)	(123,10)
Loans and advances from banks	518,62	12,522,56	274,42	8,849,49
Customer accounts	12,885,70	97,948,01	5,114,86	80,485,62
Subordinated debt	1,450,00	1,450,00	1,450,00	1,450,00
Commitments on loans and unused credit lines	208,31	-	-	-
Guarantees issued and similar commitments	5,194,72	-	4,69	-

During the 6 months ended 30 June 2005 and the year ended 31 December 2004 the Bank originated loans and advances to banks and customers - related parties amounting to RUR 49,230,150 thousand and RUR 92,952,356 thousand, respectively, and received loans and advances repaid of RUR 47,285,476 thousand and RUR 89,286,243 thousand, respectively. The Bank has interest income accrued with respect to loans and advances granted to related parties totaling RUR 27,299 thousand and RUR 46,383 thousand, respectively, as of 30 June 2005 and 31 December 2004, respectively.

During the 6 months ended 30 June 2005 and the year ended 31 December 2004 the Bank received advances from banks and customers - related parties of RUR 46,042,220 thousand and RUR 226,345,901 thousand, respectively, and repaid deposits and advances totaling RUR 38,027,185 thousand and RUR 225,288,408 thousand, respectively. The Bank has interest expense accrued with respect to deposits and advances received from related parties, totaling RUR 139,291 thousand and RUR 21,313 thousand as of 30 June 2005 and 31 December 2004, respectively.

Included in the profit and loss account for the 6 months ended 30 June 2005 and 2004 are the following amounts which arose due to transactions with related parties:

	6 months ended 30 June 2005		6 months ended 30 June 2004	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
	RUR'000	RUR'000	RUR'000	RUR'000
Interest income	603,1	6,820,5	155,52	4,898,60
Interest expense	(279,80	(4,878,80	(175,15	(2,833,15
Fee and commission income	215,9	1,177,0	17,74	707,51
Operating expenses	(29,50	(3,002,90	(51,34	(1,567,99

28. SEGMENT REPORTING

The Bank's operations are highly integrated and primarily constitute a single industry segment, banking. Accordingly for the purposes of IAS 14 "Segment Reporting" the Bank is treated as one business segment. The Bank's assets are concentrated primarily in Russia, and the majority of the Bank's revenues and net profit is derived from operations in, and connected with, Russia. The banking activity consists of transactions with banks, corporates and individuals. Balances and results of such transactions are disclosed in the respective notes.

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available published price quotations in an active market exists for a large part of the Bank's financial instruments, judgment is necessary in arriving at fair value using a valuation technique, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a market exchange from the sale of its full holdings of a particular instrument.

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the balance sheet of the Bank is presented below:

	30 June 2005		31 December 2004	
	Current value, RUR'000	Fair value, RUR'000	Current value, RUR'000	Fair value, RUR'000
Cash and balances with Central and National banks	10,581,618	10,581,618	24,560,307	24,560,307
Assets held-for-trading	8,309,338	8,309,338	9,116,880	9,116,880
Loans and advances to banks	32,155,131	32,155,131	28,066,385	28,066,385
Investments available for sale	694,628	694,628	282,398	282,398
Loans and advances from banks	12,522,566	12,522,566	8,849,497	8,849,497
Customer accounts	97,948,019	97,948,019	80,485,624	80,485,624
Liabilities on transactions with securities	1,415,847	1,415,847	-	-
Debt securities issued	22,630,393	22,630,393	19,166,195	19,166,195
Subordinated debt	1,450,000	1,450,000	1,450,000	1,450,000

The fair value of loans to customers and investments available for sale can not be measured reliably as it is not practicable to obtain market information or apply any other valuation techniques on such instruments.

30. REGULATORY MATTERS

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (as set forth in the table below) of total (8%) and tier 1 capital (4%) to risk weighted assets.

The ratio was calculated according to the principles employed by the Basle Committee by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for impairment losses:

Estimate	Description of position
0%	Cash and balances with the Central bank of the Russian Federation
0%	State debt securities
20%	Loans and advances to banks for up to 1 year
100%	Loans to customers
100%	Guarantees
50%	Obligations and commitments on unused loans with the initial maturity of over 1 year
100%	Other assets

As of 30 June 2005 the Bank's total capital amount for Capital Adequacy purposes was RUR 10,771,283 thousand and tier 1 capital amount was RUR 9,391,734 thousand with ratios 9.39% and 8.19%, respectively.

As of 31 December 2004 the Bank's total capital amount for Capital Adequacy purposes was RUR 10,351,633 thousand and tier 1 capital amount was RUR 9,070,795 thousand with ratios 12.97% and 11.36%, respectively.

As of 30 June 2005 and 31 December 2004 the Bank included in the computation of Total capital for Capital adequacy purposes the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Bank, repayment of this debt is subordinate to the repayments of the Bank's liabilities to all other creditors.

31. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Bank's banking business and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Bank's risk management policies in relation to those risks follows.

The Bank manages the following risks:

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

Liquidity and cash flow risks are managed by the Treasury department. Strategic decisions and overall risk monitoring is provided by the Management Board and Credit Committee.

Cash flow interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments.

Interest rate is managed within the limit framework as established in accordance with the standards set by the Bank. Interest rate risks are controlled via regular interest rate gap reporting. The Bank does not perform hedging activities thus no risk management policy for hedging transactions has been developed.

The following table presents an analysis of interest rate risk and thus the potential of the Bank for gain or loss. Effective interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Bank.

	30 June 2005		31 December 2004	
	RUR	USD	RUR	USD
ASSETS				
Assets held-for-trading	9.1%	3.8%	9.2%	6.4%
Loans and advances to banks, less allowance for impairment losses	10.7%	3.3%	8.0%	2.1%
Loans and advances to customers, less allowance for impairment losses	17.5%	12.3%	15.1%	11.5%
Investments available-for- sale	-	8.8%	9.1%	-
LIABILITIES				
Loans and advances from banks	8.0%	4.1%	3.3%	3.5%
Customer accounts	5.9%	5.2%	8.1%	5.0%
Debt securities issued	9.3%	2.9%	9.4%	5.9%
Subordinated debt	8.8%	-	8.8%	-

The analysis of interest rate and liquidity risk on balance sheet transactions is presented in the following table:

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Overdue	Maturity undefined (incl. allowance for losses and impairment)	30 Jun 2005 RUR thousand Total
ASSETS								
Interest rate bearing assets								
Loans and advances to banks, less allowance for impairment losses	11,057,137	586,828	117,167	2,086,035	15,000	-	-	13,862,167
Trading assets	5,811,214	-	-	-	-	-	-	5,811,214
Loans to customers, less allowance for impairment losses	34,103,644	13,439,333	28,455,731	18,763,107	165,009	91,529	(1,860,270)	93,158,083
Investment securities, less allowance for impairment	-	-	86,990	-	-	-	-	86,990
Total interest rate bearing assets	50,971,995	14,026,161	28,659,888	20,849,142	180,009	91,529	(1,860,270)	112,918,454
Cash and balances with Central and National banks	6,406,055	-	-	-	-	-	4,175,563	10,581,618
Loans and advances to banks, less allowance for impairment losses	17,375,717	926,117	-	-	-	-	(8,870)	18,292,964
Trading assets	2,498,124	-	-	-	-	-	-	2,498,124
Loans to customers, less allowance for impairment losses	-	-	-	-	-	1,348,333	(1,291,927)	56,406
Investment securities, less allowance for impairment	-	-	384,486	403,092	-	-	(179,940)	607,638
Fixed and intangible assets, less accumulated depreciation	-	-	489,296	122,506	102,983	-	-	714,785
Income tax recoverable	-	-	60,486	-	-	-	-	60,486
Other assets, less allowance for impairment losses	326,613	186,517	357,095	-	-	-	(19,528)	850,697
TOTAL ASSETS	77,578,504	15,138,795	29,951,251	21,374,740	282,992	1,439,862	815,028	146,581,172
LIABILITIES								
Interest rate bearing liabilities								
Loans and advances from banks Customer accounts and subordinated debt	5,342,019	498,310	3,593,324	1,719,475	-	-	-	11,153,128
Debt securities issued	10,217,112	9,306,388	37,707,849	11,382,719	2,151,165	-	-	70,765,233
	1,922,782	841,001	7,848,713	9,428,378	1,098,369	-	-	21,139,243
Total interest rate bearing liabilities	17,481,913	10,645,699	49,149,886	22,530,572	3,249,534	-	-	103,057,604
Loans and advances from banks	1,369,438	-	-	-	-	-	-	1,369,438
Customer accounts	28,632,786	-	-	-	-	-	-	28,632,786
Debt securities issued	976,554	487,988	26,608	-	-	-	-	1,491,150
Liabilities on transactions with securities	1,415,847	-	-	-	-	-	-	1,415,847
Provisions	-	-	-	-	-	-	239,017	239,017
Other liabilities	525,465	239,867	218,264	-	-	-	-	983,596
TOTAL LIABILITIES	50,402,003	11,373,554	49,394,758	22,530,572	3,249,534	-	239,017	137,189,438
Liquidity gap	27,176,501	3,765,241	(19,443,507)	(1,155,832)	(2,966,542)	-	-	
Interest sensitivity gap	33,490,082	3,380,462	(20,489,998)	(1,681,430)	(3,069,525)	-	-	
Cumulative interest sensitivity gap	33,490,082	36,870,544	16,380,546	14,699,116	11,629,591	-	-	
Cumulative interest sensitivity gap as a percentage of total assets	22.8%	25.2%	11.2%	10.0%	7.9%	-	-	

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Overdue	Maturity undefined (incl. allowance for losses and impairment)	31 Dec 2004 RUR thousand Total
ASSETS								
Interest rate bearing assets								
Loans and advances to banks, less allowance for impairment losses	12,791,510	4,328,427	1,163,676	608,112	10,746	-	(206)	18,902,265
Trading assets	5,385,889	-	1,774,367	-	-	-	-	7,160,256
Loans to customers, less allowance for impairment losses	12,291,828	6,700,409	19,802,786	14,724,199	5,312,242	-	(2,304,675)	56,526,789
Investment securities, less allowance for impairment	-	-	2,614	-	-	-	(2,614)	-
Total interest rate bearing assets	30,469,227	11,028,836	22,743,443	15,332,311	5,322,988	-	(2,307,495)	82,589,310
Cash and balances with Central and National banks	21,415,958	-	-	-	-	-	3,144,349	24,560,307
Loans and advances to banks, less allowance for impairment losses	6,201,462	2,098,467	564,163	294,819	5,209	-	-	9,164,120
Trading assets	348,432	-	1,608,192	-	-	-	-	1,956,624
Loans to customers, less allowance for impairment losses	331,941	26,913	79,542	59,143	21,337	592,815	(524,571)	587,120
Investment securities, less allowance for impairment	-	-	217,118	185,772	-	-	(120,492)	282,398
Fixed and intangible assets, less accumulated depreciation	-	-	-	71,862	51,023	-	-	122,885
Income tax recoverable	-	-	255,362	-	-	-	-	255,362
Other assets, less allowance for impairment losses	217,992	839	160,044	-	-	-	(25,701)	353,174
TOTAL ASSETS	58,985,012	13,155,055	25,627,864	15,943,907	5,400,557	592,815	166,090	119,871,300
LIABILITIES								
Interest rate bearing liabilities								
Loans and advances from banks	2,450,623	1,035,758	3,418,549	732,451	-	-	-	7,637,381
Customer accounts and subordinated debt	31,554,774	12,761,607	11,266,657	513,411	5,308,722	-	-	61,405,171
Debt securities issued	490,514	1,470,644	5,035,259	9,036,475	1,095,334	-	-	17,128,226
Total interest rate bearing liabilities	34,495,911	15,268,009	19,720,465	10,282,337	6,404,056	-	-	86,170,778
Loans and advances from banks	401,712	151,606	542,552	116,246	-	-	-	1,212,116
Customer accounts	10,550,151	4,266,767	3,766,940	171,656	1,774,939	-	-	20,530,453
Debt securities issued	122,125	383,010	1,230,628	293,284	8,922	-	-	2,037,969
Provisions	-	-	-	-	-	-	239,809	239,809
Other liabilities	118,528	23,563	467,289	-	-	-	-	609,380
TOTAL LIABILITIES	45,688,427	20,092,955	25,727,874	10,863,523	8,187,917	-	239,809	110,800,505
Liquidity gap	13,296,585	(6,937,900)	(100,010)	5,080,384	(2,787,360)			
Interest sensitivity gap	(4,026,684)	(4,239,173)	3,022,978	5,049,974	(1,081,068)			
Cumulative interest sensitivity gap	(4,026,684)	(8,265,857)	(5,242,879)	(192,905)	(1,273,973)			
Cumulative interest sensitivity gap as a percentage of total assets	(3.4%)	(6.9%)	(4.4%)	(0.2%)	(1.1%)			

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Management Board sets limits on the level of exposure by currencies (primarily US Dollar), by branches and in total. These limits also comply with the minimum requirements of the Central Bank of the Russian Federation.

The Bank's exposure to foreign currency exchange rate risk is presented in the table below:

	RUR	USD 1 USD = 28.6721 RUR	EUR 1 EUR = 34.5241 RUR	Gold bullion 1 ounce = 12,532.57 RUR	Other currency	Currency undefined (incl. allowance for losses and impairment)	30 Jun 2005 RUR thousand Total
ASSETS							
Cash and balances with Central and National banks	9,322,639	803,156	356,620	-	99,203	-	10,581,618
Loans and advances to banks, less allowance for impairment losses	5,304,522	21,351,872	4,987,932	168,065	351,610	(8,870)	32,155,131
Trading assets	4,746,324	2,860,435	1,159	321,515	379,905	-	8,309,338
Loans and advances to customers, less allowance for impairment losses	55,909,959	39,376,739	530,017	-	549,971	(3,152,197)	93,214,489
Investment securities, less allowance for impairment	761,397	68,147	2,165	-	42,859	(179,940)	694,628
Fixed and intangible assets, less accumulated depreciation	700,861	-	-	-	13,924	-	714,785
Income tax recoverable	60,486	-	-	-	-	-	60,486
Other assets, less allowance for impairment losses	397,220	250,743	44,933	133,332	43,997	(19,528)	850,697
TOTAL ASSETS	<u>77,203,408</u>	<u>64,711,092</u>	<u>5,922,826</u>	<u>622,912</u>	<u>1,481,469</u>	<u>(3,360,535)</u>	<u>146,581,172</u>
LIABILITIES							
Deposits from banks	4,264,412	6,454,142	259,384	1,230,271	314,357	-	12,522,566
Customer accounts and subordinated debt	54,410,706	39,863,583	4,352,395	442,317	329,018	-	99,398,019
Debt securities issued	11,421,823	10,797,780	402,902	-	7,888	-	22,630,393
Liabilities on transaction with securities	41,864	1,373,983	-	-	-	-	1,415,847
Provisions	-	-	-	-	-	239,017	239,017
Other liabilities	851,926	57,814	73,856	-	-	-	983,596
TOTAL LIABILITIES	<u>70,990,731</u>	<u>58,547,302</u>	<u>5,088,537</u>	<u>1,672,588</u>	<u>651,263</u>	<u>239,017</u>	<u>137,189,438</u>
OPEN BALANCE SHEET POSITION							
	<u>6,212,677</u>	<u>6,163,790</u>	<u>834,289</u>	<u>(1,049,676)</u>	<u>830,206</u>		

Derivative financial instruments and spot contracts

Fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk by types of derivative financial instruments and spot contracts as at 30 June 2005:

	RUR	USD 1 USD = 28.6721 RUR	EUR 1 EUR = 34.5241 RUR	Gold bullion 1 ounce = 12,532.57 RUR	Other currency	Currency undefined, including allowance for impair- ment losses	30 June 2005 RUR thousand Total
Accounts payable on spot and derivative contracts	(2,879,128)	(6,703,196)	(342,507)	(972,885)	-	-	(10,897,716)
Accounts receivable on spot and derivative contracts	2,828,010	6,436,817	30,920	1,005,549	1,556,314	-	11,857,610
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	<u>(51,118)</u>	<u>(266,379)</u>	<u>(311,587)</u>	<u>32,664</u>	<u>1,556,314</u>		
TOTAL OPEN POSITION	<u>6,161,559</u>	<u>5,897,411</u>	<u>522,702</u>	<u>(1,017,012)</u>	<u>2,386,520</u>		
	RUR	USD 1 USD = 27.7487 RUR	EUR 1 EUR = 37.8104 RUR	Gold bullion 1 ounce = 12,087.33 RUR	Other currency	Currency undefined (incl. allowance for losses and impairment)	31 Dec 2004 RUR thousand Total
ASSETS							
Cash and balances with Central and National banks	23,360,969	775,376	312,812	-	111,150	-	24,560,307
Loans and advances to banks, less allowance for impairment losses	8,679,058	15,128,180	3,100,180	584,453	574,720	(206)	28,066,385
Trading assets	7,493,128	793,229	22,338	27,592	780,593	-	9,116,880
Loans and advances to customers, less allowance for impairment losses	25,025,501	31,148,527	576,306	-	3,192,821	(2,829,246)	57,113,909
Investment securities, less allowance for impairment	405,435	-	-	-	69	(123,106)	282,398
Fixed and intangible assets, less accumulated depreciation	108,463	-	-	-	14,422	-	122,885
Income tax recoverable	255,362	-	-	-	-	-	255,362
Other assets, less allowance for impairment losses	244,574	71,815	14,296	-	48,190	(25,701)	353,174
TOTAL ASSETS	<u>65,572,490</u>	<u>47,917,127</u>	<u>4,025,932</u>	<u>612,045</u>	<u>4,721,965</u>	<u>(2,978,259)</u>	<u>119,871,300</u>
LIABILITIES							
Deposits from banks	1,513,290	5,898,126	320,974	1,100,131	16,976	-	8,849,497
Customer accounts and subordinated debt	36,952,092	40,612,677	3,111,396	34,711	1,224,748	-	81,935,624
Debt securities issued	10,030,249	8,920,576	215,134	-	236	-	19,166,195
Provisions	-	-	-	-	-	239,809	239,809
Other liabilities	467,726	95,190	25,691	-	20,773	-	609,380
TOTAL LIABILITIES	<u>48,963,357</u>	<u>55,526,569</u>	<u>3,673,195</u>	<u>1,134,842</u>	<u>1,262,733</u>	<u>239,809</u>	<u>110,800,505</u>
OPEN BALANCE SHEET POSITION	<u>16,609,133</u>	<u>(7,609,442)</u>	<u>352,737</u>	<u>(522,797)</u>	<u>3,459,232</u>		

Derivative financial instruments

Fair value of the derivatives are included in the currency analysis presented above and the following table presents further analysis of currency risk by types of derivative contracts as of 31 December 2004:

	RUR	USD 1 USD = 27.7487 RUR	EUR 1 EUR = 37.8104 RUR	Gold bullion 1 ounce = 12,087.33 RUR	Other currency	Currency undefined	31 Dec 2004 RUR thousand
							Total
Payable under forward and swap contracts	(753)	(4,852,504)	(283,171)	-	(611,676)	-	(5,748,104)
Receivables under forward and swap contracts	2,437,909	846,897	18,905	537,050	1,952,634	-	5,793,395
NET POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS	<u>2,437,156</u>	<u>(4,005,607)</u>	<u>(264,266)</u>	<u>537,050</u>	<u>1,340,958</u>	<u>-</u>	<u>45,291</u>
TOTAL OPEN POSITION	<u>19,046,289</u>	<u>(11,615,049)</u>	<u>88,471</u>	<u>14,253</u>	<u>4,800,190</u>		

Market risk

Market risk is assessed by the Bank using value at risk (VAR) methodology. VAR is calculated based on internationally accepted approach. The Bank performs back testing of the adequacy of the methodology at least every 3 months with reference to current market terms to ensure that deviations for all statistics parameters included in the calculation are within expected values. Based on statistics for preceding six months and maturities of debt securities, the Bank produces a model securities portfolio, calculates a proportion of different types of securities in the portfolio and the overall risk of the portfolio which is viewed as a standard portfolio proportion in current terms.

A stop-loss instrument is also used to prevent unexpected significant losses resulted from fluctuations in the securities portfolio. The stop-loss limits are set for accumulated losses for a day and for a month as a percentage of investments. The month stop-loss limit is set at 3/2 of a daily limit. No operations are allowed after the loss reaches the stop-loss limit. Daily limit utilization is determined from realized and unrealized mark-to-market adjustment. Market prices used are based on quotations in REUTERS and by brokers of Tradition, ADIX, Eurobroker, Garban.

Credit risk

Credit activities are conducted in accordance with the regulatory framework set by the Central Bank of the Russian Federation as well as internationally accepted criteria. Credit Policy is defined by the Bank's Management Board and the Credit Committee. Credit Risk is taken based on the principles of risk adequacy, adequacy of profitability and strategic rationale. Credit operations conducted by the Bank include term loans, credit lines, overdraft facilities, syndications, documentary operations and other operations involving credit risk. The credit procedure is structured in line with a strict segregation of duties, based on the approved Credit Manual of the Bank.

The Bank performs the following activities to manage credit risk:

- Rating of credits;
- Performance of uncovered documentary operations;
- Purchase of debt bonds for issuers of which no credit risk limits have been utilized;
- Participation of the Bank in funding the corporate clients investment projects;
- Rendering of other services, equivalent to credit operations, by the Bank, its affiliates and branches;
- Approval of credit risk limits for counterparties;
- Approval of limits and check amounts for credit operations of the branches;
- Approval of the quotas of the Bank's branches in the limits for financial institutions, approval of the criteria for classification of loans in the Bank's loan portfolio for the creation of relevant loan loss allowance, formulation of proposals for the Board regarding the identification and modification of risk groups for specific loans;
- Approval of terms of credit for individuals;
- Approval of standard credit facilities;
- Approval of the procedures for evaluating various types of credit risk coverage.

The Credit Committee is a standing body of the Bank, authorized to take decisions on all issues relating to the credit operations of the Bank. Its task is to ensure formulation and implementation of the single credit policy of the Bank and its branches.

The Credit Committee consider issues regarding the assumption of credit risks for transactions for which the price does not exceed the relevant limit (there are separate limits for corporate clients, financial institutions and individuals) established and revised on an annual basis by the Board and/or for which the period does not exceed 12 months.

The assumption of credit risks for transactions which price exceeds the relevant limit established by the Board and/or for which the period exceeds 12 months is considered by the Board.

Geographical concentration

The geographical concentration of assets and liabilities is set out below:

	Russia	Other CIS countries	OECD countries	Other non-OECD countries	Undefined (incl. allowance for losses and impairment)	30 Jun 2005 RUR thousand Total
ASSETS						
Cash and balances with Central and National banks	10,48	91,4	5,8	-	-	10,58
Loans and advances to banks, less allowance for impairment losses	8,86	246,2	21,95	1,10	(8,8)	32,15
Assets held-for-trading	8,20	105,2	-	3,3	-	8,30
Loans and advances to customers, less allowance for impairment losses	87,22	3,43	2,06	3,64	(3,152)	93,21
Investment securities, less allowance for impairment	790,1	84,3	-	-	(179,9)	694,6
Fixed and intangible assets, less accumulated depreciation	700,8	8,4	5,4	-	-	714,7
Income tax recoverable	60,4	-	-	-	-	60,4
Other assets, less allowance for impairment losses	841,7	11,8	16,6	-	(19,5)	850,6
TOTAL ASSETS	117,16	3,98	24,04	4,75	(3,360)	146,58
LIABILITIES						
Deposits from banks	5,48	1,91	2,70	2,42	-	12,52
Customer accounts and Subordinated debt	78,93	398,3	17,12	2,93	-	99,39
Debt securities issued	13,17	7,8	9,44	-	-	22,63
Liability on operations with securities	1,41	-	-	-	-	1,41
Provisions	-	-	-	-	239,0	239,0
Other liabilities	840,2	57,4	-	85,8	-	983,5
TOTAL LIABILITIES	99,85	2,37	29,27	5,44	239,0	137,18
NET POSITION	17,30	1,60	(5,226)	(696,8)		

	Russia	Other CIS countries	OECD countries	Other non-OECD countries	Undefined (incl. allowance for losses and impairment)	31 Dec 2004 RUR thousand Total
ASSETS						
Cash and balances with Central and National banks	24,457,776	96,460	6,071	-	-	24,560,307
Loans and advances to banks, less allowance for impairment losses	11,060,157	1,172,528	15,611,537	222,369	(206)	28,066,385
Trading assets	8,429,606	682,920	4,354	-	-	9,116,880
Loans and advances to customers, less allowance for impairment losses	51,973,028	831,386	2,946,683	4,192,058	(2,829,246)	57,113,909
Investment securities, less allowance for impairment	405,504	-	-	-	(123,106)	282,398
Fixed and intangible assets, less accumulated depreciation	108,463	8,412	6,010	-	-	122,885
Income tax recoverable	255,362	-	-	-	-	255,362
Other assets, less allowance for impairment losses	355,003	22,022	1,850	-	(25,701)	353,174
TOTAL ASSETS	97,044,899	2,813,728	18,576,505	4,414,427	(2,978,259)	119,871,300
LIABILITIES						
Deposits from banks	3,161,443	1,633,841	3,112,888	941,325	-	8,849,497
Customer accounts and Subordinated debt	67,144,298	1,512,313	5,945,629	7,333,384	-	81,935,624
Debt securities issued	11,934,098	1,003	7,231,094	-	-	19,166,195
Provisions	-	-	-	-	239,809	239,809
Other liabilities	589,722	2,556	17,102	-	-	609,380
TOTAL LIABILITIES	82,829,561	3,149,713	16,306,713	8,274,709	239,809	110,800,505
NET POSITION	14,215,338	(335,985)	2,269,792	(3,860,282)		