
Independent Auditor' Reports

The Financial Statement in accordance with the Russian Standards of Accounting

AUDIT REPORT

on the Annual Accounting Report and
the Published Statutory Annual Report Forms of Open Joint-Stock Company Bank
Vozrozhdeniye, prepared on the basis thereof

To the Shareholders of Open Joint-Stock Company Bank Vozrozhdeniye:

1. We have audited the accompanying Annual Accounting Report and the Published Statutory Annual Report Forms prepared on the basis thereof of Open Joint-Stock Company Bank Vozrozhdeniye (henceforth – “the Bank”), for the period from 1 January 2004 to 31 December 2004 inclusive. In accordance with Bank of Russia Instruction No 1530-U of 17 December 2004 “On the Annual Accounting Reports of Credit Institutions”, the Bank’s Annual Accounting Report comprises an annual balance sheet, a profit and loss account, summarized information on movements relating to post balance sheet events and an explanatory note (hereinafter collectively referred to as “the Annual Accounting Report”). In accordance with Bank of Russia Instruction No 1270-U of 14 April 2003 “On the Published Reports of Credit Institutions and Banking/Consolidated Groups”, and Bank of Russia Instruction No 1376-U of 16 January 2004 “On the list of reports, their format and procedure for submission of reports by credit institutions to the Central Bank of Russian Federation”, the Bank’s Published Statutory Annual Report Forms comprise a balance sheet, a profit and loss account, and report on a capital adequacy level and an amount of provision for doubtful debts and other assets (hereinafter collectively referred to as “the Published Statutory Annual Report Forms”). The Annual Accounting Report has been prepared by the Bank’s management on the basis of the accounting reports prepared in accordance with the Russian legislation and the Bank of Russia regulations. The Published Statutory Annual Report Forms have been prepared by the Bank’s management on the basis of the Annual Accounting Report. The Annual Accounting Report and the Published Statutory Annual Report Forms, prepared on this basis, differ significantly from financial statements prepared in compliance with International Financial Reporting Standards, especially with respect to measurement of assets and capital, recognition of liabilities, and disclosures.

2. The preparation and presentation of the Annual Accounting Report and the Published Statutory Annual Report Forms is the responsibility of the Bank’s management. Our responsibility as statutory auditors is to express an opinion, based on our audit, concerning the proper preparation of these Annual Accounting Report and the Published Statutory Annual Report Forms in all material aspects and regarding the compliance of the Bank’s accounting procedures with the effective Russian Federation legislation and regulations

applicable to the activity of credit institutions in the Russian Federation in all material aspects for the purpose of preparing annual accounting reports and published statutory accounting report forms.

3. We conducted our statutory audit in accordance with:
 - a. Federal Law “On Audit Activities”;
 - b. Federal Law “On Banks and Banking Activity”;
 - c. Federal Rules (Standards) on Audit Activity;
 - d. Bank of Russia Regulations on activity of credit institutions, and
 - e. International Standards on Auditing.
4. Our statutory audit was planned and performed so as to obtain reasonable assurance as to whether the Annual Accounting Report and the Published Statutory Annual Report Forms are free from material misstatements. Our statutory audit was conducted on a sample basis and included the examination, on a test basis, of evidence supporting the amounts and disclosures in the Annual Accounting Report and the Published Statutory Annual Report Forms, an assessment of the Bank’s accounting principles and techniques used, procedures for preparing the Annual Accounting Report and the Published Statutory Annual Report Forms, an evaluation of significant estimates made by the Bank’s management as well as the overall presentation of the Annual Accounting Report and the Published Statutory Annual Report Forms. We believe that our statutory audit provides a reasonable basis for our opinion on the proper preparation of these Annual Accounting Report and the Published Statutory Annual Report Forms in all material aspects, and on the compliance of the Bank’s accounting procedures with applicable Russian Federation legislation in all material aspects for the purpose of preparing an annual accounting report and published statutory annual report forms.
5. In our opinion, the Annual Accounting Report and the Published Statutory Annual Report Forms of Open Joint-Stock Company Bank “Vozrozhdeniye” attached to this Statutory Audit Report have been properly prepared to present in all material aspects, the Bank’s financial position as at 1 January 2005 and the financial results of its operations for the period from 1 January 2004 to 31 December 2004 inclusive in compliance with Russian Federation regulations applicable to the activity of credit institutions in terms of preparation of annual accounting reports and published statutory annual report forms.

15 April 2005

Director of ZAO PricewaterhouseCoopers Audit T. Basunia

Auditor N.A. Mileshkina

(Bank Audit Qualification Certificate

No. 012578, issued on 26 July 1999,

exchanged on 6 November 2002

to Bank Audit Qualification Certificate

No. K001625, with unlimited validity)

Balance Sheet of Vozrozhdeniye Bank, Public Joint-Stock Company, as of the January 1, 2005 (*published form*)

		Rubles thousand	
Item		On 1.01.2005	On 1.01.2004
I. ASSETS			
1.	Cash	2,038,639	1,403,237
2.	Assets of the credit institutions in the Central Bank of the Russian Federation	1,500,026	4,316,805
2.1.	Oligatory reserves (provision funds)	579,215	1,548,496
3.	Funds in the credit institutions	1,003,676	1,230,150
4.	Net investments into the traded securities	0	145,561
5.	Net lendings	23,639,841	17,634,919
6.	Net investments into the investment securities, kept up to maturity	205,259	130,924
7.	Net investments into the securities for sale	566,253	226,897
8.	Fixed assets, intangible assets and the material resources	1,240,489	1,126,760
9.	Interest due to the Bank	25,663	108,661
10.	Other assets	262,571	156,591
11.	Total assets	30,482,417	26,480,505
II. LIABILITIES			
12.	Loans of the Central Bank of the Russian Federation	0	0
13.	Funds of the credit institutions	323,249	65,289
14.	Funds of the clients (non-credit institutions)	24,943,152	21,481,565
14.1.	Investments of the physical persons	14,818,504	10,275,082
15.	Debt instruments issued	2,242,354	902,766
16.	Interest due from the Bank	250,598	162,451
17.	Other liabilities	232,420	1,441,487
18.	Reserved provision on the possible losses on the conditioned credit liabilities, other possible losses and on the operations with off-shore residents	12,317	0
19.	Total liabilities	28,004,090	24,053,558
III. SOURCES OF EQUITY CAPITAL			
20.	Shares of the shareholders (partners)	200,432	200,432
20.1.	Registered ordinary shares and interests	167,487	167,488
20.2.	Registered privileged shares	32,945	32,944
20.3.	Non-registered authorized capital of non-stock credit institutions	0	0
21.	Shares repurchased from the shareholders	0	0
22.	Share premium	1,418,691	1,418,691
23.	Revaluation of the fixed assets	443,573	444,069
24.	Expenses of the subsequent periods and the expected payments, affecting the equity capital	384,234	135,897
25.	Funds and retained profit of the previous years at the possession of the credit institution (unsettled losses of the previous years)	481,994	399,891
26.	Profit to be distributed (the loss) for the reporting period	317,871	99,761
27.	Total sources of the equity	2,478,327	2,426,947
28.	Total liabilities	30,482,417	26,480,505
IV. OFF-BALANCE LIABILITIES			
29.	Irrevocable liabilities of the credit institution	4,687,601	4,116,727
30.	Guarantees issued by the credit institution	1,212,096	988,671
V. TRUST MANAGEMENT ACCOUNTS			
	Real accounts	0	0
1.	Cash	0	0
2.	Securities under trust management	0	0
3.	Precious metals	0	0
4.	Granted loans	0	0
5.	Funds used for other purposes	0	0
6.	Expenses of the trust management	0	0
7.	Paid accumulated interest (warrant) profit on the interest (warrant) promissory notes	0	0
8.	Current accounts	0	0
9.	Expenses on the assets management	0	0
10.	Losses on the assets management	0	0
	Nominal accounts	0	0
11.	Managed capital	0	0
12.	Settlements on the assets management	0	0
13.	Received accumulated interest (warrant) profit on the interest (warrant) interest debt instruments	0	0
14.	Income from trust management	0	0
15.	Profit from trust management	0	0

Chairman of the Management Board of Vozrozhdeniye Bank (PJSC) D. L. Orlov

Chief Accountant of Vozrozhdeniye Bank (PJSC) A. A. Novikova

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**Income and Expense Statement (Profit and Losses Account) of Vozrozhdeniye Bank,
Public Joint-Stock Company, for the year 2004 (published form)**

		Rubles thousand	
1	Item 2	During 2004 3	During 2003 4
	Interests received and the similar profits from:		
1.	Distribution of the assets in the credit institutions	30,971	57,286
2.	Loans, granted to the clients (non-credit establishments)	3,418,678	2,024,953
3.	Services on the financial leasing	0	0
4.	Fixed profit securities	46,801	73,210
5.	Other sources	7,644	8,410
6.	Total interests of the received and similar profits	3,504,094	2,163,859
	Interests paid and the similar expenses on:		
7.	Debt assets of the credit institutions	34,042	34,522
8.	Debt assets of the clients (non-credit institutions)	1,129,585	923,699
9.	Issued promissory notes	134,943	103,828
10.	Total interests of paid-off and similar expenses	1,298,570	1,062,049
11.	Net interest and similar profits	2,205,524	1,101,810
12.	Net profits from operations with securities	- 45,188	- 92,904
13.	Net profits from foreign currency operations	86,837	140,849
14.	Net profits from operations with the precious metals and other financial instruments	24,505	4,530
15.	Net profits from revaluation of the foreign currency	737	1,444
16.	Commission profits	1,049,883	682,862
17.	Commission expenses	64,930	48,900
18.	Net profits from single operations	703	26,438
19.	Other net operational profits	- 166,155	195,542
20.	Administrative and management expenses	2,171,535	1,490,870
21.	Provision on possible losses	- 421,419	- 322,851
22.	Income prior to taxes payment	498,962	197,970
23.	Accrued taxes (including the income tax)	181,091	98,209
24.	Profit for the reporting period	317,871	99,761

Chairman of the Management Board of Vozrozhdeniye Bank (PJSC) D. L. Orlov
Chief Accountant of Vozrozhdeniye Bank (PJSC) A. A. Novikova

**The report on the capital sufficiency, the amount of redemption reserves on the disputable loans and
other assets as of January 1, 2005**

1	Item 2	On 1.01.2005 3	On 1.01.2004 4
1.	1.Equity (capital), Rubles thousand.	3,272,764	3,036,346
2.	2.Actual value of the equity (capital) adequacy level, percentage	12.4	14.3
3.	3.Standard value of equity (capital) adequacy level, percentage	10.0	10.0
4.	4.Allowance on possible losses on loans, loan liabilities and similar debentures, Rubles thousand.	1,062,966	509,861
5.	5.Available reserved provision on possible losses on loans, loan liabilities and similar debentures, Rubles thousand.	1,062,966	620,608
6.	6.Allowance on possible losses, Rubles thousand.	21,090	17,006
7.	7.Available reserved provision on possible losses, Rubles thousand.	21,090	17,006

Chairman of the Management Board of Vozrozhdeniye Bank (PJSC) D. L. Orlov
Chief Accountant of Vozrozhdeniye Bank (PJSC) A. A. Novikova

The information about the members of the banking (consolidated) group, the level of sufficiency of proper assets and the amount of provision for doubtful loans and other assets as of January 1, 2005

No.	Item	Data for reporting period
1	2	3
1	Participants of banking (consolidated) group:	
1.1	Vozrozhdeniye Bank, Public Joint-Stock Company	
1.2	Garmoniya, Non-State Pension Fund	100.0
1.3	Kreskat, Limited Liability Company	99.9
1.4	Yunost, Public Joint-Stock Company	55.0
1.5	Vozrozhdeniye- Finans, Limited Liability Company	100.0
1.6	MABV GROUP, Limited Liability Company	100.0
1.7	Vozrozhdeniye-Nedvizhmost, Limited Liability Company	99.9
1.8	Vozrozhdeniye Finance B.V	100.0
1.9	Kane, Non-public Joint-Stock Company	99.0
1.10	First Investment Corporation, Non-public Joint-Stock Company	100.0
1.11	Kaliningradpromproyekt, Public Joint-Stock Company	50.9
1.12	Murmansk-VTI, Public Joint-Stock Company	50.8
1.13	Specialized Registrator AVISTA, Public Joint-Stock Company	27.5
1.14	Baltiysky Kurort, Limited Liability Company	51.0

The consolidated balance sheet, the consolidated profits and losses report have not been prepared, the obligatory consolidated standards have not been calculated as the influence of the members of the company group was deemed immaterial.

Chairman of the Management Board of Vozrozhdeniye Bank (PJSC)D. L. Orlov

Chief Accountant of Vozrozhdeniye Bank (PJSC)A. A. Novikova

In opinion of the audit company ZAO PricewaterhouseCoopers the balance sheet, the profits and losses report, the report on the capital adequacy level, the available provision for doubtful loans and other assets and the data on the members of the banking (consolidated) group, the level of capital sufficiency and available provisions for doubtful loans and other assets present fairly, in all material respects, the financial position of Vozrozhdeniye Bank, Open Joint-Stock Company, as at January 1, 2005, in accordance with Russian legislation.

The detailed information on the results of the audit comprising the above data are included in the auditor's statement on the annual accounting report and prepared on its basis published forms of the annual report of the credit institution as at January 1, 2005.

Name of the auditing institution: ZAO PricewaterhouseCoopers Audit (ZAO PwC Audit)

License No. E 000376

Date of the license issue: May 20, 2002

Expiry date of the license: May 20, 2007

License issuing body: Ministry of Finance of the Russian Federation

General Director of ZAO PricewaterhouseCoopers Audit: Mike Kubena

The Director: Tam Basunia (authorized to sign the audit report by the power of attorney

No. P-0405-0704 dated July 1, 2004)

April 15, 2005.



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The Financial Statement according to International Financial Reporting Standards

ZAO PRICEWATERHOUSECOOPERS AUDIT

AUDITOR'S REPORT

To the Supervisory Council of Vozrozhdeniye Bank:

We have audited the accompanying consolidated balance sheet of Vozrozhdeniye Bank and its subsidiary (the

1. “Bank as defined in note 1 to the consolidated financial statements) as at 31 December 2004, and the related consolidated statements of income, of cash flows and of changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the 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 the International Standards on Auditing. Those standards require **2.** that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the **3.** consolidated financial position of the Bank as at 31 December 2004 and the consolidated results of its operations and its cash flows for the year ended in accordance with International Financial Reporting Standards.

Moscow, Russian Federation

May 24, 2005



Vozrozhdeniye Bank
Consolidated Balance Sheet as at 31 December 2004 (in millions of Russian Rubles)

	Note	2004	2003(restated)
Assets			
Cash and cash equivalents	5	3,964	5,464
Mandatory cash balances with the Central Bank of the Russian Federation		579	1,548
Trading securities	6	523	325
Due from other banks	7	946	413
Loans and advances to customers	8	22,055	16,753
Other assets	9	869	585
Premises and equipment	10	1,691	1,687
Total assets		30,627	26,775
Liabilities			
Due to other banks	11	323	93
Customer accounts	12	24,414	22,465
Debt securities in issue	13	2,187	877
Other liabilities		274	523
Subordinated loans	15	698	469
Exchangeable convertible preference shares	16	127	123
Total liabilities		28,023	24,550
Minority interest		-	65
Shareholders' equity			
Share capital	16	4,371	4,371
Share premium	16	1,610	1,610
Revaluation reserve		-	26
Accumulated deficit	17	(3,377)	(3,847)
Total shareholders' equity		2,604	2,160
Total liabilities and shareholders' equity		30,627	26,775

Approved for issue on 24 May 2005.

President D. L. Orlov,
Chief Accountant A. A. Novikova,

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Vozrozhdeniye Bank Consolidated Statement of Income for the Year Ended 31 December 2004
(in millions of Russian Roubles)

	Note	2004	2003 (restated)
Interest income	18	3 528	2 227
Interest expense	18	(1 474)	(1 094)
Net interest income		2 054	1 133
Provision for loan impairment	8	(467)	(307)
Net interest income after provision for loan impairment		1 587	826
Gains less losses arising from securities		38	119
Gains less losses arising from investment securities held to maturity		-	139
Gains less losses arising from trading in foreign currencies		87	141
Fee and commission income	19	1 048	717
Fee and commission expense	19	(65)	(49)
Losses on origination of assets at rates below market	8	(15)	-
Gains on origination of liabilities at rates below market	15	33	-
Other operating income		162	182
Operating income		2 875	2 075
Operating expenses	20	(2 258)	(1 823)
Losses resulting from restructuring of other borrowed funds	14	-	(149)
Gains from disposal of subsidiary	28	17	-
Losses from disposal of loans and advances to customers	8	(111)	-
Profit before tax		523	103
Income tax expense	21	(50)	(20)
Profit after tax		473	83
Minority interest		(17)	6
Net profit		456	89
Basic earnings per share (expressed in RR per share)	22	27	6
Diluted earnings per share (expressed in RR per share)	22	25	6

Vozrozhdeniye Bank Consolidated Statement of Cash Flows for the Year Ended 31 December 2004
(in millions of Russian Roubles)

	Note	2004	2003
Cash flows from operating activities			
Interest received		3 525	2 168
Interest paid		(1 400)	(1 020)
Net income received from dealing in trading securities		30	117
Income received from trading in foreign currencies		87	141
Fees and commissions received		1 050	683
Fees and commissions paid		(65)	(49)
Other operating income received		144	86
Operating expenses paid		(2 130)	(1 432)
Income tax paid		(14)	(2)
Cash flows from operating activities before changes in operating assets and liabilities		1 227	692
Changes in operating assets and liabilities			
Net decrease/(increase) in mandatory cash balances with the Central Bank of the Russian Federation		969	(561)
Net (increase)/decrease in trading securities		(208)	929
Net (increase)/decrease in due from other banks		(553)	956
Net increase in loans and advances to customers		(6 173)	(8 481)
Net increase in other assets		(176)	(28)
Net increase/(decrease) in due to other banks		233	(993)
Net increase in customer accounts		2 220	11 790
Net increase/(decrease) in debt securities in issue		1 331	(384)
Net decrease in other liabilities		(260)	(80)
Net cash (used in)/from operating activities		(1 390)	3 840
Cash flows from investing activities			
Acquisition of investment securities available for sale		(53)	-
Proceeds from disposal of investment securities available for sale		9	23
Proceeds from disposal of investment securities held to maturity		-	1 098
Acquisition of premises and equipment	10	(276)	(306)
Dividend income received		16	4
Net cash (used in)/from investing activities		(304)	819
Cash flows from financing activities			
Issue of ordinary shares	16	-	990
Repayment of CBRF stabilisation loans	14	-	(450)
Repayment of credit facilities from Ministry of Finance of the RF	14	-	(1 098)
Receipt of subordinated loan	15	290	-
Dividends paid	23	(12)	(9)
Net cash from/(used in) financing activities		278	(567)
Effect of exchange rate changes on cash and cash equivalents		(84)	(80)
Net (decrease)/increase in cash and cash equivalents		(1 500)	4 012
Cash and cash equivalents as at the beginning of the year		5 464	1 452
Cash and cash equivalents as at the end of the year	5	3 964	5 464

Note: The effect of the revaluation of foreign currency balances was eliminated from the above consolidated statement of cash flows. The effect of fair value adjustments was eliminated from the above consolidated statement of cash flows.

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Vozrozhdeniye Bank Consolidated Statement of Changes in Shareholders' Equity for the Year Ended 31 December 2004 (in millions of Russian Roubles)

	Share capital	Share premium	Revaluation reserve	Accumulated Deficit (restated)	Total shareholders' equity (restated)
Balance at 31 December 2002 (restated) (Note 3)	4 316	675	-	(3 946)	1 045
Revaluation of premises and equipment, net of taxation, related to subsidiary	-	-	26	-	26
Net profit for the year (restated) (Note 3)	-	-	-	89	89
Share issue (Note 16)	-	-	-	-	-
- Nominal value	55	-	-	-	55
- Share premium	-	935	-	-	935
Other movements (Note 28)	-	-	-	19	19
Dividends declared and paid on ordinary and preference shares (Note 23)	-	-	-	(9)	(9)
Balance at 31 December 2003 (restated)	4 371	1 610	26	(3 847)	2 160
Disposal of subsidiary	-	-	(26)	26	-
Net profit for the year	-	-	-	456	456
Dividends declared and paid on ordinary and preference shares (Note 23)	-	-	-	(12)	(12)
Balance at 31 December 2004	4 371	1 610	-	(3 377)	2 604

Management Commentary on IFRS Financial Results for 2004

Under International Financial Reporting Standards (IFRS) our profit after tax was RUR 456 million (\$16.4 million), five times greater than the previous year, and our return on equity was 19%.

Our assets grew by 14% to RUR 30.6 billion, (\$1.1 billion). Our Shareholders' equity grew 21%, entirely due to retained earnings, as we did not issue new shares in 2004 as we had the previous year. Our return on equity rose from 6% in 2003 to 19% in 2004. Our earnings were reflected in a rise to 27 rubles per share from 6 rubles.

This year we are pleased to report that there were no significant extraordinary items. We feel this level of earnings appropriately reflects sustainable operating earnings for the bank. We will, of course, try to continue to improve our financial results as we expand our services to our clients and the strength of our distribution network and product range.

The table on p. 52 shows a summary of our financial results. You can see the strength in operating earnings while we have managed expenses well considering our business expansion. While we expect that retail assets will grow to balance more closely the retail liabilities over time we are pleased with the early acceptance of these products by the market and the initial results. The strength of branch results outside of Moscow Oblast and Moscow City reflects the success of our strategy of expansion in the diversifying regions of the Northwest and Southern European Russia.

Our net interest income grew by 81% as we have increased margins on our commercial loans and reduced non-performing loans. We have a very productive relationship with the Government Agency for Mortgage Credit and had initiated about 300 mortgages since we launched this product during the latter half of 2004: half had already been packaged and sold by year-end. More recent trends show accelerating growth. We are also very pleased with the growth in consumer and car loans, individual overdraft facilities and credit cards. We have strategically priced these products at reasonable rates, consistent with our retail strategy of building a long term relationship with our individual customers.

Past due credits, at 3% of gross loans, reflect almost entirely a single major loan, initially granted many years ago. We sold one-third of this position in 2004 and recorded a loss of RUR 111 million (\$4 million) but have maintained a strong security position on the remaining \$25 million and expect to be able to fully recover the remainder during the current year. Including this, our credit losses and write-offs for the last two years have been well less than 1%. Still we feel it prudent to provide for potential losses at roughly 6% of our commercial loan portfolio and this has built a level of provisions to RUR 1.4 billion (\$54 million), twice the level of past due loans.

In non-interest revenue, our fees and commission growth of 47% (RUR 315 million or \$11 million) more than offset lower gains on securities and currency trading. A large part of this success is due to more effective retail work in the branches, credit and debit cards and ATMs that for the first time allow cash input for bill payments and deposits.

Although non-interest expenses grew 24%, this is lower than the 38% increase in operating revenue. We have been working hard to increase the effectiveness and efficiency of our branches in spite of their increasing number and product range. We will continue to see significant increases in our efficiency as the benefits of new information technology systems being implemented this year are reflected in financial results.

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Financial Results Trends

	IFRS Results		RUR (Millions)		USD (Millions)	
	2004	2003	2004	2003	2004	2003
Assets (year-end)	30,627	26,775	1,104	909		
Average Assets	28,701	21,679	1,006	715		
Equity (year-end)	2,604	2,160	94	73		
Average Equity	2,382	1,603	86	54		
Net Interest Income	2,054	1,133	74	39		
Provisions	467	307	17	10		
Non-Interest Income	1,288	1,249	46	42		
Expenses	2,258	1,823	81	62		
Disposal, Restructuring & Inflation	-94	-149	-3	-5		
Profit	523	103	19	4		
Tax	50	20	2	1		
Minority Interest	-17	6	-1			
Profit after tax	456	89	16	3		
Return on Equity	19%	6%				
Return on Assets	1.59%	0.41%				
Earnings per share	27r	6r				
EPS - fully diluted	25r	6r				

The consolidated financial statement includes the financial results of Vozrozhdeniye Bank (OAO) and of the results of its former subsidiary, Moscow Reinsurance Company for the first six months of the year 2004 up to the date of cessation of its consolidation by the Bank in June, 2004. From 1 July 2004, the Company has been included in these financial statements as an associated company.

The full text of auditor's report, including all notes, according to International Financial Reporting Standards is available from the Bank on request.

The differences in the assets and liabilities of the Bank as per the Russian Standards of Accounting (RSA) and the International Financial Reporting Standards (IFRS) comes from the difference in the methods of:

- Calculation of the provisions for possible loan losses,
- Estimation of the fixed assets,
- Calculation of the shareholders' equity and capital of the Bank.

The difference in interest income and expenses in the profit and losses report of the Bank, arises from different accounting methods: accounting procedures according to Russian Standards generally use a cash method of incomes and expense calculation, while accounting procedures according to International Standards generally use an accrual method.