

**SBERBANK**  
**(SAVINGS BANK OF THE RUSSIAN FEDERATION)**  
**Condensed Financial Statements**  
**Together with Independent Accountants' Review Report**

*For the period ended 30 September 2004*

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Shareholders of Sberbank (Savings Bank of the Russian Federation) -

We have reviewed the accompanying condensed balance sheet of Sberbank (Savings Bank of the Russian Federation) (the "Bank") as of 30 September 2004, and the related condensed statements of income, changes in shareholders' equity and cash flows for the nine-month periods ended 30 September 2004 and 2003. These financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these financial statements based on our reviews.

We conducted our reviews in accordance with the International Standard on Review Engagements 2400. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the Bank's personnel and analytical procedures applied to financial data and, thus, provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying condensed financial statements are not presented fairly, in all material respects, in accordance with International Financial Reporting Standards.

We have previously audited, in accordance with International Standards on Auditing, the balance sheet of Sberbank as of 31 December 2003, and the related statements of income, changes in shareholders' equity, and cash flows for the year then ended (not presented herein), and in our report dated 25 June 2004 we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying balance sheet as of 31 December 2003, is fairly stated, in all material respects, in relation to the financial statements from which it has been derived. We have not performed any auditing procedures for the period subsequent to 31 December 2003.

*Ernst & Young Vnechaudit*

31 January 2005

*Sberbank (Savings Bank of the Russian Federation)  
Condensed Balance Sheets  
(Thousands of Russian Rubles, unless otherwise indicated)*

	Notes	30 September 2004 (unaudited)	31 December 2003
<b>Assets</b>			
Cash and cash equivalents	4	45,386,316	45,615,928
Mandatory cash balances with the Central Bank of the Russian Federation		44,881,204	98,893,608
Trading securities	5	121,897,663	135,309,528
Due from banks	6	110,944,076	78,629,557
Securities available for sale	7	218,590,032	176,694,073
Loans and advances to customers	8	1,130,307,868	792,363,615
Securities acquired at original issuance	9	38,857,897	73,535,315
Tax assets		7,673,988	3,481,131
Premises and equipment		67,452,411	66,101,471
Other assets		8,712,207	6,877,032
<b>Total assets</b>		<b>1,794,703,662</b>	<b>1,477,501,258</b>
<b>Liabilities</b>			
Due to banks	10	17,665,444	37,889,470
Deposits from individuals	11	1,149,437,300	978,580,839
Customer accounts	11	362,829,147	211,561,162
Own securities issued	12	104,940,957	104,010,365
Other borrowed funds	13	1,783,213	1,053,151
Other liabilities		9,321,960	9,533,108
<b>Total liabilities</b>		<b>1,645,978,021</b>	<b>1,342,628,095</b>
<b>Shareholders' equity</b>			
Share capital		20,980,583	20,980,583
Share premium		10,016,190	10,016,190
Treasury shares		(374)	(312)
Revaluation reserve for premises		458,794	474,987
Retained earnings and other reserves		117,270,448	103,401,715
<b>Total shareholders' equity</b>	14	<b>148,725,641</b>	<b>134,873,163</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,794,703,662</b>	<b>1,477,501,258</b>

  
A.I. Kazmin  
Chairman of the Board and CEO

  
A.V. Kruzhalov  
Chief Accountant

*The accompanying notes are an integral part of these condensed financial statements.*

*Sberbank (Savings Bank of the Russian Federation)*  
*Condensed Statements of Income for the Periods Ended 30 September*  
*(Thousands of Russian Rubles, unless otherwise indicated)*

	Notes	2004 (unaudited)	2003 (unaudited)
Interest income on loans	15	99,501,473	74,183,417
Interest income on securities	15	14,682,558	21,675,785
Interest expense	15	(62,917,767)	(58,906,926)
Net interest income		<b>51,266,264</b>	<b>36,952,276</b>
Impairment of interest earning assets	6, 8	(11,513,506)	(16,483,533)
<b>Net interest income after impairment of interest earning assets</b>		<b>39,752,758</b>	<b>20,468,743</b>
Gains less losses arising from securities and derivatives	16, 25	14,763,629	32,758,992
Gains less losses arising from dealing in foreign currencies		3,253,875	2,933,745
Foreign exchange translation gains less losses		303,840	(3,630,004)
Fee and commission income	17	24,199,095	15,467,743
Fee and commission expense	17	(712,840)	(454,698)
Other operating income		2,469,641	1,933,283
Net operating income		<b>84,029,998</b>	<b>69,477,804</b>
Payroll and other staff expense	18	(38,705,185)	(36,301,155)
Operating expenses	19	(23,760,530)	(19,464,640)
Provision for credit related commitments		(37,391)	(3,590)
<b>Profit before taxation</b>		<b>21,526,892</b>	<b>13,708,419</b>
Income tax	20	(4,979,870)	(1,888,637)
<b>Net profit</b>		<b>16,547,022</b>	<b>11,819,782</b>
<b>Earnings per share</b> (expressed in Russian Rubles per share)	21	<b>863</b>	<b>616</b>

*The accompanying notes are an integral part of these condensed financial statements.*

*Sberbank (Savings Bank of the Russian Federation)*  
*Condensed Statements of Cash Flows for the Periods Ended 30 September*  
*(Thousands of Russian Rubles, unless otherwise indicated)*

	Notes	2004 (unaudited)	2003 (unaudited)
<b>Cash flows from operating activities</b>			
Interest received on loans		96,527,332	73,512,158
Interest received on securities		21,878,987	23,135,095
Interest paid		(62,962,189)	(52,666,411)
Income received from dealing in securities and derivatives		19,813,728	14,656,468
Income received from dealing in foreign currencies		3,253,876	2,933,746
Fees and commissions received		24,199,095	15,467,743
Fees and commissions paid		(712,840)	(454,698)
Other operating income received		2,317,017	1,890,383
Staff costs paid		(39,900,201)	(34,726,241)
Operating expenses		(16,836,218)	(13,328,014)
Income tax paid		(9,169,331)	(1,878,781)
<b>Operating profits before changes in operating assets and liabilities</b>		<b>38,409,256</b>	<b>28,541,448</b>
<b>Cash flows from operating assets and liabilities</b>			
Net (increase)/decrease in assets:			
Mandatory cash balances with the Central Bank of the Russian Federation		54,012,404	(21,675,808)
Trading securities		7,719,458	(39,155,509)
Due from banks		(30,620,758)	(18,912,197)
Loans and advances to customers		(348,227,093)	(194,670,900)
Securities available for sale		(45,051,859)	(63,930,356)
Securities acquired at original issuance		28,218,986	8,136,665
Other assets		(2,289,050)	(4,582,011)
Net increase/(decrease) in liabilities:			
Due to banks		(17,218,206)	33,323,485
Deposits from individuals		169,655,260	193,144,960
Customer accounts		150,079,193	44,682,437
Own securities issued other than Eurobonds		3,353,437	22,300,492
Other liabilities		876,930	(1,920,549)
<b>Net cash (used in) / provided by operating activities</b>		<b>8,917,958</b>	<b>(14,717,843)</b>
<b>Cash flows used in investing activities</b>			
Purchase of premises and equipment		(8,511,938)	(6,376,436)
Proceeds from sale of premises and equipment		1,084,565	563,677
Sales of other investments		220,823	447,674
Dividend income received		18,651	42,900
<b>Net cash used in investing activities</b>		<b>(7,187,899)</b>	<b>(5,322,185)</b>
<b>Cash flows from financing activities</b>			
Sale of treasury shares		(166)	(1,300)
Other borrowed funds repaid		716,926	(463,104)
Dividends paid	22	(2,684,247)	(2,173,387)
<b>Net cash provided by / (used in) financing activities</b>		<b>(1,967,487)</b>	<b>(2,637,791)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>7,816</b>	<b>(122,245)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(229,612)</b>	<b>(22,800,064)</b>
Cash and cash equivalents at the beginning of the period		45,615,928	67,608,513
<b>Cash and cash equivalents at the end of the period</b>	4	<b>45,386,316</b>	<b>44,808,449</b>

*The accompanying notes are an integral part of these condensed financial statements.*

*Sberbank (Savings Bank of the Russian Federation)*  
**Condensed Statement of Changes in Shareholders' Equity for the Periods Ended 30 September 2004 and 2003**  
*(Thousands of Russian Rubles, unless otherwise indicated)*

	Share capital	Share premium	Treasury shares	Revaluation reserve for premises	Retained earnings and other reserves	Total shareholder s' equity
<b>Balance at 31 December 2002</b>	<b>20,980,583</b>	<b>10,016,190</b>	<b>(411)</b>	<b>497,605</b>	<b>91,625,529</b>	<b>123,119,496</b>
Net profit (unaudited)	–	–	–	–	11,819,782	11,819,782
Purchase of treasury shares, net (unaudited)	–	–	(1,302)	–	–	(1,302)
Depreciation of revalued premises, net of tax (unaudited)	–	–	–	(16,964)	22,320	5,356
Dividends declared (unaudited)						
- Ordinary shares	–	–	–	–	(2,071,083)	(2,071,083)
- Preference shares	–	–	–	–	(116,005)	(116,005)
<b>Balance at 30 September 2003 (unaudited)</b>	<b>20,980,583</b>	<b>10,016,190</b>	<b>(1,713)</b>	<b>480,641</b>	<b>101,280,543</b>	<b>132,756,244</b>
Net profit (unaudited)	–	–	–	–	2,113,731	2,113,731
Sale of treasury shares, net (unaudited)	–	–	1,401	–	–	1,401
Depreciation of revalued premises, net of tax (unaudited)	–	–	–	(5,654)	7,441	1,787
<b>Balance at 31 December 2003</b>	<b>20,980,583</b>	<b>10,016,190</b>	<b>(312)</b>	<b>474,987</b>	<b>103,401,715</b>	<b>134,873,163</b>
Net profit (unaudited)	–	–	–	–	16,547,022	16,547,022
Purchase of treasury shares, net (unaudited)	–	–	(62)	–	–	(62)
Depreciation of revalued premises, net of tax (unaudited)	–	–	–	(16,193)	21,304	5,111
Dividends declared (unaudited)						
- Ordinary shares	–	–	–	–	(2,555,588)	(2,555,588)
- Preference shares	–	–	–	–	(144,005)	(144,005)
<b>Balance at 30 September 2004</b>	<b>20,980,583</b>	<b>10,016,190</b>	<b>(374)</b>	<b>458,794</b>	<b>117,270,448</b>	<b>148,725,641</b>

*The accompanying notes are an integral part of these condensed financial statements.*

## **1. Principal Activities**

Sberbank (Savings Bank of the Russian Federation) (the “Bank”) is a joint stock commercial bank established in 1841 and has operated in various forms since then. The Bank’s principal shareholder, the Central Bank of the Russian Federation (the “Bank of Russia”), owns 63.76% of the ordinary shares or 60.57% of the issued and outstanding shares at 30 September 2004. The Bank is registered in the Russian Federation to conduct banking activities and has operated under a full banking license issued by the Bank of Russia since 1991. The Bank’s principal business activity is retail and commercial banking operations within the Russian Federation.

The Bank has 17 regional head offices, 1 000 branches and 19 233 sub-branches within the Russian Federation. The main office of the Bank is located at 19 Vavilova St., 117 997 Moscow. The average number employees during 2004 was 227,797 (2003: 219,048).

## **2. Operating Environment**

The Bank’s financial position and results of operations are significantly influenced by the economic and social policies of the Russian Federation. The Bank has a significant level of lending operations with companies that are controlled by the State or where the State holds more than 25% of the voting shares. As of 30 September 2004, loans granted to such companies with exposure over 1% of the Bank’s loan portfolio represented 3.4% of the total loan portfolio (31 December 2003: 7.9%).

Moody’s and Fitch, the international rating agencies, have assigned Russia an investment grade rating. Nevertheless, the Russian economy continues to display certain features consistent with those of a transitional economy. These attributes have in the past included higher than normal inflation rates and lack of liquidity in capital markets. The continued development and stability of the Russian economy will be significantly impacted by the Government’s continued actions with regard to supervisory, legal, and economic reforms.

Those uncertainties may affect the ability of the banking sector to conduct operations. The Bank could be affected, in the foreseeable future, by these risks and their consequences. As a result, these uncertainties may affect the Bank’s future operations, the recoverability of its assets, and the ability to maintain or pay its obligations as they mature. The Bank’s risk management processes give consideration to these uncertainties.

## **3. Basis of Presentation and Significant Accounting Policies**

These condensed financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) which comprise standards and interpretations approved by the International Accounting Standards Board, and International Accounting Standards (“IAS”) and Standing Interpretations Committee interpretations (“SIC”) approved by the International Accounting Standards Committee that remain in effect. The Bank maintains its accounting records in accordance with Russian banking regulations. These condensed financial statements have been prepared from those accounting records and adjusted as necessary in order to comply with IFRS in all material aspects.

These interim condensed financial statements contain information and disclosures as required by IAS 34 “Interim financial reporting”, which defines the content of an interim financial report, including disclosures; and identifies the accounting recognition and measurement principles that should be applied in an interim financial report.

The results reported in the accompanying statements for the nine-month period ended 30 September 2004, should not be regarded as necessarily indicative of the results that may be expected for the entire year.

The condensed financial statements are presented in the national currency of the Russian Federation, the Russian Ruble (“RR”).

Significant accounting policies and methods of computation applied in preparation of these interim condensed financial statements are the same as for the financial statements for the year ended 31 December 2003.



#### 4. Cash and Cash Equivalents

	<b>30 September 2004 (unaudited)</b>	<b>31 December 2003</b>
Cash on hand	25,182,077	25,798,913
Cash balances with the Bank of Russia (other than mandatory reserve deposits)	3,958,633	12,327,864
Correspondent accounts and overnight deposits with other banks		
- Russian Federation	1,493,854	4,089,790
- Other countries	10,706,082	738,788
Balances with non-banking settlement organisations	102,535	2,892
Precious metals	3,943,135	2,657,681
<b>Total cash and cash equivalents</b>	<b>45,386,316</b>	<b>45,615,928</b>

#### 5. Trading Securities

	<b>30 September 2004 (unaudited)</b>	<b>31 December 2003</b>
<b>RR denominated securities</b>		
Federal loan bonds (OFZ) and federal short term bonds (GKO)	36,650,730	57,546,097
Municipal bonds	24,976,479	16,556,880
Corporate shares	3,100,488	3,117,173
Corporate bonds	1,181,915	477,274
<b>Foreign currency denominated securities</b>		
Russian Federation Eurobonds	54,683,007	31,273,191
Federal currency bonds (OVGVZ)	1,305,044	1,319,933
<b>Foreign currency denominated securities sold under repo</b>		
Russian Federation Eurobonds	–	25,018,980
<b>Total trading securities</b>	<b>121,897,663</b>	<b>135,309,528</b>

Stated coupon rates and maturity of trading securities are as follows:

	<b>30 September 2004</b>		<b>31 December 2003</b>	
	%	Maturity	%	Maturity
Federal loan bonds (OFZ) and federal short term bonds (GKO)	6.00% - 13.00%	2004 – 2018	8.00% - 14.00%	2004 - 2018
Federal currency bonds (OVGVZ)	3.00%	2006 - 2011	3.00%	2006 - 2011
Russian Federation Eurobonds	5.00% - 12.75%	2005 - 2030	5.00% - 12.75%	2004 - 2030
Municipal bonds	7.48% - 16.90%	2004 – 2014	7.48% - 17.00%	2004 - 2011
Corporate bonds	9.28% - 17.00%	2004 - 2009	8.50% - 16.00%	2004 - 2006

**6. Due from Banks**

	<b>30 September 2004 (unaudited)</b>	<b>31 December 2003</b>
Current loans to banks	41,273,790	47,520,681
Reverse repo deals with Bank of Russia	69,670,286	31,108,876
Overdue loans to banks	76,900	76,900
Less: allowance for loan impairment	(76,900)	(76,900)
<b>Total due from banks</b>	<b>110,944,076</b>	<b>78,629,557</b>

Movement in the allowances for loan impairment is as follows:

<b>Allowance for loan impairment at 31 December 2002</b>	<b>(81,537)</b>
Provision for allowance for loan impairment (unaudited)	(14,084)
<b>Allowance for loan impairment at 30 September 2003 (unaudited)</b>	<b>(95,621)</b>
Reversal of allowance for loan impairment (unaudited)	14,354
Due from banks written off (unaudited)	4,367
<b>Allowance for loan impairment at 31 December 2003</b>	<b>(76,900)</b>
(Provision) of allowance for loan impairment (unaudited)	–
<b>Allowance for loan impairment at 30 September 2004 (unaudited)</b>	<b>(76,900)</b>

**7. Securities Available for Sale**

	<b>30 September 2004 (unaudited)</b>	<b>31 December 2003</b>
<b>Debt securities</b>		
Federal loan bonds (OFZ) and federal short term bonds (GKO)	200,572,225	151,430,367
Russian Federation Eurobonds	5,726,742	15,975,926
Municipal bonds	72,150	–
Corporate bonds	3,501,671	2,440,976
<b>Equity securities</b>		
Investments in non-consolidated subsidiary companies	257,631	257,631
Investments held for sale	8,459,613	6,589,173
<b>Total securities available for sale</b>	<b>218,590,032</b>	<b>176,694,073</b>

Stated coupon rates and maturities of federal government, municipal and corporate securities in the Bank's portfolio are presented in Note 5.

The majority of subsidiary and associated companies have not prepared financial statements in accordance with IFRS. These investments have not been consolidated with the results of the Bank nor accounted for under equity method, as the effect of consolidation or equity accounting would not materially alter the financial position of the Bank or the results of its operations or cash flows for the periods.

**8. Loans and Advances to Customers**

	<b>30 September 2004 (unaudited)</b>	<b>31 December 2003</b>
Current loans	1,186,824,068	844,855,369
Overdue loans	19,864,263	14,068,226
<b>Total loans and advances to customers, gross</b>	<b>1,206,688,331</b>	<b>858,923,595</b>
Less: allowance for loan impairment	(76,380,463)	(66,559,980)
<b>Total loans and advances to customers, net</b>	<b>1,130,307,868</b>	<b>792,363,615</b>

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Overdue loans and advances to customers represent overdue payments of loan principal.

Movements in the allowances for loan impairment are as follows:

<b>Allowance for loan impairment at 31 December 2002</b>	<b>(51,868,900)</b>
Provision for loan impairment (unaudited)	(16,469,192)
Loans and advances to customers written off (unaudited)	1,132,365
<b>Allowance for loan impairment at 30 September 2003 (unaudited)</b>	<b>(67,205,727)</b>
Provision for loan impairment (unaudited)	(40,938)
Loans and advances to customers written off (unaudited)	686,685
<b>Allowance for loan impairment at 31 December 2003</b>	<b>(66,559,980)</b>
Provision for loan impairment (unaudited)	(11,513,506)
Loans and advances to customers written off (unaudited)	1,693,023
<b>Allowance for loan impairment at 30 September 2004 (unaudited)</b>	<b>(76,380,463)</b>

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## 8. Loans and Advances to Customers (continued)

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

	30 September 2004 (unaudited)		31 December 2003	
	Amount	%	Amount	%
Individuals	262,088,807	21.72%	145,604,017	16.95%
Trade	231,516,722	19.19%	156,013,372	18.16%
Food and agriculture	116,116,977	9.62%	82,241,174	9.57%
Services	111,122,794	9.21%	53,159,527	6.19%
Machine-building	106,420,588	8.82%	89,740,231	10.45%
Metallurgy	73,486,174	6.09%	83,299,731	9.70%
Oil, gas and chemical	68,326,984	5.66%	82,030,021	9.56%
Energy	49,359,438	4.09%	21,412,462	2.49%
Telecommunications	47,678,705	3.95%	38,925,824	4.53%
Transport, aviation, space industry	46,251,336	3.83%	30,988,219	3.61%
Construction	35,751,037	2.96%	39,323,699	4.58%
Government and municipal bodies	21,541,415	1.79%	15,304,955	1.78%
Timber industry	20,393,440	1.69%	16,157,812	1.88%
Other	16,633,914	1.38%	4,722,551	0.55%
<b>Total loans and advances to customers, gross</b>	<b>1,206,688,331</b>	<b>100.00%</b>	<b>858,923,595</b>	<b>100.00%</b>

The Bank's loan portfolio has been extended to the following types of borrowers:

	30 September 2004 (unaudited)	31 December 2003
Limited liability and joint-stock companies	856,520,629	646,570,568
Individuals	262,088,807	145,604,017
State enterprises	53,184,259	39,080,724
Entities of the subjects of the Russian Federation	10,975,875	15,340,316
Municipal bodies	4,161,804	2,648,901
Others	19,756,957	9,679,069
<b>Total loans and advances to customers, gross</b>	<b>1,206,688,331</b>	<b>858,923,595</b>

The Bank's largest ten borrowers constitute RR 233,581,076 or 19.4% of the total loan portfolio (2003: RR 175,567,927 or 20.4%). As of 30 September 2004, the largest borrower is represented by a group of the companies that operate under common control with loans of RR 67,124,946 or 5.6% (2003: RR 54,724,886 or 6.4%).

## 9. Securities Acquired at Original Issuance

	30 September 2004 (unaudited)		31 December 2003	
	Nominal value	Carrying value	Nominal value	Carrying value
Russian Federation Eurobonds	49,765,486	38,857,897	82,511,185	71,252,208
Federal loan bonds (OFZ)	–	–	2,254,483	2,283,107
<b>Total securities acquired at original issuance</b>	<b>49,765,486</b>	<b>38,857,897</b>	<b>84,765,668</b>	<b>73,535,315</b>

Securities acquired at original issuance include securities obtained directly from the issuer – the Ministry of Finance of the Russian Federation, and not designated for immediate or short-term sale.

The Bank's portfolio of securities acquired at original issuance as of 30 September 2004 consists of two issues of Russian Federation Eurobonds with maturity dates of 24 July 2005 and 24 July 2018 and effective yield to maturity 15.45% and 15.76%, correspondingly. The annual coupon rate on these bonds ranges from 8.75% to 11.00%, and interest is payable semi-annually. Market value of these Eurobonds as of 30 September 2004 was RR 65,039,006 (2003: RR 102,749,403). These Eurobonds were received from the Ministry of Finance in July 1998, in exchange for part of the Bank's Russian Ruble denominated state securities portfolio.

During the first nine months of 2004, the Bank disposed of certain Russian Federation Eurobonds with par value of USD 1,098,010 thousand maturing in 2005.

## 10. Due to Banks

	30 September 2004 (unaudited)	31 December 2003
<b>Amounts on "LORO" accounts of other banks</b>		
- Russian Federation	7,073,371	6,823,415
- Other countries	2,332,398	1,996,102
<b>Short term deposits due to banks</b>		
- Russian Federation	8,259,675	683,903
- Other countries	–	28,386,050
<b>Total due to banks</b>	<b>17,665,444</b>	<b>37,889,470</b>

**11. Deposits from Individuals and Customer Accounts**

	<b>30 September 2004 (unaudited)</b>	<b>31 December 2003</b>
<b>Individuals</b>		
- Current/demand accounts	109,165,637	130,375,539
- Term deposits	1,040,271,663	848,205,300
<b>Total deposits from individuals</b>	<b>1,149,437,300</b>	<b>978,580,839</b>
<b>State and public organisations</b>		
- Current/settlement accounts	60,158,771	39,206,809
- Term deposits	3,012,254	437,843
<b>Other legal entities</b>		
- Current/settlement accounts	242,345,461	154,510,183
- Term deposits	57,312,661	17,406,327
<b>Total customer accounts</b>	<b>362,829,147</b>	<b>211,561,162</b>
<b>Total deposits from individuals and customer accounts</b>	<b>1,512,266,447</b>	<b>1,190,142,001</b>

Economic sector concentrations within customer accounts are as follows:

	<b>30 September 2004 (unaudited)</b>		<b>31 December 2003</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Individuals	1,149,437,300	76.01%	978,580,839	82.22%
Oil and gas	75,821,140	5.01%	27,480,568	2.31%
Municipal bodies and state organisations	47,361,107	3.13%	10,677,141	0.90%
Trade	45,756,545	3.03%	38,371,147	3.22%
Metallurgy	28,965,336	1.92%	5,576,048	0.47%
Construction	20,416,548	1.35%	17,468,521	1.47%
Food and agriculture	19,762,405	1.31%	14,700,988	1.24%
Energy	16,773,297	1.11%	4,363,940	0.37%
Equipment manufacturing	11,780,257	0.78%	8,602,025	0.72%
Telecommunications	10,716,304	0.71%	7,741,794	0.65%
Transport, aviation and space	9,259,809	0.61%	7,302,412	0.61%
Other	76,216,399	5.03%	69,276,578	5.82%
<b>Total deposits from individuals and customer accounts</b>	<b>1,512,266,447</b>	<b>100.00%</b>	<b>1,190,142,001</b>	<b>100.00%</b>

Included in customer accounts are deposits of RR 22,314,345 (2003: RR 9,776,039) held as collateral for irrevocable commitments under import letters of credit.

## 12. Own Securities Issued

	30 September 2004 (unaudited)	31 December 2003
Bills of exchange	70,833,653	70,283,192
Eurobonds	29,235,536	29,429,729
Savings certificates	3,309,561	1,695,309
Deposit certificates	1,562,207	2,602,135
<b>Total own securities issued</b>	<b>104,940,957</b>	<b>104,010,365</b>

## 13. Other Borrowed Funds

As of 30 September 2004, the Bank had borrowings of USD 39,489 thousand carried at USD 39,835 thousand, or RR 1,163,869 (2003: USD 32,740 thousand carried at USD 33,204 thousand, or RR 977,998), and borrowings of EUR 17,108 thousand carried at EUR 17,209 thousand, or RR 619,344 (2003: EUR 2,038 thousand carried at EUR 2,041 thousand, or RR 75,153). The borrowings are attracted in the form of special purpose lines of credit from international and foreign banking institutions. The contractual maturities of the borrowings vary from one to 88 months (2003: one to 66 months), the annual interest rate for USD borrowings ranges from LIBOR + 0.99% to LIBOR + 1.95% (2003: LIBOR + 0.99% to LIBOR + 1.95%) and for EUR borrowings ranges from EURIBOR + 0.75% to EURIBOR + 0.875% (2003: EURIBOR + 0.875%).

## 14. Shareholders' Equity

Shareholders' equity and net profit are reconciled between Russian statutory books and IFRS as follows:

	Nine-month period ended 30 September 2004 (unaudited)		Year ended 31 December 2003
	Shareholders' equity	Net profit	Shareholders' equity
<b>Russian statutory books</b>	<b>185,422,469</b>	<b>43,102,720</b>	<b>157,392,208</b>
Inflation impact on:			
- share capital	–	–	–
- other non-monetary items	39,570,692	–	39,539,689
Premises revaluation reserve	(36,604,848)	–	(36,593,231)
Additional allowance for impairment	(28,376,699)	(7,131,994)	(21,244,705)
Depreciation and amortisation	(12,950,407)	(2,905,728)	(10,044,679)
Accrued staff cost and administration expense	(7,194,557)	852,975	(8,047,532)
Deferred tax	4,973,022	1,901,760	3,073,292
Fair value adjustment for securities	4,301,717	(4,772,386)	9,074,103
Accrued interest income and expense, net	(2,909,965)	(4,599,027)	1,689,062
Current tax	2,504,354	(6,886,945)	–
Expenses booked directly to shareholders' funds	–	(2,954,137)	–
Other	(10,137)	(60,216)	34,956
<b>International Financial Reporting Standards</b>	<b>148,725,641</b>	<b>16,547,022</b>	<b>134,873,163</b>

#### 14. Shareholders' Equity (continued)

In accordance with Russian banking regulations, the Bank must distribute profits as dividends or transfer them to reserves (fund accounts) on the basis of financial statements prepared in accordance with Russian Accounting Rules. The Bank's reserves under Russian Accounting Rules as of 30 September 2004 were RR 108,054,518 (as of 31 December 2003: RR 79,963,340).

#### 15. Interest Income and Expense

	<b>Nine month periods ended</b>	
	<b>30 September</b>	
	<b>2004</b>	<b>2003</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Interest income</b>		
Loans and advances to customers	95,113,939	70,095,879
Interbank loans	4,387,534	4,087,538
Securities	14,682,558	21,675,785
<b>Total interest income</b>	<b>114,184,031</b>	<b>95,859,202</b>
<b>Interest expense</b>		
Term deposits from individuals	(55,833,224)	(50,628,184)
Current/settlement accounts	(3,772,360)	(2,927,924)
Term deposits of legal entities	(657,383)	(1,074,101)
Own securities issued	(1,720,027)	(4,049,107)
Term placements of banks and other borrowed funds	(934,773)	(227,610)
<b>Total interest expense</b>	<b>(62,917,767)</b>	<b>(58,906,926)</b>
<b>Net interest income</b>	<b>51,266,264</b>	<b>36,952,276</b>

As of 30 September 2004, the Bank had RR 20,037,682 of loans (31 December 2003: RR 16,608,757) that have been placed on non-performing status as to contractual interest in accordance with the Bank's accounting policy. As of 30 September 2004, interest income not recognised for non-performing loans was RR 3,165,969 (31 December 2003: RR 2,924,851).



**16. Gains Less Losses Arising from Securities and Derivatives**

	Nine month periods ended 30 September					
	2004 (unaudited)			2003 (unaudited)		
	Adjusting to fair value	Realized revaluation income and income from redemption	Total	Adjusting to fair value	Realized revaluation income and income from redemption	Total
Derivative financial instruments	303,568	(948,161)	<b>(644,593)</b>	772,965	152,632	<b>925,597</b>
Trading securities and securities available for sale	(5,353,667)	20,761,889	<b>15,408,222</b>	17,329,559	14,503,836	<b>31,833,395</b>
<b>Total gains less losses arising from securities and derivatives</b>	<b>(5,050,099)</b>	<b>19,813,728</b>	<b>14,763,629</b>	<b>18,102,524</b>	<b>14,656,468</b>	<b>32,758,992</b>

**17. Fee and Commission Income and Expense**

	Nine month periods ended 30 September	
	2004 (unaudited)	2003 (unaudited)
Commission on cash transactions	12,699,297	9,460,873
Commission for lending operations	5,907,614	2,416,847
Commission on settlement transactions	2,426,116	1,577,115
Commission related to operations with foreign currency	1,618,211	982,916
Commission on cash collection	953,070	694,096
Commission on transactions with securities	314,221	226,133
Commission on guarantees issued	93,066	29,534
Other	187,500	80,229
<b>Total fee and commission income</b>	<b>24,199,095</b>	<b>15,467,743</b>
Commission related to operations with foreign currency	(333,881)	(210,864)
Commission on settlement transactions	(148,012)	(87,565)
Commission on transactions with securities	(87,224)	(83,053)
Commission on cash collection	(65,964)	(53,775)
Commission on cash transactions	(603)	(670)
Other	(77,156)	(18,771)
<b>Total fee and commission expense</b>	<b>(712,840)</b>	<b>(454,698)</b>
<b>Net fee and commission income</b>	<b>23,486,255</b>	<b>15,013,045</b>

**18. Payroll and Other Staff Expenses**

	Nine month periods ended 30 September	
	2004 (unaudited)	2003 (unaudited)
Payroll expenses	(30,482,353)	(28,657,711)
Unified social tax expenses	(8,222,832)	(7,643,444)
<b>Total payroll and other staff expenses</b>	<b>(38,705,185)</b>	<b>(36,301,155)</b>

**19. Operating Expenses**

	Nine month periods ended 30 September	
	2004 (unaudited)	2003 (unaudited)
Administrative expenses	(5,364,180)	(5,390,297)
Taxes other than income tax	(4,767,829)	(4,250,532)
Depreciation and amortisation	(6,076,432)	(4,425,183)
Other expenses related to premises and equipment	(3,312,061)	(1,464,449)
Information and telecommunication expenses	(1,285,892)	(1,012,116)
Advertising and marketing	(545,797)	(371,663)
Charity	(266,345)	(428,772)
Expenses related to clients claims and court expenses	(187,505)	(153,708)
Professional services	(112,134)	(88,902)
Other	(1,842,355)	(1,879,018)
<b>Total operating expenses</b>	<b>(23,760,530)</b>	<b>(19,464,640)</b>

**20. Income Taxes**

	Nine month periods ended 30 September	
	2004 (unaudited)	2003 (unaudited)
Current tax expense	(6,881,970)	(1,465,393)
Deferred tax benefit (expense)	1,902,100	(423,244)
<b>Income tax expense</b>	<b>(4,979,870)</b>	<b>(1,888,637)</b>

## 21. Earnings per Share

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

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

	<b>Nine month periods ended 30 September</b>	
	<b>2004 (unaudited)</b>	<b>2003 (unaudited)</b>
Net profit attributable to shareholders	16,547,022	11,819,782
Less: dividends on preference shares	(144,005)	(116,005)
Net profit attributable to ordinary shareholders	16,403,017	11,703,777
Weighted average number of ordinary shares outstanding (thousands)	18,998	18,998
<b>Basic and diluted earnings per share</b> (expressed in Russian Rubles per share)	<b>863</b>	<b>616</b>

## 22. Dividends

	<b>30 September 2004 (unaudited)</b>		<b>31 December 2003</b>	
	<b>Ordinary</b>	<b>Preference</b>	<b>Ordinary</b>	<b>Preference</b>
Dividends payable at 1 January	22,350	1,252	13,647	773
Dividends declared	2,555,588	144,005	2,071,083	116,005
Dividends paid	(2,547,699)	(136,548)	(2,062,380)	(115,526)
<b>Dividends payable at the end of the accounting period</b>	<b>30,239</b>	<b>8,709</b>	<b>22,350</b>	<b>1,252</b>
<b>Dividends per share declared</b> (expressed in Russian Rubles per share)	<b>134.50</b>	<b>2.88</b>	<b>109.00</b>	<b>2.32</b>

Dividends are declared and paid in Russian Rubles.

### 23. Analysis by Segment

**Segment reporting.** In accordance with requirements of IAS 14 “Segment reporting”, the Bank defined that its primary segments are business (corporate and retail). Segment reporting per business segments as of 30 September 2004 (unaudited) follows:

	Corporate Sector	Retail Sector	Unallocated	Total
<b>Assets</b>				
Trading securities	121,897,663	–	–	121,897,663
Due from banks	110,944,076	–	–	110,944,076
Securities available for sale	218,590,032	–	–	218,590,032
Loans and advances to customers	874,051,690	256,256,178	–	1,130,307,868
Securities acquired at original issuance	38,857,897	–	–	38,857,897
Unallocated assets	–	–	174,106,126	174,106,126
<b>Total Assets</b>	<b>1,364,341,358</b>	<b>256,256,178</b>	<b>174,106,126</b>	<b>1,794,703,662</b>
<b>Liabilities</b>				
Due to banks	17,665,444	–	–	17,665,444
Deposits from individuals	–	1,149,437,300	–	1,149,437,300
Customer accounts	362,829,147	–	–	362,829,147
Own securities issued	96,766,112	8,174,845	–	104,940,957
Other borrowed funds	1,783,213	–	–	1,783,213
Unallocated liabilities	–	–	9,321,960	9,321,960
<b>Total Liabilities</b>	<b>479,043,916</b>	<b>1,157,612,145</b>	<b>9,321,960</b>	<b>1,645,978,021</b>
Interest income on loans	73,097,339	26,404,134	–	99,501,473
Interest income on securities	14,682,558	–	–	14,682,558

Segment reporting per business segments as of 31 December 2003 and interest income for the nine-month period ended 30 September 2003 (unaudited) follows:

	Corporate Sector	Retail Sector	Unallocated	Total
<b>Assets</b>				
Trading securities	135,309,528	–	–	135,309,528
Due from banks	78,629,557	–	–	78,629,557
Securities available for sale	176,694,073	–	–	176,694,073
Loans and advances to customers	651,171,267	141,192,348	–	792,363,615
Securities acquired at original issuance	73,535,315	–	–	73,535,315
Unallocated assets	–	–	220,969,170	220,969,170
<b>Total Assets</b>	<b>1,115,339,740</b>	<b>141,192,348</b>	<b>220,969,170</b>	<b>1,477,501,258</b>
<b>Liabilities</b>				
Due to banks	37,889,470	–	–	37,889,470
Deposits from individuals	–	978,580,839	–	978,580,839
Customer accounts	211,561,162	–	–	211,561,162
Own securities issued	95,782,043	8,228,322	–	104,010,365
Other borrowed funds	1,053,151	–	–	1,053,151
Unallocated liabilities	–	–	9,533,108	9,533,108
<b>Total Liabilities</b>	<b>346,285,826</b>	<b>986,809,161</b>	<b>9,533,108</b>	<b>1,342,628,095</b>
Interest income on loans	61,729,553	12,453,864	–	74,183,417
Interest income on securities	21,675,785	–	–	21,675,785

## 24. Currency and Liquidity Risks

The liquidity position of the Bank as of 30 September 2004 (unaudited) is set out below.

	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 1 to 3 years</b>	<b>More than 3 years</b>	<b>Overdue / no stated maturity</b>	<b>Total</b>
<b>Assets</b>							
Cash and cash equivalents	45,386,316	–	–	–	–	–	45,386,316
Mandatory cash balances with the Central Bank of the Russian Federation	–	–	–	–	–	44,881,204	44,881,204
Trading securities	121,897,663	–	–	–	–	–	121,897,663
Due from banks	27,418,837	58,330,639	24,193,914	1,000,686	–	–	110,944,076
Securities available for sale	–	76,659	37,084,247	77,019,702	95,692,180	8,717,244	218,590,032
Loans and advances to customers	93,485,936	267,292,175	308,593,069	275,821,583	176,729,946	8,385,159	1,130,307,868
Securities acquired at original issuance	–	–	107,815	–	38,750,082	–	38,857,897
Tax asset	–	–	–	–	–	7,673,988	7,673,988
Premises and equipment	–	–	–	–	–	67,452,411	67,452,411
Other assets	5,566,642	1,834,591	254,543	355,010	295,669	405,752	8,712,207
<b>Total assets</b>	<b>293,755,394</b>	<b>327,534,064</b>	<b>370,233,588</b>	<b>354,196,981</b>	<b>311,467,877</b>	<b>137,515,758</b>	<b>1,794,703,662</b>
<b>Liabilities</b>							
Due to banks	(17,665,444)	–	–	–	–	–	(17,665,444)
Deposits from individuals	(234,957,599)	(473,054,572)	(217,828,938)	(147,464,896)	(76,131,295)	–	(1,149,437,300)
Customer accounts	(321,508,827)	(33,784,084)	(1,930,755)	(5,589,520)	(15,961)	–	(362,829,147)
Own securities issued	(40,827,878)	(12,494,302)	(5,985,893)	(45,623,780)	(9,104)	–	(104,940,957)
Other borrowed funds	(2,577)	(20,069)	(8,897)	(912,099)	(839,571)	–	(1,783,213)
Other liabilities	(4,606,986)	(1,071,106)	(1,230,060)	(2,043,540)	(369,894)	(374)	(9,321,960)
<b>Total liabilities</b>	<b>(619,569,311)</b>	<b>(520,424,133)</b>	<b>(226,984,543)</b>	<b>(201,633,835)</b>	<b>(77,365,825)</b>	<b>(374)</b>	<b>(1,645,978,021)</b>
<b>Net liquidity gap</b>	<b>(325,813,917)</b>	<b>(192,890,069)</b>	<b>143,249,045</b>	<b>152,563,146</b>	<b>234,102,052</b>	<b>137,515,384</b>	<b>148,725,641</b>
<b>Cumulative liquidity gap at 30 September 2004</b>	<b>(325,813,917)</b>	<b>(518,703,986)</b>	<b>(375,454,941)</b>	<b>(222,891,795)</b>	<b>11,210,257</b>	<b>148,725,641</b>	
<b>Cumulative liquidity gap at 31 December 2003</b>	<b>(234,033,111)</b>	<b>(345,413,003)</b>	<b>(380,625,591)</b>	<b>(246,161,809)</b>	<b>(40,756,793)</b>	<b>134,873,163</b>	

## 24. Currency and Liquidity Risks (continued)

At 30 September 2004 (unaudited), the Bank has the following positions in currencies:

	RR	USD	Euro	Other currencies	Total
<b>Assets</b>					
Cash and cash equivalents	21,804,092	9,188,403	9,642,046	4,751,775	45,386,316
Mandatory cash balances with the Central Bank of the Russian Federation	44,881,204	–	–	–	44,881,204
Trading securities	65,909,612	55,688,465	299,586	–	121,897,663
Due from banks	100,371,086	5,174,549	5,398,441	–	110,944,076
Securities available for sale	212,863,290	5,726,742	–	–	218,590,032
Loans and advances to customers	893,420,064	220,299,010	16,422,271	166,523	1,130,307,868
Securities acquired at original issuance	–	38,857,897	–	–	38,857,897
Tax asset	7,673,988	–	–	–	7,673,988
Premises and equipment	67,452,411	–	–	–	67,452,411
Other assets	7,793,806	746,350	97,359	74,692	8,712,207
<b>Total assets</b>	<b>1,422,169,553</b>	<b>335,681,416</b>	<b>31,859,703</b>	<b>4,992,990</b>	<b>1,794,703,662</b>
<b>Liabilities</b>					
Due to banks	(15,801,312)	(1,788,299)	(49,215)	(26,618)	(17,665,444)
Deposits from individuals	(910,213,284)	(203,703,824)	(34,464,066)	(1,056,126)	(1,149,437,300)
Customer accounts	(254,814,365)	(81,433,933)	(26,260,898)	(319,951)	(362,829,147)
Own securities issued	(66,545,038)	(37,749,428)	(646,491)	–	(104,940,957)
Other borrowed funds	–	(1,163,869)	(619,344)	–	(1,783,213)
Other liabilities	(8,407,187)	(742,802)	(141,088)	(30,883)	(9,321,960)
<b>Total liabilities</b>	<b>(1,255,781,186)</b>	<b>(326,582,155)</b>	<b>(62,181,102)</b>	<b>(1,433,578)</b>	<b>(1,645,978,021)</b>
<b>Net balance sheet position</b>	<b>166,388,367</b>	<b>9,099,261</b>	<b>(30,321,399)</b>	<b>3,559,412</b>	<b>148,725,641</b>
<b>Credit related commitments</b>	<b>104,946,793</b>	<b>53,513,580</b>	<b>7,760,678</b>	<b>492,181</b>	<b>166,713,232</b>

At 31 December 2003, the Bank had the following positions in currency:

	RR	USD	EUR	Other currencies	Total
<b>Net balance sheet position</b>	<b>114,292,619</b>	<b>41,121,277</b>	<b>(23,119,266)</b>	<b>2,578,533</b>	<b>134,873,163</b>
<b>Credit related commitments</b>	<b>78,278,914</b>	<b>34,131,946</b>	<b>8,551,237</b>	<b>13,408</b>	<b>120,975,505</b>

## 25. Contingencies, Commitments and Derivative Financial Instruments

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

**Tax legislation.** Due to the presence in Russian tax legislation 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 judgement of business activities, the Bank's judgement of its business activities may not coincide with the interpretation of the same activities by tax authorities.

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

If a particular treatment was to be challenged by the tax authorities, the Bank may be assessed additional taxes, penalties and interest, which can be significant. Tax years remain open to review by the tax authorities for three years.

**Capital commitments.** As of 30 September 2004, the Bank had capital commitments in respect of construction totalling RR 2,898,202 (31 December 2003: RR 2,785,341). The Bank has already allocated the necessary resources in respect of this commitment. The Bank believes that future funding will be sufficient to cover this and any similar commitments.

**Credit related commitments.** The credit related commitments comprise loan commitments, letters of credit and guarantees. The contractual amount of these commitments represents the value at risk should the contract be fully drawn upon, the client defaults, and the value of any existing collateral becomes worthless. In general, most of the Bank's import letters of credit are collateralised with cash deposits or collateral pledged to the Bank and accordingly the Bank normally assumes minimal risk. Outstanding credit related commitments are as follows:

	<b>30 September 2004</b> <b>(unaudited)</b>	<b>31 December 2003</b>
Undrawn credit lines and commitments to extend credit	152,606,713	107,725,413
Import letters of credit	23,634,991	10,546,724
Export letters of credit	7,111,985	8,410,654
Guarantees issued	4,731,146	2,861,601
Letters of credit for domestic settlements	1,037,365	1,264,384
Less: cash deposits held as collateral	(22,314,345)	(9,776,039)
Less: provision for losses on credit related commitments	(94,623)	(57,232)
<b>Total credit related commitments</b>	<b>166,713,232</b>	<b>120,975,505</b>

The Bank evaluated the likelihood of possible losses arising from other credit related commitments and concluded that a provision of RR 94,623 was necessary as of 30 September 2004 (2003: RR 57,232). This provision is accounted under other liabilities. The total outstanding contractual amount of guarantees, letters of credit, and undrawn credit lines does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

**Derivatives.** The Bank enters into derivative agreements that include forward, option and swap agreements with foreign currency, forward agreements with securities and precious metals and other derivatives. Currency-based and other derivatives are usually traded on the over-the-counter market on the basis of the standard contracts.

**25. Contingencies, Commitments and Derivative Financial Instruments (continued)**

The table below includes contracts with a maturity date subsequent to 30 September 2004 (unaudited). These contracts were entered into in 2004 and are short term in nature.

	Domestic				Foreign			
	Principal or agreed amount of asset purchased	Principal or agreed amount of asset sold	Unrealised loss	Unrealised gain	Principal or agreed amount of asset purchased	Principal or agreed amount of asset sold	Unrealised loss	Unrealised gain
<b>Spot transactions</b>								
Foreign currency								
- purchase	146,086	146,098	(12)	–	25,902,530	25,907,202	(6,095)	1,423
- sale	242,584	242,502	–	82	–	–	–	–
Precious metals								
- purchase	–	–	–	–	12,144	12,051	–	93
- sale	23,332	23,552	(220)	–	6,640,180	6,691,439	(51,451)	192
<b>Term deals</b>								
Foreign currency								
- sale	13,783,727	13,784,180	(677)	224	303,420	304,306	(1,069)	183
- purchase	836,270	836,074	(43)	239	–	–	–	–
Securities								
- purchase	140,498	140,498	–	–	109,090	112,421	(3,331)	–
- sale	170,255	165,725	–	4,530	690,615	668,124	–	22,491
Precious metals								
- purchase	6,501,319	6,152,772	(5,240)	353,787	3,304,941	3,282,468	–	22,473
- sale	13,838	13,893	(57)	2	–	–	–	–
<b>Total</b>	<b>21,857,909</b>	<b>21,505,294</b>	<b>(6,249)</b>	<b>358,864</b>	<b>36,962,920</b>	<b>36,978,011</b>	<b>(61,946)</b>	<b>46,855</b>

Unrealised gains or losses in the table above reflect the fair value adjustment of outstanding derivatives as of the each period. The Bank has recorded a net gain of RR 337,524 (30 September 2003: RR 836,374), which is included in gains less losses arising from securities and derivatives.

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

	30 September 2004 (unaudited) Nominal value	31 December 2003 Nominal value
Shares in companies held in other custodies	10,773,652	11,318,763
Debt securities of municipal authorities of RF	2,351,054	2,574,936
OVGVZ	1,591,923	1,595,698
Bills of exchange	9,285,389	1,495,452
GKO and OFZ	335,227	408,049
RF Eurobonds	2,922	2,945
Other securities	1,348,376	2,915,417



**25. Contingencies, Commitments and Derivative Financial Instruments (continued)**

*Assets pledged.* As of 30 September 2004, the Bank has pledged securities with fair value of RR 40,837,978 as collateral against overnight interbank borrowings that the Bank takes on a regular basis from the Bank of Russia (31 December 2003: RR 36,938,861).

**26. Related Party Transactions**

The outstanding balances at the end of the accounting period and interest expense and income as well as other transactions for with related parties other than the Central Bank of the Russian Federation are as follows:

	<b>30 September 2004 (unaudited)</b>	<b>31 December 2003</b>
<b>Correspondent accounts and overnight deposits with banks</b>	11,008	2,617
<b>Loans and advances to customers</b>		
Loans outstanding	4,968,352	2,960,739
Allowance for loan impairment	(1,066,163)	(1,203,242)
<b>Due to banks</b>		
Correspondent accounts and overnight deposits of other banks	–	6,092
<b>Customer deposits</b>		
Current/settlement accounts	249,229	200,265
	<b>Nine month periods ended 30 September</b>	
	<b>2004 (unaudited)</b>	<b>2003 (unaudited)</b>
Interest income on deposits with the banks	750	5,883
Interest income on loans and advances to customers	98,376	79,407
Interest expense on deposits of other banks	150	481
Interest expense on customer deposits	6,940	5,354

The Bank of Russia is the majority shareholder of the Bank. As noted in the financial statements, the Bank maintains a number of balances, and carries out a range of transactions with the Bank of Russia, which are not included in the above analysis. These transactions included settlements, deposit placement and deposit taking, transfer of funds to the mandatory cash balances in accordance with the Russian banking regulations. These transactions were priced predominantly at market rates, where applicable.

**26. Related Party Transactions (continued)**

The outstanding balances at the end of the accounting period and interest income and expense as well as other transactions with the Bank of Russia are stated in the table below:

	<b>30 September 2004 (unaudited)</b>	<b>31 December 2003</b>
Mandatory cash balances with the Bank of Russia	44,881,204	98,893,608
Account with the Bank of Russia (other than mandatory cash balances)	3,958,633	12,327,864
Deposits from the Bank of Russia (other than mandatory reserves)	(187,280)	–
Loans and advances to the Bank of Russia (including reverse repo transactions with the Bank of Russia)	92,003,804	74,215,323
Interest income	3,626,593	4,680,894
Interest expense	(116,968)	(64,073)

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**27. Capital Adequacy**

The Central Bank of the Russian Federation requires banks to maintain a capital adequacy ratio of 10% (2003: 10%) of risk weighted assets, computed based on statutory rules for Banks with equity capital more than five million EUR. As of 30 September 2004 and 31 December 2003, the Bank's capital adequacy ratio on this basis exceeded the statutory minimum.

As of 30 September 2004 and 31 December 2003 the Bank's international risk based capital adequacy ratio exceeded the minimum ratio of 8% recommended by the Basle Accord:

	<b>30 September 2004</b>	<b>31 December 2003</b>
Core capital adequacy ratio (Tier 1)	10.6%	12.7%
Total capital adequacy ratio (Tier 1 and Tier 2)	11.5%	13.7%

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