

PRIMSOTS BANK

**Summarized Financial Statements
and
Auditors Report on Summarized Financial Statements**

31 December 2004

Primsots Bank
Report on Summarised Financial Statements

Contents

Auditors' Report

Balance Sheet	1
Statement of Income	2
Statement of Cash Flows	3
Statement of Changes in Shareholders' Equity	4

Primsots Bank
Financial Statements and Auditors' Report

AUDITORS' REPORT

To the Management and the Board of Directors of Primsots Bank:

We have audited the financial statements of Primsots Bank (the "Bank") for the year ended December 31, 2004, from which the summarized financial statements were derived, in accordance with International Standards on Auditing. In our report dated 26 September 2005 we expressed an unqualified opinion on the financial statements from which the summarized financial statements were derived.

In our opinion, the accompanying summarized financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For the better understanding of the Bank's financial position and the result of its operations for the period and of the scope of our audit, the summarized financial statements should be read in conjunction with the financial statements from which the summarized financial statements were derived and our audit report thereon.

St. Paul's House
Warwick Lane,
London, EC4M 7BP, U.K.

Moore Stephens CIS

26 September 2005

Primsots Bank
Balance Sheet as at 31 December 2004
(in thousands of Russian Roubles)

	2004	2003
Assets		
Cash and cash equivalents	484,136	197,065
Mandatory cash balances with Central Bank of the Russian Federation	34,240	73,595
Securities	37,123	14,821
Due from banks	64,974	12
Loans and advances to customers	1,003,983	672,582
Deferred tax asset	9,160	3,273
Accrued interest income and other assets	22,572	24,764
Premises and equipment	32,922	73,525
Total assets	1,689,110	1,059,637
Liabilities and shareholders' equity		
Due to other banks	80	6,146
Customer accounts	1,385,063	841,746
Bills of exchange	142,866	62,006
Other borrowed funds	249	271
Accrued interest expense and other liabilities	23,726	20,718
Total liabilities	1,551,984	930,887
Shareholders' equity		
Share capital	77,000	77,000
Revaluation reserve	-	31,823
Accumulated profit and other reserves	60,126	19,927
Total shareholders' equity	137,126	128,750
Total liabilities and shareholders' equity	1,689,110	1,059,637
Total credit related commitments	125,613	35,112

Approved on behalf of the Board on 26 September 2005

D.B. Yarovoy, President

L.V. Barinova, Chief Accountant

Primsots Bank
Statement of Income for the Year Ended 31 December 2004
(in thousands of Russian Roubles)

	<u>2004</u>	<u>2003</u>
Interest income	188,117	115,998
Interest expense	(56,209)	(28,168)
Net interest income	131,908	87,830
Net charge for losses on loans and advances	(33,998)	(33,676)
Net interest income after provision for losses on loans and advances	97,910	54,154
Gains less losses arising from securities	955	2,420
Gains less losses arising from dealing in foreign Currencies	32,389	20,122
Net foreign exchange translation (losses) / gains	(6,241)	530
Net fee and commission income	96,444	62,070
Other operating income	7,589	2,484
Dividend income	3	20
Operating income	229,049	141,800
Operating expenses	(185,550)	(113,107)
Value transfer on premises	-	(17,193)
Value transfer on loans at below commercial rates	(1,190)	-
Profit before taxation	42,309	11,500
Taxation	(7,931)	(1,797)
Net profit for the year	<u>34,378</u>	<u>9,703</u>

Primsots Bank
Statement of Cash Flows for the Year Ended 31 December 2004
(in thousands of Russian Roubles)

	2004	2003
Cash flows from operating activities		
Interest received on loans	168,974	95,631
Interest paid	(46,738)	(22,745)
Net gains arising from dealing in securities	17,699	17,248
Income received from dealing in foreign currencies	32,389	20,094
Net fees and commissions received	96,444	62,151
Other operating income received	7,504	2,505
Operating expenses paid	(171,795)	(116,395)
Income tax paid	(4,226)	(6,376)
Cash flows from operating activities before changes in operating assets and liabilities	100,251	52,113
Net cash increase/(decrease) from changes in operating assets and liabilities		
Net decrease/(increase) in mandatory cash balances with the Central Bank of the Russian Federation	39,355	(37,534)
Net increase in securities	(22,293)	(14,545)
Net (increase)/decrease in due from banks	(64,277)	5,425
Net increase in loans and advances to customers	(345,449)	(405,460)
Net decrease in due to other banks	(6,066)	(17,911)
Net increase in customer accounts	543,317	414,406
Net increase in bills of exchange	80,860	50,262
Net change in other assets and liabilities	(10,157)	(11,319)
Net cash generated by operating activities	315,541	35,437
Cash flows from investing activities		
Purchase of premises and equipment	(24,314)	(13,194)
Proceeds from sale of fixed assets	88	29
Net cash used in investing activities	(24,226)	(13,165)
Cash flows from financing activities		
Issue of shares	-	35,819
Repayment of other borrowed funds	(22)	(547)
Net cash (used in)/received from financing activities	(22)	35,272
Effect of exchange rate changes and restatements on cash and cash equivalents	(4,222)	865
Net change in cash and cash equivalents	287,071	58,409
Cash and cash equivalents at the beginning of the year	197,065	138,656
Cash and cash equivalents at the end of the year	484,136	197,065

Primsots Bank
Statement of Changes in Shareholders' Equity for the Year Ended 31 December 2004
(in thousands of Russian Roubles)

	Share Capital	Revaluation reserve	Accumulated profit and other reserves	Total Shareholders' equity
Balance at 1 January 2003	46,000	31,823	10,224	88,047
Issue of shares	31,000	-	-	31,000
Net profit	-	-	9,703	9,703
Balance at 1 January 2004	77,000	31,823	19,927	128,750
Release of revaluation reserve on disposal of fixed assets	-	(31,823)	31,823	-
Distribution to shareholders	-	-	(26,002)	(26,002)
Net profit	-	-	34,378	34,378
Balance at 31 December 2004	77,000	-	60,126	137,126