

The preceding year of 2004 confirmed once more that before Russian economy reaches stability and high degree of financial processes predictability crisis events, periods of business recession, market practitioners' bankruptcy are highly probable.

The preceding year was a difficult period, a sort of endurance and viability test for Russian banks that are the most sensitive indicators of financial status as a whole. On one hand, the trends for drop-down of all financial instruments and bank margin decrease persisted which made banks seek profitable investment strategies thus increasing portfolio risks, on the other hand, deposits insurance system implementation required from credit institutions tough risk management policies, support of liquidity and financial stability.

The summer banking crisis immobilized substantially the interbank crediting market, caused cash flows rearrangement in favor of large credit institutions, enhanced competition and, as the result, the number of Russian banks declined considerably.

Well-adjusted system would work under any circumstances. This is why during the recent five years we put great efforts in creation and improvement of business formation system compliant to the maximum extent with all economic processes' requirement and responding properly to any financial environment change. We can say today that precise internal structure of the bank, good scheduled start of all activities give us opportunity to manage the Bank's development in the long run and to correct promptly our financial policies depending on changing environment conditions.

The year 2004 was not only the period of efforts concentration in order to provide for further effective development under complicated economic conditions but also the confirmation that the principles of building our activities were chosen correctly and let us overcome painlessly the crisis events, join the system of deposits insurance and provide for positive dynamics of the Bank's results.

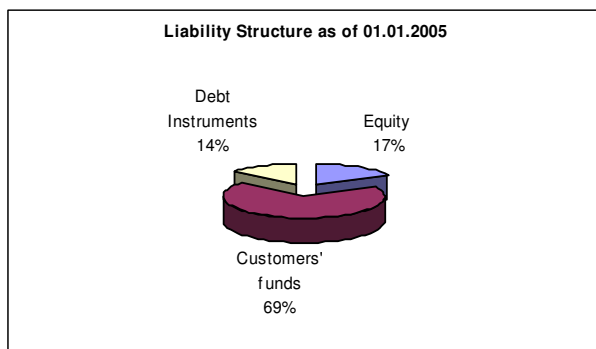
Compared to the previous year the balance sheet assets of CB Natindbank have grown almost by 40% and amounted as of the beginning of January 2004 1,940 mln. Rubles. In spite of the unstable situation in new customers attraction market and expressed trend for cash outflow in favor of large credit institutions, the Bank has not only justified the trust of its customers but also increased the number of enterprises, entities and individuals using its services. The adopted attraction policy has provided for the resource base 1.5 times growth compared to 2003. Profitable assets increase within the placement structure combined with invested funds profitability increase has made it possible for the Bank to gain profits in the amount of 31.1 mln. Rubles thus exceeding by 13% the respective result of the previous reporting period.

### **Liabilities.**

In 2004 CB Natindbank's resource base formation policy was implemented in terms of the adopted strategy of long-term development of the Bank focused on maximum attraction of funds from corporate customers and individual consumers. High degree of customer orientation of the Bank presupposing combination of tailored approach and complex service to every customer, maximum quality of the services rendered and, at the same time, quick and prompt banking transactions gave us opportunity not only to maintain attraction volumes under complicated economic conditions but also considerably extend the list of enterprises, entities and individuals using our services.

At 2004 year-end attracted resources volumes have grown almost by 49% compared to the previous reporting period. At that, the major criterion of a banking institution's reliability – equity sufficiency factor – was maintained high, as of 01.01.05 the value of the said factor exceeded 31%, the minimum standard value required by the Central Bank of the Russian Federation being 10%.

As the result of attraction volumes growth the share of funds of enterprises, entities and individuals within the structure of the Bank's Liabilities has increased up to 83% compared to 77% at the beginning of the reporting period. Much attention was paid at that to maintenance of high quality of resource base, soundness and stability of liabilities. Thus, investments, deposits and issued debt instruments with terms over a year made about 70% of fixed-term resources of funds.



Resource base extension took place almost for all sources of attraction.

Fund balances on current and settlement accounts of enterprises and entities have increased considerably. As of the beginning of 2005 legal persons' funds on call amounted to almost 900 mln. Rubles compared to 317 mln. Rubles as of 01.01.2004. Fund Balances on individuals' fixed-term deposits and accounts grew by 23% compared to the previous reporting period and amounted at the end of 2004 to about 165 mln. rubles. The Bank's own bills of exchange and certificates of deposit issue exceeded this year 3.4 bln. rubles.

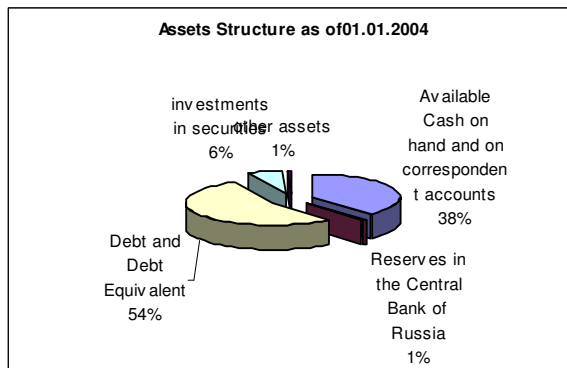
**Assets.**

Placement policy of CB Natindbank is based on the principle of the best correlation between investments profitability and placed funds liquidity. Every invested ruble should bring the maximum return on condition of reliable protection of stockholders and depositors' interests.

The previous year showed the persistence of the trends for banking sector profitability decrease overlapping with negative outcomes of the financial crisis of 2004.

Under such complicated economic conditions CB Natindbank became more rigorous about the assets quality, balance of investments and resource base, presence of reasonable degree of diversification of the placed funds. As the result we can say that the Bank has reached the beginning of 2005 without losses, achieved growth of its assets profitability and gained additional profits.

The Bank's assets structure at the end of 2004 is a good evidence of action of common trends financial field in Russia – favorable oil market situation providing for the growth of forex sales in the Russian market and, as the result, to the growth of balance on correspondent accounts. As of 01.01.2005 available cash on correspondent accounts and on hand increased almost thrice compared to the beginning of the year (2004???) and made 38% of the total assets volume.



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Like any commercial institution, CB Natindbank is focused on profitable assets growth paying special attention to active transactions portfolio quality and balance liquidity principles observation. Working assets increased during the reporting period by over 135 mln. rubles and made over 60% within the structure of placed funds.

Measured and forward policy of resources placement demands for high degree of assets diversification maintenance and accurate planning of investment flows correlation. The system of strategic long-term planning of the Bank's activities adopted in CB Natindbank since 2002 gives opportunity to make forecasting models of development responding flexibly to any changes of financial markets situation and providing for the quickest possible determination of priority investment trends with unconditional maintenance of the best correlation between profitability level and assets risks degree. On the background of the global trend for bank margin decrease the Bank managed to increase its assets profitability, thus working assets profitability rate has grown in the reporting period from the average of 14,7% in 2003 to 15,7%. At the same time, on the background of investments profitability growth and effective funds placement volume growth, of 63% on average for a year of the Bank's liabilities were secured by highly liquid assets which fact speaks for reliability of the credit institution and high degree of protection of the Bank's customers.

70% of investments volume within the structure of profitable placement fall on trade credits to enterprises and entities and loans to inhabitants. Loan operations volume has increased by 16,5% per year. Credit portfolio quality is characterized by high share of loans classified as risk-free which makes about 39% of the total volume.

The share of investments in securities within the working assets structure at the beginning of 2005 makes 11% of the placed funds. At that, about 56% fall on transactions with government securities.

Bill portfolio of the Bank makes 5,5% within the structure of credit provisions and their equivalents made by the Bank and is represented exclusively by highly liquid securities of credit institutions.

### Financial Results

The year 2004 has not changed the trends that have been determining Russian finance development for the recent 5 years. Growth of ruble stock on correspondent accounts of banks has provided for the Central Bank's refinance rate decrease form 16% down to 3%, and the said measures of the Central Bank have resulted in further decrease of profitability of all financial market instruments.

Economic situation in Russia was aggravated by the outcomes of the summer banking crisis. Lack of confidence in credit quality of corporate securities, bills of exchange and interbank credits decreased the liquidity of financial instruments and resulted in bankruptcy of a number of credit institutions.

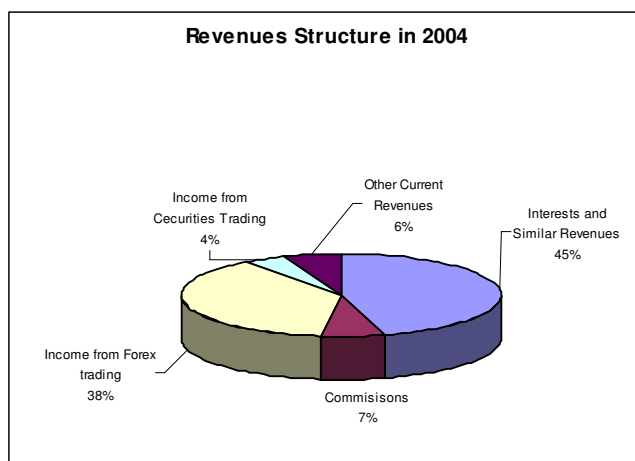
It is quite natural that under the circumstances banking sector has difficulties in maintenance of the necessary transactions profitability level and earning profits.

Financial markets instability served for CB Natindbank as a sort of an indicator of efficiency of planning and financial results control system developed and adopted in the recent years. Accurate determination of receipt and expenditure sections of forecasted budgets, correction of results depending on changing conditions of the Bank's operation have let us finish the reporting year with successful results.

At 2004 year-end income before tax amounted to 31.1 mln. rubles which is 13,2% over the value registered for the previous period.

Revenues of CB Natindbank in the reporting period have amounted to 341.1 mln. rubles

The revenues increase is mainly due to increase of interest payment and similar revenues which can be explained mostly by extension of volumes of credits given to enterprises and individuals.



As the result of reasonable assets and liabilities transactions management policy the 1,2-time increase of interest revenues during the last year took place on the background of decrease of paid interest expenditures by 23 percentage points compared to the previous reporting period, thus, the increase of placed funds profitability combined with the decrease of attracted resources cost. The share of interest receipts within the structure of the Bank's revenues grew during the last year from 40% to 45%.

Changes of situation and forex market instability, unprecedented USD/RUR rate drop down to the level of 2000 had their impact on correlation of currency and ruble assets and liabilities of the Bank. Funds placement in ruble assets became the priority which resulted in the Bank's revenues growth and decrease of forex risks. As the result, both income from and expenditures on forex transactions decreased, first of all in relation to currency assets and liabilities revaluation, the share of revenues from the said operation compared to the beginning of the year has shrunk from 45% to 38% as well as expenditures on forex transactions.

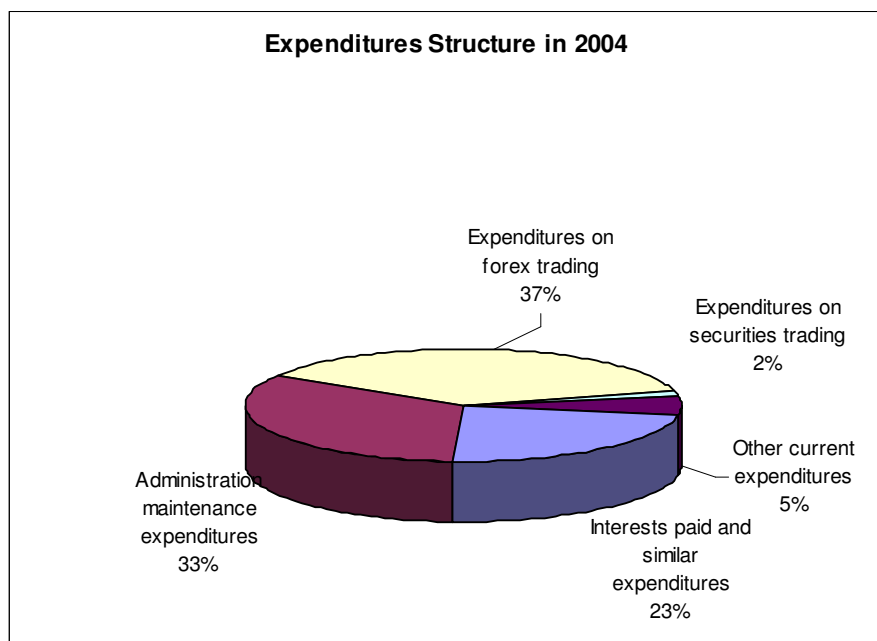
The actions undertaken by the Bank in the context of the developed long-term strategy focused on provision for high quality of banking service along with the maximum scope of operations offered to customers as well as introduction of unique banking products, result in gradual increase of non-interest revenues.

The Bank's expenditures are subject to tough planning and permanent supervision. The system of planning of CB Natindbank's activities results presupposing quarterly budgets drawing lets determined expenditures level precisely and, depending on expected values, draw forecast balances with the best structure of assets and liabilities transactions providing for their complete coverage and gaining the planned profits.

The trend for interest rates decrease in financial markets resulted not only in placement profitability drop but also in decrease of attracted funds value (cost??). As the result expenditures on paid resources decreased by almost 28% compared to 2003. Besides, the decrease of expenditures on paid resources was also the consequence of the Bank's assets and liabilities transactions management policy which is a complex model determining the best correlation of paid sources and their free components???

Compared to the previous reporting period expenditures on forex transactions has decreased considerably, especially in relation to currency accounts revaluation from 131.9 mln. rubles to 116 mln rubles though the share of the said expenditures in the structure of the Bank's expenditures is still as high as 37% as of 01.01.2005

Due to extension of the Bank's activities and the need for staff number increase wages growth, technical facilities and banking transactions software support improvement in 2004 the Bank maintenance expenditures have grown and their share in the total amount of



expenditures has made 33%.

### Customer Service Policy

The economic events of 2004, whether we want to call them crises or not, complicated Russian banks' activities and presented many of them with the fact of liquidity loss, customer base decrease while for some credit institutions resulted in bankruptcy.

Since 2001 CB Natindbank has been successfully implementing the policy of building of efficient system of customers attraction and service providing for high rates of the resource base growth and increase of banking products and services sales volume. The major priority of the bank's customer service policy is, first of all, provision for high level of customer service manifesting itself through offer of wide range of services, prompt banking transactions, possibilities for the Bank's customers to solve their problems not only in the Bank but also to have consultations on legal issues, accounting and other aspects of financial and business activities.

CB Natindbank's striving for complex customer service combined with tailored approach to each customer's problems result in formation of a new type of relations presupposing high degree of interaction and close partnership of the Bank and its customers. Development of each link of this chain becomes mostly successful in case efforts are joined together for business purposes.

Therefore, despite complicated economic conditions in 2004 the Bank has not only kept the confidence of its partners but also extended its customer base considerably, many enterprises and entities of different industries have chosen CB Natindbank as a servicing credit facility, over 300 extra new accounts have been opened for legal persons during the reporting period.

Traditionally large share within the structure of balances on settlement and current accounts falls on the funds of aerospace industry enterprises – FSUE MMBPP SALUT, KNAAPO, OJSC RPE “Electronic and Hydraulic Machines”, CIAM, VIAM, large engineering enterprises – OJSC Savelovskiy Engineering Plant, OJSC “Agregat”, OJSC MMP “Serp I Molot” as well as other enterprises and entities.

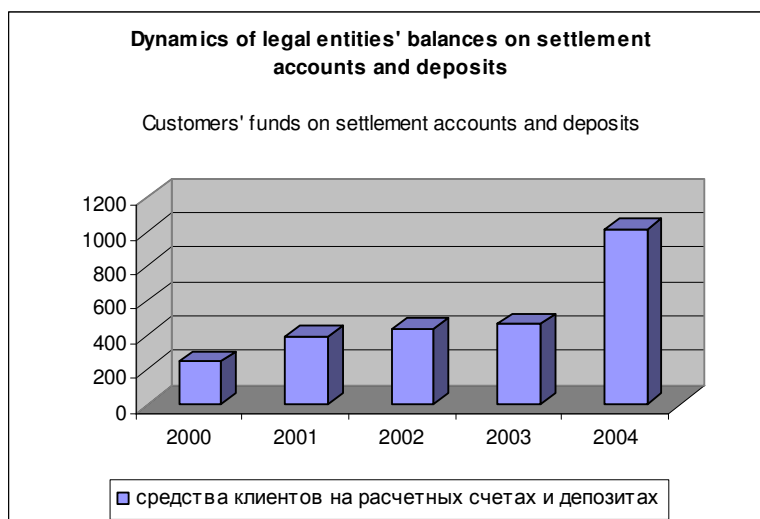
Major construction and trade businesses are also customers of the Bank, as well as the enterprises of All-Russia Association of the blind, financial structures, legal and consulting companies.

Mostly notable among large companies that chose Natindbank as their partner in 2004 are Mascotte holding engaged in wholesale and retail trading in footwear, the group of companies “Gorizont” engaged in production and sales of textile goods, association “Euromoda” majoring in cloths production.

Last year CB Natindbank established active partnership with a number of insurance institutions, such as Progress-Neva insurance company, OJSC Insurance Company “Pari”, LLC Universal Insurance Company.

We have also strengthened and extended partnership relations with the holding “Economic Newspaper” Publishing House. In the reporting year new accounts were opened for CJSC “EJ Media”, CJSC Science and Research Institute of New Information Technologies, LLC “Wonders and Adventures”, Non-Government Pension Fund “Economy and Life”.

Balance on customers' on-call deposits amounted at the beginning of 2005 almost to 900 mln. rubles, cash turnover of the enterprises and the entity in 2004 exceeded 72.9 bln. Rubles.



Provision of favorable conditions of funds placement in the context of depositary policy adopted by CB Natindbank gives the opportunity to support considerable balances on fixed-term accounts of enterprises and entities, average amount of which in 2004 amounted to 130.5 mln. rubles, at that, over 60% of the attracted funds are kept on deposits for over 1 year.

In order to develop in tune with its customers' requirements, CB Natindbank constantly improves its customer service policy instruments. Customer Managers Department improves its work, its major objective is to provide for communications between customers and bank services. Customers' personal managers work with their customers who have various demand for banking services via the "hot line" and are ready to accept any business calls and to find professional solutions of the customers' problems attracting banking specialists from respective divisions. Developed and successfully implemented individual banking products are replicated and standardized as much as possible for further mass-scale offer to the Bank's customers providing for the opportunity to extend the scope of services and to accelerate transactions.

Beside the standard set of corporate and retail services the specialists of CB Natindbank basing on customers' need constantly develop and offer exclusive products distinguishing the Bank from other credit institutions.

In order to facilitate quicker and prompter settlement procedures CB Natindbank offers electronic payments system "Client-Bank". Users of the system can enjoy not only quick payment procedures but also the opportunity to determine themselves the hour before which the transferred funds would be passed to the counterpart as well as to make payments during a prolonged banking day, till 17.30 with cash received during the day to the respective settlement account from other banks. Growth of the number of customers connecting to "Client-Bank" system every year proves its convenience for customers as well as increase of turnover as per accounts of the customers via the electronic payment system.

Forex trading services occupy a special place in customer service. Beside services on opening and management of accounts in foreign currency, sales and purchase of one foreign currency for another and for Russian rubles, CB Natindbank offers to its customers transfer of funds in foreign currency against foreign trade contracts and serving as currency control agent, all types of documentary transactions. During the reporting period volumes of import and export transactions grew, the number of opened transaction IDs increased for export of goods and services and import operations up to 258 compared to 161 transaction in 2003. To provide for customers' interest in the course of transactions and as a prerequisite for participation in certain transactions banking guarantees are issued.

CB Natindbank organizes workshops and gives individual consultations to its customers on foreign trade and currency law issues.

CB Natindbank often works with customers using letters of credit as a payment instrument. Our customers can not only get reliable guarantees of contract commitments fulfillment which is of great importance both for buyers and sellers, but also to take full consultations in the course of drawing the letter of credit, assistance in executions of contracts and agreements between counterparts, settle special problems within the framework of settlement using letters of credit.

CB Natindbank is constantly increasing the list of retail services to its customers. Within the scope of retail transactions enterprises and entities can place funds on their accounts directly to the Bank's cash office, without **conversion** in presence of a customer. The Bank can exchange the RF banknotes for coins that would be delivered to customers by collection service of the Bank. The Bank also accepts decrepit foreign banknotes without the stage of sending such banknotes for encashment. All the aforementioned services aimed first of all at convenience provision and considerable economy of time for customers excluding in many cases the necessity for a customer to visit the Bank or to be present in the course of cash transportation, to wait for encashment for a long time.

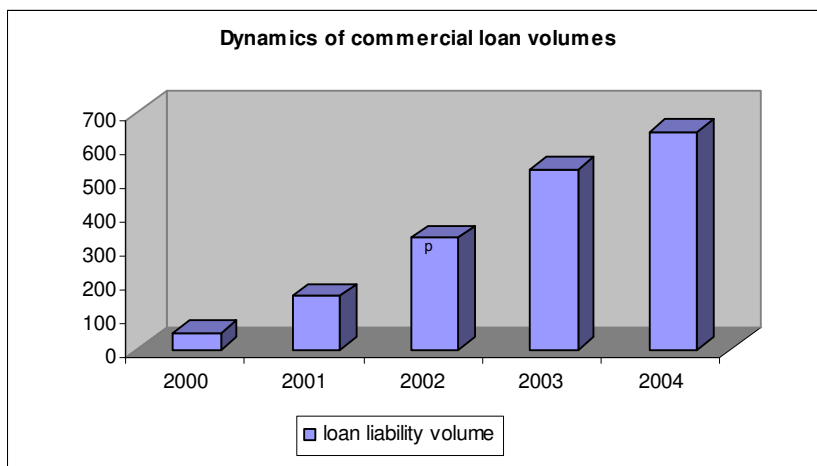
Building our relations with customers we stick to the following rule: no question can remain unanswered, each problem always has its solution and our objective is to satisfy our customers' requirements and to search for better solutions of their problems. We see the main objective of client service in creation of the customer service level that would distinguish our Bank out of other credit institutions.

### Loans to Corporate Customers.

Commercial loans is traditionally one of the major directions of active policy of Natindbank. The Bank pays special attention to provision for loan portfolio dynamic growth on condition of high quality of the loans granted.

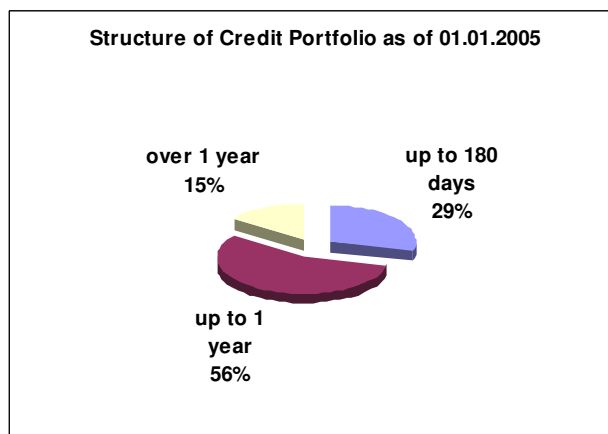
During the reporting period the volume of loans to enterprises and entities exceeded 4 bln. rubles and by the end of 2004 the credit portfolio increased up to 656 mln. rubles which exceeds over 1.2 times loan accounts balance as of the beginning of the reporting period.

The Bank gradually extends its presence in the regions of the Russian Federation, develops relations with borrowers of Moscow and Moscow Region, St.-Petersburg, the Urals, Volga Region. One of the major tasks of the credit policy in 2004 was to increase diversification level of the credit portfolio for borrowers' industries and business volumes.



Much share within the structure of loan liability falls on aerospace industry enterprises – FSUE MMBPP SALUT, OJSC RPE “EHM”, OJSC “Serp I Molot” . OJSC Electrical Mechanics. Volumes of credits to engineering and metallurgic enterprises, construction businesses, food industry and trading enterprises are growing. Scope of industries of the Bank's borrowers is expanding. 2004 was the year of active borrowing for such major enterprises as Avtouniversal XXI Century engaged in supply of vehicle spare parts to major automanufacturers of Russia, LLC Rotox – a major manufacturer and seller of plastic windows, fixtures, LLC Technolak – the exclusive distributor of Dupont in the Russian Federation. LLC Aerosvet, CJSC RPA ASSO, CJSC Corporation of Air Traffic Management Systems engaged in Russian and CIS airports renovation, large textile enterprises, food products and confectionary manufacturers are also borrowers of the Bank.

Development of long-term positive relations between the Bank and its borrowers having immaculate reputation and stable businesses leads in growing trust and, as the result, to credit volumes growth and loan terms prolongation. At the same time, viewing its customers as strategic partners, CB Natindbank always sticks to the principle of measured approach to resources placement based on professional evaluation of finance and business activities of borrowers, prospects of



their further development, dedicated use of loans and sufficient security for their repayment. Risk management system has been created and is successfully working in the Bank giving opportunity to evaluate fairly all the elements of transactions and to have good results.

Credits to enterprises and entities presuppose employment of different schemes and loan conditions mostly apt for borrowers' activities. Beside getting resources for working assets replenishment the Bank's customers, depending on the needs of their businesses can use overdraft loans, paper credits, loans secured with collected earnings, securities of outside issuers.

Volume of guarantees issued by the Bank has grown considerably. Last year the Bank has secured its customers obligations for the amount of over 107 mln. rubles.

Taking into account its customers' needs, we extend our offer of factoring services and credits against monetary claims assignment. The Bank purchases in the course of factoring service rendering or accepts as a security on giving credit against monetary claim assignment liabilities of major retail market players, such as OUCHAN, TH Perekryostok, automotive market players – KAMAZ and other major enterprises.

Mutually beneficial cooperation of CB Natindbank and leasing companies is strengthening. The Bank's customers enjoy some benefits related to financial conditions, credit terms, contract volumes on leasing transactions execution and can realize their needs using the respective funds either for purchase of modern, high-end industrial machinery for complex equipment of production facilities or for purchase of transportation vehicle and other property.

### **Service to Individuals**

CB Natindbank has over ten years of experience of work with individuals and labor collectives of major enterprises.

In the recent years retail customers market penetration has acquired the major significance for many credit Institutions and becomes the priority. Servicing of individuals is an independent part of the banking business including funds placement in investments and deposits, granting credits, cashless payments, transactions with plastic cards, distant retail services.

Work with individuals requires special methods as they are somehow conservative and inactive. Offer of favorable conditions for individuals' funds placement combined with high degree of investments and deposits protection provide for the most stable part of the Bank's resource base. At the same time, any doubts in a credit institution's reliability and absence of competitive attraction rates can cause mass-scale withdrawal of consumer funds and wreck the bank's liquidity.

Positive outcome of work with individuals, growth of their confidence in the Bank manifest themselves through the dynamics of balance on fixed-term and call-on accounts. During the reporting period consumer funds have increased by over 24% and amounted at the end of 2004 about 293 mln. rubles. Funds attraction terms have increased compared to 2003, the share of funds invested and deposited for over 1 year within the structure of balance on fixed-term accounts of individuals has grown from 55 to 68%.

Considerable results of CB Natindbank's activities in individual depositors market have become possible only due to permanent improvement of major conditions for consumer funds attraction, effective system of customer service quality control, employment of modern effective procedures and methods of banking service promotion, support of the Banks image as a highly reliable credit institution ready to be liable to its depositors for its obligations timely and to the full.

Individuals usually act as the Bank's borrowers. At the end of 2004 the volume of credits granted to individuals amounted to 117.6 mln. rubles. To meet the consumer demands for credits CB Natindbank offers different credit programs. Individuals can enjoy emergency credits for the term up to one year, to make major



purchases against loans to be redeemed within the terms up to two years, to solve their housing problems with help of long-term financing for housing purchase within the schemes of mortgage crediting (hypothec).

One of the major directions of CB Natindbank's consumer crediting activities is granting loans for real estate purchase.

2004 marked the start of implementation of the Bank's complex mortgage crediting program, thus granting loans for housing purchase became as independent activity of the Bank. To create a smoothly running mortgage crediting system all the procedures supporting granting and maintenance of housing purchase loans have been improved.

To provide for liquidity and decreased the related risks agreements on securitization of mortgage credits were prepared and concluded with major mortgage crediting financial institutions, relations with leading participants of mortgage crediting procedures – insurance and appraising companies, real estate agencies – were also established.

Taking into account that the majority of prospective customers want not simply to buy apartments but to exchange the ones they have for new ones the Banks offers to inhabitants so called "lombard" credits that give the opportunity to set off the cost of the existing housing. This service gives to a customer funds necessary for an initial mortgage credit installment or for an apartment purchase without mortgaging the old one and allows the Bank to exclude risks completely.

Offer of competitive mortgage credit conditions, orientation to maximum standardization of operations combined with high quality of customer service should give to CB Natindbank serious advantages in the mortgage crediting market.

CB Natindbank pays special attention to services rendered to labor collectives of corporate customers. Management of major enterprises and entities are concerned with solution of their employees' social problems – labor and recreation conditions improvement, quality medical service, convenient location of meal stations. The Bank offers to its key customers services on wages payment organization with plastic cards employment. Servicing enterprises' cash flows allocated to wages payment the Bank grants easy-term credits to employees-cardholders – short-term overdraft credits on respective accounts. This scheme can work in different modes, e.g. only for cash withdrawal transactions or only for payment for purchased goods and services by means of a banking card which actually provides for the opportunity to manage consumer credit flows. Flexible discount system can be used for different categories of employees in the course of cashless payments.

Considerable growth of banking cards production speaks for the fact that plastic cards become more and more popular among the population – in 2004 1930 additional cards were issued.

CB Natindbank is an issuer of Union Card and of international plastic cards MasterCard Gold, MasterCard Mass, Cirrus/Maestro.

Cash withdrawal from bank accounts via ATMs of CB Natindbank in 2004 amounted to 1,931.4 mln. rubles and 134 thousand dollars. Volume of payments via ATMs increased by 2.2 and amounted to about 47 mln. rubles, number of transactions grew from 38 to 123 thousand.

Plastic cards holders actually save their efforts and time having opportunity to pay via ATMs and POS-terminals of the Bank for housing utilities, MMTN and mobile operators' services, Internet, satellite television. Besides. For the Bank's customers' convenience transactions with loan and deposit accounts can be performed from card accounts.

The Bank traditionally performs foreign currency exchange transactions, inhabitants can transfer foreign currency abroad.

High-end banking technologies oriented to retail customers service are developing rapidly. Provision for competitive level of offered services requires from banks permanent efforts for their introduction into practice.

Since 2003 CB Natindbank offers to its individual customers to make the first step towards extension of channels of access to accounts management and to perform transactions on current bank accounts (including card accounts) via telephone network.

In the reporting year the complex system of distant banking services to individuals Light Bank was tested and commissioned successfully. This system is very simple and convenient for a customer, it offers several channels of access to accounts management using as communication environment public telephone lines, Internet channels and mobile networks.

Using the offered channel for communications with the Bank our customers can pay promptly and from any place for their mobile numbers, housing utilities, municipal telephone and commercial TV, to pay for access to Internet, to repay a bank credit, to open deposits and to add money on them, to transfer funds from one plastic card to another, to block and unblock plastic cards, to inquire about foreign currency exchange rates, to get information about the performed transactions, about the balances on accounts opened with the Bank.

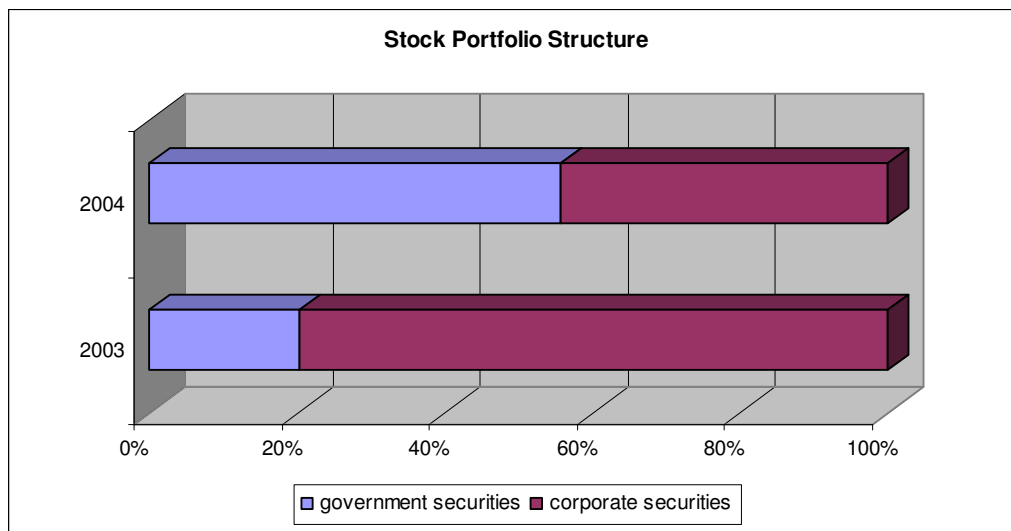
### Stock Transactions.

Complicated economic situation of the summer 2004 had its impact on behavior of absolutely all financial instruments. Lack of confidence in financial solvency of issuers, desire of security holders to get rid in the shortest possible terms of shares, bonds, bills of exchange resulted in sharp fluctuation of profitability accompanies with almost complete loss of liquidity in the markets of the said financial instruments.

Crisis events characteristic for financial markets situation demanded for smoothly measured security portfolio management policy. Professional analysis of the situation, measured policy of stock portfolio formation gave the Bank opportunity to respond promptly to negative outcomes of the summer crisis and to come to the end of the reporting year without losses.

Changes of the market situation in 2004 has their impact on the Bank's stock portfolio

structure. On formation of the structure of investments into stock instruments first of all a measured financial evaluation of each issuer's financial status and prospects was undertaken. Retaining its positions in the



market of corporate securities of highly reliable issuers the bank has also extended its presence in the market of government securities due to reallocation of the funds invested in less liquid debt instruments, As the result, the share of government obligations at the beginning of 2005 had grown from 20% to 56% of the total volume of the stock portfolio.

Work with bills of exchange can be distinguished as a separate activity of CB Natindbank in the stock market. This activity is conduct in two directions – issue of

the Bank's own debt obligations as instruments of customers' funds attraction and profitable placement in outside issuers' bills of exchange. In 2004 the volume of funds attracted by CB Natindbank's own bills of exchange amounted to 1.98 mln. rubles.

Since 2003 deposit certificates of the Bank also serve as a funds attraction instrument, in the reporting year volumes of deposit certificates issue grew almost 7 times, as the result, in 2004 1.4 bln. rubles of additional resources were attracted.

The Bank's own bills of exchange and deposit certificates are often used by customers as credit pledge instruments.

Customers can purchase bills of exchange and deposit certificates of the Bank both at the expense of their own funds and at the expense of dedicated credit funds. At that, interest rates for dedicated credits for the Bank's own bills of exchange purchase are considerably lower than interest rates for commercial credits.

The Bank's own debt instruments can serve as pledge on mortgage crediting according to the Bank's program.

The practice of CB Natindbank's bills of exchange use by enterprises and entities in settlements with their counterparts is also implemented successfully.

The major objective of the Bank's activities in the market of outside issuers' debt obligations is discounted bills portfolio formation along with provision for minimum investment risks. Instability of bill of exchange market, disastrous drop of securities liquidity, appearance of default bills of exchange of bankrupt banks determined the choice of cautious approach to discounting of outside issuers' bills of exchange, as the result, basing on principles of maintenance of high level of the portfolio liquidity, the Bank has reallocated investments in favor of credit institutions' obligations. As of 01.01.2005 bill of exchange portfolio is represented exclusively by securities of the most reliable banking institutions, such as JSB GAZPROMBANK, JSCB NOMOS, OJSC RosDorBank, CJSC International Industrial Bank and other issuers.

Total annual bills of exchange discounting turnover amounted to 6.3 bln. Rubles Reasonable policy of funds placement in bill of exchange market let us not only maintain the portfolio liquidity but also to provide for maintenance of discounted bills high profitability, during the reporting year the level of profitability of outside issuers' debt obligations deviated from 12% to 14% p.a.

**BALANCE SHEET**

as of 01.01.2005

Credit Institution  
CB NATINDBANK (CJSC)

thousand rubles

No.	Items	Data as of the reporting date	Data as of the accounting year beginning
1	2	3	4
I.	ASSET		
1	Cash	108141	100359
2	Credit Institutions' cash in the Central Bank of the Russian Federation	617610	157100
2.1.	Required Reserves	22704	94876
3	Cash in Credit Institutions	33559	93594
4	Net Cash Investments in Trading Securities	57608	18623
5	Net Debt	1041340	901114
6	Held-to-Maturity Net Cash Investments in Investment Securities	64881	109616
7	Net Investments in Securities Available for Sale	3280	435
8	Plant, Property and Equipment, Intangible Assets and Inventory	7255	9377
9	Interest Payment Requests	648	2107
10	Other Assets	5666	1934
11	Total Assets	1939988	1394259
II.	LIABILITIES		
12	Credits from the Central Bank of the Russian Federation	0	0
13	Funds of Credit Institutions	2931	11390
14	Funds of Customers (Non-Credit Institutions)	1308807	695806
14.1.	Individuals' Deposits	292807	235965
15	Issued Debt Instruments	271160	361253
16	Interest Payment Obligations	14996	10370
17	Other Liabilities	2922	766
18	Allowance for possible losses related to contingent credit liabilities, other possible losses and transactions with offshore territories residents	2447	1
19	Total Liabilities	1 603 263	1 079 586
20	Stockholders' (Members') Funds	300000	300000
20.1.	Registered ordinary stock and shares	300000	300000
20.2.	Registered preference stock	0	0
20.3.	Unregistered Charter Capital of non-stock credit institutions	0	0
21	The Bank's shares bought out from Shareholders	0	0
22	Share premium	0	0
23	Assets Revaluation	130	130
24	Prepaid Expenses and Outstanding Payments having impact on Equity	37784	32890

	(Capital)		
25	Funds and Unemployed Profits of the previous years in supposal of the Credit Institution	47394	26799
26	Distributable profit (loss) for the reporting period	26985	20634
27	Total of Equity Capital Resources	336725	314673
28	Total Liabilities	1939988	1394259
IV.	OFF-BALANCE LIABILITIES		
29	Irrevocable Liabilities of the Credit Institution	58194	270358
30	Guarantees issued by the Credit Institution	22074	30815

**PROFIT AND LOSS STATEMENT**  
for 2004

Credit Institution  
CB NATINDBANK (CJSC)

thousand rubles

No.	Items	Data for the Reporting Period	Data for the respective period of the previous year
1	2	3	4
1	Funds Placement in Credit Institutions	4881	6488
2	Loans to Customers (other than Credit Institutions)	132400	117928
3	Finance Lease (Leasing) Services	0	0
4	Fixed-Income Securities	17690	9827
5	Other Sources	0	0
6	Total of Interests Received and Similar Revenues	154971	134243
7	Attracted Funds of Credit Institutions	374	2856
8	Attracted Funds of Customers (Non-Credit Institutions)	25414	21690
9	Issued Debt Instruments	47133	63056
10	Total of Interests Paid and Similar Expenditures	72921	87602
11	Net Interest and Similar Revenues	82050	46641
12	Net Securities Trading Revenues	9720	11429
13	Net Forex Trading Revenues	10432	20395
14	Net Precious Metals and Other Financial Instruments Trading Revenues	0	0
15	Net Forex Revaluation Revenues	2610	2084
16	Commissions Received	22193	20742
17	Commissions Paid	1152	945
18	Net Revenues from One-Time Transactions	433	1626
19	Other Net Operating Revenues	12235	10776
20	Administration Maintenance Expenditures	104140	58262
21	Allowance for Possible Losses	4827	-17835
22	Income Before Tax	39208	36651

23	Taxes Payable (including Income Tax)	12223	16017
24	Profit for the Reporting Period	26985	20634

**CAPITAL SUFFICIENCY REPORT**  
**AMOUNT OF ALLOWANCE FOR DOUBTFUL ACCOUNTS AND OTHER ASSETS**  
as of 01.01.2005

Credit Institution  
CB NATINDBANK (CJSC)

Quarterly/Annual

No.	Items	Data as of the reporting date	Data as of the accounting year beginning
1	2	3	4
1	Equity (Capital), thousand rubles	353603	343523
2	Actual Value of Equity (Capital) Sufficiency, per cent	31,7	26,9
3	Standard Value of Equity (Capital) Sufficiency, per cent	10,0	10,0
4	Calculated Allowance for Possible Losses on Loans, Loan Liability and its equivalents, thousand rubles	39571	45905
5	Actual Allowance for Possible Losses on Loans, Loan Liability and its equivalents, thousand rubles	39571	45905
6	Calculated Allowance for Possible Losses, thousand rubles	401	3803
7	Actual Allowance for Possible Losses, thousand rubles	401	3803

According to the auditing firm Limited Liability Company ROSEXPERTIZA, Annual Balance Sheet as of January 1<sup>st</sup>, 2005, Profit and Loss Statement inclusive of events after the reporting date as of January 1<sup>st</sup>, 2005, consolidated turnover schedule reflecting events after the reporting date for 2004, Balance Sheet (the version for publication) as of January 1<sup>st</sup>, 2005, Profit and Loss Statement (the version for publication) for 2004, Report on Capital Sufficiency, Amount of Allowance for Doubtful Accounts and other Assets as of January 1<sup>st</sup>, 2005 reflect authentically in all material aspects the financial status of COMMERCIAL BANK NATIONAL INDUSTRIAL BANK (closed joint stock company) as of January 1<sup>st</sup>, 2005.

Deputy General Director  
Leila Rymovna Tabayeva

Auditing Director  
Nikolai Vyacheslavovich Sokolov

#### Details of the auditing firm

Name of the auditing company	LLC "Rosexpertiza"
License No.	E 000977
Date of Issue	June 25 <sup>th</sup> , 2002
License Term	till June 25 <sup>th</sup> , 2007
Issuing Body	the Ministry of Finance of the Russian Federation
Surname, name, patronymic of CEO of the auditing firm	Alexander Vasilyevich Kozlov
Membership in an accredited auditing association	Member of Noncommercial Partnership Institute of Professional Auditors, Noncommercial Partnership Institute of Professional Accountants of Russia
Number of the Certificate of State Registration	1027739273946
Date of issue of the Certificate of State Registration	September 23 <sup>rd</sup> , 1993
Surname, name, patronymic of the person who has certified the published accounts	Leila Rymovna Tabayeva
Position of the person who has certified the published accounts	Deputy General Director
The document confirming the authorities of the person who has certified the published accounts	Power of Attorney of December 31 <sup>st</sup> , 2004 No.5
The auditing inspection director	Nikolai Vyacheslavovich Sokolov
Position	Auditing Director

The number of the Qualification Certificate of the person in charge of the audit	K 006170
The date of issue of the Qualification Certificate of the person in charge of the audit	July 10 <sup>th</sup> , 1997
The date of expiry of the Qualification Certificate of the person in charge of the audit	unlimited
The document confirming the authorities of the person in charge of the audit	Decree No 1/II of January 1 <sup>st</sup> , 2001.