Web-Invest Bank

Financial Statements
and Auditors' Report

31 December 2004

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Web-Invest Bank
Statement of Management Responsibilities

Management has prepared and is responsible for the financial statements and related notes of Web-Invest Bank (the "Bank"). They have been prepared in accordance with International Financial Reporting Standards and necessarily include amounts based on judgements and estimates by management.

The Bank maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorisation and properly recorded, and that accounting records may be relied upon for the preparation of financial statements and other financial information. The system contains self-monitoring mechanisms that allow management to be reasonably confident that controls, as well as the Bank's administrative procedures and internal reporting requirements operate effectively. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error or the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation.

A.I. Vinokurov
Chairman

Dated: 29 September 2005

INDEPENDENT AUDITORS' REPORT

To the Management and Board of Directors of Web-Invest Bank:

We have audited the accompanying balance sheet of Web-Invest Bank ("the Bank") as at 31 December 2004 and the related statements of income, cash flow and changes in shareholders' equity. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit provides a reasonable basis for our opinion.

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

16, Strastnoy Boulevard
Moscow 107031, Russia

OOO Moore Stephens CIS

29 September 2005

Web-Invest Bank
Balance Sheet
as at 31 December 2004
(in thousands of Russian Roubles)

	Notes	2004	2003
Assets			
Cash and cash equivalents	**4**	1,482,915	702,700
Mandatory reserves with the Central Bank	**5**	206,346	106,206
Loans to banks	**6**	1,051,463	950,956
Trading securities	**7**	1,075,549	1,945,282
Loans and advances to customers	**8**	3,159,851	1,308,233
Other assets	**9**	1,476,604	824,197
Fixed assets	**10**	49,932	28,209
Deferred tax asset	**11**	8,985	41,166
Total assets		**8,511,645**	**5,906,949**
Liabilities and shareholders' equity			
Loans and deposits from banks	**12**	1,572,796	1,423,653
Customer accounts	**13**	1,988,437	1,332,198
Debt securities issued		2,223,542	485,064
Other liabilities	**14**	90,631	295,638
Total liabilities		**5,875,406**	**3,536,553**
Shareholders' equity			
Share capital	**15**	2,100,000	2,010,820
Retained earnings and other reserves	**16**	536,239	359,576
Total shareholders' equity		**2,636,239**	**2,370,396**
Total liabilities and shareholders' equity		**8,511,645**	**5,906,949**

Approved on behalf of the Board of Management on 29 September 2005.

A.I. Vinokurov
Chairman

Web-Invest Bank
Statement of Income
for the year ended 31 December 2004
(in thousands of Russian Roubles)

	Notes	2004	2003
Interest income	**17**	647,868	280,388
Interest expense	**17**	(204,223)	(121,830)
Net interest income		**443,645**	**158,558**
Movement in provision for impairment on loans and advances	**18**	(6,182)	(214,482)
Net interest income / (loss) after provision for impairment		**437,463**	**(55,924)**
Net gains from investment securities transactions		32,887	578,044
Net gains from foreign exchange transactions		6,465	4,513
Commission and fee income		37,469	1,307
Commission and fee expense		(580)	(410)
Other operating income		74,485	73,561
Operating income		**588,189**	**601,091**
General, administrative and other operating costs	**19**	(176,225)	(183,955)
Profit before taxation		**411,964**	**417,136**
Income tax	**20**	(83,940)	(173,891)
Deferred tax		(32,181)	50,181
Profit for the period		**295,843**	**293,426**

Web-Invest Bank
Statement of Cash Flows
for the year ended 31 December 2004
(in thousands of Russian Roubles)

	Notes	2004	2003
Cash flows from operating activities			
Interest received		644,577	256,888
Interest paid		(176,497)	(113,760)
Net gains arising from dealing in securities		251,459	545,729
Net commissions and fees received		36,889	897
Net gains arising from foreign exchange transactions		6,465	4,513
Cash out goings on administrative expenses		(328,710)	(502,171)
Income tax paid		(40,491)	(205,512)
Operating cash flows before changes in operating assets and liabilities		**393,692**	**(13,416)**
(Increase) in Mandatory Reserves with Central Bank		(100,140)	(74,549)
(Increase) in loans and advances to banks		(100,507)	(899,476)
Decrease/(Increase) in trading securities		869,734	(1,542,713)
(Increase) in loans to customers		(1,857,800)	(1,419,278)
Increase in deposits from banks		149,143	1,389,294
Increase in customer accounts		656,239	931,812
Increase in debt securities issued		1,738,478	468,735
Net change in other assets and liabilities		(906,826)	(57,791)
Net cash generated by/(used in) operating activities		**842,013**	**(1,217,382)**
Cash flows from investing activities			
Fixed assets additions		(31,798)	(23,189)
Net cash used in investing activities		**(31,798)**	**(23,189)**
Cash flows from financing activities			
Issue of share capital		-	1,502,900
Dividends paid		(30,000)	-
Net cash (used in)/provided by financing activities		**(30,000)**	**1,502,900**
Net increase in cash and cash equivalents		**780,215**	**262,329**
Cash and cash equivalents at the beginning of the year		**702,700**	**440,371**
Cash and cash equivalents at the end of the year	**4**	**1,482,915**	**702,700**

Web-Invest Bank
Statement of Changes in Shareholders' Equity
for the year ended 31 December 2004
(in thousands of Russian Roubles)

	Note	Issued capital	Share premium	Share-holders' contribution	Retained earnings and other reserves	Total
Balance at 31 December 2002		**16,000**	**187,420**	**304,500**	**66,150**	**574,070**
Issue of share capital	15	134,000	1,673,400	(304,500)	-	1,502,900
Profit for the year		-	-	-	293,426	293,426
Balance at 31 December 2003		**150,000**	**1,860,820**	**-**	**359,576**	**2,370,396**
Issue of share capital	15	1,950,000	(1,860,820)	-	(89,180)	-
Dividends paid	16	**-**	**-**	**-**	(30,000)	(30,000)
Profit for the year		-	-	-	295,843	295,843
Balance at 31 December 2004		**2,100,000**	**-**	**-**	**536,239**	**2,636,239**

The availability of the Bank's retained earnings for distribution to members is determined by the Bank's Articles of Association and by Russian legal and fiscal regulations (Note 16).

1. Principal activities

Web-Invest Bank ("the Bank") was registered with the Central Bank of the Russian Federation ("CBRF") under the name "Palmira Bank" on 11 June 1992 and commenced operations as a commercial bank at the end of that year. In 2001 the Bank was renamed "Web-Invest Bank".

Web-Invest Bank conducts investment banking and commercial banking activities. The Bank is licensed by the CBRF and Federal Commission for the Securities Market. The main business of the Bank is providing arrangement, bookmaking and underwriting in respect of bond issues for Russian corporations and regional governments, in addition the Bank trades in bonds and provides advisory and other investment banking services.

The Bank is owned by a group of investors who also own various other companies in addition to the Bank and its subsidiaries. Consolidated financial statements of the Bank as well as financial statements combining the results and balances of all the companies controlled by the investors are produced separately.

At 31 December 2004 the Bank employed 133 staff (2003: 113).

2. Basis of presentation

a) General

These 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, except that fixed assets are accounted for in accordance with Russian Statutory requirements (as set out in note 3(j)) rather than in accordance with IFRS. In the opinion of management this departure from IFRS is not material.

The Bank is required to maintain its records and prepare its financial statements for regulatory purposes in Russian Roubles in accordance with Russian accounting and banking legislation and related instructions ("RAL"). These financial statements are based on the Bank's RAL books and records, as adjusted and reclassified in order to comply with IFRS.

These financial statements are presented in thousands of Russian Roubles ("RUR"), unless otherwise indicated. The Rouble is utilized as the majority of the Bank's transactions are denominated, measured, or funded in Russian Roubles. Transactions in other currencies are treated as transactions in foreign currencies.

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as of the date of the financial statements. Actual results, therefore, could differ from these estimates. The most significant estimates are allowances for impairment of assets and provisions.

b) Inflation accounting

Management has considered the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" for all non-monetary assets and liabilities acquired prior to 31 December 2002, and share capital transactions occurring before 31 December 2002, having in mind that from 1 January 2003, the Russian Federation no longer met the criteria of hyperinflationary economy as defined by the IAS 29.

continued

(in thousands of Russian Roubles)

2. Basis of presentation (continued)

As the Bank does not own any land or buildings and most of the equipment it owns was acquired during the years 2003 and 2004, any revaluation adjustment in accordance with IAS 29 would have a minimal impact on the value of total assets.

The following table analyses the issues of share capital in recent periods (all values are stated at historical cost):

	Amount
Share capital as at 31 December 2000	10,600
Capital issued during year 2001	1,400
Capital issued during year 2002	4,000
Capital issued during year 2003	134,000
Capital issued during year 2004	1,950,000
Share capital as at 31 December 2004	2,100,000

Management believes that the adjustment of the transactions and balances before 31 December 2002 would not have a significant effect on the balances currently shown. Shareholders' equity would remain unchanged. Consequently, no IAS 29 adjustment has been made.

3. Significant accounting policies

a) Fair value of financial instruments

Unless otherwise stated, the financial instruments of the Bank have been stated in these financial statements at their estimated fair values in accordance with IAS 39. The estimated fair values are intended to approximate the amounts at which these instruments could be exchanged in an arms length transaction between willing parties at the year end. Certain financial instruments lack an active trading market and therefore fair values are based on valuation techniques, which involve assumptions and judgement.

The specific valuation methodologies applied to these instruments are outlined further in this note. In light of the foregoing, the fair values should not necessarily be interpreted as being realisable in an immediate settlement of the instruments.

b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the CBRF – excluding Mandatory reserves, and due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

c) Mandatory reserves with the Central Bank of the Russian Federation

Represent mandatory reserve assets represent assets that the Bank, as a credit institution licensed by the CBRF, must deposit and which are not available to finance the Bank's day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the cash flow statement.

d) Loans to banks

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

continued

3. Significant accounting policies (continued)

e) Recognition and de-recognition of financial instruments

The Bank recognises financial assets held for trading and available for sale on the date it commits to purchase the assets. Held to maturity instruments and originated loans and receivables are recognised on the day they are transferred to or originated by the Bank.

A financial asset is derecognised when the Bank loses control over contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

Available for sale assets and assets held for trading that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Bank commits to sell the asset on a non-recourse basis. Held to maturity instruments and originated loans and receivables are derecognised on the day they are transferred by the Bank.

Financial assets and liabilities are initially recognised at cost, which is the fair value of consideration given or received, respectively, including or net of any transactions costs incurred, respectively. Any gain or loss at initial recognition is recognised in the current period's statement of income. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

f) Securities

Trading securities and securities available for sale are carried at market value or fair value if market value is not available. Investment securities held to maturity are carried at amortised cost. Values for securities are derived either from market quotations or from management's assessment of the future realisability of these securities. Certain securities, for which there is no readily attainable market value or those securities for which management has determined that the available quotation does not depict the security's true market value, have been fair valued by management. Management has used the best available information to adjust downwards, based on the concept of prudence, market quotations to reflect their best estimate of fair values where considered necessary.

In determining fair value, all securities are valued at the last bid price. If listed market prices are not available or if liquidating the Bank's position would reasonably be expected to impact market prices, fair value is determined based upon other relevant factors, including management's estimates of amounts to be realised on settlement, assuming current market conditions and an orderly disposition in a reasonable period of time and the level of liquidity in the stock. Market value is not necessarily indicative of the amount that could be obtained for disposal of a large block of securities.

Changes in market values are recorded within gains less losses arising from securities in the statement of income in the period in which the change occurs. Coupons earned on government securities are reflected in the statement of income as interest income on securities whereas any trading gains or losses on these securities are reflected as gains less losses arising from securities.

g) Trading securities

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term holding exists. Web-Invest Bank classifies securities into trading securities when it has the intention to sell them within one year after purchase.

Trading securities are initially recognised at cost (including transaction costs) and subsequently remeasured at fair value based on quoted bid prices. All related realised and unrealised gains or losses are recorded within net gains or losses from trading activities in the income statement for the period in which the change occurs. Interest earned on trading securities is reflected in the income statement as interest income on securities.

continued

3. Significant accounting policies (continued)

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recognised at trade date, which is the date when the property is effectively transferred.

Dealing securities are comprised of securitised debt and equity instruments held for trade. They are stated at market value. Changes in fair value are recorded within gains less losses arising from securities in the statement of income in the period in which the change occurs. Coupons earned on government securities are reflected in the statement of income as interest income on securities whereas any trading gains or losses on these securities are reflected as gains less losses arising from securities.

h) Available for sale investments

Investment securities available for sale are securities that management intends to hold for an indefinite period of time, which may be sold in response to liquidity policy or changes in financial market conditions. Management initially determines the classification of its securities at the time they are purchased. This assessment is regularly reviewed.

Investment securities available for sale are initially recognised at cost (which includes transaction costs) and subsequently remeasured to fair value based on quoted bid prices. Realised and unrealised gains and losses arising from changes in the fair value of investment securities available for sale are included in the income statement in the period in which they arise.

All regular way purchases and sales of investment securities available for sale are recognised at trade date, which is the date when property is effectively transferred. All other purchases and sales are recognised as derivative forward transactions until settlement.

i) Loans and provision for loan losses

Loans originated by the Bank are recognised when cash is advanced to borrowers. Initially, loans and advances to customers are recorded at cost, which is the value of consideration given, and subsequently are carried at amortised cost less provision for loan impairment. Amortised cost is based on the value of cash consideration given to originate those loans determinable by reference to market interest rates at the origination date.

Loans or receivables purchased by the Bank and originated debt available for sales are classified as trading securities or available for sale debt as appropriate. Available for sale debt is stated at market value or in the case of debt for which there is no ready market, at fair value as estimated by management.

Provisions for bad and doubtful debts are based on management’s appraisal of the collectibility of loans and advances. Specific provisions are made against debts whose recovery has been identified as doubtful. A general provision is made against the potential bad and doubtful debts which are present in the loan portfolio but which, at the date of preparing the financial statements, had not been specifically identified. The aggregate of the provisions made during the period is charged against profit for the year.

Estimates of future losses involve the exercise of judgement and the use of assumptions. The principal factors considered in determining the provision are the growth, composition and quality of the loan portfolio, the level of past due loans, current economic conditions of the borrower, its financial situation, repayment performance and the value and adequacy of collateral.

Loans and advances which cannot be recovered are written off and charged against the related provision for losses. Such loans are written off after all the necessary legal procedures have been completed and the amount of the loss is finally determined. Subsequent recoveries of amounts previously written off are credited to the provision for loan impairment in the statement of income.

continued

3. Significant accounting policies (continued)

j) Fixed assets

In the Bank's statutory financial statements, used as base for the preparation of these financial statements, fixed assets are stated in accordance with Russian statutory regulations. Management has considered the differences between Russian accounting standards and IFRS in respect of the Bank's fixed assets and is satisfied that these differences are not material. As a result no adjustments have been made in order to restate fixed assets in accordance with IFRS.

k) Depreciation

Depreciation is calculated in accordance with Russian legislation so as to write off the carrying value of fixed assets on a straight line basis using the following annual prescribed rates:

Bank equipment	1- 2%
Office equipment and motor vehicles	10-20%
Intangible assets	10%

l) Taxation

Provision is made for all foreseeable taxation liabilities.

The tax charge in the statement of income includes the charge in respect of the taxable profit for the year calculated under Russian taxation laws and deferred tax. All other taxes, including those based on gross interest received, are included in general, administrative and other operating costs in the statement of income.

In accordance with IAS 12, provision is made for deferred taxation on all temporary differences that arise because the carrying amount of an asset or liability in the balance sheet differs from its tax base. Movements are charged or credited to the statement of income.

m) Interest income and expense recognition

Interest income and expense are recognised in the statement of income as earned or incurred on an accruals basis. Interest income on loans is suspended when overdue by more than 30 days and is excluded from interest income in the statement of income unless deemed collectible. Any interest earned during the temporary holding of investments is shown as interest income in the statement of income. All interest expense on borrowings is charged to the statement of income.

n) Commission and fee income and expense

Commission and fee income and expenses are recognised in the statement of income as earned or incurred on an accruals basis. Commission and fee income is earned on securities, foreign exchange, trade finance, and other transactions performed by the Bank on behalf of its clients. Commission and fee expense is incurred from the use of settlement accounts, correspondent accounts, stock exchange, and other services required by the Bank to administer its banking transactions.

o) Foreign currency transactions

Transactions denominated in foreign currency are recorded at the rate ruling on the date of the transaction. Exchange differences resulting from the settlement of these transactions are included in the results of operations at the time of settlement using the exchange rate ruling at that date.

Monetary assets and liabilities denominated in foreign currency are expressed in Russian Roubles at the official rate of exchange existing at the balance sheet date. Foreign currency gains and losses arising from the translation of the monetary assets and liabilities at the year-end are reflected in the statement of income for the year.

continued

(in thousands of Russian Roubles)

3. Significant accounting policies (continued)

The official rates of exchange, as determined by the Central Bank of the Russian Federation, between the Russian Rouble and the dollar of the United States of America (USD) and the Euro as at 31 December were as follows: (Russian Roubles – not thousands)

	2004	2003
Russian Roubles per USD 1	27.7487	29.4545
Russian Roubles per Euro 1	37.8104	36.8240

p) Pensions

The Bank contributes to the state pension fund on behalf of its employees. These contributions are recognised in the financial statements on an accruals basis at the stipulated time. The scheme is a defined contribution scheme and accordingly no future liabilities have been incurred by the bank through entering into this scheme.

q) Other credit related commitments

In the normal course of business, the Bank enters into other credit related commitments including loan commitments, letters of credit and guarantees. These operations are recorded at their nominal value and provisions for possible losses are recognised in the income statement.

4. Cash and cash equivalents

Cash and cash equivalents comprise:

	2004	2003
Cash on hand	51,795	7,958
Other market placements	500	500
Cash balances with the CBRF (other than mandatory reserve deposits)	1,249,041	681,632
Correspondent accounts and overnight deposits with other banks:		
- Russian Federation	79,851	12,610
- Other countries	103,310	-
	1,484,497	702,700
Less: Provision for uncollectible amounts in correspondent accounts	(1,582)	-
Total cash and cash equivalents	**1,482,915**	**702,700**

Currency and geographical analysis of cash and cash equivalents is disclosed in Note 21.

5. Mandatory reserves with the Central Bank

The mandatory cash balances with the Central Bank represents amounts deposited with the CBRF. Credit institutions are required to maintain a non-interest earning cash deposit (mandatory reserve) with the CBRF, the amount of which depends on the level of funds attracted by the credit institution. The Bank's ability to withdraw such deposit is significantly restricted by legislation and hence not considered as part of cash and cash equivalents. As part of the monetary policy implemented during 2004 by the CBRF, the required reserve ratios decreased significantly.

(in thousands of Russian Roubles)

6. Loans to banks

Loans to banks comprise:

	2004	2003
Interbank loans	907,833	970,364
Promissory notes of banks	165,082	-
Less: Provision for losses on due from banks	(21,452)	(19,408)
Total loans to banks	**1,051,463**	**950,956**

Movements in the provision for losses on loans to banks are as follows:

	2004	2003
Opening provision for losses on due from banks	19,408	520
Net movement in provision for losses	2,044	18,888
Closing provision for losses on due from banks	**21,452**	**19,408**

Currency, geographical and maturity structure of loans to banks are detailed in Note 21.

7. Trading securities

Trading securities as at year end comprise:

	2004	2003
Rouble denominated securities		
Corporate shares	98,159	173,489
Strategic investments	15	15
Municipal bonds	216,979	420,397
Investments in mutual funds	60,776	-
Corporate bonds	458,880	920,472
	834,809	**1,514,373**
Foreign currency denominated securities		
Sovereign debt of foreign countries, denominated in US dollars	-	430,909
Corporate bonds denominated in US dollars	240,740	-
	240,740	**430,909**
Total trading securities	**1,075,549**	**1,945,282**

Corporate equity securities mainly consist of shares in Surgutneftegaz (RUR 32,750), RAO UES (RUR 31,717), OAO Lukoil (RUR 13,158) and other marketable shares.

Corporate debt securities include medium-term marketable bonds with maturity in 2005-2014 and a coupon rate of 8 to 16 percent. Corporate bonds include bonds issued by OAO UTK (RUR 237,099) and OAO Severstal (RUR 210,792).

Investments in mutual funds refer to units in funds or stakes purchased in investment pools managed by OOO Creative Investment Technology.

Strategic investments are represented by the Bank's holding in ZAO LenRos Invest – a sub-holding company for the subsidiaries of the Bank. Details of shareholdings as at 31 December 2004 are presented below:

continued

(in thousands of Russian Roubles)

7. Trading securities (continued)

Name	Percentage held	Main activity
ZAO LenRosInvest	100%	Holding company

ZAO LenRosInvest had the following subsidiary companies:

OOO Web-Invest.ru	100%	Brokerage
OAO Creative Investment Technologies	100%	Capital Management
OAO Leasing Company Magistral Finance	100%	Leasing

OOO Web-Invest.ru conducts brokering and dealing activities in the Russian stock and derivatives markets. Web-Invest.ru is licensed by the Federal Commission for the Securities Market to provide brokering, dealing and registry services and by the Commission for Commodity Exchanges to trade derivatives. Web-Invest.ru specialises in Internet-trading services for professional investors and financial institutions. The Company is a member of various stock exchanges, including the Moscow Interbank Currency Exchange (MICEX), the Russian Trading System (RTS), the Saint Petersburg Stock Exchange and the Saint Petersburg Currency Exchange (SPCEX). OOO Web-Invest.ru had the following subsidiary company:

Name	Percentage held	
Aurora Access Securities AS	100%	Brokerage

All Bank's subsidiaries are registered in the Russian Federation with exception of Aurora Access Securities AS which is registered in the Republic of Estonia.

The Bank has produced its consolidated financial statements in a separate document.

Currency, maturity and geographical analysis of trading investments are provided in Note 21.

8. Loans and advances to customers

Loans and advances to customers comprise:

	2004	**2003**
Loans to companies	3,044,874	1,485,645
Loans to individuals	362,971	66,443
Total gross loan portfolio	3,407,845	1,552,088
Provision for loan losses	(247,994)	(243,855)
Loans and advances to customers, net	**3,159,851**	**1,308,233**

All loans have been issued to customers residents in the Russian Federation. The Bank has granted several loans to related parties (Note 23). Loans and credit facilities approved but not disbursed as at 31 December 2004 amounted to RUR 1,620,603 (2003: RUR 1,256,299).

Movements in provision for losses on loans and advances to customers were as follows:

continued

(in thousands of Russian Roubles)

8. Loans and advances to customers (continued)

	2004	2003
Opening balance	243,855	48,261
Charge during the period	4,139	195,594
Closing provision for loan losses	**247,994**	**243,855**

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

	2004		2003	
	Balance	**%**	**Balance**	**%**
Timber	-	-	67,812	5
Construction	23,762	1	-	-
Trading	48,930	2	62,085	5
Finance	521,260	16	405,205	31
Leasing	178,232	6	73,416	6
Brokerage	1,807,146	57	466,215	36
Food	-	-	175,389	13
Individuals	343,006	11	56,004	4
Other	237,515	7	2,107	-
Loans and advances to customers, net	**3,159,851**	**100**	**1,308,233**	**100**

An analysis by outstanding balances of operations as at 31 December 2004 is set out below:

Balance range	Balance	Number of loans	%
More than 500,001	509,600	1	15
From 100,001 to 500,000	2,199,746	8	65
From 50,001 to 100,000	188,917	3	5
From 10,001 to 50,000	165,619	9	5
From 1,001 to 10,000	74,662	27	2
From 1 to 1,000	269,301	121	8
Total gross loan portfolio	3,407,845	**169**	**100**
Provision for loan losses	(247,994)		
Loans and advances to customers, net	**3,159,851**		

9. Other assets

Other assets comprise:

	2004	2003
Receivable from state budget	21,663	73,468
Receivable on foreign currency transactions	806,735	460,471
Due on sale of marketable shares	619,812	87,686
Other debtors	28,394	202,572
	1,476,604	**824,197**

Balances due on sale of marketable shares correspond to very short term receivables from customers for the sale of trading securities. These amounts were guaranteed by the securities purchased, and were fully repaid after the year end in both periods.

(in thousands of Russian Roubles)

10. Fixed assets

	Bank equipment	Vehicles	Office and Computer Equipment	Total
Cost or valuation				
Balance at 31 December 2003	997	8,972	21,603	31,572
Additions	3,874	6,769	21,154	31,797
Disposals	(12)	(3,857)	(362)	(4,231)
Balance at 31 December 2004	4,859	11,884	42,395	59,138
Accumulated depreciation				
Balance at 31 December 2003	32	531	2,800	3,363
Charge for the year	763	1,499	4,244	6,506
Disposals	(1)	(446)	(216)	(663)
Balance at 31 December 2004	794	1,584	6,828	9,206
Net book value at 31 December 2004	**4,065**	**10,300**	**35,567**	**49,932**
Net book value at 31 December 2003	**965**	**8,441**	**18,803**	**28,209**

Fixed assets are insured for an amount equivalent to RUR 8,541.

11. Deferred tax asset

Deferred taxation has been provided on all temporary timing differences between the carrying value of assets and liabilities reported for tax purposes and for accounting purposes. A deferred tax charge of RUR 32,181 (2003- deferred tax credit of RUR 44,707) was recognised during the year.

Movement on the provision during the year was:

	2004	2003
Balance at 1 January 2004	41,166	(9,015)
Movement in the year	(32,181)	50,181
Balance at 31 December 2004	**8,985**	**41,166**

12. Loans and deposits from banks

Loans and deposits from other banks as at year end comprise:

	2004	2003
Short term loans from Russian banks	1,547,000	1,068,382
VOSTRO accounts with Russian banks	25,796	355,271
Total due to Banks	**1,572,796**	**1,423,653**

continued

(in thousands of Russian Roubles)

12. Loans and deposits from banks (continued)

The main lenders being the following banks:

	Balance as at 31.12.2004
Bank Soyuz	804,000
Bank Vozrozhdenie	300,000
Khanty-Mansiyskiy Bank	194,000
Svyaz Bank	170,000

The average interest rate for interbank loans is 5 percent per annum.

13. Customer accounts

Balances on deposits received from customers comprise:

	2004	2003
State and public organisations		
– Current/settlement accounts	618	300,178
Other legal entities		
– Current/settlement accounts	857,493	270,564
– Term deposits	1,063,466	737,377
Individuals		
– Current/demand accounts	16,156	711
– Term deposits	50,704	23,368
Total customer accounts	**1,988,437**	**1,332,198**

Currency, interest rate, geographical and maturity analysis are disclosed in Note 21. The Bank has several deposits from related parties. The relevant information on related party deposits is disclosed in Note 26.

14. Other liabilities

	2004	2003
Settlements on exchange operations	30,041	20,718
Taxation payable	26,379	11,916
Unclear amounts in corresponding accounts	25	253,570
Other	34,186	9,434
Total other liabilities	**90,631**	**295,638**

15. Share capital

Share capital authorised, issued and fully paid consists of the following:

	2004	2003
210,000,000 (2003 – 15,000,000) ordinary shares of RUR 10 (not thousands) each	**2,100,000**	**150,000**

continued

(in thousands of Russian Roubles)

15. Share capital (continued)

During 2004 the Bank completed its 13th emission of shares. Under this emission 195,000,000 ordinary shares with a nominal value of RUR 10 (not thousands) were issued and were distributed among shareholders on a pro-rata basis by capitalisation of a part of the Bank's retained earnings and all of its share premium account. No amounts were paid in cash.

During 2003 the Bank completed its 12th emission of shares. Under this emission 11,300,000 ordinary shares with a nominal value of RUR 10 (not thousands) were issued at a price of RUR 133 (not thousands) and generated an increase in share premium of RUR 1,389,900 (not thousands). These amounts were fully paid in cash.

16. Retained earnings and dividends

In accordance with Russian Law on Banking Activity, the Bank must use financial statements prepared under Russian accounting rules as the basis for calculating profit available for distribution. This may be used to pay dividends or transferred to reserves. The Bank's reserves under Russian Accounting Rules as at 31 December 2004 amounted to RUR 500,964 (2003: RUR 153,768).

A dividend of RUR 0.20 (not thousands) per share was declared at the 2004 Annual Shareholders' Meeting.

17. Interest income and expense

	2004	2003
Interest income		
Due from banks	52,600	10,548
Loans and advances to customers	283,209	66,505
Securities	312,059	203,335
Total interest income	**647,868**	**280,388**
Interest expense		
Due to banks	(78,905)	(12,930)
Term deposits	(44,600)	(55,787)
Debt securities issued	(80,718)	(53,113)
Total interest expense	**(204,223)**	**(121,830)**
Net interest income	**443,645**	**158,558**

18. Loan loss charge

	2004	2003
Movement on provision on loans and advances to customers (Note 8)	4,138	195,594
Movement on provision on loans to banks (Note 6)	2,044	18,888
	6,182	**214,482**

(in thousands of Russian Roubles)

19. General, administrative and other operating costs

	2004	2003
Compensation and benefits to employees	112,295	60,942
Other taxes	14,369	28,231
Depreciation	6,214	2,247
Office rent	14,518	10,448
Other operating expenses	28,829	82,087
	176,225	**183,955**

20. Taxation

Profit tax comprises the following:

	2004	2003
Current tax charge	83,940	173,891
Deferred tax (credit)/charge relating to the origination and reversal of temporary differences	32,181	(50,181)
Income tax charge for the year	**116,121**	**123,710**

The income tax rate applicable to the majority of the Bank's income is 24% (2003: 24%). The Bank's accounting profit may be reconciled to profit for taxable purposes as follows:

	2004
Accounting profit before tax	**411,964**
Adjustments to comply with IFRS including:	
Adjustment on loan loss provision	(117,792)
Adjustment on securities	218,572
Adjustment on interest accrued	24,435
Other adjustments	(36,215)
Accounting profit under Russian accounting standards	**500,964**
Adjustments for tax purposes	(114,223)
Taxable profit	**386,741**
Taxable profit at 24%	288,096
Taxable profit at 15%	98,645
Tax charge at 24%	69,143
Tax charge at 15%	14,797
Total tax charge for the year	**83,940**

continued

20. Taxation (continued)

Provision has been made for all foreseeable liabilities. However, commercial legislation, particularly tax legislation, may allow for more than one interpretation. Due to this and the practice developed by the tax authorities in a generally unstable environment, of making arbitrary judgements about business activities, management's judgement of the Bank's business activities may not coincide with interpretation of the same activities by tax authorities. Management does not currently believe there are any known situations, which might be challenged by the tax authorities, which have not already been appropriately reflected in the financial statements.

21. Financial risk management

The Bank actively manages its financial risks. The primary objectives of the financial risk management function are to establish risk limits, and then, through the internal control process to ensure that the objectives and policies are communicated and implemented, that compliance with limits is monitored, and that deviations are corrected in accordance with management's policies. The operational and legal management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational, legal and reputation risk.

An overview of the major risk factors relevant to the Bank and comments where relevant on specific policies adopted to manage these risks is provided below:

Credit risk

In making loans the Bank takes on exposure to credit risk which is the risk that a counterparty will be unable to pay principal or interest amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to products, individual borrowers or Banks of borrowers. The Financial Committee approves these limits on the level of credit risk.

Loans for amounts less than 0.5% of the Bank's assets must be approved by the Chairman or Vice Chairman. Loans over 0.5% and up to 25% of the Bank's assets must be approved by the Financial Committee. The president of the financial committee is the Bank's Chairman. The Supervisory Board must approve loans that are over 25% of the Bank's assets. The Financial Committee meets at least once a month. The Bank has several significant concentrations of risk (see note 8). Exposure to credit risk is managed, in part, by obtaining collateral and corporate and personal guarantees. The Bank's maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same methodologies as for loans.

Credit risk for advances to customers on brokerage operations is considered low since all operations are secured by the securities purchased on an adequate debt-collateral ratio.

Market risk

Market risk is the risk of losses arising from unexpected changes in stock, bond and equity prices, as well as fluctuating interest rate or exchange rate movements. It arises in several areas of the Bank's activities and is managed by a variety of different techniques. Market risk is monitored on a daily basis, and reports on current risk levels and on compliance with the limits assigned to each unit are submitted to management of the Bank. Although the Russian financial markets are still in an emerging stage, they continue to expand with new entrants. The development of the stock market is supporting the growth of the activity of mutual funds.

continued

(in thousands of Russian Roubles)

21. Financial risk management (continued)

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. At the year end the Bank had balances in Russian Roubles, US dollars, and Euro.

Currency classification of monetary assets and liabilities in the table below is based on the currency in which they are denominated. Available for sale investments have been attributed to Russian Roubles, as the underlying investment is in a business located in the Russian Federation. Currency classification of tangible assets (premises and equipment) and prepayments to purchase tangible assets has been based on the measurement currency used to record them.

Depending on the revenue stream of the borrower any fluctuation of these foreign currencies against the Russian rouble may adversely affect the borrower's repayment ability and therefore increase the likelihood of future loan losses.

During the period, the exchange rate of the Russian Rouble has strengthened in relation to the dollar of the United States of America and the Euro. Currently there are no indications that the situation will change materially, to the extent of representing a significant risk for the operations of the Bank or the Bank as a whole.

At 31 December 2004, the Bank's position by currency was as follows:

	RUR	USD	EURO	Total
Assets				
Cash and cash equivalents	1,273,609	189,179	20,127	1,482,915
Mandatory cash balances with the CBRF	206,346	-	-	206,346
Dealing securities	840,397	235,153	-	1,075,550
Due from banks	171,082	880,381	-	1,051,463
Loans and advances to customers	2,940,335	219,516	-	3,159,851
Deferred tax asset	8,985	-	-	8,985
Other assets	1,475,641	963	-	1,476,604
Property and equipment	49,932	-	-	49,932
Total assets	**6,966,327**	**1,525,192**	**20,127**	**8,511,646**
Liabilities				
Customer accounts	1,861,804	108,129	18,504	1,988,437
Due to banks	1,572,778	17	1	1,572,796
Debt securities issued	218,116	1,761,549	243,877	2,223,542
Other liabilities	74,548	14,987	1,096	90,631
Total liabilities	**3,727,246**	**1,884,682**	**263,478**	**5,875,406**
Net balance sheet position	**3,239,081**	**(359,490)**	**(243,351)**	**2,636,240**

As of 31 December 2003 the Bank had the following positions in currencies:

	RUR	USD	EURO	Total
Net on-balance sheet position	**2,105,056**	**262,127**	**3,213**	**2,370,396**

continued

(in thousands of Russian Roubles)

21. Financial risk management (continued)

Country risk

The economic situation in the Russian Federation has remained positive during 2004 thanks to continued current account and public sector surpluses and large currency reserves. That dynamic is not attributable solely to oil prices: Tax reform has been successful and there has also been an increase in domestic investment.

The recovery has nonetheless been shaky with the economy's dependence on raw material sectors making it very vulnerable to swings in prices. Moreover, the lack of foreign investment could limit the extraction sector's expansion. Meanwhile, the manufacturing sector's competitiveness could suffer from the real Rouble appreciation.

The three major credit risk rating agencies have upgraded Russia to investment grade. Despite these factors, the existence of a currency which is not freely convertible outside the Russian Federation, relatively high rates of inflation and a reduced capital market still remain as characteristics of an emerging economy.

The introduction of an insurance scheme for deposits of individuals in credit institutions and changes in accounting regulations are part of the reform of the banking system which is a matter of the highest priority if Russia is to achieve its growth potential in the coming years, together with developments in the capital market and insurance sector.

The prospects for future economic stability in the Russian Federation are largely dependent upon the effectiveness of economic policies and measures undertaken by the government, as with legal, regulatory and political developments, which are beyond the control of the Bank.

Geographical analysis

Most of the operations of Web-Invest Bank are located in the Russian Federation. A geographical analysis of Bank's assets and liabilities as at 31 December 2004 is set out below:

	Russia	OECD	Non OECD	Total
Assets				
Cash and cash equivalents	1,379,605	103,310	-	1,482,915
Mandatory cash balances with the CB RF	206,346	-	-	206,346
Dealing Securities	1,075,550	-	-	1,075,550
Due from banks	1,051,463	-	-	1,051,463
Loans and advances to customers	3,012,005	-	147,846	3,159,851
Deferred tax asset	8,985	-	-	8,985
Other assets	1,476,604	-	-	1,476,604
Property and equipment	49,932	-	-	49,932
Total assets	**8,260,490**	**103,310**	**147,846**	**8,511,646**
Liabilities				
Customer accounts	1,920,529	12	67,896	1,988,437
Due to banks	1,572,796	-	-	1,572,796
Debt securities issued	2,223,542	-	-	2,223,542
Other liabilities	90,631	-	-	90,631
Total liabilities	**5,807,498**	**12**	**67,896**	**5,875,406**
Net balance sheet position	**2,452,992**	**103,298**	**79,950**	**2,636,240**

continued

(in thousands of Russian Roubles)

21. Financial risk management (continued)

The geographical concentration of the Bank's assets and liabilities as of 31 December 2003 is set out below:

	Russia	OECD	Non OECD	Total
Net on-balance sheet position	**2,330,638**	**39,758**	**-**	**2,370,396**

Interest rate risk

The Bank is exposed to interest rate price risk, principally as a result of lending and making advances to customers and other banks, at fixed interest rates, in amounts and for periods which differ from those of term deposits and other borrowed funds at fixed interest rates.

In practice fixed interest rates are generally fixed on a short term basis normally at three month intervals. Also, interest rates that are contractually fixed on both assets and liabilities are often renegotiated to reflect current market conditions.

The table bellow summarises the effective average interest rate, by major currencies, for major monetary financial instruments. The analysis has been prepared on the basis of weighted average interest rates for the various financial instruments using effective interest rates prevailing as of 31 December 2004.

		%	
	RUR	**USD**	**EUR**
Interest bearing assets			
Due from banks	11	7	-
Loans and advances to customers	13	12	-
Interest bearing liabilities			
Term deposits	11	8	6
Due to banks	5	-	-
Debt securities issued	5	7	4

Web-Invest Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements take place.

Liquidity risk

Liquidity risk is defined as the risk that the maturity of assets and liabilities does not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of Web-Invest Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses since the liquidation of positions before contractual maturity may have an adverse price effect.

Although long term credits and overdraft facilities are generally not available in Russia, many short-term loans are granted with the expectation of renewing at maturity. As such, the ultimate maturity of assets may be different from the analysis presented. Majority of trading investments are classified as on demand and less than one month as the portfolio is of a dealing nature and management believes this is the fairest portrayal of its liquidity position. Mandatory cash balances with the CBRF are included within demand and less than one month as the majority of liabilities to which this balance relates are also included within this category.

continued

(in thousands of Russian Roubles)

21. Financial risk management (continued)

The tables below provide an analysis of the assets and liabilities of Web Invest Bank grouped on the basis of the remaining period from the balance sheet date to the contractual maturity date.

	On demand or less than one month	Between 1 and 3 months	Between 3 and 6 months	Between six months and one year	After one year	Not stated maturity	Total
Assets							
Cash and short term funds	1,482,915	-	-	-	-	-	1,482,915
Balances with CBRF	206,346	-	-	-	-	-	206,346
Loans to banks	205,143	846,320	-	-	-	-	1,051,463
Dealing securities	1,056,940		-	-	-	18,610	1,075,550
Loans and advances to customers	999,570	416,321	1,088,203	630,290	25,467	-	3,159,851
Other assets	649,855	825,223	543	983	-	-	1,476,604
Fixed assets	-	-	-	-	49,932		49,932
Deferred tax	-	-	-	-	8,985	-	8,985
Total assets	**4,600,769**	**2,087,864**	**1,088,746**	**631,273**	**84,384**	**18,610**	**8,511,646**
Liabilities and shareholders' equity							
Loans and deposits from banks	1,369,796	8,000	25,000	170,000	-	-	1,572,796
Customer accounts	976,157	498,955	210,965	272,290	30,070	-	1,988,437
Promissory notes issued	33,883	734,025	1,455,634			-	2,223,542
Other liabilities	38,643	35,282	16,314	392	-	-	90,631
Total liabilities	**2,418,479**	**1,276,262**	**1,707,913**	**442,682**	**30,070**	**-**	**5,875,406**
Surplus / (Deficit)	**2,182,290**	**811,602**	**(619,167)**	**188,591**	**54,314**	**18,610**	**2,636,240**
Cumulative Surplus	**2,182,290**	**2,993,892**	**2,374,725**	**2,563,316**	**2,617,630**	**2,636,240**	
Surplus 2003	**2,713,558**	**(916,652)**	**450,048**	**31,878**	**91,564**	**2,370,396**	

22. Contingencies and commitments

Guarantees and letters of credit
The Bank has issued guarantees amounting to RUR 710,355 as at 31 December 2004.

Capital commitments
No material commitments for capital expenditures were outstanding at 31 December 2004.

General claims
Claims against the Bank are received in the normal course of business. The Bank's management is of the opinion that no material losses will be incurred in connection with outstanding claims at 31 December 2004.

continued

(in thousands of Russian Roubles)

22. Contingencies and commitments (continued)

Credit related commitments

Credit related commitments comprise loan commitments 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. Outstanding credit related commitments are as follows:

	2004	2003
Undrawn credit lines	1,620,603	1,256,299
Guarantees issued	710,355	568,139
Less: Provision on credit related commitments	(25,540)	(26,774)
Total credit related commitments	**2,305,418**	**1,797,664**

The Bank has the right to renegotiate the terms of credit line agreements. At 31 December 2004, the probability of losses arising in connection with these undrawn credit lines is considered remote and accordingly no provision has been established.

Management evaluated the likelihood of possible losses arising from other credit related commitments and concluded that as at 31 December 2004 provision of 2% over outstanding balances (2003: 2%) was adequate. The total outstanding contractual amount of guarantees and undrawn credit lines does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Operating lease

In the normal course of business, the Bank enters into operating lease agreements for office equipment and branch facilities. Future minimum payments under non-cancellable operating leases are as follows:

	2004
Not later than one year	8,868
Later than one year and not later than five years	-
Later than five years	-
Total operating lease commitments	**8,868**

Trust activities

Client assets under management by the Bank amounted to RUR 21,113 as at 31 December 2004.

23. Related party transactions

For the purposes of these financial statements, entities are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In addition other parties are considered to be related if they are considered under common control. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form

continued

(in thousands of Russian Roubles)

23. Related party transactions (continued)

At 31 December 2004 entities considered related parties of the Bank included the following:

Related parties per category	Activity
Shareholders	
OOO Finance Group Web-Invest	Investing
OOO Centre of Financial Consulting	Financing
OOO IK Baltunexim Finance	Financing
Individuals	
Subsidiaries	
ZAO LenRosInvest	Holding company
OOO Web-Invest.ru	Brokerage
OAO Creative Investment Technologies	Capital Management
OAO Leasing Company Magistral Finance	Leasing
Other	
OOO Consolidated Management Assets	Financing
Under common control by virtue of having the same shareholders	
OOO Trend	Finance
OOO Finance assets	Finance

The transactions entered into with the organisations listed above involved the Bank in purchasing and selling promissory notes and other securities, making loans and taking deposits. Some of the transactions were performed at rates other than market price.

The total outstanding balances at the year end and the related income and expense transactions for the year with the major related parties are as follows:

	2004	2003
Customer accounts	646,241	203,311
Loans	1,740,775	522,103
Interest expense	2,894	2,736
Interest income	149,348	1,259
Other expenses, including dividends paid	268,374	-
Other income	6,153	
Other liabilities	-	-
Other assets	619,810	200,732

Total remuneration paid to members of the Board of Directors, solely in respect of their duties as the members of that body, was RUR 10,167 for the year ended 31 December 2004 (1,700 – in 2003).

24. Capital adequacy

The capital adequacy ratio calculated in accordance with norms of the Central Bank of the Russian Federation as of 31 December 2004 was 25.68%, above the statutory minimum limit of 10%. (2003: 32.18%)

The Bank's international risk based capital adequacy ratio as of 31 December 2004 was 35.19%, which exceed the minimum ratio of 8% recommended by the Basle Committee on Banking Supervision.

continued

(in thousands of Russian Roubles)

24. Capital adequacy (continued)

The ratio is calculated in accordance with the rules set out by the Basle Capital Accord, (International Convergence of Capital Measurement and Capital Standards - 1998), using the following risk weightings:

Weighting	Description
0%	Cash, amounts with the Central Bank of Russia and claims on the Government of the Russian Federation denominated in Roubles and funded in Roubles
20%	Due from OECD credit institutions
20%	Due from non-OECD credit institutions maturing within one year
100%	Loans to customers
100%	All other assets
	Off-balance sheet items
0%	Undrawn loan commitments maturing within one year
20%	Guarantees issued in favour of OECD credit institutions
50%	Undrawn loan commitments maturing in over one year and all standby letters of credit issued
100%	All other guarantees issued
1% - 5%	Foreign exchange contracts
0% - 0,5%	Interest rate contracts

Capital is calculated as the total of restricted and unrestricted components of equity, plus the Bank's general allowance for loan losses, to the extent that this general reserve for loan losses does not exceed 1.25% of risk weighted assets.