CIT FINANCE INVESTMENT BANK

Non-Consolidated Financial Statements and Independent Auditors' Report

31 December 2005

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STATEMENT OF MANAGEMENT RESPONSIBILITIES

Management has prepared and is responsible for the financial statements and related notes of CIT FINANCE INVESTMENT BANK (the "Bank"). They have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 General Director

E. V. Zaborcseva Chief Accountant

06 June 2006

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF CIT FINANCE INVESTMENT BANK

We have audited the accompanying balance sheet of CIT FINANCE INVESTMENT BANK (the "Bank") as of 31 December 2005, and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2005, the results of the Bank's operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion, we draw attention to note 2 (a) which states that these financial statements have been prepared for the Bank as a single entity. Consolidated financial statements for the Bank have been prepared and will be presented separately.

16, Strastnoy Boulevard
Moscow, 107031

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06 June 2006

CIT FINANCE INVESTMENT BANK
Non-Consolidated Balance Sheet as at 31 December 2005
(in thousands of Russian Roubles)

	Notes	2005	2004
Assets			
Cash and cash equivalents	4	5,646,778	1,482,915
Mandatory reserves with the CBRF	5	508,609	206,346
Due from banks	6	1,305,076	1,051,463
Trading securities	7	4,129,446	1,075,534
Securities available for sale	7	208,658	-
Investments in subsidiaries	8	75,000	15
Loans and advances to customers	9	6,825,900	3,159,851
Accrued interest income		48,298	6,912
Deferred tax asset	10	-	8,985
Fixed assets	11	89,504	49,932
Other assets	12	2,219,674	1,469,692
Total assets		**21,056,943**	**8,511,645**
Liabilities			
Due to banks	13	929,352	1,572,796
Amounts due to customers	14	12,174,250	1,988,437
Debt securities issued	15	2,513,026	2,223,542
Accrued interest expenses		68,741	25,208
Deferred tax liability	10	331,887	-
Other liabilities	16	234,725	65,423
Total liabilities		**16,251,981**	**5,875,406**
Shareholders' equity			
Share capital	17	2,100,000	2,100,000
Accumulated profit	18	2,704,962	536,239
Total shareholders' equity		**4,804,962**	**2,636,239**
Total liabilities and shareholders' equity		**21,056,943**	**8,511,645**
Guarantees and credit related commitments	19	**3,853,475**	**2,330,958**

Signed and authorized for release on behalf of the Board of the Bank

A.I. Vinokurov — General Director

E.V. Zaborcseva — Chief Accountant

06 June 2006

CIT FINANCE INVESTMENT BANK
Non-Consolidated Statement of Income for the year ended 31 December 2005
(in thousands of Russian Roubles)

	Notes	2005	2004
Interest and similar income	20	1,185,155	647,868
Interest expense and similar charges	20	(1,695,862)	(204,223)
Net interest income		**(510,707)**	**443,645**
Gains / (losses) from impairment on interest earning assets	21	307,063	(3,791)
Net interest income after allowance for losses		(203,644)	439,854
Gains less losses from transactions with securities	22	3,458,183	58,306
Gains less losses from transactions with foreign currency		215,153	(23,959)
Foreign exchange translation losses, net of gains		(118,973)	30,424
Fee and commission income	23	29,924	37,469
Fee and commission expense	23	(2,418)	(580)
Other impairment and provisions	21	8,921	2,455
Other net operating income	24	124,021	74,485
Operating income		**3,511,167**	**618,454**
General, administrative and other operating costs	25	(631,858)	(206,490)
Profit before taxation		**2,879,309**	**411,964**
Income tax charge	10	(680,586)	(116,121)
Net profit for the period		**2,198,723**	**295,843**

(in thousands of Russian Roubles)

	Notes	2005	2004
Cash flows from operating activities			
Interest received		1,184,399	644,577
Interest paid		(1,664,485)	(176,497)
Net gains arising from transactions with securities		3,196,929	251,459
Dividends received on securities		44,104	3,261
Net gains arising from transactions with foreign currency		213,774	(23,959)
Net fees and commissions received		27,506	36,889
Other net operating income received		107,202	49,292
Operating expenses paid		(613,576)	(381,263)
Income tax paid		(331,635)	(40,491)
Cash flows from operating activities before changes in operating assets and liabilities		**2,164,218**	**363,268**
Net (increase)/decrease in operating assets			
Mandatory reserves with the CBRF		(302,263)	(100,140)
Due from banks		(232,498)	(100,507)
Trading securities		(2,632,644)	869,734
Securities available for sale		(215,254)	-
Loans and advances to customers		(3,548,106)	(1,857,800)
Other assets		(788,465)	(652,701)
Net increase /(decrease) in operating liabilities			
Due to banks		(643,444)	149,143
Customer accounts		10,185,813	656,239
Debt securities issued		316,984	1,738,478
Other liabilities		138,378	(254,125)
Net cash generated by operating activities		**4,442,719**	**811,589**
Cash flows from investing activities			
Purchase of subsidiaries		(74,970)	-
Purchase of fixed assets		(54,913)	(31,798)
Net cash used in investing activity		**(129,883)**	**(31,798)**
Cash flows from financing activities			
Dividends paid		(30,000)	(30,000)
Net cash used by financing activities		**(30,000)**	**(30,000)**
Effect of exchange rate changes		**(118,973)**	**30,424**
Net increase in cash and cash equivalents		**4,163,863**	**780,215**
Cash and cash equivalents at the beginning of the year		**1,482,915**	**702,700**
Cash and cash equivalents at the end of the year		**5,646,778**	**1,482,915**

CIT FINANCE INVESTMENT BANK
Non-Consolidated Statement of Changes in Shareholders' Equity
for the year ended 31 December 2005
(in thousands of Russian Roubles)

	Notes	Share capital	Share premium	Retained earnings and other reserves	Total shareholders' equity
31 December 2003		**150,000**	**1,860,820**	**359,576**	**2,370,396**
Capital stock issues		1,950,000	(1,860,820)	(89,180)	**-**
Net profit		**-**	-	295,843	**295,843**
Dividends paid	18	**-**	-	(30,000)	**(30,000)**
31 December 2004		**2,100,000**	**-**	**536,239**	**2,636,239**
Net profit		**-**	-	2,198,723	**2,198,723**
Dividends paid	18	**-**	-	(30,000)	**(30,000)**
31 December 2005		**2,100,000**	**-**	**2,704,962**	**4,804,962**

The availability of the Bank's retained earnings for distribution to shareholders is determined by the Bank's Articles of Association and by Russian law. (See note 18).

1. Principal Activities

CIT Finance Investment Bank ("the Bank") was registered with the Central Bank of the Russian Federation ("CBRF") under the name "Palmira Bank" on 11 June 1992 with the number 1911 and commenced operations as a commercial bank at the end of that year. In 2001 the Bank was renamed "Web-Invest Bank" and on 7 September 2005 it obtained its current name.

The Bank has a CBR licence to conduct banking operations in Russian Roubles ('RUR') and in hard currency, and a licence to conduct banking operations with individuals in RUR and hard currency. The Bank is a member of the State Deposits Insurance system. The Bank also has licenses from the Federal Commission for the Securities Market allowing it to carry out depositary functions, act as a broker and dealer and provide services in managing securities.

The Bank conducts investment banking and commercial banking activities. Investment banking activity is focused on arrangement, bookmaking and underwriting in respect of bond issues for Russian corporations and regional governments. The Bank also trades in bonds and provides advisory and other services. In late 2005 the Bank entered the mortgage market.

Ultimate control of the Bank rests with five members of management: AI Vinokurov, NV Kuracheva, KV Yakovlev, MY Tsyganov and OA Byaloshisckiy. Collectively these individuals control over 50 % of the Bank's share capital. Transactions with companies under common control are disclosed in note 27.

The average quantity of employees in the Bank in 2005 was 246 staff (2004: 133).

The Bank's registered address and principal place of business is 38/4 "A", Nevsky Prospect, Saint-Petersburg, Russian Federation, 191011.

2. Basis of Presentation

a) General

The accompanying financial statements have been prepared in order to present the financial position and the results of operations of the Bank 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. These financial statements have been drawn up for the Bank as a single entity. Separate consolidated financial statements for the Bank have been drawn up to reflect the financial position and financial performance of the group as a whole.

These financial statements are presented and rounded to thousands of RUR unless otherwise indicated. The Rouble is utilised as the majority of the Bank's transactions are denominated, measured, or funded in RUR. Transactions in other currencies are treated as transactions in foreign currencies.

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that affect reported amounts. These estimates are based on information available as of the date of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The most significant estimates are related to allowances for assets' impairment and provisions.

The allowances for impairment of financial assets and provisions in the accompanying financial statements have been determined on the basis of existing economic and political conditions. The Bank is not in a position to predict what changes in conditions will take place in the Russian Federation and what effect such changes might have on the adequacy of the allowances for impairment of financial assets and provisions in future periods.

Basis of Presentation (continued)

b) Adoption of new and revised International Financial Reporting Standards

In the current year, the Bank has adopted all of the new and revised Standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005. The adoption of these new and revised Standards and Interpretations did not result in substantial changes to the Bank's accounting policies. In summary:

Application of IAS 1 "Presentation of Financial Statements" (revised 2003) has resulted in increased disclosures, including disclosure of critical accounting estimates and judgements in applying accounting policies.

Application of IAS 24 "Related Party Disclosures" (revised 2003) has resulted in increased disclosures in respect of related party transactions.

Application of IAS 32 "Financial Instruments: Disclosure and Presentation" (revised 2004) has resulted in increased disclosures in respect of financial instruments.

Application of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", IAS 10 "Events After the Balance Sheet Date", IAS 16 "Property, Plant and Equipment", IAS 17 "Leases", IAS 27 "Consolidated and Separate Financial Statements", IAS 28 "Investments in Associates", IAS 36 "Impairment of Assets" (revised 2004), IAS 38 "Intangible Assets" (revised 2004) and IFRS 3 "Business Combinations", did not result in substantial changes to the Bank's accounting policies.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective applicable standards. There was no impact on opening retained earnings at 1 January 2004 from the adoption of any of the above mentioned standards.

c) Standards, interpretations and amendments that are not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- *IFRS 7 "Financial Instruments: Disclosures"*
- *IFRIC 4 "Determining whether an Arrangement contains a Lease"*
- *IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies"*
- *IFRIC 8 "Scope of IFRS 2"*
- *IFRIC 9 "Reassessment of Embedded Derivatives"*

Management anticipates that, except for IFRS 7, the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Bank.

IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specific minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces *IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions"*, and disclosure requirements in *IAS 32 "Financial Instruments: Disclosure and Presentation"*. It is applicable to all entities that report under IFRS. In August 2005 amendments have been also introduced to IAS 1 requiring disclosures about entity's objectives, policies and processes for managing capital, as quantitative data about what the entity regards as capital and compliance with capital requirements. The Bank has assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Bank will apply IFRS 7 and the amendment to IAS 1 from the annual period beginning 1 January 2007.

(in thousands of Russian Roubles)

Basis of Presentation (continued)

IAS 39 (Amendment),"The Fair Value Option". This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Bank believes that this amendment should not have a significant impact on the classification of financial instruments, as the Bank should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss. The Bank will apply this amendment from the annual period beginning 1 January 2006.

IAS 39 and IFRS 4 (Amendment) - "Financial Guarantee Contracts" This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value and subsequently measured at the higher of: (a) the unamortized balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. Management considers that the Bank should be able to comply with the amendment bringing into the balance sheet guarantees issued in favour of its clients. The Bank will apply this amendment from 1 January 2006.

Other amendments to existing published standards and which management considers not relevant to the activities of the Bank include:

- *IAS 19 Employee Benefits*
- IAS 39 Amendment on cash flow hedge accounting of forecast intragroup transactions
- *IFRS 1 First time adoption of IFRS*

d) 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.

As the Bank did not at this time own any land or buildings or material other fixed assets, 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 2001	12,000
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 2005	**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.

(in thousands of Russian Roubles)

Basis of Presentation (continued)

e) Reconciliation of Russian Accounting Standards ('RAS') and IFRS equity and net income

Shareholders' equity and net income are reconciled between RAS and IFRS as follows:

	31 December 2005	
	Shareholders' equity	**Net profit**
Russian Accounting Legislation (before recognising subsequent events)	3,227,787	887,744
Released provision	1,633,863	1,565,254
Revaluation of securities	269,932	261,223
Accrual of interest incomes and expenses	(39,228)	(54,904)
Accrual of other operating incomes and expenses	(94,124)	(111,643)
Adjustments related to income tax	(339,966)	(348,951)
Adjustments of the funds allocated to capital	29,838	-
Other	116,860	-
International Financial Reporting Standards	**4,804,962**	**2,198,723**

3. Significant Accounting Policies

a) Recognition of Financial Instruments

The Bank recognizes financial assets and liabilities on its balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are recognized using trade date accounting.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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

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 one day of the date of origination and are free from contractual encumbrances.

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

Mandatory balances represent mandatory reserve assets 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.

Significant Accounting Policies (continued)

d) Amounts Due from Credit Institutions

In the normal course of business, the Bank maintains current accounts or deposits for various periods of time with other banks. Amounts due from credit institutions with a fixed maturity term are subsequently measured at amortized 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.

e) 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.

Trading securities are initially recognised at fair value and subsequently re-measured 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.

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.

f) Securities Available for Sale ("AFS")

Securities "AFS" 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). Securities AFS are subsequently valued at market value. In exceptional cases when market value is not available they are carried at fair value as assessed by management.

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.

g) Sale and Repurchase Agreements

Sale and repurchase ("repo") agreements are treated as secured financing transactions. Securities sold under sale and repurchase agreements are included in securities. The corresponding liability is presented under due to banks, amounts due to customers or other liabilities as appropriate. Securities purchased under agreements to resell ("reverse repo") are recorded as due from banks, loans to customers or other assets as appropriate. The differences between the sale and repurchase prices are treated as interest and accrued over the life of the repo agreement using the effective yield method.

h) Promissory Notes Purchased

Promissory notes purchased are included in available-for-sale securities, due from credit institutions or in loans and advances to customers, depending on their substance and are recorded and subsequently remeasured in accordance with the accounting policies for these categories of assets.

Significant Accounting Policies (continued)

i) Loans and Advances to Customers

Loans, other than those designated as being at fair value through profit or loss, are stated at underlying amortised cost, net of allowances for impairment. Amortised cost is calculated as the amount outstanding after amortisation of the premium or discount over fair value arising at initial recognition using the effective interest method.

A loan or portfolio of loans is considered impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or loans (a ‘loss event’), that loss event (or events) has an impact on the estimated future cash flows that will be generated by the loan or portfolio of loans and that loss can be reliably estimated.

Whether objective evidence of impairment exists is considered individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. Should no objective evidence of impairment exist for an individually assessed loan, whether significant or not, the loan is included in a portfolio of loans with similar credit risk characteristics and is collectively assessed for impairment.

The amount of impairment loss is calculated as the difference between the loan’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan’s original effective interest rate. The aggregate of the allowances made during the year is charged against profit for the year.

Loans and advances which cannot be recovered are written off and charged against the allowance for impairment loss. Such loans are written off after all necessary legal procedures have been completed and the amount of the loss is finally determined.

The current methodology for assessing impairment of loans differs from that used in previous years when specific provisions were made against debts whose recovery had been identified as doubtful and a general provision was made against the potential bad and doubtful debts which were present in the loan portfolio but which, at the date of preparing the financial statements, had not been specifically identified. The principal factors considered in determining the provision were the growth, composition and quality of the loan portfolio, the level of past due loans, current economic conditions and the value and adequacy of collateral. The previous methodology involved a greater degree of subjective judgement than the current methodology.

The change in methodology has been introduced as a result of changes in IAS 39. Management is not able to arrive at a reliable estimate of the impact on the financial statements of this change in methodology.

j) Allowances for Impairment of Financial Assets

The Bank establishes allowances for impairment of other financial assets on the same basis as that used for loans to customers as described in note 2j..

k) Property and Equipment

Fixtures and equipment are carried at restated cost less accumulated depreciation and any accumulated impairment for diminution in value. Depreciation on other assets is calculated on a straight-line basis over the following estimated useful lives:

	Years
Computer Equipment	4
Office Equipment & Furniture	5
Motor Vehicle	6
Buildings	30 - 60

Significant Accounting Policies (continued)

The carrying amounts of property and equipment are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down. Impairment is recognized in the respective period and is included in other operating expenses.

l) Operating Leases

Leases of assets under which the risks and rewards of ownership effectively remain with the lessor are classified as operating leases. Lease payments under operating lease are recognized as expenses on a straight-line basis over the lease term and included in operating expenses.

m) Amounts Due to Credit Institutions and to Customers

Amounts due to credit institutions and to customers are initially recognized in accordance with the recognition of financial instruments provisions of IAS 39 (revised). Subsequently, amounts due are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the statement of income over the period of the borrowings using the effective interest method.

n) Debt Securities Issued

Debt securities issued represent bonds and promissory notes issued by the Bank. They are accounted for according to the same principles used for amounts due to credit institutions and to customers.

o) Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

p) Retirement and Other Benefit Obligations

The Bank does not have any pension or post retirement benefit plans separate from the State pension system of the Russian Federation. This requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned.

q) Share Capital

Share capital is stated at nominal value. 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.

r) Dividends

Dividends are recognized as a reduction in shareholders' equity in the period in which they are declared. Dividends declared after the balance sheet dates are disclosed in the subsequent events note. The RAS financial statements of the Bank are the basis for profit distribution and other appropriations.

s) Taxation

The income tax charge in the statement of income for the year comprises current tax and changes in deferred tax. The current income tax expense is calculated in accordance with the regulations of the Russian Federation. Taxes, other than on income, are recorded within operating expenses.

(in thousands of Russian Roubles)

Significant Accounting Policies (continued)

Deferred income tax is provided, using the balance sheet liability method, for all temporary differences arising between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recorded to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

t) Income and Expense Recognition

Interest income and expense are recognized on an accrual basis calculated using the effective interest method. Interest continues to be accrued on potential bad debts, including those showing objective and actual impairment. Objective evidence includes objective factors such as the loan being overdue in terms of capital and/ or interest. Actual impairment considers the overall cash recovery position of the loan including charging of late payment fees and penalty interest. Any such impairment is then recognised in full through the allowance for impairment on the relevant asset and included in the sums in disclosure note 21. Commissions and other income are recognised when the related transactions are completed. Non-interest expenses are recognized at the time the transaction occurs. There was no impact on opening retained earnings at 1 January 2005 or material impact on the result for the year from the adoption of this change of accounting policy.

u) Foreign Currency Translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Russian Roubles at the official CBRF exchange rates ruling at the balance sheet date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the statement of income as gains less losses from foreign currencies (translation differences). Differences between the contractual exchange rate of a transaction and the Central Bank exchange rate on the date of the transaction are included in gains less losses from foreign currencies.

The official CBRF exchange rates at 31 December 2005 and 2004 were 28.7825 RUR and 27.7487 RUR to 1 USD, respectively, and 34.1850 RUR and 37.8104 RUR to 1 EUR, respectively.

4. Cash and Cash Equivalents

	2005	2004
Cash in hand	129,182	51,795
Other market placements	503,825	500
Cash balances with the CBRF (other than mandatory reserve deposits)	4,389,705	1,249,041
Correspondent accounts and overnight deposits with other banks:		
- Russian Federation	242,294	79,851
- Other countries	381,772	103,310
	5,646,778	**1,484,497**
Less: Provision for uncollectible amounts in correspondent accounts	-	(1,582)
	5,646,778	**1,482,915**

Geographical, currency and maturity analyses of cash and cash equivalents are disclosed in Note 26.

(in thousands of Russian Roubles)

5. Mandatory balances with the Central Bank of Russian Federation

Mandatory reserves with the Central Bank represent amounts deposited with the CBRF and not available for use in the Bank's day to day operations. 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.

6. Due from Banks

	2005	2004
Current interbank loans	1,305,076	907,833
Promissory Notes of other banks	-	165,082
	1,305,076	**1,072,915**
Less: Provision for losses on due from banks	-	(21,452)
	1,305,076	**1,051,463**

As at 31 December 2005 interbank loans includes a loan for RUR'000 1,000,000 granted at 11% which matured in January 2006.

Geographical, currency and maturity structure, interest rate analysis of the balances due from banks are detailed in Note 26.

Movements in the provision for losses on due from banks are disclosed in Note 21.

7. Securities

Securities, net of allowance for impairment comprise:

	2005	2004
Trading securities		
Corporate equity securities	2,081,305	100,212
Government and municipal bonds	648,599	227,533
Corporate bonds	826,075	783,495
Investments in mutual funds	573,467	111,597
Promissory Notes of companies	-	29,856
Provision for trading securities	-	(177,159)
	4,129,446	**1,075,534**
Available-for-sale securities		
Promissory Notes of companies	70,579	-
Corporate equity securities	13,360	-
Mortgage loan notes	135,807	-
Provision for securities AFS	(11,088)	-
	208,658	**-**
	4,338,104	**1,075,534**

Within Corporate equity securities the three largest holdings are in Norilski Nikel, RAO UES, and Uralsvyazinform. The total value of these investments is RUR '000 1,216,293 or 58% of total Corporate equity securities. Corporate securities also contains shares sold under repo transactions in the amount RUR'000 706,893. Corporate bonds includes medium-term marketable bonds with maturity in 2006-2015 and a coupon rate from 3 to 16 %. The three largest holdings are in Gazprom, SZTelec and Aladushkin-finance and the total value is RUR '000 239,419 or 29% of total corporate bonds.

(in thousands of Russian Roubles)

Securities (continued)

In 2004 there were no such concentrations.

Investments in mutual funds refer to units in funds or investment pools managed by the Bank's subsidiary OAO CIT Finance. Geographical, currency and maturity structure, interest rate analysis of the securities are detailed in Note 26.

8. Investments in subsidiaries

Investments in subsidiaries, net of allowance for impairment comprise:

	2005	2004
Strategic investments in subsidiaries	75,000	30
Provision for investments in subsidiaries	-	(15)
	75,000	**15**

In 2005 the Bank acquired OOO "LINKS Capital" (further renamed OOO CIT Finance Holding Company) to act as a holding Company for the subsidiaries of the Bank. Details of shareholdings as at 31 December 2005 are presented below:

Name	Percentage held	Main activity
OOO CIT Finance Holding Company	99,99%	Holding company

OOO CIT Finance Holding Company had the following subsidiary companies:

OOO CIT Finance	100%	Brokerage
OAO CIT Finance	100%	Capital Management
OAO Leasing Company Magistral Finance	100%	Leasing
ZAO CIT Finance - Life insurance	100%	Insurance
CIT Finance non-state pension scheme	100%	Pension scheme

OOO CIT Finance conducts brokering and dealing activities in the Russian stock and derivatives markets. OOO CIT Finance 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. OOO CIT Finance specialises in trading services for professional investors and financial institutions. The Company is a member of various 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 CIT Finance had the following subsidiary companies:

Aurora Access Securities AS	100%	Brokerage

Aurora Access Securities AS had the following subsidiary company:

Creative Investment Technologies Limited	100%	Investment activity

All of the Bank's subsidiaries are registered in the Russian Federation with exception of Aurora Access Securities AS which is registered in the Republic of Estonia and Creative Investment Technologies Limited which is registered in England and Wales.

The Bank has produced separate consolidated financial statements that consolidate the financial statements of all companies listed above except Creative Investment Technologies Limited, the total assets of which are less than 0.1 % of total assets of the Bank.

(in thousands of Russian Roubles)

9. Loans and Advances to Customers

Loans and advances to customers comprise:

	2005	2004
Current loans	6,896,958	3,354,833
Promissory notes of companies	53,500	48,929
Overdue loans	5,493	4,083
	6,955,951	**3,407,845**
Less: Allowance for impairment on loans and advances to customers	(130,051)	(247,994)
	6,825,900	**3,159,851**

Loans are made principally within the St Petersburg region (95 % of total gross portfolio).

Loans to customers also contains amounts arising as a result of repo transactions in the sum RUR'000 562,253. (2004: none)

In 2005 the aggregate amount of loans granted to the 10 biggest borrowers amounted to RUR'000 5,670,139 (gross) representing 82% of the total gross loan portfolio (2004: RUR '000 2,796,203 (gross) representing 82%).

An analysis of the loan portfolio by industry sectors is presented below:

	2005	2004
Brokerage companies	1,686,371	1,807,146
Financial organisations	21,798	521,260
Leasing	1,256,931	178,232
Trading	4,372	48,930
Construction	21,566	23,762
Investment	3,325,788	-
Timber	53,500	-
Individuals	318,806	343,006
Other	136,768	237,515
Total loans and advances to customers (net)	**6,825,900**	**3,159,851**

Geographical, currency and maturity structure, interest rate analysis of loans to customers are detailed in Note 26.

Movements in the allowance for impairment on loans to customers are disclosed in Note 21.

The fair value of the loans to customers does not differ materially from the current balance sheet value.

The amount of collateral received by the Bank in respect of its lending operations was RUR '000 1,819,175.

(in thousands of Russian Roubles)

10. Taxation

The corporate income tax expense comprises:

	2005	2004
Current tax charge	(339,714)	(83,940)
Deferred taxation movement due to origination and reversal of temporary differences	(340,872)	(32,181)
Income tax expense	**(680,586)**	**(116,121)**

The income tax rate applicable to the majority of the Bank's income was 24% for 2005 and 2004.

The effective income tax rate differs from the statutory income tax rate. A reconciliation of the income tax expense based on statutory rate with actual is as follows:

	2005	2004
Profit before tax	**2,879,309**	**411,964**
Statutory tax rate	24%	24%
Theoretical income tax expense at the statutory rate	(691,034)	(98,871)
State securities income at different rates	6,806	8,878
Non taxable expenditure	344,514	6,053
Current tax charge	**(339,714)**	**(83,940)**

Differences between IFRS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial purposes and for income tax purposes. Deferred income tax is calculated on all temporary differences under the balance sheet liability method using a statutory tax rate of 24%.

Deferred tax assets and liabilities comprise:

	2005	2004
Tax effect of deductible temporary differences:		
Provisions for losses on loans	(267,749)	(2,305)
Provision for NOSTRO accounts	(97)	-
Value of Securities	(98,638)	(9,342)
Customer accounts	11,679	11,679
Other assets	22,918	8,953
Total net deferred tax asset / (liability)	**(331,887)**	**8,985**

(in thousands of Russian Roubles)

11. Fixed Assets

The movements of fixed assets in the relevant reporting periods were as follows:

	Buildings	Office and Computer Equipment	Motor Vehicles	Construction in progress	Total
Cost or Valuation					
31 December 2003	**-**	**22,600**	**8,972**	-	**31,572**
Additions	**-**	24,958	6,769	23,855	**55,582**
Disposals	-	(374)	(3,857)	(23,785)	**(28,016)**
31 December 2004	**-**	**47,184**	**11,884**	**70**	**59,138**
Additions	2,195	47,856	4,504	59,233	**113,788**
Disposals	(597)	(7,146)	-	(52,396)	**(60,139)**
31 December 2005	**1,598**	**87,894**	**16,388**	**6,907**	**112,787**
Depreciation					
31 December 2003	**-**	**(2,832)**	**(531)**	**-**	**(3,363)**
Charge for the year	-	(5,007)	(1,499)	-	**(6,506)**
Disposals	-	217	446	-	**663**
31 December 2004	**-**	**(7,622)**	**(1,584)**	**-**	**(9,206)**
Charge for the year	(116)	(14,298)	(927)	-	**(15,341)**
Disposals	38	1,226	-	-	**1,264**
31 December 2005	**(78)**	**(20,694)**	**(2,511)**	**-**	**(23,283)**
Net Book Value					
31 December 2005	**1,520**	**67,200**	**13,877**	**6,907**	**89,504**
31 December 2004	**-**	**39,562**	**10,300**	**70**	**49,932**
31 December 2003	**-**	**19,768**	**8,441**	**-**	**28,209**

As at 31 December 2005 fixed assets were insured in the amount of RUR ’000 42,238 (2004: RUR ‘000 8,541).

12. Other Assets

	2005	2004
Securities settlements balances	2,073,115	806,735
Accounts in brokerage companies	109,382	619,812
Prepaid taxes	3,096	21,663
Prepaid administration expenses	39,190	-
Other	1,970	37,482
	2,226,753	**1,485,692**
Less – Allowance for impairment of other assets	(7,079)	(16,000)
	2,219,674	**1,469,692**

Movements in the allowance for impairment of other assets are disclosed in Note 21.

(in thousands of Russian Roubles)

13. Amounts Due to Banks

	2005	2004
Short-term loans from other banks	929,040	1,547,000
VOSTRO accounts	312	25,796
	929,352	**1,572,796**

As at 31 December 2005 within interbank loans received there is included a loan for RUR'000 300,000 granted at 11 % maturing in January, 2006.

Maturity structure and interest rate analysis of amount due to banks are detailed in Note 26.

14. Amounts Due to Customers

	2005	2004
Private enterprises		
- Current accounts	4,572,551	857,493
- Term deposits	7,050,334	1,063,466
	11,622,885	**1,920,959**
Individuals		
- Current accounts and accounts on demand	101,930	16,156
- Term deposits	255,816	50,704
	357,746	**66,860**
State and budgetary organisations		
- Current accounts	5	618
Other accounts	193,614	-
	12,174,250	**1,988,437**

Geographical, currency and maturity structure, interest rate analysis of amounts due to customers are detailed in Note 26.

The three largest current accounts of private enterprises accounted for RUR '000 3,834,083 or 84% of the total, with the largest current account amounting to RUR'000 2,767,743. The three largest deposits accounted for RUR '000 6,046,111 or 86% of the total term deposits. The largest single depositor has deposits totalling RUR '000 3,340,000. These deposits mature in the date range 6 March 2006 to 25 December 2006. There are no concentrations in amounts due to individuals. In 2004 there were no concentrations in either category.

15. Debt Securities Issued

	2005	2004
Bonds issued	2,000,000	-
Promissory Notes issued	513,026	2,223,542
	2,513,026	**2,223,542**

Bonds issued are represented by one issue of unquoted bonds (2,000,000 bonds par value 1,000 RUR each). These bonds were issued on 16 December 2005 with maturity of three years with coupon 10.5% paid every six months. There is no material difference between the fair value and the carrying value in the financial statements.

Maturity structure and interest rate analysis of debt securities issued are detailed in Note 26.

(in thousands of Russian Roubles)

16. Other Liabilities

	2005	2004
Securities settlement balances	140,094	-
Foreign currency settlement balances	27,129	30,041
Taxes payable	12,659	26,379
Accrued administration expenses	41,690	-
Other	13,153	9,003
	234,725	**65,423**

Information about contingencies and commitments is presented in Note 19.

17. Shareholders' Equity

Statutory capital authorized, issued and fully paid comprises:

	2005			2004		
	Number of shares	**Par value**	**Value**	**Number of shares**	**Par value**	**Value**
Common shares	210,000,000	0.01	2,100,000	210,000,000	0.01	2,100,000
Total share capital			**2,100,000**			**2,100,000**

All ordinary shares have a nominal value of RUR 10 (not thousands) per share, rank equally and carry one vote.

On 14 March 2006 the shareholders elected to increase the authorized, issued and fully paid share capital by RUR'000 900,000 to RUR '000 3,000,000 by issuing 90,000,000 ordinary shares of nominal value RUR 10 (not thousands). Placement of these shares has been approved by CBRF but at the time of signing the Balance Sheet the issue has not been finalised.

18. Accumulated profit

In accordance with Russian Law on Banking Activity, the Bank must use financial statements prepared under Russian accounting rules as the basis for calculating distributable profit for an accounting period. This may be used to pay dividends or transferred to reserves.

The Bank's reserves under Russian Accounting Rules as at 31 December 2005 amounted to RUR '000 50,063 (2004: RUR'000 29,820).

In 2005 the Bank paid dividends relating to 2004 in the sum of RUR'000 30,000 (2004: RUR'000 30,000).

19. Commitments and Contingencies

Operating Environment

The Russian economy, while deemed to be of market status beginning in 2002, continues to display certain characteristics consistent with that of a market in transition. These attributes have in the past included higher than normal historic inflation, lack of liquidity in capital markets, and the existence of currency controls that cause the national currency to be illiquid outside of Russia. The continued success and stability of the Russian economy will be significantly impacted by the government's continued actions with regard to supervisory, legal, and economic reforms.

(in thousands of Russian Roubles)

Commitments and Contingencies (continued)

Legal

From time to time and in the normal course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank.

Guarantees and credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

With respect to undrawn loan commitments the Bank is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since funding of most commitments are contingent upon certain conditions set out in the loan agreements.

Credit related commitments comprise:

	2005	**2004**
Undrawn loan commitments	3,595,158	1,620,603
Guarantees issued	258,317	710,355
	3,853,475	**2,330,958**
Allowance for credit related commitments	-	-
Total credit related commitments	**3,853,475**	**2,330,958**

Movements in the allowance for losses on credit related commitments are disclosed in Note 21.

Derivatives

Foreign exchange and other derivative financial instruments are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus, the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly over time.

The fair value of derivative instruments held is set out in the following table:

	2005		**2004**	
	Contract/ notional amount	**Fair Value**	**Contract/ notional amount**	**Fair Value**
Foreign exchange derivative contracts - currency forwards	1,581,659	1,379	-	-
Total recognised derivative asset		**1,379**		**-**

(in thousands of Russian Roubles)

Commitments and Contingencies (continued)

Derivatives with positive fair values are recorded within other assets, while derivatives with negative fair values would be included in other liabilities.

The maturity and exchange rate for the forward currency contracts outstanding as at year end is set out below:

	Contract/ notional amount	Contracted exchange rate	Fair Value
31 December 2005			
Forward contract to sell USD and buy RUR			
- Less than three months	1,581,659	28.7574	1,379

Lease commitments

The minimum amount payable under non cancellable lease contracts in the 12 months after the balance sheet date is RUR'000 40,288 in respect of rent. In one to five years; RUR'000 16,723 and after five years; RUR'000 230 (2004: none, none).

20. Interest income and expense

	2005	2004
Interest income		
Loans and advances to customers	882,175	283,209
Securities	256,007	312,059
Due from banks	46,973	52,600
	1,185,155	**647,868**
Interest expense		
Amounts due to customers	(1,425,355)	(44,600)
Bonds issued	(8,640)	-
Promissory Notes issued	(108,531)	(80,718)
Due to banks	(153,336)	(78,905)
	(1,695,862)	**(204,223)**
Net interest income	**(510,707)**	**443,645**

Interest income from loans to customers contains interest income on repo transactions in the amount RUR'000 265,626. Interest expense paid on amounts due to customers contains also interest expense on repo transactions in the amount RUR'000 898,981.

(in thousands of Russian Roubles)

21. Allowance for Losses and Impairment

The movements in allowance for impairment of assets were as follows:

	Due from credit institutions	Loans and advances to customers	Trading securities	Available-for-sale debt securities	Other assets	Total
31 December 2003	**19,408**	**243,855**	**181,148**	**-**	**18,455**	**462,866**
Charge/ (reversal)	3,626	4,139	(3,974)	-	(2,455)	**1,336**
31 December 2004	**23,034**	**247,994**	**177,174**	**-**	**16,000**	**464,202**
Charge/ (reversal)	(23,034)	(117,943)	(177,174)	11,088	(8,921)	**(315,984)**
31 December 2005	**-**	**130,051**	**-**	**11,088**	**7,079**	**148,218**

The net charge / (reversal) in allowance for impairment was RUR '000 307,063 in interest bearing assets and RUR '000 8,921 on non interest bearing assets (2004: RUR '000 (3,791); 2,455).

Allowances for losses on assets are deducted from the related assets. In accordance with Russian legislation, loans may only be written off with the approval of the Shareholders' Meeting and, in certain cases, with the respective court decision.

22. Gains and Losses from Securities

Gains less losses from securities comprise:

	2005	2004
Fair value adjustments	995,402	332,262
Realised sales and redemptions	2,466,911	(266,590)
Other transactions with securities	(4,130)	(7,366)
	3,458,183	**58,306**

23. Fee and Commission income and expenses

	2005	2004
Commission on cash operations and collection fees	1,347	326
Commission on settlements	1,495	927
Commission on guarantees issued	1,873	19,040
Commission on other operations	25,209	17,176
Total fee and commission income	**29,924**	**37,469**
Commission on cash operations and fees paid for collecting money	194	94
Commission on settlements	1,239	327
Other commissions	985	159
Total fee and commission expense	**2,418**	**580**
	27,506	**36,889**

(in thousands of Russian Roubles)

24. Other operating income

Other net operating income comprises the following elements:

	2005	2004
Dividends received	44,104	3,261
Net income / (losses) from operations with derivatives, forward and futures operations	(129,386)	-
Income from rent	6,660	2,750
Penalties received	542	-
Incomes from trust activity	227	132
Net (losses) from disposal of property	(2,919)	-
Other	204,793	68,342
	124,021	**74,485**

25. General, administrative and other operating costs

General, administrative and other operating costs comprise:

	2005	2004
Salaries and other staff expenses	206,872	112,295
Depreciation	15,341	6,214
Repair of fixed assets	6,106	3,368
Maintenance of buildings	3,153	491
Rent expenses	57,388	14,518
Professional services	2,108	1,871
Advertising and marketing	50,347	12,992
Entertainment expenses	2,032	733
Business trip expenses	14,860	5,159
Security	5,070	2,246
Office expenses (postage, printing and others)	47,238	21,491
Taxes other than on income	58,198	14,369
Other	163,145	10,743
	631,858	**206,490**

Staff expenses comprise:

	2005	2004
Salaries	178,617	96,164
Social security costs	24,432	14,370
Other compensations to staff and medical insurance	2,834	1,076
Staff training	989	685
	206,872	**112,295**

The average salary of the Bank's employees in 2005 was RUR'000 40.8 per month.

26. Financial Risk Management

Management of risk is fundamental to the banking business and is an essential element of the Bank's operations. The risk management function within the Bank is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

(in thousands of Russian Roubles)

Financial Risk Management (continued)

Credit risk

The Bank is exposed to credit risk which is the risk that a counter party will be unable to pay 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 one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a continuous basis and subject to quarterly or more frequent reviews.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed by obtaining collateral and corporate and personal guarantees.

The maximum credit risk exposure, ignoring the fair value of any collateral, in the event other parties fail to meet their obligations under financial instruments is equal to the carrying value of financial assets as presented in the accompanying financial statements and the disclosed financial commitments.

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 credit policies in making conditional obligations as it does for on-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

Geographical risk

The geographical concentration of the Bank's assets and liabilities as of 31 December 2005 is set out below:

	Russia	OECD	Non OECD	Total
Assets				
Cash and cash equivalents	5,265,006	381,772	-	**5,646,778**
Mandatory reserves with the CBR	508,609	-	-	**508,609**
Due from banks	1,305,076	-	-	**1,305,076**
Trading securities	4,129,446	-	-	**4,129,446**
Securities available for sale	208,658	-	-	**208,658**
Investments in subsidiaries	75,000	-	-	**75,000**
Loans and advances to customers	6,172,537	653,363	-	**6,825,900**
Accrued interest income and other assets	2,267,972	-	-	**2,267,972**
Fixed assets	89,504	-	-	**89,504**
Total assets	**20,021,808**	**1,035,135**	**-**	**21,056,943**
Liabilities				
Due to banks	929,352	-	-	**929,352**
Customer accounts	12,066,674	107,576	-	**12,174,250**
Debt securities issued	2,513,026	-	-	**2,513,026**
Deferred tax liability	331,887	-	-	**331,887**
Accrued interest expense and other liabilities	303,466	-	-	**303,466**
Total liabilities	**16,144,405**	**107,576**	**-**	**16,251,981**
Net balance sheet position	**3,877,403**	**927,559**	**-**	**4,804,962**

(in thousands of Russian Roubles)

Financial Risk Management (continued)

Market risk

The Bank takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Bank manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements.

Currency risk

The Bank is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank's Financial Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. These limits also comply with the requirements of the Central Bank of Russia. As of 31 December 2005, the Bank has the following positions in currencies:

	RUR	USD	EURO	Total
Assets				
Cash and cash equivalents	5,150,838	482,154	13,786	**5,646,778**
Mandatory reserves with the CBR	508,609	-	-	**508,609**
Due from banks	1,283,000	22,076	-	**1,305,076**
Trading securities	3,645,037	484,409	-	**4,129,446**
Securities available for sale	208,658	-	-	**208,658**
Investments in subsidiaries	75,000	-	-	**75,000**
Loans and advances to customers	5,769,989	996,258	59,653	**6,825,900**
Accrued interest income and other assets	2,267,972	-	-	**2,267,972**
Fixed assets	89,504	-	-	**89,504**
Total assets	**18,998,607**	**1,984,897**	**73,439**	**21,056,943**
Liabilities				
Due to banks	836,300	33,400	59,652	**929,352**
Customer accounts	8,452,043	3,712,081	10,126	**12,174,250**
Debt securities issued	2,495,152	17,874	-	**2,513,026**
Deferred tax liability	331,887	-	-	**331,887**
Accrued interest expense and other liabilities	303,466	-	-	**303,466**
Total liabilities	**12,418.848**	**3,763,355**	**69,778**	**16,251,981**
Net balance sheet position	**6,579,759**	**(1,778,458)**	**3,661**	**4,804,962**

Liquidity risk

Liquidity risk is defined as the risk to which the Bank is exposed when the maturity of assets and liabilities does not match. The Bank is exposed to daily calls on its available cash resources from current accounts, maturing deposits and loan draw downs. The Bank does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank's Financial Committee sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

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

(in thousands of Russian Roubles)

Financial Risk Management (continued)

	On demand or less than 1 month	1 to 6 months	6 months to 1 year	Over 1 year	Overdue/ no stated maturity	Total
Assets						
Cash and cash equivalents	5,646,778	-	-	-	-	**5,646,778**
Mandatory reserves with the CBR	-	-	-	-	508,609	**508,609**
Due from banks	1,200,000	72,500	32,576	-	-	**1,305,076**
Trading securities	2,048,141	-	-	-	2,081,305	**4,129,446**
Securities available for sale	-	60,787	134,517	-	13,354	**208,658**
Investments in subsidiaries	-	-	-	-	75,000	**75,000**
Loans and advances to customers	2,447,125	3,143,380	458,482	776,913	-	**6,825,900**
Accrued interest income and other assets	2,267,972	-	-	-	-	**2,267,972**
Fixed assets	-	-	-	-	89,504	**89,504**
Total assets	**13,610,016**	**3,276,667**	**625,575**	**776,913**	**2,767,772**	**21,056,943**
Liabilities						
Due to banks	811,312	-	118,040	-	-	**929,352**
Customer accounts	6,925,008	3,623,302	1,572,149	53,791	-	**12,174,250**
Debt securities issued	129,768	161,063	55,540	2,166,655	-	**2,513,026**
Deferred tax liability	-	-	-	-	331,887	**331,887**
Accrued interest expenses and other liabilities	303,466	-	-	-	-	**303,466**
Total liabilities	**8,169,554**	**3,784,365**	**1,745,729**	**2,220,446**	**331,887**	**16,251,981**
Net liquidity gap	**5,440,462**	**(507,698)**	**(1,120,154)**	**(1,443,533)**	**2,435,885**	**4,804,962**
Accumulated gap as of 31 December 2005	**5,440,462**	**4,932,764**	**3,812,610**	**2,369,077**	**4,804,962**	
Accumulated gap as of 31 December 2004	**2,182,290**	**2,374,725**	**2,563,316**	**2,617,630**	**2,636,240**	

The maturity gap analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the table above. These balances are included in amounts due in less than one month in the table above.

Liquidity requirements to support calls under guarantees are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

(in thousands of Russian Roubles)

Financial Risk Management (continued)

Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The majority of the Bank's transactions are conducted on a fixed rate basis. A table of the Bank's assets and liabilities and their relevant maturity periods is presented under 'maturity analysis' above.

The table below summarises the effective interest rate by major currencies for major interest earning/bearing monetary financial instruments as of 31 December 2005 and 2004:

	2005			**2004**		
	RUR	**USD**	**Euro**	**RUR**	**USD**	**Euro**
Interest earning assets						
Term deposits with other banks	10.1 %	6.5 %	-	11.0 %	7.0 %	-
Loans and advances to customers	11.9 %	10.3 %	6.5 %	13.0 %	12.0 %	-
Trading securities	9.8 %	7.4 %	-	12.5 %	9.4 %	-
Securities available for sale	9.4 %	-	-	-	-	-
Interest bearing liabilities						
Term placements of other banks	8.2 %	5.5 %	5.5 %	5.0 %	-	-
Term deposits of customers	10.2%	8.7%	7.0%	11.0%	8.0%	6.0%
Debt securities issued						
- bonds issued	10.5 %	-	-	-	-	-
- Promissory Notes issued	9.2%	8.5%	-	10.0%	6.2%	4.0%

27. Related Party Transactions

For the purposes of these financial statements, parties 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 considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 31 December 2005 entities considered related parties of the Bank included the following:

Related Party Transactions (continued)

Related parties per category	Activity
Shareholders	
OOO Financial Group Web-Invest	Financing
OOO Centre of Financial Consultations	Financing
Other Companies	Various
Subsidiaries and under common control by virtue of having the same ultimate controlling parties	
OOO CIT Finance Holding company	Holding company
OOO CIT Finance	Brokerage
OAO CIT Finance	Capital Management
OAO Leasing Company Magistral Finance	Leasing
ZAO CIT Finance - Life insurance	Insurance
CIT Finance non-state pension scheme	Pension scheme
Aurora Access Securities AS	Brokerage
Creative Investment Technologies Limited	Investment activity
OOO Trend	Financing
OOO “Web-invest.ru”	Financing
OOO Lenagropromleasing	Leasing
OOO Composition - Management of assets	Financing
OOO Financial Agency	Financing
OOO Tehgaz	Investment activity
Others	
Members of the Board of Directors and Management Board	
ZAO LenRos Invest	Holding company
OOO Aliansstroiy	Construction
OOO Stroiinterservice 2000	Construction
ZAO RusFinGroup	Financing

During the reporting period the Bank entered into a number of banking transactions in the normal course of business with related parties. These transactions included loans, deposit taking and guarantees.

(in thousands of Russian Roubles)

Related Party Transactions (continued)

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

	2005					2004	
	Share-holders	**Subsidiaries and Under common control by virtue of having the same ultimate controlling parties**	**Other**	**Total RP balances / results**	**Total per category in the financial statements**	**Total RP balances / results**	**Total per category in the financial statements**
Balance sheet							
Loans and advances to customers	1,060,000	1,336,700	787,984	**3,184,684**	**6,825,900**	**1,740,775**	**3,159,851**
Trading securities (investment in collective investment schemes)	-	573,467	-	**573,467**	**4,129,446**	**111,597**	**1,075,534**
Other assets	-	-	-	**-**	**2,219,674**	**619,810**	**1,469,692**
Amounts due to customers	-	248,628	19,440	**268,068**	**12,174,250**	**646,241**	**1,988,437**
Statement of Income	-	-	-	**-**	**-**	-	-
Interest income	5,478	280,332	1,142	**286,952**	**1,185,155**	**149,348**	**647,868**
Interest expense	-	(14,043)	-	**(14,043)**	**(1,695,862)**	**(2,894)**	**(204,223)**

Salaries paid to the fifteen members of the Management board and Board of Directors of the Bank (including pensions) consisted of RUR’000 15,430 (2004: RUR’000 10,649), representing 7% (2004: 11%) of staff remuneration.

At the year end the Bank had advanced RUR’000 132,000 to members of Management in the form of loans. (2004: RUR’000 20,775)

28. Events after the balance sheet date

Attention is drawn to the disclosure in Note 17 concerning a planned increase to the Bank’s share capital.