



Annual Report

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Statement of the Chairman of the Board of Directors

Dear shareholders, clients and counterparties of the Bank!

The past year 2004 became one of the most successful and full of good results in the history of the Bank. We can be satisfied that throughout this period MBRD succeeded not only to confirm and strengthen its positions as a major universal deposit-taking institution with a solid reputation, but also made a remarkable progress in its development.

The Russian economy continued growing over the year 2004, which was attributed chiefly to a favourable foreign trade climate in world commodity markets. And as a corollary, consumer and investment demand considerably increased. The banking system was also evolving and its rate of growth is comparable to the national economy growth rate at large. Aggregate loan portfolio of the Russian banking community reported a rise of 28% in 2004. Consumer lending was particularly booming. Despite high rates of growth, which in the last three years accounted for 48% or 50%, this segment has enormous development capabilities.

Today, Moscow Bank for Reconstruction and Development is one of major Russian financial institutions. Total number of corporate customers increased by more than 20% in 2004. Banking services for large and medium-sized manufacturing enterprises from a variety of economy sectors has been



always a priority line of business of the Bank. Companies engaged in telecommunication, tourism, insurance, trade and construction, food and defence industry are the groundwork of the customer base.

Key financial data as of the end of the reporting year evidence successful performance of the Bank. Profit reported an over three-fold increase to 285.7 million roubles



Total assets were 24,817 million roubles as of 31 December 2004, rising by 9.4% in the year under review. Shareholders' equity increased by 115.2 million roubles to reach 2,929.1 million roubles.

A breakthrough in the retail segment was, no doubt, a most important achievement of the Bank. Over the year 2004, retail deposits posted a 74.5% increase to 2,042 million roubles by the year-end. Issue of MasterCard and VISA bankcards was 34,300 in number, which is 2.7 times as much as at the beginning of the reporting year.

During the year under review, main stages in creating technology complexes comprising a processing centre, a retail banking system, a call centre and other components were completed. The regional branch network was further expanded as 2 regional branches, in Yekaterinburg, Krasnodar, and a sub-office in Syktyvkar were established. In addition, 9 sub-offices were opened to expand the Moscow-based distribution network.

Leading mass media and rating agencies pointed out more solid positions of the Bank

in the financial market. According to Profile, Expert and Finance magazines, MBRD joins the top 40 major banking institutions. As of the end of the year 2004, leading international rating agencies such as Moody's Investors Service and Fitch Ratings, upgraded the existent and assigned new ratings, thus evidencing the high security and strength of the Bank.

Further retail segment expansion is a priority line of business of the Bank for 2005, which would substantially increase return on operations and foster its more diversified funding base. By the end of the year 2005, the Bank is going to strengthen its positions among the top thirty universal banks and to join the leading banks in terms of retail lending.

We are thankful to our customers, counterparties and shareholders for the confidence they placed on us and we are certain that the Bank will achieve new success by continuing our fruitful co-operation.

Serguei Ye. Cheremin
Chairman of the Board of Directors

Bank profile

Moscow Bank for Reconstruction and Development (MBRD), public corporation was registered at the Bank of Russia on 29 January 1993. (Full licence No. 2268 for banking business issued by the Bank of Russia on 12 November 2002).

Authorised capital of the Bank amounted to 400.5 million roubles was registered by the Bank of Russia on 13 December 2001.

Board of Directors

(As of 1 July 2005)

Serguei Ye. Cheremin,
Chairman of the Board

Alina N. Akimova,
Igor G. Bousarov,
Alexei N. Bouyanov,
Natalia N. Yevtoushenkova,
Serguei Ya. Zaitsev,
Viacheslav I. Inozemtsev,
Peter Nigel Kenny,
Gurvirendra (Rana) Singh Talwar,
Nikolai V. Tsekhomsky,
Victor A. Chervony,

Management Board

(As of 1 July 2005)

Serguei Ya. Zaitsev

Acting President of the
Management Board

Dmitri V. Agoureyev

Executive Vice President
of the Management Board

Lubov M. Aliokhina

Chief Accountant

Natalia N. Yevtoushenkova,

Adviser to the President
of the Management Board

Serguei A. Zavialov

Head of Internal Control Service

Dmitri Yu. Ladikov-Royev

Executive Vice President

Oleg Ye. Maslov

First Executive Vice President

Alexei M. Roukavishnikov

First Executive Vice President

Shareholders of the Bank are

15 corporate entities

- Sistema Joint-Sock Financial Corporation
- Moscow Municipal Telephone Network (MGTS)
- Notris Ltd.
- PromTorgCentre
- Region joint-stock company of scientific and technical development
- LAMINEA
- Intourist
- Vympel-Sistema centre for prospective projects
- Minority shareholders holding less than an 1% stake

Clearing banks

- JP Morgan Chase Bank, New York
- American Express Bank Ltd, New York
- Commerzbank AG, Frankfurt am Main
- HSBC, London
- ING Bank N. V. (Vienna branch)
- East-West United Bank, Luxembourg
- Dresdner Bank AG, Frankfurt am Main
- Ost-West Handelsbank AG, Frankfurt am Main
- BCEN-Eurobank, Paris
- Donau-Bank AG, Vienna
- Savings Bank of Russia, Moscow
- Bank for Foreign Trade, Moscow
- Vnesheconombank, Moscow
- Privatbank, Dnepropetrovsk
- Belpromstroibank, Minsk

Major corporate customers

- MTS mobile communication operator
- Moscow Municipal Telephone Network (MGTS)
- ROSNO insurance company
- Intourist international tourism operator

Independent auditor is Deloitte & Touche CIS



Licenses

- Full license No. 2268 of 12 November 2002 issued by the Bank of Russia for banking business
- License No. 2268 of 12 November 2002 issued by the Bank of Russia for banking business in precious metal trading
- License No. 3861 of 25 March 2002 issued by the Federal Security Service Department for Moscow City and the Moscow Region for business involving national top secret-related data
- License No. LF/06-3575 of 28 January 2003 issued by the Federal Communication and Information Agency for cryptographic facility maintenance business
- License No. LF /06-3576 of 28 January 2003 issued by the Federal Communication and Information Agency for cryptographic facility distribution business
- License No. LF/06-3577 of 28 January 2003 issued by the Federal Communication and Information Agency for data cryptography services
- Qualified securities professional license No. 177-04660-000100 of 24 January 2001 issued by the Federal Securities Market Commission for custody business
- Qualified securities professional license No. 177-04649-001000 of 24 January 2001 issued by the Federal Securities Market Commission for securities portfolio management business
- Qualified securities professional license No. 177-04635-010000 of 24 January 2001 issued by the Federal Securities Market Commission for dealer's business
- Qualified securities professional license No. 177-04613-100000 of 24 January 2001 issued by the Federal Securities Market Commission for broker's business

Membership in interbank associations, exchanges, clearing centres and other organisations

- Moscow Interbank Currency Exchange (MICEX)
- Moscow International Currency Association (MICA/MMVA)
- Moscow Central Stock Exchange

- Moscow Stock Exchange
- National Stock Association self-regulatory organisation
- Moscow Banking Union
- Association of Russian Bankers
- Depository Clearing Company
- National Depository Centre
- Russian Europay Member Association
- Russian SWIFT Member Association
- National Credit History Bureau

Payment particulars

Taxpayer identification number (TIN): 7702045051
A/c 3010 1810 6000 0000 0232 with
the Clearing House of Moscow
Territorial Department of the Bank of Russia
Russian BIC: 044525232
National Corporate Classifier Code: 17516067
National Business Type Classifier Code: 65.12
National Territorial Classifier Code:
45286590000
Registration Motive Code: 774401001

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(as of 1 July 2005)

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Suvorovsky sub-office

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Krasnodar branch

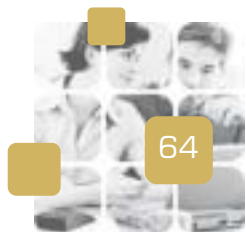
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Macroeconomic environment and MBRD's position within the banking system

The past year was a next benchmark in the Russian economy development. According to the Russian State Committee on Statistics, the GDP growth was 7.1% in 2004 (7.3% in 2003). Favourable foreign trade climate, first and foremost, in commodity markets, has become a primary factors instrumental in rising the main indicator. Rising prices on oil and metals ensured impressive added value not only to mining companies, but also to the national budget.

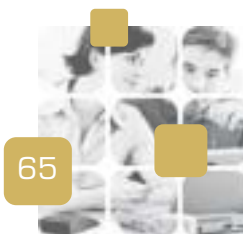
Moreover, enhanced consumer and investment demand contributed to higher macroeconomic indicators. In addition, investment and earnings of the population continued growing at a fast pace. Therefore, the official forecast for rates of growth in output of goods and services, which had been scheduled in the federal budget for 2004, was surpassed.

General economic climate was favourable for the Russian banking system. Its rates of growth are comparable to rates of growth of the Russian economy at large. As of the end of the year 2004, there were 1,299 deposit-taking institutions in Russia. Aggregate banking assets reflected in 2004 a rise of 22% to account for 42.5% of the GDP, or 7,136.9 billion roubles.

Just two or three years ago, it was hard enough for corporate entities to take a loan for a term over a year. This factor hampered development of the Russian economy since position of the majority of Russian companies and specific features inherent in particular sectors of the national economy demand long-term investment. In recent years, the situation changed for the better.

By the end of the reporting year, the Federal law "On Credit Histories" was enacted with effect as from 1 June 2005. Practical activities started to implement new foreign exchange legislation and the law on private deposit insurance. Creation of such deposit insurance system was an important event for the banking community in the year under review.

An upgraded sovereign rating up to the investment level by leading world agencies such as Fitch and Moody's contributed to favourable national macroeconomic environment. Together with increased demand in banking services, all those factors were instrumental in investors' financial inflows. During 2004 several major foreign financial institutions already attempted to enter the Russian banking retail market.



According to the Bank of Russia, real available income of the Russian population increased by 7.8% in 2004 against previous period. Total deposits raised from individual customers showed a rise of 8.2% to achieve 1,964 billion roubles in real terms.

Positive macroeconomic indicators determined in many respects booming of the consumer lending. Aggregate portfolio of loans made to private individuals more than doubled to reach 618.9 billion roubles by 31 December 2004.

Business related to issue of bankcards shows fast development. Total volume of cards issued in Russia amounted to 35 million

by the end of the reporting year, while card transaction volume was 570 billion roubles in the last quarter of the year, a 57% rise in the reporting period.

Having considered all above trends in the Russian economy and the banking system, retail business development has been a priority line within the Bank's strategy.

According to the rating made by Profile magazine, the Bank ranked 50th in terms of shareholders' equity, 38th in terms of total assets and 25th in terms of corporate deposits among the Russian banks as of the end of the reporting year.

Performance review of the year 2004

In the year under review, owing to a right valuation for the macroeconomic trend and the current situation in the financial and the banking sectors, Moscow Bank for Reconstruction and Development achieved good success. The Bank managed to substantially enhance its proprietary funding base, increasing the return on assets and their quality, penetrating into new markets and expanding the array of existing customer services. Having entered into the National deposit insurance system was an impressive success of the Bank, which proved again its solid and secure positions.

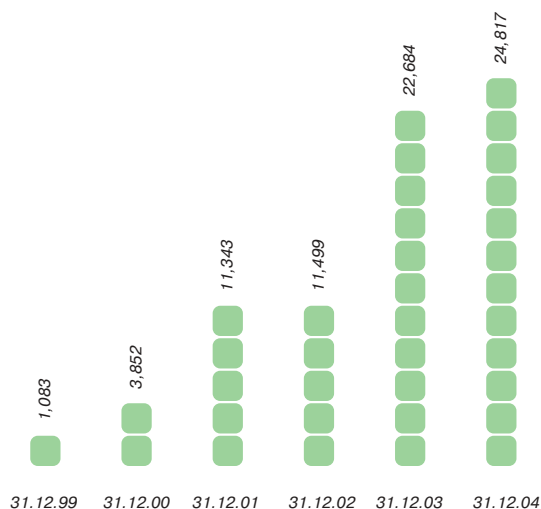
Moscow Bank for Reconstruction and Development was recognised by Moody's Investors Service, reputable global rating agency, which assigned MBRD long-term rating at B1 and short-term rating at Not-Prime with respect to foreign exchange deposits, and financial strength rating at E+. At the same time, outlook for all ratings is stable. Fitch Ratings upgraded the existent rating of the Bank for the year 2004: the long-term rating, from «B-» to «B», support rating, from «5» to «4», national long-term rating, from «BB+(rus)» to «BBB-(rus)». Moreover, the agency confirmed other ratings, namely, short-term at «B» and individual at «D/E».

Over the year 2004, the Bank was engaged in active investment activities, and within such efforts preliminary arrange-

ments related to eurobond issue were made. A corollary was a US\$150m eurobond issue at the Luxembourg Stock Exchange in the first quarter of the year 2005. Dresdner Kleinwort Wasserstein was the arranger of the issue. MBRD is willing to continue making borrowings in the future.

MBRD lays special focus on relationship with investors and handling of previous outstanding debts. In December 2004, MBRD

*Total asset trend for the period 2000–2004
(millions of roubles)*



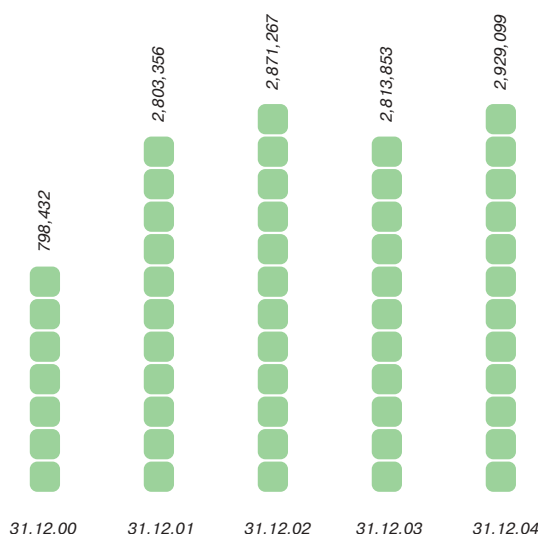


repaid its first syndicated loan headed by Raiffeisen Zentralbank Osterreich AG, for a total amount of US\$14 million.

Owing to a stable and secure performance during the credibility gap in the inter-bank market from May to August 2004, the Bank did not have losses with respect to customers' deposits nor shareholders' funds.

The right strategy enabled the Bank to close the reporting year with 285.7 million roubles in profit. Substantial increase of the Moscow-based distribution network took place, and 9 sub-offices were opened.

*Shareholder's equity trend for the period 2001–2004
(thousands of roubles)*



Thus, 23 sub-offices and teller office operated in Moscow as of 31 December 2004. ATMs increased by 68 units to 123 by the end of the reporting year. Network of other automatic devices posted a 3.5 time rise to 59 units. At the same time, bankcards issued were 2.7 times as much to reach 34,300 by the end of the year. In addition, the regional network was even expanded in 2004, and 2 more branches and one sub-office were established, namely: Krasnodar, Ural (Yekaterinburg) branches and Tsentranly sub-office in Syktyvkar.

Owing to its presence in this market segment, Moscow Bank for Reconstruction and Development makes sure forecasts of substantial rise in return on transactions and diversification of its funding base. Therefore, retail services are to become the most dynamic line of business of the Bank in the short run.

Focus on retail business under the strategic conception of the Bank was laid, based not only on favourable forecasts of the retail market development in Russia. Important competitive strength, that is, the existing retail network of our main corporate customers, which can be used to sell banking products allows to speak about a success in this segment.

FINANCIAL RESULTS

Moscow Bank for Reconstruction and Development is a fast-growing entity, which stemmed mainly from Bank's focus on mutual co-operation and high return on transactions. Pre-tax profit, which reported an increase of 192 million roubles to reach

285.7 million roubles, was one of the most important financial results of the Bank. Net profit was 220.5 million roubles.

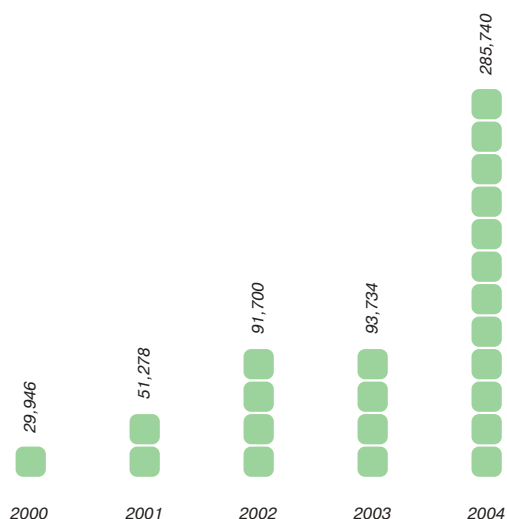
Thanks to close relationship with new customers and increased volume of transactions, shareholders' equity of the Bank increased by 115.2 million roubles to 2,929.1 million roubles. Total assets posted a rise of 9.4% to 24,817 million roubles as of 31 December 2004.

The annual shareholders' meeting approved 37.3 million roubles in share dividends for the year 2003.

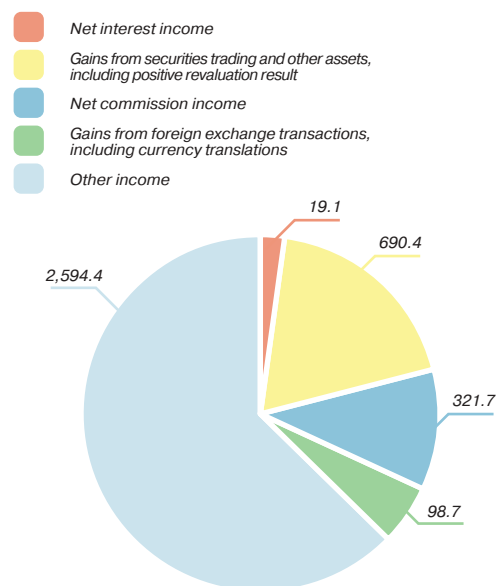
Income earned by Moscow Bank for Reconstruction and Development in 2004 was 3,724.3 million roubles, including:

<i>Net interest income</i>	690.4
<i>Gains from trading in securities and other assets, including positive revaluation results</i>	321.7
<i>Net commission income</i>	98.7
<i>Gains from foreign exchange transactions, including currency translations</i>	2,594.4
<i>Other income</i>	19.1

*Consolidated book profit for the period 2000-2004
(thousands of roubles)*



*Operating income breakdown for 2004
(millions of roubles)*



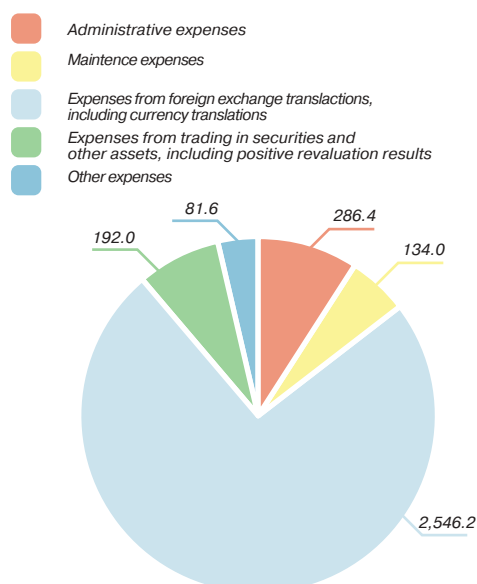


Expenses incurred by the Bank in 2004
less provision for reserve were
3,240.2 million roubles, including:

<i>Administrative expenses</i>	286.4
<i>Maintenance expenses</i>	134.0
<i>Expenses from foreign exchange transactions, including currency translations</i>	2,546.2
<i>Expenses from trading in securities and other assets, including positive revaluation results</i>	192.0
<i>Other expenses</i>	81.6

Throughout the year 2004, MBRD complied with all requirements of the Bank of Russia as far as compulsory economic ratios are concerned as of reporting dates throughout the year under review. Changes in reserve provision for securities depreciation and other provisions were 198.4 million roubles, including with respect to outstanding loans and similar debts, to the amount of 186.7 million roubles.

*Operating expense structure in 2004
(millions of roubles)*





Basic lines of business in 2004

FUNDING BASE

Expanding asset-related transactions in the reporting year was based on strengthening of the funding base of the Bank. To follow an optimum diversification philosophy under a heterogeneous liabilities structure is one of the priorities facing Moscow Bank for Reconstruction and Development. It can be achieved through a reasonable balance between return and liquidity of the banking portfolio. Increased retail deposits and borrowings raised on financial markets became an important point in liabilities structure trend.

In the reporting year, retail deposits gained 74.5% to reach 2,042 million roubles. A new momentum emerged for positive breakthroughs along this line due to an expanded spectrum of term deposits. New deposit products launched to the market gave rise to a wide variety of choices with respect to deposit terms, maturity and amount.

Considerable replenishment of the funding base of the Bank depends on active efforts to attract corporate customers. The expanded range of enterprises and entities served by MBRD under payroll and other bankcard projects contributed to increase the existing funding base.

CORPORATE BUSINESS

The year 2004 again saw the right and efficient development strategy of the Bank. Pursuit of a mutually advantageous partnership, service technology improvement and offer of new banking products fuelled a substantial

growth of the corporate customer base. In the reporting year, business entities served by the Bank increased by over 20%.

Big and middle-sized businesses from a broad variety of economy sectors have always been a priority for the Bank. The customer base in the service sector comprises mainly companies engaged in fixed, cable and mobile communication, financial and insurance companies, tourism operators. Manufacturing sectors are represented by major food and construction companies, as well as defence complex.

Performance indicators as of the end of the year evidenced leadership positions won by the Bank in such a short time. To illustrate, progress achieved in handling foreign trade showed a 11 times increase to US\$319 million.

Commission income of the Bank posted a rise of 51% against 2003. Growth of the loan portfolio of the Bank by 36.8% showed the scale of demand for lending products offered by Moscow Bank for Reconstruction and Development. And strong growth in corporate balances reflects clients' loyalty at large.

MBRD permanently implements plans designed to serve companies having, in its turn, biggest numbers of individual customers.

Co-operation with the Moscow City Government is a priority line of business for the Bank, where Moscow Bank for Reconstruction and Development handles accounts of a variety of companies implementing municipal target programmes. In addition, the Bank finances, on a regular



basis, projects implemented under the patronage of the Moscow City Government. For example, the Bank issued guarantees for departments of the municipal executive authority as beneficiaries.

Added opportunities to attract more customers emerged when MBRD opened branches in Krasnodar and Yekaterinburg, and some Moscow-based sub-offices and teller offices.

In 2004, customers of Moscow Bank for Reconstruction and Development got access to some new services. These are both conventional banking services and products of a hi-tech, service and innovation nature specially designed in response to the customer demand.

In the year under review the Bank, in particular, implemented a Treasury Account system. This project was implemented on a basis of specialised account management system. The similar system is an optimum solution for cash flow consolidation at major companies with expanded regional network. For example, MBRD opened accounts and consolidated cash flows of MTS regional branches. Special emphasis is laid on co-operation with ROSNO insurance company. In this connection, the Bank focuses on cross sales, which allows to broaden the customer base of both counterparties.

Moreover, in the reporting year Moscow Bank for Reconstruction and Development for the first time in history of the Russian banking market actively promoted for some customers loans against pledge of receivables from private individuals (their receivables were insured by ROSNO). Such product enabled to increase the loan portfolio of the Bank, thus minimising risks.

The Bank is actively implementing specialised techniques intended for a variety of target groups of customers. In particular, the Bank offers foreign-trade-oriented companies diversified financing schemes, and a broad range of guarantee-related transactions, including those issued before the State Customs Service.

Today, Moscow Bank for Reconstruction and Development and consortium of German banks such as AKA Ausfuhrkredit-GmbH agreed on basic terms of the Master Agreement to finance MBRD's customer projects related to import of machinery and goods to Russia. For example, the Bank offers guarantees to companies engaged in tourism business. Guarantees are issued in favour of major air carriers such as Aeroflot-Russian International Airlines.

In addition, activities are under way with respect to uncovered trade finance transactions based on limits opened on the Bank by prime foreign banking institutions.

Customers served by Moscow Bank for Reconstruction and Development show great interest in a variety of documentary business products both letters of credit and guarantees for 360 and more days. Customised products are very demanded, including, pre-export and post-export finance.

The Bank offers preparation and support for bilateral and more complicated export and import transactions. MBRD co-operates with national export credit agencies from a variety of countries, and with foreign banks financing their foreign trade.

The Bank also places emphasis on tariff policy, monitoring and adjusting tariff schedule and deposit rates in response to the banking market situation. Marketing

research is conducted on a regular basis with a view to study new banking products, competitive environment and to position itself in the finance service market intended for corporate clientele.

Lending is an important link the Bank has in place in its relations with corporate customers. MBRD pursues a lending policy based on fair terms, reasonable balance between lending volumes in assets and borrowing structure, as well as safety of lending transactions.

In the year under review, the Bank continued building up its lending volumes intended for fast-growing and revenue-intensive economy sectors. Considerable funding was made available for telecommunications, microelectronics, construction, transport and others sectors.

Moreover, MBRD made active lending in favour of businesses under infrastructure development projects. Lending volumes (less interbank loans) posted a rise of 36.8% in the reporting year to reach 12,918 million roubles. Share of overdue loans within total loan portfolio was 0.15% as of 31 December 2004.

In its lending policy, Moscow Bank for Reconstruction and Development places emphasis on more diversified range of products through advanced lending technologies. The Bank focuses on management of balanced loan portfolio with an optimum return-to-risk ratio. At the same time, in their lending policy branches are oriented towards co-operation with major regional companies and entities.

The success the Bank achieved in lending business in 2004 was attributed to several factors, namely:

- Weighted approach and adequate decision-making in lending.
- Balanced approach to choosing and valuing collateral in loan repayment.
- Tailor-made approach to every customer to know demand and to determine optimum lending conditions while considering loan applications.
- Long-term partnership relations between the Bank and solid borrowers, thus enabling to open risk limits on loyal customers.

MONEY MARKET AND CORPORATE FINANCE

Throughout the reporting year, MBRD strengthened its presence in the Russian and international money market and capital market. It was made possible by expanding the funding base and the customer base of the Bank, and increasing customer-related transactions as well.

Money market transactions ensured control of the forex component within the balance sheet and keeping the current, medium-term and long-term liquidity at adequate level. Active efforts of the Bank along these lines resulted in efficient placing of idle funds and getting added return on arbitrage and foreign exchange transactions.

Owing to adequate credit risk analysis and liquidity management, MBRD succeeded in overcoming the credibility gap in June 2004 and its primary effects.

Timely and qualitative debt service is the most important indicator for the borrower's creditworthiness. In December 2004, the Bank repaid the first loan to a syndicate of

foreign banks headed by Raiffeisen Zentralbank Osterreich AG, for a total amount of US\$14 million.

Using up-to-date technologies of the banking business, Moscow Bank for Reconstruction and Development offer its customers banking investment services. MBRD commands leadership positions in arrangements and underwriting of bonded debt issued by corporate customers, financial consulting and related services.

Securities issued arranged and distributed in 2004 are as follows:

- Second bonded debt issued by Avtovaz factory for a total amount of 3 billion roubles (in February). MBRD acted as a co-underwriter.

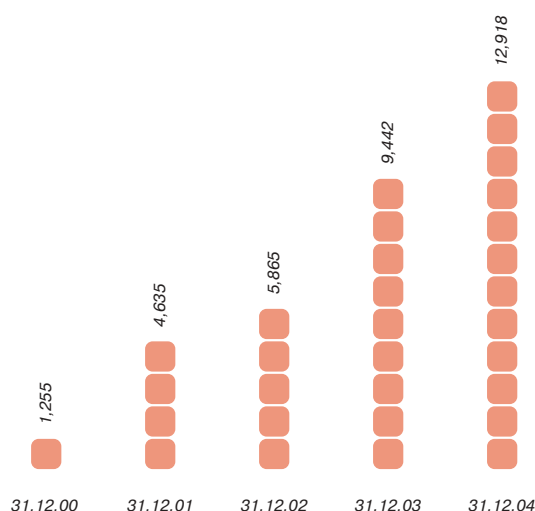
- Bonded debt issued by IzhAvto for a total amount of 1,200 million roubles (in March). MBRD acted as a co-underwriter.
- Fourth bonded debt issued by MGTS for a total amount of 1,500 million roubles (in April). MBRD acted as an arranger, a paying agent and an underwriter.
- Second bonded debt issued by Sistema-Finance for a total amount of 2 billion roubles (in July). MBRD acted as a co-arranger.
- Bonded debt issued by Spurt bank backed by a surety issued by Nizhnekamskneftechim for a total amount of 500 million roubles (in November). MBRD acted as a co-underwriter.

Together with arranging rouble-denominated bonded debt issues, Moscow Bank for Reconstruction and Development makes substantial efforts towards projects related to presence in global capital markets. In 2004, MBRD designed and prepared for implementation a new fund raising instrument, that is, financing against pledge of the loan portfolio of the Bank.

Aiming at strengthening its positions in corporate finance, Moscow Bank for Reconstruction and Development is mastering new lines of business. In the reporting year, the Bank successfully debuted as a lead market maker in MGTS ordinary and preference equity trading on MICEX.

In 2004, the customer base of the Bank more than doubled by inflow of middle-sized and small banks with respect to a pledge of liquid securities. They increased from 20 to 45 in number. Moreover, customers raised for brokerage services reported a substantial rise.

Corporate loan portfolio trend
(millions of roubles) 2001–2004



No any client claims on brokerage services was the main qualitative performance indicator of the Bank in customer support on financial markets in 2004. In addition, MBRD faced no defaulted payments with respect to penalties, fines or forfeits in favour of counterparties or relevant authorities.

CORRESPONDENT NETWORK AND INTERNATIONAL PAYMENTS

In the reporting year, the Bank continued active efforts in correspondent banking development with Russian and foreign financial institutions. The correspondent network established by Moscow Bank for Reconstruction and Development changes in line with customers' demand and trade geography. And main focus is placed on business relationship with solid and reputable counterparties.

MBRD constantly makes efforts to raise funding from correspondent banks through opening of vostro accounts and increasing their balances. In so doing, the correspondent network of the Bank reported more than a two-fold increase in the reporting period. For example, throughout the year under review, 52 vostro and nostro accounts were opened.

Business relations with far abroad foreign deposit-taking institutions is of paramount importance for Moscow Bank for Reconstruction and Development. In 2004, the Bank was very active

in establishing connecting links with Chinese banks. MBRD entered into correspondent relations without opening account with Bank of China and CITIC Industrial Bank of China. In the future, these steps would allow to make payments much easier for customers of the Bank having trade contracts with Chinese counterparties. This market is considered to be most conservative in terms of accepting direct risks of Russian banks. Co-operation on fair terms with Chinese financial institutions evidenced solid reputation of Moscow Bank for Reconstruction and Development in the Asian market.

Broad geography of the MBRD's correspondent network and its close relationship with counterparty-banks fosters efficient payments of customers and proprietary transactions in Russian roubles and in hard currencies. The established correspondent infrastructure allows to handle foreign trade of the Bank and its customers at a high efficiency level with minimum cost and time. And efficiency and high quality is maintained as all payments are made in same day funds.

MBRD aims at offering a broad array of services in international payments in the form of documentary transactions. To illustrate, import letters of credit involve the whole range of services, from opening of letters of credit upon customer instructions to making payments under these letters of credit. Export letters of credit comprise the same pattern.



If terms under a foreign trade contract provide payments in the form of collection, Moscow Bank for Reconstruction and Development handles receipt of payments upon customer instructions or acceptance of commercial documents. And a strict control is ensured to safe-keep documents and maintaining correspondence up to the last moment of the transaction.

MBRD issues all types of guarantees available in international practice with respect to both export and import contracts. Moscow Bank for Reconstruction and Development is engaged also in guarantee-related transactions such as advises guarantees issued by foreign and Russian banks in favour of their customers, it certifies signatures affixed on foreign guarantees upon customer request.

In addition, the Bank offers Russian companies and other corporate entities comprehensive services to arrange short-term and medium-term financing for import of goods, equipment and investment services using lending facilities made by foreign banks against insurance coverage from national export credit agencies, and trade finance as well.

The Bank won recognition from prime international financial organisations such as JP Morgan Chase, American Express Bank, Commerzbank, Dresdner Bank, Nordea Bank, Svenska Handelsbank, Raiffeisen Zentralbank, Banco Bilbao Vizcaya Argentaria, Czech Export Bank,

Banca Monte dei Paschi di Siena, Banca Agricola Mantovana, BCEN-Eurobank and others.

Moscow Bank for Reconstruction and Development can be regarded by most export credit agencies as a guarantor with respect to import finance such as EKN (Sweden), CESCE (Spain), Euler HERMES (Germany), SACE (Italy), Export-Import Bank (USA), COFACE (France), ECGD (United Kingdom), MEHIB (Hungary), HBOR (Croatia), SID (Slovenia), KUKE (Poland), EGAP (Chechia). Financing through export credit agencies offers advantages as compared to other sources such as considerable term (up to 7 years); rather low cost, even included the insurance premium charged by export credit agencies; opportunity to finance up to 85% of the equipment cost or the service cost.

In the forth quarter of 2004, a series of negotiations was held and a master agreement was concerted with AKA BANK, Germany. This agreement will allow MBRD's customers to address European export credit agencies to obtain credit lines with a view to long-term financing of their import contracts.

In response to its customer interest, Moscow Bank for Reconstruction and Development will continue in the future developing, on fair market terms, relationship with domestic and foreign banking entities, launching new products and adopting a flexible tariff rate policy.

RETAIL BUSINESS

Lately, the retail segment has becoming one of the most promising lines of banking business. That is why MBRD continued implementing the programme in 2004, which envisaged substantial strengthening of the Bank's positions along this line.

At present, the consumer lending market is actively developing and allows to earn substantial income. Development and implementation of a new lending product such as a non-target consumer loan became a serious step in this respect, while no need for collateral is its competitive strength.

Another important component of the retail business development is technology and product improvement based on bankcards. A fast-growing demand shows that customers need these products and evidences the right development strategy of the Bank. For example, by the end of the year 2004, the Bank issued 34,300 MasterCard and Visa international cards, which was over 2.7 times as much as the issue as of the beginning of the reporting year. MBRD has been a MasterCard Int. principal member (OAO) since 2002.

Moscow Bank for Reconstruction and Development lays special emphasis on joint implementation of projects together with corporate customers. Staff members employed by companies, which transact payrolls through MBRD, can get an overdraft on a special card account. Within the first co-brand project of the Bank and MTS company, customers received MTS.CARD credit

cards with MasterCard brand. When using mobile phones, holders of these cards are entitled to bonus minutes in exchange of merchant transactions.

The Bank was active in expanding opportunities for its customers to have remote access to the support services. In the year under review, a new service, SMS BankInfo, was implemented, which enabled cardholders to have a timely access to information on card account movements. Moreover, the Call Centre started its activities. Besides data on the Bank profile and its services, holders of conventional cards are able through the call centre to get information on their current payment limit, while holders of MTS.CARD, to control bonus points and to pay mobile communication. In addition, in the reporting year Internet-banking and Mobile-banking systems were prepared for implementation in 2005.

New opportunities to attract customers emerged after Moscow Bank for Reconstruction and Development opened several sub-offices and teller offices intended for corporate and individual clientele in diverse areas of Moscow City. In 2004, Tsentralny sub-office in Syktyvkar started its activities, which is oriented mainly to serve private individuals. New 9 sub-offices were opened at MTS teller offices.

Subject to the co-operation with Mobile TeleSystems company, the Bank started in 2004 receiving payments in favour of this company through automated devices. This year, the Bank is preparing to receive payments in favour of other companies, including MGTS and MTU-Intel.

ADMINISTRATIVE AND HUMAN RESOURCE POLICY

Reputation of any deposit-taking institution is being gained by its staff members and in many respects it is owed to their professionalism. That is why highly skill personnel are a most important asset of the Bank.

The Human Resource Department is a particular organisational unit having as the primary goal HP management. It is impossible to handle efficiently this complicated process without needed instruments such as interrelated economic, organisational and social psychology techniques. They ensure high labour efficiency of the staff.

In addition, HR Department staff succeeded to design an efficient system to recruit professionals with high ethic and humane qualities, who understand customer demands, are able to perfectly deal with customers and colleagues. Implementation of the system gave excellent results as of the end of the reporting year.

As of 31 December 2004, total number of staff members was 724 employees, including 534 employees at the head office and 190 at the branches.

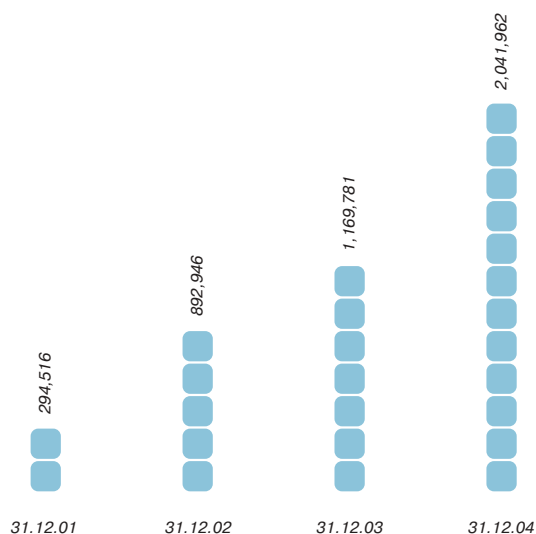
A breakdown per branches is as follows: Regional Branch had 58 employees, North-Western Branch had 56 employees, Rostov-on-the-Don Branch had 50 employees and Krasnodar Branch had 26 employees.

Great majority of Bank's staff members amassed a wealth of professional and life experience. And about of 15% employees have more than a 20-year record of service in finance, and 50% of them, over 5 years.

Most staff employed by the Bank are higher school graduates, while those employed in the front office are higher school graduates on economics or finance. The Bank places special emphasis on career training, allocating funds, on a regular basis, to this end.

In the reporting year 163 employees, including executive staff, could improve their professional skills, were moved to higher positions and were able to share experience with experts from other financial institutions. Moreover, 8 employees graduated from high schools going through on-the-job training.

*Aggregate balances on individual accounts
for the period 2002–2004*



The Bank prepared and successfully implemented a staff motivation programme. As of the end of the year, 59 best employees were officially thanked for their achievements, 10 employees, for active involvement in sport activities of the staff.

In the future, Moscow Bank for Reconstruction and Development is willing to lay special focus on better motivation of the staff, maintaining high corporate ethics, and developing more efficient personal and business-like co-operation.

BRANCH NETWORK

Regional focus became a MBRD's priority line of business in 2004. Its branches located in Saint Petersburg, Syktyvkar, Rostov-on-the-Don and Krasnodar represent off-Moscow interest of the Bank. Registration of Ural Branch, Yekaterinburg, in December 2004 was an important event within the branch development.

By establishing new branches, Moscow Bank for Reconstruction and Development follows from the very beginning the main philosophy, that is, to offer its regional customers a full spectrum of highest quality services.

Owing to active efforts made by branches of the Bank, substantial increase in total volume of operation and customer base expansion were achieved. The following data show how MBRD's activities can be valued. Loan portfolio of the branches was 2.3 times as much as in 2003 to reach 1,844 million roubles. Book profit of the branches was 169.1 million roubles

Guiding by its strategic interest, Moscow Bank for Reconstruction and Development is willing in the future to enhance its presence

in Russian regional markets by developing further its network of branches and sub-offices.

The North-Western branch in Saint Petersburg

In the reporting year, the branch focused mainly on corporate business development and trading in financial markets of the North-Western region. Broad authority vested on the branch enabled it to be engaged in active lending to the manufacturing sector. Meeting as much as possible customers' needs, full spectrum of services and professionalism of the staff, all these factors were instrumental in enhancing the image of the branch as a solid counterparty easy to deal with.

Financial standing of the branch exhibits sustained growth of its key indicators. As of the end of the reporting year, customers' deposits were 2.3 times as much to be close to 480 million roubles. Positive financial result was 120.1 million roubles

In additions, the branch deployed 10 ATMs and issued over 3,500 bankcards in the year under review.

The Regional branch in Syktyvkar

In 2004, the branch attained a break-even level, which was the most remarkable event in its activities. Positive financial result of the branch was 32.9 million roubles. Owing to a new development strategy and tactics in the banking market of Syktyvkar, as well as highest service quality, the branch succeeded in achieving



a breakthrough in establishing close relations with customers. Corporate and individual deposits were over 2.6 times as much as in 2003. Total number of individual clients was in excess of 4,100, which shows a high customer loyalty.

In dealing with private individuals, the branch focused on lending programme development. The marketing strategy designed and efficiently implemented by the Bank resulted in entering into agreements on co-operation with all car dealer's shops in Syktyvkar and with a variety of trade companies. Thanks to close relations established with business counterparties and affordable and paying car credit plan implemented by the branch, retail loan portfolio amounted close to 100 million roubles. In 2004, interest income earned in lending was about three-fold as much, while fees and commissions, 1.7 times as much as in 2003.

The Branch in Rostov-on-the-Don

The development strategy comprises banking services offered to corporate and individual customers. Focus is laid on lending to manufacturing and commercial companies of the city and the region, and retail business development as well.

Total assets reported a rise of 1.4 times, which evidenced the right strategy adopted by the branch. Active lending made greatest impact on the changed financial result. Impressive growth of the loan portfolio enabled to rise by 1.4 times the branch's interest income. Positive financial result was 13.1 million roubles.

The Krasnodar branch

The Bank of Russia registered the Krasnodar branch of the Bank on 13 February 2004. Despite such a short performance record, the branch offered a broad range of advanced banking products and services intended both for businesses and private individuals.

Thanks to the policy aimed at broadening the existent customer base and efficient asset and liability management, a positive trend was ensured in core financial indicators. In particular, the financial result of the branch was 3 million roubles in its first and incomplete year of operation.

Prime source of income of the branch was interest income from lending to a variety of manufacturing enterprises and private individuals. As of 31 December 2004, the branch made loans for a total amount of 147.9 million roubles, including corporate loans amounting to 142.4 million roubles and individual loans for 5.7 million roubles.

Special emphasis was placed on better services, more transactions using bankcards and extended ATM network. In 2004, new 9 ATMs were mounted, and 4 out of them were placed in Krasnodar, and 5 ATMs at Kuban-GSM offices located in sea resort towns of the Krasnodar Region.

The Ural branch in Yekaterinburg

The branch of the Bank in Yekaterinburg was registered late in the year under review, on 20 December 2004. Its main lines of business for 2005 are customer base build-up through quality banking products and services, and substantial growth of the loan and deposit portfolios.

HARDWARE AND SOFTWARE COMPLEX AND IN-HOUSE TECHNOLOGY IMPROVEMENT

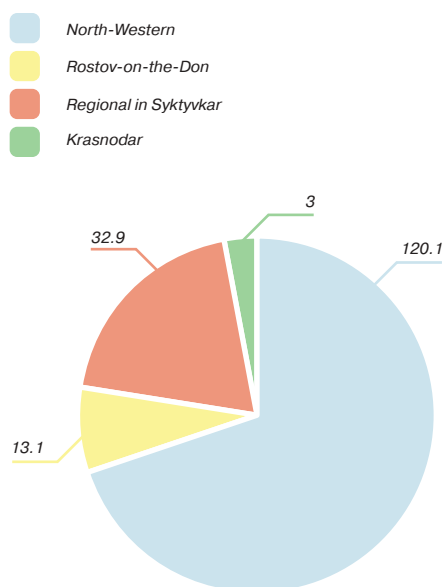
Successful operation of the Bank depends to a great extent on its IT development level. Today, most of banking products and services requires regular updating of automated data systems. Their role in management of banking entities is notably growing.

In 2004, the hardware and software complex based on Quorum automated banking system (ABS) made total automated accounting at the Bank. As of 31 December 2004, the complex linked online more than 500 workstations located in offices and teller offices. And 150 of them

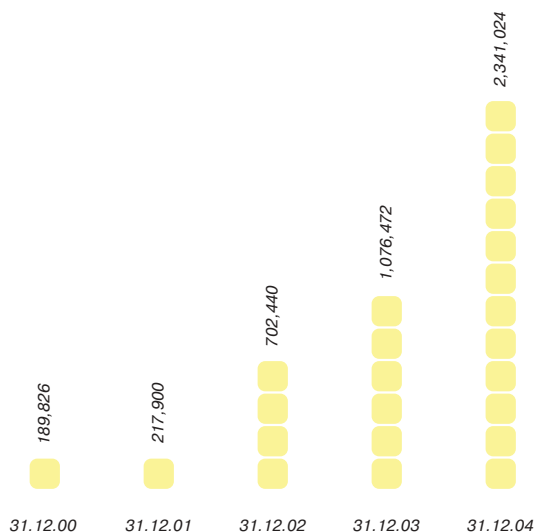
were deployed in 2004. Major offices of Moscow Bank for Reconstruction and Development are linked into a common LAN by fibre-optic channel, while mini-offices are connected using leased digital channels.

To ensure needed efficiency and fault-safety of automated system available at the Bank, further hardware modernisation and build-up were made. Moreover, with a view to expanding universal operation technology in dealing with individual customers, and in order for territorial retail business to be developed, the Bank prepared and deployed remote working stations of the retail banking system. They

Book profit breakdown per branches in 2004
(millions of roubles)



Aggregate asset trend of the branches
for the period 2001–2004
(thousands of roubles)



were connected on the basis of inter-regional telecommunication solution engineered specially by joint efforts with the proprietary processing centre. This technology was also used to connect ATMs located in the provinces.

To enhance safety and efficiency of the ABS, the LAN core and servers of a variety of applications were updated and a dynamic routing was implemented throughout of the year 2004. In addition, the Bank launched the IP-telephony.

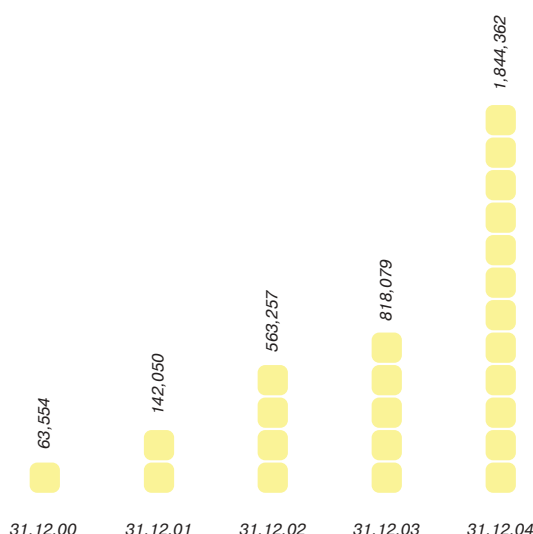
Under the retail development programme, INVORETAIL banking complex was further modernised. To this end, a module to record consumer lending transactions was deployed and scheduled payment technology

was implemented. Moreover, data submission system was designed and deployed to monitor handling and preparation of the financial reporting of the Bank.

The Bank maintains close relations with MTS, and a special distant service network version on the basis of ORACLE database management system was tested and implemented for this company. The system permits a secure distributed data processing with respect to payment volume in favour of this company (up to 7,000 documents a day). Financial controlling system to monitor branch-based payments on the basis of remote service system under co-operation with MTS treasury was implemented. At present, 22 MTS branches are connected to the system, where payments are made through the Bank once approved with the treasury's signature. In addition, a hardware and software complex for mini sub-offices of the Bank was deployed to handle retail product distribution network located in 9 MTS offices.

Under the joint project with MTS company involving issue and handling of MTS.CARD bankcards, automated technologies were designed and implemented. Besides the co-operation with MTS, the Bank is actively developing the payment acceptance system in favour of other companies. In 2004, five entities were connected to the payment system.

*Aggregate loan portfolio of the branches
for the period 2001–2004
(thousands of roubles)*



Social position

Sponsorship and philanthropic activities developed by Moscow Bank for Reconstruction and Development are based on active civic position of its executive management and staff members supported by the social responsibility philosophy. Target assistance to people in distress is a priority for the Bank in its social activities. In this respect, special focus was laid in the reporting year on financial support to the charitable foundation established in favour of victims of the terrorist act in Beslan.

MBRD gives much consideration to up-keeping and revival of the Russian spiritual heritage. Moscow Bank for Reconstruction and Development customarily renders financial aid to Orthodox cathedrals and churches. In 2004, MBRD made a charitable instalment in favour of Christ the Saviour Cathedral.

Being aware of how important are activities of law-enforcement authorities, the Bank financially supported an in-house security unit under the Main Interior Department of Moscow City on the occasion of the National Police Day.

Economic power of any country depends on how mature is its banking system. Being a member of the advanced Russian banking system, Moscow Bank for Reconstruction and Development gives support for activities aimed at its development and strengthening. Financial assistance to the annual banking forum held in Saint Petersburg is the most significant project of the Bank in this respect.

Education of the Russian population is the keystone of progress and economic growth of the nation. That is why MBRD gives target support to higher education centres in Russia. In particular, Moscow Bank for Reconstruction and Development made a sponsorship instalment to the Foundation in support of the Financial Academy under the Russian Government.

In the future, the Bank is also going to give much attention to philanthropy and sponsorship. Greater financial capabilities of the Bank, in its turn, would spur increased volumes and expanded lines of its socially important activities.



Risk management and internal control

Risk management and internal control are of great importance for Moscow Bank for Reconstruction and Development. Primary risks assumed by the Bank in transacting its business are credit risks, market risks (including interest risks and foreign exchange risks) and operating risks. To prevent losses, the Bank applies comprehensive management and control measures.

The Bank developed an unparalleled liquidity management system ("MBRD's policy in liquidity management and control"), which is based on instant, daily and monthly multilevel monitoring of borrowers and market environment at large. Liquidity management measures applied at Moscow Bank for Reconstruction and Development allows to efficiently diversify risks according to liability maturity.

In order for credit risk negative impact to be minimised, while transacting business the Bank follows principles approved in its Credit Policy. Specialised methodologies such as "Creditworthiness appraisal methodology for non-financial clientele and credit quality appraisal" and "Creditworthiness appraisal methodology for correspondent banks and limit computation on interbank market" are used for more precise limits to be set for credit risks. Limit application enables to rank borrowers, counterparties and debt issuers in terms of their solvency and to prevent investment in very risky assets.

Transactions conducted strictly within established limits help to avoid mistakes in choosing investment instruments. In addi-

tion, financial standing of counterparties and issuers of securities available in the portfolio of the Bank, as well as volumes of open foreign exchange position, trading in the Moscow forex market and inherent risks are being monitored on a regular basis. These measures allow to minimise market risk negative impact (price, interest, underlying, forex and inflation risks).

The Financial Committee reviews market risk management, establishing limits on transaction volumes with respect to particular financial instruments and market segments.

Special focus is also placed on minimising operating risk (including, technology risk; operating and overhead expense risk; risks inherent in implementation of new products and technologies). The Bank makes active efforts towards formalising transaction handling. These measures are aimed at reducing probable technology-related faults and malfunctions capable of entailing losses and to reduce volume of non-standard transactions.

The Bank monitors, on a regular basis, compliance with compulsory ratios imposed by the Bank of Russia. In addition, during the year 2004 the Bank applied in-house methodologies to make quantitative estimates of credit and market risks, which allowed to confront possible losses on transactions with liquidity provisions and the capital available at the Bank. In the future, MBRD is going to continue developing the high-efficiency integrated risk management system.

Financial statements prepared by Moscow Bank for Reconstruction and Development (public corporation) under Russian accounting standards and International Financing reporting Standards (IFRS) were audited by Deloitte & Touche CIS independent auditor.

Balance sheet statement as of 31 December 2004

Item no.	Item description	As of the year end (in thousands of roubles)
I	ASSETS	
1.	Cash and balances with the Central Bank of the Russian Federation	2,064,976
2.	Mandatory cash balances with the Central Bank of the Russian Federation	302,916
3.	Due from banks less provision for possible losses (item 3.1 minus item 3.2)	123,935
3.1	Due from banks	123,935
3.2	Provision for possible losses	0
4.	Net placements in trading securities (item 4.1 minus item 4.2)	534,304
4.1	Placements in trading securities	534,304
4.2	Provision for securities impairment and possible losses	0
5.	Outstanding loans and similar debt	17,624,053
6.	Provision for possible loan losses	978,615
7.	Net outstanding loans (items 5 minus items 6)	16,645,438
8.	Accrued interest (including overdue interest)	3,372
9.	Net placements in investment securities held till maturity (item 9.1 minus item 9.2)	0
9.1	Placements in investment securities held till maturity	0
9.2	Provision for possible losses	0
10.	Fixed assets, intangible assets and inventories	193,046
11.	Net placements in securities available for sale (item 11.1 minus item 11.2)	192,305
11.1	Securities available for sale	192,430
11.2	Provision for securities impairment and possible losses	125
12.	Deferred expenses arising from other transactions adjusted against accrued interest income	29,117
13.	Other assets less provision (item 13.1 minus item 13.2)	1,989,894
13.1	Other assets	1,990,140
13.2	Provision for possible losses	246
14.	TOTAL ASSETS: (sum of items 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12 and 13)	22,079,303
II	LIABILITIES	
15.	Due to the Central Bank of the Russian Federation	0
16.	Due to banks	1,139,958
17.	Customer accounts	12,684,569
17.1	including individual deposits	2,041,922
18.	Deferred income arising from other transactions	218



Item no.	Item description	As of the year end (in thousands of roubles)
19.	Outstanding debt securities	3,084,530
20.	Other liabilities	2,253,379
21.	Provision for possible losses on term transactions and off-balance sheet liabilities, as well as on accounts receivable arising from transactions with off-shore residents	18,661
22.	TOTAL LIABILITIES: (sum of items 15, 16, 17, 18, 19, 20 and 21)	19,181,315
III SHAREHOLDERS' EQUITY		
23.	Share capital (shareholders' [participants'] equity) (sum of items 23.1, 23.2 and 23.3), including:	400,500
23.1	Registered ordinary shares and participations	400,000
23.2	Registered preference shares	500
23.3	Non-registered share capital of unincorporated banks	0
24.	Treasury shares	0
25.	Share premium	2,380,905
26.	Disposable funds and profit	105,590
27.	Fixed asset revaluation	2,982
28.	Profit (loss) for the reporting period	285,740
29.	Dividend accrued from the current year profit	0
30.	Distributed profit (less dividend)	65,238
31.	Retained earnings (item 28 minus item 29 minus item 30)	220,502
32.	Expenses and risks affecting shareholders' equity	212,491
33.	Total shareholders' equity (item 23 - item 23.3 - item 24 + item 25 + item 26 + item 27 + item 31 - item 32) – for profit-making banks; (item 23 - item 23.3 - item 24 + item 25 + item 26 + item 27 + item 28 - item 32) – for loss-making banks	2,897,988
34.	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY: (sum of items 22, 23.3 and 33)	22,079,303
IV OFF-BALANCE SHEET ITEMS		
35.	Irrevocable commitments	3,575,418
36.	Guarantees issued	333,300

There were movements on accounts subject to be shown in Section V "Fiduciary Accounts", however, no balances are available on these accounts as of the end of the period.

On Behalf of the Board:

Председатель

Serguei Ye. Cheremin

Chief Accountant

Liubov M. Aliokhina

Profit and loss account for the year ended 31 December 2004

Item no.	Item description	For the reporting year (in thousands of roubles)
Interest earned and similar income arising from:		
1.	Placements with other banks as loans, deposits, borrowings and due from other banks	163,054
2.	Loans made to other customers	1,337,610
3.	Funds transferred under lease agreements	0
4.	Fixed income securities	152,226
5.	Other sources	579
6.	Total interest earned and similar income (sum of items 1, 2, 3, 4 and 5)	1,653,469
Interest paid and similar expenses arising from:		
7.	Due to banks, including loans and deposits	162,857
8.	Due to other customers, including loans and deposits	531,496
9.	Outstanding debt securities	196,033
10.	Rent payments	72,644
11.	Total interest paid and similar expense (sum of items 7, 8, 9 and 10)	963,030
12.	Net interest and similar income (item 6 minus item 11)	690,439
13.	Commission income	121,572
14.	Commission expense	22,912
15.	Net commission income (item 13 minus item 14)	98,660
Other operating income:		
16.	Gain arising from dealing in foreign currencies and other foreign exchange valuables, including foreign exchange translation	2,594,355
17.	Gain arising from trading in precious metals, securities and other assets, positive revaluation of precious metals, securities and other assets	321,675
18.	Gain received as dividend	893
19.	Other current income	18,274
20.	Total other operating income (sum of items 16, 17, 18 and 19)	2,935,197
21.	Current income (sum of items 12, 15 and 20)	3,724,296



Item no.	Item description	For the reporting year (in thousands of roubles)
Other operating expense:		
22.	Administrative expenses	286,455
23.	Maintenance expenses	133,992
24.	Expense arising from dealing in foreign currencies and other foreign exchange valuables, including foreign exchange translation	2,546,229
25.	Expense arising from trading in precious metals, securities and other assets, negative revaluation of precious metals, and securities	192,034
26.	Other current expense	81,451
27.	Total other operating expense (sum of items 22, 23, 24, 25 and 26)	3,240,161
28.	Net current income before provision for possible losses and less contingency income/expense (item 21 minus item 27)	484,135
29.	Change in the provision for possible loan losses	186,653
30.	Change in the provision for securities impairment and possible losses	111
31.	Change in other provision for possible losses	11,631
32.	Net current income less contingency income/expense (item 28 minus item 29 minus item 30 minus item 31)	285,740
33.	Contingency income less contingency expense	0
34.	Net current income including contingency income/expense (sum of items 32 and 33)	285,740
35.	Income tax	65,238
36a.	Contingency expense after taxation	0
37.	Income (loss) for the reporting year (item 34 minus item 36a)	285,740

On Behalf of the Board:

Председатель

Serguei Ye. Cheremin

Chief Accountant

Liubov M. Aliokhina

Cash flow statement for the year 2004

Item no.	Item description	For the reporting year (in thousands of roubles)
I	Cash flows from operating activities	
1.	Interest income	1,653,469
2.	Interest expense	963,030
3.	Commission income	121,572
4.	Commission expense	22,912
5.	Income from dealing in foreign currency and other foreign exchange valuables	81,411
6.	Income from trading in precious metals, securities and other assets	248,579
7.	Expense from dealing in foreign currency and other foreign exchange valuables	32,013
8.	Expense from trading in precious metals, securities and other assets	114,594
9.	Income received as dividend	893
10.	Other operating income	18,274
11.	Other operating expense	501,898
12.	Contingency expense after taxation	0
13.	Total income/expense (sum of items 13.1 and 13.2), including:	396,017
13.1	Income/expense (item 1 - item 2 + item 3 - item 4 + item 5 + item 6 - item 7 - item 8 + item 9 + item 10 - item 11 - item 12)	489,751
13.2	Change in income/expense	(93,734)
14.	Mandatory payments deductible from income, payments for philanthropy and other purposes	(13,862)
15.	Cash flow from operating activities before change in current assets/liabilities (sum of items 13 and 14)	382,155
	Change in current assets	
16.	Mandatory cash balances with the Central Bank of the Russian Federation	1,043,542
17.	Due from banks	2,870,117
18.	Placements in trading securities	1,574,971
19.	Outstanding loans and similar debt	(4,632,350)
20.	Other assets	(775,325)
	Change in current liabilities	
21.	Due to the Central Bank of the Russian Federation	0
22.	Due to banks	(314,957)
23.	Customer accounts	(6,078)
24.	Other liabilities	1,045,737



Item no.	Item description	For the reporting year (in thousands of roubles)
25.	Net (increase)/decrease of cash from current operations (sum of items 16, 17, 18, 19, 20, 21, 22, 23 and 24)	805,657
26.	Net (increase)/decrease of cash from operating activities (sum of items 15 and 25)	1,187,812
II Cash flow from investing activities		
27.	Fixed assets, intangible assets and inventories	(45,548)
28.	Placements in investment securities	0
29.	Placements in securities available for sale	(59,057)
30.	Net (increase)/decrease of cash from investing activities (sum of items 27, 28 and 29)	(104,605)
III Cash flow from financial activities		
31.	Share capital (shareholders' [participants'] equity)	0
32.	Treasury shares	0
33.	Share premium	0
34.	Disposable funds and profit	5,059
35.	Dividend accrued from current year profit	0
36.	Outstanding debt securities	272,055
37.	Net (increase)/decrease of cash from financial activities (sum of items 31, 32, 33, 34, 35 and 36)	277,114
38.	Positive/negative revaluation of foreign currencies and other foreign exchange valuables, precious metals, and securities; revaluation of fixed assets, accrued and other funds not stated in the financial result, and other components	(23,614)
39.	Net (increase)/decrease of cash and cash equivalents (sum of items 26, 30, 37 and 38)	1,336,707
40.	Aggregate cash and cash equivalents at the beginning of the reporting period	2,867,372
41.	Aggregate cash and cash equivalents at the end of the reporting period (sum of items 39 and 40)	4,204,079

On Behalf of the Board:

Председатель

Serguei Ye. Cheremin

Chief Accountant

Liubov M. Aliokhina

Information on capital adequacy and provision for bad loans and other assets as of 31 December 2004

Item no.	Item description	As of the end of the reporting period
1.	Actual capital adequacy ratio (%)	14.7
2.	Required capital adequacy ratio (%)	10.0
3.	Shareholders' equity (capital) (in absolute terms) (in thousands of roubles)	2,929,099
4.	Estimated provision for bad loans (in thousands of roubles)	978,615
5.	Actual provision for bad loans (in thousands of roubles)	978,615
6.	Estimated provision for losses (in thousands of roubles)	371
7.	Actual provision for losses (in thousands of roubles)	371

On Behalf of the Board:

Председатель



Serguei Ye. Cheremin

Chief Accountant



Liubov M. Aliokhina

Information on group member participations, capital adequacy, provision, for bad loans and other assets as of 31 December 2004

Item no.	Item description	Participation
1.	Members of the banking/consolidated group:	
1.1	Moscow Bank for Reconstruction and Development (public corporation) (name of the head bank of the banking/consolidated group)	
1.2	Sistema K-Invest, private corporation	100.0
1.3	MBRD-Capital, limited company	100.0

No consolidated balance sheet statement, or consolidated profit and loss statement were prepared, no mandatory ratios on consolidated basis were estimated owing to the fact that the influence of the Group members was considered immaterial.

On Behalf of the Board:

Председатель



Serguei Ye. Cheremin

Chief Accountant



Liubov M. Aliokhina



According to Deloitte & Touche CIS, the balance sheet statement, the profit and loss account, cash flow statement and information on capital adequacy and provision for bad loans and other assets of Moscow Bank for Reconstruction and Development and information of group member participations, capital adequacy and provision for bad loans and other assets of Moscow Bank for Reconstruction and Development prepared for publication present fairly, in all material respects, the financial position of the Bank as of 31 December 2004 in accordance with applicable law of the Russian Federation.

Detailed information on fair presentation of the released statements of Moscow Bank for Reconstruction and Development, including information on above data, is provided in the auditor's report on fair presentation of the released financial statements of the Bank as of 31 December 2004.

Name of independent auditor	ZAO "Deloitte & Touche CIS"
Licence	No.E002417
License issue date	6 November 2002
License validity	5 years
Licensing authority	Ministry of Finance of the Russian Federation
Certificate on making a record in the Universal register of companies with respect to a corporate entity registered before 1 July 2002	No. 1027700425444
Certificate issue date	13 November 2002
Issuing authority	Interdistrict Inspectorate No. 39 of the Ministry of Internal Revenue of the Russian Federation
Certificate of registration of ZAO "Deloitte & Touche CIS"	No. 018.482
Certificate issue date	30 October 1992
Certificate issuing authority	Moscow Registration Chamber
Membership in accredited professional audit association	2
Name of the General Manager	Vadim N. Sorokin, partner (power of attorney of 19 May 2003)
Name of the official certified the released financial statements	Svetlana N. Rodionova
Position	Senior manager of ZAO "Deloitte & Touche CIS", head of the audits
Issue data of the document evidencing powers of the official who certified the released financial statements	30 March 2004
Title of the document evidencing powers of the official, who certified the released financial statements	Certificate in banking audit
Number of the document evidencing powers of the official who certified the released financial statements	K 013554
Validity of the document evidencing powers of the official who certified the released financial statements	for indefinite term

8 April 2005

Consolidated profit and loss account for the year ended 31 December 2004 (in thousands of roubles)

	2004	2003 (unaudited)
Interest income	1,649,005	1,426,084
Interest expense	(863,304)	(833,348)
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES	785,701	592,736
Provision for loan losses	(225,435)	(415,648)
NET INTEREST INCOME	560,266	177,088
Net gain on trading securities	59,009	286,768
Net gain on foreign exchange operations	46,136	27,819
Fee and commissions income	127,775	85,588
Fee and commission expense	(22,571)	(16,134)
Other income	11,675	11,421
NET NON-INTEREST INCOME	222,024	395,462
OPERATING INCOME	782,290	572,550
OPERATING EXPENSES	(585,679)	(497,644)
OPERATING PROFIT	196,611	74,906
(Provision)/recovery of provision for losses on other transactions	(17,343)	1,188
PROFIT BEFORE INCOME TAX	179,268	76,094
Income tax expense	(10,552)	(89,586)
NET INCOME/(LOSS)	168,716	(13,492)
Earnings/(loss) per ordinary share Basic and diluted earnings (RUR)	10 209.3	(16.9)

On Behalf of the Board:

Председатель



Serguei Ye. Cheremin

Chief Accountant



Liubov M. Aliokhina

Consolidated balance sheet as of 31 December 2004 (in thousands of roubles)

	2004	2003 (unaudited)
ASSETS		
Cash and balances with the Central Bank of the Russian Federation	2,342,092	2,788,117
Loans and advances to banks, less allowance for loan losses	4,805,498	4,792,597
Trading securities	959,076	3,278,869
Loans to customers, less allowance for loan losses	12,075,361	8,886,947
Investment securities	606	258
Fixed and intangible assets, less accumulated depreciation	250,050	217,250
Income tax assets	2,472	27,131
Other assets	55,751	20,415
TOTAL ASSETS	20,490,906	20,011,584
LIABILITIES AND EQUITY		
LIABILITIES:		
Loans and advances from banks	1,296,006	1,654,915
Customer accounts	12,998,333	12,474,830
Debt securities issued	3,016,526	2,779,653
Provisions	23,419	6,076
Income tax liability	9 40,491	82,891
Other liabilities	9,881	8,377
Total liabilities	17,384,656	17,006,742
Minority interests	-	30,047
SHAREHOLDERS' EQUITY:		
Share capital	22 878,408	878,408
Share premium	3,042,304	3,042,304
Accumulated deficit	(814,462)	(945,917)
Total shareholders' equity	3,106,250	2,974,795
TOTAL LIABILITIES AND EQUITY	20,490,906	20,011,584

On Behalf of the Board:

Председатель



Serguei Ye. Cheremin

Chief Accountant



Liubov M. Aliokhina

Consolidated statement of cash flows for the year ended 31 December 2004 (in thousands of roubles)

	2004	2003 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before tax	179,268	76,094
Adjustments for:		
Provision for loan losses	225,435	415,648
Provision/(recovery of provision) for losses on other transactions	17,343	(1,188)
Depreciation charge on fixed assets	54,237	39,083
Change in net interest accruals	(66,534)	75,739
Net change in market value of derivatives	(9,312)	-
Cash flows from operating activities before changes in operating assets and liabilities	400,437	605,367
Changes in operating assets and liabilities (Increase)/decrease in operating assets:		
Obligatory reserves with the Central Bank of the Russian Federation	1,043,542	(729,837)
Loans and advances to banks	(7,706)	(3,315,643)
Trading securities	771,422	(924,544)
Loans to customers	(3,453,988)	(3,532,759)
Other assets	(26,024)	14,516
Increase/(decrease) in operating liabilities:		
Loans and advances from banks	(353,021)	337,361
Customer accounts	571,993	7,513,322
Other liabilities	1,504	(35,920)
Cash outflows from operating activities before income tax	(1,051,841)	(68,128)
Income tax paid	(28,293)	(29,890)
Net cash outflow from operating activities	(1,080,134)	(98,018)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed and intangible assets	(89,601)	(145,850)
Proceeds on sale of fixed and intangible assets	2,564	-
Change in cash and cash equivalents due to (disposal)/acquisition of investments in affiliates	(30,047)	30,047
(Investments)/proceeds from disposal of investments in securities	(348)	33,373
Net cash outflow from investing activities	(117,432)	(82,430)



	2004	2003 (unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from debt securities issued	236,873	1,588,544
Dividends paid	(37,261)	-
Net cash inflow from financing activities	199,612	1,588,544
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(997,954)	1,408,096
CASH AND CASH EQUIVALENTS, beginning of year	4,675,615	3,267,519
CASH AND CASH EQUIVALENTS, end of year	3,677,661	4,675,615

Interest paid and received by the Group in cash during the year ended 31 December 2004 amounted to RUR 917,682 thousand and RUR 1,636,849 thousand, respectively.

Interest paid and received by the Group in cash during the year ended 31 December 2003 amounted to RUR 752,963 thousand and RUR 1,421,438 thousand, respectively.

On Behalf of the Board:

Председатель

Serguei Ye. Cheremin

Chief Accountant

Liubov M. Aliokhina

Consolidated statement of changes in shareholders' equity for the year ended 31 December 2004 (in thousands of roubles)

	Share capital	Share premium	Accumulated deficit	Total
31 December 2002 (unaudited)	878,408	3,042,304	(932,425)	2,988,287
Net loss for the year (unaudited)	-	-	(13,492)	(13,492)
31 December 2003 (unaudited)	878,408	3,042,304	(945,917)	2,974,795
Dividends declared on:				
- ordinary shares 22	-	-	(36,000)	(36,000)
- preferred shares 22	-	-	(1,261)	(1,261)
Net profit for the year	-	-	168,716	168,716
31 December 2004	878,408	3,042,304	(814,462)	3,106,250

On Behalf of the Board:

Председатель

Serguei Ye. Cheremin

Chief Accountant

Liubov M. Aliokhina



Для заметок