

Contents

Chairman's Address	2
Board of Directors	5

I	
Major Macroeconomic and Banking Sector Indicators	8
Vnesheconombank 2004 – Financial Highlights and Operating Statistics	9

II	
Corporate Banking	12
Cooperation with Financial Institutions	13

III	
International Settlements	16
Operations on Securities, Forex and Money Markets	17
Depository	18

IV	
Acting as an Agent for the Government of the Russian Federation	22
Settlement of Problem Debts Owed by Russian Borrowers to the Federal Budget	29
Acting as the State Trust Management Company	30

V	
Participation in the Activities of Non-Commercial Organisations	32
Corporate Governance	32
Information and Technology Infrastructure	35

VI	
Representative Offices	38
The Bank's Information Profile	40

VII	
Charitable Activities	42

VIII	
Consolidated Financial Statements	45





Honourable Colleges and Partners!

In 2004, Vnesheconombank, a major Russian financial institution, celebrated the 80th anniversary of its performance. Founded in 1924 by the Soviet government to service foreign trade operations and facilitate the country's industrial development, the Bank throughout its long-standing history remained an efficient vehicle of the state foreign economic policy.

We recognise that the positive results delivered by the Bank when operating in a market economy enabled it to maintain and further solidify its position as a state financial institution. Encouragingly, the Bank is reputed as a reliable partner both at home and abroad, noted for extensive global business ties with international financial organisations, as well as leading foreign financial and insurance institutions.

Acting in an agency capacity for the government of the Russian Federation is a distinctive feature of the Bank that sets it apart from other Russian financial institutions. When confronting the tasks set, the Bank uses a comprehensive and creative approach. Its role is not reduced to just reconciling sovereign debts and keeping applicable records. The benefits derived from the Bank's analytical strength and expertise capabilities are widely claimed by the Russian Ministry of Finance while negotiating with the Paris Club creditors and upgrading various elements of sovereign foreign debt and external financial assets management.

Our aim going into 2004 was to sharpen our focus on further developing goods delivery debt redemption schemes. In 2004, USD 723 million worth of goods deliveries were made, which demonstrates a double increase on the year 2003. Also, the Bank galvanised efforts to settle problem debts owed by the Russian borrowers to the federal budget, with the overall volume of the obligations settled totaling USD 862 million.

The past two years witnessed an enhanced role of Vnesheconombank in assisting the Russian state to implement major federal programs designed to bolster structural reforms, inclusive of the social sphere.

In 2004, a tighter focus was adopted on a challenging goal of the Bank's acting as a State Trust Management Company to manage pension savings funds of the Russian citizens. The experience gained in this respect suggests that the task of creating an appropriate legislative framework acquires a new urgency. Remarkably, the decree of the government of the Russian Federation adopted in November 2004 is reflective of the Bank's initiative to grant trust management companies the right to perform OTC deals with Russian Eurobonds.

By the end of the period under review, an adequate financial infrastructure designed to help implement the Industrial Exports State Financial (Guarantee) Support Concept adopted by the government of the Russian Federation in 2003 was practically developed. Vnesheconombank and the



Chairman's Address

Chairman's Address

Eximbank of Russia (Roseximbank) made agreements with major financial and insurance institutions of 12 countries embracing, among them, 5 countries of the G8. Principally, it is clear evidence of the fact that Vnesheconombank is perceived by the global financial community as an equal and prospective partner.

In H2 of the year 2004, Roseximbank, Vnesheconombank's subsidiary, started to put the Concept into place. A respective portfolio of projects, the implementation of which envisages full utilisation of exports state support schemes, was made up.

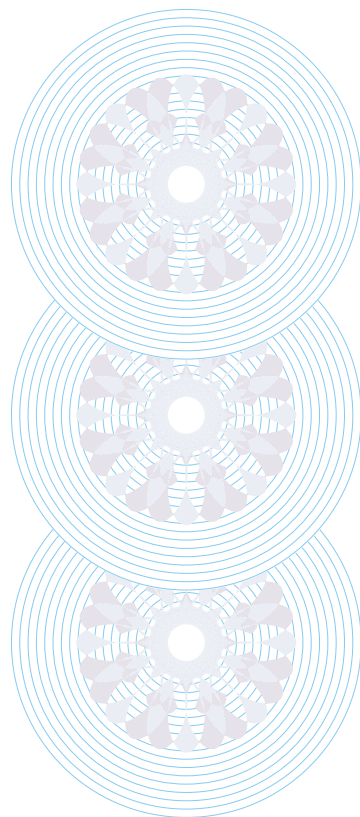
Throughout the period under review, the Bank was proactively operating on the segments of the financial market traditional for it. The Bank was seeking to maintain a leadership position in the area of international settlements, on the market of Russian government foreign currency-denominated bonds, on interbank money and foreign exchange markets. Obviously, the year delivered tangible results in accommodating corporate customers.

Strategically, the past year was quite successful for the Bank. In 2004, Vnesheconombank delivered sound financial results. To illustrate, the Bank's capitalisation was substantially increased. As of December 31, 2004, the Bank's equity reached USD 617 million, posting a 25 percent increase on the previous year, while return on equity stood at 13 percent¹.

We acknowledge that, in 2005, Vnesheconombank is called to still greater tasks and responsibilities. We attempt to prioritise our activities. Currently, our primary concern is to efficiently perform the comprehensive functions of an agent of the government of the Russian Federation, inclusive of creating a uniform sovereign debt management system. Also, top of the Bank's performance agenda come investment development activities. It is in the context of these two tasks that we view the issue of defining in 2005 Vnesheconombank's status and adopting a respective and meaningful concept of its further development.

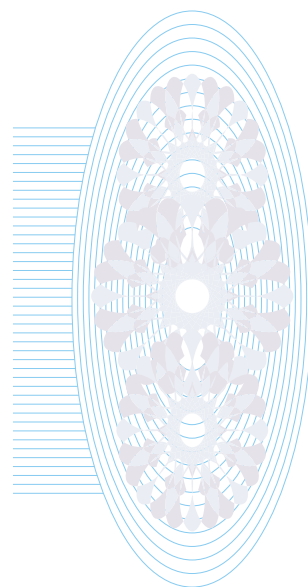
The past year, against the backdrop of benign conditions on the global energy market, Russian economy posted successful and sustained growth. But, the way we see it, we could presently speak of a relative depletion of resources needed to continue 'recuperating' growth inherent to Russia's economy throughout the past few years. The changing environment suggests that now is the time to ensure economic growth through innovative competitive technologies that could underpin the creation of new capacities and help upgrade the country's capital assets. These are the goals the Russian Federation investment policy should be primarily focused on. We recognise Vnesheconombank is committed to overall assist the state in meeting this challenge.

¹ Net income/average equity.



In delivering the investment activities agenda, Vnesheconombank places emphasis on raising major investment for Russia's economy and on financing infrastructure- and innovation-related projects of federal importance. In this context, the Bank is prepared to provide a full range of services traditionally offered by financial institutions. Among them are: representing its partners' interests at negotiations with borrowers and lenders, executing expert analysis of investors' projects and proposals, ensuring financing and financial servicing of respective projects. In our judgement, resolving these issues appears to be particularly important for the implementation of programs designed to facilitate the development of the regions of the Russian Federation. Of primary concern is to further upgrade corporate governance. The activities in pursuit of the goal should involve an enhanced role of the representatives of the state in the Bank's management, improving Vnesheconombank's organisational structure, as well as enhancing transparency of the Bank's activities.

We realise our success in achieving the goals set comes down to our close and mutually enriching cooperation with our partners. Obviously, I should record my thanks to them and express hope that our joint efforts and synergy would make a tangible contribution to Russia's further economic growth and reinforce its positions on global markets.



V. Dmitriev

Board of Directors



Chairman of the Bank
**Vladimir Alexandrovich
Dmitriev**



First Deputy
Chairman
**Nikolay Nikolaevich
Kosov**



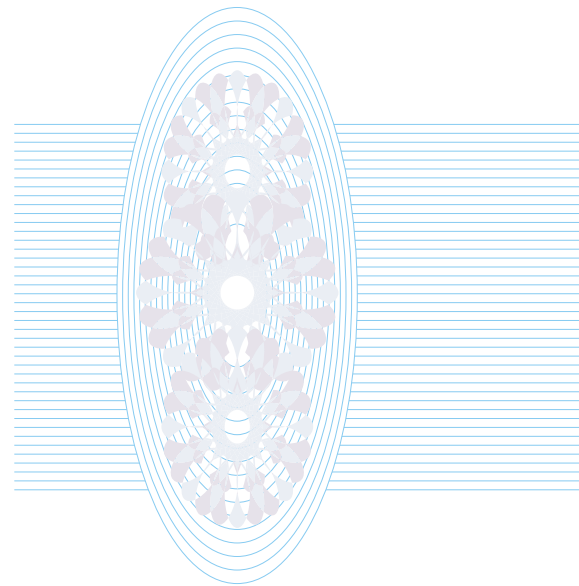
First Deputy
Chairman
**Yuriy Yevgenievich
Zaostrovtssev**



Deputy
Chairman
**Anatoliy Pavlovich
Zabaznov**



Deputy
Chairman
**Mirza Abdulkerim ogly
Imamaliev**





Deputy
Chairman
**Vasily Vyacheslavovich
Kirpichev**



Deputy
Chairman
**Alexey Vladimirovich
Smirnov**



Security
Director
**Alexander Sergeevich
Gruzinov**



Chief Accountant
**Vladimir Dmitrievich
Shaprinskiy**

- Major Macroeconomic and Banking Sector Indicators
- Vnesheconombank 2004 – Financial Highlights and Operating Statistics

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The volume of deposits explored in Russia reaches 13.16 billion tons (97.119 billion barrels).



Major Macroeconomic and Banking Sector Indicators

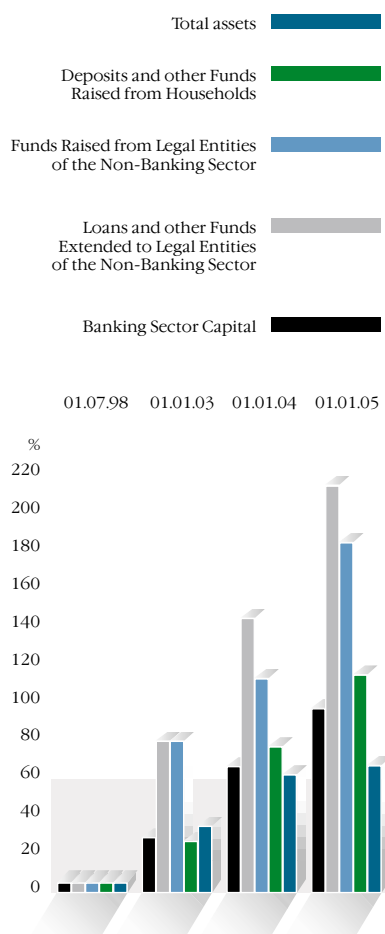
The year 2004 was marked by an enhanced banking sector role in stimulating the country's economic growth. The period under review witnessed an increase in the ratio of the volume of credits extended to Russian legal entities of the non-financial sector against GDP from 17.2 percent to 18.8 percent². At the same time, the ratio of the volume of funds raised from Russian legal entities of the non-financial sector against GDP rose from 10.5 percent to 11.8 percent.

The dynamics of the growth of volumes of loans extended by domestic banks to non-financial enterprises and entities definitely outstripped the dynamics of the assets increase. Actually, within the year, that brought about a rise in the share of the above loans in the banking sector assets from 40.5 percent to 44.1 percent.

Overall, in 2004, the banking sector performance was impacted by the following macroeconomic trends:

- A rise in prices for Russia's exports goods³, on average by 20 percent in 2004 on the year 2003, and, principally, a subsequent rise in the Russian Federation exports volumes by 34.8 percent;
- A conservative and well thought out credit-monetary policy in the context of exports earnings growth and accumulation of the Stabilisation Fund's assets, which reduced the FOREX market volatility and brought about a moderate rally of the Rouble against the US Dollar in terms of the nominal and real exchange rates (5.8 percent and 14 percent accordingly). Alongside that, Russia's gold and foreign currency reserves grew by 60 percent to reach USD 124.5 billion;
- A reduction of debt pressures on the economy, with Russia's sovereign foreign debt being reduced within the year by 4.6 percent⁴, the ratio of debt against the GDP decreased from 27 percent as of 31.12.2003 to 19 percent as of 31.12.2004. The ratio of the volume of the sovereign foreign debt to the volume of Russia's gold and foreign currency reserves throughout the period dropped from 156.5 percent to 93.3 percent;
- A rise in the volume of industrial production to RUR 11.2 trillion (+6.1 percent) and a rise in the revenues generated by enterprises in most industries contributed to an increase in the volume of balances on customer accounts to RUR 1.27 trillion (+30.1 percent);
- An increase in volumes of the household deposits in the banking sector (+29.7 percent), alongside with an increase in household incomes in real terms by 7.8 percent through-

The Growth Dynamics of the Banking Sector Assets and Liabilities within the Period of 1998 – 2004 (as compared to the similar indicators as of 01.07.98, in real terms, inflation and devaluation adjusted)



² Hereinafter, for indicator calculation, the data produced by the Federal Service of State Statistics, the Bank of Russia, the Moscow Interbank Currency Exchange, as well as the Stock Exchange of the Russian Trading System are used.

³ For calculations, the Bank of Russia's methodology based on oil, petrochemicals, ferrous metals and natural gas prices is applied.

⁴ For calculations, Vnesheconombank's data on the volume of the Russian Federation sovereign foreign debt are applied.

out 2004. The household demand for consumer and mortgage loans posted considerable growth, the volume of which grew by 2.1 times to reach RUR 618.9 billion (as of 31.12.2003 – RUR 299.7 billion);

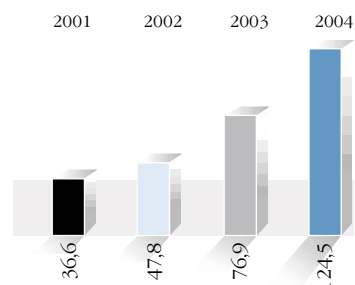
- A rise in the volume of investments by banks in equity securities by 21.7 percent to stand at RUR 140.9 billion, while Russia's share indices demonstrated growth: the Moscow Interbank Currency Exchange (MICEX) – by 7.3 percent, the Russian Trading System (RTS) – by 8.3 percent.

The international rating agencies Moody's and Fitch Ratings assigned the Russian Federation investment grade ratings which is reflective of Russia's enhanced creditworthiness and economic sustainability.

Benign economic conditions positively contributed to improving the banks and overall Russian banking sector performance indicators.

As of the year-end 2004, the ratio of the banking sector capital to risk-weighted assets was standing at 17 percent. The share of the profit-making financial institutions in the banking sector reached 98.3 percent (as of December 31, 2003 – 96.8 percent), the volume of overdue loans extended to the legal entities of the non-banking sector decreased to 1.5 percent (as of 31.12.2003 – 1.6 percent). The banking sector

Gold and Foreign Currency Reserves, USD billion



Major Items of Assets and Liabilities of the Banking Sector of the Russian Federation, RUR billion



return on assets (ROA) was standing at 2.9 percent (as of 31.12.2003 – 2.6 percent), return on equity (ROE) – 20.3 percent (as of 31.12.2003 – 17.8 percent).

With a view of ensuring sustainable development and reinforcing its position as a specialised state financial institution, Vnesheconombank is seeking to consistently enhance its capitalisation level. As of December 31, 2004, the Bank's equity reached USD 617 million, posting a 25 percent increase on the previous year, while return on equity stood at 13 percent⁵.

Alongside that, the year-end 2004 delivered the following financial results: income before income taxes totaled

Vnesheconombank
2004 – Financial
Highlights
and Operating
Statistics

⁵ Net income/average equity.

USD 60 million (as of the year-end 2003 – USD 202 million), net income amounted to USD 72 million (as of the year-end 2003 – USD 153 million). Obviously, this could be attributed to a number of reasons.

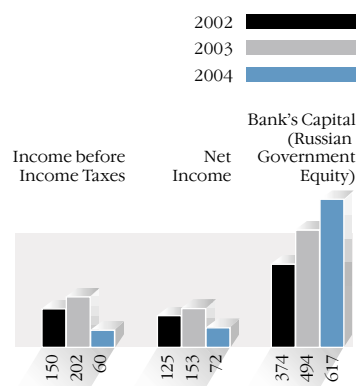
In 2003, against the backdrop of favourable market conditions for sovereign foreign currency-denominated debt instruments of the Russian Federation (the growth of Eurobond '2030' quotations, which made the bulk of the trading portfolio, reaching 20.6 percent), the Bank generated considerable gains under operations with trading securities that totaled USD 124 million. In 2004, international market conditions for the Russian sovereign debt were characterised by increased price volatility. The negative market dynamics witnessed in Q2 of the year 2004 and a subsequent decrease in the volume of the Bank's trading securities portfolio brought about a loss of USD 6 million under operations with trading securities. Alongside that, taking into account that the year 2004 witnessed a rise in unrealised gains under available for sale securities, the annual growth of the volume of the Bank's equity in 2004 (USD 123 million) was comparable to a similar figure of the year 2003 (USD 120 million).

The Bank is a major taxpayer among Russia's banks, with the overall volume of tax payments made into the budgets of various levels standing in 2004 at RUR 911.7 million (as compared to RUR 783 million in 2003).

The major financial results delivered by the Bank in 2004 are reflective of an enhanced scope of Vnesheconombank's activities. Also, it is clear evidence that the Bank maintained its position as a major financial institution of the Russian Federation. As of the year-end 2004, Vnesheconombank, among other major Russian banks, ranked: 2nd in terms of securities portfolio, 4th in terms of income before income taxes, 8th in terms of its equity, as well as in terms of the volume of net commercial loans portfolio⁶.

In 2004, the Bank's successful performance was appreciated by the leading international rating agencies. Thus, the Fitch rating agency raised Vnesheconombank's long-term rating to an investment 'BBB-' grade rating with stable outlook and its short-term rating to 'F3'. Encouragingly, the Bank's Support rating was upgraded from '3' to '2'. The current Moody's long-term bank deposit rating of Vnesheconombank is Ba1 with positive outlook. Actually, the Fitch long-term and short-term ratings of the Bank are at par with the respective sovereign ratings of Russia, while the Moody's rating of Vnesheconombank equals Russia's ceiling for foreign currency bank deposits. Fitch Ratings, as well as Moody's believe that should a need arise, Vnesheconombank will timely enjoy an adequate support by the government of the Russian Federation.

Financial Highlights
as of December 31,
USD million



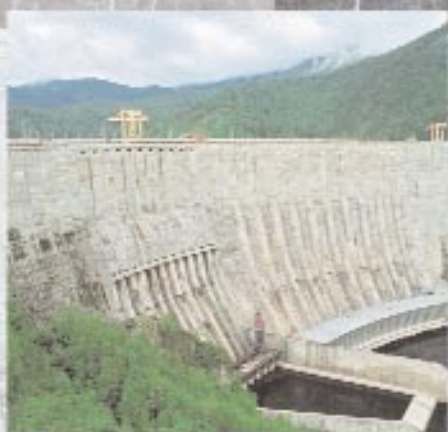
⁶ In compliance with the financial statements prepared according to the Russian accounting standards.

the operating capacity being 4210 MW

- Corporate Banking
- Cooperation with Financial Institutions

II

a n n u a l r e p o r t 2 0 0 4



As of January 1, 2003, the installed capacity of the Savano Shushenskoy hydroelectric station made 6721 MW.



Vnesheconombank traditionally offers its clients a full range of services in the area of payment and documentary operations, lending, guarantee operations (inclusive of trade finance), securities operations, as well as custody services. By the end of 2004, with the view of enhancing partnership relations, Vnesheconombank concluded 6 bilateral agreements, defining the areas and scales of cooperation with its partners. Among them are the URAL-VAGONZAVOD state unitary enterprise, RAO GASPROM and 'AEROFLOT' (Russian Airlines) joint-stock company. An agreement with the Krasnoyarsky region administration has been prepared for signing.

As of the year-end 2004, Vnesheconombank was servicing 2470 legal entities of the non-banking sector. Over 2004, the turnovers over the accounts of these customers, residents of the Russian Federation, exceeded USD 15.5 billion.

Presently, Vnesheconombank's industrial priorities embrace high-tech industries, machinery manufacturing, inclusive of aircraft and car industries, shipbuilding, instrument engineering, atomic sector, telecommunications. A tighter focus is also placed on reinforcing cooperation with enterprises of energy sector, oil, gas and chemical sectors, as well as with state institutions and specialised foreign trade organisations.

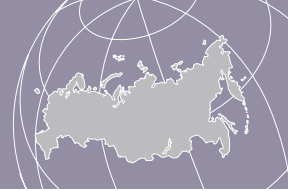
As of the year-end 2004, the volume of the Bank's net loan portfolio (under its proprietary operations) witnessed almost a 150 percent increase, with the amount of credits extended to legal entities of the non-banking sector being USD 564.4 million.

Throughout 2004, the volume and number of guarantees issued by Vnesheconombank increased, with the geography also diversified. Largely as a consequence of the Bank's relentless and regular efforts, the share of its direct guarantees accepted by foreign beneficiaries increased to reach 75 percent.

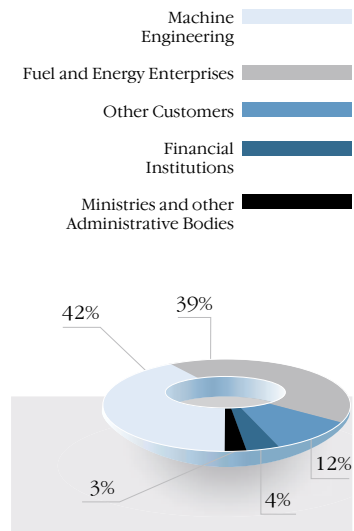
Principally, Vnesheconombank's cooperation with its customers is not reduced to just effecting operations on their instructions, extending loans and issuing guarantees. Recognising the need to further encourage relations with them, Vnesheconombank is committed to promoting and facilitating its customers' businesses, inclusive of project promotion in foreign countries. Acting on its customers' request, the Bank directly engages or participates in customers' negotiations with their partners to elaborate the terms and conditions to apply to settlements under contracts, financing schemes and the types of collateral provided under customers' obligations.

Practically, the development of an adequate financial infrastructure designed to help implement the Industrial Exports State Financial (Guarantee) Support Concept adopted by the government of the Russian Federation in

Corporate Banking



Structure of Yearly Turnovers on Customer Accounts



2003 was completed. By the year-end 2004, Vnesheconombank, together with Eximbank of Russia, signed agreements with major foreign export credit agencies, insurance companies and export-import banks of 5 countries of the G8, as well as with those of Finland, Hungary, Turkey, China, India, Brazil, Mexico. Within the framework of the agreements, mid-term and long-term parallel financing of Russia's and its partner-countries' exports to third countries is envisaged.

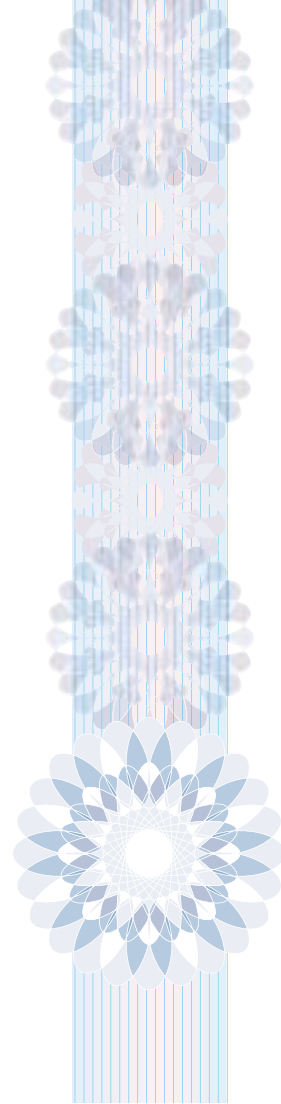
Moreover, the areas of interest of the participants in the above agreements, inclusive of sector and geographic cooperation priorities, have been explicitly defined. Thus, our mutual cooperation priorities with the Italian partners embrace the energy sector, machine engineering and extracting mineral resources; the Mexican partners – implementing major infrastructure projects in the area of gas extraction and transportation in Latin America; the Turkish partners – construction and industrial projects in the Ukraine and Kazakhstan; the Chinese and Japanese – modernising production lines initially constructed with the former USSR assistance in China and the South-East Asia. Deliveries of 'the Ilyushin 96' civil aircraft to Cuba, with full utilisation of the industrial exports support scheme, will become a pilot project to implement the Concept.

Traditionally, few other Russian banks can match Vnesheconombank in its most extensive correspondent network which enables it to effect payments using the least expensive for customers payment routes. In 2004, Vnesheconombank pressed ahead with its effort to improve the accounts conditions and to reduce costs of payments effected over the Bank's correspondent accounts with the banks of Russia, Europe, North America and Asia.

In the course of negotiations with foreign financial institutions, a tighter emphasis was placed on the issues related to the support of Vnesheconombank's customers' businesses in the given regions. Thus, guarantees by major banks of Algeria and India were obtained that were indispensable for the implementation of Vnesheconombank customers' projects in the above countries and were ensured by the respective Vnesheconombank's liabilities.

Correspondent Network as of December 31, 2004

	Loro Accounts	Nostro Accounts
Europe and North America	16	91
Asia, Africa and Latin America	33	104
Russia	391	32
CIS	130	1
International banks	12	4
Total	582	232



Cooperation with Financial Institutions

The investment grade rating assigned to Vnesheconombank by the Fitch Ratings agency enabled the Bank to conduct negotiations with the banks of Germany, Italy and France on raising 'tied' credits to finance commercial projects implemented on Russia's territory without sovereign guarantees issued. A draft 'no-limit' medium-term loan agreement was agreed with the AKA German banks consortium.

A comprehensive set of measures aimed at broadening the range of services resulted in an increased number of loro accounts opened with the Bank.

Throughout the period under review, the total amount of limits to accept Vnesheconombank's obligations set by prime-rate European and American banks doubled to reach USD 600 million. Obviously, upgrading Vnesheconombank's rating in 2004 contributed considerably to the increase. The limits set on Vnesheconombank by financial institutions of Russia and the CIS countries approximated USD 1.1 billion.

The limits set make it possible to further develop services related to confirming by Vnesheconombank other Russian banks' liabilities. Also, it enables the Bank to expand the spectrum and volume of the operations, the terms of which require a confirmation of Vnesheconombank's obligations by prime-rate Western financial institutions, as well as to ensure a diversified choice of a counterparty and transactions conditions.

Simultaneously, a list of banks and financial companies which Vnesheconombank sets limits on was expanded. As of December 31, 2004, the Bank set limits on 124 counterparties (109 – as of December 31, 2003), inclusive of 60 banks of Russia and the CIS countries with the amount of limits set approximating USD 1.4 billion.

The conference 'Trade Finance: the Most Pressing Issues and Prospects' was held with the participation of Russian and foreign commercial banks, Vnesheconombank's partners. In the course of the event, the participants exchanged their views on trade finance prospects, the risks involved and the legislative regulation.

The Bank's professionals pressed ahead with their effort to further enhance cooperation with the financial institutions on issues related to preventing money laundering of illicit gains and financing terrorism, inclusive of endeavours undertaken within the framework of implementing 'Know Your Customer' program.



of the Il-96-300 long distance civil aviation aircraft.

- International Settlements
- Operations on Securities, Forex and Money Markets
- Depository

III

a n n u a l r e p o r t 2 0 0 4

After a considerable interval, the Voronezh aircraft plant resumes the production

In 2004, just as in the past, the Bank was committed to delivering a comprehensive spectrum of customer-oriented high quality services. Traditionally, tight focus was placed on effecting operations in the settlement/payment area, as well as exercising currency control. Besides that, to accommodate customers in their deals with counterparties, the Bank's professionals were offering them consultative services to best choose their settlement schemes.

The past year, the volume of international payments and receipts effected by the Bank practically remained the same, as compared to the year 2003 and stood at USD 28.2 billion.

More than 91 percent of the payments and receipts were effected in hard currencies. The bulk of documentary operations in hard currencies were export L/Cs. A wide range of the Bank's counterparties under documentary L/Cs is reflective of its reputation in the area of documentary operations. Among its counterparties are the banks from more than 30 countries, inclusive of the USA, Great Britain, Germany, Italy, Spain and China.

Alongside traditional documentary operations, further energies were devoted to Vnesheconombank's performing the role of a reimbursing bank. Acting within authorisations received under Russian commercial banks' L/Cs, the Bank issued reimbursement obligations seeking to meet all the requirements of nominated banks under relevant transactions. Largely as a consequence, the volume of the Bank's reimbursement obligations posted a 4.4 time rise on the year 2003.

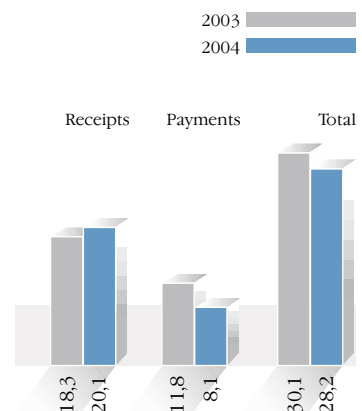
Encouragingly, Vnesheconombank's professionals continued to regularly develop and apply their specialised knowledge working in the Commission on Banking Technique and Practice of the International Chamber of Commerce (ICC) in elaborating methodological documentation designed to lay down legal and organisational groundworks for international settlements patterns. Actually, a number of remarks and proposals related to a draft of new 'Uniform Customs and Practice for Documentary Credits' (UCP 600) were forwarded to the ICC. Apart from it, the Bank's staff made a translation into Russian for a subsequent publication of an ICC document 'International Standard Banking Practice for Examination of Documents under Documentary Credits', which is known to be a supplement to UCP 500.

Also, the year 2004 witnessed a change in the principles underlying currency regulation and procedures to apply to currency control. Strenuous efforts were made to bring the Bank's internal legislative framework and the IT platform in compliance with the new currency control requirements of the Russian Federation legislation. A spe-

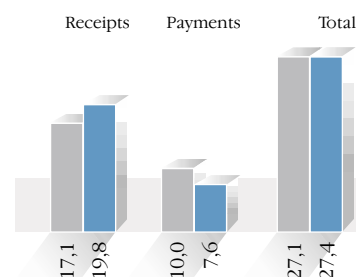
International Settlements



Payments under International Settlements, USD billion



Inclusive of Those in Hard Currencies



cial emphasis was placed on prompt and timely notification of the Bank's customers of the respective changes and modifications. Furthermore, Vnesheconombank provided its customers with consultative services related to a practical application of the provisions of the new currency regulation and control legislation. Remarkably, in 2004, the number of passports made by the Bank under export-import deals increased by 11.2 percent, with the overall value of the respective contracts growing by 2.6 percent.

In 2004, the major macroeconomic trends impacted the financial markets conditions, with the situation evolving as follows.

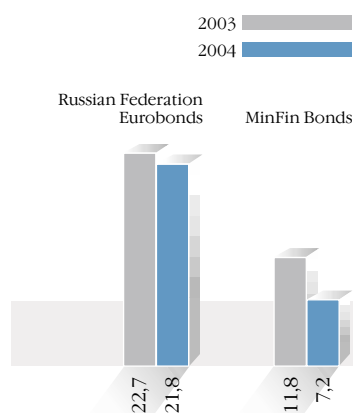
The yield trends for the Russian foreign currency-denominated bonds followed the trend of the US Treasury bonds, namely: the growth in H1 of the year 2004 and a drop in H2 of the same year. The Russian Trading System Index that reflects the state of the equity market fluctuated within a wide range (518–785), nevertheless, posting a moderate (+8.3 percent) rise against a distinctive increase within the 2001–2003 period (+32 percent on average). Against the backdrop of a substantial influx of export earnings, as well as the weakening of the US Dollar versus major global currencies, there was mainly an appreciation of the Rouble versus the US Dollar. This ensured a high level of liquidity on the market of rouble-denominated financial instruments, relatively low rates on the inter-bank deposit market, reduced yield for GKO-OFZs and rouble-denominated corporate bonds. The banking 'credibility' crisis, which took place in Q2-Q3 of the year 2004, brought about a temporary drop in liquidity and an interest rates rise.

In the context of the year 2004 market conditions, a sharp focus was placed on maintaining Vnesheconombank's leadership position as a leading Russian market maker on the Russian government foreign currency-denominated bonds market, as well as more proactive managing of corporate securities portfolio.

Addressing the need to diversify financial risks and enhance the portfolio yield, the Bank increased the volume of investment into foreign issuers' highly liquid debt instruments, bonds of financially sound Russian banks and corporations, as well as the Russian 'blue chips'. To hedge against risks and to enhance profit from arbitrage operations, Vnesheconombank was more actively engaged in derivative operations: the Russian Federation Eurobonds options, as well as credit notes linked to Russia's sovereign or corporate risks. At the same time, the volume of the Bank's securities portfolio remained practically unchanged and stood at USD 2.1 billion, with the

Operations on Securities, Forex and Money Markets

Turnovers under Operations with Russian Federation Eurobonds and MinFin Bonds, USD billion



bulk of it being the Russian Federation Eurobonds and the Russian MinFin bonds.

Actually, an enhanced range of the Bank's securities market operations required expanding the number of Vnesheconombank's Russian and foreign counterparties, participants in the debt instruments market. Thus, within the year, Vnesheconombank entered into 21 general agreements with them and active operations were launched.

In Q1 of the period under review, (before Vnesheconombank started to act as the State Trust Management Company), it operated in an agency capacity for the Russian Pension Fund to invest pension savings funds of the Russian citizens. The volume and the number of the deals made on the Pension Fund's instructions increased by 22 percent and 16 percent respectively. Besides, the Bank effected brokerage operations for the Russian financial companies.

In 2004, Vnesheconombank acted as a co-arranger of USD 132 million (face value) worth of 2 bond originations for an open joint-stock company the 'Agency for Mortgage Lending', as well as participated in subscription for bonds of 'Rosbank' and 'Rosselkhoz' joint-stock commercial banks.

Within the period under review, the Bank was seeking to maintain and reinforce its position of a major market maker on the domestic money market. Simultaneously, the Bank was proactively engaged in placing/raising deposits in foreign currency on the international markets. The overall yearly volume of money market transactions totaled USD 87.8 billion. The volumes of FX deals made by Vnesheconombank (USD 100.7 billion for the whole of the year 2004) are also reflective of its leadership position on the Russian FOREX market. As of December 31, 2004, the volume of clean lines set on Vnesheconombank by Russian and foreign counterparties under operations on money and FX markets was estimated as approximating USD 1.5 billion (inclusive of those set by foreign banks standing at USD 414 million).

Founded in 1999, Vnesheconombank's Depository has presently become one of the leading Russian depositories in terms of the volume of assets held, the spectrum of the custody services provided, its comprehensive and diversified customer base, its considerable influence on the custody services market. Also, it has become one of the key elements of the system of registering ownership rights to government securities.

In its custody activities, Vnesheconombank aims to help further improve the Russian Federation debt instru-



Depository

ments market infrastructure and enhance investment activities on this market. Apart from this, the Bank invariably strives to ensure the state interests and concerns, as well as those of investors and professional market participants in effecting operations with these securities.

Vnesheconombank is the sole Russian depository designated by the government of the Russian Federation as an authorised depository of the Ministry of Finance to service MinFin bonds (V – VII tranches), as well as the main depository for the VIII tranche MinFin bonds (the Bank is the sole holder of the Global certificate of the VIII tranche MinFin bonds). The Bank also delivers a full spectrum of depository services for types of securities circulating both on Russian and global markets.

Vnesheconombank’s professionals attach increased importance to widening and broadening the spectrum of the securities serviced, one of the ways to achieve the goal being enhancement of operations with securities circulating on national markets of foreign countries. Over the period under review, the Depository prepared information and analytical surveys on the sovereign securities markets of the USA, Germany, France and Italy. They contain data on the respective markets’ structure and conditions. The relevant data are most significant and useful for investors.

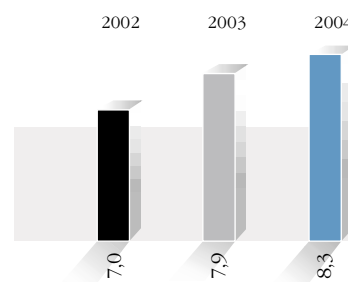
As of the year-end 2004, the total number of the Bank’s depository customer accounts was standing at 1166, which is a 5.3 percent increase on the 2003 year figure. Among the customers are the Ministry of Finance of the Russian Federation, the Bank of Russia, all major custodians and settlement depositories of Russia, about 200 Russian banks, as well as many financial companies.

According to the reliability rating, devised by the Financial Research Development Fund ‘Infrastructure Institute’ with the participation of the Professional Association of Registrars, Transfer-Agents and Depositories (PARTAD), Vnesheconombank’s Depository was included in the ‘AAA’ highest reliability category.

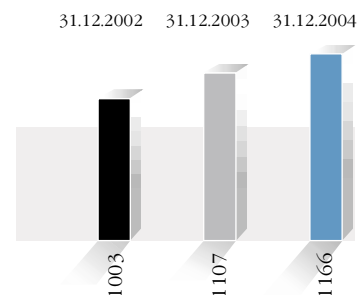
The Depository maintains accounts with the leading international clearing and settlement centres Euroclear Bank (Brussels) and Clearstream Banking (Luxembourg) to service customers’ Eurobonds and other securities circulating on global markets.

The Depository participates in Vnesheconombank’s programs envisaging the use of debt instruments while financing Russian enterprises. The Depository functions include: book-keeping of operations related to the origination of the enterprises’ debt instruments, effecting settlements under purchase/sale transactions executed on the secondary markets with the securities mentioned, delivering payment agent services to customers under the relevant securities.

Average Yearly Volumes of Securities Kept on Depository Accounts (face value), USD billion

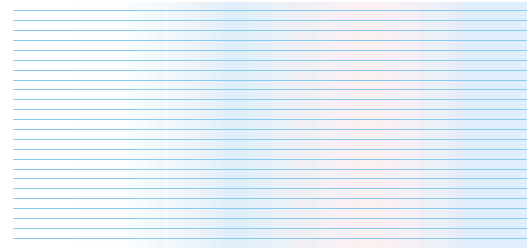


Number of Depository Accounts



The questions of practices of corporate actions undertaken by issuers of foreign securities proved to be of increasing concern for the Bank's clients. In light of customers' growing interest for the subject, a brochure 'Practices of Custody Servicing of Corporate Actions under International Securities' was published. Actually it draws on the experience of the leading clearing and settlement centres. Besides, in cooperation with Euroclear Bank, a presentation called 'Custody Servicing of Corporate Actions under Securities Circulating on Foreign Markets' was held.

A comprehensive set of measures is being consistently introduced to enhance information services delivered to clients. In particular, within the period under review, the Depository started to inform the clients on a monthly basis of the income payments due in the coming month and other corporate actions related to securities.



of the Yamal ice-breaker on the Northern sea route.

a n n u a l r e p o r t 2 0 0 4

- Acting as an Agent for the Government of the Russian Federation
- Settlement of Problem Debts Owed by Russian Borrowers to the Federal Budget
- Acting as the State Trust Management Company

IV

Russia possesses a fleet of 7 nuclear-powered ice-breakers, inclusive





Vnesheconombank's functions as an agent of the Russian government embrace the following major areas: servicing the former USSR and the Russian Federation sovereign foreign debt, centralised foreign economic operations of the Russian Federation, as well as managing external financial assets of the former USSR and the Russian Federation. The main goals of the above activities remain the following:

- ensuring proper record-keeping, reconciliation and settlements of the major part of the sovereign foreign debt, as well as the state external financial assets of the Russian Federation;
- participating in devising and negotiating with foreign creditors/debtors terms and conditions of settling sovereign foreign obligations/claims of the Russian Federation, as well as in elaborating the relevant documentation.

A turnaround in Russia's economy and the Paris Club liberalised policy with regard to managing indebtedness restructured within the framework of the Club brought about real preconditions for a change in Russia's sovereign foreign debt structure.

With this regard, the Bank started devising proposals on prepayment (buy-back) and/or exchange for sovereign debt instruments of a portion of the Russian Federation indebtedness under credits restructured within the framework of the Paris Club. Analytical reviews and reports related to possible terms and conditions of the above operations, the prospects of their approval by the Club members, as well as an assessment of the potential financial outcome of the buy-back of the indebtedness were elaborated. Also, proposals regarding practical arrangement of the transactions were devised. The Bank's stance defined in the above documents was based on the results of prior meticulous and consistent methodological deliberations over the issue. Vnesheconombank executed continuous monitoring of the active discussions conducted by the Paris Club members throughout the whole of the year 2004 on liberalisation of operations to actively manage the indebtedness restructured within the framework of the Club. The results of the monitoring were produced in the Bank's respective surveys and reports on the issue.

A large-scale operation on securitisation of the indebtedness restructured in the Club executed by Germany, which in August 2004 issued a Russian debt financial derivative 'Aries', predetermined the need for a detailed analysis and a meticulous assessment of similar kind of operations. In light of this, Vnesheconombank, drawing on the analysis of the respective methodological documents of the Paris Club, prepared a number of analytical surveys related both to theoretical aspects of the given operation and the prospects of using securitisation as an instrument of active management of Russia's debt claims.

Acting
as an Agent
for the Government
of the Russian
Federation

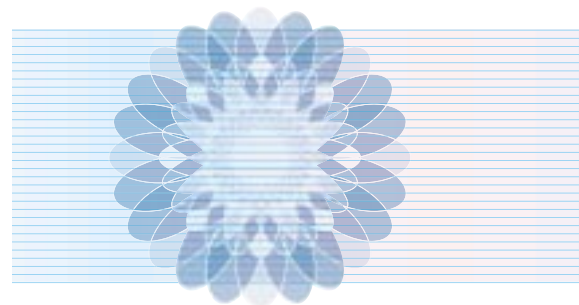


Vnesheconombank's professionals continued their effort to devise proposals aiming to enhance the use of debt swap operations in managing Russia's debt obligations/claims. Within the frame of the above activity, apart from analysis of specific projects, the practical global experience in swap operations was summarised and meticulously considered. In particular, the respective Paris Club methodological approaches were thoroughly studied and examined. A comprehensive analytical report 'Swap Operations in the Paris Club Practices' devised by Vnesheconombank appeared to be a meaningful outcome of the Bank's scrupulous work.

For many years, on a regular basis, Vnesheconombank has been a member of the Russian delegation at the Paris Club sessions. The long-standing experience gained by the Bank allowed its professionals to switch over from analysis of selective methodological aspects of the debtor-countries obligations settlement to streamlining, summarising and making a comprehensive analysis of the practical experience gained by the Club. In 2004, the analytical research 'Comparability of Treatment of Various Categories of Sovereign Indebtedness Settlement. The Paris Club Methodology and Practices' was completed. A comprehensive and full-sized edition embraced the results of a thorough review and analysis of numerous documents of the Paris Club, international financial organisations, as well as the forums of leading industrialised and developing countries, private creditors' associations. The underlying subject of the research were patterns and practices applied to the debt settlement by a wide range of debtor-countries, inclusive of Russia. The research mentioned was highly appraised by the Ministry of Finance of the Russian Federation and contributed to further promoting Vnesheconombank's activities as an agent of the government of the Russian Federation and an analytical research centre on the sovereign debt obligations issues.

Overall, throughout the year under review, the Bank's professionals developed and forwarded to the Ministry of Finance more than 70 analytical reports and surveys on various aspects of sovereign debt obligations and state external financial assets settlement/management comprising specific conclusions and proposals, backed-up by the respective calculations.

The results of work carried out by Vnesheconombank's professionals over the year 2004 are reflective of a radical change in the character of their analytical research. For a number of obvious reasons (settlement of indebtedness of many debtor-countries towards Russia, modification of the Paris Club policy related to active debt management, a sustained improvement in economic and debt situation in Russia), Vnesheconombank's tasks regarding the assess-



ment of abilities of debtor-countries to honour their obligations towards external creditors are gradually replaced with the issues of debt obligations/claims active management.

Sovereign Foreign Debt

As of December 31, 2004, the total amount of sovereign foreign debt of the Russian Federation records of which were kept with Vnesheconombank stood at USD 103.10 billion (USD 106.59 billion, as of December 31, 2003).

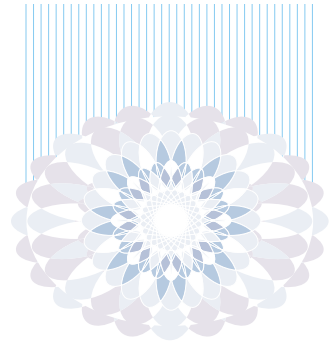
Among major reasons for the decrease of the indebtedness were repayment of Russia's debt towards the Paris Club and international financial institutions, redemption of indebtedness under Russian Federation Eurobonds, as well as settlement of the former USSR debt towards the International Bank for Economic Cooperation (IBEC), the International Investment Bank (IIB) and a number of official creditors.

Settlement of the Former USSR Indebtedness towards the International Bank for Economic Cooperation and the International Investment Bank

Over the period under review, in line with the respective regulatory acts of the government of the Russian Federation, two stages of the settlement of the former USSR indebtedness towards the International Bank for Economic Cooperation (IBEC) and the International Investment Bank (IIB) were implemented through the exchange of these obligations for foreign creditors' claims to the above banks with simultaneous exchange of these claims for Russian Federation Eurobonds maturing in 2010 and 2030.

During preparation for the operation mentioned, reconciliation of the former USSR debt towards IIB and IBEC, as well as these banks' debt towards foreign creditors for the total sum of USD 2.4 billion was executed. Acting as an Agent for the reconciliation and a Subagent for the indebtedness exchange (JP Morgan Chase Bank being an Agent for exchange and a Payment Agent for the bonds) Vnesheconombank, in the course of the first stage of exchange, forwarded to foreign creditors sets of documents related to the reconciliation of 123 claims to IIB and IBEC. The 'Offering Circular' and a special 'Calculator' program were placed on Vnesheconombank's Internet site.

As a result of the implementation of the two exchange stages executed with a discount on terms similar to those of the exchange of indebtedness towards the London Club creditors, the total sum of USD 905.7 million worth of obligations was settled (USD 708.9 million being the obligations towards IIB, USD 196.8 million being the obligations



towards IBEC). An additional volume of the '2030' bonds issue amounted to USD 781.5 million, the '2010' bond issue amounted to USD 118.3 million, with the sum of cash payments in favour of creditors standing at USD 107.4 million.

As a consequence, the former USSR debt towards IIB was completely settled. The former USSR outstanding indebtedness towards IBEC for the sum of USD 138.3 million, which is not subject to the above regulatory acts of the government of the Russian Federation, is to be further settled on the basis of a special directive of the government of the Russian Federation.

Indebtedness Restructured under the Agreements with the Paris Club

As of the year-end 2004, the volume of liabilities toward the Paris Club creditors ran at USD 47.5 billion (the former USSR debt and Russia's 'new' debt), which made more than 41 percent of the foreign debt of the Russian Federation. Out of this amount, the former USSR indebtedness restructured within the framework of the Paris Club accounted for USD 42.8 billion.

Throughout 2004, Vnesheconombank executed payments to 22 export credit agencies of the Paris Club member-states for the total sum of EUR 2.6 billion and USD 1,0 billion. The payments were effected in conformity with the terms and conditions of 44 bilateral intergovernmental and 12 interbank agreements.

The Former USSR Commercial Indebtedness

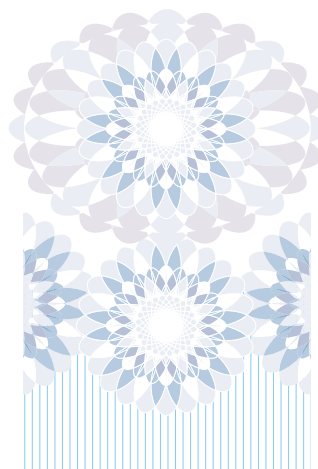
As of December 31, 2004, the unsettled part of the former USSR commercial indebtedness was estimated as standing at USD 1.94 billion, inclusive of USD 0.98 billion worth of liabilities under letters of credit, collections and commercial credits, records of which are kept with Vnesheconombank.

Vnesheconombank continued reconciliation and recognition of the given sovereign foreign debt category within the frameworks of the preparation for the second stage of exchange of commercial indebtedness for Eurobonds maturing in 2010 and 2030.

Indebtedness under Untied Credits and Russian Sovereign Bonds

Throughout 2004, Russia's indebtedness under 'untied' credits was reduced to USD 0.97 billion (USD 1.1 billion, as of December 31, 2003).

As of December 31, 2004, the indebtedness under MinFin bonds and Russian Federation Eurobonds totaled USD 42.61 billion. 11 types of the above securities were traded on the secondary market, including Eurobonds of the Russian Federation maturing in 2030 and 2010



(USD 23.14 billion), the 1997-1998 Eurobonds of the Russian Federation (USD 12.2 billion), the V–VII tranche MinFin bonds (USD 6.34 billion) and the 1999 (the VIII tranche) MinFin bonds (USD 0.93 billion).

Vnesheconombank acting as a foreign currency-denominated MinFin bonds payment agent for the Russian Federation Ministry of Finance effected coupon payments under these bonds for the total sum of USD 234 million. Besides, Vnesheconombank, in the capacity of the servicing bank for Russian Federation Eurobonds, effected respective payments of the principal amount under these bonds for the total sum of USD 1.26 billion.

Indebtedness to Other Creditor-States

As of December 31, 2004 the total sum of Russia's indebtedness (records of which were kept with Vnesheconombank) owed to official creditors-non-members of the Paris Club ran at USD 6.66 billion, having decreased during 2004 by USD 953.6 million (USD 7.62 billion as of December 31, 2003). The decrease was mainly achieved due to the repayment of debt by goods deliveries and, to a smaller extent, by cash payments. In 2004, Vnesheconombank ensured banking support of 'debt for goods swap' operations in redemption of Russia's indebtedness, in the implementation of which 16 Russian exporter organisations participated.

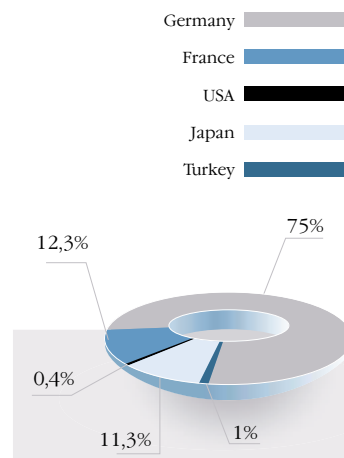
With the aim of settling the given debt category the Bank's professionals took part in 15 rounds of intergovernmental negotiations, ensured expertise of 8 draft intergovernmental agreements/amendments, prepared 7 draft interbank agreements, 4 of which were signed. On a regular basis, the Bank's staff issued information and analytical reports on the debt, as well as devised new schemes and patterns of its possible settlement.

Over the year under review, the final operations in redemption of indebtedness towards Germany under the respective intergovernmental agreement on final settlement of outstanding balances in transferable rubles between the former USSR and the former GDR were executed. Eventually, the obligations of the Russian Federation under the given agreement were fully honoured.

'Tied' Credits, Raised under Guarantees of the Government of the Russian Federation

In 2004, Vnesheconombank acting as an agent for the government of the Russian Federation, entered into 11 new individual loan agreements for the sum of EUR 111.7 million with the banks of Germany, France and Turkey, inclusive of USD 91.2 million extended by the German banks, members of the AKA banking consortium. In compliance with the policy guidelines pursued by the government of the Russian Federation, aiming to ensure a non-deficit budget, credit

Utilising 'Tied' Credits Raised under the Guarantees of the Russian Federation Government



resources raised by Vnesheconombank under the sovereign guarantees of the Russian government are to be solely used for financing socially important projects. Over the year, within the framework of the agreements concluded, the total amount of the credit resources utilised by the Russian enterprises and organisations for purchasing imported equipment, goods and services totaled USD 0.4 billion.

The current trend of an overall reduction of the external borrowing contributed to the decrease (in absolute terms) of the indebtedness under the ‘tied’ credits. As of December 31, 2004, the principal amount of indebtedness under the ‘tied’ credits raised by the Bank under the guarantees of the Russian government decreased to USD 2.8 billion (against USD 3.7 billion as of the year-end 2003). The number of loan agreements amounted to 240 (as of December 31, 2003, the respective number was 300 agreements).

Russia’s External Financial Assets

Indebtedness of Foreign States towards the Russian Federation

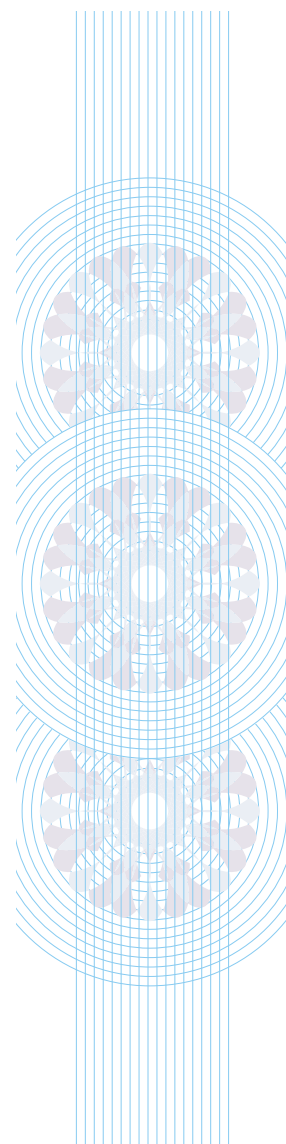
In 2004, Vnesheconombank ensured keeping applicable debt records and effecting settlements under an equivalent of the USD 84.34 billion worth of debt liabilities owed to the Russian Federation by foreign states.

As of December 31, 2004, the aggregate sum of debt claims to 27 countries, debtors of the Russian Federation that are Paris Club ‘clients’ (excluding the CIS countries’ debt), totaled USD 19.28 billion. As a matter of fact, within the year, debt liabilities settlement terms with the 23 of the above debtor-countries were agreed, with the bilateral intergovernmental agreements either signed or initialed.

Within the framework of elaborating intergovernmental agreements on the settlement of the indebtedness of this debtor category, Vnesheconombank’s professionals participated in negotiations held by the Russian Ministry of Finance with 8 debtor-countries. Throughout the course of negotiations, the Bank succeeded in agreeing the book-keeping data and the schedules of the payments to be made. Thus, 57 table appendixes to 7 bilateral intergovernmental agreements (amendments to the agreements), made or initialed in 2004, were prepared.

Also, the Bank organised and held respective negotiations with the authorised organisations of the Republic of Congo. Largely as a consequence, the full amount of the payment specified in the intergovernmental arrangements was transferred to the federal budget.

Furthermore, respective calculations and the data for reconciliation of Iraq’s indebtedness, one of Russia’s major debtors, were ensured.



As of the year-end 2004, the indebtedness of the debtor-countries, which are not 'clients' of the Paris Club (exclusive of the CIS countries) amounted to an equivalent of USD 61.78 billion. The major debtors within the group were Syria, Afghanistan, the People's Republic of Korea, Libya and India. Within the year 2004, payments in redemption of debts owed to the Russian Federation by Bangladesh, India, Laos, Morocco and Tunisia were ensured.

Throughout the period under review, Vnesheconombank ensured record-keeping and payments under the CIS countries' debts towards the Russian Federation and was actively engaged in the respective settlement process. As of the year-end 2004, the volume of the former USSR republics' debts under state credits extended amounted to USD 3.28 billion.

Disbursement of State Credits Extended by the Russian Federation

The year 2004 was marked by the Bank's concerted effort to ensure record-keeping and payments under disbursement of state credits extended to foreign countries by the Russian Federation, with the respective sum running at USD 499.5 million.

The above credit resources were utilised for financing production and deliveries of Russian equipment for the construction of nuclear power plants in India and China, a hydropower station in Vietnam, as well as for ensuring part of deliveries of Russian natural gas to Belarus.

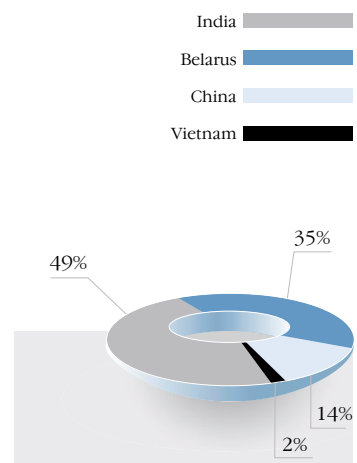
External Financial Assets Management and the Federal Budget

Overall, in 2004, as a result of external financial assets management the sum of USD 1.1 billion worth of revenues was generated.

More than 54 percent of the funds transferred to the federal budget were actually generated from the Russian participation in joint ventures abroad. A considerable part of proceeds (31 percent) were payments in redemption and servicing of debtor-countries indebtedness under the credits extended, with 35 percent of these payments being amounts obtained under indebtedness restructured within the Paris Club.

To deliver tangible results from tenders to utilise debt assets in clearing and non-convertible currencies obtained in redemption of foreign countries indebtedness towards the Russian Federation, a set of proposals designed to enhance the efficiency of tenders held by Vnesheconombank was forwarded to the Russian Ministry of Finance.

Disbursement of State Credits Extended by Russia to Foreign Countries



Acting in an agency capacity for the government of the Russian Federation, Vnesheconombank places special emphasis on resolving the issues related to a recovery of debts owed by legal entities (the subjects of the Russian Federation, as well as municipal entities) under state and/or budget credits extended out of federal budget or off-budget funds. Indebtedness arising out of targeted financing provided for legal entities in exchange for a transfer of their equities into the Russian Federation ownership also falls into this problem debt category and is closely monitored by the Bank as well.

The activities in the debt recovery context are meticulously executed by a specially created department of the Bank staffed with highly qualified lawyers and economists. A comprehensive set of respective measures designed to enhance the revenues of the federal budget is ensured.

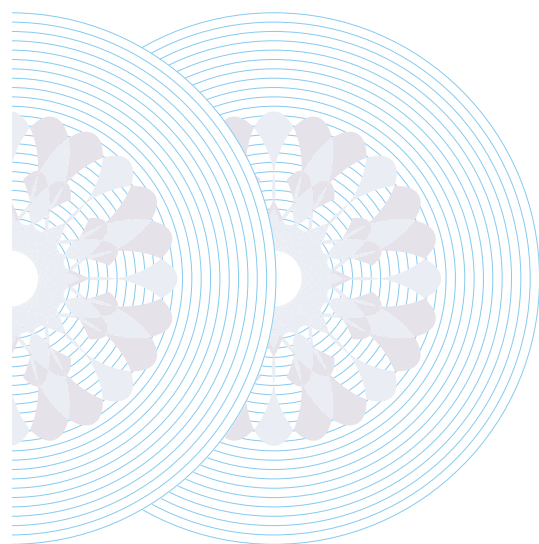
The volume of borrowers' settled liabilities towards the federal budget totaled USD 862.15 million, inclusive of:

- The sum of USD 68.75 million was transferred to the federal budget;
- The sum of USD 313 million, including USD 300 million worth of 'gold' credits, was settled by way of an amicable agreement;
- Indebtedness for the sum of USD 442 million was restructured.

Within the period under review, Vnesheconombank's professionals participated in 468 court hearings. The sum of USD 830 million worth of indebtedness towards the federal budget was acknowledged under the court rulings. Besides that, claims by borrowers to deem the debt obligations for the sum of USD 750 million invalid were actually rejected by the court. Bankruptcy procedures with respect to 42 borrowers for the total amount of USD 1,358 million were conducted.

Within the framework of certain decisions adopted by the government of the Russian Federation, efficient mechanisms to apply to settling indebtedness towards the federal budget under credits extended for the construction of ships by the Spanish and German shipbuilders (the sum approximating USD 645 million), as well as indebtedness under the foreign currency credits for the fuel and energy sector organisations (the sum approximating USD 386 million) were devised by the Bank.

Settlement of Problem Debts Owed by Russian Borrowers to the Federal Budget



Acting as the State Trust Management Company, Vnesheconombank in 2004 commenced operations to manage the pension savings funds. Within the framework of the Russian pension reform effort, the Pension Fund of the Russian Federation transferred to trust management companies funds accumulated over the period of 2002–2003. The overall sum of funds transferred to Vnesheconombank for trust management exceeded USD 3 billion.

To efficiently embrace the functions of the State Trust Management Company, the Bank was intent on meeting the following tasks and goals:

- elaborating an adequate investment strategy taking full account of the provisions of Vnesheconombank's Investment Declaration that specifies the list of types of assets eligible and their proportion in the investment portfolio, as well as other regulatory restrictions;
- making up a securities portfolio out of pension savings funds transferred to the Bank for trust management and ensuring its effective management;
- devising proposals related to upgrading and enhancing the legislative framework underlying pension savings funds trust management.

The strategy of pension savings funds investment envisaged purchasing Russian government rouble-denominated securities, with the maximum volume of them not exceeding 80 percent of the portfolio value. The choice of the strategy mentioned was directly attributed to the current regulatory limitations related to operations with the Russian Federation Eurobonds. According to the above limitations, these Eurobonds could solely be purchased/sold through the Moscow Interbank Currency Exchange. But, as the matters stand, the bulk of operations with these instruments is effected on the OTC market.

To facilitate the investment process, Vnesheconombank's energies were devoted to elaborating proposals designed to upgrade the respective legislative framework and ensure enhanced efficiency of the investment portfolio management. Due to the Bank's relentless efforts, the autumn of 2004 saw an adoption by the government of the Russian Federation of a decree that allowed trust management companies to effect operations with the Russian Federation Eurobonds on the OTC market.

Presently, in compliance with the legislation in force, publishing the investment results by all the trust management companies is subject to a uniform format of information disclosure standards. Actually, the Russian Ministry of Finance has already devised the respective draft standards. Hopefully, before long, the above standards will be approved and Vnesheconombank will get an opportunity to publish the relevant investment data.

Acting as
the State Trust
Management
Company



The Far East taiga serves as the lungs of our planet, its territory occupying 1/3 of Russia.

a n n u a l r e p o r t 2 0 0 4

- Participation in the Activities of Non-Commercial Organisations
- Corporate Governance
- Information and Technology Infrastructure



Vnesheconombank is a member of a number of international organisations, inclusive of the International Securities Market Association, the Emerging Markets Association, ACI – the Financial Market Association. Apart from this, Vnesheconombank proactively participates in the work of the International Chamber of Commerce – the World Business Organisation, the Russian-British Chamber of Commerce, the Italian-Russian Chamber of Commerce, the American-Russian Business Council, the Russian-Chinese Business Consultative Council, the Association of Russian Banks. The benefits derived by the Bank from its membership in the organisations that shape up the infrastructure of the Russian segments of financial markets tangibly contribute to further enhancing Vnesheconombank's activities. The above organisations are as follows: a non-commercial partnership 'the Stock Exchange of the Russian Trading System (RTS)', the National Foreign Currency Association, the National Association of Stock Market Participants, the Association of Bill Market Participants, the Professional Association of Registrars, the Transfer Agents and Depositories (PARTAD).

The Bank's relentless efforts in this area enable it to exchange information and experience with other participants of financial markets on mutually rewarding terms and contribute to shaping up a set of rules, customs and standards related to banking and other kinds of financial activities.

Vnesheconombank is a modern financial institution committed to upgrading its corporate governance. Management recognises it is the Bank's high standards of corporate governance that, to a great extent, predetermine its performance and financial results. Principally, Vnesheconombank's corporate governance system is reflective of its specifics as a specialised state financial institution.

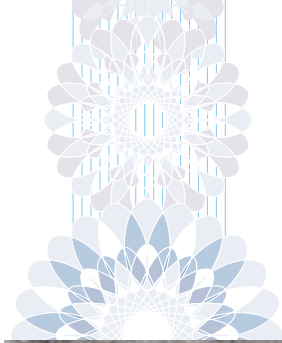
The Bank is headed by the Chairman of Vnesheconombank appointed to the office by the President of the Russian Federation on the nomination of the Russian government. The Bank is managed by the Board of Directors, a collegiate body, whose members are appointed by the government of the Russian Federation on the nomination of the Chairman of the Bank.

The main aim of the Board of Directors' activities is to make management decisions that ensure the Bank's sustainable development and control over its financing, operating and investing activities, as well as an appropriate execution by the Bank of its function of an agent of the government of the Russian Federation.

Among the working bodies created under the auspices of the Board of Directors are the Finance, the Credit and the

Participation in the Activities of Non-Commercial Organisations

Corporate Governance



Technology Committees. The tasks and objectives each of the Committees embraces, the procedures to apply to their formation and performance regulation are defined by Vnesheconombank's internal documents that are approved by the Board of Directors. The decisions of the Committees are mandatory for execution by all the Bank's departments, as well as executives.

Of primary concern for the Committees is enhancing the system of risks control drawing on the global practices, approaches and standards, primarily, when addressing the issues of market, credit and technological risks.

A switch over by Russian banks to presenting their financial statements in compliance with the IFRS and the introduction of new auditing standards predetermined the need to further upgrade Vnesheconombank's system of corporate governance, inclusive of the system of internal controls and auditing, as well as the respective legislative framework. To ensure enhanced work efficiency a Commission for coordination of internal controls issues and a Controlling Group to monitor the Bank's professional activities on the securities market were created. Improved procedures designed to ensure daily monitoring and control over Vnesheconombank's most critical operations effected on the debt instruments and equities markets, as well as procedures to facilitate preparing reports on a regular basis were duly developed and introduced. A special section to ensure an adequate computer auditing procedure, primarily, to elaborate recommendations to minimise technology-related risks was set up.

The idea of an appropriate adjustment to changes related to the legislative framework development, the emergence of new business areas, as well as decreased activities in the traditional ones, an aspiration to best execute the Bank's development plans and the functions assumed, capitalising on the best global organisational practices, underlies Vnesheconombank's principles of upgrading its organisational structure. Principally, it is the Bank's organisational structure that is viewed as a key element of its performance management system.

Central to the Bank's personnel management activities is introducing innovative work-practices and techniques, development of corporate culture, reinforcing interaction between top executives and specialists. Vnesheconombank's personnel management policy is centered on the idea of creating a team of job-dedicated, responsible and professional people rallied around the Bank's strategic goals and objectives.

The Bank is mainly staffed with highly professional people with specialised knowledge in all the areas of the Bank's activities. We proudly recognise that 90 percent of the staff are university graduates, more than 51 percent of the employees have a ten-year record of service in finance or banking. At the same time, we encourage our people to fully



develop their professional skills offering them targeted and innovative training courses and programmes. In 2004, our specialists participated in 217 training and consultative courses and events held in Russia, as well as abroad. A number of the Bank's employees were certified to perform banking auditing activities. The year also witnessed an enhanced number of managers that got 'Master of Business Administration' diplomas.

Offering corporate grants to the best performing students from financial and economic universities has become one of the corporate traditions. Inviting the best performing students from the Finance Academy under the government of the Russian Federation, the State University 'High School of Economics', the Moscow State Institute of International Relations and other financial and economic universities for pre-diploma training and placement is a distinctive feature of the Bank's HR-strategy.

At Vnesheconombank, a flexible incentive system is introduced to reward employees for delivering outstanding performance. Those who distinguished themselves in the Bank's activities over the previous year were awarded special honorary titles 'Exemplary Employee of Vnesheconombank' and 'The Best Performing Employee of the Year', a grade of merit awarded by the Chairman of Vnesheconombank, as well as a jubilee decoration '80 years to Vnesheconombank'. To further motivate the staff to deliver better performance the Bank's top management made a decision to introduce additional encouragement measures. With this aim in view, the publishing of a 'Book of Honorary Employees of Vnesheconombank' was resumed and a 'Board of Honorary Employees of Vnesheconombank' was instituted. For a number of Vnesheconombank's staff, the year of 2004 was very special. To mark the 80th anniversary of Vnesheconombank, they were awarded government honorary titles and letters of 'Gratitude by the President of the Russian Federation.'

A most comprehensive social program has been put in place at Vnesheconombank. Few lending institutions can match Vnesheconombank in this respect. It consists of a wide range of medical programs, financial and non-financial privileges, advantages and benefits for the staff members. Also, a set of efficient measures is introduced designed to support the Bank's pensioners on the basis of the 'Vnesheconombank' non-governmental pension fund, one of the 10 best non-governmental pension funds of the Russian Federation.

To enhance corporate spirit among Vnesheconombank's employees sporting events are regularly held. Friendly football and ice hockey matches between Vnesheconombank's teams and those of its partners' have become a common practice. Remarkably, they enjoy the support of the Bank's top executives, as well as specialists.



Being one of the oldest state banks of Russia, Vnesheconombank ensures continuity of the best corporate traditions, contributing to a successful performance and accomplishing shared tasks and goals.

Vnesheconombank views the system of IT activities management as an integral part of the overall system of management of the Bank's performance. Investment, aimed at upgrading the level of technology development, is one of our key priorities. Management decisions in the area are taken by the Technology committee on a collegiate basis in strict conformity with Vnesheconombank's business priorities. Also, the Bank's resource capabilities (from the point of view of finances, human resources and time frame) are taken fully into account.

IT activities management system is shaped up on the basis of the underlying principles and approaches of Information Technology Service Management (ITSM), a model of management based both on the 'Quality Management System' state standards and the library of the best global practices in the given area – Information Technology Infrastructure Library (ITIL).

In April 2004, Vnesheconombank was awarded the 'IT-Leader' prize for its outstanding contribution to upgrading information technologies in Russia in nomination 'For Distinguished Achievements in Creating Corporate IT Governance.'

An increased focus in Vnesheconombank's IT activities was placed on improving the Bank's information and technology model, further developing its hard- and software platform and general purpose telecommunication systems through introducing modern and most sophisticated IT approaches and products.

To ensure information and technology support of operations performed by the Bank as a Russian government agent, software packages were developed and introduced and final reports on restructuring indebtedness towards IIB and IBEC were prepared.

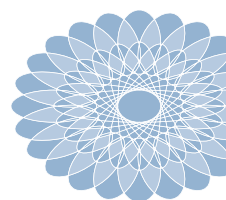
Software packages devised and introduced were integrated into the Bank's uniform information system, allowing the Bank to produce financial statements in conformity with the IFRS.

The Bank has considerably improved technology support of operations performed by the Bank as the State Trust Management Company, inclusive of data exchange with the United Depository Company and the National Depository Centre.

The Reuters Dealing 3000 trading system software packages were renewed and a switch over of the TurboSWIFT



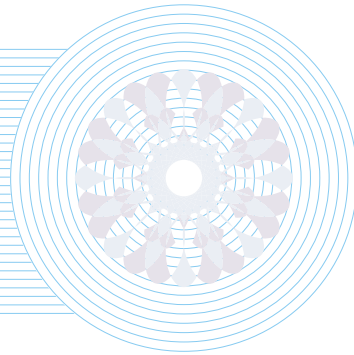
Information and Technology Infrastructure



system to a new hard- and software platform was completed. Simultaneously, in conformity with the S.W.I.F.T. association requirements, a new SWIFTNet FIN technology was introduced for SWIFT-messages processing with the use of the TCP/IT protocol.

A set of measures was completed designed to switch over 'Vnesheconombank's business day' system to a new Oracle 9i Database, which enabled the Bank to reduce technological risks.

Apart from this, work was carried out aimed at upgrading the automated system of tax accounting, as well as the inventory accounting system.



The Yakutsk diamonds deposits. Currently, they account for 80 percent of overall Russia's deposits.



a n n u a l r e p o r t 2 0 0 4

- Representative Offices
- The Bank's Information Profile

VI

Representative Offices

Presently, Vnesheconombank's representative offices network consists of 8 foreign representative offices and one on the territory of Russia. At the year-end 2004, Vnesheconombank's representative office in France, the first representative office of a Russian bank in Paris, started operating.

The activities of representative offices are closely aligned with the tasks confronting Vnesheconombank. The representative offices play a key role in ensuring and facilitating the implementation of Vnesheconombank's strategic missions abroad and serve as a source of speedy and analytical information. Also, they are viewed as a leverage for promoting the Bank's positive image and establishing business contacts. Besides, the representative offices assist the Russian federal bodies and agencies, as well as the Bank's clients in resolving issues related to their activities in the respective countries.

The top priority tasks of the representative offices are to facilitate the implementation by the Bank's head office of the Industrial Exports State Financial (Guarantee) Support Concept, as well as to assist the Bank in performing its functions of an agent of the government of the Russian Federation.

The Bank's representative offices took part in arranging a number of events, held within the framework of visits of top officials of the Russian Federation to foreign countries, as well as in the work of bilateral intergovernmental commissions. The employees of the representative offices ensured and facilitated negotiations for Vnesheconombank's delegations with ministries and other bodies of the respective foreign countries, as well as arranged participation of Vnesheconombank's top management in the International Monetary Fund and the World Bank sessions.

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The Bank's Information Profile

The Bank's activities as an agent of the government of the Russian Federation and as the State Trust Management Company, as well as its close interaction with the Russian and foreign organisations and companies predetermine its information policies and public relations goals. In pursuit of this, the Bank is continuously seeking to ensure providing its customers, partners, Russian and global public with speedy and credible information about the Bank's performance. Remarkably, there is also a tight focus on reinforcing Vnesheconombank's image of a solid specialised state financial institution.

In its information policies, the Bank is guided by the principle of striking a careful and reasonable balance between the policies of transparency and openness with respect to its performance and ensuring banking information security and commercial confidentiality.

Over the period under review, the Bank continued cooperation both with the Russian and foreign mass media. In 2004, on a regular basis, the Bank's top executives and specialists were aiming to highlight the major events and various areas of its activities, as well as the development plans. Apart from it, the year of the Bank's 80th anniversary was marked by launching advertising and information campaign designed to increase public awareness of Vnesheconombank's history and long-standing successful performance.

To speedily deliver credible information, the best use was made of modern technologies, inclusive of the Internet. Vnesheconombank's website (www.veb.ru) makes information on the Bank's activities, financial statements, various analytical surveys, current tariffs, tenders held and quotations for the Russian sovereign bonds readily available for site users.

The Stavropol region is a major grain crops-producing area of Russia, annually ensuring 80 percent of the total grain crops supplies.



a n n u a l r e p o r t 2 0 0 4

- Charitable Activities

VII

Charitable
Activities

Russia has always been famous for its philanthropists. In our country, gaining the name of a philanthropist and a patron often was a distinctive feature of prominent industrialists, entrepreneurs and financiers. For wealthy people in Russia, building up schools and hospitals, rendering financial support to science and culture was a natural aspiration. Encouragingly, these traditions still persist. For Vnesheconombank, responsible citizenship has never been just a fashionable motto, but an awareness of the need to support major socially important projects.

Traditionally, child health-care has been a priority for the Bank's charitable activities program. Over the past 5 years, on a continuous basis, Vnesheconombank was striving to financially support the First Moscow hospice for children with cancer problems. Also, the Bank financed a charitable concert for children undergoing treatment at the Blokhin Research Institute of Children's Oncology and Haematology of the Russian Oncology Science Centre. In this context, the Bank purchased medical equipment (autorefractometer and halogenic projector) for the treatment of the small patients. Another example is financing purchases of chemical reagents and disposable materials for improved diagnostics for haematology department of the Morozovsky Municipal Children's Hospital. Also, aid was rendered to the Moscow region psycho-neurological clinic for children with the central nervous system disorders. Equally important, the transfer of funds for the construction of a Rehabilitation Centre for Oncology and Haematology Child Patients in the town of Vladivostok was ensured.

On a continuous basis, among our major aid recipients are Russian organisations for veterans and disabled people, as well as orphanages. With the financial aid of the Bank, children from the Saltikov orphanage (the Moscow region) were lucky to spend summer holidays at the resorts in the South of Russia. Baby nutrition products were purchased for Baby-Care Centre 14.

Recognising the need to further preserve Russia's intrinsic spiritual values, Vnesheconombank participated in the restoration of the Pokrov of the Svyatoy Bogoroditsy Church and the Vvedenskiy Church in the village of Zarnitsino, as well as partially financed the construction of the Cathedral in the city of Chita. For the Spaso-Preobrazhenskiy Solovetskiy Stavropigialniy Monastery, equipment to facilitate general construction works was purchased.

Furthermore, the Beslan tragedy was also in the focus of the Bank's charitable activities. The sum of RUR 15 million worth of aid was transferred by the Bank for the liquidation of the terror attack consequences.



Also, the sum of more than RUR 2.6 million was transferred from the employees' personal accounts to special accounts opened for children that lost parents in the terror attack. These funds are earmarked for grants to be paid out to the children before they come out of age. Later on, with the use of the funds, the best higher education opportunities are to be ensured for them.

In 2004, by long-standing tradition and continued policy, Vnesheconombank sponsored a number of cultural events and projects. The key charity achievements in this area included:

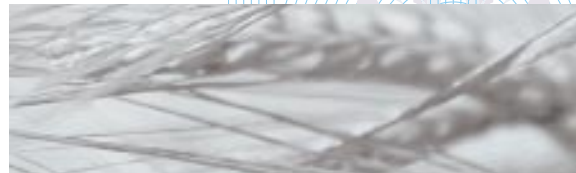
- a new staging of the Rymnskiy-Korsakakov's opera 'The Tzar's Bride' at the Mariinskiy State Academic Theatre;
- a musical patriotic program of the Iliya Reznik Fund;
- the festival of Russian arts in Rome held by the Russian Culture Fund, the International Moscow Film Festival, the 'Early Music' International Festival;
- the jubilee concerts of the Oleg Lundstrem chamber orchestra, as well as a youth Musical Festival 'A Musical Gift to the Master' to mark the 70th birthday date of A. Schnittke;
- 'the Golitsinsky Museum on Volkhonka' exhibition arranged by the Pushkin Fine Arts Museum, well appreciated by the Russian public.

Throughout the year, the Bank continued financial aid to the Mariinskiy theatre development fund, 'the Pyotr Fomenko Studio' and the Moscow Drama Theatre headed by Armen Dzigarkhanjan.

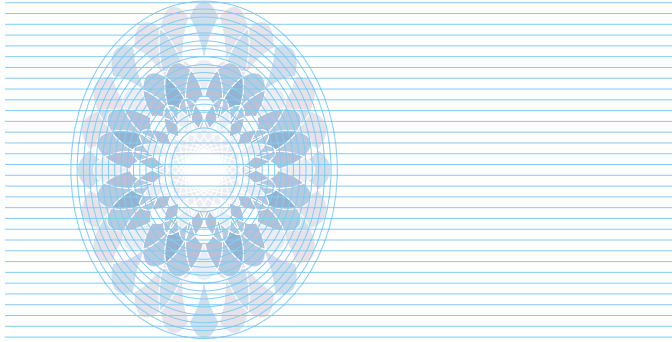
Also, the year witnessed sponsorship by the Bank of scientific-research work of the Institute for Transition Economy, as well as scientific lectures launched by the Society for Studies of the Russian Security Services History. Financial assistance was given to arranging a number of Russian and international conferences, forums and 'round tables'. Vnesheconombank financed 'The Big Atlas of Russia' edition, as well as a number of specialised editions on banking and finance.

Within the framework of preparation for the Olympic Games and European championships, financial support was rendered to the Russian Handball Union. Acting as a general sponsor of the All-Russia Volleyball Federation, the Bank financed training of the Russian National Team in the run up to the Olympic games and the European League competitions. Support was also ensured for the Russian National team participation in Paralympic games in Athens, as well as a major international group skiing event 'The Ski Track of Russia', 'The Moscow Sable of the year 2004' tournament.

The Bank recognises the importance of maintaining focus on charitable and sponsorship activities and



hopes that it will make a tangible contribution to shaping up a spiritual values-oriented and physically fit nation, to raising a smart and gifted younger generation, helping ensure a worthy life for veterans and disabled people.





Western Siberia is a major oil-producing area of Russia, with 300 deposits explored and accounting for 70 percent of the overall volume of oil extracted in Russia.



a n n u a l r e p o r t 2 0 0 4

- Consolidated Financial Statements

VIII



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REPORT OF INDEPENDENT AUDITORS

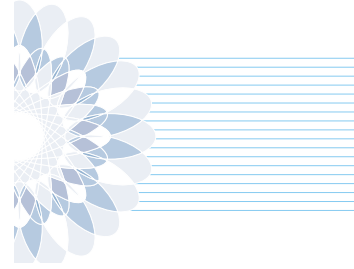
To the Board of Directors
Bank for Foreign Economic Affairs of the USSR

We have audited the accompanying consolidated balance sheets of the Bank for Foreign Economic Affairs of the USSR ('Vnesheconombank' or the 'Bank') as of December 31, 2004, and the related consolidated statements of income, changes in equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express our opinion on these consolidated 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 principles 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 referred to above present fairly, in all material respects, the consolidated financial position of Vnesheconombank as of December 31, 2004, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young Vneshaudit

April 8, 2005



Bank for Foreign Economic Affairs of the USSR
(‘Vnesheconombank’)

Consolidated Financial Statements

December 31, 2004 and 2003

Contents

Report of Independent Auditors

Consolidated Financial Statements

Consolidated Balance Sheets 48

Consolidated Statements of Income 49

Consolidated Statements of Changes in Equity 50

Consolidated Statements of Cash Flows 51

Notes to Consolidated Financial Statements 52

CONSOLIDATED BALANCE SHEETS
(in millions of US dollars)

	Notes	2004	December 31 2003
Assets			
Cash and cash equivalents	6	\$ 421	\$ 1,263
Trading securities	7	1,347	1,696
Due from other banks, net	8	1,634	849
Available-for-sale securities	10	771	410
Commercial loans, net	11	999	406
Receivable from the Russian government under London Club	4	37	37
Due to London Club creditors	4	(37)	(37)
Due from the Russian government		17	10
Tax assets	13	12	-
Property and equipment	14	88	86
Other assets, net	15	28	5
Total assets		\$ 5,317	\$ 4,725
Liabilities and Russian government equity			
Due to other banks	16	\$ 1,620	\$ 1,150
Due to the Russian government and the Central Bank of Russia	4	2,702	2,557
Amounts due to customers	17	262	372
Debt securities issued	18	9	19
Tax liabilities	13	38	79
Provisions	12	4	-
Other liabilities	15	62	51
Total liabilities		4,697	4,228
Minority interest		3	3
Russian government equity	19	617	494
Total liabilities and Russian government equity		\$ 5,317	\$ 4,725
Financial commitments and contingencies	22	\$ 681	\$ 622

Signed and authorized for issue in accordance with the decision of the Chairman of the Bank

Vladimir A. Dmitriev

Chairman of the Bank

Vladimir D. Shaprinsky

Chief Accountant

April 8, 2005

The accounting policies and explanatory notes are an integral part of the consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME
(in millions of US dollars)

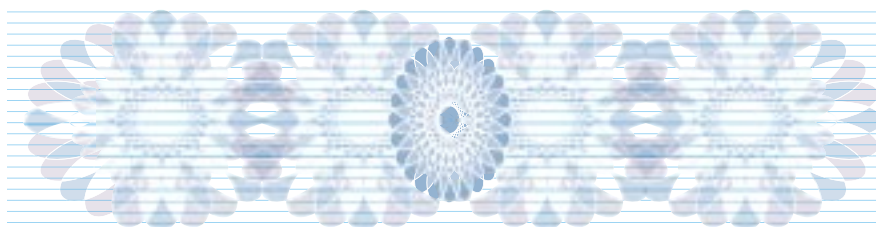
		Year ended December 31	
	Notes	2004	2003
Interest income:			
Securities		\$ 91	\$ 111
Loans		34	32
Placements with other banks		13	19
		138	162
Interest expense:			
Interbank		(21)	(17)
Deposits		(9)	(8)
Own securities		(4)	(4)
		(34)	(29)
Net interest income		104	133
Impairment of interest earning assets	12	(13)	(31)
Net interest income after impairment of interest earning assets		91	102
Fee and commission income, net	20	28	21
Gains less losses from trading securities		(6)	124
Gains less losses from foreign currencies	21	43	28
Other operating income		21	19
Total other income		86	192
Payroll and other staff costs		(64)	(55)
Depreciation		(6)	(4)
Occupancy and equipment		(20)	(13)
Taxes other than income taxes		(4)	(3)
Other impairment and provisions (reversal)	12	7	(1)
Other operating expenses		(30)	(16)
Total operating expenses		(117)	(92)
Income before income taxes and minority interest		60	202
Income taxes	13	12	(49)
Income before minority interest		72	153
Minority interest in net income of subsidiary		0	0
Net income		\$ 72	\$ 153

The accounting policies and explanatory notes are an integral part of the consolidated financial statements



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in millions of US dollars)

	Year ended December 31	
	2004	2003
Russian government equity at beginning of period	\$ 494	\$ 374
Net income	72	153
Changes in fair value of available-for-sale securities, net of tax	47	(33)
Translation effect on subsidiary	4	-
Russian government equity at end of period	\$ 617	\$ 494



The accounting policies and explanatory notes are an integral part of the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions of US dollars)

	Year ended December 31	
	2004	2003
Cash flows from operating activities		
Net income	72	153
Adjustments for:		
Depreciation	6	1
Deferred income taxes	(41)	25
Impairment and provisions	6	32
Change in unrealized appreciation of securities	74	(248)
Other	32	-
Operating income before changes in net operating assets	149	(37)
<i>(Increase) decrease in operating assets:</i>		
Due from other banks	(793)	-
Trading securities	260	(196)
Securities available-for-sale	(327)	(149)
Commercial loans	(592)	(37)
Due from the Russian government	(7)	41
Other assets	(15)	42
<i>Increase (decrease) in operating liabilities:</i>		
Due to other banks	469	457
Amounts due to the Russian government and the Central Bank of Russia	146	327
Amounts due to customers	(111)	(873)
Other liabilities	2	(27)
Net cash used in operating activities	(819)	(452)
Cash flows from investing activities		
Purchases of premises and equipment	(15)	(8)
Cash assumed in acquisition of subsidiary, net of cash paid	-	9
Net cash flows from investing activities	(15)	1
Cash flows from financing activities		
Repayment of issued debt securities	(8)	(34)
Net cash outflow from financing activities	(8)	(34)
Net change in cash and cash equivalents	(842)	(485)
Cash and cash equivalents at beginning of year	1,263	1,748
Cash and cash equivalents at end of year	421	1,263
Supplemental information:		
Income taxes paid	\$ 38	\$ 35
Interest paid	\$ 34	\$ 31
Interest received	\$ 153	\$ 187

The accounting policies and explanatory notes are an integral part of the consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004 and 2003
(In millions of US dollars, unless otherwise stated)

1. Principal Activities

The Bank for Foreign Economic Affairs of the USSR ('Vnesheconombank' or the 'Bank') is a specialized state bank of the Russian Federation servicing, in an agency capacity, the foreign debt and assets of the former Union of Soviet Socialist Republics (the 'USSR') and the government of the Russian Federation and its authorized institutions (the 'Russian government') under its charter approved by Decree No. 745 of the Council of Ministers of the USSR dated June 14, 1988, Decree of the Presidium of the Supreme Soviet of the Russian Federation No. 2172-1 dated January 13, 1992, Decree of the Supreme Soviet of the Russian Federation No. 3875-1 dated November 12, 1992, and Decree No. 2261 of the President of the Russian Federation dated December 22, 1993.

The Bank also conducts its own commercial banking operations under the Decision of the Board of Directors of the Central Bank of the Russian Federation (the 'CBR') dated October 1, 1997. Currently the CBR supervises the operations of Vnesheconombank in accordance with the Agreement dated March 24, 2004. The Bank's Chairman is appointed by a Decree of the President of the Russian Federation, and his service term is also defined in this Decree.

At December 31, 2004, the Bank was party to three separate agency agreements (collectively, the 'Agency Agreements'), as follows:

- An agreement dated July 30, 1992 (amended March 17, 1993) with the Ministry of Finance of the Russian Federation (the 'Ministry of Finance') requires the Bank to carry out banking operations necessary to service the centralized foreign economic activities of the Russian Federation. The agreement has an indefinite term, and provides for certain commissions and fees to be paid to the Bank based upon the volume of transactions serviced. Additionally, the amendment stipulates that the Russian government will provide such resources in roubles and foreign currencies as necessary for servicing the external debt of the former USSR, and managing and using the assets of the former USSR.
- An agreement dated September 30, 1993 with the Ministry of Finance requires the Bank to service bonds issued to replace funds on frozen accounts with Vnesheconombank held by Russian legal entities. The agreement has an indefinite term, and provides for certain servicing fees to be paid to the Bank based upon the nominal value of bonds issued.
- An agreement dated January 31, 2000 with the Ministry of Finance requires the Bank to act as the general agent in restructuring the MinFin Bonds Tranche III and

service the Global certificate of MinFin Bonds Tranche VIII issued in 1999 and process all payments thereunder on behalf and at expense of the Ministry of Finance. The agreement has an indefinite term (it will be terminated automatically when MinFin Bonds Tranche VIII are redeemed by the Ministry of Finance in 2007), and provides for certain servicing fees to be paid to the Bank based upon the nominal value of Global certificate deposited with the Bank.

As more fully described in Note 4, at December 31, 2004 and 2003, the Russian government owed the Bank \$37 million relating to the London Club debt obligation of the Bank. These amounts have been presented in the Bank's balance sheet and are not subject to offset. No allowance has been provided with respect to the Russian government receivable under the London Club debt. In its effective capacity as a state agent for servicing the foreign debt of the former USSR, the Bank is dependent upon the Russian government continuing to make adequate funds available to enable the Bank to service the remainder of the London Club debt.

The Bank continues to obtain new customers in many regions of the Russian Federation and is cooperating with international development banks and foreign institutions with export credit and loan guarantee functions to locate funds for direct investment purposes. Such institutions include the Export Import Banks of China, India, and Korea.

In the last few years, the Bank has developed the following business strategies:

- Vnesheconombank issues loans to different institutions within the framework of major state programs and projects implemented under various intergovernmental agreements. It is planned that the Bank will also be involved in the execution of settlements on behalf of Russian state authorities and lending within state programs;
- The Bank elaborates key state policy instruments designed to ensure domestic exports promotion of companies of the non-mineral sector;
- In accordance with the decision of the Russian government, Vnesheconombank is entrusted with the agency functions of servicing Russian government external debt and maintains the applicable records of the funds.

In January 2003, the Bank was nominated as the State Trust Management Company for the trust management of the funded pension of the State Pension Fund of the Russian Federation. As the State Trust Management Company, the Bank is entitled to invest accumulated pension system funds in accordance with Investment Declaration approved by the Resolution of the Government of the Russian Federation No. 540 dated September 1, 2003. During 2004 investments were limited to Federal Loan Bonds (OFZs) and Eurobonds issued by the Russian Federation nominated in Rubles and US Dollars, respectively. At December 31, 2004 total assets managed by the Bank were \$3.4 billion (2003 – nil).

The Bank makes loans to customers and receives deposits from legal entities. The Bank is one of the leading operators on the Russian Eurobonds market. The Bank's head office is located in Moscow, Russia, and it has representative offices in St. Petersburg, Russia, the United States of America, India, Hungary, Italy, China, South Africa, and France. At December 31, 2004 and 2003, the Bank had 1,537 and 1,388 employees, respectively. The Bank's principal offices are located at prospect Sakharova 9, Moscow.

On January 5, 2003, the Bank contributed RUR 1,582 million (\$50 million) in payment of 90,000 shares of OAO State Specialized Russian Export-Import Bank (Roseximbank). The second issue of Roseximbank 90,000 shares, 10,000 RUR (\$315) par value was registered by the Central Bank of the Russian Federation on February 10, 2003. As the result of the contribution, the Bank has become the owner of 94.64% shares of Roseximbank share capital. Roseximbank was created in 1994 as a special state bank for providing guarantee and credit services to Russian exporters aimed to decrease export risks. Roseximbank holds a general license of the Central Bank of the Russian Federation and all licenses of the professional participant of the Russian securities market.

2. Basis of Preparation

General

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), which comprise standards and interpretations issued by the International Accounting Standards Board, and International Accounting Standards ('IAS') and Standing Interpretations Committee interpretations ('SIC') issued by the International Accounting Standards Committee that remain in effect.

The Bank maintains its records and prepares its financial statements for regulatory purposes in Russian Rubles ('RUR') in accordance with Russian accounting and banking legislation and related instructions ('RAL'). These consolidated financial statements are based on the Bank's RAL books and records, as adjusted and reclassified in order to comply with IFRS. The reconciliation between RAL and IFRS is presented later in this note.

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

Functional Currency and Foreign Currency Translation

The accompanying consolidated financial statements have been presented in millions of United States Dollars ('\$') as the majority of the Bank's transactions are denominated, measured, or funded in this currency and the \$ is the primary currency in which the Bank generates and expends cash.

Transactions denominated in RUR are recorded at the official exchange rate on the date of the transaction or by using a monthly average of the daily official exchange rates. The RUR is not a fully convertible currency outside the Russian Federation, wherein official exchange rates are determined daily by the CBR. Market rates may

differ from the official rates but the differences are, generally, within narrow parameters monitored by the CBR.

London Club debt amounts denominated in currencies other than the \$ are recorded at the CBR official rates at December 31, 2004 and 2003.

Clearing currencies are the settlement currencies for bilateral trade between the Russian Federation and designated countries. Clearing currencies are regularly traded on special auctions held by the Bank under the supervision of the Ministry of Finance. Clearing currencies – denominated assets and liabilities have been translated into \$ at the CBR official rates at December 31, 2004 and 2003.

Transactions denominated in other currencies are recorded at the market exchange rates prevailing on the date of the transaction or by using a monthly average of the daily market exchange rates.

Consolidation

As of December 31, 2004, the consolidated financial statements of the Bank include Roseximbank.

The Bank's other subsidiaries and associates include Russian Leasing Company (100% ownership) LLC, Bumofin KFT (98.8% ownership), A.F.C. s.r.l. (37.5% ownership), Konsultbankir CJSC (29% ownership) and Oboronimpeks LLC (25% ownership). The Bank has not consolidated its other shareholding in participating interests nor accounted for these investments under the equity method as none of these shareholdings has a material effect on the accompanying consolidated financial statements.

Segregation of Operations

In its agency capacity, the Bank maintains and services certain assets and liabilities on behalf of the Russian government. Such balances have been excluded from the accompanying balance sheets given the agency nature of the relationship and in accordance with the underlying Agency Agreements and specific guidelines (the 'Guidelines') approved by the Bank's Board of Directors and the Ministry of Finance in 1997.

The Guidelines stipulated the following assets and liabilities are the responsibility of the Ministry of Finance and have, therefore, been excluded from the accompanying balance sheets:

1. Liabilities to foreign creditors including all accrued interest which are serviced and redeemed at the expense of the Russian government, except some remaining London Club obligations (Note 4);
2. Internal foreign currency debt to residents of the former USSR;
3. Claims to legal entities for foreign currency government and commercial loans granted to Russian Federation regions, former republics of the USSR, and other foreign countries representing both government external and internal foreign currency assets;
4. Clearing, barter, and mutual settlements, including corresponding settlements with clients, executed on the basis of intergovernmental agreements;

5. Participation claims and liabilities related to the reorganization of former USSR-owned foreign banks, which are subject to trilateral settlement by the CBR, the Ministry of Finance, and Vnesheconombank, and equity participations financed by borrowings, the responsibility for which was assumed by the Ministry of Finance;
6. Claims against Russian commercial banks and other commercial entities for guarantees in favor of the Ministry of Finance under centralized operations as well as other claims and liabilities that resulted from, or arise as a result of, operations conducted at the expense of the Russian government.

Reconciliation of RAL and IFRS Equity and Net Income

Russian government equity and net income are reconciled between RAL and IFRS as follows:

	2004		2003	
	Russian government equity	Net government income	Russian government equity	Net income
Russian Accounting Legislation	\$ 469	\$ 128	\$ 338	\$ 130
Translation differences	39	32	20	24
Initial recognition of financial instruments	(31)	-	(31)	-
Expenses recorded directly to equity	-	(11)	-	(10)
Impairment and provisions	(9)	42	(51)	(66)
Accrued interest income and expense	14	(18)	32	15
Taxation	(38)	46	(79)	(43)
Effect of consolidation	2	1	2	2
Derivatives	(10)	(10)	0	0
Fair value re-measurement of trading securities	142	(142)	284	102
Fair value re-measurement of available-for-sale securities	23	-	(33)	-
Other income and expense	16	4	12	(1)
International Financial Reporting Standards	\$ 617	\$ 72	\$ 494	\$ 153

3. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used in preparing the consolidated financial statements.

Consolidation and Related Parties

The consolidated financial statements of the Bank include Vnesheconombank and the bank that it controls (subsidiary). This control is normally evidenced when the Bank owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Minority interest is the interest in subsidiaries not held by the Bank. Minority interest at the balance sheet date represents the minority shareholders' portion of the pre-acquisition carrying amounts or of the identifiable assets and liabilities of the subsidiary at the acquisition date, and the minorities' portion of movements in equity since the date of the combination. Minority interest is presented separately from liabilities and shareholders' equity.

Related parties include Bank employees, non-consolidated subsidiaries, and affiliated companies.

Recognition and Presentation 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. 'Regular way' purchases and sales of financial assets 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 to 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 statement of income. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the CBR and amounts due from other banks that mature within ninety days of the date of origination and are free from contractual encumbrances.

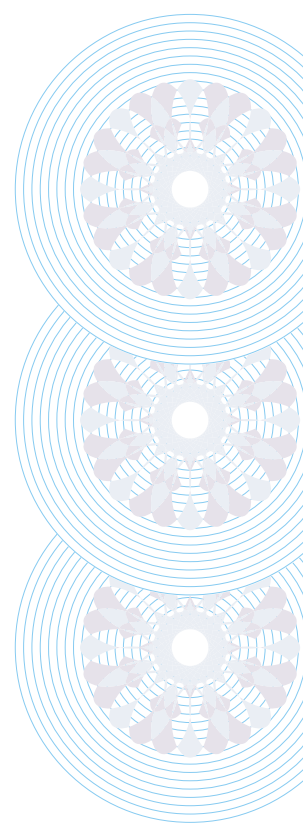
Trading Securities

Securities purchased principally for the purpose of generating a profit from short-term fluctuations in price or dealers' margin are classified as trading securities. Trading securities are initially recognized under the policy for initial recognition of financial instruments and are subsequently measured at fair value, based on market values as of the balance sheet date. Realized and unrealized gains and losses resulting from operations with trading securities are recognized in the statement of income as gains less losses from trading securities. Interest earned on trading securities is reported as interest income.

In determining fair value, marketable securities are valued at last deal prices on stock exchange. Securities traded over-the-counter are valued at last bid prices. When prices on an active market are not available, fair value is determined by reference to price quotations for similar instruments traded in different markets or using discounted cash flow models.

Due from Other Banks

In the normal course of business, the Bank maintains current accounts or places deposits for various periods of time with other banks. Amounts due from other banks with fixed maturity are subsequently measured at amortized cost using the effective interest method. Amounts due from other banks are carried net of any allowance for impairment.



Repurchase and Reverse Repurchase Agreements

Sale and repurchase agreements ('repos') are treated as secured financing transactions. Securities sold under sale and repurchase agreements are included into trading or available-for-sale securities. The corresponding liability is presented within amounts due to other banks or customers. Securities purchased under agreements to resell ('reverse repo') are recorded as amounts due from other banks or commercial loans as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

Derivative Financial Instruments

In the normal course of business, the Bank enters into various derivative financial instruments in the foreign exchange and capital markets. Such financial instruments are primarily held for trading and are initially recognized in accordance with the policy for initial recognition of financial instruments and are subsequently measured at fair value. The fair values are estimated based on quoted market prices, official foreign exchange rates or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the consolidated statement of income as gains less losses from trading securities or gains less losses from foreign currencies.

Available-for-sale securities

Securities not classified as trading are designated as investment securities available-for-sale. Investment securities are initially recognized in accordance with the policy stated above and subsequently measured at fair value, which is equal to the estimated fair value at the balance sheet date. When debt securities with fixed maturities are non-marketable or no information is available on the market value of similar instruments, fair value has been estimated as the discounted future cash flows using current interest rates. Non-marketable securities that do not have fixed maturities are stated at cost, less allowance for diminution in value unless there are other appropriate and workable methods of reasonably estimating their fair value.

Unrealized gains and losses arising from changes in the fair value of available-for-sale securities are recognized in equity, net of income taxes, in the period that the change occurs. Realized gains and losses on securities available-for-sale are computed on a specific security basis and included in the statement of income within gains less losses from securities.

In determining fair value, marketable securities are valued at last deal prices on stock exchange. Securities traded on over-the-counter market are valued at last bid prices. When market prices are not available or if liquidating the Bank's position would reasonably be expected to impact market prices, fair value is determined by reference to price quotations for similar instruments traded in different markets or management's estimates of the amounts that can be realized from an orderly disposition over a period of time, assuming current market conditions.

Promissory Notes

Promissory notes purchased are included in commercial loans or in amounts due from other banks, depending on their substance and are recorded and subsequently remeasured and accounted in accordance with the accounting policies for these categories of assets.



Commercial Loans

Loans granted by the Bank by providing funds directly to the borrower are categorized as loans originated by the Bank and are initially recorded in accordance with the policy for initial recognition of financial instruments. The difference between the nominal amount of the consideration given and the fair value of loans issued at other than market terms is recognized in the period the loan is issued as gain/loss from initial recognition of loans to customers in the statement of income. Loans to customers with fixed maturities are subsequently measured at amortized cost using the effective interest method. Those loans that do not have fixed maturities are carried at cost. Loans and advances to customers are carried net of any allowance for impairment.

Allowance for Impairment of Financial Assets

The Bank establishes allowances for impairment of financial assets when it is probable that the Bank will not be able to collect the principal and interest according to the contractual terms of the related loans issued and other financial assets, which are carried at cost or amortized cost. The allowances for impairment of financial assets are defined as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the financial instrument.

The allowances are based on the Bank's own loss experience and management's judgment as to the level of losses that will most likely be recognized from assets in each credit risk category by reference to the debt service capability and repayment history of the borrower.

The allowances for impairment of financial assets in the accompanying consolidated financial statements have been determined on the basis of current 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.

Changes in allowances are reported in the statement of income of the related period. When an asset is not collectable, it is written off against the related allowance for impairment; if the amount of impairment subsequently decreases due to an event occurring after the write-down, the reversal of the related allowance is credited to the related impairment of financial assets in the statement of income.

Taxation

The current income tax charge is calculated in accordance with the regulations of the Russian Federation and the city of Moscow. Deferred income taxes are calculated under the balance sheet liability method. Deferred taxes reflect the effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured at tax rates that are expected to apply when the asset is realized or the liability settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized.

Russia also has various operating taxes, which are assessed on the Bank's activities. These taxes are included as a component of operating expenses in the statement of income.

London Club Receivable and Debt

The London Club receivable and debt represent the Bank's receivable from the government and payable to London Club creditors (primarily international banks) for outstanding debts relating to the former USSR.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation of assets under construction and those not placed in service commences from the date the assets are placed into service. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	25-40
Computers and equipment	2-8
Furniture and fixtures	2-8
Motor vehicles	2-5

Leasehold improvements are amortized over the life of the related leased asset.

Costs related to repairs and renewals are charged when incurred and included in operating expenses, unless they qualify for capitalization.

Amounts Due to Other Banks and to Customers

Amounts due to other banks and to customers are initially recognized in accordance with the policy for recognition of financial instruments. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the statement of income over the period of the borrowings using the effective interest method.

Debt Securities Issued

Debt securities issued represent promissory notes issued by the Bank to its customers. They are accounted for according to the same principles used for amounts due to other banks and to customers. If the Bank purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is recognized in net interest income.

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.

Retirement and Other Benefit Obligations

The Bank participates in the State pension system of the Russian Federation, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged to the statement of income in the period the related contributions are paid to the State Pension Fund and included into payroll and other staff costs in the statement of income.

In addition, the Bank has its own employee retirement program through a non-state pension fund of the Bank called Vnesheconomfond (or 'the Fund') created in 2000.

In accordance with the Agreement between the Bank and the Fund dated December 27, 2000, the Fund accumulates contributions from the Bank and creates pension reserves that are the source of the retirement benefit. The retirement benefit paid to the Bank's employees is based on the fixed contribution amounts provided by the Bank and the Bank is not liable for any amount of defined benefit. The Bank's contributions of \$5 million for the year ended December 31, 2004 to the Fund are recorded within payroll and other staff costs in the statement of income.

There is no other post-retirement benefits or significant other employee benefits requiring accrual.

Contingencies

Contingent liabilities are not recognized in the financial statements unless it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made.

Income and Expense Recognition

Interest income and expense are recognized on an accrual basis calculated using the effective interest method. Loan origination fees for loans issued to customers are deferred (together with related direct costs) and recognized as an adjustment to the effective yield of the loans. Fees, commissions and other income and expense items are generally recorded on an accrual basis when the service has been provided. Portfolio and other management advisory and service fees are recorded based on the applicable service contracts. Asset management fees related to investment funds are recorded over the period the service is provided.

Gains and losses arising from the translation of other than \$-denominated assets and liabilities are included in the accompanying statement of income within gains less losses from foreign currency translation.

Reclassifications

The following reclassifications have been made to 2003 balances to conform to the 2004 presentation.

Amount	Previously reported	As reclassified
\$ 118	Cash and cash equivalents	Trading securities
49	Other assets	Available-for-sale securities
19	Due to the Russian government and the Central Bank of Russia	Other liabilities
17	Due to other banks	Other liabilities
12	Cash and cash equivalents	Available-for-sale securities
9	Other operating income	Gains less losses from securities
7	Other operating expense	Payroll and other staff costs
1	Fee and commission income, net	Gains less losses from foreign currencies
1	Impairment of interest earning assets	Other impairment and provisions



4. Operations with the Russian government and its Authorized Institutions

Amounts due to the Russian government and its agencies were predominantly non-interest bearing and consisted of the following at December 31:

	2004	2003
Settlements related to redemption of Russian government loans	\$ 1,816	\$ 1,662
Current accounts of the Russian government	401	382
Proceeds from export sales	322	317
Interest bearing deposits from the CBR	90	100
External debt payment funds	66	78
Other	7	18
	\$ 2,702	\$ 2,557

Settlements related to redemption of Russian government loans represent amounts deposited by the Ministry of Finance with the Bank to facilitate the servicing and redemption of the external debt obligations of the former USSR. These deposits and the processing of payments are managed and conducted by the Bank in accordance with the Agency Agreements. The balance also includes funds received from borrowers as repayment for loans granted by the Russian government. At December 31, 2004, these amounts are regarded as due to the Russian government.

Proceeds from export sales represent the receipts in foreign currencies for export operations by former USSR foreign trade companies. The ultimate ownership of these amounts was subject to a trilateral agreement between the CBR, the Ministry of Finance, and Vnesheconombank dated August 21, 1997. At December 31, 2004, these amounts were regarded as subject to further negotiation between the Ministry of Finance and Vnesheconombank and were included in the amounts due to the Russian government.

Interest bearing deposits from the CBR are used by the Bank to provide lending to certain targeted industries. Such deposits are USD-denominated and carry interest at approximately 5% per annum.

London Club

The Bank is a party to certain rescheduling agreements with various foreign commercial bank creditors (the 'London Club'). The London Club represents liabilities of the former USSR due to foreign banks and financial institutions. These liabilities were primarily reconciled and restructured under a series of agreements and other legal documentation between the Bank and foreign creditors dated October 6, 1997, which became effective on December 2, 1997. These agreements required the original debts and the accrued interest thereon, denominated in various currencies, to be converted into Restructured Loans ('PRINs') and Interest Arrears Notes ('IANs') in base currencies (Swiss Francs, Japanese Yen, Deutsche Marks, European Currency Units, and \$).

The London Club debt was issued as a legal obligation of the Bank. Based on Russian government resolution No. 1167 'Concerning the Settlement of the Indebtedness of the Former USSR to Foreign Commercial Banks and Financial Institutions (the London Club)' dated September 15, 1997 and the Declaration of Support dated November 28, 1997, the Russian government expressed its willingness, without right

of legal recourse from creditors or specific commitment, to provide financial resources to enable the Bank to honor its London Club obligations as they became due. The Declaration of Support remains in force as long as any debt under the London Club restructuring agreements remains outstanding.

On February 11, 2000, an agreement was reached between representatives of the London Club creditors and the Russian government, under which the outstanding London Club debt of approximately \$31.7 billion (at March 31, 2000) was exchanged for a new issue of Eurobonds issued by the government of the Russian Federation and maturing in 2010 and 2030. As the exchange process substitutes obligations of the Bank with obligations of the Russian government, receivables from the Russian government under London Club and amounts due to London Club have been excluded from the Bank's balance sheet to the extent that the bondholders have presented their PRINs and IANs for exchange.

At December 31, 2004, most holders of PRINs and IANs have participated in the exchange, with 99.8% of the face value of PRINs and IANs being submitted for exchange to Eurobonds. The remaining 0.2% of the face value of the PRINs and IANs continues to be carried as a liability of the Bank, along with the corresponding receivable from the government.

The London Club debt was comprised of the following amounts at December 31:

	2004	2003
PRINs	\$ 1	\$ 1
IANs	33	33
Accrued interest on the PRINs and IANs, including overdue and default interest	3	3
	\$ 37	\$ 37

Premises

The Bank's headquarters building is owned by the Ministry of Property of the Russian Federation (the 'Ministry of Property') and is provided to the Bank for its use under an agreement dated October 24, 1996 (the 'Premises Agreement'). The Premises Agreement stipulates that the Bank can use the building until the Bank's liquidation, reorganization, or privatization and is not required to make rental payments. The Bank cannot dispose of, sell, or lease out these premises without the express permission of the Ministry of Property.

5. Agency Operations

At December 31, 2004 assets and liabilities maintained by the Bank in its agency capacity have an aggregate nominal value of approximately \$161 billion (2003 – \$168 billion), and included the following:

Paris Club

The Bank serves as the debt manager and maintains the applicable records related to the Paris Club debt of the former Soviet Union. Paris Club debt represents the obligations contracted or guaranteed on behalf of the government of the former Soviet Union which are due to foreign official creditors including the governments of most

European countries, Australia, Canada, Japan and the United States of America, among others (the 'Participating Creditor Countries') which were recognized in a Memorandum of Understanding dated October 28, 1991 on the Debt to Foreign Creditors of the USSR and Its Successors and a subsequent Agreement on the Deferral of the Debt of the USSR and Its Successors to Foreign Official Creditors dated January 4, 1992 (the 'Paris Club Agreement').

The Russian government has agreed to be responsible for these debts as evidenced by a declaration acknowledging the foreign debts of the former USSR signed by the Russian government on April 2, 1993.

The Bank acts as the debt manager and keeps records of the indebtedness. The Bank is not, however, a legal obligor under the Paris Club Agreement; therefore, the related amounts outstanding have been excluded from the accompanying balance sheets.

The principal amount of debt under the Paris Club Agreement and five principal agreements dated between April 2, 1993 and August 1, 1999, were equal to approximately \$43.3 billion and \$42.7 billion at December 31, 2004 and 2003, respectively, including amounts rescheduled according to the agreement dated July 26, 2000 (Sovcomflot, Germany) equal to \$0.52 billion and \$0.54 billion, respectively. During 2004 and 2003, the Bank, acting as Paying Agent of the Ministry of Finance of the Russian Federation, made payments of approximately \$4.275 million and \$3,741 million, respectively, to the Paris club creditors. The increase in the principal amount of debt under the Paris Club Agreement and five principal agreements dated between April 2, 1993 and August 1, 1999, as of December 31, 2004 was caused by changes in exchange rates.

Commercial Indebtedness

The Russian government has announced its intention to assume the legal responsibility for certain commercial indebtedness (also referred to as the 'trade indebtedness') of the former USSR, identified as obligations of the government of the former USSR and other bodies and entities acting on its behalf, within the Declaration of the government of the Russian Federation dated October 1, 1994 'On the Restructuring of Commercial Indebtedness of the former USSR to Foreign Creditors' (the 'Declaration'). This commercial indebtedness of the former USSR includes contracts requiring installment payments, short-term or medium-term suppliers credits evidenced by bills of exchange and promissory notes, bills of exchange and promissory notes payable at sight, revocable and irrevocable letters of credit including installment letters of credit, collection of payments, and other trade liabilities that can be referred to by the Russian government as settlement in conformity with the Declaration.

The Bank is not a legal obligor under the Declaration and has excluded commercial indebtedness from the accompanying balance sheets.

The Government of the Russian Federation has authorized the exchange of Russian Federation Eurobonds for eligible uninsured trade debt of the former USSR in accordance with the Resolution No. 931 dated December 29, 2001 'On the Settlement of the Trade Indebtedness of the Former USSR to Foreign Trade Creditors'.

As of December 31, 2004, the outstanding commercial indebtedness amount was estimated at approximately \$2 billion. The actual amount cannot be fully determined until completion of the reconciliation process.

Other Agency Operations

At December 31, 2004, other assets and liabilities maintained by the Bank under the applicable Agency Agreements of approximately \$116 billion represent predominantly claims against foreign governmental and corporate debtors, former USSR companies, Russian state companies, and non-club debt to foreign creditors, which were excluded by the Bank from the accompanying balance sheets since the Bank is not the legal obligor.

6. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31:

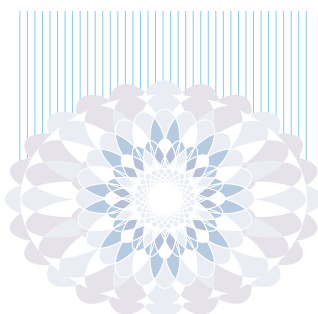
	2004	2003
Cash on hand	\$ 14	\$ 12
Due from the CBR	97	69
Correspondent nostro accounts with Russian banks	24	77
Correspondent nostro accounts with OECD based banks	128	202
Correspondent nostro accounts with other banks	24	25
Interest-bearing loans and deposits with Russian banks	115	367
Interest bearing loans and deposits with OECD based banks	19	511
	\$ 421	\$ 1,263

Amounts due from the CBR are \$- and EURO-denominated interest-bearing accounts of \$97 million and \$69 million at December 31, 2004 and 2003, respectively.

Interest-bearing loans and deposits with Russian banks, at December 31, 2004, are represented predominantly by short-term RUR and \$ placements that bear annual interest rates from 0.85% to 4.5% for RUR deposits and from 2.25% to 4.75% for \$ deposits. Interest-bearing loans and deposits with OECD based banks, at December 31, 2004, are represented by short-term \$ and EURO deposits that bear annual interest rates from 1% to 1.4% for \$ deposits and 2.08% for EURO deposits.

At December 31, 2004, included in interest bearing loans and deposits with OECD based banks was a loan of \$5 million issued under reverse repurchase agreement. The Bank obtained \$5 million of Eurobonds of OECD-based company as a collateral, which were sold to others in connection with its own financing activities (Note 15).

Interest-bearing loans and deposits with Russian banks, at December 31, 2003, are represented predominantly by short-term RUR, \$, and EURO deposits that bear annual interest rates from 1.5% to 6% for RUR deposits, from 3% to 4.5% for \$ deposits, and 2.4% for EURO deposit. Interest-bearing loans and deposits with OECD based banks, at December 31, 2003, are represented by short-term \$ and Pound Sterling (£) deposits that bear annual interest rates from 1% to 1.07% for \$ deposits and 3.56% for £ deposits.



7. Trading Securities

Trading securities consisted of the following at December 31:

	2004	2003
Debt Securities:		
Russian government securities:		
Federal Loan Bonds (OFZs)	\$ 7	\$ 3
Russian Ministry of Finance bonds:		
Tranche VI, maturing in May 2006	3	26
Tranche VIII, maturing in May 2007	-	158
Tranche V, maturing in May 2008	108	142
Tranche VII, maturing in May 2011	88	184
Other debt securities	7	4
	213	517
Eurobonds issued by the Russian Federation	885	1,053
	1,098	1,570
Equity Securities:		
Gazprom	193	36
RAO UES	-	82
Other marketable equity shares	56	8
	\$ 1,347	\$ 1,696
Thereof provided as collateral and can be re-pledged or resold by counterparty		
Eurobonds issued by the Russian Federation	\$ 566	\$ 792
Russian Ministry of Finance bonds:		
Tranche V, maturing in May 2008	107	57
Tranche VII, maturing in May 2011	-	37
	\$ 673	\$ 886

Federal Loan Bonds (OFZs) are Russian Ruble denominated government securities issued and guaranteed by the Ministry of Finance of the Russian Federation. OFZ bonds are issued at a discount to face value, and have a medium to long-term maturity period with a coupon rate from 0.3% to 12%.

Russian Ministry of Finance bonds are \$-denominated bearer securities, which are guaranteed by the Ministry of Finance of the Russian Federation. The Bank's portfolio of Russian Ministry of Finance bonds consists of 4 tranches of securities with maturity dates from May 2006 to May 2011. The bonds are purchased at a discount to nominal value and carry an annual coupon of 3%.

Eurobonds issued by the Russian Federation are \$-denominated securities issued by the Ministry of Finance of the Russian Federation, which are freely tradable internationally. The Bank's portfolio of Eurobonds consists of 8 tranches of securities with maturity dates from 2005 through 2030. The annual coupon rates on these bonds are from 5% to 12.75% and interest is payable either semi-annually or annually.

Other marketable equity shares consist of blue chip Russian companies. These shares are stated at fair value.

8. Due from Other Banks

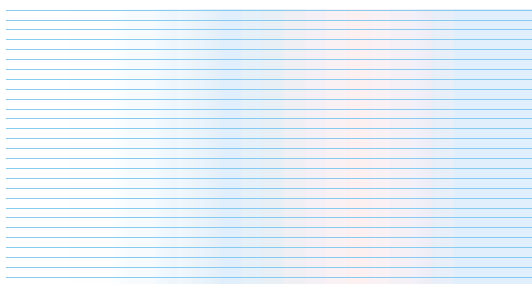
Amounts due from other banks consisted of the following at December 31:

	2004		
	Gross	Allowance	Net
Non-interest bearing deposits with other banks	\$ 5	\$ (4)	\$ 1
Non-interest-bearing deposits in clearing currencies	1,025	(43)	982
Interest-bearing deposits with Russian banks	115	-	115
Interest-bearing deposit with non-OECD bank	547	(11)	536
	\$ 1,692	\$ (58)	\$ 1,634
	2003		
	Gross	Allowance	Net
Non-interest bearing deposits with Russian banks	\$ 4	\$ (4)	\$ -
Non-interest-bearing deposits in clearing currencies	782	(43)	739
Interest-bearing deposits with Russian banks	103	(4)	99
Interest-bearing deposits with other banks	11	-	11
	\$ 900	\$ (51)	\$ 849

Usage of non-interest-bearing deposits in clearing currencies (gross \$1,025 million and \$782 million at December 31, 2004 and 2003, respectively) is subject to certain restrictions as stipulated in the agreements between the governments of the respective countries. The funds can be used for purchase of goods and services by Russian importers who purchase clearing currencies on tenders organized by the Bank under the supervision of the Ministry of Finance.

Interest-bearing deposits with Russian banks are \$ and RUR-denominated and carry, at December 31, 2004, annual interest from 6.5% to 6.7% for RUR deposits and 6% for \$ deposits. At December 31, 2003, interest-bearing deposits with Russian banks are \$ and RUR-denominated and carry annual interest rates from 1% to 4% for \$ deposits and 1% for RUR deposits.

Interest bearing deposit with non-OECD bank is denominated in US Dollars, bears interest rate of 9.6% and matures in December 2009.



9. Derivative Financial Instruments

The Bank enters into derivative financial instruments for trading purposes. The outstanding deals with derivative financial instruments are as follows:

	2004			2003		
	Notional principal	Fair value Asset	Fair value Liability	Notional principal	Fair value Asset	Fair value Liability
Foreign exchange contracts						
Forwards and Swaps – foreign	\$ 16	\$ 0	\$ 0	\$ -	\$ -	\$ -
Forwards and Swaps – domestic	190	0.1	0.2	417	-	0
Securities contracts						
<i>Forwards</i>						
US Treasury Bills	62	0.2	0.1	-	-	-
Vneshtorgbank bonds	27	-	1.9	-	-	-
Russian Eurobonds	-	-	-	22	0.3	-
Minfin bonds	-	-	-	213	-	-
<i>Options</i>						
Russian Eurobonds	266	-	7.7	-	-	-
		\$ 0.3	\$ 9.9		\$ 0.3	\$ 0



10. Available-for-sale securities

Securities available-for-sale consisted of the following at December 31:

	2004	2003
Debt Securities:		
Russian Ministry of Finance bonds:		
Tranche VIII, maturing in November 2007	\$ 159	\$ 22
Eurobonds issued by governments of OECD countries	5	2
Eurobonds and other debt obligations issued by OECD based banks	43	213
Eurobonds issued by the Russian entities	128	101
Municipal and Russian corporate bonds	65	14
Credit linked notes	246	-
Other securities	69	-
	715	352
Equity Securities:		
Russian corporate equities	4	5
Other equity investments	52	53
	\$ 771	\$ 410
Thereof provided as collateral and can be re-pledged or resold by counterparty		
Eurobonds and other debt obligations issued by OECD based banks	\$ 5	\$ 22
Eurobonds issued by the Russian entities	69	-
Credit linked notes	166	-
Other securities	14	-
Other equity investments	3	4
	\$ 257	\$ 26

Russian Ministry of Finance bonds are \$-denominated bearer securities, which are guaranteed by the Ministry of Finance of the Russian Federation. The Bank's portfolio of Russian Ministry of Finance bonds consists of Tranche VIII securities, which mature in November 2007. The bonds are purchased at a discount to nominal value and carry an annual coupon of 3%.

Eurobonds issued by governments of OECD countries are denominated in US Dollars with interest rates from 4% to 5.4% and with maturity from February 2014 to February 2031.

Eurobonds and other debt obligations issued by OECD based banks are denominated in EUROS with interest rate 3.9% and with maturity in April 2006.

Eurobonds issued by Russian entities are denominated in US Dollars and EUROS with interest rates from 3.9% to 10.8% for \$-denominated securities and 7.8% for EURO-denominated securities, and with maturity from December 2005 to April 2034 for \$-denominated Eurobonds, and September 2010 EURO-denominated Eurobonds.

Municipal and Russian corporate bonds consist of RUR-denominated bonds of Russian banks and companies with interest rates from 7.3% to 16% and with maturity from November 2005 to October 2010.

Credit linked notes are issued by OECD based financial institutions and are linked to debt obligations of OJSC Avtovaz, OJSC Gazprom, OJSC Vneshtorgbank and to the obligations of the Russian Federation. These notes are denominated in US Dollars with interest rates from 4.15% to 7% and with maturity from December 2006 to March 2030.

Other securities include \$-denominated debt obligations of OECD based companies, bearing annual interest rates from LIBOR+0.4% to LIBOR+0.75% and maturing from March 2007 to April 2009.

Russian corporate equities are represented by shares of an automobile production company OJSC 'Kamaz'.

Other equity investments are represented by investment in CJSC 'Ilyushin Finance Co.' and other companies.

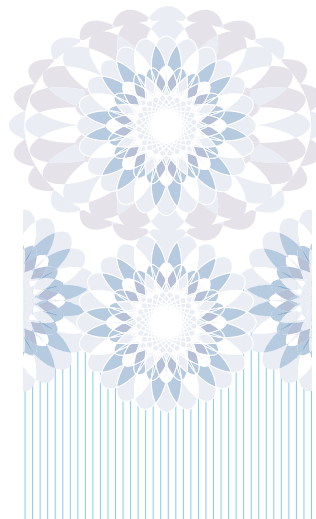
11. Commercial Loans

Commercial loans consisted of the following at December 31:

	2004	2003
Loans to customers	\$ 721	\$ 484
Promissory notes	375	13
	1,096	497
Allowance for losses	(97)	(91)
	\$ 999	\$ 406

At December 31, 2004, the annual interest rates charged by the Bank on commercial loans were from 7% to 16% for RUR loans (2003 – from 19% to 35%) and from 5% to 15% for loans in \$ (2003 – from 4% to 15%).

Loans with an aggregate principal balance of \$53 million and \$54 million were on a non-accrual status at December 31, 2004 and 2003, respectively. Unrecognized interest related to such loans approximated \$4 million and \$5 million during the year ended December 31, 2004 and 2003 respectively.



The Bank's loan portfolio was concentrated in the following main sectors at December 31:

	2004	%	2003	%
Finance companies	\$ 445	41	\$ 136	27
Oil and gas	409	37	192	38
Mass media	130	12	141	28
Trade	55	5	1	0
Manufacturing and production of heavy machinery and military related goods	30	3	19	4
Regional and municipal authorities	2	0	6	2
Other	25	2	2	1
	\$ 1,096	100	\$ 497	100

At December 31, 2004 and 2003, three major borrowers amounted to \$642 million and \$405 million, respectively, which represent 59% and 81%, respectively, of the Bank's gross loan portfolio. An allowance of \$17 million and \$36 million was made against these loans, respectively.

The Bank's portfolio has been extended to the following groups of customers:

	2004	%	2003	%
Private companies	\$ 1,092	100	\$ 491	98
State companies	2	0	0	0
Government and municipal bodies	2	0	6	2
	\$ 1,096	100	\$ 497	100

12. Allowance for Impairment and Provisions

The movements in allowances for impairment of interest earning assets were as follows:

	Due from other banks	Commercial Loans	Total
Balances at December 31, 2002	\$ 49	\$ 62	\$ 111
Charge	2	29	31
Balances at December 31, 2003	51	91	142
Charge	7	6	13
Write-offs	-	0	0
Balances at December 31, 2004	\$ 58	\$ 97	\$ 155

The movements in allowances for other losses and provisions were as follows:

	Other assets	Guarantees	Total
Balances at December 31, 2002	\$ 12	\$ -	\$ 12
Charge	1	-	1
Balances at December 31, 2003	13	-	13
Charge (reversal)	(11)	4	(7)
Balances at December 31, 2004	\$ 2	\$ 4	\$ 6

Allowances for impairment of assets are deducted from the related assets. Provisions for guarantees are recorded in liabilities. In accordance with the Russian legislation, loans may only be written off with the approval of the Board of Directors and, in certain cases, with the respective decision of the Court.

13. Taxation

The components of income taxes charged to the statements of income were as follows or the years ended December 31:

	2004	2003
Current income tax expense	\$ 29	\$ 24
Deferred income tax (benefit) expense	(41)	25
	\$ (12)	\$ 49

Russian legal entities must file individual tax declarations. The tax rate for banks for profits other than interest income on state securities was 24% for 2004 and 2003. The tax rate for interest income on state securities was 15% for Federal taxes.

Tax assets and liabilities consist of the following:

	2004	2003
Current income tax assets	\$ 12	\$ -
Deferred income tax assets	-	-
	\$ 12	\$ -
Current income tax liability	\$ -	\$ (5)
Deferred income tax liability	(38)	(74)
	\$ (38)	\$ (79)

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

	2004	2003
Income tax computed at statutory tax rate	\$ 14	\$ 48
Tax effect of permanent differences:		
Other permanent differences	(16)	(15)
State securities	(3)	(3)
Change in unrecognized deferred tax assets	(7)	19
	\$ (12)	\$ 49

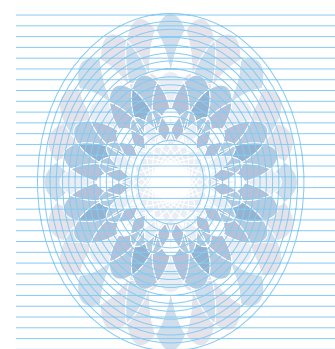
Deferred tax balances, calculated by applying the statutory tax rates expected to be in effect when the temporary differences reverse, are comprised of the following at December 31:

	2004	2003
Deferred tax assets:		
Allowance for losses	\$ 17	\$ 11
Initial recognition of loans at fair value	7	8
Foreign exchange differences	3	0
Derivatives	2	0
Unrealized losses on available-for-sale securities	-	7
Other	1	-
	30	26
Unrecognized deferred tax assets	(12)	(26)
	18	-
Deferred tax liabilities:		
Unrealized gains on trading securities	(41)	(62)
Premises and equipment	(10)	(10)
Unrealized gains on available-for-sale securities	(5)	-
Derivatives	-	(2)
	56	74
Net deferred tax liabilities	\$ (38)	\$ (74)

The change in the total deferred tax liability from December 31, 2003 to December 31, 2004 of \$36 million was composed of \$41 million charged to the income statement and \$5 million of the deferred tax provision relating to the unrealized gains on available-for-sale securities recognized directly in equity.

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in its interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. It is not practical to determine the amount of unasserted claims that may manifest, if any, or the likelihood of any unfavorable outcome. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

At December 31, 2004, management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Bank's tax, currency and customs positions will be sustained.



14. Property and Equipment

Property and equipment comprise:

	2004	2003
Computers and other equipment	\$ 45	\$ 41
Buildings	30	22
Motor vehicles	12	10
Furniture and fixtures	9	7
Assets under construction	8	18
	104	98
Less – Accumulated depreciation	(16)	(12)
Property and equipment	\$ 88	\$ 86

During 2004 there were \$15 million of additions and \$9 million of disposals of property and equipment. Accumulated depreciation related to disposed property and equipment was \$2 million.

15. Other Assets and Liabilities

Other assets comprise:

	2004	2003
Accrued commissions	\$ 11	\$ -
Settlements with suppliers and other debtors	8	4
Derivative financial assets	0	0
Other	11	14
	30	18
Less – Allowance for impairment of other assets	(2)	(13)
	\$ 28	\$ 5

Other liabilities comprise:

	2004	2003
Settlements with banks	\$ 34	\$ 33
Derivative financial liabilities	10	0
Settlements with clients on export revenues	8	8
Obligation to return securities provided as collateral	5	-
Other	5	10
	\$ 62	\$ 51

16. Due to Other Banks

Balances due to other banks consisted of the following at December 31:

	2004	2003
Correspondent loro accounts from Russian banks	\$ 285	\$ 143
Correspondent loro accounts from other banks	89	87
Loans and other placements from Russian banks	518	128
Loans and interest-bearing placements from OECD based financial institutions	726	786
Interest-bearing placements from other banks	2	6
	\$ 1,620	\$ 1,150

At December 31, 2004, loans and other placements from Russian banks include loans denominated in Russian Rubles and US Dollars with interest rates from 4% to 10% for RUR loans and from 2% to 8% for \$ loans, and collateral under letters of credit. At December 31, 2003 loans and other placements from Russian banks were RUR and \$-denominated and carried interest from 0.5% to 1.25% for RUR loans and 2.75% for \$ loans.

At December 31, 2004, the Bank received loans totaling \$726 million from OECD based financial institutions, bearing annual interest from 2.88% to LIBOR+2.5%, which were collateralized by debt securities. At December 31, 2003, the Bank received loans totaling \$684 million from OECD based financial institutions, bearing annual interest from LIBOR+1.6% to LIBOR+2.5%, which were collateralized by debt securities.

17. Amounts Due to Customers

Amounts due to customers include the following at December 31:

	2004	2003
Customer current accounts	\$ 125	\$ 244
Term deposits	56	28
Deposits from related parties	81	100
	\$ 262	\$ 372

At December 31, 2004, deposits from related parties have annual interest rates from 3% to 7.5% for \$-denominated deposits, from 3% to 7% for EUR-denominated deposits and from 5% to 25% for RUR-denominated deposits. At December 31, 2003, deposits from related parties had annual interest rates from 0.5% to 7.5% for \$-denominated deposits and from 1.5% to 20% for RUR-denominated deposits.

At December 31, 2004, term deposits have annual interest rates from 3% to 7.5% for \$-denominated deposits, from 3% to 7% for EUR-denominated deposits and from 4% to 13.5% for RUR-denominated deposits. At December 31, 2003, term deposits had annual interest rates from 0.5% to 7.5% for \$-denominated deposits and from 0.45% to 13.5% for RUR-denominated deposits. The range of interest rates paid is wide due to different products and structures of these deposits.

At December 31, 2004 and 2003, amounts due to the Bank's four largest customers amounted to \$48 million and \$155 million, respectively, which represent 18% and 42%, respectively, of the aggregate amount due to customers. Such amounts were placed with the Bank on normal market terms and conditions and were concentrated in military related organizations, state companies and financial organizations.

Amounts due to the ten largest customers include accounts with the following types of customers:

	2004	2003
Pension Fund of Russian Federation	\$ -	\$ 45
Financial organizations	15	20
Production of heavy machinery and military related goods	32	119
State companies	12	8
Military organizations	10	-
Trade	-	4
	\$ 69	\$ 196

Amounts due to customers include accounts with the following types of customers:

	2004	2003
State organizations	\$ 69	\$ 180
Private enterprises	55	70
Employees and other individuals	138	122
	\$ 262	\$ 372

18. Debt Securities Issued

Debt securities issued at December 31, 2004, represent RUR and \$-denominated interest-bearing promissory notes maturing through August 2008. The promissory notes bear annual interest rates from 0.85% to 6% for RUR-denominated notes and from 0.7% to 2.5% for \$-denominated notes. Debt securities issued at December 31, 2003, represented RUR and \$-denominated interest-bearing promissory notes maturing through August 2008. The promissory notes bear annual interest rates of 6% for RUR-denominated notes and ranging from 0.7% to 6% for \$-denominated notes.

19. Russian Government Equity

The Bank's charter capital, as determined by the Bank's charter, amounts to RUR 1,000 thousand and is wholly owned by the Russian government. In accordance with the Bank's charter, charter capital may be increased only by a decision of the Russian government. No shares have been issued with respect to the charter capital of the Bank. The Bank is not required to accrue or pay dividends.

During 2004 and 2003, the Bank recognized \$47 million of net unrealized gains and \$33 million of net unrealized losses from available-for-sale securities, respectively, within the Russian government equity.

20. Fee and Commission Income, Net

	2004	2003
Fee and commission income		
Trust management of Pension funds	\$ 10	\$ -
Guarantee operations	9	9
Cash and settlement operations	4	10
Operations with securities	4	1
Other operations	3	3
	30	23
Fee and commission expense	(2)	(2)
Net fees and commissions	\$ 28	\$ 21

21. Gains Less Losses from Foreign Currencies

	2004	2003
Dealing in foreign currencies, net	\$ 8	\$ (14)
Exchange differences on translation of foreign currency transactions	35	42
Gains less losses from foreign currencies	\$ 43	\$ 28

22. Financial Commitments and Contingencies

Operating Environment

The Russian economy while deemed to be of market status continues to display certain characteristics consistent with that of a market in transition. These characteristics include, but are not limited to, relatively high inflation and the existence of currency controls which cause the national currency to be illiquid outside of Russia. The stability of the Russian economy will be significantly impacted by the government's policies and actions with regards to supervisory, legal, and economic reforms.

Legal

In the ordinary 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.

At December 31, the Bank's financial commitments and contingencies comprised the following:

	2004	2003
Guarantees	\$ 643	\$ 519
Undrawn loan commitments	42	103
	\$ 685	\$ 622
Less – Allowance	(4)	-
	\$ 681	\$ 622

Operating lease commitments

	2004
Not later than 1 year	\$ 5
Later than 1 year but not later than 5 years	3
Later than 5 years	16
	\$ 24

Insurance

The Bank's premises are insured for \$38 million. The Bank has not currently obtained insurance coverage related to liabilities arising from errors or omissions. Liability insurance is generally not available in Russia at present.

23. Financial Risk Management Policies

Management of risk is fundamental to the banking business and is an essential element of the Bank's operations. The main financial risks inherent to the Bank's operations are those related to credit, liquidity and market movements in interest and foreign exchange rates. A summary description of the Bank's risk management policies in relation to those risks follows.

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 industry segments. Limits on the level of credit risk by borrower and product are regularly approved by the Board of Directors. Where appropriate, and in the case of most loans, the Bank obtains collateral. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee. 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.

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 most commitments are contingent upon certain conditions set out in the loan agreements.

Market Risk

The Bank takes on exposure to market risks. Market risks arise from open positions in interest rate and currency 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.

Liquidity Risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. In order to manage liquidity risk, the Bank performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The 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.

At December 31, 2004 and 2003, monetary assets and liabilities, excluding receivables from the Russian government under London Club and amounts due to London Club creditors, had the following maturities:

	Up to 1 month	1 to 6 month	6 to 12 month	Over 1 year	No stated maturity	Total
<i>December 31, 2004</i>						
Monetary assets:						
Cash and cash equivalents	\$ 411	\$ 10	\$ -	\$ -	\$ -	\$ 421
Trading securities	1,347	-	-	-	-	1,347
Due from other banks, net	984	105	9	536	0	1,634
Available-for-sale securities	719	-	-	-	52	771
Commercial loans, net	70	300	379	250	0	999
Due from the Russian government	-	-	-	-	17	17
Other assets, net	17	3	5	-	3	28
	3,548	418	393	786	72	5,217
Monetary liabilities:						
Due to other banks	923	419	276	-	2	1,620
Due to the Russian government and the CBR	2,612	10	-	80	-	2,702
Amounts due to customers	156	52	50	0	4	262
Debt securities issued	2	2	2	3	-	9
Other liabilities	5	9	2	-	46	62
	3,698	492	330	83	52	4,655
Net position	\$ (150)	\$ (74)	\$ 63	\$ 703	\$ (20)	\$ 562
<i>Accumulated gap</i>	<i>\$ (150)</i>	<i>\$ (224)</i>	<i>\$ (161)</i>	<i>\$ 542</i>	<i>\$ 562</i>	

	Up to 1 month	1 to 6 month	6 to 12 month	Over 1 year	No stated maturity	Total
<i>December 31, 2003</i>						
Monetary assets:						
Cash and cash equivalents	\$ 1,093	\$ 170	\$ -	\$ -	\$ -	\$ 1,263
Trading securities	1,696	-	-	-	-	1,696
Due from other banks, net	748	71	30	-	-	849
Available-for-sale securities	357	-	-	-	53	410
Commercial loans, net	4	119	-	170	113	406
Due from the Russian government	-	-	-	-	10	10
Other assets, net	5	-	-	-	-	5
	3,903	360	30	170	176	4,639
Monetary liabilities:						
Due to other banks	252	177	490	230	1	1,150
Due to the Russian government and the CBR	2,557	-	-	-	-	2,557
Amounts due to customers	300	30	39	3	-	372
Debt securities issued	11	-	3	5	-	19
Other liabilities	51	-	-	-	-	51
	3,171	207	532	238	1	4,149
Net position	\$ 732	\$ 153	\$ (502)	\$ (68)	\$ 175	\$ 490
<i>Accumulated gap</i>	<i>\$ 732</i>	<i>\$ 885</i>	<i>\$ 383</i>	<i>\$ 315</i>	<i>\$ 490</i>	

Maturities represent remaining terms until repayment in accordance with underlying contractual arrangements at the balance sheet date.

While trading and majority of available-for-sale securities are shown as demand, realizing such assets upon demand is dependent upon financial market conditions. Significant security positions may not be liquidated in a short period of time without adverse price effects.

Actual maturities on loans may differ as loan agreements are sometimes extended or rolled over to update interest rates and facilitate longer term financing for the borrowers.

Amounts due from and to the Russian government, other than loans to and from the Ministry of Finance, generally do not carry a specified maturity and are shown as having a maturity of up to one month. In practice, these amounts are maintained for longer periods.

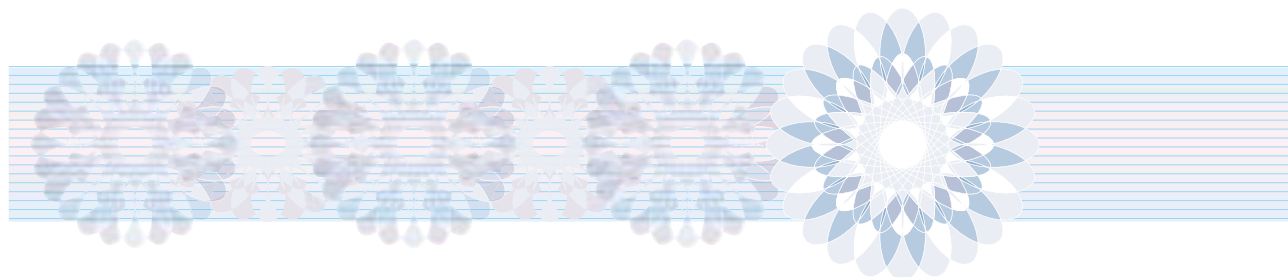
Amounts due to customers are primarily shown as having a remaining maturity of less than one month. In practice, these deposits and placements are often maintained for longer periods.

Other monetary assets and liabilities are predominantly current claims to and from third parties.

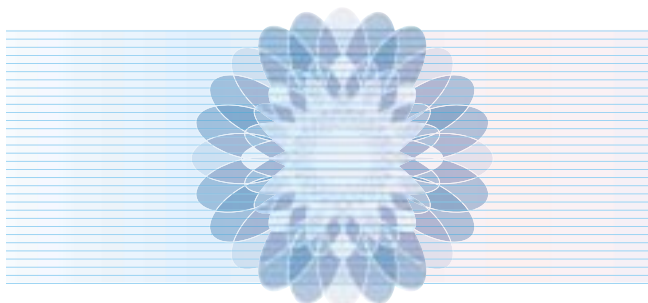
Currency Risk

The Bank is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank sets limits on the level of exposure by currencies.

The following table presents the \$-equivalent amount in millions of monetary assets and liabilities, excluding amounts related to the London Club, denominated in different currencies at December 31:



	\$	EURO	Clearing curr's	RUR	Other	Total
<i>December 31, 2004</i>						
Monetary assets:						
Cash and cash equivalents	\$ 166	\$ 74	\$ -	\$ 154	\$ 27	\$ 421
Trading securities	1,079	-	-	261	7	1,347
Due from other banks, net	587	-	982	64	1	1,634
Available-for-sale securities	590	60	-	119	2	771
Commercial loans, net	698	0	-	301	-	999
Due from the Russian government	14	-	1	2	-	17
Other assets, net	4	1	-	23	-	28
	3,138	135	983	924	37	5,217
Monetary liabilities:						
Due to other banks	1,327	15	45	230	3	1,620
Due to the Russian government and the CBR	1,527	93	964	26	92	2,702
Amounts due to customers	137	25	17	76	7	262
Debt securities issued	6	-	-	3	-	9
Other liabilities	48	4	1	4	5	62
	3,045	137	1,027	339	107	4,655
Net position	\$ 93	\$ (2)	\$ (44)	\$ 585	\$ (70)	\$ 562



	\$	EURO	Clearing curr's	RUR	Other	Total
<i>December 31, 2003</i>						
Monetary assets:						
Cash and cash equivalents	\$ 640	\$ 377	\$ -	\$ 198	\$ 48	\$ 1,263
Trading securities	1,543	-	-	132	21	1,696
Due from other banks, net	23	-	740	78	8	849
Available-for-sale securities	257	83	-	68	2	410
Commercial loans, net	379	-	-	27	-	406
Due from the Russian government	8	-	-	2	-	10
Other assets, net	1	0	1	3	-	5
	2,851	460	741	508	79	4,639
Monetary liabilities:						
Due to other banks	1,100	-	23	23	4	1,150
Due to the Russian government and the CBR	1,641	99	716	8	93	2,557
Amounts due to customers	233	8	44	73	14	372
Debt securities issued	19	-	-	-	-	19
Other liabilities	43	-	-	5	3	51
	3,036	107	783	109	114	4,149
Net position	\$ (185)	\$ 353	\$ (42)	\$ 399	\$ (35)	\$ 490

24. Fair Value of Financial Instruments

The Bank's assets and operations are concentrated primarily in the Russian Federation, which is an emerging market economy. The number of financial institutions is limited and there is no reliable data on market interest rates. Management believes, based upon its best estimates, that as of December 31, 2004 and 2003, substantially all the Bank's monetary assets and liabilities are carried at their estimated fair values.

The fair value of financial guarantees and commitments to extend credit is considered to be zero as no material fees are paid or accrued and the terms of the financial instruments are consistent with market.



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