

2004
ANNUAL REPORT



**CREDIT BANK
OF MOSCOW**

Contents

CBM at a Glance	4
Credit Bank of Moscow Today	4
Strategy	5
Key Performance Indicators	7
General Information	8
Corporate Milestones	8
Managing Board	10
Organizational Structure	12
Branch Network	13
Ownership Structure	14
Core Business of the Bank	15
Business Activities	15
Corporate Banking	16
Retail Banking	20
Credit Card Operations	22
Funding	23
Sources of Funding	24
Financial Highlights	25
Profits and Losses	25
Capital Adequacy and Prudential Ratios	27
Loan Portfolio Quality	28
Risk Management	30
Securities Investment Policy	34
Bank's Insurance	36
Bank's Ratings	37
Fitch Ratings	37
Moody's Investors Service	38
Moody's Interfax Rating Agency	38
The Banker's	39
Independent Auditor's Report	40

Credit Bank of Moscow Today

Credit Bank of Moscow is a private bank.

It ranks 69 (assets), 74 (equity) and 34 (retail loans) among top 100 Russian Banks (RBK-Rating).

At present the Bank is represented only by Moscow and Moscow Region branches. However, according to Bank's development strategy based on a prior research the Bank is going to open up a whole network of branches in Moscow Region in 2005-2006.

Guided by its universal banking development strategy, CBM focuses on consumer lending and progressive expansion of its retail network.

Key features of CBM

- Higher pace of assets growth
- Strong assets quality
- Clear strategic vision
- Young innovative team
- Efficient risk management system

Credit Bank of Moscow is a commercial bank offering a full range of banking services. Its business is mostly focused on SME's financing, consumer lending (the Bank ranks the third among Moscow banks by its car loans volume), mortgage lending and trade finance.

The Bank was founded in 1992.

Main Business Activities:

Corporate Banking

- Loans to SMEs
- Cash collection
- Foreign trade financing
- Accounts and payments

Retail Banking

- Car loans
- Mortgage lending
- Credit cards
- Deposits by individuals

Strategy

The Bank's strategy envisages further development of its three core businesses.

The Bank plans to develop its business within the bounds of its strategy that provides for expansion and development of the following core business activities:

I Lending to medium-sized enterprises (mostly large trading networks)

Corporate lending to trade companies.

The Bank plans to develop and expand business with its core clients, i.e. large Moscow-based wholesale and retail trading companies with advanced distribution networks, operating in various sectors. These companies are large direct importers and suppliers of their industry. That's why this category of clients will remain of key importance to the Bank.

II Lending to small enterprises

Lending to SMEs

Lending to small enterprises is one of the top priorities of the Bank's activities. The Bank considers this as one of the strategic opportunities to expand its loan portfolio and keep it diversified. This business niche is a relatively new one at the market and gives opportunity to grant highly profitable loans to small enterprises.

III Consumer lending

Consumer lending and mortgage lending

The Bank focuses on car lending, being one of the leaders in terms of car loan portfolio.

The Bank plans to diversify its credit product range, e.g. to promote consumer and mortgage lending.

Strategy

Priorities

- Further promotion of universal banking business, with a focus on consumer lending
- Diversification of the loan portfolio
- Funding diversification and longer-term liabilities
- Introduction of corporate management principles in line with the international standards
- Strengthening profitability of operations
- Tapping Russian and international debt markets

Details

- Progressive expansion of target market shares coupled with strict asset quality control
- Raising funds from foreign sources
- Expansion of strategic collaboration with foreign partners
- Attracting more private depositors
- Progressive development of retail banking services
- Development of retail lending at sales points (e.g. through trading companies)
- Development of programs to attract funds from foreign debt markets
- Strict, centralized cost control and forging of new high margin products
- Regional expansion, setting up regional branch network

2004

6

Annual report

Key Performance Indicators

	2000	2001	2002	2003	2004
(US\$ thousand)					
Balance	73,263	134,614	214,680	380,055	399,544
Loans to customers	40,621	81,917	135,104	257,356	274,517
Deposits by customers	34,777	66,138	81,160	133,168	125,564
Equity	29,660	44,371	64,206	84,473	95,450
Sources of income					
Net interest income	3,774	9,826	19,512	20,040	24,241
Non interest income	6,469	5,529	6,852	10,290	13,415
Non interest expense	8,222	9,862	13,390	17,857	27,287
Provisions for possible losses	1,228	2,525	157	8,891	2,506
Net income	630	1,238	8,814	4,537	5,390
Comprehensive income	630	1,238	8,814	10,171	10,977
Ratios (%)					
Net interest income to average assets	5,76	9,45	11,17	7,41	6,22
ROE	1,89	3,34	16,24	6,10	5,99
ROA	0,96	1,19	5,05	1,53	1,38
Loans to deposits	116,80	123,86	166,47	193,26	218,63

Corporate Milestones

2004

8

Annual report

- IFC signed US\$10 m. Loan Agreement for 5-year SMEs lending program **2004**
- Interfax (strategic partner of Moody's) upgraded CBM's long-term rating from Baa1 (rus) to A3 (rus) and short-term rating from RUS-3 to RUS-2
- Moody's confirmed B1/NP for deposits
- CBM opened its own processing center
- CBM registered domestic bond issue for RUR 500 mio
- Fitch, International Rating Agency, assigned B-/B as a long-term and short-term foreign currency credit ratings
- CBM admitted by Central Bank of Russia to the state deposit insurance system
- Moody's assigned CBM B1/NP for long- & short-term foreign currency deposits **2003**
- Principal member of MasterCard International
- Interfax (strategic partner of Moody's) upgraded CBM's long-term rating from Baa3 (rus) to Baa1 (rus) and short-term rating from RUS-3 to RUS-2
- CBM entered consumer lending and car loans market and managed to attain leading positions there
- CBM started its mortgage lending program
- Basic agreement with AKA (Ausfuhrkredit-Gesellschaft m.b.H) consortium for long-term financing of Russian companies **2002**
- US Dept. of Agriculture included CBM in GSM 102\103 and Facility Guarantee (FGP) programs
- The Bank elaborated general marketing and PR campaign
- Interfax (strategic partner of Moody's in Russia) assigned long-term Baa3 (rus) & short-term RUS-3 ratings
- Tailored to Russian market agreement with Commerzbank AG backed by HERMES let CBM open a long term credit line for 8,5 years **2001**
- CBM is the first private bank in Russia after the 1998 crisis to carry out transactions with HERMES cover under the agreement with Commerzbank AG

Corporate Milestones

2000	<ul style="list-style-type: none">• General license for banking transactions of Central Bank of Russia• CBM approved by HERMES (Germany) for transactions up to 12 months• CBM approved by the following ECAs: CESCE (Spain), EKN (Sweden), MEHIB (Hungary), COFACE (France)• Total assets and equity increased by 1.5 times• An associated member of VISA International payment system
1999	<ul style="list-style-type: none">• The first bank in Russia to sign a long term partnership agreement with Germany's Federal Union of Small and Medium-Sized Enterprises (Bundesverband mittelstandische Wirtschaft, or BVMW)• CBM became an affiliated member of the EUROPAY International Payment System
1998	<ul style="list-style-type: none">• Client base increased dramatically: CBM won a number of new top quality clients as a result of high liquidity and new lending strategy
1997	<ul style="list-style-type: none">• The Bank obtained its securities' market trading license• The first branches were opened in Moscow
1996	<ul style="list-style-type: none">• Membership in Moscow Interbank Currency Exchange and Moscow Stock Exchange• CBM became a Visa International agent• The Bank started Union Card emission• An agreement with Thomas Cook Group on CBM's trade in traveler's cheques
1995	<ul style="list-style-type: none">• Foundation of the Rossium Concern that incorporated CBM as well as Investment, Industrial and Construction Groups
1994	<ul style="list-style-type: none">• Several trade, construction and industrial companies became the shareholders of CBM
1993	<ul style="list-style-type: none">• License for banking operations in foreign currencies
1992	<ul style="list-style-type: none">• Inception of the CBM

Managing Board

Chairman of the Board - President of the Bank, and the Managing Board, as CBM's executive bodies, perform the management function of day-to-day operations and ensure that the decisions adopted by the General Meeting of Shareholders and the Supervisory Board as well as recommendations of the Audit Committee are implemented.

The Managing Board is responsible for tactical guidance and takes decisions on day-to-day Bank's operations. The Managing Board is headed by the Chairman of the Board - President and consists of:

Alexander L. Khrilev

Chairman of the Board- President

Born in 1967. In 1993 graduated from the Moscow Lenin Order and October Revolution Order Power Institute, major - thermal physics.

He has been working at CBM since 1995. In August 2004 he was appointed as the Chairman of the Board - President of CBM. Earlier he was the First Deputy Chairman of the Board - President. He has a great banking experience.



Timur N. Kastrov

First Deputy Chairman of the Board - President

Born in 1969. In 1994 graduated from the Moscow - Lenin Order and October Revolution Order Power Institute (Technical University).

He has been working at CBM since 1997. He accounts for the financial and economic analysis of the Bank's activities, budgeting, liquidity and risk management, as well as coordinates work with international auditors and rating agencies.



Alexander N. Nikolashin

Deputy Chairman of the Board - President

Born in 1966. In 1988 graduated from the Saratov Higher Military Command School named after F. Dzerzhinsky at the MIA USSR.

He has been working at CBM since 1994. He is responsible for the Bank's Security Service, Analytical Service and Legal Department.



Managing Board



Sergey N. Gusarov

Deputy Chairman of the Board - President

Born in 1965. In 1987 graduated from the Kiev Higher Military Engineering Communication School named after M. Kalinin. In 1995 graduated from the Higher School of Economics, in 1997 - All-Russian Correspondence Financial and Economic Institute, major - Finance and Credit.

He has been working at CBM since 2001. He accounts for the Bank's retail business and functioning of the bank branches.



Andrey G. Ivanov

Vice President

Born in 1957. In 1981 graduated from the Moscow State Institute of International Relations (MGIMO-University), major - International Law.

He has been working at CBM since 1999. His responsibility spans the development of the Bank's international business.



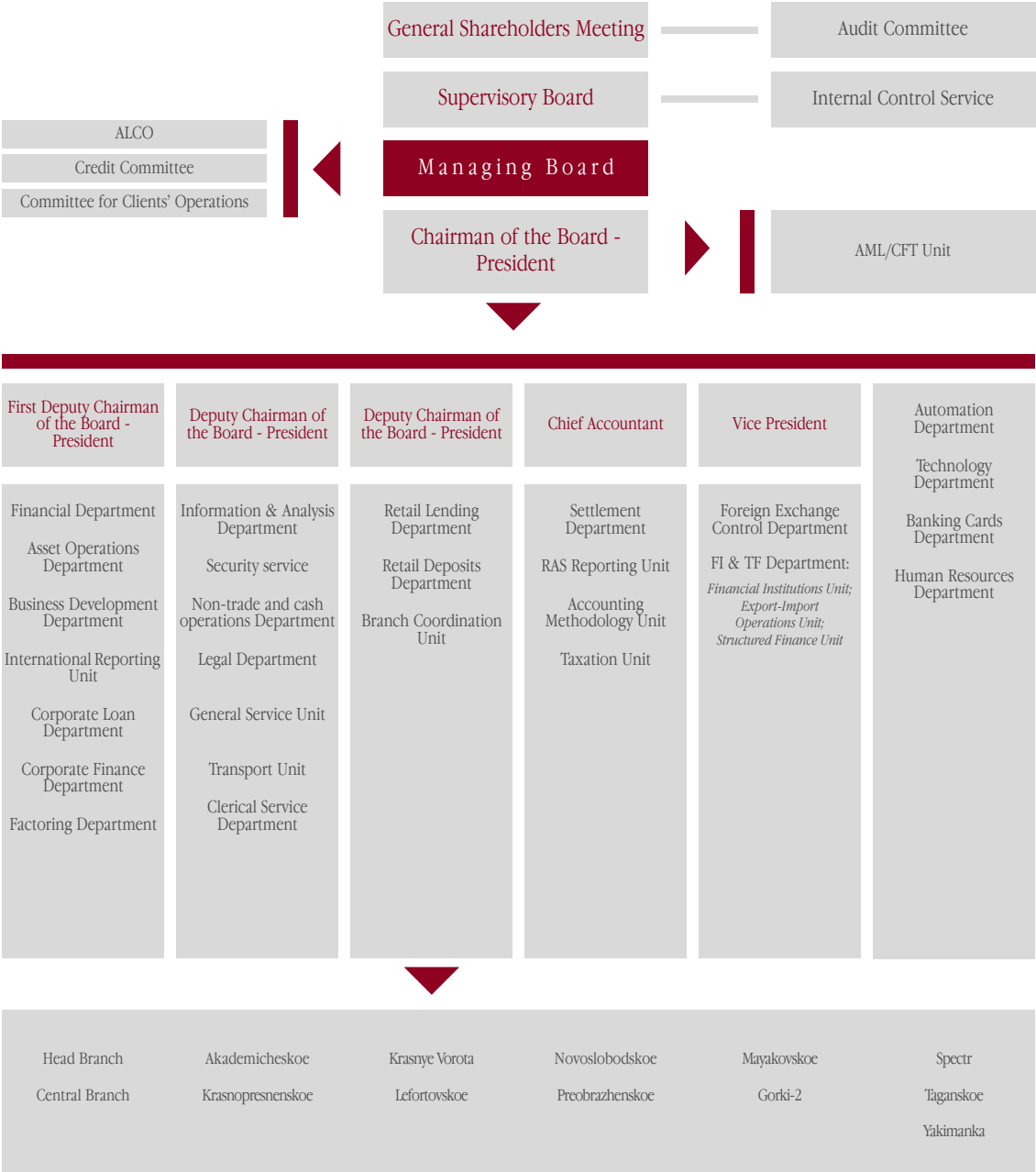
Olga I. Melnikova

Chief Accountant

Born in 1965. In 1987 graduated from the Moscow Chemical Engineering Institute. In 1997 graduated from the All-Russian Correspondence Financial and Economic Institute, major - Finances and Credit.

She has been working at CBM since 1994. She is responsible for the work of the Accounting Department.

Organizational Structure



2004

12

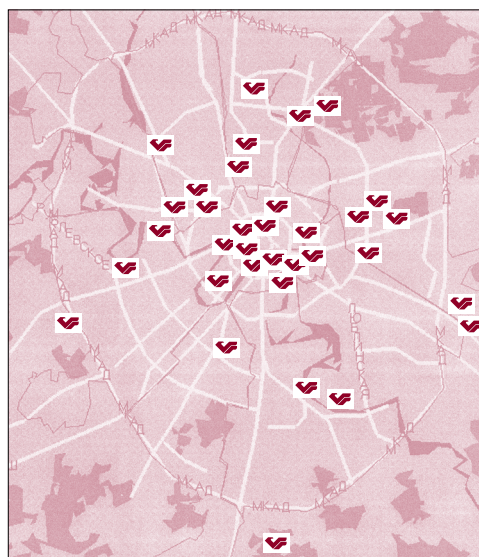
Annual report

Branch Network

The Bank has a branch network of 13 full-scale branches, 15 retail branches and 7 currency exchange offices.

The Bank has a branch network in Moscow, including 13 full-scale branches, 15 retail branches and 7 currency exchange offices, sited with the Bank's partners such as trade companies - "Starik Khottabych", "M-Video", "Sportmaster", offices of the travel agency "SunExpressTravel", motosalon "Bike-Shop" and autosalon "Lada Favorit". At present, there are no branches in other cities and towns, but the Bank's regional development program envisages opening branches in Moscow region in 2005-2006.

Below you can see the map of branch network:



The Bank seeks to expand its geographical reach.

Being sited with the client companies, the outlets provide them with cash services, as well as bring them competitive advantage through serving customers who pay in foreign currency or by credit cards.

In 2004, extension of the range of services and the working hours resulted in 28% increase in volume of transactions performed by the retail branches. The Bank's plans for the near future envisage setting up more retail outlets sited with companies which need closer banking services. The Bank opens up its regional branches when it already has a certain volume of operations with clients in those regions.

Ownership Structure

The Bank's shareholders are companies incorporated in the Rossium Concern. The ultimate beneficial owner of the Bank is Roman Avdeev.

Roman I. Avdeev

was born in 1967 in Odintsovo, Moscow region. In 1996 graduated from the Lipetsk State Technological University (qualification - design engineer), in 1994 from the Moscow International University of Business and Information Technologies (major - banking). In 1999 he was awarded a Degree in Engineering Sciences.

He is a founder and owner of the Rossium Concern, Chairman of the Bank's Supervisory Board, and a management body member of several key companies of the Concern.



2004

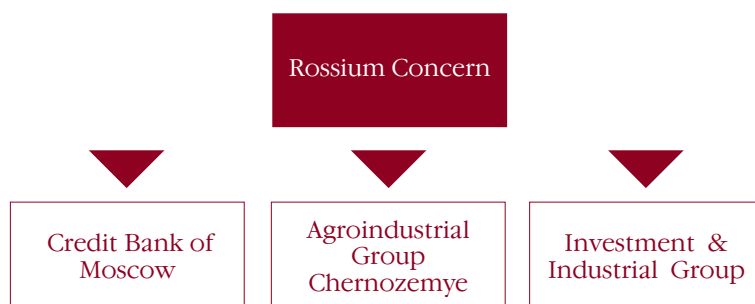
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Rossium Concern Structure

The Agro-Industrial Group "Chernozemye" was set up in 1997. It comprises several agricultural firms, two sugar refineries, and also suppliers and sellers. The total daily processing capacity of the sugar refineries is about 8,000 tonnes of sugar-beet.

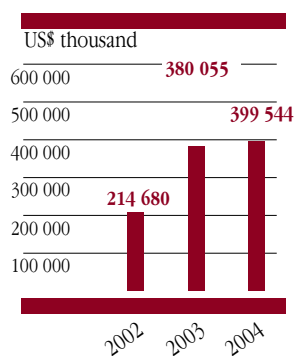
The Investment and Industrial Group comprises a number of companies engaged in production of building materials, in particular concrete and reinforced concrete products and constructions. At present the Group includes a large reinforced concrete production plant and sales departments, collectively carrying out the entire production and selling cycle. The Group also includes a construction fair and a textile mill.

Rossium Concern has a diversified structure comprising, apart from the Bank, the Agro-Industrial Group and Investment & Industrial Group



Business Activities

Assets dynamics



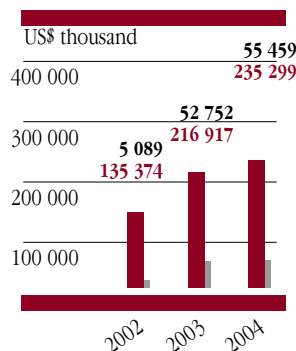
The last two years showed encouraging dynamics of CBM's business operations, 2003 seeming to have been more favourable. The Bank managed to increase the volume of transactions, to expand the lending portfolio especially its retail lending sector (increased by 10 times).

2004 was a year of progressive implementation of the Bank's financial strategy that enabled it to successfully overcome the banking market turmoil, while keeping liquidity and asset quality at higher levels.

In the first half of 2004, the Bank geared up its private customer operations.

The total assets of the Bank grew by 5,1% - from US\$380,055 thousand as of the end of 2003 up to US\$399,544 thousand. Interest-earning assets increased by 4,7% - from US\$374,674 thousand up to US\$392,644 thousand. In 2004 corporate lending volume grew by 8,5%.

Loan portfolio dynamics



■ Loans to individuals
■ Loans to corporate clients

However, the banking turmoil in the middle of 2004 slowed down the development of the Russian private banking business, which also affected CBM. Yet, by the end of 2004, the Bank restored its position with 5,1% increase in total assets.

The Bank's strategy of product promotion, accompanied by active fund raising, resulted in CBM's successful development in the first half of 2004. Slower growth of the loan portfolio was attributable to the mid-year market instability.

By the end of the year, the Bank's loan portfolio reached US\$290,758 thousand.

Loan agreement made between CBM and International Finance Corporation in October 2004 stirred up SMEs lending by the Bank. At the end of 2004 SME loan portfolio of the Bank made up US\$3.6 Mio. Intending to propel this activity throughout 2005, CBM expects its SME loan portfolio to run over US\$10-15 Mio by the 2005 year-end.

Corporate Banking

CBM's target corporate client base are large Moscow-based wholesale and retail trading companies (including "M-Video", "Sportmaster", "Starik Khottabych", "Svyaznoy" and other companies). Such companies have large distribution networks and are sectoral leaders. An attractive feature of the trade companies as borrowers is a short-term business cycle resulting in a more rapid stock turnover and lower default risk.

Large Moscow-based wholesale and retail trading chains frame one of the key business niches of the Bank.

One of the priority goals of the Bank is to develop a SMEs lending program (loans up to 500 thousand US dollars). The SMEs lending program is to be financed by target funds borrowed from the international financial institutions (in particular, from the International Finance Corporation and European Bank for Reconstruction and Development). SME loan portfolio is planned to increase up to US\$10-15 million by the end of 2005.

The Bank ranks SMEs lending as a priority goal.

The CBM corporate banking services include loans and guarantees, trade finance, cash operations, and international payments.

2004

16

Annual report

Lending

CBM's main credit products include:

- Bridging of cash flow gaps for the period of up to 45 days - the Bank offers short-term funding instruments: overdrafts, loans against collected sales proceeds;
- Financing of working capital for the period of 3 months to up to 1 year;
- Investment loans for up to 8.5 years.

Overdraft is provided by CBM in roubles for up to 1 year. In practice, the average loan term rarely exceeds 30 days. Overdraft limit makes up to 35% of the average monthly current account turnover. No collateral is required.

The main competitive advantage of CBM's overdraft is the possibility to set the limit before account is opened and upgrade it subject to account performance. Overdraft application is considered within 5 days.

Loan against sales proceeds is granted for the purpose of goods in stock procurement, with the borrowers normally being network distributors. This facility is available for the Bank's clients who use cash collection or acquiring services or handle their cash operations through the Bank.

Seeking to meet its clients' needs, CBM offers competitive loan products such as overdrafts and loans backed by collected sales proceeds.

Corporate Banking

Loan amount depends on the volume of the relevant services or operations. The loan is repaid automatically from each portion of sales proceeds. Loan is granted in Russian roubles for up to 4 months. Loan amount can make up to 75% of the average monthly sales proceeds. No additional collateral is required.

Loan decision can precede execution of an account agreement and cash collection agreement and/or agreement for acquiring services. Loan may only be disbursed after there have been three cash receipts on the client's account. Loan application is considered within 5 days.

Promotion of lending programs addressed to small enterprises is of strategic importance for CBM.

Working capital financing is especially popular with clients increasing their stock (including trade companies when they are widening their product range) or experiencing extension of their operation cycle. Loan is granted in Russian roubles, US dollars and euros for up to 12 months.

Financing can be either monetary or documentary.

Documentary lending may take form of bank guarantees which help settle payments under contracts and agreements, payments for service rendered, repayments of advances and loans, as well as secure due deliveries or comply with tender terms or customs obligations. Documentary lending can also take form of letters of credit confirmed, where appropriate, by a foreign bank. Documentary financing does not require account relationship with the Bank.

Documentary operations largely rely on long-term financing facilities provided to the Bank by foreign financial institutions. Special purpose financing under import contracts is provided in major currencies for a tenor varying from 2 to 8.5 years.

The Bank also provides financing out of its own funds in roubles and foreign currency for 1 to up to 3 years.

Corporate Banking

Cash operations

For many of the Bank's clients, one of the most important cash processing services is collection and delivery of cash and valuables. CBM has been one of the leaders among Moscow banks in providing this service for several years. Higher reliability of its collection and delivery services has gained to CBM a lot of long-term relationships with its clients.

CBM has been one of the leaders among Moscow banks in collection and delivery of cash and valuables.

The Bank collects cash from notable Moscow supermarket chains, dealers in mobile phones and computers, publishing houses, realtors etc.

2004 yearly figures show that cash collection volume increased by 57% as compared to 2003. Earnings from cash collection and delivery grew by 45% and made up US\$931 thousand.

Foreign trade financing

facilitates foreign transactions of the Bank's clients. It normally covers import/export of consumer goods, equipment, machines or services.

The Bank is one of the trade finance leaders among medium-sized Russian banks.

The Bank is one of the trade finance leaders among medium-sized Russian banks. In 2004 documentary transaction turnover increased by 62% as compared to the previous year. The long-term financing is marked by 17% increase as compared to 2003.

International payments

Credit Bank of Moscow has a ramified network of correspondent accounts in all major currencies with clearing leaders worldwide. Total number of Bank's nostro account relationships exceeds 20 and include the following international correspondents:

The Bank maintains a network of about 60 correspondent account relationships.

Wachovia Bank, UBS (Stamford Branch), Deutsche Bank Trust Company Americas, Commerzbank AG, Bayerische Hypo- und Vereinsbank AG, Raiffeisen Zentralbank Österreich AG, Banca Nazionale del Lavoro S. p. A., IntesaBci S.p.A. (Milan, Italy), UniCredito Italiano S. p. A., Svenska Handelsbanken, Nordea Bank Finland PLC, Komerční Banka a. s., Kazkommertsbank and others.

CBM maintains over 100 loro accounts in its books.

2004

18

Annual report

Retail Banking

Credit Bank of Moscow holds market leadership in terms of retail loan portfolio growth.

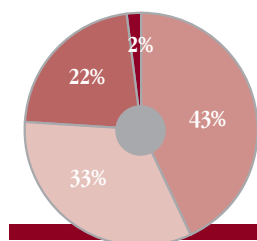
Credit Bank of Moscow focuses its retail business on:

- Consumer loans (mainly loans for purchase of domestic and foreign cars)
- Mortgage loans
- Services to corporate clients' employees (corporate cards, acquiring and corporate cards service)
- Customary retail services (deposits, transfers, cards, traveller's cheques, safe boxes etc.).

Credit Bank of Moscow entered the local consumer loan market in 2003 and now holds the lead in retail loan portfolio growth. CBM links its development strategy to promotion of retail lending and attraction of new retail customers.

Car Loans

Structure of retail loan portfolio as of 31.12.2004



Car loans (foreign cars) — 43%

Car loans (domestic cars) — 33%

Mortgage lending — 2%

Other consumer loans — 22%

Loans for purchase of domestic and foreign cars are the core activity in the sphere of consumer lending. Such loans are granted for up to 4 years. CBM has evolved flexible interest rates paralleling loan-to-value ratio. The Bank sells its lending products through more than 200 car dealers' points of sales (including all major local dealers of foreign and domestic car producers).

Borrowers are appraised by the car dealers' employees instructed by the Bank or by the Bank itself. Car loans can be granted at all CBM's branches.

Successful development of the Bank's retail programs owes to the wide product range which constantly expands.

Retail Banking

Retail loans	Volume (US\$ thousand)
Car loans (foreign cars)	23,796
Car loans (domestic cars)	18,395
Mortgage lending	1,286
Other consumer loans	11,982
	55,459

The Bank offers a number of car loan programs.

"Autoconstructor" program is mainly designed for consumers who buy foreign cars. It allows a borrower to choose the rate depending on the down payment and tenor. Such loans are granted in foreign currency for up to 4 years. Down payment varies from 0 to 50%, interest rate - from 9.5% to 12% p.a.

CBM's scoring technologies allow to limit processing of express car loan applications to 1 hour.

2004

20

Annual report

Another program is for purchase of second-hand foreign cars not older than 4 years.

Average loan for purchase of foreign cars amounts to US\$12-15 thousand.

In 2004 the Bank introduced "Autoexpress-credit" program providing for express loans of RUR 40-450 thousand for purchase of either Russian or foreign car. The rate varies from 13% to 20%.

Time-efficiency is a strong point of CBM's car lending. It takes 3 hours to process an "Autoconstructor" application and only 1 hour to process an "Autoexpress-credit" application. Loan documentation is executed within one day after the borrower has furnished complete package of necessary documents. The package is kept bearable for clients and it is not required to provide surety. Foreign car loans are usually granted in foreign currency and domestic car loans in roubles.

Retail Banking

At present, CBM's car loan portfolio is about US\$42 million.

Loans can be repaid at any branch or retail office of the Bank. Upon 3 months after loan agreement date, loans may be prepaid in full without any penalties. The average duration of car loan portfolio is 14 months. CBM ended this year with US\$42 million in car loans and plans to push this figure up to US\$70 million by the end of 2005. Foreign car loans and domestic car loans are planned to be in the 50/50 ratio. The main competitive advantages of CBM car lending are:

- Extensive number of partners (most car dealers of Moscow and Moscow region)
- Strategic partnership with Ingosstrakh insurance company
- Prompt consideration of loan application (within 3 hours; same day disbursement possible)
- Individual, flexible approach to clients (unverifiable income is also taken into consideration)
- Multicurrency cards used for loan disbursement help reduce paperwork and speed up the whole process.

Mortgage Lending

Mortgage lending is a new product for Credit Bank of Moscow. Its mortgage portfolio has just run over US\$1.3 million.

The Bank focuses on lending to well-off individuals (average monthly income per family member is US\$2,000 or more) who want to buy a two room residential apartment priced below US\$100,000.

The Bank expects to enter in a loan agreement with IFC providing for a new mortgage lending program with tenor of up to 8.5 years.

Credit Card Operations

In 2004 CBM actively promoted a number of credit card programs. The Bank passed certification with the largest international payment systems (Visa and MasterCard), and certified its own processing centre, that enabled independent support to its own credit card programs. The Bank joined International Payment System "Diners Club International" and started to issue elite club cards of this payment system. Last year CBM put another prestigious product "MasterCard Platinum" on offer to its clients.

In the reporting year, the Bank had its own processing centre certified by international payment systems.

In 2004 the Bank signed a partnership agreement with an insurance company, a member of the Insurance and Financial Corporation "American International Group", and started to insure the Bank's card holders. That agreement opened opportunities to expand considerably the range of services that CBM can offer to its card holders when they travel abroad. Seeking to broaden its client base and further diversify its product portfolio, the Bank started to implement joint card programs with a number of its business partners.

By the end of 2004, the Bank had issued more than 14,000 cards with aggregate balance of US\$ 3,611 thousand as of 31.12.2004.

2004

22

Annual report

By the end of 2004, the Bank had issued more than 14,000 cards with aggregate balance of US\$3,611 thousand as of 31.12.2004.

Aiming to further expand its plastic card programs, the Bank intends to offer salary projects to its corporate customers. CBM also plans to expand its ATM and service outlets network.

In 2005 CBM intends to enter into an agreement with American Express Company enabling the Bank to issue cards of this company.

Deposits by Individuals

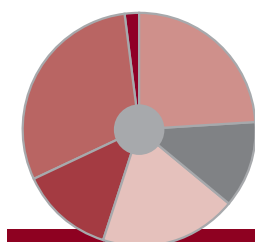
CBM offers a variety of deposit products for different purposes: saving, accumulation and specific purposes. Effective designing of newer products responding to seasonal market fluctuations and demands of separate customer clusters resulted in 40% rise in retail deposits from September through December 2004.

On December 2, 2004 Credit Bank of Moscow was officially enlisted to the State Deposit Insurance System.

This business activity got underpinned by the Bank's accession to the State Deposit Insurance System which was announced by Deposit Insurance Agency, Russian state corporation, on 2 December 2004. CBM largely links accumulation of retail deposits to funding of its consumer lending programs.

Sources of Funding

Bank's liabilities structure as of 31.12.2004



Equity — 24%
 Due to banks — 12%
 Due to customers—demand — 19%
 Due to customers—time — 13%
 Debt securities issued — 30%
 Provisions, accruals
 and other liabilities — 2%

CBM mainly funds its asset operations from clients' funds in the form of account balances and deposits, both corporate and retail. At present, this source accounts for 32% of the total liabilities. Corporate customers contribute 60% to it, and retail ones contribute 40%.

Strategy of attracting corporate funds into deposits has the following target groups:

- Professional financial market participants: insurance companies and private funds, that are institutional investors interested in making profit and diversifying risks
 Insurance companies also place deposits with the Bank as a part of car loan backed structured finance arrangements
- Businesses with a season-driven settlements pattern that accumulate funds over one period of time and then make large one-off payments for goods in the other, or that get advance payments and utilize them according to an agreed schedule
- Businesses that reserve short term (from 7 to 30 days) liquidity surplus against delivery of goods.

Corporate clients account for the overwhelming share of deposits and current accounts of legal entities, leaving a tiny portion for budget organisations.

Liabilities structure	Volume (US\$ thousand)
Equity	95,450
Due to banks	49,604
Due to customers - demand	75,573
Due to customers - time	49,991
Debt securities issued	119,810
Provisions, accruals and other liabilities	9,116
	399,544

Sources of Funding

To finance its target programs, the Bank raises funds from international financial institutions and banks both as a part of trade finance programs and in the form of syndicated loans.

CBM partners with International Finance Corporation (IFC), and negotiates with European Bank for Reconstruction and Development (EBRD) and Kreditanstalt für Wiederaufbau (KfW), to finance purpose lending programs such as lending to SMEs of Moscow and Moscow Region, mortgage lending and trade finance.

As of 31.12.2004, the volume of funds attracted from banks made up US\$49,604 thousand or 12% of total liabilities.

CBM perpetually increases the volume of its retail deposits. During the first half of 2004, retail deposits grew at a rapid pace, but then slowed down under the banking turmoil in June. In August the growth recommenced and, by the end of the year, retail deposit portfolio amounted to US\$50,378 thousand repeating itself as compared to US\$53,463 thousand at the end of 2003.

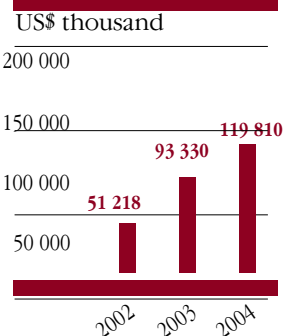
The Bank also intends to finance its transactions by issuing debt instruments in the Russian and foreign markets. The volume of debt securities issued by CBM was US\$119,810 thousand as of 31.12.2004.

Under the program of debt securities issue, the Bank offers promissory notes for a period from 3 months up to 1 year in roubles and foreign currency. Main buyers of these notes are:

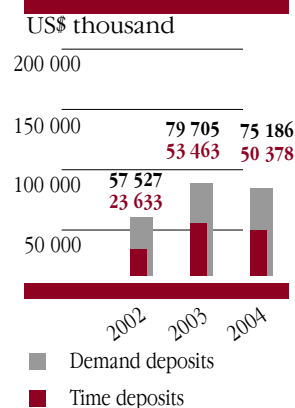
- Financial institutions: banks, investment companies and insurance companies use the Bank's debt papers as investment instrument. Banks favour this instrument because CBM accepts it as collateral under short-term interbank loans and repurchase arrangements
- Insurance companies partnering with the Bank in lending programs: purchase of promissory notes is a part of car loan backed structured finance arrangements
- Bank's clients who allocate disposable funds in the Bank's debt instruments.

Shareholders' equity accounts for a considerable share (24%) of the Bank's liabilities. Over the two previous years, the shareholders' equity increased by 13% and made up US\$95,450 thousand.

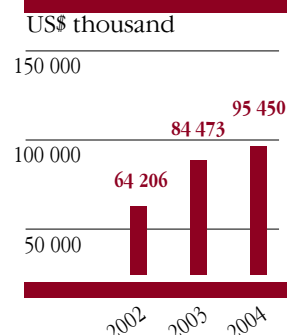
Dynamics of debt securities issued by the Bank



Deposits dynamics



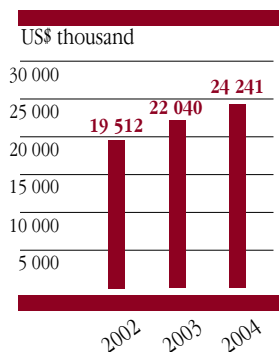
Shareholders' equity



Financial Highlights

Profits and Losses

Dynamics of the Bank's net interest income

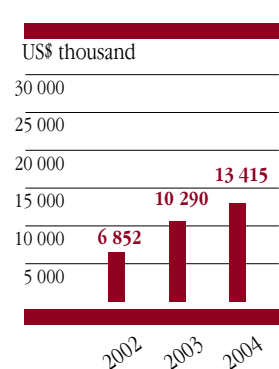


2004 results show that the Bank's interest income remained at a high level in spite of negative dynamics of the loan portfolio volumes caused by the banking turmoil in summer. In fact, a 10% increase can be seen in 2004 result as compared to 2003.

Non interest income proved itself as a reliable source of income. Its 30% accretion was mainly driven by fees and commissions, that rose by 22%. Recent years saw the margins shrinking under competitive pressure. This set up a trend of their replacement by fees and commissions, which is reflected in CBM's comparative dynamics of interest and non interest incomes.

At the same time, the non interest expenses grew at a sharper rate (53%). The Bank approved a strategy aimed at curbing expenses in 2005.

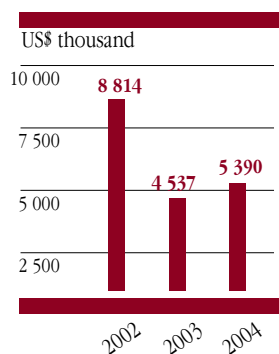
Dynamics of the Bank's non interest income



In 2004 CBM amply ploughed in international operations, in particular the Bank focused on building relationships with IFC and EBRD, and also in banking card business. Expenses these projects entailed weighed down the 2004 income statement.

Good dynamics was shown by the Bank's net income: in 2004 it improved by 19% and made up US\$ 5.4 Mio.

Net income dynamics



Profits and Losses

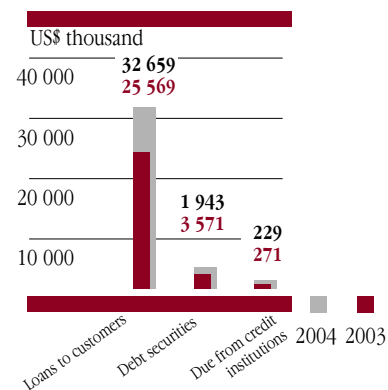
Detailed Income Statement (US\$ thousand)

Interest income and expenses	2004	2003
Interest income		
Loans to customers	32,659	25,569
Debt securities	1,943	3,571
Due from credit institutions	229	271
	34,831	29,411

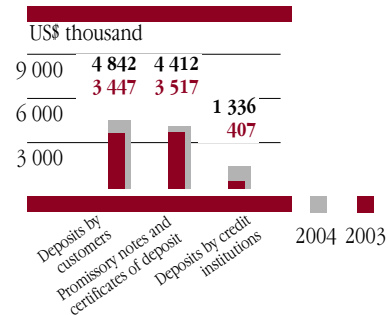
Interest expense		
Deposits by customers	(4,842)	(3,447)
Promissory notes and certificates of deposit	(4,412)	(3,517)
Deposits by credit institutions	(1,336)	(407)
	(10,590)	(7,371)
Net interest income	24,241	22,040

Non interest income	2004	2003
Settlements and wire transfers	3,858	3,608
Cash operations	2,474	1,957
Letter of credit commissions	1,689	948
Guarantees issued	351	512
Other	1,960	1,413
Non interest income	10,332	8,438

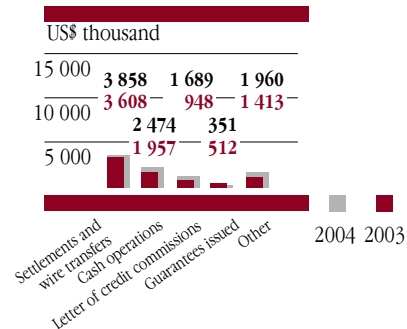
Interest income



Interest expense



Non interest income



2004

26

Annual report

Capital Adequacy and Prudential Ratios

Capital Adequacy

Bank's present capital adequacy ratio of 28% (Basel) and 24% (Central Bank of Russia) is safe above the mandatory pegs of 8% and 10% respectively. Over the last two years, absolute growth of equity (from US\$84,473 thousand in 2003 to US\$95,450 thousand in 2004) was paralleled by its growth as a percentage of total liabilities (from 22.2% as of December 2003 to 24% as of December 2004).

Given the present capitalization surplus, the Bank plans to gradually build up its liabilities bringing the ratio down to 15%.

Liquidity

The Bank's liquidity ratio also exceeds the mandatory peg (see Table 6). Assets and liabilities are well matched by maturity.

The Bank's compliance with the CBR's ratios as of 31.12.2004.

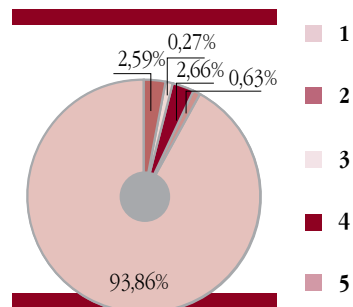
Ratios		Mandatory ratio	Actual ratio
N1	Capital adequacy	min 10%	24.0%
N2	Quick liquidity	min 15%	61.8%
N3	Current liquidity	min 50%	72.5%
N4	Long-term liquidity	max 120%	58.5%
N5	General liquidity (liquid assets to total assets)	min 20%	24.8%
N6	Maximum exposure per one borrower	max 25%	13.4%
N7	Maximum large credit risk	max 800%	112.5%
N9.1	Maximum exposure to shareholders	max 50%	0.0%
N10.1	Aggregate exposure to insiders	max 3%	1.7%
N12	Equity interest in third parties	max 25%	0.0%

Loan Portfolio Quality

Loan portfolio breakdown by risk category, US\$.

	31.12.02	31.12.03	31.12.04
1	116,754	218,416	272,896
2	23,225	50,362	7,536
3	0	58	779
4	483	706	7,724
5	0	127	1,823
TOTAL	140,462	269,669	290,758

Loan portfolio by risk category as of 31.12.2004



2004

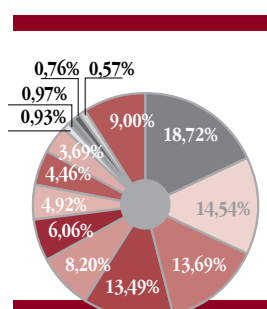
28

Annual report

Concentration of loan portfolio
Loan portfolio breakdown by sector as of 31.12.2004

Economic sector	Loan volume, US\$ thousand	Share in the portfolio, (%)
Food products	44,039	18.72
Consumer electronics and computers	34,204	14.54
Light industry	32,213	13.69
Construction materials	31,737	13.49
Sporting goods	19,292	8.20
Services	14,258	6.06
Furniture	11,587	4.92
Other customer goods	10,504	4.46
Machinery	8,680	3.69
Hygiene products and consumer chemicals	2,282	0.97
Other	2,187	0.93
Metal products	1,800	0.76
Medical goods	1,337	0.57
Paper and stationary	21,179	9.00
TOTAL	235,299	100.00

Loan portfolio by sector



Loan Portfolio Quality

Concentration of loan portfolio

At present concentration of loan portfolio is not very high. As of the end of 2004, 10 largest borrowers accounted for 23% of the total loan portfolio, 18% of the Bank's total assets. The largest single borrower accounted for 7% of the total loan portfolio and 5% of the total assets.

Concentration of the Bank's loan portfolio is subject to the following guidelines:

- Loan to a single borrower cannot exceed 6% of the interest-earning assets and 20% of the equity;
- Loans to related parties cannot exceed 15% of the interest-earning assets and 25% of the equity.

Related Parties

At present, loans to related parties represent a relatively small share of the assets (6-8% of the interest-earning assets). As of the end of 2004, such loans accounted for US\$22,298 thousand. The overwhelming portion of them was granted to AIG Chernozemye, an agribusiness engaged in cultivating and refining sugar beet. These loans were used to finance deliveries of agricultural equipment and planting stock from abroad. As of the end of 2004, the weighted average interest rate on these loans was 12.3%, which confirms that these were arm's length transactions.

Risk Management

CBM has a system of risk management that integrates analysis and control over the following risk types:

- Credit risk
- Liquidity risk
- Currency risk
- Interest risk
- Operational risk.

The Bank's credit policy commits credit risk decision-making to the Credit Committee. Credit risk being an essential banking risk, a fair credit risk assessment is a key factor of the Bank's overall efficacy. This high-performance system of credit risk management upholds a superior quality of the Bank's loan portfolio.

Liquidity, currency and interest risks are managed by the Bank's Assets & Liabilities Committee (ALCO) responsible for making decisions necessary to keep up an optimum assets and liabilities structure.

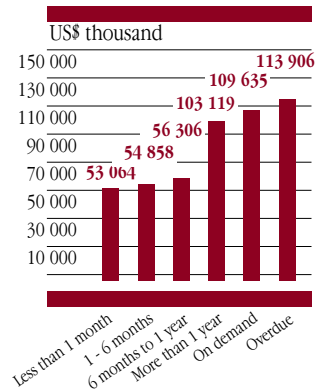
Liquidity risk management is based on the ongoing monitoring of assets and liabilities structure and forecasting of their future dynamics. The risk is analysed in the following succession:

- Estimates gathered from the Bank's units are transfigured into a chart showing inflows and outflows with respect to each group of assets and liabilities
- Statistical analysis methods (VAR-analysis, stress tests) are employed to identify necessary levels of quick and short term liquidity
- Liabilities forecast is balanced with highly liquid and liquid assets reserves needed to meet customer's demands in full, even under stress
- Finally, liquidity surpluses/shortages are identified all through the forecast period together with respective allocation/funding options.

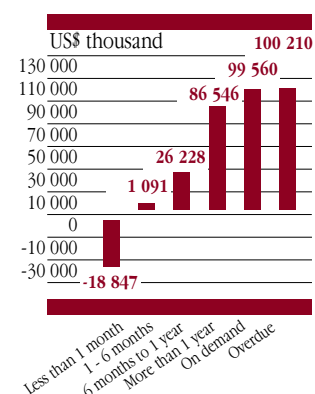
Such a method prevents liquidity gaps and secures continuous remittance of client payments. It also trims down costs associated with unplanned funding and enhances assets performance by means of identifying the right instruments to plough in.

Risks the Bank faces in interbank transactions (loans, deposits, conversion and FOREX transactions) are subject to a multi-level system of control and curbing. It starts with the CBM's Financial Department carrying out comprehensive analysis of counteracting banks to set or confirm credit limits. Each one is appraised based on its financial

Accumulated liquidity gap, 2004



Accumulated liquidity gap, 2003



Risk Management

statements and additional data from media and other open sources. Limits are set under the Bank's limit policy, that follows the principles of risk diversification among multiple parties and dispersion of single party limits over separate financial instruments. Aggregate bank risks are capped by an all-round limit set for risk-bearing interbank transactions. This limit shows the maximum of total single party limits that can be allowed. Final decision-making with respect to setting limits is placed in charge of the ALCO.

CBM perpetually monitors and forecasts dynamics of its open currency position.

Currency risk is an essential risk a credit institution faces. It is the risk of depreciation of assets denominated in one currency as contrasted to liabilities denominated in another. This risk is driven by administrative, political, macroeconomic and financial changes. The Bank is committed to ongoing monitoring and forecasting its open foreign currency position dynamics both in each single currency and as whole.

Resulting data, combined with information on Russian economy and international financial markets moves, underlies CBM's decisions on its open foreign currency position quotas subject to Bank of Russia's guidelines. The right choice enables the Bank to keep down the currency risk and, in parallel, to earn more on hiking exchange rates.

Risk Management

Liquidity risk. Assets and liabilities (US\$ thousand)

December 31, 2004							
	<1 month	1 to 6 months	6 months to 1 year	> 1 year	On demand	Overdue	Total
Assets	191,822	119,099	26,162	61,014	6,516	4,271	408,884
Liabilities	138,758	117,306	24,714	14,201	-	-	294,979
Net position	53,064	1,794	1,448	46,813	6,516	4,271	113,905
<i>Accumulated gap</i>	53,064	54,857	56,305	103,118	109,634	113,905	

2004

32

Annual report

Liquidity risk. Assets and liabilities (US\$ thousand)

December 31, 2003							
	<1 month	1 to 6 months	6 months to 1 year	> 1 year	On demand	Overdue	Total
Assets	142,706	125,577	40,721	64,319	13,014	650	386,987
Liabilities	161,553	105,639	15,584	4,001	-	-	286,777
Net position	-18,847	19,938	25,137	60,318	13,014	650	100,210
<i>Accumulated gap</i>	-18,847	1,091	26,228	86,546	99,560	100,210	

Risk Management

The Bank's allocation and funding rates are subject to ongoing optimization

Interest risk is brought on by changing yields on different financial instruments. It can affect both interest income or expense and market value of assets and liabilities.

To mitigate its impact on the Bank's financial results, assets and liabilities yields dynamics is assessed statistically and forecast for the period ahead, which underlies an optimized choice of assets and liabilities structure that enables the most durability to losses caused by the interest risk. CBM also keeps adjusting interest rates borne by its allocated assets and incurred debts to the current market conditions and tariff policy of the major players.

Operational risk comes out of the Bank's operation and its working setup. This risk is managed by elaborate internal control system. The system is aligned with the guidelines of the Bank of Russia and the Basel Committee on Banking Supervision. The Bank's top management is in charge for shaping and performance of an effective system of internal control to be implemented by the Bank's management bodies, Audit Committee, Chief Accountant and deputies, structural units and employees as defined by the Bank's by-laws (Internal Control Service, AML/CFT Officer, Security Market Controller etc.).

Securities Investment Policy

Russian State Bond Transactions

New guidelines on calculating liquidity ratio, adopted in April 2004, made federal bonds investments more attractive for Russian banks. The high rate of compulsory reserves on OFZ purchase by nonresidents and regular primary issues resulted in OFZ yield reaching the level of the top private issuers in the second half of the year.

The bank tripled its OFZ investments, the trade volume reaching US\$30,271 thousand. Russian Eurobonds exposure was insignificant due to the expected strengthening of rouble. State bonds are normally used for short-term liquidity management and may also be used as pledge under the CBR loan facility.

In 2004 the trade volume of state bonds investments rose to US\$30,271 thousand.

Private Bond Transactions

In 2004 nongovernmental bonds market experienced growth of liquidity and an influx of new top-rated IPOs with various durations. Strengthening of rouble position favoured foreign investors' activity.

The bank invested in highly rated municipal, subfederal and corporate bonds: City of Moscow, Moscow Region, Gazprom, Vneshtorgbank, Russky Alyuminy, ALROSA etc. Volume of private bond transactions jumped by 2.7 times to US\$44,326 thousand.

Volume of private bond transactions jumped by 2.7 times to US\$44,326 thousand.

Promissory Notes Transactions

During 2004, upper tier PNs yield decreased on average from 9-11% to 6-8% p.a. PNs with duration of up to 1 year traditionally represent essential part of the Bank's portfolio. In terms of issuers, it mainly consists of Sberbank, Vneshtorgbank, JSC "Gazprom" and Gazprombank's papers. Volume of PNs transactions made up US\$67,651 thousand (in equivalent) for rouble bills and \$50 million for foreign currency PNs. Apart from short-term investment purposes, these instruments are available as pledge under interbank transactions with major market players, such as Sberbank and Gazprombank.

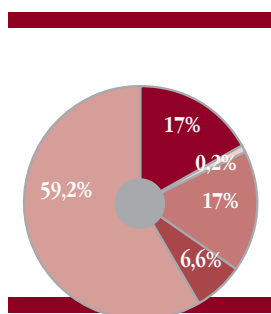
2004

34

Annual report

Securities Investment Policy

Trade securities portfolio
structure as of
31.12.2004



GKO-OFZ — 17%
Eurobonds of Russia — 0,2%
Municipal bonds: Moscow,
Moscow Region — 17%
Corporate bonds: Gazprom,
Vneshtorgbank, Sberbank ,
Alrosa — 6, 6%
Promissory notes: Gazprombank,
Vneshtorgbank, Sberbank — 59,2%

Equity Market

Russian equity market remained highly volatile throughout the whole year. Russian Trading System index hiked in a wide range of 520-790 points, and rose by 10.7% by the year-end. Political risks, increased due to the Yukos case and tax suits to other large companies, did little to raise demand for shares issued by private companies.

During the year, the Bank adhered to the conservative equity market policy, restricting its exposure to state-owned companies only.

REPO Operations

The Bank arranged REPO deals in shares, bonds and promissory notes. REPO deals turnover made up US\$93,338 thousand.

Brokerage Services

The Bank provided its private and corporate clients with brokerage services in debt and equity markets, including Internet-trading. The turnover made up US\$51,894 thousand.

Bank's Insurance

The Bank holds Bankers Blanket Bond insurance and a separate insurance covering losses resulting from failures of the Bank's electronic systems and damages resulting from computer crimes.

The insurer is "Renaissance Insurance" Group. All the insurance risks was fully reinsured with Lloyd's Association, London.

LLOYD'S

The BBB insurance covers losses caused by the following crimes and frauds:

- Theft and deliberate damage to any property of the Bank
- Forgery of financial documents other than securities traded on stock exchanges
- Deliberate fraud, forgery or any other misconduct of a Bank's employee in order to derive profit
- Damage to the Bank by a third party in the ordinary course of business with Bank's employees duly performing their responsibilities.

Computer crime insurance covers losses caused by the following crimes and computer failures:

- Unauthorized access to the Bank's computer system
- Errors and failures in the operation of processing company (including deliberate ones)
- Entry of modified commands into the Bank's electronic systems in order to derive profit
- Deliberate damage, theft or deletion of electronic information and destruction of data carriers
- Effects of computer viruses
- Deliberate distortion of operations carried out via electronic means of communication in order to derive profit
- Fraud with wire transfers
- Deliberate fraudulent securities transfer on wire electronic carriers
- Funds transfer by forged facsimile orders

2004

36

Ratings

International ratings are very important signals for building relationships with foreign partners. This is especially the case with CBM, who seeks beneficial terms of access to financial resources from international banks and financial institutions through syndicated loans, loans for financing of special programs, and issuing debt instruments in the international market. In parallel, CBM aims at developing long-term relations with Russian financial and credit institutions. That said, international rating is a very important instrument for positioning of the Bank on the Russian financial market.

Ratings from Fitch Ratings

Fitch Ratings

On September 23, 2004 Fitch Ratings, the international rating agency, assigned Credit Bank of Moscow (CBM) the following ratings: long-term B-, short-term B, individual D and support rating 5. Long-term rating outlook is "Stable".

Fitch Rating Agency upgraded national long-term rating to BB+ and assigned BB+ to the Bank's bond issue

In April 2005 Fitch Ratings declared the Bank's financial performance to be more stable as compared to the previous rating report (December 2004) and upgraded its national rating to BB+. The same rating was assigned to the Bank's first domestic bond issue.

Confirmation of international rating B-/ B from Fitch

On June 8, 2005 Fitch Ratings confirmed the following Bank's ratings: long-term B-, short-term B, individual D and support rating 5. Long-term rating outlook is "Stable". The rating report mentions good capitalization of the Bank and its stable position in the market. Fitch also confirmed that they were ready to upgrade the Bank's ratings in future if the Bank expanded its business geographically and improved its assets quality control.

Ratings

Ratings from Moody's Investors Service

Confirmation of rating B1 from Moody's

In July 2004 Moody's Investors Service, the international rating agency, confirmed B1 for CBM's long-term foreign currency deposits. Rating outlook was "Stable". Moody's claims to have carried out a comprehensive analysis of the effects that summer banking turmoil and subsequent deposits outflow had on the Russian banks that were rated by Moody's. This analysis showed that most banks promptly recovered and resumed their normal course of business. Furthermore, Moody's expressed doubts that the turmoil was likely to have a long-term negative impact on financial stability of the banks that were reviewed.



Moody's Corporation

2004

Ratings from Moody's Interfax Rating Agency

38

Upgrading of rating to A3 by Moody's Interfax Rating Agency (Russia)

On 14 October 2004 Moody's Interfax Rating Agency upgraded CBM's long-term national-scale credit rating from Baa1 (rus) to A3 (rus). The Bank's short-term rating was affirmed at RUS-2. According to the agency, this upgrade reflects the bank's stronger market positions in SME financing, combined with its firm and developing key niche of servicing retail trading chains in Moscow and the region. The agency analysts mentioned the increased diversification of the Bank's business, and the considerable financial flexibility backed by the high liquidity of its loan portfolio, which evinced during the turmoil in Russia's banking system in June-July 2004.

Moody's Interfax highlighted relatively low level of risk per borrower and group of largest borrowers, good maturity match of assets and liabilities, high liquidity of loan portfolio, and high capitalization. It also appreciated CBM's effective risk management, which was particularly notable during the turmoil.

Ratings

The Banker's Ratings

The Banker

In 2004 Credit Bank of Moscow appeared in "TOP-50 Russian Banks" rating, published by the British periodical "The Banker".

The well-known British financial journal "THE BANKER" (Financial Times' business edition) published its regular **Top 50 Russian Banks Ranking** by Tier I capital and total assets reported under IAS/US GAAP.

Credit Bank of Moscow was ranked 48th by Strength (Tier I Capital); 41 by Assets; 22nd by Soundness (capital to assets ratio); 41 by Income growth; 36th by Performance (Income to Average Capital ratio) and also 36th by Return on assets.

The Banker noted the growth in Russian banking system reflected the buoyant nature of the Russian economy, in which GDP grew 7.5% in 2003 and was forecast to grow 6.8% this year. Despite turbulence in the banking system this summer, the overall forecast was good for the financial sector.



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Independent Auditors' Report

To the Council of JSC "Credit Bank of Moscow"

We have audited the accompanying balance sheets of JSC "Credit Bank of Moscow" ("the Bank") as of December 31, 2004 and 2003, and the related statements of income and other comprehensive income, stockholders' equity and other comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG Limited

KPMG Limited
March 23, 2005



KPMG Limited, a company incorporated under the Guernsey Companies Act, is a member of KPMG international, a Swiss cooperative.

