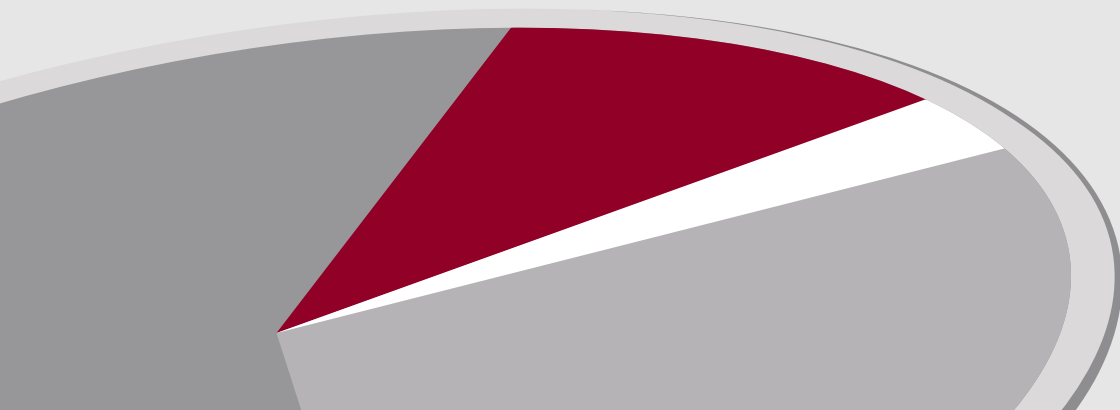


2005

ANNUAL REPORT



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OVERVIEW

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CBM at a Glance

Credit Bank of Moscow is a universal financial institution offering a full range of banking services. Founded in 1992, the Bank has been a success in various segments of Russia's financial market. CBM is an active market player in corporate and retail banking, committed to enhancing its services and product range. The Bank ranks 57 by assets, 82 by equity, 53 by loan portfolio and 42 by retail loans among Top 1000 Russian banks (RBK-Rating). CBM operates in Moscow, Moscow Region, St. Petersburg and Leningrad Region. Under its regional development strategy, the Bank is going to set a ramified network of branches across Moscow's satellite cities in 2006-2007 and move to other economically most favoured regions of Russia thereafter. The Bank closed the year 2005 with a branch network of 36 outlets including branches, cash desks and exchange offices.

Key Features of CBM:

Higher pace of assets growth

The years 2000-2005 saw an average annual asset growth of 57% largely attributable to the loan product policy guided by advanced knowledge of the target client audiences.

Clear strategic vision

Clearly designed strategic lines of its business shaping its evolution as a universal bank with a special focus on consumer lending and its consistency in strategy implementation enabled CBM to develop dynamically throughout the recent years and to promote its positions in the most rewarding spheres of retail banking.

Leading positions in most fast-growing banking segments

CBM spearheads competition in Russia's car lending segment. The Bank sells car loans through a diversified network of local car dealers representing all major foreign and domestic manufacturers. In corporate banking, CBM's main competitive advantage is its unique experience of providing banking solutions for soaring transaction volumes of Russian retail trade companies.

High quality assets and liquid loan portfolio

The Bank pursues a loan portfolio diversification policy by way of finding new clients in various sectors. Related party exposure is kept at a relatively low percent-

age of assets. The loan portfolio is 96% made of standard loans of the 1st risk group, i.e. effectively risk-free loans.

Transparency of business and well-deserved renown in the international financial markets

Transparent structure of CBM's business operations and financial activities contributed to establishing partnership with international institutions. To finance its target programs, the Bank extensively raises funds from international financial institutions.

Strong management team

The Bank is headed by a highly experienced and qualified team that have proved their ability to lead the way through challenging economic environment and won a wide respect of both Russian and international partners.

Efficient risk management system

The Bank has developed a comprehensive credit risk assessment system with an effective and flexible approach to loan decision-making, which enables CBM to uphold a sound competitive position and win new clients.

The Bank's Main Business Activities:

CBM holds strong positions in key sectors of retail and corporate banking. The Bank's business is mostly focused on SME financing, trade finance, car loans and mortgage lending.

Corporate Banking

The Bank provides its corporate clients with:

- Long- & short-term loans.
- Cash collection.
- Foreign trade financing.
- Accounts and payments.

Retail Banking

The Bank provides its private clients with:

- Car loans.
- Mortgage loans.
- Credit cards.
- Deposits.
- Money transfers.
- Settlement services.

Corporate Milestones

2005

- US\$40 mio. syndicated loan facility arranged by Bankgesellschaft Berlin, Commerzbank and Standard Bank plc with 60% oversubscription.
- IFC granted US\$5 mio. 8-year mortgage lending facility.
- Moody's Interfax Rating Agency upgraded CBM's national rating to A2.ru.
- EBRD granted US\$10 mio. 5-year SME lending facility.
- Moody's affirmed CBM's ratings B1/NP.
- Fitch Ratings affirmed CBM's rating B-/B and upgraded national long-term rating to 'BB+(RUS)'.
- CBM joined EBRD's Trade Facilitation Program on US\$15 mio. uncommitted basis.
- Debut domestic bond issue successfully placed: RUR 500 mio. (c. US\$18 mio.), 2 years.

2004

- IFC signed US\$10 mio. Loan Agreement for 5-year SMEs lending program.
- 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 affirmed B1/NP for deposits.
- The Bank admitted by Central Bank of Russia to the state deposit insurance system.
- The Bank opened its own processing centre.
- The Bank 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.

2003

- Moody's assigned CBM B1/NP for long- & short-term foreign currency deposits.
- 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.
- The Bank entered consumer lending and car loans market and managed to attain leading positions there.
- The Bank started its mortgage lending program.

2002

- Basic agreement with AKA (Ausfuhrkredit-Gesellschaft m.b.H) consortium for long-term financing of Russian companies.
- US Dept. of Agriculture included Credit Bank of Moscow in GSM 102/103 and Facility Guarantee (FGP) programs.
- Interfax (strategic partner of Moody's in Russia) assigned long-term Baa3 (rus) & short-term RUS-3 ratings.

2001

- Credit line agreement with Commerzbank AG backed by HERMES – CBM is the first private bank in Russia since 1998 carry out a long-term ECA transaction.

2000

- General license for banking transactions of Central Bank of Russia.
- The Bank approved by HERMES (Germany) for transactions up to 12 months.
- The Bank 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

- Credit Bank of Moscow became the first bank in Russia to receive the official status of a discounting bank for exporters' promissory notes.
- Credit Bank of Moscow became an affiliated member of the EUROPAY International Payment System.

1998

- No damage by the 1998 Russian financial crisis.
- Client base increased dramatically: CBM won a number of new top quality clients as a result of high liquidity and new lending strategy.

1997

- The Bank obtained its securities' market trading license.
- The first branches were opened in Moscow.

1996

- The Bank Membership in Moscow Interbank Currency Exchange and Moscow Stock Exchange.
- The Bank became a Visa International agent.
- The Bank started Union Card emission.
- An agreement with Thomas Cook Group on CBM's trade in traveller's cheques.

1995

- Foundation of the Rossium Concern that incorporated Credit Bank of Moscow as well as Investment, Industrial and Construction Groups.

1994

- Several trade, construction and industrial companies became the shareholders of the Bank.
- A new team of finance managers joined the Bank to tackle the task of expanding CBM's client base and range of services.

1993

- License for banking operations in foreign currencies.

1992

- Inception of CBM.

Managing Board

Credit Bank of Moscow's Managing Board is an executive body in charge of operational performance and ensuring that decisions adopted by the General Shareholders' Meeting and the Supervisory Board as well as

recommendations given by the Audit Committee are implemented.

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.

With CBM since 1995. Prior to the appointment as the Chairman of the Board – President of CBM in August 2004, 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).

With CBM since 1997. In charge of financial and economic analysis of the Bank's activities, budgeting, liquidity and risk management, as well as relations 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 E. Dzerzhinsky at the MIA USSR. In 2005 graduated from Moscow State Social University of the Ministry of Labour and Social Development of the Russian Federation, majors – Finance and Credit and Jurisprudence.

With CBM since 1994. He supervises the Bank's Security Service, Analytical Service, Cash Collection Service and Legal Department.

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, and in 1997 the All-Russian Correspondence Financial and Economic Institute, major – Finance and Credit.

With CBM since 2001. In charge of the Bank's retail business and operation of the 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.

With CBM since 1999. In charge of the development of the Bank's international business.

OLGA I. MELNIKOVA

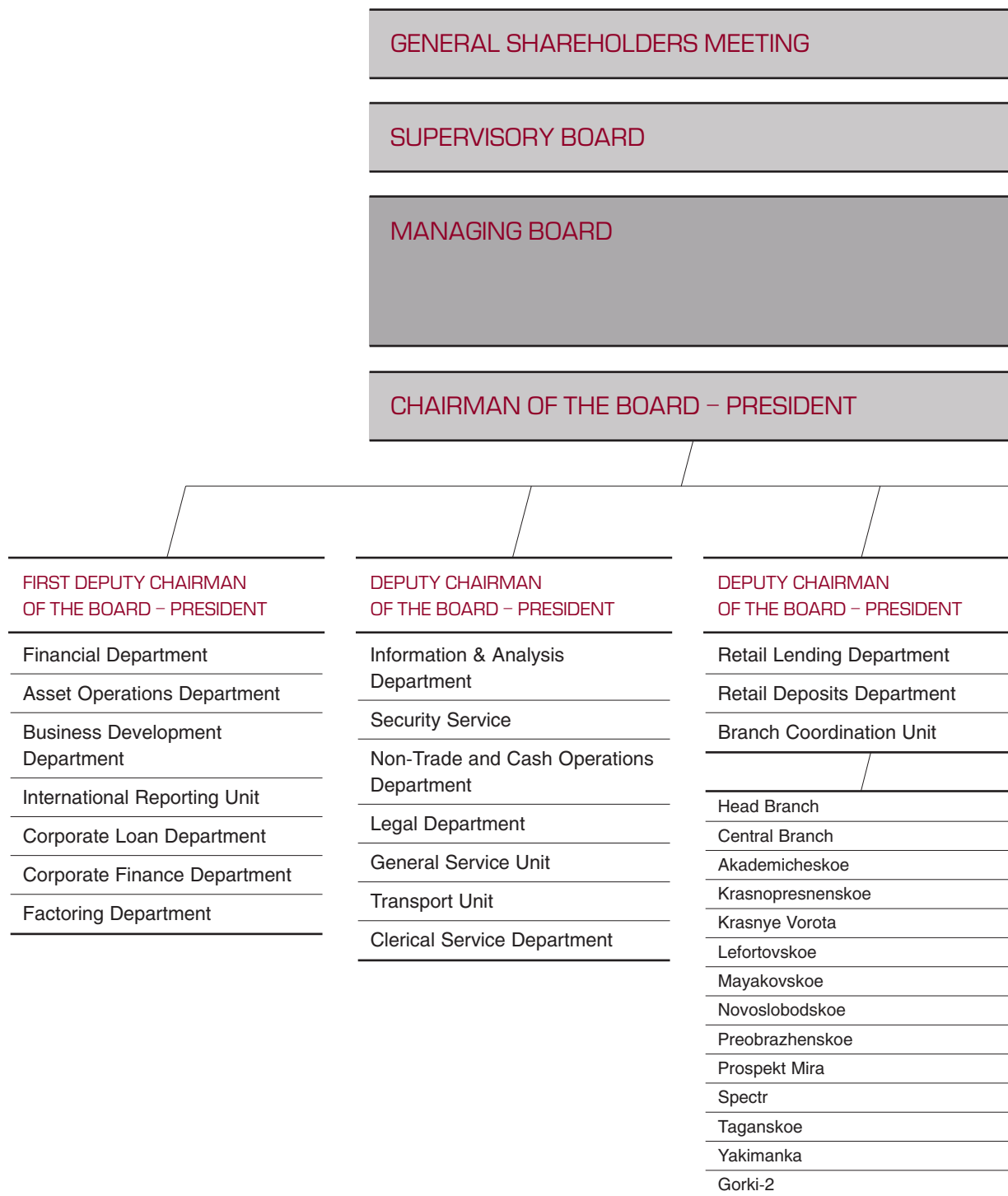
Chief Accountant



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. With CBM since 1994. In charge of accounting, taxation and settlements.



Organizational Structure



Audit Committee

Internal Control Service

ALCO

Credit Committee

Client Relationship Committee

AML/CFT Service

CHIEF ACCOUNTANT

Deputy Chief Accountant

Settlement Department

Accounting Methodology Unit

RAS Reporting Unit

Taxation Unit

VICE PRESIDENT

Foreign Exchange Control
Department

Financial Institutions &
Trade Finance Department

Financial Institutions Unit

Export-Import Operations Unit

Structured Finance Unit

Automation Department

Technology Department

Human Resources Department

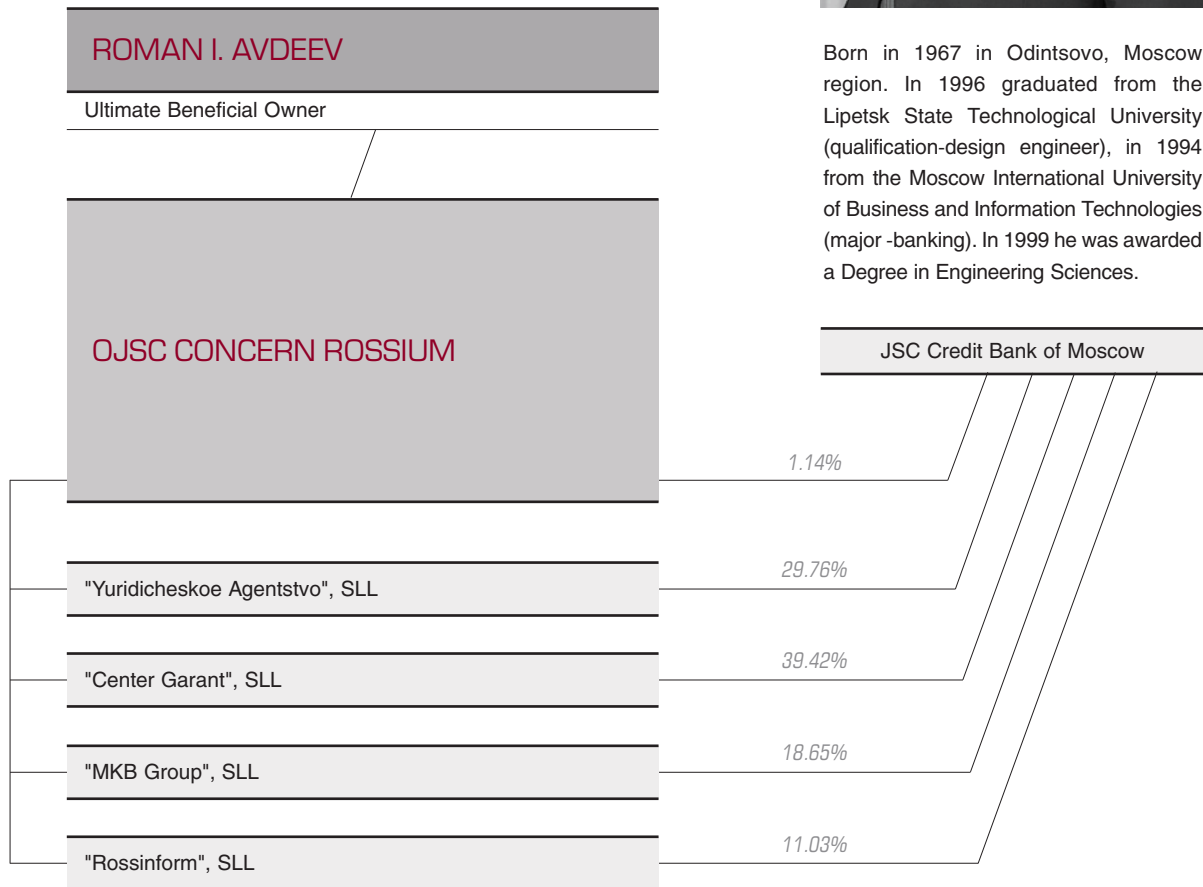
Ownership Structure

The Bank's shareholders are companies incorporated in the Rossium Concern. The ultimate beneficial owner of the Bank is Mr. Roman I. Avdeev, a founder and the owner of the Rossium Concern. Mr. Avdeev is the Chairman of the Bank's Supervisory Board, and a management body member of several key companies of the Concern.

Ownership Chart

The number of major shareholding organizations owing more than 5% of the equity has never exceeded 10. In the first quarter of 2005 it dropped from eight to as few as five companies holding less than 40% each.

The chart below outlines the Bank's ownership structure.



ROMAN I. AVDEEV

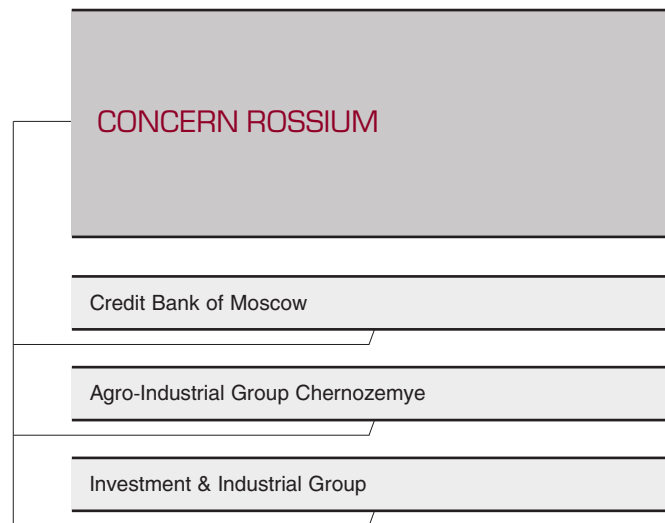


Born in 1967 in Odintsovo, Moscow region. In 1996 graduated from the Lipetsk State Technological University (qualification-design engineer), in 1994 from the Moscow International University of Business and Information Technologies (major -banking). In 1999 he was awarded a Degree in Engineering Sciences.

Rossium Concern Structure

Rossium Concern is a diversified holding company consisting of three major groups engaged in different

spheres of business: Banking Group (represented by CBM), Agro-Industrial Group and Investment and Industrial Group.



The Agro-Industrial Group

“Chernozemye” was set up in 1997. It comprises several agricultural firms, two sugar refineries, and also suppliers and sellers. The main activity of “Chernozemye” is growing and processing of sugar beet, grain crops and vegetables in Lipetsk Region (an agricultural region to the south-east of Moscow).

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.

The Bank's Branch Network

CBM is committed to addressing its customers' needs to the fullest extent possible and providing its services in an easily accessible and convenient mode. To do so, CBM constantly expands its branch network now comprising 14 branches, 16 cash desks and 6 exchange offices in the City of Moscow and Moscow Region. The branches can provide full scope of services to both corporate and private customers. The cash desks are instant service outlets. For clients' convenience, the outlets operate extended hours seven days a week. Several outlets are sited at partner

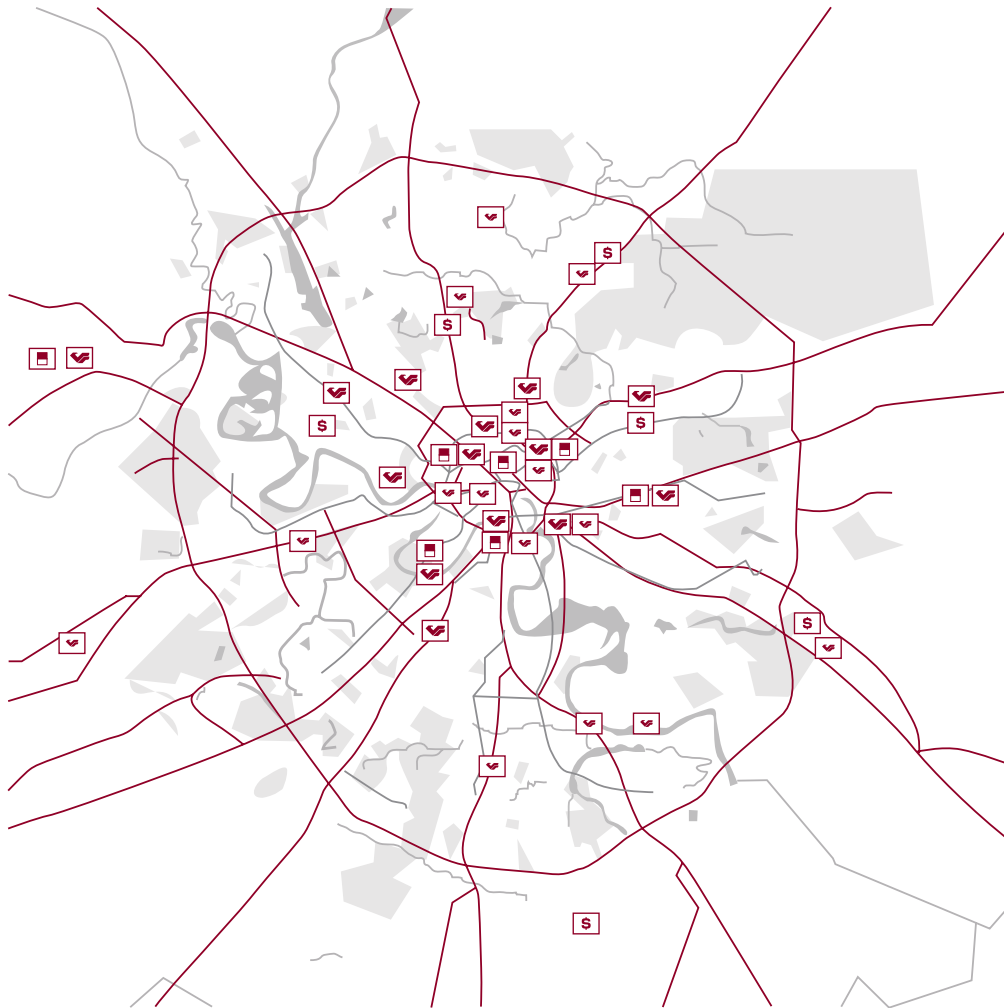
companies “Starik Khottabych” and “Sportmaster”, offices of the travel agency “SunExpressTravel”, motor salon “Bike-Shop” and auto salon “Lada Favorit”. Such outlets provide these client companies with cash services at site which brings them certain competitive advantages.

Extension of the service range and working hours in 2005 brought on a substantial increase in the volume of cash desk transactions. The Bank is going to set up more retail outlets at companies which need banking services at hand.

Conveniently located, all CBM's branches can also pride themselves on the high quality of service.

Under its regional development strategy, the Bank is going to further its expansion and set a ramified network


of branches across Moscow's satellite cities in 2006-2007. In the long run, the Bank intends to enter outlying Russian markets.



 Branches

 Cash desks

 ATMs

 Exchange offices

2005 BUSINESS REVIEW

Key Achievements

Key Performance Indicators

Ratings

Key Achievements

An overview of CBM's yearly operational results shows that 2005 was a particularly successful year for the Bank, a year of advancement in the main banking segments. CBM managed to boost its transactional volume and loan portfolio and to enhance its financial performance.

- One of the Bank's pivotal activities in 2005 was wide-ranging fund-raising from international financial institutions.

In 2005 CBM obtained US\$10 mio. SME lending facility from the European Bank for Reconstruction and Development (EBRD) to go with a similar US\$10 mio. granted by the International Finance Corporation (IFC) in 2004. CBM also joined EBRD's Trade Facilitation Program with US\$15 mio. credit limit and was the first Russian-owned bank to receive IFC's US\$5 mio. mortgage lending facility.

The key event of the autumn was the third internationally syndicated loan facility of US\$40 mio. The previous one was a 6-month US\$10 mio. club deal arranged early in the reporting year and repaid in July 2005.

- Another landmark of 2005 was CBM's first domestic bond issue, lead-managed by UralSib Financial Corporation. April 27, 2005 CBM successfully placed its debut RUR 500 mio. 2-year domestic bond issue at MICEX.

- Second half of the year was marked by a promissory note program launch in the amount of RUR 1 bln. facilitated by the Region Investment Company.

- The Bank finalized certification of its own Diners Club processing centre. CBM clients were offered elite club cards of this international payment system so that the cardholders could enjoy premium class attendance and wide range of supplementary services.

- In autumn 2005 the Bank set up "CBM Leasing" LLC, a car leasing provider for corporate clients.

- CBM improved access to its service by setting its branches to operate extended hours (10 a.m. – 8 p.m.) seven days a week, launching a new branch, and expanding its cash desk and ATM network.

- In September 2005 CBM was awarded for information openness and business transparency. A transparency survey by the Centre for Economic Researches of Moscow Financial and Industrial Academy ranked Credit Bank of Moscow 2nd largest

transparent Russian bank and awarded it the status of “Super-Transparent Bank”.

- A survey of Moscow middle class’s awareness of bank names run by COMCON-Media, Premier-TGI and pub-

lished in “Izvestia” newspaper on April 12, 2005 ranked CBM as 12th recognizable bank in Moscow. 23.6% of respondents named CBM among the most well-known banks.

Key Performance Indicators

CBM’s accounting is made under Russian Accounting Standards (RAS) in compliance with current Russian banking regulations. Starting from 2000, it produces

financial statements under US GAAP. The chart below shows the Bank’s US GAAP figures.

FINANCIALS, US\$ THS.	2001	2002	2003	2004	2005
Balance Items					
Total assets	134,614	214,680	380,055	399,544	654,107
Loans to customers	81,917	135,104	257,356	274,517	426,226
Deposits by customers	66,138	81,160	133,168	125,564	229,160
Equity	44,371	64,206	84,473	95,450	102,720
Income Items					
Net interest income	9,826	19,512	22,040	24,241	22,555
Non interest income	5,529	6,852	10,290	13,415	18,865
Non interest expense	9,862	13,390	17,857	27,287	30,996
Loan loss provisions	(2,525)	(157)	(8,891)	(2,506)	3,802
Net income	1,238	8,814	4,537	5,390	10,907
Ratios					
Net interest income to average assets	9.45%	11.17%	7.41%	6.22%	4.28%
ROE	3.34%	16.24%	6.10%	5.99%	11.01%
ROA	1.19%	5.05%	1.53%	1.38%	2.07%
Loans to deposits	123.86%	166.47%	193.26%	218.63%	185.99%

Financial results are the basic indicators of the Bank’s performance, and their positive dynamics was main-

tained by CBM in 2005. The total assets grew by 64%, and the profitability grew more than twice.

Ratings

The Bank's stable and reliable position is confirmed by the leading expert publications and rating agencies. In 2005 the following CBM's ratings were awarded or affirmed:

Fitch Ratings

Fitch Ratings agency upgraded CBM's national long-term rating to BB+ and assigned BB+ to its domestic bond issue

In April 2005 Fitch Ratings, the international rating agency, 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.

Affirmation of international rating B-/ B by Fitch Ratings

On June 8, 2005 Fitch Ratings affirmed long-term B-, short-term B, individual D and support 5 ratings of CBM. 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.



Moody's Corporation

Affirmation of rating B1 by Moody's Investors Service

In October 2005 Moody's Investors Service, the international rating agency, affirmed B1 long-term foreign currency deposits and E+ financial strength (FSR) ratings of CBM. Rating outlook was "Stable".

Moody's Interfax Rating Agency

Affirmation of A2.ru rating by Moody's Interfax Rating Agency (Russia)

In July 2005 Moody's Interfax Rating Agency affirmed A2.ru long-term and RUS-2 short-term national-scale credit rating of CBM.

According to the agency, the rating 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.

Moody's Interfax highlighted relatively low level of exposure on one borrower and 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.



"Profile" Journal Rating

"Profile" Journal (No 44 of November 28, 2005) named Credit Bank of Moscow among Top-100 reliable largest Russian banks and ranked it 31st as of October 1, 2005.

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, Credit Bank of Moscow 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.

CORE BUSINESS

Corporate Banking

Retail Banking

Credit Card Operations

Interbank Transactions

Corporate Banking

The Bank provides the full range of corporate banking services:

- Loans and guarantees.
- Cash collection.
- Trade finance.
- Factoring service.
- International payments.

The Bank's target corporate client base are large Moscow-based whole-sale and retail trading companies, including "Sportmaster", "M-Video", "TD Mir" etc. Such companies have large distribution networks and are sectoral leaders. This category of clients is of high priority for the Bank and represents the largest percentage of its loan portfolio. An attractive feature of such companies as borrowers is a short-term business cycle resulting in a more rapid stock turnover and lower default risk. CBM offers a product range specifically tailored for trade companies.

Besides the large trade chains, the Bank's corporate client base include a number of agricultural, meat-processing, and publishing companies.

One of the priority tasks of the Bank is to further its SME lending programs (loans up to US\$500 ths.). The SME lending program is financed by purpose borrowings from the international financial institutions, namely the International Finance Corporation and the European Bank for Reconstruction and Development.

Lending

CBM's main credit products include:

- Short-term loans for up to 45 days: overdrafts and loans against collected sales proceeds.
- Express loans.
- Working capital financing for a period from 3 months to up to 3 years.
- Investment loans for up to 8.5 years.

Overdraft is a short-term loan bridging cash flow gaps. CBM provides overdrafts in roubles for up to 1 year, although the actual average duration rarely exceeds 30 days. Overdraft limit can go up to 30% 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 provided to procure goods in stock, which is a common need among 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.

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 go up to 75% of the average monthly sales proceeds. No collateral is required.

Loan approval can precede execution of an account agreement or cash collection agreement and/or acquiring service agreement. The loan may be disbursed as soon as after three receipts of sales proceeds on the client's account. Loan application is considered within 5 days.

Express loans take the shortest time possible to make and require a minimal package of documents. Such loans are made in roubles and foreign currency for up to 3 years.

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. Such loans are made in roubles and foreign currency for up to 3 years.

Documentary lending may take form of guarantees covering settlements under contracts and agreements, payments for services, repayments of advances and loans, due deliveries, compliance with tender terms or performance of customs obligations. Or it can take form of letters of credit confirmed, if necessary, by a foreign bank. Documentary financing does not require account relationship with the Bank.

Investment financing is a long-term loan product designed to facilitate clients' investment projects involving, among other things, construction or purchase of industrial, warehouse or trading premises, industrial complexes, equipment, processing lines and motor vehicles. Such loans are made in roubles and foreign currency for up to 3 years.

Import financing under international facilities is provided in major currencies for a tenor varying from 2 to 8.5 years and addresses large companies importing machines, mechanisms, mini-factories or equipment.

In 2006 the Bank intends to keep its key corporate lending niche related to the service of large retail trade chains in the Moscow metropolitan area, and to focus on expansion of SME lending operations.

CBM plans to introduce new credit products in early 2006. Specifically, the Bank's express lending product range is going to be one item wider to provide clients unsecured and partially collateralized loans.

The new loan product will compete by short loan approval timing (2-3 days), flexible approach to collateral, and minimal package of documents to go with the loan application. Loan monitoring will be linked to an SMS information functionality to notify the client about repayments due. Eligible borrowers will be private individuals who own a business, private entrepreneurs and legal entities.

Cash operations

One of the most important settlement & cash services, as seen by many of the Bank's clients, is collection and delivery of cash and valuables. CBM has been one of the leading Moscow-based banks providing this service for several years. Its failsafe and proficient collection and delivery services have gained CBM a lot of its long-term client relationships.

The Bank collects cash from notable Moscow trade chains selling various consumer goods, such as mobile phones, computers, household appliances and sport outfit, as well as from publishers and realtors.

2005 yearly figures evidence a 26% increase in the cash collection volume as compared to 2004. The number of points served more than doubled over the year.

Cash collection and delivery earned the Bank more than 4 times as much in 2005 as in 2004: US\$3.8 mio. vs. US\$931 ths. as of the respective year-ends.

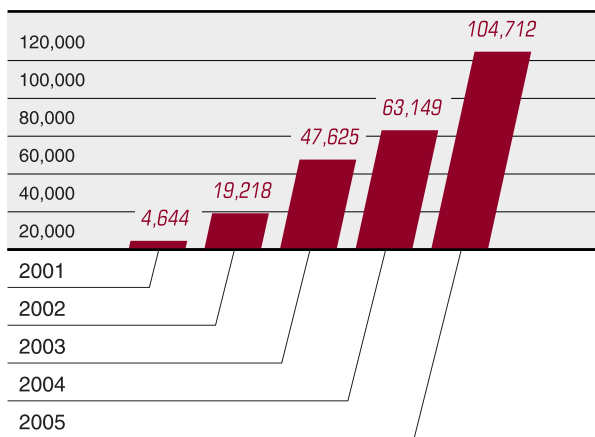
Foreign trade financing

The Bank is one of the trade finance leaders among medium-sized Russian banks. A vast network of partnering banks such as Commerzbank, Dresdner Bank, UBS, Bank of Tokyo-Mitsubishi UFJ, Banca Nazionale del Lavoro, Nordea Bank Finland, SanPaolo IMI, Lloyds TSB Bank and Raiffeisen Zentralbank Österreich, enables CBM's clients to get short- and long-term trade financing via letters of credit and guarantees confirmed by foreign banks practically all over the world. Large-

scale team-up with key national export credit agencies, including US Exim Bank (USA), EDC (Canada), HERMES (Germany), COFACE (France), SACE (Italy), OeKB (Austria) and ASHR'A (Israel), allows the Bank to finance foreign trade deals for up to 8.5 years. CBM's aggregate trade finance credit limits with foreign banks, export credit agencies, and international financial institutions exceed US\$300 mio.

In 2005 CBM joined the Trade Facilitation Program of the European Bank for Reconstruction and Development

FOREIGN TRADE FINANCING, US\$ THS.



Retail Banking

Credit Bank of Moscow provides the following services to its retail clients:

- Car loans (for purchase of domestic and foreign cars).
- Mortgage loans.
- Deposits.
- Banking cards.
- Other retail services (wire transfers, 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

Loans for purchase of domestic and foreign cars lie at heart of CBM's consumer lending operations. Such loans

(EBRD) which enhanced to a large extent its trade finance capacity. In 2005 CBM showed 67.5% annual growth of the aggregate international trade finance operations that topped US\$100 mio.

Credit Bank of Moscow has been actively operating at long-term (structured) and short-term trade finance markets since 2001, demonstrating a sustainable increase in the scope of these transactions.

International payments

Credit Bank of Moscow has a ramified network of correspondent accounts in all major currencies with clearing leaders worldwide, including Wachovia Bank, UBS (Stamford Branch), Commerzbank, Bayerische Hypo- und Vereinsbank, Ost-West Handelsbank, Raiffeisen Zentralbank Österreich, Donau-Bank, BCEN-Eurobank, Banca Nazionale del Lavoro, IntesaBci, UniCredit, Svenska Handelsbanken, Nordea Bank Finland, Komerční Banka and Kazkommertsbank.

The Bank maintains an all-round network of over 100 correspondent account relationships.

CBM's correspondent business is run in compliance with the most current national regulations, FATF guidelines and Wolfsberg Principles, as well as internal Know Your Customer policy.

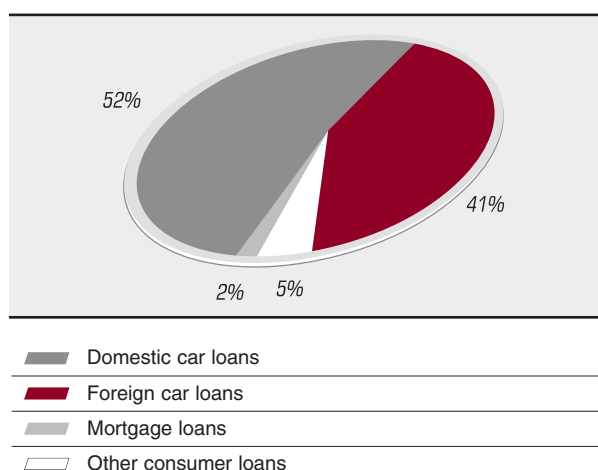
are granted for up to 5 years. CBM has evolved flexible interest rates reflecting down payment and tenor. The Bank reaches its clients through more than 300 car dealers' points of sales (including all major local dealers of foreign and domestic car manufacturers) and its network of branches and mini-branches.

Loan applications are collected by both car dealers' employees instructed by the Bank and by the Bank's employees. Upon approval by the Bank, loans are available for borrowing either directly at the car dealers or in the Bank's branches. In 2005 the Bank extended its service hours and lending facilities became available up to 7 p.m. In order to make loan repayments more convenient, the branches were made open seven days a week and up to 8 p.m. on weekdays.

CBM's car loan portfolio as at 2005 year-end made US\$76,695, surpassing 2004 year-end level by 80%.

RETAIL LOANS	VOLUME, US\$ THS.
Car loans (domestic cars)	42,739
Car loans (foreign cars)	33,956
Mortgage lending	1,431
Other consumer loans	4,070
Total	82,196

BANK'S RETAIL LOAN PORTFOLIO STRUCTURE,
31.12.2005



The Bank's success in retail business owes much to the wide retail product range which CBM keeps updated with newly designed solutions. In 2005 this range was enhanced with an automatic loan status notification option, on line access to loan statements, and an option of submitting loan applications by phone or via Internet.

CBM offers its customers a variety of lending solutions for purchase of both new and second-hand cars.

"Autoconstructor" is one such solution mainly designed for consumers who buy foreign cars. It allows a borrower to choose the interest rate as a function of the down payment and tenor. Such loans are granted in foreign currency for up to 4 years with down payment varying between 0 and 50% and interest rate between 9% and 12% p.a. The Bank also offers a special solution for second-hand foreign cars not older than 4 years. Average foreign car loan amounts to US\$12-15 ths. There are also a number

of special lending offers including preferential loans for clients with good credit history and special loans for purchase of expensive foreign cars priced over US\$30 ths.

"Autoexpress-credit" express loans can go up to RUR 600 ths. / US\$20 ths. / €15 ths. and apply to either Russian or foreign car. In 2005 the Bank aggressively lowered the "Autoexpress-credit" interest rates to the minimum of 13% for rouble loans and 9% for dollar or euro ones, and marketed 0% down payment "Autoexpress" loans optionally covering annual car insurance premium too.

Time-efficiency is a strong point of CBM's car lending. It takes 3 hours to process an "Autoconstructor" application and one day to execute loan documentation when the borrower has furnished a complete set of necessary documents. And it only takes 1 hour to process an "Autoexpress-credit" application and make a loan. The documentation package is kept bearable for clients, and no surety is required.

Loans can be repaid at any branch, mini-branch or cash desk of the Bank. Prepayments can be made without any penalties upon 3 months after the loan agreement date.

As a car loan provider, CBM is notable for the following main competitive advantages:

- Extensive number of partners (most car dealers of Moscow and Moscow region).
- Strategic partnership with a number of top Russian insurance companies, such as Ingosstrakh, Rosgosstrakh, Rossia, aimed to promote the practice of insuring cars bought on loan.
- Prompt consideration of loan application.
- Individual, flexible approach to clients.
- Loan-linked multicurrency cards reducing paperwork and speeding up execution, disbursement and repayment of loans.

Mortgage Lending

Mortgage lending is a comparatively new product for Credit Bank of Moscow. The Bank focuses on lending to individuals with medium income (average monthly income per family member of or over US\$1,000) for purchase of a one or two room residential apartment worth US\$150 ths. on average. A loan can amount as much as US\$250 ths. Such amounts are affordable for top managers or business owners. All mortgage loans are insured by one of the leading Russian insurance companies.

In July 2005 Credit Bank of Moscow signed an agreement with the International Finance Corporation (IFC) granting the Bank US\$5 mio. mortgage lending facility.

Credit Card Operations

CBM actively promotes a number of credit card programs. The Bank is a member of the largest international payment systems (Visa and MasterCard), and has its own processing centre that enables independent support to its own credit card projects. Since 2004 when CBM joined International Payment System "Diners Club International" it issues elite club cards of this payment system. Also since 2004 Credit Bank of Moscow offers another prestigious product "MasterCard Platinum" to its clients.

The Bank partners with an insurance company, a member of the Insurance and Financial Corporation "American

Deposits by Individuals

Credit Bank of Moscow offers a variety of deposit products for different purposes: saving, accumulation and specific purposes. Effective designing of newer retail products upholds the rise of the Bank's deposit portfolio.

Since December 2004 Credit Bank of Moscow partakes in the State Deposit Insurance System (SDIS).

The Bank largely links accumulation of retail deposits to funding its consumer lending programs.

International Group". Cardholder insurance is an important feature CBM can offer to those travelling abroad. Seeking to broaden its client base and product range, the Bank launched a number of partnership card programs.

By the end of 2005, the Bank had issued a total of 35,000 cards with aggregate balance of about US\$9 mio.

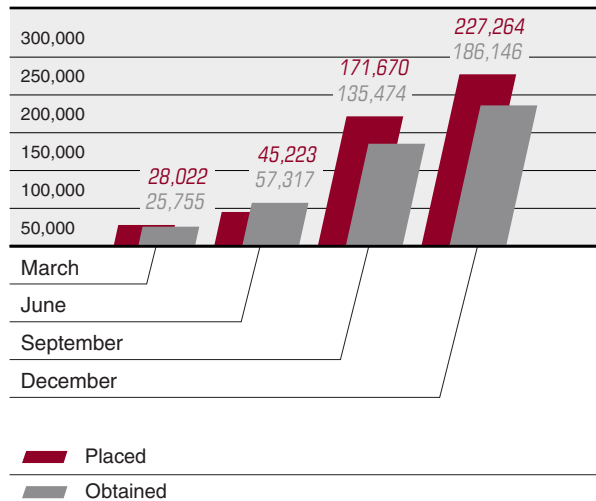
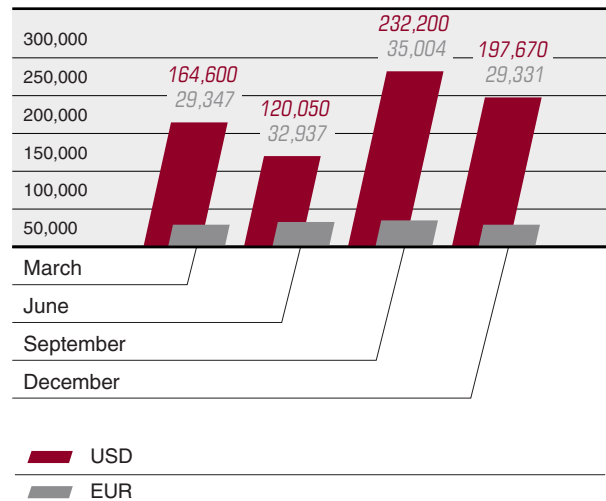
The Bank's plastic card business expansion is going to be driven by development of payroll projects for its corporate customers. To make its cards more widely usable, CBM plans to spread out its ATM and service outlets network.

Interbank Transactions

Credit Bank of Moscow is an active player in the money, foreign exchange and securities markets, and handles all kinds of transactions, such as lending, conversion, bank note and securities transactions. Over the recent years the Bank established itself as reliable and high-end operator of the interbank market, with a wide partnership network covering Russian and international banks. Known as a failsafe, financially stable and dynamic business partner, CBM enhanced essentially its positions in all segments of the financial and money markets in 2005. The Bank came to the year-end with a much wider network of counterparty banks and doubled volume of clear (unco-

vered) interbank transaction limits opened by more than one hundred Russian and foreign banks for Credit Bank of Moscow in aggregate amount of over US\$138 mio. Such credit limits were opened by leading international banks: Commerzbank and Raiffeisen Zentralbank Österreich.

Money market involvement brought Credit Bank of Moscow soaring interbank lending turnover. The Bank's average daily interbank rouble loan turnover exceeded US\$20 mio. by the year-end, with the annual turnover close to US\$2 bln. The annual interbank loan turnover in US dollars topped US\$2.2 bln. and turnover in euro out-reached US\$350 mio.

INTERBANK LOANS IN ROUBLES,
US\$ THS.INTERBANK LOANS IN FOREIGN CURRENCY,
US\$ THS.

During 2005 the Bank carried on with foreign exchange deals in both exchange and over-the-counter markets as requested by customers or as needed for arbitrage purposes. Average daily USD/RUR interbank turnover outreached US\$100 mio. by the year-end, with the annual interbank USD conversion turnover exceeding US\$16.5 bln.

Furthermore, CBM livened up its operations with term currency instruments to hedge its currency risks. Its maximum magnitude of open positions in currency futures in the term market section of MICEX hit US\$35 mio. In 2005 the Bank remained as yet active in the international markets of hard currencies focusing on such currency pairs as EUR/USD, GBP/USD and JPY/USD.

FUNDING

Sources of Funding

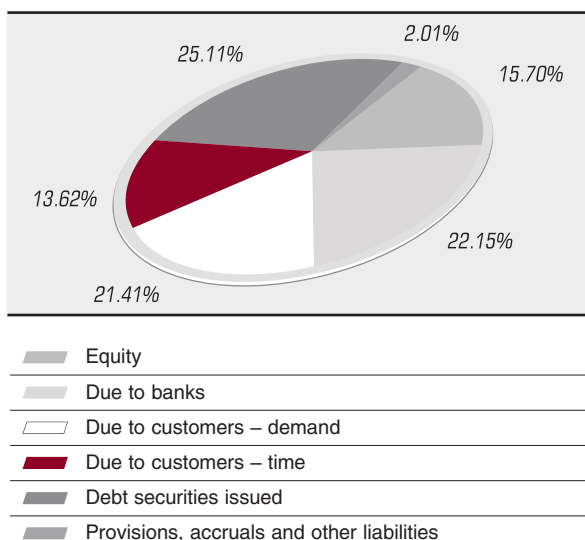
Sources of Funding

CBM enjoys a diversified funding base composed of customer accounts and deposits, credit institutions deposits, promissory notes, bonds and borrowings from international financial markets.

Accounts and Deposits

One of the main ways for CBM to fund its assets side is to accumulate its clients' money in account balances, corporate and retail deposits. As of 2005 year-end, they accounted for 35% of the total liabilities. The ratio of corporate deposits to retail deposits was 63% to 37%.

BANK'S LIABILITIES STRUCTURE, 31.12.05



CBM prioritizes accumulation of small private deposits, including deposits of its corporate clients' employees (e.g. through card payroll projects). Owing to its successful marketing efforts, the Bank closed the year 2005 with total private deposits of US\$85 mio., which is a 71% increase as compared to US\$50 mio. at the end of 2004.

The Bank's corporate deposit strategy targets the following groups:

- Institutional investors, such as insurance companies and private funds, which make placements with credit organizations to earn profit and diversify their investment risks.

LIABILITIES STRUCTURE	VOLUME, US\$ THS.
Equity	102,720
Due to banks	144,854
Due to customers – demand	140,063
Due to customers – time	89,097
Debt securities issued	164,195
Provisions, accrual and other liabilities	13,178
Total	654,107

DEPOSITS STRUCTURE

	2005		2004	
	US\$ THS.	%	US\$ THS.	%
Corporate deposits	143,558	38.4	75,186	42.9
Retail deposits	85,602	22.9	50,378	28.8
Deposits by credit institutions	144,854	38.7	49,604	28.3
Total	374,014	100.0	175,168	100.0

- Businesses with a season dependent settlements patterns that accumulate funds over a period of time and then make large one-off payments for goods, or that get advance payments and utilize them under a pre-defined schedule.

- Businesses that reserve short term (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 public organizations.

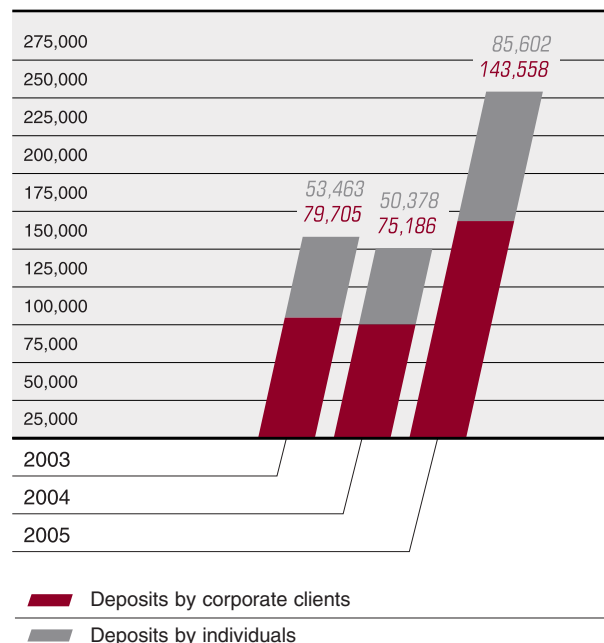
The year 2005 witnessed an impressive upswing of corporate deposits, their volume almost doubling and reaching US\$143,558 ths. as of the year-end.

Another important source of funding is interbank business. As of 31.12.2005, interbank liabilities made up US\$144,854 ths. or 22% of the total liabilities.

Accessing Debt Market Resources

The Bank considers access to debt markets, both domestic and international, as one of the most important sources of funding its operations.

DEPOSITS DYNAMICS, US\$ THS.



Bond Issuance

April 2005 saw the Bank's debut domestic bond issue. 2-year RUR 500 mio. (US\$17.8 mio.) paper was placed at MICEX and sold at par. It pays 8 coupons and was priced for the first year of its life at 11.5% p.a., which is tantamount to an effective yield rate of 12.01%. During 2005 the coupon was paid twice in amount of RUR 14,335 ths.

The offer was sold out for the full amount which is a mark of investors' good perception of the quality and liquidity of the CBM's bonds. The proceeds were applied to boost the capacity of the Bank's products and services, in the first place SME lending program and consumer lending.

CBM also plans to be soon in the international market with its eurobonds.

The Bank's Promissory Note Program

The second half of 2005 saw the Bank launch its RUR 1 bln. promissory note program. Under this program, the Bank issues rouble and foreign currency denominated promissory notes with maturities ranging from 3 months to 1 year. CBM's notes sell to various client groups, such as:

- Financial institutions: banks, investment companies and insurance companies, which use the Bank's debt papers as investment instrument.
- Bank's clients who have disposable funds to allocate in the Bank's debt instruments.

The Bank provides Repo facilities and interbank loans against, and early discounting of, its notes.

The proceeds from note issues fuelled the development of the Bank's corporate, SME and consumer lending.

The Bank closed the year 2005 with 25% portion of debt securities in its total liabilities. Credit Bank of

Moscow issued debt securities for US\$164,195 ths. by 31.12.2005.

International Funding

The Bank intensively co-operates with international financial institutions to fund its target programs, and is a recognized borrower in the international syndicated lending market.

Borrowing from International Financial Institutions

Long-term liabilities of the Bank involve loan facilities from International Finance Corporation (IFC) and European Bank for Reconstruction and Development (EBRD):

- IFC's US\$10 mio. 5-year credit line for on-lending to SMEs, extended in the autumn of 2004.
- EBRD's uncommitted US\$15 mio. credit limit for foreign trade financing, extended on 23 May 2005 following the Bank's joining the Trade Facilitation Program (TFP) of EBRD.
- EBRD's US\$10 mio. 5-year credit line for on-lending to SMEs, extended on 30 June 2005.
- IFC's US\$5 mio. 8.5-year credit line for mortgage lending, extended on 8 July 2005. CBM was the first 100% Russian-owned bank to receive a housing finance loan from IFC.

EBRD and IFC select recipient banks by strict professional banking criteria. CBM's involvement therefore evidences these institutions' favourable opinion of its performance.

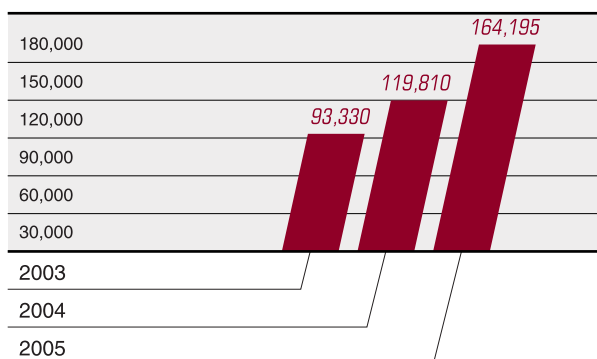
Syndicated Finance

In September 2005 CBM signed an agreement with a syndicate of international banks for US\$40 mio. 1-year syndicated loan facility. The proceeds were applied to finance foreign trade operations of CBM's clients. It was CBM's third and largest syndicated loan. The deal went 60% oversubscribed against the initial bid, bringing the Bank a notable success.

Back in 2003 CBM was one of the first medium-sized Russian banks to obtain a syndicated loan from international banks in amount of US\$14 mio. The loan was repaid upon maturity in the autumn of 2004.

In January 2005 CBM closed a US\$10 mio. 6-month club deal syndicated loan facility and repaid it as due in early July 2005.

DYNAMICS OF DEBT SECURITIES ISSUED BY THE BANK,
US\$ THS.



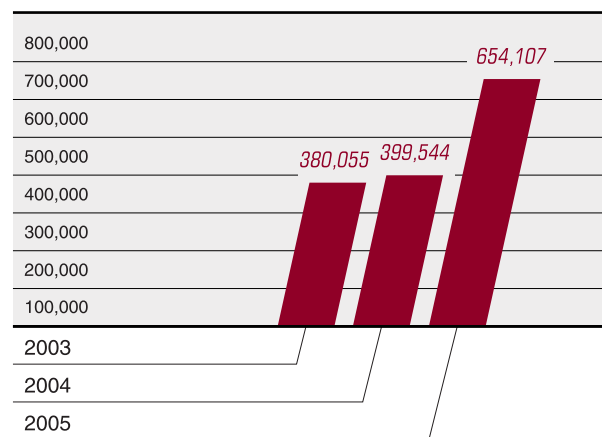
FINANCIAL REVIEW

Assets Outlined
Profits and Losses
Regulatory Ratios
Profitability
Loan Portfolio
Investment Policy
Risk Management
Bank's Insurance

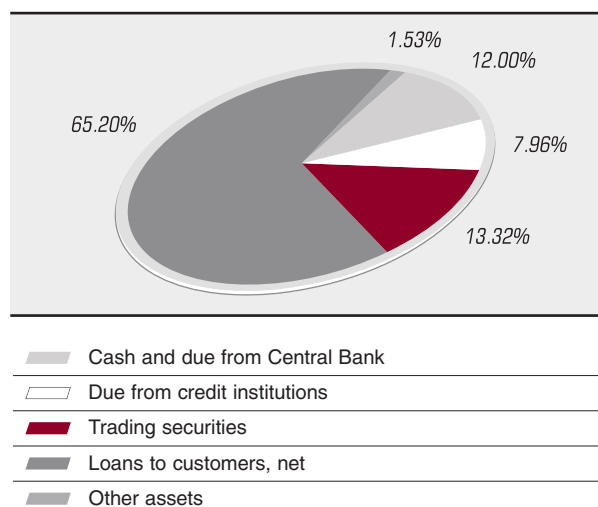
Assets Outlined

Any account of CBM's financial indicators dynamics in the last year would be inept without mentioning its soaring growth rates. The Bank's total assets grew by 64% over 2005: from US\$399,544 ths. as at 2004 year-end to US\$654,107 ths. as at 2005 year-end. An increment of 64%, from US\$392,644 ths. to US\$644,061 ths., was achieved by the working assets.

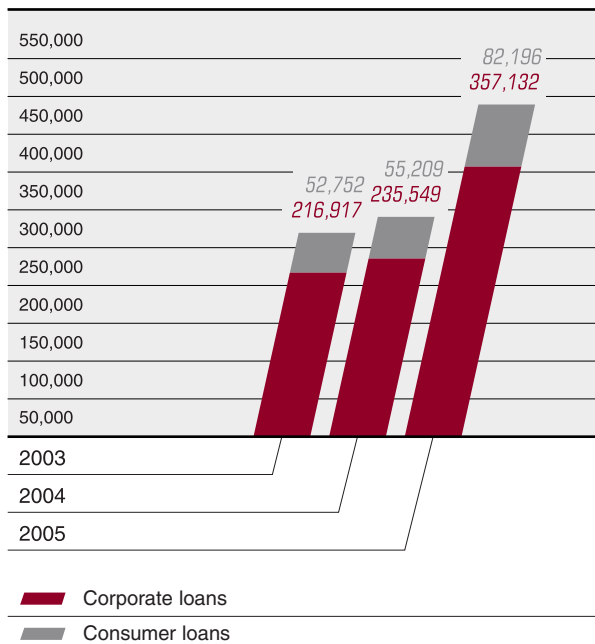
ASSETS DYNAMICS, US\$ THS.



BANK'S ASSETS STRUCTURE, 31.12.2005



LOAN PORTFOLIO DYNAMICS, US\$ THS.



A substantial portion of assets (20.0%) was represented by liquid assets, i.e. cash and due from credit institutions. The Bank is 31st in TOP-1000 Russian liquid banks ranking as of 2005 year-end (by "RBC-rating").

The Bank closed the year 2005 with loans representing 65.20% of its total assets following aggressive expansion of the loan portfolio throughout 2005.

CBM vigorously promotes consumer lending business. Over 2005 the consumer loan portfolio built up by 49%, from US\$55,209 ths. to US\$82,196 ths.

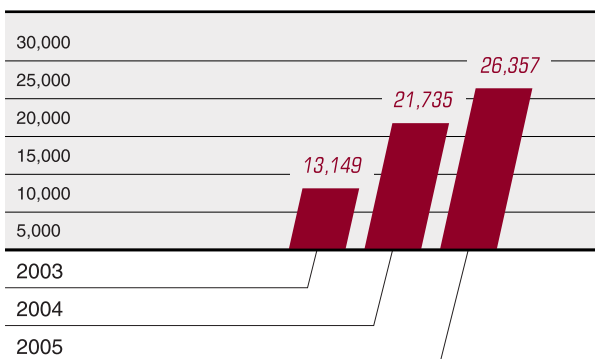
The last year boosted the aggregate loan portfolio by 55%, from US\$274,517 ths. at the start of the year to US\$426,226 ths. at the year-end. This spectacular upswing is attributable to the Bank's persistent promotion policy and lengthening tenor of its funding.

Profits and Losses

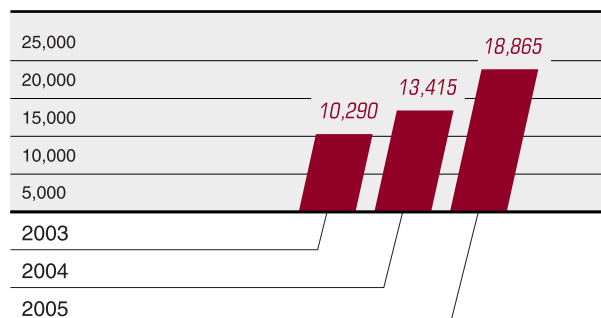
Interest income is the main profit maker for CBM. The Bank closed the year 2005 with net interest income after provisions for credit impairment at as yet a high level of US\$26,357 ths.

Non interest income built up substantially over 2005 providing a reliable source of income for the Bank. The 40% increment of this income item was mainly driven by commissions earned which soared by 65% as contrast-

DYNAMICS OF THE BANK'S NET INTEREST INCOME, US\$ THS.



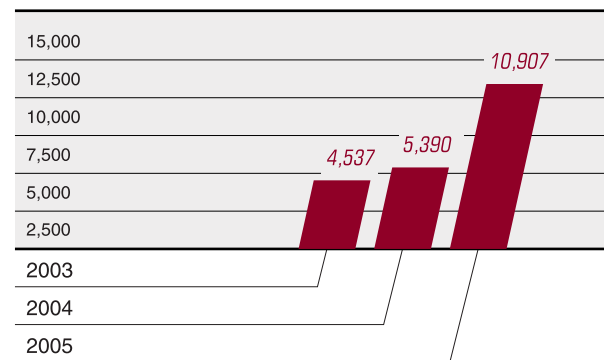
DYNAMICS OF THE BANK'S NON INTEREST INCOME, US\$ THS.



ed to the year before and accounted for 91% of the aggregate non interest income as of the year-end. Under the increasing competitive pressure of the recent years borne on loan and deposit rates and thinning banks' interest margins, interest income tends to be replaced by fees and commissions. This trend is reflected in the dynamics of CBM's interest and non interest income.

The Bank's net income showed an excellent dynamics by more than doubling over 2005 and finally reaching US\$10,907 ths.

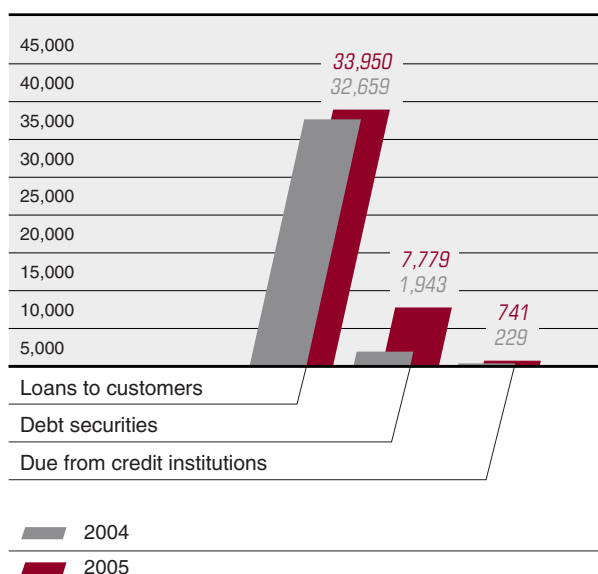
NET INCOME DYNAMICS, US\$ THS.



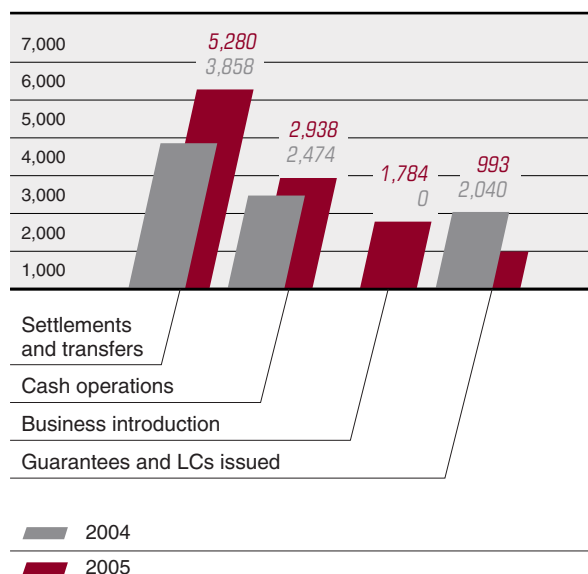
DETAILED INCOME STATEMENT, US\$ THS.

INTEREST INCOME AND EXPENSES	2004	2005
Interest income		
Loans to customers	32,659	33,950
Debt securities	1,943	7,779
Due from credit institutions	229	741
	34,831	42,470
Interest expense		
Deposits by customers	4,412	9,623
Debt securities issued	4,842	5,540
Deposits by credit institutions	1,336	4,752
	10,590	19,915
Net interest income	24,241	22,555
FEES AND COMMISSIONS INCOME	2004	2005
Settlements and wire transfers	3,858	5,280
Cash operations	2,474	2,938
Business introduction	-	1,784
Guarantees and LC issued	2,040	993
Other	1,960	6,118
	10,332	17,113

BANK'S INTEREST INCOME, US\$ THS.



BANK'S COMMISSION INCOME, US\$ THS.



Regulatory Ratios

Capital Adequacy

As of now, equity makes up 15.7% of the Bank's liabilities, with capital adequacy ratio as calculated for the regulatory purposes being 14.9%, safe above the mandatory peg of 10% fixed by the Bank of Russia. Over the last three years, the equity grew by 22% in absolute figures (from US\$84,473 ths. in 2003 to US\$102,720 ths. in 2005) but dropped as a percentage of liabilities as the funding base expanded.

Given the present capitalization surplus, this trend looks quite healthy and just reflects augmentation of the Bank's liabilities of all kinds and diversification of its sources of funding.

Liquidity

The Bank's liquidity ratios also exceed the mandatory pegs. Assets and liabilities are well matched by maturity. The Bank's compliance with the Bank of Russia's ratios as of 31.12.2005 is shown below:

RATIOS		MANDATORY RATIO	ACTUAL RATIO	SURPLUS
N1	Capital adequacy	min 10%	14.9%	4.9%
N2	Quick liquidity	min 15%	62.5%	47.5%
N3	Current liquidity	min 50%	76.7%	26.7%
N4	Long-term liquidity	max 120%	62.9%	57.1%
N7	Maximum large credit risk	max 800%	207.0%	593.00%
N9.1	Maximum exposure to shareholders	max 50%	0.0%	50.00%
N10.1	Aggregate exposure to insiders	max 3%	0.9%	2.1%
N12	Equity interest in third parties	max 25%	0.0%	25.00%

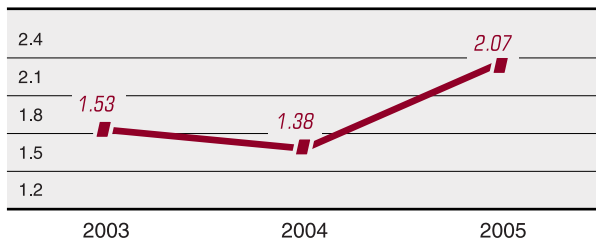
Profitability

CBM's return on equity and return on assets look encouraging in their dynamics, while the Bank's net interest margin tends to wear away. This is a common trend in the Russian banking system driven by magnifying

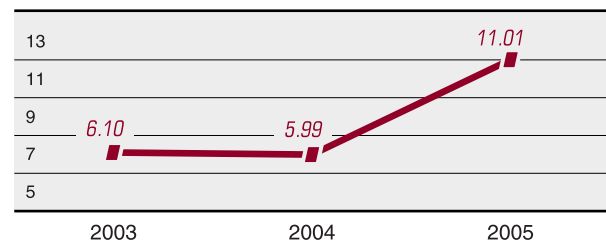
dependence of banks' income on commission earnings. CBM's ROA and ROE skyrocketed over 2005, primarily because of more than doubled net income.

The ratios below are annualized.

RETURN ON ASSETS (ROA), %



RETURN ON EQUITY (ROE), %



Loan Portfolio

CBM upholds a conservative credit policy for the sake of safeguarding high quality of its loan portfolio. As of 2005 year-end, the loan portfolio made up about 65% of the total assets, with a loans-to-deposits ratio of 185.99%.

Concentration and diversification of the loan portfolio

As of 2005 year-end 10 largest borrowers represented 16% of the loans to customers or 9% of the Bank's total assets, the largest single borrower exposure being 3% of the loan portfolio.

Loan portfolio concentration is controlled by the following internal guidelines:

- Single borrower exposure may not exceed 6% of the interest-earning assets or 20% of the equity.

- Related party exposure may not exceed 15% of the interest-earning assets or 25% of the equity.

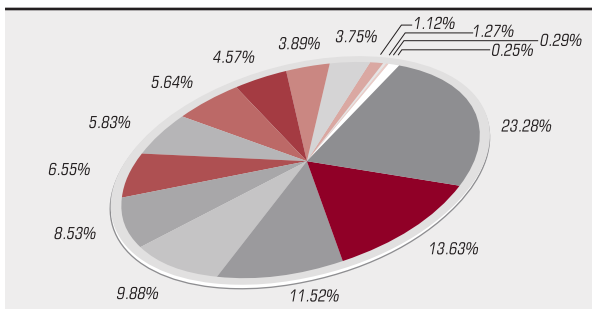
The Bank prioritizes the task of mitigating and controlling loan portfolio concentration risks, including sectoral risks. To mitigate sectoral risks, the Bank pursues a policy of sectoral diversification of the loan portfolio, trade companies being further diversified by their product specialization. The current composition of borrowers is not deemed to be set once and for all. The Bank commits continuous efforts to diversify its loan portfolio by means of, for instance:

- promoting retail lending and expanding the number of borrowers;
- reaching new clients in various sectors.

SECTORAL BREAKDOWN OF THE LOAN PORTFOLIO (LOANS TO CORPORATE CUSTOMERS AND SMES)

ECONOMIC SECTOR	AMOUNT, US\$ THS.	PERCENTAGE OF PORTFOLIO, %
Consumer electronics and computers	83,128	23.28
Construction materials	48,662	13.63
Light industry	41,131	11.52
Foods	35,293	9.88
Machinery	30,457	8.53
Sports goods	23,395	6.55
Services	20,830	5.83
Other consumer goods	20,131	5.64
Hygiene products and consumer chemicals	16,304	4.57
Paper and stationery	13,885	3.89
Furniture	13,405	3.75
Medical	4,527	1.27
Metallurgic	1,030	0.29
Oil	893	0.25
Other corporate	4,060	1.12
Total	357,132	100.00

Corporate customers and SMEs, which account for over 10% of the Bank's loan portfolio, represent such sectors as electronics and computer technologies, construction and light industry.



LOAN PORTFOLIO BREAKDOWN BY TYPES OF LOANS

LOANS	DAYS OVERDUE	AMOUNT, US\$ THS.	%
Car loans	<i>Up to 30 days</i>	73,175	95.4
	<i>31-90 days</i>	941	1.2
	<i>91-180 days</i>	731	1.0
	<i>181-270 days</i>	782	1.0
	<i>271-360 days</i>	515	0.7
	<i>Over 361 days</i>	553	0.7
	Total		76,695
Mortgage loans	<i>Up to 30 days</i>	1,431	100.0
	<i>31-90 days</i>	–	–
	<i>91-180 days</i>	–	–
	<i>181-270 days</i>	–	–
	<i>271-360 days</i>	–	–
	<i>Over 361 days</i>	–	–
	Total		1,431
Other consumer loans	<i>Up to 30 days</i>	3,026	74.4
	<i>31-90 days</i>	16	0.4
	<i>91-180 days</i>	–	–
	<i>181-270 days</i>	8	0.2
	<i>271-360 days</i>	22	0.5
	<i>Over 361 days</i>	998	24.5
	Total		4,070
SME loans	<i>Up to 30 days</i>	9,849	95.5
	<i>31-90 days</i>	203	2.0
	<i>91-180 days</i>	–	–
	<i>181-270 days</i>	38	0.4
	<i>271-360 days</i>	165	1.6
	<i>Over 361 days</i>	61	0.6
	Total		10,315
Corporate loans	<i>1 risk group</i>	333,608	96.2
	<i>2 risk group</i>	3,057	0.9
	<i>3 risk group</i>	1,504	0.4
	<i>4 risk group</i>	–	–
	<i>5 risk group</i>	8,649	2.5
	Total		346,818
Total portfolio		439,328	

Related parties

At present, loans to related parties represent a relatively small percentage of the assets and are arm's length transactions. As of the end of 2005, such loans amounted to US\$7,196 ths. and earned a weighted aver-

age interest of 10.1%. The overwhelming portion of them was made to AIG Chernozemye companies, agribusinesses engaged in cultivating and refining sugar beet. These loans were used to finance deliveries of agricultural equipment and planting stock from abroad.

Investment Policy

Bond Transactions

The bond market yields gradually tightened throughout 2005 reflecting the banks' proliferated liquidity, Russia's sovereign upgrade by the three major international rating agencies, and augmentation of gold and exchange currency reserves and stabilization fund.

The Bank invested in Russian issues of state, sub-federal and corporate bonds.

The Bank dealt in bonds 2.8 times as much in 2005 as in the year before for the total of US\$203,464 ths. The range of buyable bonds was stretched considerably, the choice still being mainly guided by issuer's financial strength. Bonds listed in the Bank of Russia's Lombard List were used to secure loans from the Bank of Russia.

Sovereign Bond Transactions

Russian sovereign bond market outstripped corporate bond market by growth rates in 2005 owing to limited issuance of OFZ (bonds of federal borrowing) in the second half-year and high appetite of pension funds and state banks for sovereign bonds. Bond secured funding solutions for credit institutions developed by the Bank of Russia created a buy-in for commercial banks as well.

CBM's sovereign bond dealings rose substantially in 2005 and reached US\$51,389 ths., which is 70% above the last year level. CBM's foreign currency bond position is insignificant due to the liabilities structure and the prospect of strengthening rouble.

Non-Sovereign Bond Transactions

Non-sovereign bond market experienced liquidity upswing. The Bank bought liquid issues of municipal, sub-federal and corporate bonds. The portfolio was largely composed of issuers with high grade of financial strength and long bond market record: City of Moscow, Moscow Region, Gazprom, Alrosa, Bank of Moscow.

CBM's non-sovereign bond dealings rose by more than 40% over the year and reached US\$152,074 ths.

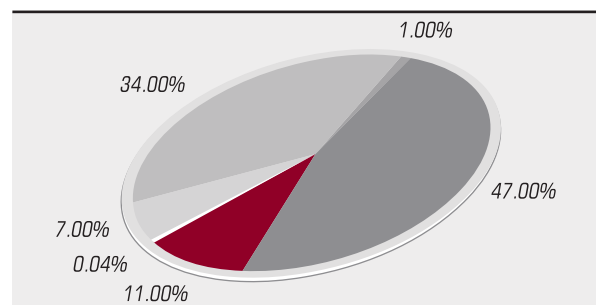
Promissory Notes Transactions

Promissory note market yields slid down over 2005 from 6-8% p.a. to 5-7% p.a. on one year PNs of the most reliable companies and banks.

PNs with duration of up to 1 year traditionally represent the bulk of the Bank's portfolio. The Bank's PN market operations were governed by its limit policy and focused on reliable and liquid issues. PN issuers of first choice were Gazprombank, Vneshtorgbank, MDM Bank, Centretelecom and some other large banks and companies. The PN portfolio was partly used to secure transactions with major interbank lending market players, such as Sberbank, Gazprombank and Alfa Bank.

CBM's turnover in PNs amounted to US\$119,611 ths., which is 1.8 times as much as in the year before.

TRADE SECURITIES PORTFOLIO STRUCTURE, 31.12.2005



	Corporate promissory notes
	GKO-OFZ
	Eurobonds
	Municipal bonds
	Corporate bonds
	REPO

Repo Operations

The Bank used Repo deals in shares, bonds and promissory notes for short-term placements with commercial banks, financial companies and the Bank of Russia. Repo dealing turnover in 2005 outstripped the previous year by 1.6 times and totalled US\$143,989 ths.

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\$16,940 ths.

Risk Management

CBM employs a complex risk management system that integrates four key perspectives:

- Risk identification and analysis.
- Risk evaluation.
- Risk management.
- Risk control.

This system is focused on the following basic risks arising in the course of the Bank's operations:

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

A specially developed reporting system integrates reports on assets and liabilities structure, liquidity reports with breakdown of assets and liabilities by financial instruments, operations and currencies, monthly maturities charts, daily cash flow reports, loan portfolio reports, payment calendar for current liquidity management, and limit compliance reports.

Credit risk related decisions are assigned by the Bank's credit policy to the Credit Committee. Credit risk being an essential banking risk, a fair credit risk assessment is a key to the Bank's overall efficacy. To secure its financial performance CBM forms loan loss provisions as regulated by the Central Bank of the Russian Federation.

Liquidity, currency and interest risks are managed by the Bank's Assets & Liabilities Committee (ALCO) providing guidance for upholding an optimum assets and liabilities structure in terms of the trade-off between yield and risk.

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

- Departmental projections are transfigured into cash flow charts for 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 counterbalanced by highly liquid and liquid assets reserves as needed to discharge payment obligations in full, even under stress.
- Finally, liquidity surpluses/shortages are identified all through the forecast period together with respective allocation/funding options. The final decision with respect to setting limits is made by ALCO, which ensures comprehensive liquidity risk control.

Such a method secures failsafe remittance of client payments, trims down costs associated with unplanned funding and enhances assets performance by means of identifying the right instruments to plough in.

Control and mitigation of the risks related to interbank transactions (loans, deposits, conversion and FOREX deals) are addressed by the Bank at two levels. First, CBM's Financial Department makes comprehensive analysis of the counterparty banks to set or confirm credit limits. Each one is appraised based on its financial statements and information from media and other open sources. Limits are set under the Bank's limit policy based on the principles of risk diversification among multiple parties and dispersion of single party limits over various financial instruments.

At the second level, aggregate single party limits are capped by an all-round limit set for risk-laden interbank transactions. The final decision on limits is made by ALCO, which ensures comprehensive liquidity risk control.

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

LIQUIDITY RISK. ASSETS AND LIABILITIES, US\$ THS.

31.12.2005	<1 MONTH	1-6 MONTHS	6 MONTHS-1 YEAR	>1 YEAR	ON DEMAND	OVERDUE	TOTAL
Assets	266,721	203,019	65,629	102,214	10,020	9,560	657,163
Liabilities	229,757	185,122	102,261	21,068	-	-	538,208
Net position	36,964	17,897	(36,632)	81,146	10,020	9,560	118,955
Accumulated gap	36,964	54,861	18,229	99,375	109,395	118,955	
31.12.2004							
Assets	191,822	119,099	26,162	61,014	6,516	4,271	408,884
Liabilities	138,758	177,306	24,714	14,201	-	-	294,979
Net position	53,064	1,794	1,448	46,813	6,516	4,271	113,905
Accumulated gap	53,064	54,857	56,305	103,118	109,635	113,905	

another. This risk is driven by administrative, political, macroeconomic and financial changes. The Bank commits to ongoing monitoring and projecting its open foreign currency position both in each single currency and as whole. The resulting data, combined with information on Russian economy and international financial markets moves, underlies CBM's decisions on its open foreign currency position quotas, always 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.

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 yield dynamics is assessed statistically and projected for the period ahead, which secures an optimal choice of assets and liabilities struc-

ture to enable the most resilience to losses caused by the interest risk. CBM also keeps adjusting interest rates borne by its assets and liabilities to reflect current market conditions and tariff policies of the major players.

Operational risk arises out of the Bank's operation and organizational 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.).

Risk management system is constantly monitored by the Internal Control Service for relevance to the Bank's operational goals and scope.

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 were fully reinsured with Lloyd's Association, London.

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 the 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.

ADDRESSING THE FUTURE

Development Prospects

Development Prospects

The Bank seeks to further its positions in the financial market as a universal financial institution providing the whole range of services to private customers, SMEs and corporate clients. To do so, CBM firmly commits to the strategy it formulated which stakes on development of the following core businesses:

Lending to corporate clients

The Bank's core clients are large Moscow-based wholesale and retail trading companies with advanced distribution networks, operating in various sectors. These companies are large direct importers and leaders of their industries. The Bank intends to further bolster partnerships with clients of this category.

Lending to small enterprises

CBM places high emphasis on bringing on SME financing programs. This is a priority for the Bank because it is one of the strategic opportunities for expansion and diversification of the loan portfolio. 2005 witnessed SME lending volume almost trebling as compared to 2004 year-end figure. The Bank is going to keep promoting this business and boost the SME loan portfolio up to US\$30 mio. by the end of 2006.

Consumer lending

CBM's retail lending efforts are focused on buoying up its leadership in the car loan segment. The Bank plans to continue enlargement of its car lending operations with maturities of up to 5 years.

Another goal the Bank addresses in retail lending is furtherance of mortgage programs. To this end, a US\$5 mio. loan facility was obtained from the International Finance Corporation (IFC) in summer 2005.

Apart from these strategically important vectors, the Bank sets a number of priorities to put ahead in short and long run:

- Further promotion of universal banking business, with a focus on consumer lending.
- Regional expansion, setting up regional branch network.
- Better segmentation of the client base in search of higher returns and new funding sources.
- Introduction of corporate management principles in line with the international standards.
- Generating debt securities issue programs for Russian and international markets.
- Raising funds from foreign sources. Expansion of strategic collaboration with foreign partners.
- Further diversification of the loan portfolio.
- Attracting more private depositors.
- Strict, centralized cost control and forging new high margin products.

FINANCIAL STATEMENTS

Consolidated Balance Sheets Consolidated Statements of Income and Other Comprehensive (Loss)/Income

Consolidated Balance Sheets

DECEMBER 31, 2005 AND 2004, US\$ THS.

	2005	2004
Assets		
Cash and due from Central Bank	78,546	48,363
Due from credit institutions, net	52,078	37,053
Trading securities	87,211	32,711
Loans to customers, net	426,226	274,517
Property and equipment	3,556	3,430
Other assets	6,490	3,470
Total assets	654,107	399,544
Liabilities		
Deposits by credit institutions	144,854	49,604
Deposits by customers	229,160	125,564
Debt securities issued	164,195	119,810
Income tax liability	10,021	7,378
Provisions, accruals and other liabilities	3,157	1,738
Total liabilities	551,387	304,094
Stockholders' equity		
Common stock	63,940	23,340
Additional paid-in capital	6,612	47,212
Retained earnings	24,584	13,677
Other comprehensive income	7,584	11,221
Total stockholders' equity	102,720	95,450
Total liabilities and stockholders' equity	654,107	399,544

Consolidated Statements of Income and Other Comprehensive (Loss)/Income

DECEMBER 31, 2005 AND 2004, US\$ THS.

	2005	2004
Interest income	42,470	34,831
Interest expense	(19,915)	(10,590)
Net interest income	22,555	24,241
Reversal of provision/(provision) for credit impairment	3,802	(2,506)
Net interest income after provision for credit impairment	26,357	21,735
Fees and commissions income	17,113	10,332
Foreign exchange gains, net	726	1,524
Securities trading profits, net	–	609
Other operating income	1,026	950
Non interest income	18,865	13,415
Salaries and employment benefits	18,858	12,943
Administrative expenses	8,839	7,580
Fees and commissions expense	1,272	2,202
Depreciation and amortization	1,037	1,116
Other operating expenses	990	3,446
Non interest expense	30,996	27,287
Income before income taxes	14,226	7,863
Income taxes	(3,319)	(2,473)
Net income	10,907	5,390
Foreign currency translation adjustments	(3,637)	5,587
Other comprehensive (loss)/income	(3,637)	5,587
Comprehensive income	7,270	10,977

INDEPENDENT AUDITORS' REPORT



To the Council of JSC "Credit Bank of Moscow"

We have audited the accompanying consolidated balance sheets of JSC "Credit Bank of Moscow" and its subsidiary ("the Group") as of December 31, 2005 and 2004, and the related consolidated statements of income and other comprehensive (loss)/income, stockholders' equity and other comprehensive income and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2005 and 2004, and the consolidated 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
April 7, 2006

