This Analysis provides a discussion of the factors underpinning the credit rating/s and should be read in conjunction with our Credit Opinion. The most recent ratings, opinion, and other research specific to this issuer are provided on Moodys.com. ***Click here to link.***

Analysis

RUSSIA
Europe/M.East/Africa

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Evrofinance Mosnarbank

Strategy and Market Position

STRONG SHAREHOLDER STRUCTURE UNDERPINS THE RATINGS

Evrofinance-Mosnarbank (EMB) was established in 1993 as Bank Evrofinance by the French-based subsidiary of the Central Bank of Russia, BCEN-Eurobank, and Vnesheconombank (Baa2/Prime-2/E+). Under pressure from the French regulators, in 2001 BCEN-Eurobank sold its controlling interest in the bank, which was later disposed of to various investors (including BCEN-Eurobank) that form the basis for the current ownership structure. In late 2003, the bank merged with Mosnarbank, with Bank Evrofinance issuing shares to Moscow Narodny Bank Ltd (MNB, rated Baa3/Prime-3/D+) in exchange for 100% equity participation in Mosnarbank.[1] Currently no single shareholder has a controlling interest in the bank, while all banking shareholders are fully or majority owned by the Russian State

Table 1: Shareholder Structure
(All data are as of 31 December 2004)

Shareholder	Share	Description
Moscow Narodny Bank Ltd (Baa3/P-3/D+)	19.9%	UK based bank 100% owned by the CBR
OAO Roscontract	19.5%	Wholesale trading house with 20% equity participation by Russian State
OOO RGS-Invest	16.7%	Investment company, subsidiary of one of the Russia's major insurance companies OAO Rosgosstrakh. Blocking stake belongs to the Russian Government.
Vneshtorgbank (Ba1/NP/D-)	15.3%	A second largest commercial bank in Russia fully owned by the Russian Government
OOO Vtorchermet-Capital	13.9%	The largest secondary metals processing company
BCEN-Eurobank, Paris	7.9%	French based bank 100% owned by the CBR
Vnesheconombank (Ba1/NP/E+)	6.8%	A specialised government-owned institution for management of foreign debt and foreign assets of the country
Total	100.0%	

1. *Mosnarbank was founded in Moscow in 1995 by MNB, the UK subsidiary of the Central Bank of Russia*

Indirect 49.9% government ownership enhances the franchise and notches the deposit rating upwards

EMB's Ba3/NP foreign currency deposit ratings carry a stable outlook and factor in a limited degree of support from government-owned shareholders, which hold 49.9% of EMB's capital. The bank's franchise benefits from the strong market perception that EMB is a government-related institution, and as such the bank incurs a lower-than-average level of credit risk. Any default by EMB on its obligations might negatively affect the Russian government's image. Therefore we believe there is a moderate likelihood that, through EMB's banking shareholders, the government could provide support to the bank if the need arose. EMB already has a track record of support, having been recapitalised by BCEN-Eurobank after significant losses during the 1998 Russian crisis turned its equity into negative. Nevertheless, BCEN-Eurobank was a controlling shareholder at the time, while today no individual shareholder has more than 20% stake in the bank. The absence of a majority shareholder diminishes the individual commitment of each shareholder and stands behind the decision to impute only a moderate likelihood of support.

Given the degree of importance of EMB's relationship with its government-owned shareholders (taking into account the possible acquisition of MNB and BCEN-Eurobank by Vneshtorgabnk, which would allow the latter to consolidate a 43.1% stake in EMB's capital), any change in its ownership would be likely to have consequences for the deposit ratings. Should this happen, the direction and magnitude of any deposit rating change would depend on the strength of the strategic partner and its commitment to the bank.

Corporate governance concerns constrain the ratings

In our view, an important element of the bank's value is associated with a small number of well-connected and highly professional individuals at top management level, while middle-management has mainly a routine role and is not the driving force behind business development. We also believe that the supervisory council is neither fully active, nor independent from the management, given the following:

- none of the private shareholders who jointly own 50.1% of EMB's capital has a representative on the Supervisory Council; hence they have no influence on the process of strategic decision-taking
- the stakes held by the large government-owned banking shareholders (which have a majority of seats in the Council) represent a insignificant portion of their investments, and are therefore unlikely to be of strategic importance, which may be mirrored in some decisions taken by the Council
- there are no independent members of the Council

These corporate governance concerns are a constraining factor for any potential improvement in the bank's ratings.

A STRONG MARKET NICHE IN SERVICING TOP RUSSIAN CORPORATES

EMB's individual customer approach allows the bank to secure a lucrative market niche and adds additional franchise value…

A new management team that was brought in following the 1998 crisis shifted the bank's focus towards offering services to a limited number of large Russian export-oriented or strategically important corporations that do not have their own captive banks. An additional focus was to maintain a strong presence in the foreign exchange, money and stock markets, in order to be able to provide capital markets services to its clientele. The bank targets its strategic customer base among the top 100 Russian corporations and plans further expansion into this market segment.

At present, EMB's customers are mostly represented by government-owned as well as large private companies operating in the Russian energy, oil and gas, and defence sectors. By offering a set of unique services that are individually tailored for each customer, the bank has managed to build a relatively strong franchise. Such a market niche also allows EMB to avoid direct pricing competition with both foreign and major Russian banks. Owing to its extensive experience and tailored banking services and procedures, EMB also enjoys a rewarding position servicing defence industry clients. Given that producers from the aircraft, space and military industries are rigorously regulated, and execution of their export contracts is an extremely complicated and laborious process, EMB's experience in this field has enabled it to secure a substantial portion of recurring business related to this customer segment, which supports its franchise value and is out of reach for foreign banks. Another major line of business stems from the bank's partnership with MNB and BCEN-Eurobank, which allows it to co-arrange some syndicate facilities for Russian corporates as well as to receive funding and guarantees from the parent banks under some of EMB's credit transactions.

…though in some cases, closer adjustment of the bank's services to its customers' needs represents a movement away from banking and may hinder franchise development

EMB's complex customer approach brings a variety of non-banking business to the bank, such as legal assistance in the complex transactions of some of its clients (e.g. EMB is participating in the restructuring of the media assets of OJSC

Gazprom [Baa2 long-term issuer rating] and in the creation of a joint-venture media business with the latter). Moody's views this type of business as a double-edged sword. On the one hand the realisation of some projects of state importance, although lucrative for the bank so far, may not necessarily be so in the future, while on the other hand any deeper involvement of EMB in this type of business is likely to result in the bank's closer integration into projects of state importance, which may increase the need of government support. However, Moody's would welcome a reduction in the volumes of non-banking and non-market driven business on the bank's books which, together with other fundamental changes, could weigh positively on its E+ financial strength rating.

Territorial coverage is also adjusted to the needs of the main clients.

The bank operates a small regional network of six branches, two remote offices and one representative office inherited from Mosnarbank. The geographic distribution of EMB's operations mainly mirrors that of its major corporate customers, and the bank envisages some potential branch openings in four or five large Russian cities, although it has no future plans for aggressive regional expansion. Instead of extensive growth, the bank aims at higher efficiency of its regional network; its strategic plan envisages a four-fold increase of its branch loan portfolio (7.6% of total loan portfolio as of 1 January 2005) and a two-fold growth of customer deposits drawn through branches.

THE BANK'S RETAIL FRANCHISE IS LIMITED

Dealing mainly with large corporate customers, EMB historically has not been active in retail, either on the assets or liabilities side of the balance sheet. The merger with Mosnarbank - which had focused to some extent on retail banking (mainly retail deposits) - has broadened EMB's retail clientele and provided a means for further growth in this segment. However, the bank's retail business is still insignificant, and as of the end of 2004, loans to individuals stood at a modest 1.8% of the gross loan portfolio, while retail customers' accounts comprised a modest 5.5% of the bank's total liabilities (1.7% and 4.9%, respectively, as of 30 June 2005), largely represented by the deposits from high-net-worth individuals (or VIPs).

Although EMB aims to build a larger retail client base, it has no plans to launch an extensive retail campaign; the target customer group in this segment will remain VIPs and employees of the bank's corporate clients. Moody's views EMB's retail strategy as a reasonable approach to diversify its funding mix in the most cost-efficient way, assuming that it does not call for expansion of the branch network or aggressive marketing campaigns. Future upward movements of the bank's FSR would very much depend on the successful implementation of this strategy.

Financial Fundamentals

HIGH CONCENTRATIONS ON BOTH SIDES OF THE BALANCE SHEET CONSTRAIN THE RATINGS

As a result of the bank's focus on a limited number of large corporate customers, high concentrations prevail on both sides of the balance sheet. The net loan portfolio, although accounting for a modest 37.4% of total assets as at year-end 2004 (41.7% as of 30 June 2005), displays significant concentrations by both borrower and sector. As of 31 December 2004, the six largest borrowers accounted for 56.7% of the bank's gross loan portfolio, with an exposure towards the single largest debtor standing at 36.1% of gross loans or 95% of shareholders' equity (respectively 29.3% and 83.5% as of 30 June 2005). There are also significant sectoral concentrations to borrowers operating in the oil and gas industry, amounting to 46.2% and 32.4% of the bank's gross loan portfolio, respectively, as of year-end 2004 and first-half 2005. We view these as significant borrower and sectoral concentrations that may under certain circumstances impair the quality of assets. It would only take one large exposure to go wrong for the overall portfolio quality to deteriorate substantially.

The bank is heavily reliant on a small group of customers for funding. A few corporate deposits form the bulk of the bank's corporate funds, and the 20 largest depositors comprised almost half of the customer accounts balances as of year-end 2004. As of 31 December 2004 almost 40% of total debt securities issued by the bank were held by a single corporation.

In our view, this represents a certain reliance on a few companies for funding which, if sudden withdrawals are made, could result in liquidity problems.

The bank's E+ FSR has very limited upside potential, owing to the significant concentrations in its balance sheet. Any upward movement of the rating would be very much dependent on the bank's ability to reduce such concentrations to reasonable levels.

POTENTIALLY UNDERSTATED LEVEL OF RELATED-PARTY EXPOSURE…

In our opinion, the level of related-party exposure could be significantly understated in EMB's financial reports, as the largest group of borrowers and one of its private shareholders (RGS-Invest) are apparently controlled by the same individuals. Owing to the group's multi-level and complicated ownership structure, this exposure is not apparent in the financial statements. Given the lack of proven record and basing our view on market information, we consider this group of borrowers as related to the bank. As at year-end 2004, this exposure stood at US$209 million, amounting to 95% of EMB's shareholders equity. In our view this represents a significant concentration towards related parties and substantially limits the upside potential of the bank's FSR. On the other hand, the high exposure to this group of borrowers is somewhat mitigated by the fact that RGS-Invest has no representatives on the Supervisory Council of the bank, and hence has minimal influence on the decision-making process.

…ALTHOUGH ASSET QUALITY IS SOUND

Notwithstanding the high concentrations prevailing in the bank's loan portfolio, its quality has been historically robust. As of 31 December 2004, non-performing loans stood at only 0.07% of the gross loan portfolio, down from 0.15% and 0.50% in 2003 and 2002, respectively. Loan-loss reserves also demonstrate a downward trend, having reduced to 3.47% of the gross loan portfolio in 2004, from 4.83% and 5.40% in 2003 and 2002, respectively. This improvement mainly stems from better debt collection and consequent higher reserve recoveries. Nevertheless, in Moody's view, high concentration levels limit loan portfolio performance predictability, and the quality of EMB's loan portfolio could deteriorate substantially at any time. However these concerns are somewhat mitigated by the fact that EMB's loan book is largely represented by short-term loans (72.5% of the portfolio has a maturity of less than one year) often secured by future (export) receivables or securities.

THE LARGE AMOUNT OF INVESTMENTS RENDERS THE BANK VULNERABLE TO THE PERFORMANCE OF THIS PORTFOLIO…

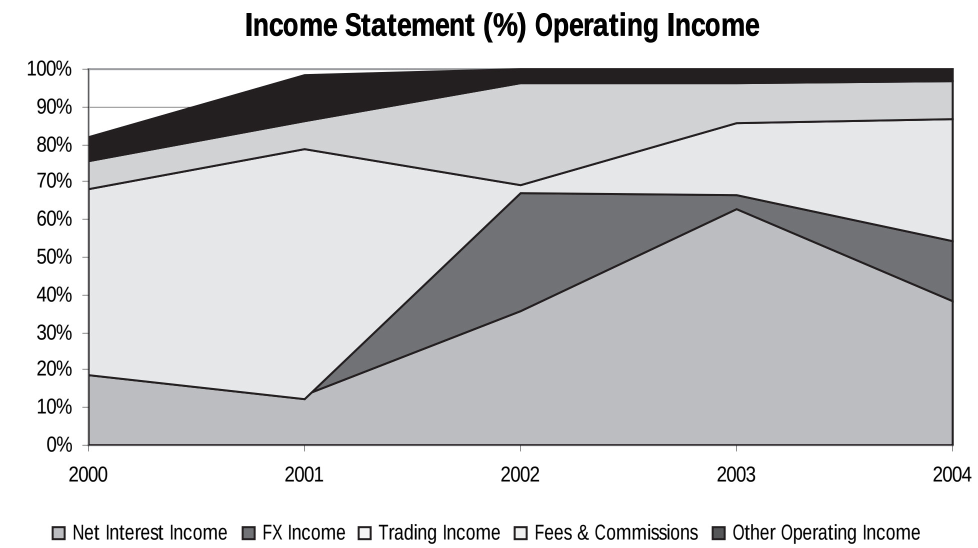
Owing to its strategy, the bank has been historically active in the securities markets. Although on a downward trend, the securities portfolios (both investment and trading) comprised a substantial 23.12% of EMB's net assets as at 31 December 2004 (34.94% in 2003 and 35.15% in 2002) with a slight shift towards the trading portfolio, which comprised 57.6% of the total amount of securities booked on the bank's balance sheet (excluding the reverse REPO portfolio). Such an asset mix, in our view, makes the bank vulnerable to market performance, while limiting the recurring earnings component of its operating revenues. This is somewhat mitigated by the fact that historically the trading portfolio has for the most part been represented by Russia's sovereign debt.

As of 31 December 2004, 75.5% of the investment portfolio was in the "available-for-sale" category, which in turn demonstrates a 44.8% concentration towards non-marketable securities that are considered under IFRS as non-consolidated subsidiaries and associates. The majority of these investments (represented by so-called "Gazprom media companies", including shares of three large television companies and one publishing house) are owned by the bank's subsidiary. The background of these holdings relates to investments made by EMB in 2002 and 2003 as a part of a structured transaction, effected in line with its "complex customer approach" initiative. In terms of this transaction, the bank intends to transfer these investments and certain other related assets to a holding company to be formed in return for 49% of the equity of the holding company, which will be held with a view to its subsequent disposal in the future. According to the conditions of this transaction, EMB can neither govern nor influence the operations of these companies, nor control the financial and operating activities of the holding company. Due to a lack of an active and liquid market for the shares of the media assets, these were accounted for at cost. Although EMB's management has already come to an agreement to sell these investments at a profit, in our view, such non-market business may not necessarily be advantageous for the bank at all times, and constrains its FSR. We are also of the opinion that although these investments might be aimed at satisfying certain specific requirements of the bank's clients, EMB's recent purchase of hotels in Saint Petersburg confirms that the bank still remains involved in operations that are not related to core banking activity and contain risks which are difficult to clearly identify and measure.

…AND PROFITABILITY FLUCTUATES IN LINE WITH REVENUES FROM SECURITIES TRANSACTIONS

EMB's strong presence in the securities, foreign exchange and money markets results in high volatility of the bank's earnings, which are mainly driven by trading revenues and foreign exchange income. Profitability indicators demonstrate significant year-to-year fluctuations, with recurring earning power ratio varying from 10.33% reported as at year-end 2001 to a negative -3.04% as at 31 December 2002 (1.45% reported as of 30 June 2005). Return on average assets and return on equity have shown a downward trend over the last four years and stood at 1.06% and 5.87%, respectively, as of 31 December 2004 (up in 2005 reported at 1.09% and 6.89%, respectively, as of 30 June 2005).

Although the bank's operating revenues appear relatively well diversified by source, its income structure demonstrates only a minor degree of stability, with the bulk of revenues historically generated from unstable trading revenues and foreign exchange income. Net interest income has also been largely driven by revenues from interest-bearing debt securities, which showed a more than two-fold decrease in 2004. A sharp increase in EMB's cost of funding (mainly as a result of an increase in own debt securities issuance) led to a squeeze in the net interest margin ratio to 2.35% as at year-end 2004 and, consequently, to a diminishing contribution of net interest income to operating revenues (38.4% versus 62.98% a year before; although as a result of significant loan portfolio growth at the end of 2004 net interest revenues were picking up in 2005 and comprised 55.8% of operating income as of 30 June 2005). Fees and commissions income continues to play an insignificant role in the bank's revenues, standing at 12.97% as of 30 July 2005, representing minor growth compared to 10.04% as of 31 December 2004 and 11.03% in 2003.



We view the bank's volatile financial performance as a major constraining factor for its financial strength rating. Greater reliance on stable income sources (namely fee and commissions income) together with improving stability for other revenue sources would be key to further upward movement of the bank's ratings.

ROBUST LIQUIDY SUPPORTS THE RATINGS

The bank traditionally maintains a sound liquidity position, with liquid assets representing over the half of total assets over the last five reporting years, and the net loans-to-customer deposits ratio standing as of year-end 2004 at its historical maximum of 64.0%, which is still modest. Notwithstanding the fact that a substantial part of the bank's funding is represented by due to banks, EMB is a net lender on the interbank market, with the due from banks-due to banks ratio having gradually decreased to 41.38% as of 31 December 2004, from 271.44% as at year-end 2001.

REPORTED CAPITALISATION IS HIGH, THOUGH FREE CAPITAL IS INSUFFICIENT

Since being recapitalised by BCEN Eurobank, EMB has maintained a high level of capital adequacy, reporting a Tier I ratio of 19.2% at the end of 2004 (24.9% in 2003 and 18.4% in 2002). Nevertheless, almost 50% of bank's capital is tied up in heavy investments in fixed assets as well as securities holdings in media companies. Although investments in fixed assets in Russia's booming real estate market have some capital gain potential, in our view, this, combined with high earnings volatility, makes the bank's free capital insufficient to absorb potential losses. In our opinion, EMB's low free capital is one of the major factors constraining the bank's FSR at its present E+ level. If the bank manages to moderate its high earnings volatility, dispose of its shareholdings in media assets and considerably reduce the high concentrations in its loan portfolio or substantially increase its equity, this could have a positive impact on the FSR.

HISTORY

Evrofinance-Mosnarbank (EMB) [formerly Bank Evrofinance] was established in 1993 by the French-based subsidiary of the Central Bank of Russia, BCEN-Eurobank, and Vnesheconombank (Ba1/NP/E+). Under pressure from the French regulators, in 2001 BCEN-Eurobank sold its controlling interest in the bank, which was later disposed of to various investors (including BCEN-Eurobank) that form the basis for the current ownership structure. In late 2003, the bank merged with Mosnarbank - a former Russian subsidiary of UK-based Moscow Narodny Bank Ltd (MNB, rated Baa3/Prime-3/D+) - with Bank Evrofinance issuing shares to MNB in exchange for 100% equity participation in Mosnarbank.

OWNERSHIP

Currently no single shareholder has a controlling interest in the bank, while all banking shareholders - namely MNB, BCEN-Eurobank, Vneshtorgbank (Ba1/NP/D-) and Vnesheconombank - are fully or majority owned by the Russian State.

Shareholder	Share	Description
Moscow Narodny Bank Ltd (Baa3/P-3/D+)	19.9%	UK-based bank 100% owned by the CBR
OAO Roscontract	19.5%	Wholesale trading house with 20% equity participation by Russian State
OOO RGS-Invest	16.7%	Investment company, subsidiary of one of Russia's major insurance companies OAO Rosgosstrakh. Blocking stake belongs to the Russian government.
Vneshtorgbank (Ba1/NP/D-)	15.3%	The second-largest commercial bank in Russia fully owned by the Russian government
OOO Vtorchermet-Capital	13.9%	The largest secondary metals processing company
BCEN-Eurobank, Paris	7.9%	French-based bank 100% owned by the CBR
Vnesheconombank (Ba1/NP/E+)	6.8%	A specialist government-owned institution for management of the country's foreign debt and foreign assets
Total	100.0%	

BUSINESS ACTIVITY

A new management team that was brought in following the 1998 crisis in Russia shifted the bank's focus towards offering services to a limited number of large Russian export-oriented or strategically important corporations that do not have their own captive banks. An additional focus was to maintain a strong presence in the foreign exchange, money and stock markets, in order to be able to provide capital-market services to its clientele. The bank targets its strategic customer base among the top 100 Russian corporations and plans further expansion into this market segment. At present, EMB's customers are mostly represented by government-owned and large private companies operating in the Russian energy, oil and gas, and defence sectors. By offering a set of unique services that are individually tailored for each customer, the bank has managed to build a relatively strong franchise. Such a market niche also allows EMB to avoid direct pricing competition with both foreign and major Russian banks.

MARKET SHARE OR RANKING

According to Interfax, as of 1 April 2005 EMB was ranked 26th by total assets and 25th by total capital amongst Russian banks.

DISTRIBUTION CAPACITY

The bank operates a small regional network of six branches, two remote offices and one representative office inherited from Mosnarbank. The geographic distribution of EMB's operations mainly mirrors that of its major corporate customers, and the bank envisages some potential branch openings in four or five large Russian cities, although it has no future plans for aggressive regional expansion.

NUMBER OF EMBPLOYEES

As of 31 December 2004 the bank employed 530 people (378 at head office and 152 in branches).

Related Research

Banking Statistical Supplement:

Russia, February 2005 (91714)

Banking System Outlook:

Banking System Outlook: Russia, October 2005 (94735)

Rating Methodologies:

Bank Credit Risk in Emerging Markets, July 1999 (46631)

Moody's Analytical Framework For Operational Risk Management Of Banks, January 2003 (77083)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Evrofinance Mosnarbank

	12/31/04	12/31/03	12/31/02	12/31/01	12/31/00
Summary Balance Sheet (RUB million)					
Cash & Central Bank	8,469	2,130	3,923	4,778	2,274
Due from Banks	3,463	5,195	4,822	6,059	4,675
Government Securities	4,001	6,239	—	—	—
Trading Securities	5,213	3,992	9,002	5,832	3,638
Investment Securities	1,543	196	1,940	90	48
Other Liquid Assets	—	—	—	—	—
Gross Loans	16,092	9,048	4,353	3,178	3,830
Loan Loss Reserves (LLR)	(562)	(437)	(235)	(191)	(420)
Net Loans	15,531	8,611	4,118	2,987	3,410
Equity in Affiliates	—	—	—	—	—
Fixed Assets	1,784	1,600	1,542	1,196	828
Other Assets	1,495	1,319	263	767	342
Total Assets	41,498	29,281	25,611	21,710	15,215
Total Assets (US$ million)	1,496	994	806	720	540
Customer Deposits	24,251	13,592	14,939	12,131	8,035
Due to Banks	8,368	6,891	5,914	2,232	4,709
Borrowings	2,286	2,829	1,004	—	—
Other Liabilities	156	352	253	1,752	305
Total Liabilities	35,061	23,664	22,110	16,115	13,049
Subordinated Loan Capital	39	38	—	2,602	2,509
Minority Interest	—	—	—	—	—
Supplementary Capital	—	—	—	250	—
Shareholders' Equity	6,399	5,579	3,501	2,743	(343)
Total Capital Funds	6,438	5,617	3,501	5,595	2,166
Total Liabilities & Capital Funds	41,498	29,281	25,611	21,710	15,215
Derivatives - Notional Amount	—	—	—	—	—
Derivatives - Replacement Value	—	—	—	—	—
Risk Weighted Assets (RWA)	—	—	—	—	—
Contingent Liabilities	3,961	2,137	1,883	1,444	2,880
Summary Income Statement (RUB million)					
Interest Income	1,783	1,739	1,077	1,182	1,468
Interest Expense	(1,168)	(734)	(835)	(772)	(753)
Net Interest Income	615	1,004	241	410	715
FX Income	258	55	214	(26)	(237)
Trading Income	543	302	16	2,057	1,284
Fees & Commissions	166	176	182	220	204
Other Operating Income	54	57	27	381	154
Total Non Interest Income	1,021	590	439	2,633	1,405
Operating Income	1,636	1,595	680	3,043	2,120
Personnel Expenses	(577)	(433)	(822)	(397)	(413)
Other Operating Expenses	(453)	(455)	(458)	(514)	(819)
Operating Funds Flow	606	706	(599)	2,133	887
Amortisation / Depreciation	(110)	(108)	(121)	(225)	(66)
Total Non Interest Expense	(1,139)	(997)	(1,401)	(1,135)	(1,298)
Preprovision Income (PPI)	496	598	(720)	1,908	822
Loan Loss Provisions Expenses (LLPE)	(82)	39	(120)	756	(588)
Non Operating Income	—	449	1,330	348	324
Pretax Income	414	1,085	489	3,011	559
Taxes	(38)	(185)	107	(411)	(40)
Net Income	376	900	596	2,600	519
Minority Interests	—	—	—	—	—
Net Income (Group share)	376	900	596	2,600	519
Dividends	—	—	—	—	—
Transfers to Capital Reserves	(375.878)	(900.315)	(596)	(2,600)	(519)
Other Adjustments	—	—	—	—	—

Evrofinance Mosnarbank

	12/31/04	12/31/03	12/31/02	12/31/01	12/31/00
Summary Balance Sheet - Growth (%)					
Cash & Central Bank	297.67	-45.72	-17.89	110.10	157.30
Due from Banks	-33.34	7.72	-20.41	29.61	71.92
Government Securities	-35.87	—	—	—	—
Trading Securities	30.61	-55.66	54.36	60.30	—
Investment Securities	686.23	-89.88	2,051.69	85.88	-97.43
Other Liquid Assets	—	—	—	—	—
Gross Loans	77.86	107.86	36.98	-17.03	73.72
Loan Loss Reserves (LLR)	28.58	85.85	23.33	-54.59	-13.46
Net Loans	80.36	109.12	37.85	-12.40	98.32
Equity in Affiliates	—	—	—	—	—
Fixed Assets	11.47	3.73	28.92	44.57	17.60
Other Assets	13.35	400.84	-65.69	124.53	-85.56
Total Assets	41.73	14.33	17.97	42.69	47.96
	—	—	—	—	—
Customer Deposits	78.43	-9.02	23.14	50.98	86.56
Due to Banks	21.45	16.51	164.96	-52.60	157.25
Borrowings	-19.21	181.84	—	—	—
Other Liabilities	-55.77	39.12	-85.54	474.24	-20.58
Total Liabilities	48.16	7.03	37.20	23.50	52.16
Subordinated Loan Capital	2.99	—	—	3.72	3.14
Minority Interest	—	—	—	—	—
Supplementary Capital	—	—	—	—	—
Shareholders' Equity	14.69	59.36	27.65	—	-52.69
Total Capital Funds	14.62	60.44	-37.43	158.33	26.88
Total Liabilities & Capital Funds	41.73	14.33	17.97	42.69	47.96
Derivatives - Notional Amount	—	—	—	—	—
Derivatives - Replacement Value	—	—	—	—	—
Risk Weighted Assets (RWA)	—	—	—	—	—
Contingent Liabilities	85.33	13.47	30.40	-49.86	37.09
Summary Income Statement - Growth (%)					
Interest Income	2.55	61.50	-8.93	-19.47	44.55
Interest Expense	59.07	-12.08	8.12	2.56	36.70
Net Interest Income	-38.77	316.09	-41.08	-42.68	53.85
FX Income	367.12	-74.22	—	-89.08	-154.63
Trading Income	79.49	1,777.72	-99.22	60.28	—
Fees & Commissions	-5.60	-3.21	-17.52	7.96	55.12
Other Operating Income	-5.09	109.96	-92.90	147.46	92.39
Total Non Interest Income	72.91	34.44	-83.33	87.43	8,924.08
Operating Income	2.57	134.36	-77.64	43.56	341.46
Personnel Expenses	33.17	-47.25	107.21	-4.02	43.77
Other Operating Expenses	-0.54	-0.55	-10.90	-37.31	236.99
Operating Funds Flow	-14.21	—	-128.07	140.37	—
Amortisation / Depreciation	1.29	-10.94	-46.07	243.79	-39.06
Total Non Interest Expense	14.32	-28.85	23.37	-12.52	103.44
Preprovision Income (PPI)	-17.02	—	-137.76	132.12	—
Loan Loss Provisions Expenses (LLPE)	-313.43	—	-115.94	—	-2,918.53
Non Operating Income	—	-66.26	281.95	7.31	-68.27
Pretax Income	-61.86	121.92	-83.76	439.03	-36.91
Taxes	-79.44	-272.55	—	930.60	-80.52
Net Income	-58.25	51.03	-77.07	401.20	-23.78
Minority Interests	—	—	—	—	—
Net Income (Group share)	-58.25	51.03	-77.07	401.20	-23.78

Evrofinance Mosnarbank

	12/31/04	12/31/03	12/31/02	12/31/01	12/31/00
Balance Sheet - % of Total Assets					
Cash & Central Bank	20.41	7.27	15.32	22.01	14.95
Due from Banks	8.34	17.74	18.83	27.91	30.72
Government Securities	9.64	21.31	—	—	—
Trading Securities	12.56	13.63	35.15	26.86	23.91
Investment Securities	3.72	0.67	7.57	0.42	0.32
Other Liquid Assets	—	—	—	—	—
Gross Loans	38.78	30.90	17.00	14.64	25.17
Loan Loss Reserves (LLR)	-1.35	-1.49	-0.92	-0.88	-2.76
Net Loans	37.42	29.41	16.08	13.76	22.41
Equity in Affiliates	—	—	—	—	—
Fixed Assets	4.30	5.46	6.02	5.51	5.44
Other Assets	3.60	4.50	1.03	3.54	2.25
Customer Deposits	58.44	46.42	58.33	55.88	52.81
Due to Banks	20.17	23.53	23.09	10.28	30.95
Borrowings	5.51	9.66	3.92	—	—
Other Liabilities	0.38	1.20	0.99	8.07	2.00
Total Liabilities	84.49	80.82	86.33	74.23	85.77
Subordinated Loan Capital	0.09	0.13	—	11.99	16.49
Minority Interest	—	—	—	—	—
Supplementary Capital	—	—	—	1.15	—
Shareholders' Equity	15.42	19.05	13.67	12.63	-2.26
Total Capital Funds	15.51	19.18	13.67	25.77	14.23
Income Statement - % of Average Assets					
Interest Income	5.04	6.33	4.55	6.40	11.51
Interest Expense	-3.30	-2.68	-3.53	-4.18	-5.91
Net Interest Income	1.74	3.66	1.02	2.22	5.61
FX Income	0.73	0.20	0.91	-0.14	-1.86
Trading Income	1.53	1.10	0.07	11.14	10.07
Fees & Commissions	0.47	0.64	0.77	1.19	1.60
Other Operating Income	0.15	0.21	0.11	2.07	1.21
Total Non Interest Income	2.88	2.15	1.86	14.26	11.02
Operating Income	4.62	5.81	2.88	16.48	16.63
Personnel Expenses	-1.63	-1.58	-3.47	-2.15	-3.24
Other Operating Expenses	-1.28	-1.66	-1.93	-2.78	-6.43
Operating Funds Flow	1.71	2.57	-2.53	11.55	6.96
Amortisation / Depreciation	-0.31	-0.39	-0.51	-1.22	-0.51
Total Non Interest Expense	-3.22	-3.63	-5.92	-6.15	-10.18
Preprovision Income (PPI)	1.40	2.18	-3.04	10.33	6.45
Loan Loss Provisions Expenses (LLPE)	-0.23	0.14	-0.51	4.09	-4.61
Non Operating Income	—	1.63	5.62	1.89	2.54
Pretax Income	1.17	3.95	2.07	16.31	4.38
Taxes	-0.11	-0.67	0.45	-2.23	-0.31
Net Income	1.06	3.28	2.52	14.08	4.07
Minority Interests	—	—	—	—	—
Net Income (Group share)	1.06	3.28	2.52	14.08	4.07
Income Statement - % of Operating Income					
Interest Income	109.01	109.03	158.22	38.85	69.25
Interest Expense	-71.41	-46.05	-122.75	-25.39	-35.53
Net Interest Income	37.60	62.98	35.48	13.46	33.72
FX Income	15.77	3.46	31.48	-0.85	-11.18
Trading Income	33.18	18.96	2.37	67.62	60.56
Fees & Commissions	10.15	11.03	26.70	7.24	9.62
Other Operating Income	3.30	3.57	3.98	12.53	7.27
Total Non Interest Income	62.40	37.02	64.52	86.54	66.28
Operating Income	100.00	100.00	100.00	100.00	100.00
Personnel Expenses	-35.29	-27.18	-120.75	-13.03	-19.49
Other Operating Expenses	-27.67	-28.53	-67.25	-16.88	-38.65
Operating Funds Flow	37.04	44.29	-88.00	70.09	41.86
Amortisation / Depreciation	-6.70	-6.78	-17.85	-7.40	-3.09
Total Non Interest Expense	-69.66	-62.50	-205.85	-37.31	-61.23
Preprovision Income (PPI)	30.34	37.50	-105.85	62.69	38.77
Loan Loss Provisions Expenses (LLPE)	-5.04	2.42	-17.70	24.84	-27.72
Non Operating Income	—	28.13	195.41	11.44	15.31
Pretax Income	25.31	68.05	71.86	98.97	26.36
Taxes	-2.32	-11.59	15.74	-13.52	-1.88
Net Income	22.98	56.46	87.61	85.45	24.47
Minority Interests	—	—	—	—	—
Net Income (Group share)	22.98	56.46	87.61	85.45	24.47

Evrofinance Mosnarbank

	12/31/04	12/31/03	12/31/02	12/31/01	12/31/00
Profitability Indicators					
Return on Average Assets (%)	1.06	3.28	2.52	14.08	4.07
Return on Shareholder's Equity - period end (%)	5.87	16.14	17.03	94.80	-151.13
Recurring Earning Power [1]	1.40	2.18	-3.04	10.33	6.45
PPI (%) Avg Total Capital Funds	8.23	13.12	-15.84	49.16	42.44
Interest Expense (%) Interest Income	65.51	42.23	77.58	65.35	51.31
Interest Income (%) Avg Interest Earning Assets [2]	6.49	7.76	6.10	8.64	15.45
Interest Expense (%) Avg Interest Bearing Liabilities [3]	4.01	3.25	4.30	4.80	5.82
Net Spread (%) [4]	2.48	4.52	1.80	3.85	9.63
Net Interest Margin (%) [5]	2.24	4.49	1.37	3.00	7.52
Non-Interest Income (%) Operating income	62.40	37.02	64.52	86.54	66.28
Income Tax (%) Pre-tax Income	9.18	17.03	-21.91	13.66	7.14
Efficiency Indicators					
Non Interest Expense (%) Avg Assets	3.22	3.63	5.92	6.15	10.18
Cost to Income Ratio (%) [6]	69.66	62.50	205.85	37.31	61.23
Personnel Expenses (%) Avg Assets	1.63	1.58	3.47	2.15	3.24
Personnel Expenses (%) Operating Income	35.29	27.18	120.75	13.03	19.49
Personnel Expenses (%) Non Interest Expense	50.66	43.49	58.66	34.93	31.83
Liquidity Indicators					
Net Loans (%) Customer Deposits	64.04	63.35	27.56	24.62	42.44
Net Loans (%) Total Deposits [7]	47.61	42.04	19.75	20.80	26.76
Average Net Loans (%) Average Customer Deposits	63.79	44.61	26.25	31.72	41.56
Average Net Loans (%) Average Assets	34.11	23.19	15.01	17.32	20.12
Liquid Assets (%) Total Assets [8]	50.96	59.95	69.30	76.78	69.58
Customer Deposits (%) Total Deposits	74.35	66.36	71.64	84.46	63.05
Customer Deposits / Shareholders' Equity (Times)	3.79	2.44	4.27	4.42	-23.41
Due from Banks (%) Due to Banks	41.38	75.39	81.54	271.44	99.27
Loan Portfolio Quality Indicators					
Problem Loans (%) Gross Loans	0.07	0.15	0.50	—	—
Problem Loans (%) (Shareholders' Equity + LLR)	0.16	0.22	0.58	—	—
(Problem Loans - LLR) (%) Shareholders' Equity	-8.61	-7.59	-6.09	-6.95	122.28
Loan Loss Reserve (%) Gross Loans	3.49	4.83	5.40	6.00	10.96
Loan Loss Provision Expenses (%) Preprovision Income	16.60	-6.45	-16.72	-39.62	71.49
LLP (%) (Loan Loss Reserve - LLP)	17.18	-8.11	105.05	-79.86	-350.20
Loan Loss Provision Expenses (%) Gross Loans	0.51	-0.43	2.77	-23.78	15.34
Preprovision Income (%) Net Loans	3.20	6.95	-17.49	63.86	24.10
Shareholders' Equity (%) Net Loans	41.20	64.79	85.02	91.82	-10.07
Loans to Related Cos. (%) Gross Loans	11.83	19.54	—	—	104.00
Capitalization Indicators					
Tier 1 ratio (%)	19.20	24.90	18.40	20.01	—
Shareholders' Equity (%) Total Assets	15.42	19.05	13.67	12.63	-2.26
Shareholders' Equity (%) T. Assets + Contingent Liabilities	14.08	17.76	12.73	11.84	-1.90
Total Capital funds (%) Total Assets	15.51	19.18	13.67	25.77	14.23
Total Capital (%) T. Assets + Contingent Liabilities	14.16	17.88	12.73	24.16	11.97
Shareholders' Equity (%) Total Capital funds	99.40	99.33	100.00	49.02	-15.85
Contingent Liabilities (%) Total Assets	9.54	7.30	7.35	6.65	18.93
"Free" Capital (%) Sharehoders' Equity [9]	72.13	71.32	55.94	56.37	—
Dividend Payout (%) [10]	—	—	—	—	—
Internal Capital Growth (%) [11]	6.74	25.72	21.74	—	—

Notes:
[1] Recurring Earning Power = Preprovision Income (%) Average Total Assets
[2] Interest Earning Assets = Central Bank + Due from Banks + Government Securities + Trading Securities + Investment Securities + Gross Loans
[3] Interest Bearing Liabilities = Customer Deposits + Due to Banks + Borrowings + Subordinated Debt Capital
[4] Net spread = Interest Income (%) Avg Earning Assets - Interest Expense (%) Avg Interest Bearing Liabilities
[5] Net interest margin = Net Interest Income (%) Average Earning Assets
[6] Cost to Income Ratio = Total non interest expense (%) Operating income
[7] Total deposits = Customer deposits + Due to banks
[8] Liquid Assets = Cash & Central Bank + Due from Banks + Government Securities + Trading Securities + Other Liquid Assets
[9] Free Capital = Shareholders' Equity - Fixed Assets - Equity in Affiliates
[10] Dividend Payout = Dividends (%) Net Income
[11] Internal Capital Growth = Current period's Net income - Current period's Dividends (%) Last period's Shareholders' Equity

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