

**Closed Joint-Stock Company
«INTERNATIONAL JOINT-STOCK BANK»**



THE ANNUAL REPORT

2005

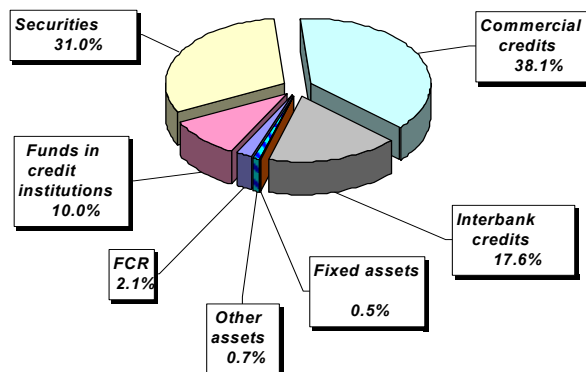
I. MAJOR RESULTS OF IJSBANK ACTIVITIES IN 2005

Like in the previous years, the overwhelming part of financial operations conducted by Close Joint-Stock Company International Joint-Stock Bank (IJSBANK) was concentrated at commercial crediting, transactions in the stock exchange, transactions in the money-market.

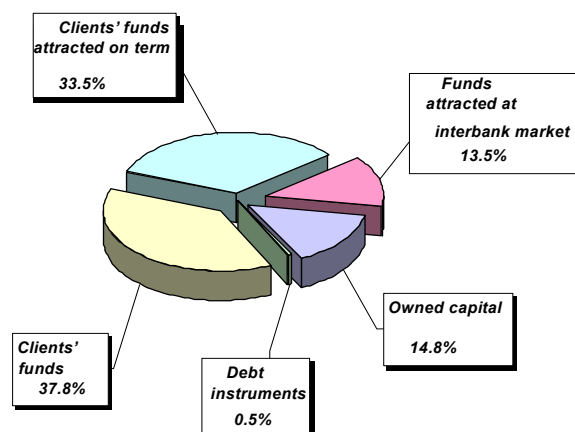
In 2005 the Bank's assets increased by 24 % and amounted to 4.3 milliard roubles. As of 1st of January 2006 the assets were allotted as follows: commercial credits – 38 %, securities – 31%, funds in credit institutions – 27,6%. The annual profit of the Bank amounts to 111 million roubles. In the Bank's income structure the share of income gained from commercial crediting was 44.5% and from operations with securities – 45.8%.

The Bank's assets and liabilities structure is illustrated by the diagrams.

The assets structure as of 01.01.2006

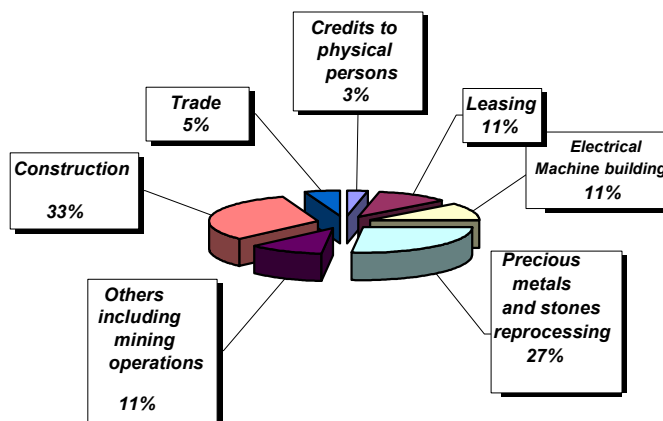


The liabilities structure as of 01.01. 2006



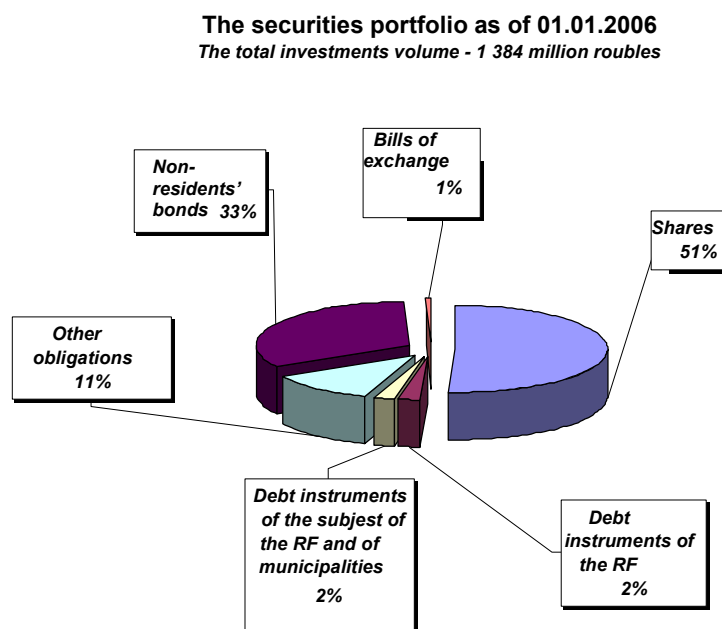
The Bank's credit portfolio mounted to 1668 million roubles. As before, the Bank gave credits to construction and real estate companies, to enterprises engaging the precious stones and precious metals market (in particular, those engaging in the precious metals reprocessing), to electrical machine building enterprises. A great share in the Bank credit portfolio belonged to crediting of wholesale enterprises and service companies. During the year 2005 the volume of credits to leasing companies had been increasing, and the share of the credits to borrowers of the named sector mounted to 18%. (see the diagram "The credit portfolio structure as of 1st of January, 2006").

The credit portfolio structure as of 01.01.2006



As the main priorities in crediting the Bank consider its profitability and reliability and increasing of the clients work efficiency. Accurate selection of the credit projects and individual work with borrowers have allowed to form the high quality credit portfolio.

As predicted by the Bank's specialists the growth of the profitability of the corporative shares market was to be ahead of the profitability of the bond market, thus during the year 2005 the Bank has been increasing its investment portfolio and re-distributed its funds from fixed-income loan securities to shares of the Russian issuers. The Bank's investments to the shares not related to blue chips so as to create the diversified portfolio of shares. The corporative currency bonds portfolio has not been significantly changing during the year 2006. By the end of 2005 the correlation of all the shares and bonds in the Bank's investment portfolio was 50/50. This correlation allows to maintain the Bank liquidity parameters on an appropriate level due to an opportunity to conduct REPO-type transactions. See the diagram illustrating the structure of the securities portfolio as of 1st of January, 2006.



In 2005 the interbank crediting market was restored after the crisis of 2004 and measured up to pre-depression level. The Bank significantly increased the volume of transactions in roubles and foreign currency, and the most part of the allocated funds was disposed on security. During the year of 2005 the Bank actively developed the partnership with regional counterpartybanks in the interbank crediting transactions and in FOREX operations as well. The volume of FOREX operations conducted by the Bank has been increased considerably. The volume of conversion transaction on following currencies has been increased: Swiss frank, Swedish krona, Japanese yen, pound sterling. The total turnover of euro operations amounted 5.650 milliard euro. During 2005 IJSBANK has been taking the leading position in the list of the key operators of the euro market on Moscow Interbank Currency Exchange (MICE).

At the expiration of 2005 the correspondent network of the Bank covered 47 NOSTRO accounts and 83 LORO accounts. In May 2005 the Bank established the correspondent relations with JP Morgan AG, Germany. IJSBANK became an affiliated member of MasterCard Europe S.A. payment system.

In 2005 the Bank became an active participant of the newly arised futures contracts market on rouble-dollar instrument being in a sight of participation in the market of options. The Bank actively uses futures as a long-term hedging instrument.

As of January 1, 2006 IJSBANK ranks among the top two hundred Russian banks on the following indices:

- total net assets ("Finans." No. 8, 2006),
- on profitability (RosBusinessConsulting, 2005);

and takes the 111th place in Russia according to the data of The Bankers' Almanac (as of July, 2005).

In 2005 the Bank took serious measures to introduce new software products automatizing new directions of activity. Accounting systems of plastic cards and “OFBU” (Bank’s unit trust). In the same year the Bank starts to perform crediting services to physical persons, and for these purposes the whole complex of programs was developed including an access via Internet. That simplified the whole procedure of preparation and handling of borrowers’ application. New systems were introduced in the currency front-office, the Bank switched to new trade modules including Chicago Mercantile Exchange. A new module of tax accounting of crediting operations was also introduced and this allows to form the most part of tax statements more efficiently.

II. THE BANK RISK-MANAGEMENT IN 2005

Management and control over the Bank liquidity and solvency, as well as over risks of financial transactions are the major component of the Bank activities. To solve these problems the Bank established a standing Budget Committee and Limits and Risks Committee. Main task of the Budget Committee activities is to work out suggestions concerning the bank assets and liabilities management, analysis of its profitability and liquidity indices. Main task of the Limits and Risks Committee activities is to work out suggestions on limits on financial transactions performed by the Bank and assessment of risks arising in this connection.

IJSBANK follows the adopted policy of proportional assets distribution, namely, supports considerable investments into commercial crediting, interbank credits, as well as investments in currency and ruble securities, guaranteeing fulfillment of the liquidity norms of the Bank activities preserving its necessary profitability.

In commercial crediting the Bank pursues a consistent policy based on the following principles:

- detailed analysis of the borrower's business plan with account to specific features of the market segment it belongs to;
- control over purposeful use of the borrowed funds;
- priority crediting of enterprises offering first-class security and/or guarantees;
- diversification of the credit portfolio according to the industries the borrowers engage in;
- offer of maximum wide range of banking services for the borrowers.

In interbank crediting transactions the Bank is guided by the risk limitation policy by way of limit formation.

Apart from this the Bank has an opportunity to attract money resources for the account of a mechanism of pledge deals with different securities: state internal currency loan bonds (OVLVZ), Russian eurobonds, corporate shares and bonds, federal loan bonds (OFZ) and municipal securities.

The Bank reduces credit risks related to activities conducted in the securities market through concentration of the main amount of deals in the exchange sites, use of DVP (delivery versus payment) settlements, as well as using pledge schemes through depositories.

Controlling interest risks of the stock market transactions IJSBANK uses the GAP method allocating funds in long-term assets with a fixed income and variant management of short-term liabilities using funds on the correspondent accounts and credit lines opened on the Bank by partner banks in the interbank credit market. Bank sets limits on deals with different securities, determines an optimal percentage correlation of bonds, shares and promissory notes in the portfolio developing operation algorithms in the changing market situation.

The Bank has an opportunity to control market risks, i.e. risks of losses of a credit institution due to unfavorable changes in the market value of the financial instruments of the trading portfolio and derivatives of the credit institution, as well as exchange rates of foreign currencies and/or precious metals. One of the market risk components is a currency risk. In order to minimize currency risks the Bank employs separate investments into the currency and ruble assets in the framework of the set figures of a currency position and in accordance with the amount of borrowed funds. It also works on forecasting the exchange rates of major currencies and studies opportunities of short-term hedging (insurance) of the said risks.

An important component of the Bank system for regulation of possible risks is also control over operational and legal risks and risk to lose its goodwill.

At present an internal control system is functioning in the Bank, whose main task is to work out internal regulations and procedures corresponding to the current legislation and regulating preparation, conclusion, confirmation and control over the conducted transactions.

In compliance with legislation of the Russian Federation the Bank conducts and permanently improves the work aimed to anti - money laundering of criminal incomes.

In 2005 the introduction of a new software complex was finished. That complex allowed the distance work of the Bank's clients with the Bank via Internet. Now the Bank services and the possibility of managing the assets are available from any point of the world and from any computer having access to Internet. The safety of operational transactions is provided by the certified program of cryptographic security and electronic digital signature. All the Bank security measures on the authenticity and confidentiality of information being transmitted and kept was checked by Federal Security Service of Russia which granted the corresponding license to the Bank.

III. THE MAIN TASKS OF THE BANK IN 2006

According to the logic of competitive development of a credit institution and subject to the present economic and legal reality IJSBANK keeps on searching for new directions of activity, optimization of the assets and liabilities, execution of the control over the risks of financial transactions being conducted and improvement of the administrative structure.

Like before, operations of commercial crediting transactions on the open money market and stock market will have primary importance for the Bank. The Bank will continue to render broker services to its clients on the stock market on operations with different financial instruments and it will expand the range of supplementary services on informational and analytical support, best price search on over-the-counter securities market, financing on pledging of securities, participation in initial offerings.

The Bank is to develop as traditional kinds of crediting: one-time credits, credit lines, investment crediting, note crediting, overdraft crediting, bank guarantees for entities, as new forms and methods of crediting subject to features and spheres of clients' activity with elaboration of individual schemes meeting interests of the Bank and a borrower both.

The services performed to individuals will remain as one of perspective directions of the Bank's activity. The Bank will keep on expanding the list of services to physical persons including the diversification of the deposit services range taking those are guaranteed by the Bank participation in the deposit insurance system.

The Bank clients will still have an opportunity to make monetary non-commercial transfers in Russian rubles and foreign currency in the real time mode without opening current accounts via the Contact system and Rapida payment system.

Deepening of the existing and establishment of new interbank relations and correspondent relations will still be an important aspect of the IJSBANK activities in 2005. Due to the participation of the Bank's clients in external economic operations the Bank will keep on working on the perfection of the instruments of trade and structure financing as the most practically feasible and tangible forms of international accounting. The main priority lines of the international transactions in 2006 will be the satisfaction of the clients' interests in accounting services, improving efficiency of funds transfers, their risk and cost reduction.

The Bank will begin introduction of the accounting systems on the operation with plastic cards and with bank's unit trusts (OFBU).

IV. THE BANK'S EXECUTIVE BOARD

Sinitsina Olga Igorevna	PRESIDENT, CHAIRPERSON OF THE BOARD
Vlasenko Nikolai Andrianovich	Vice President
Smirnov Vladimir Nikolayevich	Vice President
Trepel Viktor Vladilenovich	Vice President
Promyslova Irina Yevgenievna	Vice President
Fedorenko Yelena Sergeyeвна	Chief Accountant
Date of the Bank foundation - August 4, 1992	
Paid up Authorized Capital - 300 mln. rub.	

V. THE MAJOR BANK SHAREHOLDERS

- Russian Federal Property Fund
- Limited Liability Company "Strukturnye produkty"
- Limited Liability Company "Crystalldiam"
- Limited Liability Company "Fri flo finans"
- Association of Diamond Manufacturers.

VI. THE LICENSES OF IJSBANK

- General license of the Bank of Russia to conduct banking transactions No. 1987 dated August 21, 1992 (renewed on September 9, 2003).
- License of the Bank of Russia to conduct banking transactions No. 1987 dated May 28, 1997 with the right to attract on deposits and place precious metals (renewed on September 9, 2003).
- License of a professional participant in the securities market:
 - No. 077-04147-000100 to conduct depository activities dated December 20, 2000;
 - No. 077-04054-010000 to conduct dealer activities dated December 21, 2000;
 - No. 077-04006-100000 to conduct broker activities dated December 21, 2000;
 - No. 077-04096-001000 to conduct activities in securities management dated December 21, 2000.
- License of a stock exchange broker No. 607 dated October 16th, 2003 to make futures and option deals in the stock exchange trading within the RF territory.
- Certificate of the Bank's inclusion into the Register of banks being participants in the system of mandatory deposits insurance dated November 18th, 2005, number 186.

VII. MEMBERSHIP IN INTERBANK UNIONS, STOCK EXCHANGES AND ASSOCIATIONS

- Association of the Russian banks;
- Moscow Interbank Union;
- Moscow Interbank Currency Exchange - currency section, stock section, derivatives market section, governmental securities section;
- National Stock Association;
- St. Petersburg Currency Exchange;
- NP Stock Exchange St. Petersburg;
- NP Stock Exchange RTS;
- Russian National Association of SWIFT members;
- Diamond Chamber of Russia;
- Association of Diamond Manufacturers.

VIII. THE REQUISITES

- Russia, 125167, Moscow, Leningradsky prospect 37, block 12
- tel. (095) 967-86-49, 967-68-02
- fax. (095) 913-91-33
- telex: 412092 PAUL RU
- S.W.I.F.T. Code INTJRUMM
- REUTERS Dealing MABM
- SPRINT: IJSBANK/CUSTOMERS
- E-mail: INFO@MAB.RU
- www.mab.ru
- for payments:
BIC 044525832,
correspondent account 30101810000000000832 with OPERU of the Moscow GTU
of the Bank of Russia, INN 7703025925.

IX. FROM THE AUDITOR'S STATEMENT

Name of the auditing company	AKONT Auditing Company, Ltd.
License number	E 004602
Number of the order on the license issue	195
Date of the license issue	June 27, 2003
Date of the license term of validity commencement	June 27, 2003
Date of the license term of validity termination	June 27, 2003
Name of the organization issuing the license	Ministry of Finance of the Russian Federation

According to the AKONT Auditing Company Ltd., the annual business accounting reports of IJSBANK and annual published reports drawn up on the basis thereof represent authentically in all material aspects the credit institution financial standing as of January 1, 2006 and results of financial and business activities for the period of January 1 to December 31, 2005, inclusive in compliance with requirements of legislation of the Russian Federation concerning preparation of business accounting reports.

O.A. Antonyuk
Director
AKONT Auditing Company Ltd.

X. BALANCE SHEET
as of January 1, 2006

thous. rub.

Item description	Data as of the accounting date	Data as of the accounting date of the previous year
ASSETS		
Monetary funds	36 690	43682
Funds of credit institutions with the Central Bank of the Russian Federation	108 689	141 283
Compulsory reserves	79 353	77 763
Funds with credit organizations	313 521	225 933
Net investments into trading securities	319 046	338 083
Net loan indebtedness	2 111 174	1 586 628
Net investments in investment securities held to maturity	62 036	62 139
Net investments into securities available for sale	792 602	524 094
Capital funds, intangible assets and material reserves	18 197	21 019
Claims for interest	682	100
Other assets	27 512	33 646
Total assets	3 790 149	2 976 607
LIABILITIES		
Credits from the Central Bank of the Russian Federation	0	0
Funds of credit organizations	672 719	241 388
Clientele funds (non-credit organizations)	2 513 114	2 162 156
Holdings of physical persons	55 752	29 896
Outstanding credit instruments	19 256	59 105
Obligations for interest payment	19 750	6 069
Other obligations	5 586	8 951
Reserves for possible losses on conditional credit liabilities, other possible losses on transactions with off-shore zones residents	537	435
Total liabilities	3 230 962	2 478 104
SOURCES OF EQUITY (OWNED CAPITAL)		
Funds of shareholders (participants)	300 000	300 000
Registered ordinary shares	299 800	299 800
Registered preference shares	200	200
Non-registered authorized capital of non-joint-stock credit organizations	0	0
Owned shares bought out from shareholders	0	0
Emission income	0	0
Capital funds revaluation	6 122	6 186
Deferred expenses and anticipated payments affecting the equity (owned capital)	26 216	12 742
Funds and retained earnings of the previous years at disposal of the credit organization (non-redeemed losses of the previous years)	186 468	112 101
Profit (loss) for the accounting period to be distributed	92 813	92 958
Total sources of equity (owned capital)	559 187	498 503
Total liabilities:	3 790 149	2 976 607
OFF-BALANCE LIABILITIES		
Irrevocable obligations of the credit organization	2 480 950	237 339
Guarantees issued by the credit organization	0	40 435

**XI. PROFIT AND LOSS STATEMENT
for the year 2005**

thous. rub.

Item description	Data for the accounting period	Data as of the accounting date of the previous year
Interest received and similar income from:		
Fund placement with credit institutions	19 832	17 228
Loans extended to clients (non-credit organizations)	241 054	148 853
Financial leasing services	0	0
Fixed-yield securities	75 669	84 256
Other sources	221	230
Total interest received and similar incomes:	336 776	250 567
Interest paid and similar expenses for:		
Borrowed funds of credit organizations	16 463	16 732
Borrowed funds of clients (non-credit organizations)	87 724	50 574
Issued debt instruments	3 871	35 005
Total interest paid and similar expenses	108 058	102 311
Net interest and similar incomes	228 718	148 256
Net earnings from transactions with securities	172 448	113 527
Net earnings from transactions with foreign currency	18 724	8 542
Net earnings from transactions with precious metals	10	45
Net earnings from revaluation of foreign currency	12 340	11 685
Commission income	2 639	2 451
Commission expenses	697	362
Net income from one-time transactions	-744	4 284
Other net operational incomes:	-93 549	- 109 921
Administrative-managerial expenses	110 703	101 460
Reserves for possible losses	-113 376	46 817
Profit before tax	115 810	123 864
Tax charged (including tax on profit)	22 997	30 874
Profit for the accounting period	92 813	92 990

XII. List of Correspondent Banks (NOSTRO) of the International Joint-Stock Bank

No.	Name of the Bank – <i>SWIFT</i>	Currency	Account Number
1.	DEUTSCHE BANK TRUST COMPANY AMERICAS – <i>BKTRUS33</i>	USD	04-402-701
2.	JPMORGAN CHASE BANK – <i>CHASUS33</i>	USD	400951991
3.	JPMORGAN CHASE BANK – <i>CHASGB2L</i>	GBP	25441801
4.	JPMORGAN AG - <i>CHASDEFF</i>	EUR	6231606309
5.	OST-WEST HANDELSBANK AG – <i>OWHBDEFF</i>	EUR USD SEK	0103520011 0103520417 0103520425
6.	DEUTSCHE BANK AG – <i>DEUTDEFF</i>	EUR	9476557 00
7.	ANTWERPSE DIAMANTBANK N.V. – <i>ADIABE22</i>	USD	640-0093401-33
8.	ABN AMRO BANK N.V. (Belgian branch) – <i>ABNABEBR</i>	EUR	724-4627294-31
9.	ING BELGIUM SA/NV – <i>BBRUBEBB</i>	EUR	301-0179858-04
10.	ABN AMRO BANK N.V. – <i>ABNANL2A</i>	USD	48.75.07.223
11.	RUSSIAN COMMERCIAL BANK LTD. – <i>RKBZCHZZ</i>	CHF USD SEK EUR DKK GBP	659001.0001 659001.0333 659001.0864 659001.0814 659001.0272 659001.0402
12.	DONAU-BANK AG – <i>DOBAATWW</i>	USD	11.00.0615189.001

13.	BANK OF TOKYO- MITSUBISHI, Ltd. – <i>BOTKJPJT</i>	JPY	653-0420859
14.	BANK TURANALEM - <i>ABKZKZKX</i>	KZT	035169564
15.	TALLINN BUSINESS BANK – <i>TABUEE22</i>	USD	9390000106
16.	BANK FOR FOREIGN TRADE OF THE RUSSIAN FEDERATION – <i>VTBRRUMM</i>	USD RUR	30109840400000000641 30109810355550000030
17.	JOINT-STOCK COMMERCIAL BANK "EVROFINANCE MOSNARBANK" – <i>EVRFRUMM</i>	USD RUR	30109840800001942191 30109810200001942190
18.	INTERNATIONAL MOSCOW BANK – <i>IMBKRUMM</i>	USD BYB	30109840600010008710 30109974700010146914
19.	Open Joint-Stock Company "BELVNESHECONOMBANK" – <i>BELBBY2X</i>	BYB	1702795266009
20.	RUSSKY SLAVIANSKY BANK – <i>RSLBRUMM</i>	USD EUR RUR	30109840000000000163 30109978000000000163 30109810100000000163
21.	JOINT-STOCK COMMERCIAL BANK "SOYUZ" – <i>JCAMRUMM</i>	USD	30109840800010000054
22.	Joint-Stock Commercial Bank – Bank of Moscow (open Joint-stock company) - <i>MOSWRUMM</i>	RUR USD EUR	30109810500002000832 30109840800002000832 30109978400002000832
23.	MASTER-BANK(open joint-stock company) - <i>MSTBRUMM</i>	USD EUR RUB	30109840400002003100 30109978000002003100 30109810100002003100
24.	COMMERCIAL BANK "SAKHADIAMONDBANK" – <i>SADCRUMI</i>	RUR	30109810000000000004
25.	SOFIA BANK – <i>SOFYRUMM</i>	USD	30109840700000000011
26.	COMMERCIAL BANK "SOTSYALNIY GORODSKOY BANK" – <i>SLSORUMM</i>	USD RUR	30109840800000000832 30109810500000000832
27.	JOINT-STOCK COMMERCIAL BANK "FUTURE" – <i>JCFORUMI</i>	USD RUR	30109840400000356001 30109810100000356001