

Stamp: True:
Chairman of the Board
S.V.Medvedev
(signed)

Seal: Joint-Stock Commercial Bank "BALTIC DEVELOPMENT BANK" (Closed Joint-Stock Company) * Russian Federation * Moscow * OGRN 1027700074775

**AUDITORS' REPORT
ON THE FINANCIAL (ACCOUNTING) STATEMENTS OF THE
JOINT-STOCK COMMERCIAL BANK
"BALTIC DEVELOPMENT BANK"
(CLOSED JOINT-STOCK COMPANY)**

FOR THE YEAR 2005.

**To the shareholders of Joint-Stock Commercial Bank "Baltic
Development Bank"
(Closed Joint-Stock Company)**

Auditor

Full name: "Prio-Audit" Limited Liability Company.

Abbreviated name: LLC "Prio-Audit".

Location: 64 Pochtovaya street, Ryazan, 390000.

Telephones: (0912) 21-70-52, 25-34-45 Fax: (0912) 25-86-12.

E-mail address: root@prioaudit.ru.

Primary state registration number №1026200870090 dated August 6, 2002.

License for audit activity № E 005064, issued in compliance with the Order № 321 of the MF of the RF dated 20.10.2003 for a period of five years.

The audit was carried out with participation of:

- the head of the audit, auditor - Travkin Andrey Jurievich

auditor's qualification certificate on banking audit № K 021909;

- auditor - Komarov Vladimir Michaylovich, auditor's qualification certificate on banking audit № K 008369.

LLC "Prio-Audit" is a member of the "Audit Chamber of Russia", accredited professional association of auditors, registration number № 895 dated 22.04.2004.

Audited person

Full name of the Bank: Joint-Stock Commercial Bank “Baltic Development Bank” (Closed joint-stock company).

Abbreviated name of the Bank: JSC “Baltic Development Bank” (CJSC).

Date of registration by the Central Bank of the Russian Federation: June 27, 1994.

Registration number: 2929.

Primary state registration number № 1027700074775 dated July 29, 2002.

Location: building 1, 6 1-st Nikoloshchepovskiy Lane, Moscow City, 121099

In 2005 the Bank had the following types of licenses:

- banking license № 2929 dated October 2, 2000 with the right to carry out banking operations with funds in rubles and foreign currency (without the right to deposit funds of natural persons);
- license № 2929 dated October 2, 2000 for depositing funds of natural persons in rubles and in foreign currency.
- Certificate on the inclusion of the bank into the list of banks - participants of the Federal Deposit Insurance System, No.795 dated March 21, 2005.

1. We, an auditing company LLC "Prio-Audit", on the basis of the agreement № PA-B-05/150 dated March 15, 2006, have audited the accompanying financial (accounting) statements of the JSC “Baltic Development Bank” (CJSC), for the period from January 1 to December 31, 2005 inclusive. The financial (accounting) statements of the JSC “Baltic Development Bank” (CJSC) include the following published forms:

- balance sheet as of January 1, 2006;
- a profit and loss account for the year 2005;
- the statement on capital adequacy ratio, on provisions for doubtful loans and other types of assets as of January 1, 2006.

The preparation and presentation of these financial (accounting) statements is the responsibility of the management of the JSC “Baltic Development Bank” (CJSC). Our responsibility is to express an opinion, based on the audit, concerning the proper preparation of these statements in all material aspects and regarding the compliance of the Bank’s accounting procedures with the Russian Federation legislation.

We have conducted our audit in accordance with:

- Federal Law “On Audit Activities”;
- The Federal Rules (standards) for Auditing;
- The Letter of the Ministry of Finance of the Russian Federation dated 08.09.2003 № 28-01-20/1402/AP;
- internal rules (standards) on auditing;
- regulatory acts of the body which regulates the activity of the audited person.

2. Audit was planned and performed so as to obtain reasonable assurance as to whether the financial (accounting) statements are free from material misstatement.

Our audit was conducted on a sample basis and included:

- the examination, on a test basis, of evidence supporting the amounts and disclosures in the financial (accounting) statements of the information about the financial and economic activities;
- an assessment of the compliance with accounting principles and rules used during the preparation of the financial (accounting) statements, and their compliance with the accounting techniques, set by the Regulations of the Bank of Russia No. 205-P dated December 5, 2002 on the Accounting Rules for the Credit Institutions located in the Territory of the Russian Federation;
- an assessment of the rules used during the preparation of the financial (accounting) statements in compliance with the procedure for drawing up, publishing and presenting by the credit institutions of information about their activity set up by the Direction of the Bank of Russia N 1376-U dated 16.01.2004 "On the list, forms and procedure for making up and submission of forms of financial statements of credit institutions to the Central Bank of the Russian Federation" and the Letter of the Bank of Russia № 144-T dated 05.12.2005 "On the Annual Accounting Reports of Credit Institutions for the year 2005";
- determination and examination of significant estimates obtained by the management of the audited person during the preparation of the financial (accounting) statements;
- an assessment of the overall presentation of the financial (accounting) statements;
- an examination of the compliance with the current legislation and regulatory acts of the Bank of Russia on the transactions carried out by the Bank;
- an examination of the accuracy of Bank's calculation and compliance with economic norms set by the Central Bank of the Russian Federation as of January 1, 2006;
- an assessment of the overall quality of the Bank's management, including risk management in accordance with the requirements of the Bank of Russia.

We believe that our audit provides a reasonable basis for our opinion on the proper preparation of these financial (accounting) statements and the compliance of the Bank's accounting procedures with the legislation of the Russian Federation.

3. In the opinion of the auditing company LLC "Prio-Audit", balance sheet, a profit and loss account and the statement on capital adequacy ratio, on provisions for doubtful loans and other types of assets have been properly prepared to present in all material aspects, the financial position of the credit institution the JSC "Baltic Development Bank" (CJSC) as of January 1, 2006.

April 25, 2006

Director General _____ S.A. Terekhin

Head of auditing _____ A. Ju. Travkin

Auditor's qualification certificate on banking audit № K 021909, issued in compliance with the Order №15 of the MF of the RF dated February 4, 2005 for an indefinite period.

Seal: Limited Liability Company * Ryazan p.№404 * "Prio-Audit".

BALANCE SHEET
(published form)
As of January 1, 2006

Joint-Stock Commercial Bank
“Baltic Development Bank”
(Closed Joint-Stock Company)

JSC “Baltic Development Bank” (CJSC)
registration number 2929, BIC 044583769,

Postal address building 1, 6 1-st Nikoloshchepovskiy Lane, Moscow City, 121099

RUR, thnd.

No.	Item	As on the accounting date	As on the corresponding accounting date of the previous year
I	2	3	4
I	ASSETS		
1.	Cash	169475	47097
2.	Assets of credits institutions with the Central Bank of the Russian Federation	408147	79850
2.1.	Mandatory reserves	9845	3415
3.	Due from credit institutions	184459	135192
4.	Trading securities, net	0	0
5.	Loans due, net	1331040	970423
6.	Investment securities held to maturity, net	0	0
7.	Available-for-sale securities, net	0	0
8.	Fixed assets, intangible assets and inventories	5408	2647
9.	Claims for interest receivable	422	82
10.	Other assets	2994	4287
11.	Total assets	2101945	1239578
II	LIABILITIES		
12.	Credits of the Central Bank of the Russian Federation	0	0
13.	Due to credit institutions	22	304
14.	Due to customers (noncredit institutions)	1006532	176291
14.1	Deposits of natural persons	87288	22524
15.	Debt instruments issued	1790	0
16.	Interest payment liabilities	779	247
17.	Other liabilities	692	80
18.	Provision for possible losses on contingent liabilities of credit nature, other possible losses and on operations with off-shore residents	16551	0
19.	Total liabilities	1026366	176922
III	SOURCES OF OWN FUNDS		
20.	Funds of shareholders (participants)	41650	41650
20.1.	Registered common stock and equities	41650	41650
20.2.	Registered preferred stock	0	0
20.3.	Non-registered charter capital of non-incorporated credit institutions	0	0
21.	Own stock redeemed from shareholders	0	0

22.	Share premium	999600	999600
23.	Revaluation of fixed assets	0	0
24.	Expenses of future periods and forthcoming payments influencing own funds (capital)	1873	971
25.	Funds and unused profit of the previous years at the disposal of the credit institution (outstanding losses of previous years)	22152	5169
26.	Profit (loss) for the accounting period	14050	17208
27.	Total sources of own funds	1075579	1062656
28.	Total liabilities	2101945	1239578
IV	OFF-BALANCE-SHEET LIABILITIES		
29.	Irrevocable liabilities of the credit institution	96702	0
30.	Guarantees issued by the credit institution	11060	0
V	TRUST MANAGEMENT ACCOUNTS		
	ACTIVE ACCOUNTS		
1	Cash on hand	0	0
2	Securities under trust management	0	0
3	Precious metals	0	0
4	Loans issued	0	0
5	Funds used for other purposes	0	0
6	Settlements under trust management	0	0
7	Paid accrued interest (coupon) income on interest (coupon) debt liabilities	0	0
8	Current accounts	0	0
9	Trust management expenses	0	0
10	Trust management losses	0	0
	PASSIVE ACCOUNTS		
11	Funds under management	0	0
12	Trust management settlements	0	0
13	Received accrued interest (coupon) income on interest (coupon) debt liabilities	0	0
14	Trust management income	0	0
15	Trust management profit	0	0

Chairman of the Board (signed) **Medvedev Sergey Vladimirovich**

Chief Accountant (signed) **Larina Tatyana Olegovna**

Seal: Joint-Stock Commercial Bank "BALTIC DEVELOPMENT BANK" (Closed Joint-Stock Company) * Russian Federation * Moscow * OGRN 1027700074775

Stamp: True:
Chairman of the Board
S.V.Medvedev
(signed)

Seal: Joint-Stock Commercial Bank "BALTIC DEVELOPMENT BANK" (Closed Joint-Stock Company) * Russian Federation * Moscow * OGRN 1027700074775

PROFIT AND LOSS ACCOUNT
(published form)
for the year 2005

Joint-Stock Commercial Bank
“Baltic Development Bank”
(Closed Joint-Stock Company)

JSC “Baltic Development Bank” (CJSC)
registration number 2929, BIC 044583769,
Postal address building 1, 6 1-st Nikoloshchepovskiy Lane, Moscow City, 121099

RUR, thnd.

No.	Item	For the accounting period	For a similar period of the previous year
1	2	3	4
	Interest and equivalent income earned from:		
1.	Placements with credit institutions	7632	2037
2.	Loans to customers (noncredit institutions)	139195	95386
3.	Leasing transactions	0	0
4.	Fixed yield securities	0	0
5.	Other sources	807	524
6.	Total interest and equivalent income earned	147634	97947
	Interest paid and equivalent expenses incurred in:		
7.	Borrowings from credit institutions	235	26876
8.	Borrowings from customers (noncredit institutions)	1923	2145
9.	Debt securities issued	29	1862
10.	Total interest paid and equivalent expenses incurred	2187	30883
11.	Net interest and equivalent income	145447	67064
12.	Net income from transactions with securities	0	378
13.	Net income from transactions with foreign exchange	32774	39193
14.	Net income from transactions with precious metals and other financial instruments	0	0
15.	Net income from the revaluation of foreign currency	3349	19007
16.	Commission earned	14795	18727
17.	Commission paid	4911	27475
18.	Net income on exceptional transactions	-78	284
19.	Other net operating income	-5490	-4932
20.	General and administrative expenses	59514	28769
21.	Provision for possible losses	-100891	-60104
22.	Profit before tax	25481	23373
23.	Taxes, including income tax	11427	6150
24.	Profit/loss for the accounting period	14054	17223

Chairman of the Board (signed) **Medvedev Sergey Vladimirovich**

Chief Accountant (signed) **Larina Tatyana Olegovna**

Seal: Joint-Stock Commercial Bank "BALTIC DEVELOPMENT BANK" (Closed Joint-Stock Company) * Russian Federation * Moscow * OGRN 1027700074775

Stamp: True:
Chairman of the Board
S.V.Medvedev
(signed)

Seal: Joint-Stock Commercial Bank "BALTIC DEVELOPMENT BANK" (Closed Joint-Stock Company) * Russian Federation * Moscow * OGRN 1027700074775

**STATEMENT ON CAPITAL ADEQUACY RATIO,
ON PROVISIONS FOR DOUBTFUL LOANS
AND OTHER TYPES OF ASSETS
As of January 1, 2006
Joint-Stock Commercial Bank
“Baltic Development Bank”
(Closed Joint-Stock Company)**

JSC “Baltic Development Bank” (CJSC)
registration number 2929, BIC 044583769,
Postal address building 1, 6 1-st Nikoloshchepovskiy Lane, Moscow City, 121099

No.	Item	As on the accounting date	As on the corresponding accounting date of the previous year
1	2	3	4
1.	Equity (capital), thous.RUR	1075580	1062656
2.	Actual value of capital adequacy ratio (%)	76,1	101,6
3.	Normative capital adequacy ratio (%)	10,0	10,0
4.	Estimated provision for possible loan losses, debts and equivalent debts.	161277	77079
5.	Actual provision for possible loan losses, debts and equivalent debts , thous. RUR	161277	77079
6.	Estimated provision for possible losses, thous. RUR	16732	38
7.	Actual provision for possible losses, thous. RUR	16732	38

Chairman of the Board (signed) **Medvedev Sergey Vladimirovich**

Chief Accountant (signed) **Larina Tatyana Olegovna**

Seal: Joint-Stock Commercial Bank "BALTIC DEVELOPMENT BANK" (Closed Joint-Stock Company) * Russian Federation * Moscow * OGRN 1027700074775

Stamp: True:
Chairman of the Board
S.V.Medvedev
(signed)

Seal: Joint-Stock Commercial Bank "BALTIC DEVELOPMENT BANK" (Closed Joint-Stock Company) * Russian Federation * Moscow * OGRN 1027700074775

In the opinion of the auditing company LLC "Prio-Audit", balance sheet, a profit and loss account and the statement on capital adequacy ratio, on provisions for doubtful loans and other types of assets have been properly prepared to present in all material aspects, the financial position of the credit institution the JSC "Baltic Development Bank" (CJSC) as of January 1, 2006.

- name of the auditing company:	"Prio-Audit" Limited Liability Company
- license	E 005064
- license issued:	20.10.2003
- license is issued for the period of:	5 years
- name of the issuing authority:	Ministry of Finance of the Russian Federation
-full name of the head of the auditing:	Terekhin Sergey Alexandrovich
-full name of the person who certified published statements:	Director General of LLC "Prio-Audit" Terekhin Sergey Alexandrovich
-number, date of the document which confirms the authority:	Minutes of the General Meeting of Shareholders of LLC "Prio-Audit" No.8 dated 16.09.2002

Director General

Terekhin Sergey Alexandrovich

Seal: Limited Liability Company * Ryazan p.№404 * "Prio-Audit".