



OPENED JOINT – STOCK COMPANY

UDMURTINVESTBUILDBANK

Commercial offer

INTRODUCTION:

Shareholding commercial Udmurtinvestbuildbank is ready to help the external investor who is interested in the effective investment of free money resources on the territory of Udmurt Republic and neighboring regions. For all that Udmurtinvestbuildbank can consider the investor's participation in the ownership capital of the bank.

IZHEVSK, 2004

Short information:

Full name / Short name	Shareholding commercial Udmurtinvestbuilding Bank/ Udmurtinvestbuildbank				
Organization-legal form	Open joint-stock company				
Jurisdiction	Russian Federation				
Juridical address	Krasnoarmeyskaya Street, 69, Izhevsk Udmurt Republic, Russia 426003				
Telex	755124 UISB RU				
E-mail	mbr@uisb.udm.net				
WEB-page	www.uibb.ru				
Telephone/ fax	(+7 3412) 523509, 522680, 522664, 523051, 522341, 522892, 523739				
OKPO code	24497873	OKONH code	96120	Taxpayer's identification number	1834100678

The license № 2447 for the realization of banking in rubles, getting deposits, issued by the Central Bank of Russian Federation on November, 29, 2002;

The license №018-05066-100000 of the security market professional participant, issued by the Federal Commission of Securities on April, 27, 2001;

The license №018-05090-010000 of the security market professional participant, issued by the Federal Commission of Securities on April, 27, 2001;

The license №018-05105-001000 of the security market professional participant, issued by the Federal Commission of Securities on April, 27, 2001;

The accrediting bank of Russian Federal Service on the bankruptcy of enterprises – The agreement № 7 from April, 16, 1999;

The bank-participant of Udmurt Chamber of Commerce and Industry – The registration Certificate № 337/62. Certificate № 00130-461 of December 30, 2003 of including into non-state Register of Russian Companies and Businessmen, whose financial and economical state indicate their reliability in business cooperation with them in Russian Federation and abroad.

The period of the bank activity on the market of banking services is 10 years.

The bank is one of the most reliable banks on the territory of Udmurt Republic. According to the data from Moscow information bulletin "Rating", it is one of 5 leading banks in the region.

The department of construction № 17 of the special construction Federal Department of Russian Federation Government with the principal subcontractors was the main bank promoters (8 legal persons). As of January, 1, 2004 the share of state enterprises in the bank ownership capital makes up 11 %, the currency of balance makes up 176 million 661 thousands rubles. The worth net of the bank makes up 22 millions 77 thousands rubles while the ownership capital equals 7 millions 130 thousands rubles. The financial state of the bank did not suffer from any banking crisis. Today the share-holding commercial Udmurtinvestbuildbank is the stable working credit establishment, oriented on the production sector of economics.

The bank works in close connection with financial group, represented by 2 insurance companies, an auditing company, a leasing company, a pension fund and a realtor company. It allows to solve problems on the territory of Ural region in general.

On the ground of the above-mentioned, by offering the participation in its ownership capital the share-holding commercial Udmurtinvestbuildbank guarantees to any external investor the reliable and effective money resources investment.

1. The main reasons of the ownership capital increasing:

- To satisfy the requirements of Russian legislation – the size of the banks ownership capital must not be less than 5(five) million EURO by 2007. If the ownership capital reaches 30(thirty) million EURO, the bank will be one of the largest in Ural region and will take place in the first hundred of the greatest Russian banks.
- To make for the bank and other financial structures the opportunity to hold big-scale operations with the large enterprises of the region (see chapter 3).

2. The local market and its potential analysis, prospects of the region development:

The analysis is based on the data from the magazines “The rating of 1000 largest enterprises of Ural region, 2003” and “Izhevsk investment passport, 2003”.

Udmurt Republic takes the 7th place on the volumes of the industrial products manufactured by mean and large enterprises in 2003 – 53266 million rubles. It also takes the 2nd place on the volume of production growth pace –117,4% in comparison with 2002. Among brunches of industry the mechanical engineering (the growth pace is 159% in comparison with 2002) and the chemical industry (the growth pace is 166,5%) take the leading places. The transportations increase on 28% and the trade organizations turnovers increase on 39%.

The foreign trade turnovers increase till 626,1 million \$ (154.4% by 2002) at the expense of export.

The financial result of the economical activity of large and mean enterprises and organizations of all Udmurt economics brunches becomes 2 times as much in comparison with 2002. Now it equals 14949,4 million rubles. Industrial enterprises play the leading role among them (12100,1 million rubles). Besides, the enterprises’ wage indebtedness decreased (it became 54.7% less than in 2002). The living level of population grew to 48,5 % and the real disposable incomes grew to 17,9%.

The brunch characteristics of large-scale and medium-scale operations Table 1

Brunch	Quantity of enterprises	The share of brunch in total sale volume (%)	Average sale volume of an enterprise (thousand rubles)	Average balance profit of an enterprise (thousand rubles)	Average profitability of sales (%)	Average quantity of an enterprise’s employees
Industry	57	71,42	863 835	203 239	9,55	2 187
Construction	5	1,55	213 063	9 882	4,87	910
Transport	7	7,57	745 761	118 188	4,13	3 792
Communication	2	1,09	375 645	45 375	5,25	3 524
Agriculture	3	0,76	175 057	13 140	4,82	1 010
Trade	19	11,01	399 379	44 884	1,80	447
Others	7	6,60	649 912	19 386	1,23	1 280

Izhevsk, the capital of Udmurt Republic, is one of large Russian industrial centers. The population of Izhevsk makes up 0,4% of Russian population and the industry volume makes up 0,5% of Russian one.

Izhevsk is the industrial center of Udmurt Republic. 40% of Udmurt population lives there. More than a half of all republican industrial products is manufactured by city’s enterprises. The retail turnover makes up more than 55% of the republican characteristics.

The enterprises and organizations of Izhevsk are the main taxpayers into the budget of Udmurt Republic since the share of Izhevsk sale of products (operations, services) makes up more than 77% of the gross income. Izhevsk manufacturers and businessmen take an active part in economic activity with all regions of Russia, with the former republics of USSR and foreign countries. The city's enterprises have the large potential, which is realized in the growth of the mechanical engineering products delivery volumes during last years.

The volumes of the industry brunches' output in Izhevsk (in million rubles) Table 2

Name of characteristics	2000	2001	2002	2003
Mechanical Engineering	3 361,0	3 551,9	9 626,3	20 026,8
Ferrous metallurgy	1 009,7	944,4	1 463,9	2 783,4
Food industry	445,2	575,1	952,1	1 079,0
Wood-working industry	123,8	99,8	181,2	228,9
Chemical industry	46,4	51,4	127,1	242,0
Light industry	34,0	36,0	60,9	94,2
Other brunches of industry	90,2	110,4	84,6	93,9

Today there are more than 1140 enterprises on the territory of city. More than 90% of products are manufactured by large enterprises. The largest of them are: open joint-stock company "Udmurtneft", federal state unitary enterprise "Izhevsk electromechanical plant "Kupol", open joint-stock company "Izhstal", open joint-stock company "Udmurtenergo", subsidiary open joint-stock company "Spetzgazavtotrans", open joint-stock company "Udmurtnefteprodukt", open joint-stock company "Izhmash-Avto", open joint-stock company "Udmurtgeology", open joint-stock company "Izhevsk plant of the oil mechanical engineering", state unitary enterprise "Izhevsk mechanical plant", state unitary enterprise "Udmurtorf", subsidiary open joint-stock company "Scientific industrial center of high precision engineering", open joint-stock company "The plant of paper-making mechanical engineering, open joint-stock company "Izhmash", open joint-stock company "Izhevsk plant of plastics", open joint-stock company "Izhevsk plant of bearings" and so on.

The total characteristics of industrial production

Table 3

Name of characteristics	2001	2002	2003
Volume of production (in established price without value-added tax), million rubles	7 954,6	15 508	28 957,9
Average quantity of employees, thousand people	122,2	113,2	117,2
Cost of capital funds in the beginning of the year, million rubles	66 448	50 945	50 667
Basic activity funds, including:	46 010	44 254	46 223
Buildings	14 231	12 781	13 389
Structures, transmission mechanisms	17 364	18 189	18 731
Machines and equipment	11 266	10 484	11 157
Transport facilities	2 789	2 572	2 700
Capital funds wear extent, %	41,6	45,3	49,8

3. The banking competition: The banking system of Izhevsk is represented by credit institutions registered on the territory of the city and by the largest subsidiary banks. There are 10 Izhevsk commercial banks, 10 Moscow commercial subsidiary banks, 1 St. Petersburg commercial subsidiary bank and a subsidiary bank of Ufa on the territory of Izhevsk.

4.The location of the bank: The bank’s address is Krasnoarmeyskaya Street, 69, Izhevsk Udmurt Republic, Russia 426003. It is situated in the three-storied building, which belongs to the bank. The total area is about 900 m2. The bank is located near industrial and administrative projects. It has comfortable access roads and 40 places for parking.

5.The staff. The total number of employees is 72. The skilled staff of the bank (65% of the people, working there, have higher education and large experience of work in banking) renders the Bank Customers consulting, legal and economic support, helps to optimize and to recover accounting, follows operations with Customers’ securities, helps to estimate the financial position of the Bank Customers’ counteragents, enables to access the established commercial and juridical database.

6. The supposed projects of investing from the ownership capital funds: The bank policy on the money resources distribution foresees the investment diversification and it is directed on the minimization of risks, when the necessary level of return is providing. The investment distribution is approximately shown in the table 4.

Distribution of monetary resources invested into the ownership capital

Table 4

Investment project	Investment value (%)	Average return yield (% per annum)
Credit operations, including:	50	17,8
Call credits;	30	18
Overdraft;	20	20
Extending of credit lines (to a year);	20	18
Investment credits (to 5 years);	20	14
Consumer credits (to a year);	10	20
Financial investment in securities;	30	17,5
Interbank operations	10	10
Currency operations	10	7

7. The calculation of the financial investment potential profitability:

Initial data: some of investment – 100 million rubles, term of investment – 1 year. All calculations are made without the accounting of accrued interest. On January, 1, 2004 the rate of 1\$ was 29,45 rubles, on January, 1, 2005 – 30 rubles.

7.1. Credit operations:

The bank works out and carries out the next forms of the Customers’ crediting:

- Direct crediting;
- Bill crediting;
- Overdraft;
- Credit lines rendering;
- Consumer credits;
- Factoring.

The credit policy of the bank is based on the following mane principals:

- When granting credits, a preference is given to the Bank Customers;
- The reasonable conservative approach to the analysis and minimization of credit risks, the support of the balanced structure of credit investments;
- The acceptable and adequate security formation on the credits granted by the bank.

In case of need the crediting is carried out on “individual” schemes.

Calculation: 50 million rubles * 17,8% /100 = 8 million 900 thousand rubles.

7.2. Financial investment:

Udmurtinvestbuildbank was one of the first banks, which began to work with bills. From the moment of the bank formation the ordinary bank bills have been used as a mean of calculations, accumulation and crediting (*the ordinary bank bills regulations were confirmed in a month after the bank license obtaining – on September, 1, 1993*)

The bank has the methods and the considerable experience of the securities’ forms checking (technical requirements), the checking of the bill drawers’ and the bill guarantees’ solvency, pledge and accounting operations with securities (including bills). On July, 1, 1994, the bank entered the market of government securities (*government short – term bonds, then treasury obligations federal bonds, government savings bonds*).

In 1997 the bank was registered as the securities market participant. So it has the license to brokerage, including operations with natural persons, dialer activity, securities trust management activity.

The securities and savings department of Udmurtinvestbuildbank offers to its Clients the following services and financial instruments:

- Checking deposits (*“call” deposits*), bank deposits, number deposits, accumulative deposits, conditional deposits and other kinds of deposits;
- The ordinary bank bills as a mean of calculations, crediting, accumulation, payment and so on;
- The brokerage on the securities market; the purchase and sale, exchange, pledge and other operations with bank and corporative bills, state securities, debt obligations of federal subjects and local government bodies;
- The responsible storage of securities and other material assets;
- The attribution of depositary cells (*individual safe*) into individual use;
- The consulting on securities market, the preparation of emission documents, annual and quarterly reports, annual and out of turn meeting preparation for joint-stock companies.

Calculation: 30 million rubles * 17,5% /100 = 5 million 250 thousand rubles

7.3. Interbank operations:

Udmurtinvestbuildbank established the direct correspondent relations (*using the modern electronic means of communication*) with 14 of the largest banks and the calculation clearing centers of Russia. It allows make the Customers’ payments in any bank of Russia and the former republics of USSR with the maximum rate. The bank is the correspondent of the Udmurt Bank, the Savings Bank of Russia and also it is the participant of direct calculations in the system of the Savings Bank of Russia. It allows make payments during 1-2 days. The direct correspondent relations give the opportunity of making the active operations of the free money resources investment on the interbank market.

Calculation: 10 million rubles * 10% /100 = 1 million rubles

7.4. Currency operations:

On July, 7, 1995 Udmurtinvestbuildbank obtained the license giving the right to make the following credit, calculation and other operations in currency on the territory of Russian Federation:

- Opening and keeping of currency accounts of legal and natural persons (*residents or non-residents*), opening and keeping of ruble accounts of non-residents according to operative legislation;
- The making of calculations, connected with the Customers' export-import operations in currency in the form of documentary credit, collection, bank transfer and in other forms, used in international banking;
- Currency service of natural persons (*residents or non-residents*), including currency purchase and sale according to operative legislation;
- The making of the rubles purchase and sale operations of legal persons currency (*residents or non-residents*) according to operative legislation.
- The attraction and investment of natural persons currency resources (*residents or non-residents*) in the form of credits, deposits and other forms, used in international banking, as well as the submission of guarantees in favor of the Bank Customers within the currency bank stock limits.

The bank realizes operations on the leading exchanges with the help of correspondent banks. International payments are made during 3-4 days. According to the Federal Law, Udmurtinvestbank carries out the functions of the currency control agent.

Calculation: 10 million rubles * 7% / 100 = 700 thousand rubles.

7.5. Total information

Table 5

Investment project	Investment value (thousand rubles/thousand \$)	Sum of the income (thousand rubles/thousand \$)
Credit operations	50 000 / 1 697,79	8 900 / 296,67
Financial investment	30 000 / 1 018,68	5 250 / 175
Interbank operations	10 000 / 339,56	1 000 / 33,33
Currency operations	10 000 / 339,56	700 / 23,33
In all:	100 000 / 3 395,59	15 850 / 528,33

On the ground of calculations we can come to a conclusion: at the investment of 100 million rubles after the first year of the work the possible value of profit will be 15 million 850 thousand rubles. According to the transfer into dollars and the consideration of ruble devaluation (on January, 1, 2005 – 30 rubles), the investment profitability will make up 15,56% per annum in currency.

If you have any questions or offers, address to the investment department of the bank – Kuznetsov Vladimir. Phone (+7 3412) 528131, 522664, or E-mail mbr@uisb.udm.net