

**RUSSIAN STANDARD BANK**

**Financial Statements and Auditors' Report**

**31 December 2000**

## AUDITORS' REPORT

**ZAO PricewaterhouseCoopers Audit**  
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To the Shareholders of Russian Standard Bank:

- 1 We have audited the accompanying balance sheet of Russian Standard Bank (the "Bank") as at 31 December 2000, and the related statements of operations, of cash flows and of changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Bank's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2000 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

Moscow, Russia  
25 April 2001

**Russian Standard Bank**  
**Balance Sheet as at 31 December 2000**

(in thousands of Russian Roubles expressed in terms of the purchasing power of the Russian Rouble at 31 December 2000 unless otherwise stated - Note 3)

	Note	2000	1999 (restated)
<b>Assets</b>			
Cash and cash equivalents	5	99 204	76 623
Mandatory cash balances with the Central Bank of the Russian Federation		38 984	47 379
Securities	6	166 348	79 955
Due from banks	7	89 421	401 534
Loans and advances to customers	8	578 811	113 292
Other investments	9	634	-
Other assets	10	46 086	9 099
Premises and equipment	11	56 624	18 537
<b>Total assets</b>		<b>1 076 112</b>	<b>746 419</b>
<b>Liabilities</b>			
Due to banks	12	228 524	48 051
Customer accounts and bills of exchange	13	318 268	84 145
Other liabilities	14	8 592	26 158
<b>Total liabilities</b>		<b>555 384</b>	<b>158 354</b>
<b>Shareholders' equity</b>			
Share capital	15	652 792	652 792
Share premium	15	147 024	104 473
Accumulated deficit and other reserves		(279 088)	(169 200)
<b>Total shareholders' equity</b>		<b>520 728</b>	<b>588 065</b>
<b>Total liabilities and shareholders' equity</b>		<b>1 076 112</b>	<b>746 419</b>

Signed on behalf of the Board of Directors on 25 April 2001.

Alexander V. Grigoriev  
Chairman of the Management Board

Nikolai A. Itskov  
Chief Accountant

**Russian Standard Bank****Statement of Operations for the Year Ended 31 December 2000***(in thousands of Russian Roubles expressed in terms of the purchasing power of the Russian Rouble at 31 December 2000 unless otherwise stated - Note 3)*

	Note	2000	1999 (restated)
Interest income	16	138 712	10 260
Interest expense	16	(26 958)	(4 065)
<b>Net interest income</b>		<b>111 754</b>	<b>6 195</b>
Provision for losses on loans and advances	7, 8	(25 281)	(17 300)
<b>Net interest income/(negative interest margin) after provision for losses on loans and advances</b>		<b>86 473</b>	<b>(11 105)</b>
Gains less losses arising from securities		29 785	3 394
Losses less gains arising from dealing in foreign currency		(4 986)	1 677
Foreign exchange translation gains less losses		20 803	9 147
Fee and commission income		15 195	935
Fee and commission expense		(3 089)	(173)
Release of provision/(provision) for diminution in value of securities	6	4 540	(3 261)
Provision for losses on credit related commitments	22	(836)	(491)
Other operating income		1 604	1 249
<b>Net revenues</b>		<b>149 489</b>	<b>1 372</b>
Operating expenses	17	(167 075)	(38 327)
Release of provision for litigation	22	11 683	14 288
Provision for impairment in value of non-monetary assets	11	(5 279)	-
Monetary loss		(91 361)	(4 297)
<b>Loss before taxation</b>		<b>(102 543)</b>	<b>(26 964)</b>
Taxation	18	(7 345)	(488)
<b>Net loss</b>		<b>(109 888)</b>	<b>(27 452)</b>

**Russian Standard Bank****Statement of Cash Flows for the Year Ended 31 December 2000***(in thousands of Russian Roubles expressed in terms of the purchasing power of the Russian Rouble at 31 December 2000 unless otherwise stated - Note 3)*

	Note	2000	1999 (restated)
<b>Cash flows from operating activities</b>			
Interest received		88 929	13 818
Interest paid		(24 531)	(2 984)
Income received from securities		60 185	
Income (paid)/received from dealing in foreign currency		(4 986)	1 840
Commissions received		15 195	1 026
Commissions paid		(3 089)	(190)
Other operating income received		1 604	915
Operating expenses paid		(159 691)	(41 439)
Income tax paid		(6 835)	(60)
<b>Operating losses before changes in operating assets and liabilities</b>			
		<b>(33 219)</b>	<b>(27 074)</b>
<b>Net cash decrease/(increase) in operating assets and liabilities</b>			
Net decrease/(increase) in mandatory cash balances with the Central Bank of the Russian Federation		1 541	(45 315)
Net increase in securities		(114 018)	(79 591)
Net decrease/(increase) in due from banks		282 141	(373 439)
Net increase in loans and advances to customers		(542 050)	(116 674)
Net increase in other assets		(15 475)	(11 116)
Net increase in due to banks		206 937	45 958
Net increase in customer accounts		180 855	55 780
Net increase in bills of exchange		79 472	12 243
Net decrease in other liabilities		(6 663)	(31 425)
<b>Net cash (used in)/from operating activities</b>			
		<b>39 521</b>	<b>(570 653)</b>
<b>Cash flows from investing activities</b>			
Purchase of premises and equipment		(50 749)	(19 602)
Purchases of other investments		(634)	-
<b>Net cash used in investing activities</b>			
		<b>(51 383)</b>	<b>(19 602)</b>
<b>Cash flows from financing activities</b>			
Issue of ordinary shares		-	640 197
Capital contributions from shareholders		42 551	2 076
<b>Net cash from financing activities</b>			
		<b>42 551</b>	<b>642 273</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>			
		1 443	341
<b>Effect of inflation on cash and cash equivalents</b>			
		(9 551)	(21 822)
<b>Net (decrease)/increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the period		76 623	46 086
<b>Cash and cash equivalents at the end of the period</b>			
	5	<b>99 204</b>	<b>76 623</b>

**Note:** The effect of revaluation of foreign currency balances on the Bank's assets and liabilities was eliminated from the above statement of cash flows.

**Russian Standard Bank****Statement of Changes in Shareholders' Equity for the Year Ended 31 December 2000***(in thousands of Russian Roubles expressed in terms of the purchasing power of the Russian Rouble at 31 December 2000 unless otherwise stated - Note 3)*

	Share capital	Share premium	Revaluation reserve for premises and equipment	Accumulated deficit and other reserves	Total shareholders' equity
<b>Balance at 29 April 1999 (previously reported)</b>	<b>36 000</b>	-	<b>557</b>	<b>(56 041)</b>	<b>(19 484)</b>
Effect of adoption of IAS 29 (Note 24)	78 992	-	(557)	(85 707)	(7 272)
<b>Balance at 29 April 1999 (restated)</b>	<b>114 992</b>	-	-	<b>(141 748)</b>	<b>(26 756)</b>
Share issue (Note 15)					
- Nominal value	537 800	-	-	-	537 800
- Share premium	-	102 397	-	-	102 397
Contribution from shareholders (Note 15)	-	2 076	-	-	2 076
Loss for the period	-	-	-	(27 452)	(27 452)
<b>Balance at 31 December 1999 (restated)</b>	<b>652 792</b>	<b>104 473</b>	-	<b>(169 200)</b>	<b>588 065</b>
Contribution from shareholders (Note 15)	-	42 551	-	-	42 551
Loss for the year	-	-	-	(109 888)	(109 888)
<b>Balance at 31 December 2000</b>	<b>652 792</b>	<b>147 024</b>	-	<b>(279 088)</b>	<b>520 728</b>