

RUSSIAN STANDARD BANK

Financial Statements and Auditors' Report

31 December 2001

ZAO PricewaterhouseCoopers Audit

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AUDITORS' REPORT

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 2001, 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 2001 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

Moscow, Russia
25 March 2002

Russian Standard Bank
Balance Sheet as at 31 December 2001

(in thousands of Russian Roubles expressed in terms of the purchasing power of the Russian Rouble at 31 December 2001)

	Note	2001	2000
Assets			
Cash and cash equivalents	5	132 407	117 987
Mandatory cash balances with the Central Bank of the Russian Federation		70 184	46 365
Trading securities	6	-	149 632
Due from other banks	7	47 572	106 604
Loans and advances to customers	8	1 767 157	713 790
Investment securities available for sale	9	1 188	50 615
Other assets	10	23 073	27 527
Fixed assets	11	105 099	67 344
Total assets		2 146 680	1 279 864
Liabilities			
Due to other banks	12	287 296	273 526
Customer accounts	13	454 628	279 557
Debt securities issued	14	497 557	101 099
Other liabilities	15	45 628	6 358
Total liabilities		1 285 109	660 540
Shareholders' equity			
Share capital	16	1 013 219	776 392
Share premium	16	264 092	174 862
Accumulated deficit	17	(415 740)	(331 930)
Total shareholders' equity		861 571	619 324
Total liabilities and shareholders' equity		2 146 680	1 279 864

Signed on behalf of the Board of Directors on 25 March 2002.

D. O. Levin
Chairman of the Management Board

N. A. Itskov
Chief Accountant

Russian Standard Bank**Statement of Operations for the Year Ended 31 December 2001***(in thousands of Russian Roubles expressed in terms of the purchasing power of the Russian Rouble at 31 December 2001)*

	Note	2001	2000
Interest income	18	345 443	164 976
Interest expense	18	(75 422)	(32 062)
Net interest income		270 021	132 914
Provision for loan impairment	7, 8	(73 046)	(30 068)
Net interest income after provision for loan impairment		196 975	102 846
Gains less losses arising from trading securities		2 151	35 424
Gains less losses arising from investment securities transactions	9	4 936	-
Release of provision for impairment of investment securities available for sale		-	5 400
Gains less losses arising from dealing in foreign currencies		1 190	(5 931)
Foreign exchange translation gains less losses		11 075	24 742
Fee and commission income	19	190 466	18 072
Fee and commission expense	19	(6 262)	(3 674)
Provision for losses on credit related commitments	25	(2 205)	(994)
Other operating income		8 683	1 908
Net revenues		407 009	177 793
Operating expenses	20	(366 439)	(198 709)
Release of provision for litigation	25	-	13 895
Provision for impairment in value of non-monetary assets		-	(6 279)
Monetary loss*		(109 242)	(108 659)
Loss before taxation		(68 672)	(121 959)
Income tax expense	21	(24 472)	(8 735)
Net loss		(93 144)	(130 694)

* Result of application of IAS 29 "Financial Reporting in Hyperinflationary Economies", refer to note 4 for accounting policy .

Russian Standard Bank**Statement of Cash Flows for the Year Ended 31 December 2001***(in thousands of Russian Roubles expressed in terms of the purchasing power of the Russian Rouble at 31 December 2001)*

	Note	2001	2000
Cash flows from operating activities			
Interest received		342 991	105 767
Interest paid		(62 111)	(29 176)
Income received on securities		2 150	71 580
Income received from dealing in foreign currencies		1 228	(5 930)
Fees and commissions received		190 466	18 072
Fees and commissions paid		(4 918)	(3 674)
Other operating income received		8 682	1 908
Operating expenses paid		(349 067)	(189 927)
Income tax paid		(15 982)	(8 129)
Operating profits/(losses) before changes in operating assets and liabilities		113 439	(39 509)
Net cash (increase)/decrease from operating assets and liabilities			
Net (increase)/decrease in mandatory cash balances with the Central Bank of the Russian Federation			
		(31 499)	1 833
Net decrease/(increase) in due from other banks			
		53 857	(135 606)
Net (increase)/decrease in loans and advances to customers			
		(1 252 873)	335 562
Net decrease/(increase) in trading securities			
		139 772	(644 682)
Net decrease/(increase) in other assets			
		1 529	(18 405)
Net increase in due to other banks			
		32 634	246 119
Net increase in customer accounts			
		208 799	215 098
Net (decrease)/increase in promissory notes issued			
		(15 913)	94 519
Net increase/(decrease) in other liabilities			
		32 469	(7 925)
Net cash (used in)/from operating activities		(717 786)	47 004
Cash flows from investing activities			
Purchase of fixed assets	11	(57 151)	(60 358)
Proceeds from sale of fixed assets	11	83	-
Purchases of investment securities available for sale	9	(259)	(754)
Proceeds from sales of investment securities available for sale		54 044	-
Net cash used in investing activities		(3 283)	(61 112)
Cash flows from financing activities			
Issue of bonds	14	421 812	-
Issue of ordinary shares	16	309 867	-
Capital contributions from shareholders	16	16 190	50 608
Net cash from financing activities		747 869	50 608
Effect of exchange rate changes on cash and cash equivalents		4 116	1 716
Effect of inflation on cash and cash equivalents		(16 496)	(11 360)
Net increase in cash and cash equivalents		14 420	26 856
Cash and cash equivalents at beginning of the year		117 987	91 131
Cash and cash equivalents at the end of the year		132 407	117 987

The notes set out on pages 5 to 29 form an integral part of these financial statements.