

**RUSSIAN STANDARD BANK GROUP**

**Consolidated Financial Statements and Auditors'  
Report**

**31 December 2002**

**AUDITORS' REPORT**

To the Shareholders of Russian Standard Bank:

- 1 We have audited the accompanying consolidated balance sheet of Russian Standard Bank Group (the "Group" as defined in Note 1 to the consolidated financial statements) as at 31 December 2002, and the related consolidated statements of income, of cash flows and of changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the Group's Management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2002 and the consolidated results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Moscow, Russia  
31 March 2003

**Russian Standard Bank Group**  
**Consolidated Balance Sheet as at 31 December 2002**

(in thousands of Russian Roubles expressed in terms of the purchasing power of the Russian Rouble at 31 December 2002)

	Note	2002	2001
<b>Assets</b>			
Cash and cash equivalents	5	236 266	152 434
Mandatory cash balances with the Central Bank of the Russian Federation		103 822	80 800
Due from other banks	6	152 250	54 768
Loans and advances to customers	7	4 897 469	2 034 454
Other assets	8	119 882	27 930
Fixed assets	9	180 602	120 997
<b>Total assets</b>		<b>5 690 291</b>	<b>2 471 383</b>
<b>Liabilities</b>			
Due to other banks	10	1 403 762	330 752
Customer accounts	11	1 133 595	523 395
Debt securities in issue	12	1 865 734	572 816
Other liabilities	13	60 269	52 529
<b>Total liabilities</b>		<b>4 463 360</b>	<b>1 479 492</b>
<b>Shareholders' equity</b>			
Share capital	14	1 166 476	1 166 476
Share premium	14	317 619	304 039
Accumulated deficit	15	(257 164)	(478 624)
<b>Total shareholders' equity</b>		<b>1 226 931</b>	<b>991 891</b>
<b>Total liabilities and shareholders' equity</b>		<b>5 690 291</b>	<b>2 471 383</b>

Signed on behalf of the Board of Directors on 31 March 2003.

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D.O. Levin  
Chairman of the Management Board

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N.A. Itskov  
Chief Accountant

**Russian Standard Bank Group****Consolidated Statement of Income for the Year Ended 31 December 2002***(in thousands of Russian Roubles expressed in terms of the purchasing power of the Russian Rouble at 31 December 2002)*

	<b>Note</b>	<b>2002</b>	<b>2001</b>
Interest income	16	1 005 233	397 694
Interest expense	16	(259 280)	(86 830)
<b>Net interest income</b>	16	<b>745 953</b>	<b>310 864</b>
Provision for loan impairment	17	(99 064)	(84 094)
<b>Net interest income after provision for loan impairment</b>		<b>646 889</b>	<b>226 770</b>
Fee and commission income	18	588 228	219 275
Fee and commission expense	18	(26 624)	(7 209)
Net trading income	19	14 501	16 596
Provision for losses on credit related commitments	24	(16 304)	(2 539)
Other operating income		31 711	15 680
<b>Operating income</b>		<b>1 238 401</b>	<b>468 573</b>
Operating expenses	20	(761 494)	(421 866)
Monetary loss		(136 235)	(125 766)
Release of provision for litigation	24	372	-
<b>Profit/(loss) before taxation</b>		<b>341 044</b>	<b>(79 059)</b>
Income tax expense	21	(119 584)	(28 173)
<b>Net profit/(loss)</b>		<b>221 460</b>	<b>(107 232)</b>

**Russian Standard Bank Group****Consolidated Statement of Cash Flows for the Year Ended 31 December 2002***(in thousands of Russian Roubles expressed in terms of the purchasing power of the Russian Rouble at 31 December 2002)*

	Note	2002	2001
<b>Cash flows from operating activities</b>			
Interest received		909 055	394 869
Interest paid		(152 545)	(71 505)
Net trading income received		14 993	3 889
Fees and commissions received		588 228	219 275
Fees and commissions paid		(24 885)	(5 662)
Other operating income received		31 067	9 997
Operating expenses paid		(717 185)	(401 867)
Income tax paid		(125 563)	(18 399)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>523 165</b>	<b>130 597</b>
<b>Changes in operating assets and liabilities</b>			
Net increase in mandatory cash balances with the Central Bank of the Russian Federation		(35 807)	(36 264)
Net (increase)/decrease in due from other banks		(112 223)	62 004
Net increase in loans and advances to customers		(3 418 387)	(1 442 379)
Net decrease in trading securities		-	160 913
Net (increase)/decrease in other assets		(47 037)	1 760
Net increase in due to other banks		1 181 927	37 570
Net increase in customer accounts		726 687	240 382
Net increase/(decrease) in debt securities in issue, other than bonds		867 333	(18 320)
Net (decrease)/increase in other liabilities		(15 148)	37 380
<b>Net cash used in operating activities</b>		<b>(329 490)</b>	<b>(826 357)</b>
<b>Cash flows from investing activities</b>			
Purchases of investment securities available for sale		-	(299)
Proceeds from disposal and redemption of investment securities available for sale		2 012	62 218
Acquisition of fixed assets	9	(93 119)	(65 795)
Proceeds from disposal of fixed assets		491	96
<b>Net cash used in investing activities</b>		<b>(90 616)</b>	<b>(3 780)</b>
<b>Cash flows from financing activities</b>			
Issue of bonds		517 406	485 613
Issue of ordinary shares		-	356 737
Capital contributions from shareholders other than share issues	14	13 580	18 640
<b>Net cash from financing activities</b>		<b>530 986</b>	<b>860 990</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>831</b>	<b>4 739</b>
<b>Effect of inflation on cash and cash equivalents</b>		<b>(27 879)</b>	<b>(18 991)</b>
<b>Net increase in cash and cash equivalents</b>		<b>83 832</b>	<b>16 601</b>
Cash and cash equivalents at the beginning of the year		152 434	135 833
<b>Cash and cash equivalents at the end of the year</b>		<b>236 266</b>	<b>152 434</b>

**Russian Standard Bank Group****Consolidated Statement of Changes in Shareholders' Equity for the Year Ended 31 December 2002***(in thousands of Russian Roubles expressed in terms of the purchasing power of the Russian Rouble at 31 December 2002)*

	Share capital	Share premium	Accumulated deficit	Total shareholders' equity
<b>Balance at 1 January 2001</b>	<b>893 827</b>	<b>201 311</b>	<b>(371 392)</b>	<b>723 746</b>
Net loss for the year	-	-	(107 232)	(107 232)
Share issue (Note 14)				
- Nominal value	272 649	-	-	272 649
- Share premium	-	84 088	-	84 088
Capital contributions from shareholders other than share issues (Note 14)	-	18 640	-	18 640
<b>Balance at 31 December 2001</b>	<b>1 166 476</b>	<b>304 039</b>	<b>(478 624)</b>	<b>991 891</b>
Net profit for the year	-	-	221 460	221 460
Capital contributions from shareholders other than share issues (Note 14)	-	13 580	-	13 580
<b>Balance at 31 December 2002</b>	<b>1 166 476</b>	<b>317 619</b>	<b>(257 164)</b>	<b>1 226 931</b>