

RUSSIAN STANDARD BANK GROUP

**Consolidated Financial Statements and Auditors'
Report**

31 December 2003

ZAO PricewaterhouseCoopers Audit

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AUDITORS' REPORT

To the Shareholders of Russian Standard Bank:

We have audited the accompanying consolidated balance sheets of Russian Standard Bank Group (the "Group" as defined in Note 1 to the consolidated financial statements) as at 31 December 2003 and 31 December 2002, and the related consolidated statements of income, of cash flows and of changes in shareholders' equity for the years 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.

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.

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 2003 and 31 December 2002 and the consolidated results of its operations and its cash flows for the years ended 31 December 2003 and 31 December 2002 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Moscow, Russian Federation
1 March 2004

Russian Standard Bank Group
Consolidated Balance Sheet as at 31 December 2003
(in thousands of Russian Roubles)

	Note	2003	2002	2001
Assets				
Cash and cash equivalents	5	691 765	236 266	152 434
Mandatory cash balances with the Central Bank of the Russian Federation		226 818	103 822	80 800
Due from other banks	6	137 367	152 250	54 768
Loans and advances to customers	7	13 581 683	4 928 245	2 034 454
Other assets	8	298 084	89 106	27 930
Fixed and intangible assets	9	332 752	180 602	120 997
Total assets		15 268 469	5 690 291	2 471 383
Liabilities				
Due to other banks	10	3 409 214	1 403 762	330 752
Customer accounts	11	2 720 764	1 133 595	523 395
Debt securities in issue	12	5 344 295	1 865 734	572 816
Other liabilities	13	192 092	60 269	52 529
Total liabilities		11 666 365	4 463 360	1 479 492
Shareholders' equity				
Share capital	14	1 738 516	1 166 476	1 166 476
Share premium	14	672 932	317 619	304 039
Retained earnings/(accumulated deficit)	15	1 190 656	(257 164)	(478 624)
Total shareholders' equity		3 602 104	1 226 931	991 891
Total liabilities and shareholders' equity		15 268 469	5 690 291	2 471 383

Signed on behalf of the Board of Directors on 1 March 2004.

D.O. Levin
Chairman of the Management Board



J.V. Schennikova
Chief Accountant

Russian Standard Bank Group
Consolidated Statement of Income for the Year Ended 31 December 2003
(in thousands of Russian Roubles)

	Note	2003	2002	2001
Interest income	16	3 426 850	1 005 233	397 694
Interest expense	16	(827 791)	(259 280)	(86 830)
Net interest income		2 599 059	745 953	310 864
Provision for loan impairment	6, 7	(524 807)	(99 064)	(84 094)
Net interest income after provision for loan impairment		2 074 252	646 889	226 770
Fee and commission income	17	1 403 152	588 228	219 275
Fee and commission expense	17	(49 909)	(26 624)	(7 209)
Penalties received for late repayment of customer loans		106 633	30 927	9 301
Net trading gains	18	50 168	14 501	16 596
Provision for losses on credit related commitments	24	(53 264)	(16 304)	(2 539)
Other operating results		2 435	784	6 379
Operating income		3 533 467	1 238 401	468 573
Operating expenses	19	(1 291 689)	(761 122)	(421 866)
Monetary loss		-	(136 235)	(125 766)
Profit/(loss) before taxation		2 241 778	341 044	(79 059)
Income tax expense	20	(541 221)	(119 584)	(28 173)
Net profit/(loss)		1 700 557	221 460	(107 232)

Russian Standard Bank Group
Consolidated Statement of Cash Flows for the Year Ended 31 December 2003
(in thousands of Russian Roubles)

	2003	2002	2001
Cash flows from operating activities			
Interest received	3 228 817	909 055	394 869
Interest paid	(600 616)	(152 545)	(71 505)
Net trading (losses)/gains	(37 959)	14 993	3 889
Fees and commissions received	1 403 152	588 228	219 275
Fees and commissions paid	(50 293)	(24 885)	(5 662)
Penalties received	106 633	30 927	9 301
Other operating results	2 435	140	696
Operating expenses paid	(1 225 961)	(717 185)	(401 867)
Income tax paid	(555 990)	(125 563)	(18 399)
Cash flows from operating activities before changes in operating assets and liabilities	2 270 218	523 165	130 597
Changes in operating assets and liabilities			
Net increase in mandatory cash balances with the Central Bank of the Russian Federation	(122 996)	(35 807)	(36 264)
Net decrease in trading securities	-	-	160 913
Net (increase)/decrease in due from other banks	(12 269)	(112 223)	62 004
Net increase in loans and advances to customers	(8 992 031)	(3 418 387)	(1 442 379)
Net (increase)/decrease in other assets	(130 456)	(47 037)	1 760
Net increase in due to other banks	2 037 916	1 181 927	37 570
Net increase in customer accounts	1 610 761	726 687	240 382
Net increase/(decrease) in promissory notes issued	1 031 046	867 333	(18 320)
Net increase/(decrease) in other liabilities	26 625	(15 148)	37 380
Net cash used in operating activities	(2 281 186)	(329 490)	(826 357)
Cash flows from investing activities			
Acquisition of fixed and intangible assets (Note 9)	(226 646)	(93 119)	(65 795)
Proceeds from disposal of fixed and intangible assets	-	491	96
Purchases of investment securities available for sale	-	-	(299)
Proceeds from disposal and redemption of investment securities available for sale	-	2 012	62 218
Net cash used in investing activities	(226 646)	(90 616)	(3 780)
Cash flows from financing activities			
Issue of debt securities, other than promissory notes	2 289 493	517 406	485 613
Issue of ordinary shares (Note 14)	927 353	-	356 737
Dividends paid (Note 21)	(252 737)	-	-
Contributions from shareholders other than share issues (Note 14)	-	13 580	18 640
Net cash from financing activities	2 964 109	530 986	860 990
Effect of exchange rate changes on cash and cash equivalents	(778)	831	4 739
Effect of inflation on cash and cash equivalents	-	(27 879)	(18 991)
Net increase in cash and cash equivalents	455 499	83 832	16 601
Cash and cash equivalents as at the beginning of the year	236 266	152 434	135 833
Cash and cash equivalents as at the end of the year (Note 5)	691 765	236 266	152 434

Russian Standard Bank Group**Consolidated Statement of Changes in Shareholders' Equity for the Year Ended 31 December 2003***(in thousands of Russian Roubles)*

	Share capital	Share premium	(Accumulated deficit)/ Retained earnings	Total shareholders' equity
Balance as at January 2001	893 827	201 311	(371 392)	723 746
Net loss	-	-	(107 232)	(107 232)
Share issue (Note 14)	272 649	84 088	-	356 737
Contributions from shareholders other than share issues (Note 14)	-	18 640	-	18 640
Balance as at 31 December 2001	1 166 476	304 039	(478 624)	991 891
Net profit	-	-	221 460	221 460
Contributions from shareholders other than share issues (Note 14)	-	13 580	-	13 580
Balance as at 31 December 2002	1 166 476	317 619	(257 164)	1 226 931
Net profit	-	-	1 700 557	1 700 557
Share issue (Note 14)	572 040	355 313	-	927 353
Dividends paid (Note 21)	-	-	(252 737)	(252 737)
Balance as at 31 December 2003	1 738 516	672 932	1 190 656	3 602 104