

**RUSSIAN STANDARD BANK GROUP**

**Consolidated Financial Statements and Auditors'  
Report**

**30 June 2004**

**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 30 June 2004, 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 six-month period ended 30 June 2004 and for the years ended 31 December 2003 and 31 December 2002. 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 30 June 2004, 31 December 2003 and 31 December 2002 and the consolidated results of its operations and its cash flows for the six month period ended 30 June 2004 and for the years ended 31 December 2003 and 31 December 2002 in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers*

Moscow, Russian Federation  
24 August 2004

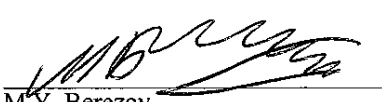
**Russian Standard Bank Group**  
**Consolidated Balance Sheets**  
*(in thousands of Russian Roubles)*

	Note	30 June 2004	31 December 2003 (restated)	30 June 2003 (restated)*	31 December 2002 (restated)	31 December 2001 (restated)
<b>Assets</b>						
Cash and cash equivalents	5	1 595 956	691 765	576 619	236 266	152 434
Mandatory cash balances with the Central Bank of the Russian Federation		255 399	226 818	185 132	103 822	80 800
Trading securities	6	62 045	-	161 016	-	-
Due from other banks	7	874 693	137 367	549 596	152 250	54 768
Loans and advances to customers	8	18 354 803	13 013 468	5 416 441	4 820 731	1 981 131
Deferred tax asset	21	208 101	236 722	104 313	50 065	13 485
Other assets	9	558 318	212 098	105 971	64 846	25 067
Fixed and intangible assets	10	519 813	332 752	263 586	180 602	120 997
<b>Total assets</b>		<b>22 429 128</b>	<b>14 850 990</b>	<b>7 362 674</b>	<b>5 608 582</b>	<b>2 428 682</b>
<b>Liabilities</b>						
Due to other banks	11	3 568 096	3 409 214	561 941	1 403 762	330 752
Customer accounts	12	2 902 360	2 720 764	1 865 024	1 133 595	523 395
Debt securities in issue	13	10 655 580	5 344 295	3 103 499	1 865 734	572 816
Other liabilities	14	137 965	192 092	95 542	60 269	52 529
<b>Total liabilities</b>		<b>17 264 001</b>	<b>11 666 365</b>	<b>5 626 006</b>	<b>4 463 360</b>	<b>1 479 492</b>
<b>Shareholders' equity</b>						
Share capital	15	1 738 516	1 738 516	1 248 200	1 166 476	1 166 476
Share premium	15	672 932	672 932	550 294	317 619	304 039
Retained earnings (deficit)	16	2 753 679	773 177	(61 826)	(338 873)	(521 325)
<b>Total shareholders' equity</b>		<b>5 165 127</b>	<b>3 184 625</b>	<b>1 736 668</b>	<b>1 145 222</b>	<b>949 190</b>
<b>Total liabilities and shareholders' equity</b>		<b>22 429 128</b>	<b>14 850 990</b>	<b>7 362 674</b>	<b>5 608 582</b>	<b>2 428 682</b>

\* Refer to Note 3 "Basis of preparation" of these consolidated financial statements.

Signed on behalf of the Board of Directors on 24 August 2004.

  
 D.O. Levin  
 Chairman of the Management Board

  
 M.Y. Berezov  
 Finance Director

**Russian Standard Bank Group**  
**Consolidated Statements of Income**  
*(in thousands of Russian Roubles)*

	Note	Six months ended 30 June 2004	2003 (restated)	Six months ended 30 June 2003 (restated)	2002 (restated)	2001 (restated)
Interest income	17	4 581 013	4 436 670	1 629 321	1 512 388	546 396
Interest expense	17	(873 438)	(827 791)	(307 919)	(259 280)	(86 830)
<b>Net interest income</b>		<b>3 707 575</b>	<b>3 608 879</b>	<b>1 321 402</b>	<b>1 253 108</b>	<b>459 566</b>
Provision for loan impairment	7, 8	(370 415)	(524 807)	(115 513)	(99 064)	(84 094)
<b>Net interest income after provision for loan impairment</b>		<b>3 337 160</b>	<b>3 084 072</b>	<b>1 205 889</b>	<b>1 154 044</b>	<b>375 472</b>
Fee and commission income	18	62 534	39 263	16 922	57 810	26 551
Fee and commission expense	18	(33 246)	(49 909)	(19 657)	(26 624)	(7 209)
Net trading gains	19	76 407	50 168	28 839	14 501	16 596
Provision for losses on credit related commitments	25	(13 583)	(53 264)	(38 717)	(16 304)	(2 539)
Other operating results		4 324	2 436	(2 812)	784	6 379
<b>Operating income</b>		<b>3 433 596</b>	<b>3 072 766</b>	<b>1 190 464</b>	<b>1 184 211</b>	<b>415 250</b>
Operating expenses	20	(834 178)	(1 272 790)	(491 725)	(758 259)	(424 729)
Monetary loss		-	-	-	(136 235)	(125 766)
<b>Profit/(loss) before taxation</b>		<b>2 599 418</b>	<b>1 799 976</b>	<b>698 739</b>	<b>289 717</b>	<b>(135 245)</b>
Income tax expense	21	(618 916)	(435 189)	(168 955)	(107 265)	(14 688)
<b>Net profit/(loss)</b>		<b>1 980 502</b>	<b>1 364 787</b>	<b>529 784</b>	<b>182 452</b>	<b>(149 933)</b>

**Russian Standard Bank Group**  
**Consolidated Statements of Cash Flows**  
*(in thousands of Russian Roubles)*

	Six months ended 30 June 2004	2003 (restated)	Six months ended 30 June 2003 (restated)	2002 (restated)	2001 (restated)
<b>Cash flows from operating activities</b>					
Interest received	4 474 152	4 699 339	1 655 177	1 470 400	596 894
Interest paid	(669 121)	(600 616)	(244 910)	(152 545)	(71 505)
Net trading losses	(11 336)	(37 959)	(10 579)	14 993	3 889
Fees and commissions received	31 149	39 263	16 922	57 810	26 551
Fees and commissions paid	(43 829)	(50 293)	(20 041)	(24 885)	(5 662)
Other operating results	4 323	2 436	(2 812)	140	696
Operating expenses paid	(796 044)	(1 225 962)	(471 713)	(717 185)	(401 867)
Income tax paid	(694 274)	(555 990)	(220 406)	(125 563)	(18 399)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>2 295 020</b>	<b>2 270 218</b>	<b>701 638</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	(28 581)	(122 996)	(81 310)	(35 807)	(36 264)
Net (increase)/decrease in trading securities	(75 586)	-	(161 016)	-	160 913
Net (increase)/decrease in due from other banks	(674 876)	(12 269)	(407 981)	(112 223)	62 004
Net increase in loans and advances to customers	(5 587 031)	(8 992 031)	(715 737)	(3 418 387)	(1 442 379)
Net (increase)/decrease in other assets	(285 736)	(130 456)	(69 325)	(47 037)	1 760
Net increase/(decrease) in due to other banks	111 265	2 037 916	(808 095)	1 181 927	37 570
Net increase in customer accounts	188 111	1 610 761	755 692	726 687	240 382
Net increase/(decrease) in promissory notes issued	1 738 980	1 031 046	191 334	867 333	(18 320)
Net increase/(decrease) in other liabilities	20 291	26 625	182	(15 148)	37 380
<b>Net cash used in operating activities</b>	<b>(2 298 143)</b>	<b>(2 281 186)</b>	<b>(594 618)</b>	<b>(329 490)</b>	<b>(826 357)</b>
<b>Cash flows from investing activities</b>					
Acquisition of fixed and intangible assets (Note 10)	(242 866)	(226 646)	(111 098)	(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
<b>Net cash used in investing activities</b>	<b>(242 866)</b>	<b>(226 646)</b>	<b>(111 098)</b>	<b>(90 616)</b>	<b>(3 780)</b>
<b>Cash flows from financing activities</b>					
Issue of debt securities, other than promissory notes	4 300 513	2 289 493	987 651	517 406	485 613
Repayment of debt securities, other than promissory notes	(857 178)	-	-	-	-
Issue of ordinary shares (Note 15)	-	927 353	314 399	-	356 737
Dividends paid (Note 0)	-	(252 737)	(252 737)	-	-
Contributions from shareholders other than share issues (Note 15)	-	-	-	13 580	18 640
<b>Net cash provided from financing activities</b>	<b>3 443 335</b>	<b>2 964 109</b>	<b>1 049 313</b>	<b>530 986</b>	<b>860 990</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>1 865</b>	<b>(778)</b>	<b>(3 244)</b>	<b>831</b>	<b>4 739</b>
<b>Effect of inflation on cash and cash equivalents</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(27 879)</b>	<b>(18 991)</b>
<b>Net increase in cash and cash equivalents</b>	<b>904 191</b>	<b>455 499</b>	<b>340 353</b>	<b>83 832</b>	<b>16 601</b>
Cash and cash equivalents as at the beginning of the period	691 765	236 266	236 266	152 434	135 833
<b>Cash and cash equivalents as at the end of the period (Note 5)</b>	<b>1 595 956</b>	<b>691 765</b>	<b>576 619</b>	<b>236 266</b>	<b>152 434</b>

**Russian Standard Bank Group**  
**Consolidated Statements of Changes in Shareholders' Equity**  
*(in thousands of Russian Roubles)*

	Share capital	Share premium	(Accumulated deficit)/Retained earnings	Total shareholders' equity
<b>Balance as at 1 January 2001</b>	<b>893 827</b>	<b>201 311</b>	<b>(371 392)</b>	<b>723 746</b>
Net loss (restated – refer to Note 3)	-	-	(149 933)	(149 933)
Share issue (Note 15)	272 649	84 088	-	356 737
Contributions from shareholders other than share issues (Note 15)	-	18 640	-	18 640
<b>Balance as at 31 December 2001 (restated – refer to Note 3)</b>	<b>1 166 476</b>	<b>304 039</b>	<b>(521 325)</b>	<b>949 190</b>
Net profit (restated – refer to Note 3)	-	-	182 452	182 452
Contributions from shareholders other than share issues (Note 15)	-	13 580	-	13 580
<b>Balance as at 31 December 2002 (restated – refer to Note 3)</b>	<b>1 166 476</b>	<b>317 619</b>	<b>(338 873)</b>	<b>1 145 222</b>
Net profit (restated – refer to Note 3)	-	-	1 364 787	1 364 787
Share issue (Note 15)	572 040	355 313	-	927 353
Dividends paid (Note 0)	-	-	(252 737)	(252 737)
<b>Balance as at 31 December 2003 (restated – refer to Note 3)</b>	<b>1 738 516</b>	<b>672 932</b>	<b>773 177</b>	<b>3 184 625</b>
<b>Balance as at 1 January 2003</b>	<b>1 166 476</b>	<b>317 619</b>	<b>(338 873)</b>	<b>1 145 222</b>
Net profit for the period (restated – refer to Note 3)	-	-	529 784	529 784
Share issue (Note 15)	81 724	232 675	-	314 399
Dividends paid (Note 0)	-	-	(252 737)	(252 737)
<b>Balance as at 30 June 2003 (restated – refer to Note 3)</b>	<b>1 248 200</b>	<b>550 294</b>	<b>(61 826)</b>	<b>1 736 668</b>
<b>Balance as at 1 January 2004</b>	<b>1 738 516</b>	<b>672 932</b>	<b>773 177</b>	<b>3 184 625</b>
Net profit for the period	-	-	1 980 502	1 980 502
<b>Balance as at 30 June 2004</b>	<b>1 738 516</b>	<b>672 932</b>	<b>2 753 679</b>	<b>5 165 127</b>