

Russian Standard Bank

Financial statements

31 December 1999

Together with independent auditors' report

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Russian Standard Bank -

We have audited the accompanying balance sheet of Russian Standard Bank (the "Bank") as of 31 December 1999, the related profit and loss account and statements of shareholders' funds and cash flow for the period from 29 April through 31 December 1999. 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.

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.

In our opinion, the financial statements referred to above give a true and fair view of the financial position of the Bank as of 31 December 1999, and the result of its operations and its cash flow for the period from 29 April through 31 December 1999, in accordance with Statements of International Accounting Standards issued by the International Accounting Standards Committee.

We draw attention to Note 3 to the financial statements. As further discussed therein, operations in Russia entail significant uncertainties which could affect the Bank in the foreseeable future. Russia does not possess a well-developed business and regulatory infrastructure that would generally exist in a more mature market economy. As a result, operations carried out in Russia involve significant risks that are not typically associated with those in developed markets. Such risks were further manifested in 1999 as Russia continued to experience significant financial and economic difficulties, including continued devaluation of the Ruble and payment default on its debts. It is not possible to determine the future effect that the current economic situation and other uncertainties may have on the Bank's borrowers, customers, and suppliers. As the ultimate outcome of these matters cannot presently be determined, the accompanying financial statements do not include any adjustment that might result from these uncertainties. Such adjustments, if any, will be reported when they become known and estimable.

Moscow
Russian Federation

11 February 2000

Russian Standard Bank - 1999 Financial statements

Profit and loss account

For the period from 29 April through 31 December 1999

(thousands of Rubles)

	Notes	
Interest income		11,180
Interest expense		3,207
Net interest income	6	7,973
Provision for losses	8	17,116
Net interest expense after provision for losses		(9,143)
Fees and commissions received		729
Foreign exchange gains, net		1,307
Translations gains, net		7,468
Other operating income		650
Non interest income		10,154
Salaries and employment benefits	7	16,109
Administrative expenses	7	13,331
Fees and commissions paid		135
Depreciation of tangible fixed assets	17	433
Other provisions and amortization	8	(11,485)
Non interest expense		18,523
Loss before taxation		(17,512)
Taxation	9	405
Loss		(17,917)

The accompanying notes are an integral part of these financial statements.

Russian Standard Bank - 1999 Financial statements

Balance sheet 31 December 1999 (thousands of Rubles)

	Notes	
ASSETS		
Cash and due from Central Bank	13	74,787
Securities owned	14	66,558
Due from credit institutions	15	362,691
Loans to customers	16	94,309
Tangible fixed assets	17	12,144
Intangible assets		2,346
Prepayments and accrued income		4,298
Other assets		4,532
Total assets		621,665
LIABILITIES		
Amounts owed to credit institutions	18	40,000
Amounts owed to customers	19	58,258
Certificated debts	20	11,788
Provisions, accruals and deferred income		15,960
Other liabilities		5,815
Total liabilities		131,821
SHAREHOLDERS' FUNDS		
Share capital	21	477,943
Additional paid-in capital		28,816
Reserves (deficit)	22	(16,915)
Total shareholders' funds		489,844
Total liabilities and shareholders' funds		621,665
Financial commitments and contingencies	24	30,129

Signed on behalf of the Management Board

Alexander V. Grigoriev, Acting Chairman of the
Management Board

Nikolai A. Itskov, Chief Accountant

11 February 2000

The accompanying notes are an integral part of these financial statements.

Russian Standard Bank - 1999 Financial statements

Statement of shareholders' funds

For the period from 29 April through 31 December 1999

(thousands of Rubles)

	Share capital	Paid-in capital	General reserves	Retained deficit	Revaluation reserves	Shareholders' funds
29 April 1999 (reorganized)	36,000	(56,842)	801	-	557	(19,484)
Share issue	441,943	84,146	-	-	-	526,089
Contribution	-	1,512	-	-	-	1,512
Loss	-	-	-	(17,917)	-	(17,917)
Disposal of fixed assets	-	-	-	-	(356)	(356)
31 December 1999	477,943	28,816	801	(17,917)	201	489,844

The accompanying notes are an integral part of these financial statements.

Russian Standard Bank - 1999 Financial statements

Cash flow statement

For the period from 29 April through 31 December 1999

(thousands of Rubles)

CASH FLOWS FROM OPERATING ACTIVITIES

Interests and commissions received	10,545
Interests and commissions paid	(2,255)
Foreign exchange gains	1,307
Other operating income	650
Salaries and employment benefits	(16,109)
Administrative expenses	(13,331)

(Increase) decrease in operating assets

Loans to customers	(101,548)
Securities owned	(69,273)
Other assets and prepayments	(9,675)

Increase (decrease) in operating liabilities

Amounts owed to credit institutions	40,000
Amounts owed to customers	48,549
Other liabilities	(27,352)

Net cash flows from operating activities before profit taxes (138,492)

Profit taxes paid 47

Net cash flows from operating activities **(138,539)**

CASH FLOWS FROM INVESTING ACTIVITIES

Tangible fixed assets purchased	(6,382)
Tangible fixed assets sold	1,111

Net cash flow from investing activities **(5,271)**

CASH FLOWS FROM FINANCING ACTIVITIES

Share capital issue	441,943
Share premium	84,146
Contribution received	1,512
Certificated debts	10,656

Net cash flow from financing activities **538,257**

Effects of exchange rate changes **6,791**

CHANGE IN CASH AND CASH EQUIVALENTS **401,238**

Cash and cash equivalents, beginning of the period **42,825**

Cash and cash equivalents, end of the period **444,063**

The accompanying notes are an integral part of these financial statements.