

**PROMSVYAZBANK**

Consolidated  
Financial Statements  
for the year ended  
31 December 2002

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**Promsvyazbank**  
**Shareholders, Management and Auditors**

<b>Shareholders</b>	<b>% Ownership/ % Votes</b>
OOO "Svyaztorgservice"	12.86%
OOO "Electrotechsvyaz"	11.88%
OOO "Tehnosvyazinform"	11.82%
OOO "TFK Kontrast"	11.30%
OOO "Regionalny center svyazi"	11.01%
OOO "Pnevmo-service"	10.60%
OOO "CTK Kontrast-Telekom"	10.44%
OOO "Zvezdochka"	7.95%
OOO "XXII vek"	6.96%
OOO "Transsvyazservice"	4.17%
OAO "Rostelecom"	0.88%
Ministry of State Property of the RF	0.13%
	100.00%

**Council as of 31 December 2002**

<i>Ananyev D.N.</i>	<i>Chairman of the Council, OOO "Technoserv A/C", Deputy of Councillor of the Chairman of the Board</i>
<i>Ananyev A.N.</i>	<i>Member of the Council, OOO "Technoserv A/C", Councillor of the Chairman of the Board</i>
<i>Zverev B.V.</i>	<i>Member of the Council, OAO Trunk and International Communication "Rostelecom", Director of Branch "MMT"</i>

**Board of Management as of 31 December 2002**

<i>Levkovskiy A.A.</i>	<i>President, Chairman of the Board</i>
<i>Ivanov D.N.</i>	<i>First Vice-President, Head of Offices Network Department</i>
<i>Sennikov D.S.</i>	<i>Senior Vice-President, Head of Department on Working with Corporate Clients</i>
<i>Khokhryakov P.S.</i>	<i>Vice-President</i>
<i>Morozova I.V.</i>	<i>Chief Accountant, Head of Accounting, Reporting and Settlements Department</i>

**Auditors**

KPMG Limited, Moscow

KPMG Limited

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Auditor's Report

To the Council and Shareholders of  
Promsvyazbank

We have audited the accompanying consolidated balance sheet of Promsviazbank and its subsidiaries ("the Group") as of 31 December 2002, and the related statements of income, changes in equity and cash flow for the year then ended. These consolidated financial statements as set on pages 5 to 46 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 as issued by the International Federation of Accountants. 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 consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2002, and the results of its operations, changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards as promulgated by the International Accounting Standards Board.

*KPMG Limited*

KPMG Limited  
Moscow, Russian Federation  
20 May 2003

**Promsvyazbank**  
*Consolidated Income Statement*  
*as of 31 December 2002*

	Notes	2002 RUR '000	2001 RUR '000 (Restated)
Interest income		1,991,781	1,353,486
Interest expense		(757,296)	(476,896)
<b>Net interest income</b>	4	<b>1,234,485</b>	<b>876,590</b>
Fee and commission income	5	266,739	103,001
Fee and commission expense	6	(111,426)	(35,506)
<b>Net fee and commission income</b>		<b>155,313</b>	<b>67,495</b>
Net securities trading income	7	274,853	192,936
Net foreign exchange income	8	220,660	231,942
Net gain on non-trading financial instruments	9	62,040	107,565
Net loss on monetary position		(375,018)	(387,971)
Other income		44,127	44,148
<b>Other operating income</b>		<b>226,662</b>	<b>188,620</b>
Impairment losses	10	(205,157)	(151,414)
General administrative expenses	11	(695,777)	(512,694)
<b>Income before taxes</b>		<b>715,526</b>	<b>468,597</b>
Income tax expense	12	(231,827)	(222,461)
<b>Net income after taxes</b>		<b>483,699</b>	<b>246,136</b>
Minority interest		(22,565)	(27,460)
<b>Net income for the year</b>		<b>461,134</b>	<b>218,676</b>

The financial statements as set out on pages 5 to 46 were approved by the Board of Management of the Group on 20 May 2003.

*Levkovskiy A.A.*  
 President



*Morozova I.V.*  
 Chief Accountant

The income statement is to be read in conjunction with the notes to, and forming part of, the financial statements.

**Promsvyazbank**  
*Consolidated Balance Sheet*  
*as of 31 December 2002*

	Notes	2002 RUR '000	2001 RUR '000 (Restated)
<b>ASSETS</b>			
Cash and bullion		560,007	536,596
Due from the Central Bank of the Russian Federation	13	1,791,047	1,114,332
Placements with banks and other financial institutions	14	2,142,471	2,870,795
Financial instruments held for trading	15	4,745,996	1,139,096
Amounts receivable under reverse repurchase agreements	16	880,646	1,786
Loans to customers	17	13,484,011	8,140,394
Investments	18	267,656	124,528
Investment property	19	208,200	-
Current tax asset		3,925	4,878
Other assets	20	58,302	16,916
Property and equipment	21	337,661	209,513
<b>Total Assets</b>		<b><u>24,479,922</u></b>	<b><u>14,158,834</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Liabilities on financial instruments held for trading	15	2,910	1,042
Deposits and balances from banks and other financial institutions	22	3,025,783	992,025
Amounts payable under repurchase agreements	16	153,062	-
Current accounts and deposits from customers	23	10,132,321	6,336,953
Own securities issued	24	7,241,020	4,003,320
Other liabilities	25	19,272	1,672
Current tax liability		10,877	16,534
Deferred tax liability	26	130,523	50,732
<b>Total Liabilities</b>		<b><u>20,715,768</u></b>	<b><u>11,402,278</u></b>
<b>Minority interest</b>		<b>55,667</b>	<b>33,102</b>
<b>Shareholders' Equity</b>			
Share capital	27	2,257,794	2,250,310
Share premium	27	867,245	350,830
Retained earnings		583,448	122,314
<b>Total Shareholders' Equity</b>		<b><u>3,708,487</u></b>	<b><u>2,723,454</u></b>
<b>Total Liabilities and Shareholders' Equity</b>		<b><u>24,479,922</u></b>	<b><u>14,158,834</u></b>
Commitments and Contingencies	29, 30, 31		

The balance sheet is to be read in conjunction with the notes to, and forming part of, the financial statements.

**Promsvyazbank**  
*Consolidated Statement of Cash Flows*  
*for the year ended 31 December 2002*

	2002	2001
Note	RUR '000	RUR '000 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest and fee and commission receipts	2,034,238	1,215,980
Interest and fee and commission payments	(641,854)	(436,104)
Net receipts from securities trading	176,469	230,299
Net receipts from foreign exchange	200,582	219,607
Net receipts from disposal of non-trading financial instruments	12,184	107,208
Other income	41,269	41,233
General and administrative expenses	(624,398)	(455,682)
<b>Operating cash flow before changes in operating assets and liabilities</b>	<b>1,198,490</b>	<b>922,541</b>
<b>(Increase)/decrease in operating assets</b>		
Due from the Central Bank of the Russian Federation	(375,831)	(437,971)
Placements with banks and other financial institutions	(793,705)	(2,054)
Financial instruments held for trading	(3,742,021)	(794,778)
Amounts receivable under reverse repurchase agreements	(873,047)	-
Loans to customers	(5,300,920)	(3,689,586)
Other assets	(43,610)	6,607
<b>Increase/(decrease) in operating liabilities</b>		
Deposits and balances from banks and other financial institutions	954,559	627,018
Amounts payable under reverse repurchase agreements	151,501	-
Current accounts and deposits from customers	4,590,061	3,172,881
Certificates of deposit and promissory notes	3,631,444	2,556,899
Other liabilities	(964)	(959)
<b>Net cash from operating activities before taxes paid</b>	<b>(604,043)</b>	<b>2,360,598</b>
Taxes paid	(136,000)	(172,986)
<b>Cash flows from operations</b>	<b>(740,043)</b>	<b>2,187,612</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of subsidiaries	5,720	770
Dividends received	2,415	705
Contribution to <i>Promregionsvyaz</i> pension fund	(23,000)	-
Acquisition of investment property	(188,212)	-
Proceeds from sale of property and equipment	32,866	1,388
Purchases of property and equipment	(200,072)	(116,367)
<b>Cash flows from investing activities</b>	<b>(370,283)</b>	<b>(113,504)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of share capital	500,500	346,408
<b>Cash flows from financing activities</b>	<b>500,500</b>	<b>346,408</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(609,826)</b>	<b>2,420,516</b>
Effect of changes in exchange rates on cash and cash equivalents	(489,151)	(245,168)
Cash and cash equivalents at the beginning of the year	3,723,415	1,548,067
<b>Cash and cash equivalents at the end of the year</b>	<b>33 2,624,438</b>	<b>3,723,415</b>

The statement of cash flows is to be read in conjunction with the notes, to and forming part of, the financial statements.

**Promsvyazbank**  
*Consolidated Statement of Changes in Shareholder's Equity*  
*for the year ended 31 December 2002*

<u>RUR '000</u>	Share Capital RUR'000	Share premium RUR'000	Retained earnings/ (Accumulated losses) RUR'000	Total RUR'000
Balance as of 1 January 2001	2,244,262	-	(96,362)	2,147,900
Net income for the period	-	-	218,676	218,676
Shares issued	5,871	340,537	-	346,408
Hyperinflation adjustment	177	10,293	-	10,470
<b>Balance as of 31 December 2001</b>	<b>2,250,310</b>	<b>350,830</b>	<b>122,314</b>	<b>2,723,454</b>
Balance as of 1 January 2002	2,250,310	350,830	122,314	2,723,454
Shares issued	7,150	493,350	-	500,500
Net income for the period	-	-	461,134	461,134
Hyperinflation adjustment	334	23,065	-	23,399
<b>Balance at 31 December 2002</b>	<b>2,257,794</b>	<b>867,245</b>	<b>583,448</b>	<b>3,708,487</b>

The statement of changes in equity is to be read in conjunction with the notes, to and forming part of, the financial statements.

## **1. Background**

### **(a) Principal activities**

Promsvyazbank Group (the “Group”) consists of various legal entities formed under the laws of the Russian Federation. The parent of the Group is Promsvyazbank (the “Bank”), which was initially established in the Russian Federation as a partnership converting subsequently to a closed joint-stock company in July 2001. The Bank was granted a banking license for operations in roubles on 12 May 1995. The Bank’s operations were expanded to include operations with all types of foreign currencies and operations with individuals in foreign currencies on 30 December 1996 and 30 June 1997 respectively.

In the year ended 31 December 2001 the Bank received a general license for execution of all types of banking operations including opening branches and representative offices abroad. Further, in 2000 the Bank extended its licenses for conducting brokerage, dealer, custodian and management activities.

The principal activities of the Bank are deposit taking, lending and operations with securities and foreign exchange. The activities of the Bank are regulated by the Central Bank of the Russian Federation (the “CBR”). The Bank’s head office is located in Moscow and as of 31 December 2002 it operated eleven branches, which are located in Novosibirsk, Pskov, Voronezh, Nizhny Novgorod, Velikiy Novgorod, Kaliningrad, St-Petersburg, Tula, Vladimir, Irkutsk and an International Banking Unit (“IBU”) in Limassol, Cyprus.

The average number of persons employed by the Bank during the year was 1,089 (2001: 830).

### **(b) Russian business environment**

The Russian Federation has been experiencing political and economic change which has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks, which do not typically exist in other markets.

The accompanying financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

## **2. Basis of preparation**

### **(a) Statement of compliance**

The Group maintains its accounting records in accordance with the legislative requirements of the Russian Federation. The accompanying financial statements have been prepared from those accounting records and adjusted as necessary to comply with the requirements of International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

## **2. Basis of preparation (continued)**

### **(b) Basis of measurement**

The financial statements are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities held for trading and available for sale, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost and have been restated for the effects of inflation as described in note 3(b).

### **(c) Measurement and Presentation Currency**

The national currency of the Russian Federation is the Russian Rouble (“RUR”). Management have determined the Group’s measurement currency to be the RUR as it reflects the economic substance of the underlying events and circumstances of the Group. The RUR is also the Group’s presentation currency for the purposes of these financial statements.

Financial information presented in RUR has been rounded to the nearest thousand.

### **(d) Convertibility of the Rouble**

The Russian Rouble is not a convertible currency outside the Russian Federation and, accordingly, any conversion of Russian Rouble amounts to US Dollars should not be construed as a representation that Russian Rouble amounts have been, could be, or will be in the future, convertible into US Dollars at the exchange rate shown, or at any other exchange rate.

### **(e) Basis of consolidation**

#### **(i) Subsidiaries**

Subsidiaries are those enterprises controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

#### **(ii) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The consolidated financial statements include the following subsidiaries of the Bank:

<b>Name</b>	<b>Country of Incorporation</b>	<b>Main Activity</b>	<b>% Controlled</b>
ОАО “Promsvyazinvest”	Russian Federation	Financial activity	70%
ООО “Bayard”	Russian Federation	Security	100%
ООО “Invest-Center”	Russian Federation	Financial activity	50%

## **2. Basis of preparation (continued)**

### **(f) Going concern**

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business. The recoverability of the Group's assets, as well as the future operation of the Group, may be significantly affected by the current and future economic environment (refer note 1 (b)). The accompanying financial statements do not include any adjustments should the Group be unable to continue as a going concern.

## **3. Significant accounting policies**

The following significant accounting policies have been applied in the preparation of the financial statements. The accounting policies have been consistently applied.

### **(a) Foreign currency transactions**

Transactions in foreign currencies are translated to Roubles at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to roubles at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to roubles at the foreign exchange rate ruling at the date of the transaction.

### **(b) Inflation accounting**

The economy of the Russian Federation is considered to be a hyperinflationary economy. In order to comply with IFRS No. 29 *Financial Reporting in Hyperinflationary Economies*, financial statements need to be expressed in terms of the measuring unit current as of the balance sheet date. Accordingly, the accompanying consolidated financial statements, including comparatives, have been restated to account for changes in the general purchasing power of the rouble. The restatement is based on relevant price indices at the balance sheet date. The indices are derived from the inflation rates, which are issued by the State Statistical Committee of the Russian Federation ("Goskomstat"). The indices used were as follows:

	<u>Indices</u>
31 December 1991	100
31 December 1992	2,642
31 December 1993	25,023
31 December 1994	78,470
31 December 1995	182,046
31 December 1996	221,597
31 December 1997	245,949
31 December 1998	453,704
31 December 1999	619,691
31 December 2000	744,425
31 December 2001	884,504
31 December 2002	1,018,277

### **3. Significant accounting policies (continued)**

#### **(b) Inflation accounting (continued)**

The indices have been applied to the historical costs of transactions and balances as follows:

- All comparative figures as of and for the year ended 31 December 2001 were restated by applying the change in the index from 1 January 2002 to 31 December 2002. For this reason, amounts shown in these consolidated financial statements for the year ended 31 December 2001 are marked “restated”.
- Income statement transactions were restated by applying the change in the index from the approximate date of the transactions to 31 December 2002.
- Gains and losses arising from the monetary asset or liability positions are included in income statement.
- Non-monetary assets and liabilities were restated by applying the change in the index from the date of the transaction.
- Share capital was restated by applying the change in the index from the date of the transaction to 31 December 2002.

#### **(c) Cash and cash equivalents**

The Group considers cash and nostro accounts with the CBR, as well as placements with banks and other financial institutions maturing in less than 1 month to be cash and cash equivalents. The minimum reserve deposit with the CBR is not considered to be a cash equivalent due to restrictions on its withdrawability.

#### **(d) Financial instruments**

##### **(i) Classification**

*Trading instruments* are those that the Group principally holds for the purpose of short-term profit taking. These include securities and derivative contracts that are not designated and effective hedging instruments, and liabilities from short sales of financial instruments. All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as an asset. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as a liability.

*Originated loans and receivables* are loans and receivables created by the Group providing money to a debtor other than those created with the intention of short-term profit taking. Originated loans and receivables comprise loans and advances to banks and customers other than purchased loans.

*Held-to-maturity assets* are financial assets with fixed or determinable payments and fixed maturity that the Group has the intent and ability to hold to maturity.

*Available-for-sale assets* are financial assets that are not held for trading purposes, originated by the Group, or held to maturity.

### **3. Significant accounting policies (continued)**

#### **(d) Financial instruments (continued)**

##### **(ii) Recognition**

The Group recognises financial instruments held for trading and available-for-sale assets on the date it commits to purchase the assets.

Held-to-maturity assets and originated loans and receivables are recognised on the day they are transferred to or originated by the Group.

##### **(iii) Measurement**

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition all trading and all available-for-sale instruments are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities, originated loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

##### **(iv) Fair value measurement principles**

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Group would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

##### **(v) Gains and losses on subsequent measurement**

Gains and losses arising from a change in the fair value of all trading instruments and available-for-sale securities trading are recognised in the income statement.

### **3. Significant accounting policies (continued)**

#### **(e) Derecognition**

A financial asset is derecognised when the Group loses control over contractual rights that comprise those assets. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

Available-for-sale assets and assets held for trading that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Group commits to sell the asset. The Group uses the specific identification method to determine the gain or loss on derecognition.

Held-to-maturity instruments and originated loans and receivables are derecognised on the day they are transferred by the Group.

#### **(f) Securities borrowing and lending**

Investments lent under securities lending arrangements continue to be recognised in the balance sheet and are measured in accordance with the accounting policy for assets held for trading or available for sale as appropriate. Cash collateral received in respect of securities lent is recognised as liabilities to either banks or customers. Investments borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense.

#### **(g) Repurchase and reverse repurchase agreements**

Securities sold under agreements to repurchase are retained within the trading or available-for-sale securities portfolios and accounted for accordingly. Liability accounts are used to record the obligation to repurchase. The difference between the sale and repurchase price represents interest expense and is recognised in the income statement over the term of the repurchase agreement.

Securities held under reverse repurchase agreements are recorded as receivables. The difference between the purchase and sale price represents interest income and is recognised in the income statement over the term of the reverse repurchase agreement. The receivables due under reverse repurchase agreements have been shown net of provision for impairment.

#### **(h) Investment property**

Property held to earn rentals or for capital appreciation or both is classified as investment property. Investment property comprises freehold land and buildings.

The Group measures its investment property at cost less any accumulated depreciation and any accumulated impairment losses. The Group uses the same depreciation method, useful lives and depreciation rates as for own property and equipment (refer below).

If investment property becomes owner-occupied, it is reclassified as property and equipment, if own property and equipment functions as investment property, it is classified accordingly.

### **3. Significant accounting policies (continued)**

#### **(i) Offsetting**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

#### **(j) Property and equipment**

##### **(i) Owned assets**

Items of property and equipment are stated at cost less accumulated depreciation (refer below) and impairment losses (refer to note 3(k) below). The cost for self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

##### **(ii) Leased assets**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (refer below) and impairment losses (refer to Note 3(k) below).

Operating leases, the terms of which the Group does not assume substantially all the risks and rewards of ownership, are expensed.

##### **(iii) Depreciation**

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

Buildings	50 years
Computer and computer software	4 years
Fixtures, fittings and equipment	6 to 7 years
Vehicles	5 years
Other	5 years

#### **(k) Impairment**

The carrying amounts of the Group's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

### **3. Significant accounting policies (continued)**

#### **(k) Impairment (continued)**

##### **(i) Calculation of recoverable amount**

The recoverable amount of the Group's investments in held-to-maturity securities and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted. The recoverable amount of the Group's trading investments and investments available-for-sale is their fair value.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

##### **(ii) Reversals of impairment**

An impairment loss in respect of a held-to-maturity security or receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **(l) Interest bearing borrowings**

Interest-bearing borrowings are recognised initially at cost, net of any transaction costs incurred. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings.

When borrowings are repurchased or settled before maturity, any difference between the amount repaid and the carrying amount is recognised immediately in the income statement.

### **3. Significant accounting policies (continued)**

#### **(m) Share capital**

##### **(i) Preference share capital**

Preference share capital that is non-redeemable and upon which dividends are discretionary at the option of the Directors, is classified as equity.

##### **(ii) Repurchase of share capital**

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

##### **(iii) Dividends**

The ability of the Group to declare and pay dividends is subject to the rules and regulations of the CBR and other Russian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings as and when declared.

#### **(n) Taxation**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries, branches and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### **3. Significant accounting policies (continued)**

#### **(o) Interest income and expense**

Interest income and expense is recognised in the income statement as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income and expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

#### **(p) Fee and commission income and expense**

Fee and commission income (expense) arises on financial services provided by the Group (to the Group) including cash management services, brokerage services, investment advice and financial planning, investment banking services, project and structured finance transactions, and asset management services.

Fee and commission income (expense) is recognised when the corresponding service is provided.

#### **(q) Net securities trading income**

Net trading income includes gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading.

#### **(r) Net gain on non-trading financial instruments**

Net gain on non-trading financial instruments includes gains and losses arising from disposals and changes in the fair value of available-for-sale investments.

#### **(s) Dividend income**

Dividend income from investments in companies where the Group does not have control or significant influence is recognized in the income statement on the date that the dividend is declared.

### 3. Significant accounting policies (continued)

#### (t) Reclassifications in Financial Statements

The presentation of certain items relating to trading with securities and foreign currencies was changed in 2002. For consistency of presentation, prior year figures have been reclassified. The effect of this change in presentation is as follows:

	<b>2002</b> <b>RUR '000</b>	<b>2001</b> <b>RUR '000</b> <b>(Restated)</b>
<b>Reclassification of discount and coupon income on trading debt securities</b>		
Interest income from financial instruments held for trading	214,640	113,774
Net securities trading income - debt securities	(214,640)	(113,774)
<b>Reclassification of commission received on foreign exchange operations</b>		
Commission income on foreign currency operations	14,654	13,777
Net foreign exchange income	(14,654)	(13,777)
<b>Reclassification of commission paid on foreign exchange operations</b>		
Net foreign exchange income	13,048	12,861
Commission expense on foreign currency operations	(13,048)	(12,861)

#### 4. Net interest income

	<b>2002</b> <b>RUR '000</b>	<b>2001</b> <b>RUR '000</b> <b>(Restated)</b>
<b>Interest income</b>		
Customers	1,630,667	1,172,715
Financial instruments held for trading	227,479	113,774
Banks and other financial institutions	96,043	66,997
Reverse repurchase agreements	37,592	-
	<u><b>1,991,781</b></u>	<u><b>1,353,486</b></u>
<b>Interest expense</b>		
Customers	(404,078)	(194,665)
Own securities issued	(276,522)	(200,936)
Banks and other financial institutions	(72,541)	(81,295)
Repurchase agreements	(4,155)	-
	<u><b>(757,296)</b></u>	<u><b>(476,896)</b></u>
<b>Net interest income</b>	<u><b>1,234,485</b></u>	<u><b>876,590</b></u>

For the year ended 31 December 2002 net interest income includes interest accrued on impaired loans, not yet received of RUR 61,785 thousand (2001: RUR 50,896 thousand).

#### 5. Fee and commission income

	<b>2002</b> <b>RUR '000</b>	<b>2001</b> <b>RUR '000</b> <b>(Restated)</b>
Commission on lending and trade finance	140,838	22,701
Commission for operations with cash	24,741	8,290
Money transfer fees	24,470	32,945
Cash collection fees	19,536	13,094
Commission for servicing plastic cards	15,239	8,151
Commission on foreign currency operations	14,654	9,140
Investment banking fees	11,116	-
Securities brokerage fees	4,686	4,044
Other	11,459	4,636
	<u><b>266,739</b></u>	<u><b>103,001</b></u>

#### 6. Fee and commission expense

	<b>2002</b> <b>RUR '000</b>	<b>2001</b> <b>RUR '000</b> <b>(Restated)</b>
Commission for documentary operations	58,678	3,172
Commission for servicing plastic cards	17,105	935
Money transfer fees	15,836	14,614
Commission on foreign currency operations	13,048	12,861
Cash collection fees	3,589	1,849
Securities brokerage fees	3,170	2,075
	<u><b>111,426</b></u>	<u><b>35,506</b></u>

## 7. Net securities trading income

	<b>2002</b> <b>RUR '000</b>	<b>2001</b> <b>RUR '000</b> <b>(Restated)</b>
Debt instruments	249,229	188,706
Equity instruments	25,624	4,230
	<u><b>274,853</b></u>	<u><b>192,936</b></u>

## 8. Net foreign exchange income

	<b>2002</b> <b>RUR '000</b>	<b>2001</b> <b>RUR '000</b> <b>(Restated)</b>
Unrealised gains on foreign exchange	151,270	194,565
Trading gains on operations with currencies	69,390	37,377
	<u><b>220,660</b></u>	<u><b>231,942</b></u>

## 9. Net gain on non-trading financial instruments

	<b>2002</b> <b>RUR '000</b>	<b>2001</b> <b>RUR '000</b> <b>(Restated)</b>
Available-for-sale assets:		
Net loss on disposal of equity investments	(3,634)	(732)
Unrealised gains on debt and equity securities	65,674	108,297
	<u><b>62,040</b></u>	<u><b>107,565</b></u>

## 10. Impairment losses

	<b>2002</b> <b>RUR '000</b>	<b>2001</b> <b>RUR '000</b> <b>(Restated)</b>
<b>Impairment losses</b>		
Investments	-	12,436
Financial instruments held for trading	11,140	-
Placements with banks and other financial institutions	-	6,078
Off-balance sheet commitments	18,641	-
Loans to customers	199,569	132,900
	<u>229,350</u>	<u>151,414</u>
<b>Reversals of impairment losses</b>		
Investments	(18,929)	-
Placements with banks and other financial institutions	(5,264)	-
	<u>(24,193)</u>	<u>-</u>
<b>Net impairment losses</b>	<u><b>205,157</b></u>	<u><b>151,414</b></u>

## 11. General administrative expenses

	<b>2002</b>	<b>2001</b>
	<b>RUR '000</b>	<b>RUR '000</b>
		<b>(Restated)</b>
Employee compensation	263,804	203,959
Taxes other than income tax	113,730	66,290
Business development	43,645	34,105
Occupancy	43,158	39,694
Communications and information services	40,136	27,254
Depreciation	38,536	29,953
Investment property maintenance	33,570	-
Repairs and maintenance	22,903	18,623
Advertising and marketing	18,484	5,083
Charity and sponsorship	15,711	16,862
Security	14,640	10,495
Transportation costs	13,527	8,292
Professional services	5,106	4,829
Office supplies	3,798	2,960
Insurance	3,564	1,361
Other	21,465	42,934
	<u>695,777</u>	<u>512,694</u>

## 12. Income tax expense

	2002 RUR '000	2001 RUR '000 (Restated)
<i>Current tax expense</i>		
Current year	<u>152,036</u>	<u>187,772</u>
	<u>152,036</u>	<u>187,772</u>
<i>Deferred tax expense</i>		
Origination and reversal of timing differences	79,791	41,779
Change in tax rate	<u>-</u>	<u>(7,090)</u>
	79,791	34,689
Total income tax expense in the income statement	<u><u>231,827</u></u>	<u><u>222,461</u></u>

The Group's applicable tax rate is 24% (2001 – 43%). Deferred tax balances have been determined using the tax rate of 24% (2001 – 24%).

Reconciliation of effective tax rate:

	2002 RUR '000	%	2001 RUR '000 (Restated)	%
Income before tax	<u>715,526</u>	<u>24%</u>	<u>468,597</u>	<u>43%</u>
Theoretical income tax charge at the statutory rate	171,726		201,496	
Non-deductible costs and non-taxable income	61,383		28,968	
Effect of income taxed at lower tax rates	<u>(1,282)</u>		<u>(8,003)</u>	
<b>Income tax paid</b>	<u><u>231,827</u></u>		<u><u>222,461</u></u>	

## 13. Due from the Central Bank of the Russian Federation

	2002 RUR '000	2001 RUR '000 (Restated)
Minimum reserve deposit	1,061,432	789,292
Nostro accounts	<u>729,615</u>	<u>325,040</u>
	<u><u>1,791,047</u></u>	<u><u>1,114,332</u></u>

The minimum reserve deposit is a mandatory non-interest bearing deposit calculated in accordance with regulations issued by the CBR and whose withdrawability is restricted. The nostro balances represent balances with the CBR related to settlement activity and were available for withdrawal at year end.

## 14. Placements with banks and other financial institutions

	<b>2002</b> <b>RUR '000</b>	<b>2001</b> <b>RUR '000</b> <b>(Restated)</b>
Nostro accounts	1,334,816	2,547,898
Loans	808,897	332,499
	<b>2,143,713</b>	<b>2,880,397</b>
Provision for impairment	(1,242)	(9,602)
	<b>2,142,471</b>	<b>2,870,795</b>

### Analysis of movements in the provision for impairment

	<b>2002</b> <b>RUR '000</b>	<b>2001</b> <b>RUR '000</b> <b>(Restated)</b>
Balance at the beginning of the year	9,602	3,566
Impact of IAS 29	(938)	(42)
Net (credit)/charge for the year	(5,264)	6,078
Write-offs	(2,158)	-
<b>Balance at the end of the year</b>	<b>1,242</b>	<b>9,602</b>

### Concentration of placements with banks and other financial institutions

As at 31 December 2002 and 2001, placements with bank and other financial institutions which individually comprised more than 10% of deposit and balances with the banks and other financial institutions were as follows:

	<b>2002</b> <b>RUR '000</b>	<b>2001</b> <b>RUR '000</b> <b>(Restated)</b>
Bank A	1,144,667	2,419,729
	<b>1 144 667</b>	<b>2 419 729</b>

## 15. Financial instruments held for trading

	<b>2002</b>	<b>2001</b>
	<b>RUR '000</b>	<b>RUR '000</b>
		<b>(Restated)</b>
<b>Financial assets held for trading</b>		
<i>Debt and other fixed-income instruments</i>		
<i>Listed</i>		
Russian Government Eurobonds	1,397,588	451,870
Corporate bonds	1,062,462	52,794
Russian municipal and regional bonds	325,714	-
Russian Government GKO/OFZ	19,994	-
<i>Unlisted</i>		
Promissory notes	1,891,827	593,354
<i>Equity investments</i>		
Gazprom	31,657	9,971
Surgutneftregaz	5,086	-
RAO UES	-	10,911
LUKOIL	-	6,372
Sberbank	-	7,619
<i>Foreign currency contracts</i>	11,668	6,205
	<b>4,745,996</b>	<b>1,139,096</b>
<b>Liabilities on financial instruments held for trading</b>		
<i>Foreign currency and precious metals contracts</i>		
	2,910	1,042
	<b>2,910</b>	<b>1,042</b>

Gains and losses arising on derivative financial instruments and changes in fair value of other trading instruments are recognised in net trading income.

## 15. Financial instruments held for trading (continued)

### Foreign currency and precious metals contracts

The table below summarises, by major type, the contractual amounts of the Group's forward exchange contracts outstanding at 31 December 2002 with details of the contracted exchange rates. All of the contracts with foreign exchange were concluded for the period of less than one month. Contacts with gold bullion were concluded for the period less than one year. Foreign currency amounts presented below are translated at rates ruling at the balance sheet date. The resultant unrealised gains and losses on these unmatured contracts have been recognised in the income statement and in financial instruments held for trading, as appropriate.

	Weighted average contracted exchange rates		Notional amount		Gain/(loss)	
	2002	2001	2002	2001	2002	2001
<b>Buy US Dollar and Sell Russian Rouble</b>	31.9425	30.3986	543,023	122,486	(2,688)	(1,042)
<b>Sell US Dollar and Buy Russian Rouble</b>	31.8254	30.1792	5,792,217	4,777,233	7,456	6,205
<b>Sell Euro and Buy Russian Rouble</b>	33.2719	-	166,360	-	811	-
<b>Buy Euro and Sell US Dollars</b>	1.0417	-	33,266	-	(156)	-
<b>Sell Euro and Buy US Dollars</b>	1.0417	-	134,369	-	(57)	-
<b>Buy gold bullion</b>	343.72	-	109,646	-	3,392	-

## 16. Repurchase and resell agreements, securities lending agreements

The Group raises funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price plus interest at a predetermined rate. Repurchase agreements are commonly used as a tool for short-term financing of interest-bearing assets, depending on the prevailing interest rates. At 31 December 2002 assets sold under repurchase agreements were as follows:

	Face value of underlying assets 2002 RUR'000	Fair value of underlying assets 2002 RUR'000	Carrying amount of corresponding liabilities 2002 RUR'000	Transaction maturity dates 2002
Minfin bonds (5 <sup>th</sup> tranche)	92,365	74,716	57,393	29.04.2003
Minfin bonds (5 <sup>th</sup> tranche)	77,808	61,987	42,482	10.01.2003
Minfin bonds (4 <sup>th</sup> tranche)	69,799	70,595	52,948	29.04.2003
Minfin bonds (4 <sup>th</sup> tranche)	318	318	239	10.01.2003
	<u>240,290</u>	<u>207,616</u>	<u>153,062</u>	

## 16. Repurchase and resell agreements, securities lending agreements (continued)

As at 31 December 2001 the Group was not a party to any repurchase agreements.

As at 31 December 2002, the Group entered into a transaction to borrow financial instruments from third parties. These financial instruments were then sold by the Group under the repurchase deal as disclosed above. The Group did not advance cash as collateral for the instruments borrowed. Under accounting policy these financial instruments are not recognised on the balance sheet. The details of the securities borrowing deal were as follows:

### Amounts payable to corporate customers

	<b>Face value of securities borrowed 2002 RUR'000</b>	<b>Fair value of securities borrowed 2002 RUR'000</b>	<b>Return dates 2002</b>
Minfin bonds (5 <sup>th</sup> tranche)	170,174	136,703	29.04.2003
Minfin bonds (4 <sup>th</sup> tranche)	70,116	70,913	29.04.2003
	<u><b>240,290</b></u>	<u><b>207,616</b></u>	

As at 31 December 2001 the Group was not a party to any securities borrowing or lending deals.

The Group also purchases financial instruments under agreements to resell them at future dates ("reverse repurchase agreements"). The seller commits to repurchase the same or similar instruments at an agreed future date. Reverse repurchases are entered into as a facility to provide funds to customers. At 31 December 2002 and 2001 assets purchased subject to agreements to resell them were as follows:

	<b>Carrying amounts of receivable 2002 RUR'000</b>	<b>Fair value of assets held as collateral 2002 RUR'000</b>	<b>Carrying amounts of receivable 2001 RUR'000</b>	<b>Fair value of assets held as collateral 2001 RUR'000</b>
Amounts receivable from banks and other financial institutions	353,972	357,988	-	
Amounts receivable from corporate clients	526,674	533,637	1,786	1,886
	<u><b>880,646</b></u>	<u><b>891,625</b></u>	<u><b>1,786</b></u>	<u><b>1,886</b></u>

## 17. Loans to customers

	<b>2002</b> <b>RUR '000</b>	<b>2001</b> <b>RUR '000</b> <b>(Restated)</b>
Gross loans to customers	14,130,836	8,669,422
Provision for impairment	(646,825)	(529,028)
	<u><b>13,484,011</b></u>	<u><b>8,140,394</b></u>

### Industry and geographical analysis of the loan portfolio

Loans and advances to customers are issued primarily to customers located within the Russian Federation and who operate in the following economic sectors:

	<b>2002</b> <b>RUR '000</b>	<b>2001</b> <b>RUR '000</b> <b>(Restated)</b>
<b>Retail customers</b>	150,692	108,070
<b>Commercial customers</b>		
Construction	2,308,327	812,048
Telecommunication and information technology	1,532,215	920,703
Trade	1,525,619	1,063,317
Machinery	1,394,959	435,264
Finance	888,245	690,441
Publishing	798,356	607,543
Leasing	724,910	255,701
Insurance	630,355	547,398
Services	605,945	34,507
Food production	585,662	855,969
Research and development activities	554,157	196,731
State and local authorities	501,713	23,025
Aviation	437,612	419,731
Construction materials	379,486	-
Chemical production	330,674	331,981
Automobile production	139,994	318,894
Metallurgy	135,479	89,797
Agriculture	130,088	72,796
Wood processing	125,611	81,061
Light industry	86,302	34,821
Transport	71,355	233,779
Mineral resources	26,562	426,774
Other	66,518	31,663
Energy	-	77,408
	<u>14,130,836</u>	<u>8,669,422</u>
Provision for impairment	(646,825)	(529,028)
	<u><b>13,484,011</b></u>	<u><b>8,140,394</b></u>

### Significant credit exposures

As at 31 December 2002 and 2001 the Group had no exposures to a customer or group of customers, which individually comprised more than 10% of loans to customers (gross of provision for loan losses).

## 17. Loans to customers (continued)

Loans have been granted to customers in the following geographical areas:

	<b>2002</b> <b>RUR '000</b>	<b>2001</b> <b>RUR '000</b> <b>(Restated)</b>
<b>Russian Federation</b>		
Moscow and Moscow region	11,222,615	5,665,094
North-Western and North regions	879,754	709,120
Central region (excluding Moscow and Moscow region)	584,883	666,506
Urals, Siberia and Far East	522,757	999,662
Central Chernozem and Northern Caucasus region	421,235	222,193
Volgo-Viatskiy and Volga region	359,604	406,847
<b>Non-residents</b>	<u>139,988</u>	<u>-</u>
	14,130,836	8,669,422
Provision for impairment	<u>(646,825)</u>	<u>(529,028)</u>
	<u><b>13,484,011</b></u>	<u><b>8,140,394</b></u>

### Contractually overdue loans

Information in relation to contractually overdue loans as at 31 December 2002 is summarised as follows:

	<b>2002</b> <b>RUR '000</b>	<b>2001</b> <b>RUR '000</b> <b>(Restated)</b>
Gross contractually overdue loans	374,726	79,497
Provision for impairment	<u>(46,315)</u>	<u>(79,497)</u>
Net contractually overdue loans	<u>328,411</u>	<u>-</u>

In the year ended 31 December 2002, interest totalling RUR 10,828 thousand was not recognised in the income statement in relation to contractually overdue loans (2001: RUR 63,025 thousand).

In the period after 31 December 2002 gross overdue loans totalling RUR 328,411 thousand were repaid, principally through the realisation of collateral.

### Analysis of movements in the provision for loan impairment

	<b>2002</b> <b>RUR '000</b>	<b>2001</b> <b>RUR '000</b> <b>(Restated)</b>
Balance at the beginning of the year	529,028	457,090
Impact of IAS 29	(81,772)	(60,962)
Net charge for the year	<u>199,569</u>	<u>132,900</u>
Balance at the end of the year	<u><b>646,825</b></u>	<u><b>529,028</b></u>

## 17. Loans to customers (continued)

### Loan maturities

The maturity of the Group's loan portfolio is presented in Note 36, which shows the remaining period from the reporting date to the contractual maturity of the loans comprising the loan portfolio. In the Russian marketplace, many short-term credits are granted with the expectation of renewing the loan on maturity. Accordingly, the effective maturity of the loan portfolio may be longer than the classification indicated based on contractual terms.

## 18. Investments

	2002 RUR '000	2001 RUR '000 (Restated)
<b>Available for sale</b>		
<i>Debt instruments – listed and fixed income instruments</i>		
Certificates of deposits	56,232	-
Russian Government GKO/OFZ	211	406
<i>Equity instruments - listed</i>		
CenterTelecom	154,584	102,763
Gazprom	1,164	906
<i>Equity instruments - unlisted</i>		
Unconsolidated subsidiary (see below)	25,210	-
Corporate shares	24,659	25,106
Capital contributions to partnerships	5,596	15,801
	<b>267,656</b>	<b>144,982</b>
Provision for impairment	-	(20,454)
	<b>267,656</b>	<b>124,528</b>

The 2001 comparative figure for investment in CenterTelecom comprises of shares of four companies (Lipetskelectrosvyaz, Tulatelekom, Voronezhsvyazinform, CenterTelecom) which merged with CenterTelecom in the 4<sup>th</sup> quarter of 2002. The Groups' shareholdings in separate companies were exchanged for shares of CenterTelecom.

The unlisted equity instruments are stated at cost.

The unconsolidated subsidiary is:

Name	Country of incorpora- tion	Main Activity	% Controlled		2002 Carrying Value	2001 Carrying Value
			2002	2001	RUR '000	RUR '000
Promregionsvya z	Russia	Pension fund	76.67%	-	25,210	-

The financial statements of the subsidiary company listed above have not been consolidated into those of the Group, as there are long term restrictions under the laws of RF concerning property of non-state pension funds which impair the ability to transfer it to parent companies.

## 19. Investment property

	<b>Land</b>	<b>Building</b>	<b>Total</b>
Cost at 1 January 2002	-	-	-
Additions	164,567	23,645	188,212
Disposals	-	-	-
Impact of IAS 29	12,834	8,002	20,836
Depreciation	-	(848)	(848)
At 31 December 2002	<b>177,401</b>	<b>30,799</b>	<b>208,200</b>

Investment property comprises of the following items:

<b>Description</b>	<b>Location</b>	<b>Area</b>	<b>Purpose</b>	<b>Fair Value, RUR'000</b>
Office building	Moscow	5 010 sq. m	Rental income	238,860
Plot of land	Moscow region	257 000 sq. m	Capital appreciation	794,610

Rental income on the office building amounted to RUR 34,868 thousand (included in 'Other income'), whereas investment property maintenance expense amounted to RUR 33,570 thousand (included in 'General administrative expense').

## 20. Other assets

	<b>2002 RUR '000</b>	<b>2001 RUR '000 (Restated)</b>
Advances and prepayments	37,155	12,369
Deferred expenses	19,224	-
Other	1,923	4,547
	<b>58,302</b>	<b>16,916</b>

## 21. Property and equipment

<u>In thousands of RUR</u>	<b>Land and buildings</b>	<b>Computers and computer software</b>	<b>Office equipment</b>	<b>Vehicles</b>	<b>Furniture, fixtures and fittings</b>	<b>Leasehold improvements</b>	<b>Other</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost</b>									
At 1 January 2002	48,344	83,175	60,756	27,043	26,623	-	1,413	32,207	279,561
Additions	55,125	31,033	47,512	13,209	11,385	35,346	171	6,291	200,072
Disposals and transfers	-	(231)	(155)	(2,022)	(53)	-	(76)	(32,207)	(34,744)
IAS 29 impact	4,278	2,940	2,071	794	716	1,644	81	65	12,589
At 31 December 2002	<b>107,747</b>	<b>116,917</b>	<b>110,184</b>	<b>39,024</b>	<b>38,671</b>	<b>36,990</b>	<b>1,589</b>	<b>6,356</b>	<b>457,478</b>
<b>Depreciation and impairment losses</b>									
At 1 January 2002	2,363	29,133	19,820	9,787	8,330	-	615	-	70,048
Depreciation charge	1,275	18,181	8,349	4,473	2,969	2,271	170	-	37,688
Disposals and transfers	-	(54)	(73)	(1,210)	(10)	-	(27)	-	(1,374)
IAS 29 impact	818	4,662	3,756	2,114	1,696	207	202	-	13,455
At 31 December 2002	<b>4,456</b>	<b>51,922</b>	<b>31,852</b>	<b>15,164</b>	<b>12,985</b>	<b>2,478</b>	<b>960</b>	<b>-</b>	<b>119,817</b>
<b>Carrying value</b>									
At 31 December 2002	<b>103,291</b>	<b>64,995</b>	<b>78,332</b>	<b>23,860</b>	<b>25,686</b>	<b>34,512</b>	<b>629</b>	<b>6,356</b>	<b>337,661</b>
At 31 December 2001	45,981	54,042	40,936	17,256	18,293	-	798	32,207	209,513

## 22. Deposits and balances from banks and other financial institutions

	2002 RUR '000	2001 RUR '000 (Restated)
Term deposits	2,445,333	744,231
Vostro accounts	580,450	247,794
	<u>3,025,783</u>	<u>992,025</u>

### Concentration of deposits and balances from banks and other financial institutions

As at 31 December 2002 and 2001, term deposits and balances from banks and other financial institutions which individually comprised more than 10% of deposits and balances received from banks and other financial institutions were as follows:

	2002 RUR '000	2001 RUR '000 (Restated)
Bank A	379,211	-
Bank B	-	172,686
Bank C	-	145,733
	<u>379,211</u>	<u>318,419</u>

## 23. Current accounts and deposits from customers

	2002 RUR '000	2001 RUR '000 (Restated)
<b>Individuals</b>		
Term deposits	1,727,107	1,335,775
Current / Demand accounts	12,220	9,698
<b>Total deposits from individuals</b>	<u>1,739,327</u>	<u>1,345,473</u>
<b>Corporate entities</b>		
Current accounts	6,280,000	4,295,478
Term deposits	2,112,994	696,002
<b>Total customer accounts</b>	<u>8,392,994</u>	<u>4,991,480</u>
<b>Total deposits from individuals and customer accounts</b>	<u>10,132,321</u>	<u>6,336,953</u>

### Blocked accounts

As of 31 December 2002, the Group maintained customer deposit balances of RUR 267,569 thousand (2001: RUR 78,859 thousand) which were blocked by the Group as collateral for loans and off-balance sheet credit instruments granted by the Group.

### Concentrations of current accounts and customer deposits

As at 31 December 2002, deposits and current accounts from one customer individually exceeded 10% of total current accounts and deposits from customers. The amounts placed by the customer totalled RUR 1,637,925 thousand (2001: RUR 791,703 thousand).

**24. Own securities issued**

	<b>2002</b> <b>RUR '000</b>	<b>2001</b> <b>RUR '000</b> <b>(Restated)</b>
Certificates of deposit	4,109,507	1,836,842
Promissory notes	2,426,233	2,166,478
Bonds	705,280	-
	<u><b>7,241,020</b></u>	<u><b>4,003,320</b></u>

**25. Other liabilities**

	<b>2002</b> <b>RUR '000</b>	<b>2001</b> <b>RUR '000</b> <b>(Restated)</b>
Provision for guarantees and letters of credit issued	17,496	-
Other	<u>1,776</u>	<u>1,672</u>
	<u><b>19,272</b></u>	<u><b>1,672</b></u>

**26. Deferred tax asset and liability**

Accumulated temporary differences between the carrying amounts of assets and liabilities reflected in these financial statements and their bases for local taxation purposes give rise to a deferred tax liability of RUR 130,523 thousand as of 31 December 2002. These unrecorded deductible temporary differences, which have no expiry dates, are listed below at their tax effected accumulated values:

<u>In thousands of RUR</u>	<b>Assets</b>		<b>Liabilities</b>		<b>Net</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
Amounts receivable under reverse repurchase agreements	1,213	-	-	-	1,213	-
Accrued interest and commissions	6,151	12,176	-	(6,138)	6,151	6,038
Foreign exchange gains and losses	-	-	-	(4,728)	-	(4,728)
Financial instruments held for trading	6,601	-	-	(9,344)	6,601	(9,344)
Provisions for loan impairment	-	-	(104,719)	(39,736)	(104,719)	(39,736)
Investment property	-	-	(3,707)	-	(3,707)	-
Investments available-for-sale	-	1,080	(25,488)	-	(25,488)	1,080
Other items	2,916	-	-	(2,383)	2,916	(2,383)
Property and equipment	-	-	(13,490)	(1,659)	(13,490)	(1,659)
Net deferred tax (assets)/ liabilities	16,881	13,256	(147,404)	(63,988)	(130,523)	(50,732)
Set off of tax	(16,881)	(13,256)	16,881	13,256	-	-
<b>Net tax (assets)/liabilities</b>	<b>-</b>	<b>-</b>	<b>(130,523)</b>	<b>(50,732)</b>	<b>(130,523)</b>	<b>(50,732)</b>

**Movement in temporary differences during the year**

<u>In thousands of RUR</u>	<b>Balance as at 1 January 2002</b>	<b>Recognised in income</b>	<b>Balance as at 31 December 2002</b>
Amounts receivable under reverse repurchase agreements	-	1,213	1,213
Accrued interest and commissions	6,038	113	6,151
Foreign exchange gains and losses	(4,728)	4,728	-
Financial instruments held for trading	(9,344)	15,945	6,601
Provisions for loan impairment	(39,736)	(64,983)	(104,719)
Investment property	-	(3,707)	(3,707)
Investments available-for-sale	1,080	(26,568)	(25,488)
Other items	(2,383)	5,299	2,916
Property and equipment	(1,659)	(11,831)	(13,490)
	<b>(50,732)</b>	<b>(79,791)</b>	<b>(130,523)</b>

## 27. Share capital and share premium

### Issued capital and share premium

The Bank was established in the Russian Federation as a partnership converting subsequently to a closed joint-stock company in July 2001.

	<u>Number of ordinary shares</u>	<u>Nominal amount, RUR'000</u>	<u>Nominal value, RUR'000</u>	<u>Inflation adjusted amount, RUR'000</u>
Balance as of 1 January 2002	23,652	50	1,182,600	2,250,310
Issued in the period	143	50	7,150	7,484
<b>Balance as of 31 December 2001</b>	<b><u>23,795</u></b>		<b><u>1,189,750</u></b>	<b><u>2,257,794</u></b>

The share premium adjusted for inflation amounts at 31 December 2002 to RUR 867,245 thousand, which comprises an inflation effect of RUR 33,358 thousand (2001: RUR 10,293 thousand).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank.

Dividends payable are restricted to the maximum retained earnings of the Bank, which are determined according to legislation in the Russian Federation. In accordance with the legislation of the Russian Federation, as of the balance sheet date, reserves available for distribution amount to RUR 299,165 thousand (2001: RUR 235,368 thousand).

No dividends were declared or paid during 2002 and 2001.

## 28. Risk management

Management of risk is fundamental to the business of banking and is an essential element of the Bank's operations. The major risks faced by the Group are those related to credit exposures, liquidity and movements in interest rates and foreign exchange rates. These risks are managed in the following manner:

### (i) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group.

The Group has developed policies and procedures for the management of credit exposures, including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors the Group's credit risk.

The Group's credit policy is reviewed and approved by the Board of Management.

## **28. Risk management (continued)**

### **(ii) Interest rate risk**

Interest rate risk is measured by the extent to which changes in market interest rates impact on margins and net interest income. To the extent the term structure of interest bearing assets differs from that of liabilities, net interest income will increase or decrease as a result of movements in interest rates.

Interest rate risk is managed by increasing or decreasing positions within limits specified by the Group's management. These limits restrict the potential effect of movements in interest rates on current earnings and on the value of interest sensitive assets and liabilities. The Group has access to the markets, which allow it to reposition itself quickly as market conditions dictate.

The Group's interest rate policy is reviewed and approved by the Board of Management.

See Note 35 "Average effective interest rates".

### **(iii) Liquidity risk**

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due.

The Group's liquidity policy is reviewed and approved by the Board of Management.

See Note 36 "Maturity analysis".

### **(iv) Foreign exchange rate risk**

The Group has assets and liabilities denominated in several foreign currencies. Foreign exchange risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

The Group's foreign currency policy is reviewed and approved by the Board of Management.

See Note 37 "Currency analysis".

## **29. Commitments**

At any time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities. At 31 December 2002 interest rates on loans subject to commitments range from 10% to 19% on loans denominated in foreign currencies and from 11% to 26% on rouble loans (2001: from 12% to 20% on loans denominated in foreign currencies and 19% on rouble loans). Outstanding loan commitments have a commitment period that does not extend to beyond the normal underwriting and settlement period of one to three months.

## 29. Commitments (continued)

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. Expirations are not concentrated in any period. The Group also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted.

	<b>2002</b> <b>RUR '000</b>	<b>2001</b> <b>RUR '000</b> <b>(Restated)</b>
<i>Contracted amount</i>		
Guarantees and letters of credit	1,426,843	773,420
Loan commitments on undrawn facilities	1,216,320	456,333
Undrawn overdraft facilities	442,203	611,482
	<b>3,085,366</b>	<b>1,841,235</b>

The total outstanding contractual commitments to extend credit indicated above does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

At 31 December 2002 the extent of collateral held for guarantees and letters of credit varies from 0% to 100%, with an average of 89% (2001: 81%).

## 30. Operating leases

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

<u>In thousands of RUR</u>	<b>2002</b> <b>RUR '000</b>	<b>2001</b> <b>RUR '000</b> <b>(Restated)</b>
Less than one year	8,909	48,059
Between one and five years	37,294	56,214
More than five years	71,750	30,396
	<b>117,953</b>	<b>134,669</b>

The Group leases a number of premises and equipment under operating lease. The leases typically run for an initial period of one to five years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

During the current year RUR 43 158 thousand was recognised as an expense in the income statement in respect of operating leases (2001: RUR 39,694 thousand).

## 31. Contingencies

### (i) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

### (ii) Litigation

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial conditions of the results of future operations of the Group.

### (iii) Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by numerous taxes and frequently changing legislation which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in the Russian Federation substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

## 32. Related party transactions

For the purposes of these consolidated financial statements, related parties include shareholders with holdings greater than 5% interest in the Group, controlled and associated companies, and Managers and Directors of the Group. The outstanding balances and the average interest rates as of 31 December 2002 and 2001 with related parties are as follows:

	2002 RUR '000	Average Effective Interest Rate	2001 RUR '000 (Restated)	Average Effective Interest Rate
<i>Assets</i>				
Placements with banks and other financial institutions				
to other related parties	23,272	14.00%	-	-
Loans to shareholders	1,000	21.00%	-	-
Loans to other related parties	1,276,977	12.54%	515,839	15.17%

### 32. Related party transactions (continued)

	2002 RUR '000	Average Effective Interest Rate	2001 RUR '000 (Restated)	Average Effective Interest Rate
<i>Liabilities</i>				
Placements from banks and other financial institutions from other related parties	58,090	0.75%	-	-
Customer accounts and deposits from shareholders	3,040	1.00%	1,035	3.54%
Customer accounts and deposits from other related parties	140,905	5.55%	47,855	7.11%
Certificates of deposit and promissory notes from shareholders	10,514	9.33%	-	-
Certificates of deposit and promissory notes from other related parties	496,911	11.73%	-	-

### 33. Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flow is composed of the following items:

	2002 RUR '000	2001 RUR '000 (Restated)
Cash and bullion	560,007	536,596
Due from Central Bank - nostro accounts	729,615	325,040
Placements with banks and other financial institutions with a contractual maturity less than one month	<u>1,334,816</u>	<u>2,861,779</u>
	<u><b>2,624,438</b></u>	<u><b>3,723,415</b></u>

### 34. Fair value of financial instruments

The Group has performed an assessment of its financial instruments, as required by IFRS 32 *Financial Instruments: Disclosure and Presentation*, to determine whether it is practicable within the constraints of timeliness and cost to determine their fair values with sufficient reliability.

**Cash and bullion, Due from the Central Bank of the Russian Federation** – for these short-term investments the carrying amount is a reasonable estimate of fair value. Reserve deposits with the Central Bank of the Russian Federation are non-interest bearing and are estimated to mature as the underlying deposits in respect of which those deposits are maintained mature. The book value of these deposits as of 31 December 2002 was RUR 1,061,432 thousand. The estimated fair market value of these deposits as of 31 December 2002 was RUR 981,958 thousand.

**Placements with banks and other financial institutions, Amounts receivable/payable under reverse repurchase/repurchase agreements** – for these assets and liabilities, the carrying amount is a reasonable estimate of fair value.

### **34. Fair value of financial instruments (continued)**

**Financial instruments held for trading** are stated at fair value, plus accrued coupon income. The fair value of financial instruments held for trading have been determined with reference to an active market.

**Loans to customers** – the fair value of loan portfolio is based on the credit and interest rate characteristics of the individual loans within each sector of the portfolio. The estimation of the provision for loan impairment includes consideration of risk premiums applicable to various types of loans based on factors such as the current situation of the economic sector in which each borrower operates, the economic situation of each borrower and guarantees obtained. Due to the lack of liquidity and published “indicator interest rates” in the Russian markets, it is not possible to reliably estimate the fair value of loans. However, the provision for loan impairment is considered a reasonable estimate of the discount required reflecting the impact of credit risk.

**Investments** are stated at 31 December 2002 at fair value which has been determined with reference to an active market for those securities quoted publicly or actually traded in the over-the-counter market. For unquoted securities, the fair value of debt securities was determined by reference to the market prices of securities with similar credit risk and/or maturity. As described in Note 18 non-traded equity securities for which no fair value is determinable are stated at cost less provision for impairment.

**Deposits and balances from banks and other financial institutions** – the carrying amount of short-term deposits and deposits repayable on demand is a reasonable estimate of their fair value as at 31 December 2002 as they mature within 1 year.

**Current accounts and deposits from customers** – due to the lack of liquidity and published “indicator interest rates” in the Russian markets, it is not possible to reliably estimate the fair value of current accounts and deposits from customers, however as most of these balances relatively short-term in nature, the Group believes that any differences between carrying value and fair value is unlikely to be significant.

**Own securities issued** – debt securities issued are stated at cost, adjusted for amortisation of premium and discounts, which approximates fair value.

This estimate of fair value is intended to approximate the amount at which the above listed assets could be exchanged in a current transaction between willing parties. However given the uncertainties and the use of subjective judgement, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

**35. Average effective interest rates**

The table below displays the Group's interest bearing assets and liabilities as at 31 December 2002 and their corresponding average effective interest rates as at that date. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2002 Value RUR '000	2002 Average Effective Interest Rate	2001 Value RUR '000 (Restated)	2001 Average Effective Interest Rate
<b>Interest Bearing Assets</b>				
<b>Due from the Central Bank of the Russian Federation</b>	1,791,047	0.00%	1,114,332	0.00%
<b>Placements with banks and other financial institutions</b>				
- Roubles	375,219	16.00%	113,268	69.16%
- other currencies	1,767,252	0.22%	2,757,527	1.20%
<b>Financial instruments held for trading</b>				
- Roubles	3,284,578	24.75%	646,148	38.89%
- other currencies	1,413,007	5.40%	451,870	15.42%
<b>Amounts receivable under reverse repurchase agreements</b>				
- Roubles	878,606	17.00%	1,786	100.00%
- other currencies	2,040	16.00%	-	-
<b>Loans to customers</b>				
- Roubles	5,829,500	16.81%	3,381,931	19.20%
- other currencies	7,654,511	13.27%	4,758,463	15.89%
<b>Investments</b>				
- Roubles	56,443	20.50%	406	16.00%
<b>Interest Bearing Liabilities</b>				
<b>Deposits and balances from banks and other financial institutions</b>				
- Roubles	1,048,338	4.81%	748,796	9.60%
- other currencies	1,977,445	2.80%	243,229	3.00%
<b>Amounts payable under repurchase agreements</b>				
- other currencies	153,062	3.32%	-	-
<b>Current accounts and deposits from customers</b>				
- Roubles	7,090,154	3.17%	4,336,665	3.54%
- other currencies	3,042,167	1.89%	2,000,288	5.32%
<b>Own securities issued</b>				
- Roubles	6,445,193	11.56%	2,717,262	12.99%
- other currencies	795,827	9.15%	1,286,058	6.74%

### **36. Maturity analysis**

The following table shows banking assets and liabilities by remaining contractual maturity dates as at 31 December 2002. Due to the fact that substantially all the financial instruments of by the Group are fixed rated contracts, these remaining contractual maturity dates also represent the contractual interest rate repricing dates.

The maturity gap analysis does not reflect the historical stability of current accounts, whose liquidation has historically taken place over a longer period than that indicated in the table above. This table shows these amounts based on the customer's entitlement to withdraw on demand.

Further, while trade and available-for-sale securities are shown based on their contractual maturities, certain securities held for trading could be realised within a short period of time. Significant security positions may not be liquidated in a short period of time without adverse price effects.

### 36. Maturity analysis (continued)

	Less than 1 month RUR '000	1 to 6 months RUR '000	6 months to 1 year RUR '000	1 year to 5 years RUR '000	More than 5 years RUR '000	No maturity RUR '000	Overdue RUR '000	Total RUR '000
<b>Assets</b>								
Cash and bullion, due from the Central Bank of the Russian Federation	1,550,185	462,989	168,338	167,964	1,578	-	-	2,351,054
Placements with banks and other financial institutions	1,689,312	249,900	202,565	694	-	-	-	2,142,471
Financial instruments held for trading	294,066	756,617	1,020,262	1,212,488	1,425,820	36,743	-	4,745,996
Amounts receivable under reverse repurchase agreements	854,508	26,138	-	-	-	-	-	880,646
Loans to customers	3,795,741	5,418,996	2,858,413	1,082,450	-	-	328,411	13,484,011
Investments	5,511	50,842	60	30	-	211,213	-	267,656
Investment property	-	-	-	-	-	208,200	-	208,200
Current tax asset	1,974	61	945	945	-	-	-	3,925
Other assets	23	50,329	7,950	-	-	-	-	58,302
Property and equipment	-	-	-	-	-	337,661	-	337,661
<b>Total assets</b>	<b>8,191,320</b>	<b>7,015,872</b>	<b>4,258,533</b>	<b>2,464,571</b>	<b>1,427,398</b>	<b>793,817</b>	<b>328,411</b>	<b>24,479,922</b>
<b>Liabilities</b>								
Liabilities on financial instruments held for trading	2,910	-	-	-	-	-	-	2,910
Deposits and balances from banks and other financial institutions	1,832,145	677,065	463,863	52,710	-	-	-	3,025,783
Amounts payable under repurchase agreements	42,721	110,341	-	-	-	-	-	153,062
Current accounts and deposits from customers	7,549,066	1,593,966	406,124	579,131	4,034	-	-	10,132,321
Own securities issued	1,772,083	3,070,438	1,286,212	1,100,539	11,748	-	-	7,241,020
Other liabilities	2,279	8,620	6,414	1,954	5	-	-	19,272
Current tax liability	7,890	2,987	-	-	-	-	-	10,877
Deferred tax liability	-	-	-	-	-	130,523	-	130,523
<b>Total liabilities</b>	<b>11,209,094</b>	<b>5,463,417</b>	<b>2,162,613</b>	<b>1,734,334</b>	<b>15,787</b>	<b>130,523</b>	<b>-</b>	<b>20,715,768</b>
<b>Net position as at 31 December 2002</b>	<b>(3,017,774)</b>	<b>1,552,455</b>	<b>2,095,920</b>	<b>730,237</b>	<b>1,411,611</b>	<b>663,294</b>	<b>328,411</b>	<b>3,764,154</b>
Net position as at 31 December 2001	(538,226)	778,513	944,103	838,336	415,997	317,833	-	2,756,556

### 37. Currency analysis

The following table shows the currency structure of assets and liabilities at 31 December 2002:

	<b>RUR</b>	<b>Other</b>	<b>Total</b>
	<b>RUR '000</b>	<b>currencies</b>	<b>RUR '000</b>
		<b>RUR '000</b>	<b>RUR '000</b>
<b>Assets</b>			
Cash and bullion, due from the Central Bank of the Russian Federation	2,018,436	332,618	2,351,054
Placements with banks and other financial institutions	375,219	1,767,252	2,142,471
Financial instruments held for trading	3,324,510	1,421,486	4,745,996
Amounts receivable under reverse repurchase agreements	878,606	2,040	880,646
Loans to customers	5,829,500	7,654,511	13,484,011
Investments	267,656	-	267,656
Investment property	208,200	-	208,200
Current tax asset	3,893	32	3,925
Other assets	43,760	14,542	58,302
Property and equipment	337,661	-	337,661
<b>Total assets</b>	<b>13,287,441</b>	<b>11,192,481</b>	<b>24,479,922</b>
<b>Liabilities</b>			
Liabilities on financial instruments held for trading	-	2,910	2,910
Deposits and balances from banks and other financial institutions	1,048,338	1,977,445	3,025,783
Amounts payable under repurchase agreements	-	153,062	153,062
Current accounts and deposits from customers	7,090,154	3,042,167	10,132,321
Own securities issued	6,445,193	795,827	7,241,020
Other liabilities	19,253	19	19,272
Current tax liability	10,877	-	10,877
Deferred tax liability	130,523	-	130,523
<b>Total liabilities</b>	<b>14,744,338</b>	<b>5,971,430</b>	<b>20,715,768</b>
<b>On balance sheet position as of 31 December 2002</b>	<b>(1,456,897)</b>	<b>5,221,051</b>	<b>3,764,154</b>
<b>Off balance sheet position as of 31 December 2002</b>	<b>5,305,908</b>	<b>(5,305,908)</b>	<b>-</b>
<b>Net on &amp; off balance sheet position as of 31 December 2002</b>	<b>3,849,011</b>	<b>(84,857)</b>	<b>3,764,154</b>
<b>On balance sheet position as of 31 December 2001</b>	<b>(1,912,172)</b>	<b>4,668,728</b>	<b>2,756,556</b>
<b>Off balance sheet position as of 31 December 2001</b>	<b>4,654,747</b>	<b>(4,654,747)</b>	<b>-</b>
<b>Net on &amp; off balance sheet position as of 31 December 2001</b>	<b>2,742,575</b>	<b>13,981</b>	<b>2,756,556</b>

**38. Concentration of assets and liabilities**

The geographical concentration of assets and liabilities as at 31 December 2002 was as follows:

	Russia	Non-OECD	OECD	Total
	RUR '000	RUR '000	RUR '000	RUR '000
<b>Assets</b>				
Cash and bullion, due from the Central Bank of the Russian Federation	2,018,436	-	332,618	2,351,054
Placements with banks and other financial institutions	412,841	76,500	1,653,130	2,142,471
Financial instruments held for trading	4,745,996	-	-	4,745,996
Amounts receivable under reverse repurchase agreements	880,646	-	-	880,646
Loans to customers	13,345,312	-	138,699	13,484,011
Investments	267,656	-	-	267,656
Investment property	208,200	-	-	208,200
Current tax asset	3,925	-	-	3,925
Other assets	47,785	-	10,517	58,302
Property and equipment	337,661	-	-	337,661
<b>Total assets</b>	<b>22,268,458</b>	<b>76,500</b>	<b>2,134,964</b>	<b>24,479,922</b>
<b>Liabilities</b>				
Liabilities on financial instruments held for trading	2,688	-	222	2,910
Deposits and balances from banks and other financial institutions	1,354,575	425,936	1,245,272	3,025,783
Amounts payable under repurchase agreements	-	-	153,062	153,062
Current accounts and deposits from customers	9,417,131	708,056	7,134	10,132,321
Own securities issued	6,778,749	462,271	-	7,241,020
Other liabilities	19,272	-	-	19,272
Current tax liability	10,877	-	-	10,877
Deferred tax liability	130,523	-	-	130,523
<b>Total liabilities</b>	<b>17,713,815</b>	<b>1,596,263</b>	<b>1,405,690</b>	<b>20,715,768</b>
<b>Net position as of 31 December 2002</b>	<b>4,554,643</b>	<b>(1,519,763)</b>	<b>729,274</b>	<b>3,764,154</b>
<b>Net position as of 31 December 2001</b>	<b>477,814</b>	<b>(448,629)</b>	<b>2,727,371</b>	<b>2,756,556</b>