

**Joint-Stock Investment and
Commercial Bank
“NOVAYA MOSKVA”
(Closed Joint-Stock Company)
“NOMOS-BANK” (ZAO)**

Independent Auditors' Report

**Consolidated financial statements
Year ended 31 December 2003**

**JOINT-STOCK INVESTMENT AND COMMERCIAL BANK
“NOVAYA MOSKVA” (CLOSED JOINT-STOCK COMPANY)
“NOMOS-BANK” (ZAO)**

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Supervisory Board of Joint-Stock Investment and Commercial Bank "NOVAYA MOSKVA" (Closed Joint-Stock Company) "NOMOS-BANK" (ZAO):

We have audited the accompanying consolidated balance sheet of Joint-Stock Investment and Commercial Bank "NOVAYA MOSKVA" (Closed Joint-Stock Company) "NOMOS-BANK" (ZAO) and its subsidiary (the "Bank") as at 31 December 2003 and the related profit and loss account, statement of cash flows and statement of changes in shareholders' equity for the year then ended. 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. These standards require that we plan and perform our audit to obtain reasonable assurance that 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 Bank as at 31 December 2003 and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Deloitte & Touche

12 March 2004

**JOINT-STOCK INVESTMENT AND COMMERCIAL BANK
“NOVAYA MOSKVA” (CLOSED JOINT-STOCK COMPANY) “NOMOS-BANK” (ZAO)**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003**


(in Russian Roubles and in thousands, except for earnings per share amount)

	Notes	2003	2002
Interest income	4	3,183,266	2,382,299
Interest expense	4,28	<u>(1,257,515)</u>	<u>(951,980)</u>
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES		1,925,751	1,430,319
Provision for loan losses	5	<u>(549,096)</u>	<u>(271,622)</u>
NET INTEREST INCOME		<u>1,376,655</u>	<u>1,158,697</u>
Net gain on trading securities	6	96,378	35,635
Net (loss)/gain on foreign exchange operations	7,28	(161,871)	127,510
Fee and commission income	8,28	303,339	151,067
Fee and commission expense	8	(44,970)	(39,919)
Net gain on investments in securities available-for-sale	9	216,942	276,670
Net gain on operations with precious metals		231,005	235,034
Other income	28	<u>28,539</u>	<u>32,592</u>
NET NON-INTEREST INCOME		<u>669,362</u>	<u>818,589</u>
OPERATING INCOME		2,046,017	1,977,286
OPERATING EXPENSES	10,28	<u>(519,854)</u>	<u>(480,752)</u>
PROFIT BEFORE OTHER PROVISIONS, INCOME TAX AND LOSS ON NET MONETARY POSITION		1,526,163	1,496,534
Recovery of provision/(provision) for losses on other transactions	5	<u>82,731</u>	<u>(50,160)</u>
PROFIT BEFORE INCOME TAX AND LOSS ON NET MONETARY POSITION		1,608,894	1,446,374
Income tax expense	11	<u>(603,496)</u>	<u>(313,882)</u>
PROFIT BEFORE LOSS ON NET MONETARY POSITION		1,005,398	1,132,492
Loss on net monetary position due to inflation effect		<u>-</u>	<u>(853,042)</u>
NET PROFIT		<u>1,005,398</u>	<u>279,450</u>
EARNINGS PER SHARE, in Roubles		<u>21.10</u>	<u>7.45</u>

On behalf of the Supervisory Board



President



Chief accountant

The notes on pages 6-42 form an integral part of these financial statements. The Independent Auditor's Report is presented on page 1.

**JOINT-STOCK INVESTMENT AND COMMERCIAL BANK
“NOVAYA MOSKVA” (CLOSED JOINT-STOCK COMPANY) “NOMOS-BANK” (ZAO)**

**CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2003
(in Russian Roubles and in thousands)**

	Notes	2003	2002
ASSETS:			
Cash and balances with the Central Bank of the Russian Federation	12	2,251,778	997,180
Loans and advances to banks, less allowance for loan losses	13	4,286,010	2,255,765
Trading securities	14	2,037,677	765,745
Securities purchased under agreement to resell	15	1,272,038	-
Loans and advances to customers, less allowance for loan losses	16	18,851,815	13,506,251
Securities available-for-sale	17	5,464,404	3,984,561
Fixed and intangible assets, less accumulated depreciation	18	191,878	148,170
Precious metals	19	267,211	256,059
Income tax assets	11	-	44,031
Other assets	20	655,217	37,524
TOTAL ASSETS		35,278,028	21,995,286
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES:			
Deposits from banks	21	7,195,651	3,698,537
Customer accounts	22,28	7,449,509	4,841,240
Securities sold under agreements to repurchase	23	728,376	-
Debt securities issued	24	10,769,722	6,319,673
Provisions	27	185,723	268,454
Income tax liabilities	11	986,619	431,007
Other liabilities	25	51,056	28,880
		27,366,656	15,587,791
Subordinated loan	28	271,661	269,061
Total liabilities		27,638,317	15,856,852
FINANCIAL COMMITMENTS AND CONTINGENCIES	27,28	-	-
SHAREHOLDERS' EQUITY:			
Share capital	26	3,678,131	3,163,131
Reserves		3,961,580	2,975,303
Total shareholders' equity		7,639,711	6,138,434
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		35,278,028	21,995,286

On behalf of the Supervisory Board



President



Chief Accountant

The notes on pages 6-42 form an integral part of these financial statements. The Independent Auditor's Report is presented on page 1.

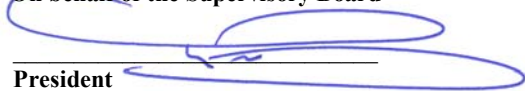
**JOINT-STOCK INVESTMENT AND COMMERCIAL BANK
“NOVAYA MOSKVA” (CLOSED JOINT-STOCK COMPANY) “NOMOS-BANK” (ZAO)**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2003
(in Russian Roubles and in thousands)**

	Notes	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax and loss on net monetary position		1,608,894	1,446,374
Adjustments for			
Provision for loan losses		549,096	271,622
Recovery of provision for impairment of securities		-	(9)
(Recovery of provision)/provision for losses on other transactions		(82,731)	50,160
Fair value adjustment on securities available-for-sale		122,385	(162,290)
Depreciation charge and impairment losses		46,005	56,303
Net changes in interest accruals		168,158	172,144
Operating profit before changes in operating assets and liabilities		2,411,807	1,834,304
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the Central Bank of the Russian Federation		(226,762)	(118,241)
Loans and advances to banks		(351,431)	1,185,056
Loans and advances to customers		(5,909,129)	(6,585,486)
Trading securities		(1,282,574)	183,278
Securities purchased under agreement to resell		(1,262,510)	-
Other assets		(617,693)	56
Increase/(decrease) in operating liabilities			
Deposits from banks		3,499,562	193,009
Customer accounts		2,586,305	1,640,244
Securities sold under agreements to repurchase		726,361	-
Other liabilities		22,176	10,516
Cash outflows from operating activities before income taxes		(403,888)	(1,657,264)
Income tax paid		(3,853)	(72,000)
Net cash outflows from operating activities		(407,741)	(1,729,264)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of available-for-sale securities, net		(1,619,972)	915,201
Purchase of fixed and intangible assets		(96,771)	(116,813)
Proceeds on disposals of property, plant and equipment		6,937	47,264
Net cash (outflow)/inflow from investing activities		(1,709,806)	845,652
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in share capital		515,000	-
Proceeds from debt securities issued		4,343,021	1,956,995
Dividends paid		(19,000)	-
Net cash inflows from financing activities		4,839,021	1,956,995
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,721,474	1,073,383
Inflation effect on cash (including change in valuation allowances)		-	(1,154,906)
CASH AND CASH EQUIVALENTS, beginning of the period	12	1,663,199	1,744,722
CASH AND CASH EQUIVALENTS, end of the period	12	4,384,673	1,663,199

Interest received and paid by the Bank in cash during the year ended 31 December 2003 amounted to RUR 3,220,265 thousand and RUR 1,126,356 thousand, respectively. Interest received and paid by the Bank in cash during the year ended 31 December 2002 amounted to RUR 2,480,792 thousand and RUR 878,329 thousand, respectively.

On behalf of the Supervisory Board



President



Chief Accountant

The notes on pages 6-42 form an integral part of these financial statements. The Independent Auditor's Report is presented on page 1.

**JOINT-STOCK INVESTMENT AND COMMERCIAL BANK
“NOVAYA MOSKVA” (CLOSED JOINT-STOCK COMPANY) “NOMOS-BANK” (ZAO)**

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2003
(in Russian Roubles and in thousands)**

	Share capital	Share premium	Revenue reserve	Revaluation reserve	Total shareholders' equity
Balance at 31 December 2001	3,163,131	2,651,810	43,825	427	5,859,193
Net income	-	-	279,450	-	279,450
Write-off of revaluation reserve	-	-	-	(209)	(209)
Balance at 31 December 2002	3,163,131	2,651,810	323,275	218	6,138,434
Increase in share capital	515,000	-	-	-	515,000
Net income	-	-	1,005,398	-	1,005,398
Dividends declared	-	-	(19,000)	-	(19,000)
Write-off of revaluation reserve	-	-	-	(121)	(121)
Balance at 31 December 2003	<u>3,678,131</u>	<u>2,651,810</u>	<u>1,309,673</u>	<u>97</u>	<u>7,639,711</u>

On behalf of the Supervisory Board



President



Chief Accountant

The notes on pages 6-42 form an integral part of these financial statements. The Independent Auditor's Report is presented on page 1.

JOINT-STOCK INVESTMENT AND COMMERCIAL BANK “NOVAYA MOSKVA” (CLOSED JOINT-STOCK COMPANY) “NOMOS-BANK” (ZAO)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 (in Russian Roubles and in thousands)

1. ORGANIZATION

Joint-Stock Investment and Commercial Bank “NOVAYA MOSKVA” (Closed Joint-Stock Company) “NOMOS-BANK” (ZAO) (“NOMOS-BANK”) is a joined-stock investment commercial bank, which was incorporated in the Russian Federation in 1992. Its registered office is located at: 3, Verkhniaya Radishevskaya str., Moscow, 109240, Russia. NOMOS-BANK is regulated by the Central Bank of the Russian Federation (“the CBR”) and conducts its business under license number 2209. For the period from 1992 to 1994 NOMOS-BANK was named Joint Stock Investment Commercial Bank “TIPCO Venture Bank”. The primary business of NOMOS-BANK consists of commercial activities, trading with securities, precious metals and foreign currencies, originating loans and guarantees.

NOMOS-BANK has 8 branches in Russia Federation.

In September 2003 NOMOS-BANK created a 100% subsidiary OAO “Nomos-Leasing” (“Nomos-Leasing”). At 31 December 2003 the financial statements of Nomos-Leasing were consolidated into these financial statements. As NOMOS-BANK has the ability to control and receive all of the benefits derived by the above company, no minority interest was recorded.

NOMOS-BANK is a parent company of the Banking Group (the “Bank”), which consists of the following company which is consolidated in the financial statements:

Company	Country of incorporation	Ownership interest
OAO Nomos-Leasing	Russia	100%

The only activity of this company is to conduct financial lease operations with equipment.

The number of Bank’s employees at 31 December 2003 and 2002 was 851 and 599, respectively.

These financial statements were authorized for issue by the Supervisory Board on 12 March 2004.

2. BASIS OF PRESENTATION

Accounting basis - These consolidated financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These financial statements are presented in thousands of Russian Roubles (“RUR”), unless otherwise indicated. These financial statements are prepared on accrual basis under the historical cost convention modified for the measurement at fair value of available-for-sale investment securities, financial assets and financial liabilities held for trading, derivative contracts and according to International Accounting Standard № 29 “Financial Reporting in Hyperinflationary Economies” (“IAS 29”).

The Bank maintains its accounting records in accordance with Russian law. These financial statements have been prepared from the Russian statutory accounting records and have been adjusted to conform to IFRS.

Shareholders' equity as at 31 December 2003 and 2002 and profits for the years then ended are reconciled between IFRS and Russian Statutory Accounting Legislation as follows:

	2003		2002	
	Shareholders' equity	Profit	Shareholders' equity	Profit
Statutory Accounting Legislation	5,129,845	357,242	3,848,300	214,940
Accrued interest, net	(363,889)	(117,333)	(246,556)	(246,506)
Provision for losses	3,530,609	1,578,761	1,960,131	1,320,585
Deferred taxation	(978,020)	(547,013)	(431,007)	(285,913)
Current taxation	-	(56,483)	-	(26,066)
Expenses included in reserves	-	(8,022)	-	(7,595)
Balance sheet accounts decreasing reserves	-	-	469,794	-
Revaluation of assets and liabilities in precious metals	(3,056)	(3,056)	8,135	8,135
Revaluation of trading securities	(2,925)	(2,925)	7,329	7,329
Revaluation of available-for-sale securities	414,808	(129,600)	537,193	107,875
Hyperinflationary adjustment	-	-	(2,950)	(796,523)
Loss on impairment of fixed assets	-	-	(42,897)	(42,897)
Depreciation of fixed and intangible assets	(20,368)	(20,368)	(1,450)	(1,450)
Effect of consolidation	(30,000)	-	-	-
Others	(37,293)	(45,805)	32,412	27,536
International Financial Reporting Standards	7,639,711	1,005,398	6,138,434	279,450

In accordance with IAS 29 the economy of the Russian Federation was considered to be hyperinflationary during 2002 and prior years. As at 1 January 2003, the Russian economy is no longer considered to be hyperinflationary and the values of the Bank's non-monetary assets, liabilities and equity as stated in measuring units as at 31 December 2002 have formed the basis for the opening balances as at 1 January 2003.

The preparation of financial statements in conformity with IFRS requires the Bank's management to make estimates and assumptions that affect the reported amounts of its assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the provisions for losses and impairment and the fair value of financial instruments.

Measurement currency - The measurement currency of these financial statements is the Russian Rouble (RUR).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation - The consolidated financial statements include the accounts of the subsidiary controlled by NOMOS-BANK. All significant intercompany transactions and corresponding balances have been excluded from the consolidated financial statements. The ownership interest of NOMOS-BANK and proportion of voting power possessed by the Bank in the subsidiary as at 31 December 2003 are presented in Note 1.

Investments in non-consolidated subsidiaries and associated companies - Investments in companies where the Bank owns more than 20% of share capital, but does not have ability or intent to control or exercise significant influence over their operating and financial policies, or consolidation of such companies does not significantly affect the financial statements of the Bank as

a whole, or the Bank has an intention to resell such investments in the nearest future, as well as investments in corporate shares where the Bank owns less than 20% of share capital, are accounted for at fair value or at approximate fair value, or at historic cost where such fair value can not be determined. Management periodically assesses the carrying values of such investments and provides allowances for impairment, if necessary.

Recognition and measurement of financial instruments - The Bank recognizes financial assets and liabilities on its balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. The Bank recognises “regular way” purchases and sales of financial assets and liabilities using settlement date accounting.

Financial assets and liabilities are initially recognized at cost, which is the fair value of consideration given or received, respectively, including or net of any transaction costs incurred, respectively. The accounting policies for subsequent measurement of these items are disclosed in the respective accounting policies set out below.

Cash and cash equivalents - Cash and cash equivalents include cash, unrestricted balances with the Central Bank of the Russian Federation and advances to banks in countries included in the Organisation for Economic Co-operation and Development (“OECD”), precious metals and government trading securities which may be converted to cash within a short period of time. For purposes of determining cash flows, the minimum reserve deposit required by the Central Bank of the Russian Federation is not included as a cash equivalent due to restrictions on its availability (see Note 12).

Precious metals - Assets and liabilities denominated in precious metals are translated at the current rate computed based on the second fixing of the London Bullion Market rates on 31 December 2003 and 2002 using the RUR/USD exchange rate effective at the date. Changes in the bid prices are recorded in net gain on operations with precious metals.

Loans and advances to banks - In the normal course of business, the Bank maintains advances or deposits for various periods of time with other banks. Loans and advances to banks with a fixed maturity term are subsequently remeasured at amortized cost using the effective interest rate method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of provision for losses.

Trading securities - Trading securities represent debt and equity securities held for trading that are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer’s margin. Trading securities are initially recorded at cost which approximates fair value of the consideration given and subsequently measured at fair value plus accrued coupon income. The Bank uses quoted market prices to determine fair value for the Bank’s trading securities. When reliable information about market prices is not available or if liquidating the Bank’s position would reasonably be expected to impact market prices, fair value is determined by reference to price quotations for similar instruments traded in different markets or management’s estimates of the amounts that can be realized from an orderly disposition over a period of time, assuming current market conditions. Fair value adjustment on trading securities is recognized in profit and loss for the period.

Repurchase and reverse repurchase agreements - The Bank enters into sale and purchase back agreements (the “repos”) and purchase and sale back agreements (the “reverse repos”) in the normal course of its business. Repurchase and reverse repurchase agreements are utilized by the Bank as an element of its treasury management and trading business.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in financial

statements and consideration received under these agreements are recorded as collateralized deposit received.

Assets purchased under reverse repos are recorded in the financial statements as cash placed on deposit which is collateralized by securities and other assets.

In case when assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains/(losses) on investment securities. The obligation to return them is recorded at fair value as a trading liability. Any related income or expense arising from pricing spreads of the underlying securities is recognized as interest income or expense accrued using effective interest rate method during the period when the related transactions are open.

Derivative financial instruments - The Bank enters into derivative financial instruments to manage currency and liquidity risks. Financial derivatives are held by the Bank primarily for trading purposes. Derivatives entered into by the Bank for trading purposes include forwards on foreign currency, precious metals and securities and combinations of such instruments. No derivatives are used by the Bank for hedging purposes.

Derivative financial instruments are initially recorded at cost, which approximates the value of the consideration given with their subsequent remeasurement to fair value. Fair value is calculated based on interest model. Most of derivatives the Bank enters in are of short-term and speculative nature. The results of the valuation of derivatives are reported in assets (aggregate of positive market values) or liabilities (aggregate of negative market values), respectively. Both positive and negative valuation results are recognized in the profit and loss account for the year in which they arise as “Net (loss)/gain on foreign exchange operations” for foreign currency derivatives, as “Net gain on operations with precious metals” transactions for precious metals derivatives and as “Net gain on trading securities” for securities derivatives.

Derivative instruments embedded in other financial instruments are treated as a separate derivative as their risks and characteristics are not closely related to the host contracts and the host contracts are not carried at fair value with unrealized gains and losses reported in profit and loss account for the corresponding period. An embedded derivative is a component of a hybrid (combined) financial instrument that includes both the derivative and a host contract with the effect that some of the cash flows of the combined instrument vary in a similar way to a stand-alone derivative. Gains arising from changes in the value of derivatives are included in the profit and loss account for the corresponding period as net gains/(losses) on respective underlying assets.

Loans to customers - Loans originated by the Bank are financial assets that are created by the Bank by providing money directly to a borrower or by participating in loan facility, other than those that are originated with the intent to be sold immediately or in the short term, which are classified as held-for-trading.

Loans granted by the Bank are initially recognized in accordance with the policy stated above. The difference between nominal amount of consideration given and the amortized cost of loans issued at other than market terms is recognized in the period the loan is issued as initial recognition adjustment discounting using market rates at inception and included in profit and loss account. Loans to customers with fixed maturities are recorded at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Loans and advances to customers are carried net of any allowance for loan losses.

Write off of loans - Loans are written off against provision for loan losses in case of uncollectibility of loans and advances, including through repossession of collateral. The Supervisory Board of the Bank takes decision on recognizing debt as bad and/or uncollectible. The decision about writing-off bad debts against allowances for loan losses for all major, preferential, unsecured loans and loans to insiders should necessarily be confirmed with a procedural document by judicial or notary bodies, certifying that at the time the decision was made the debt could not be repaid (partially repaid) with debtor's funds.

Non-accrual loans - Loans are placed on non-accrual status when interest or principal is delinquent for a period in excess of 90 days, except when all amounts due are fully secured by cash or marketable securities and collection proceedings are in process. Interest income is not recognized where recovery is doubtful. Subsequent payments by borrowers are applied to either principal or delinquent interest based on individual arrangements with the borrower. A non-accrual loan is restored to accrual status when all principal and interest amounts contractually due are reasonably assured of repayment within a reasonable period.

Purchased loans and receivables - Loans and receivables acquired from another lender subsequently to the original date are either classified as trading, held-to-maturity or as available-for-sale investments. For purchased loans classified as available-for-sale investments, fair value is based on an active market or using an interest rates model. If market price is not available and the interest model is not practicable, the price for similar assets is used.

Allowance for losses - The Bank establishes an allowance for losses on financial assets, which are carried at cost or amortized cost, when it is probable that the Bank will not be able to collect the principal and interest according to the contractual terms of financial assets. The allowance for losses is defined as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the financial asset. For financial assets that do not have fixed maturities, expected future cash flows are discounted using periods during which the Bank expects to realize the loan.

The determination of the allowance for loan losses is based on an analysis of the loan portfolio and reflects the amount which, in the judgment of management, is adequate to provide for losses inherent in the loan portfolio. Specific provisions are made as a result of a detailed appraisal of risk assets. In addition, provisions are carried to cover potential risks, which although not specifically identified, are present in the loan portfolio judging by previous experience.

The change in the allowance for loan losses is charged to profit and loss account. The total of allowance for loan losses is deducted in the balance sheet from the amount of loans and advances to customers and banks. Management's evaluation of the allowance is based on the Bank's past loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and current economic conditions.

It should be understood that estimates of loan losses involve an exercise of judgment. While it is possible that in particular periods the Bank may sustain losses, which are substantial relative to the allowance for loan losses, it is the judgment of management that the allowance for loan losses is adequate to absorb losses inherent in the loan portfolio.

Securities available-for-sale - Securities available-for-sale represent debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at cost, which approximates the fair value of the consideration given. Subsequently the securities are measured at fair value, with such remeasurement included in the profit and loss account, plus accrued coupon income. The Bank uses quoted market prices to determine fair value for its securities available-for-sale. If such quotes do not exist, management estimation is used.

non-marketable securities that do not have fixed maturities are stated at cost, less allowance for impairment in value unless there are other appropriate and workable methods of reasonable estimating their fair value. The financial result of sales of securities available-for-sale that are valued at cost and no fair value exist for them is calculated using LIFO method.

Fixed and intangible assets - Fixed and intangible assets are carried at historical cost less accumulated depreciation and any accumulated impairment loss. Fixed and intangible assets acquired before 1 January 2003 are carried at historical cost restated for inflation less accumulated depreciation and any accumulated impairment loss. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation of fixed and intangible assets is charged on the carrying value of fixed assets and is designed to write off assets over their useful economic lives. It is calculated on a straight line basis at the following annual prescribed rates:

Buildings and leasehold improvements	1% - 20%
Furniture and equipment	20% - 25%
Other fixed assets	20% - 25%
Intangible assets	20% - 25%

The carrying amounts of fixed and intangible assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for fixed assets is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

Impairment loss - If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable value. The difference being an impairment loss is recognized as an expense in the profit and loss account for the year in which it arises.

Finance leases - Leases that transfer substantially all the risks and rewards related to ownership of an asset are classified as finance leases. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

The lease is classified as a finance lease if:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be substantially lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

Bank as lessor - The Bank presents leased assets as loans equal to the net investment in the lease. Finance income is recognized on the basis of a scheme reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are recognized as expenses when incurred.

Operating leases - Leases of assets under which the risks and rewards related to ownership of the assets are effectively retained with the lessor are classified as operating leases.

Bank as lessee - Lease payments under operating lease are recognized as expenses on a straight-line basis over the lease term and included into operating expenses.

Income taxes - Taxes on income are computed in accordance with the laws of the Russian Federation. Deferred taxes, if any, are provided on items recognized in different periods for financial

reporting purposes and income tax purposes, using the balance sheet liability method at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax liabilities, if any, which result from temporary differences, are provided for in full. Deferred tax assets are recorded to the extent that there is a reasonable expectation that these assets will be realized.

Deferred income tax assets and liabilities are offset when:

- the Bank has a legally enforceable right to set off the recognised amounts of current tax assets and current tax liabilities;
- the Bank has an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously;
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority in the each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

Russia also has various other taxes, which are assessed on the Bank's activities. These taxes are included as a component of operating expenses in the income statement.

Deposits from banks and customers - Customers and bank deposits are initially recognized at cost, which amounts to the issue proceeds less transaction costs incurred. Subsequently, amounts due are stated at cost or amortized cost and any difference between net proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

Debt securities issued - Debt securities issued represent promissory notes, certificates of deposit, and bonds issued by the Bank to customers. They are accounted for according to the same principles used for customer and bank deposits.

Provisions - Provisions are recognized when the Bank has a current legal or implied obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Share capital and share premium - Contributions to share capital made before 1 January 2003 are recognized at their cost restated for inflation. Contributions to share capital made after 1 January 2003 are recognized at cost. Share capital contributions made in the form of assets other than cash are stated at their fair value at the date of contribution.

External costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes. Preferred shares that are non-redeemable or redeemable only upon the occurrence of an event that is not likely to occur are classified as equity.

Dividends on ordinary shares are recognized in shareholders' equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under IAS no. 10 "Events After the Balance Sheet Date" and disclosed accordingly.

Retirement and other benefit obligations - The Bank does not have any pension arrangements separate from the State pension system of the Russian Federation, which requires current contributions by employer calculated as a percentage of current gross salary payments. Such expense is charged in the period the related salaries are earned. In addition, the Bank has no post-retirement benefits or significant other compensated benefits requiring accrual.

Contingencies - Contingent liabilities are not recognized in the financial statements unless it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate

can be made. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Recognition of income and expense - Interest income and expense are recognized on an accrual basis calculated using the effective interest rate method. The recognition of interest income is suspended when loans become overdue by more than 90 days. Interest income includes also interest income earned on available for sale and trading securities. Commissions and other income are credited to income when the related transactions are completed. Loan origination fees for loans issued to customers, when significant, are deferred (together with related direct costs) and recognized as an adjustment to the loans effective yield. non-interest expenses are recognized on an accrual basis.

Foreign currency translation - Monetary assets and liabilities denominated in foreign currencies are translated into Russian Roubles at the appropriate spot rates of exchange ruling at the balance sheet date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of transaction. Profits and losses arising from these translations are included in net (loss)/gain on foreign exchange operations.

Rates of exchange - The exchange rates and prices on precious metals at year-end used by the Bank in the preparation of the financial statements are as follows:

	31 December 2003	31 December 2002
RUR/USD	29.4545	31.7844
RUR/EUR	36.8240	33.1098
RUR/XAU (1 ounce)	12,289.89	10,894.10
RUR/AUG (1 ounce)	175.70	137.94

Offset of financial assets and liabilities - A financial asset and financial liability are offset and the balanced amount is recorded in the balance sheet, if the Bank has a legally enforceable right to set off the amounts recognized in the balance sheet and it has an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Fiduciary activities - The Bank provides its clients with depositary services, safekeeping client securities and performing securities transactions on depositary accounts. Assets accepted and liabilities incurred under the trustee activities are not included in the Bank's financial statements. The Bank accepts the operational risk on these activities, but the Bank's customers bear the credit and market risks associated with such operations.

Reclassifications - Certain reclassifications have been made to the financial statements as at 31 December 2002 to conform to the presentation as at 31 December 2003.

4. NET INTEREST INCOME

Net interest income comprises:

	2003	2002
Interest income		
Interest on loans and advances to customers	2,795,922	1,929,495
Interest on promissory notes	177,069	158,786
Interest on loans and advances to banks	147,079	120,807
Interest on other debt securities	48,928	173,211
Interest on repurchase transactions	14,268	-
Total interest income	<u>3,183,266</u>	<u>2,382,299</u>

Interest expenses

Interest on debt securities issued	806,420	610,136
Interest on deposits from banks	277,800	230,298
Interest on customer accounts	170,695	96,425
Interest on subordinated loan	2,600	2,790
Interest on repurchase transactions	-	12,331
Total interest expenses	<u>1,257,515</u>	<u>951,980</u>
Net interest income before provision for loan losses	<u>1,925,751</u>	<u>1,430,319</u>

5. PROVISIONS

The movements in allowance for losses on interest earning assets were as follows:

	<u>Loans and advances to banks</u>	<u>Loans and advances to customers</u>	<u>Total</u>
As at 31 December 2001	60,250	1,224,556	1,284,806
(Recovery)/provision	(24,608)	296,230	271,622
Gain on net monetary position	(6,229)	(178,705)	(184,934)
Assets written off	-	(2,596)	(2,596)
As at 31 December 2002	<u>29,413</u>	<u>1,339,485</u>	<u>1,368,898</u>
Provision	8,648	540,448	549,096
As at 31 December 2003	<u>38,061</u>	<u>1,879,933</u>	<u>1,917,994</u>

The movements in provisions for other losses were as follows:

	<u>Other assets</u>	<u>Guarantees and letters of credit</u>	<u>Total</u>
As at 31 December 2001	3,259	251,184	254,443
(Recovery)/provision	(3,730)	53,890	50,160
Loss /(gain) on net monetary position	471	(36,620)	(36,149)
As at 31 December 2002	<u>-</u>	<u>268,454</u>	<u>268,454</u>
Recovery of provisions	-	(82,731)	(82,731)
As at 31 December 2003	<u>-</u>	<u>185,723</u>	<u>185,723</u>

Provisions for losses on other assets are deducted from the related assets. Provisions for guarantees and letters of credit are recorded in liabilities.

6. NET GAIN ON TRADING SECURITIES

Net gain on trading securities comprises:

	<u>2003</u>	<u>2002</u>
Dealing, net	93,453	42,964
Unrealised translation differences, net	2,925	(7,329)
Total net gain on trading securities	<u>96,378</u>	<u>35,635</u>

7. NET (LOSS)/GAIN ON FOREIGN EXCHANGE OPERATIONS

Net (loss)/gain on foreign exchange operations comprises:

	2003	2002
Dealing, net	271,787	78,878
Unrealized translation differences, net	(433,658)	48,632
Total net (loss)/gain on foreign exchange operations	(161,871)	127,510

8. FEES AND COMMISSIONS INCOME AND EXPENSE

Fees and commissions income and expense comprise:

	2003	2002
Fees and commissions income:		
Securities transactions	91,030	57,173
Documentary operations	73,292	46,658
Settlements	62,545	14,256
Cash operations	38,313	20,646
Other operations	38,159	12,334
Total fees and commissions income	303,339	151,067

	2003	2002
Fees and commissions expense:		
Cash operations	7,386	3,030
Settlements	4,427	3,045
Securities transactions	-	3,386
Other operations	33,157	30,458
Total fees and commissions expense	44,970	39,919

9. NET GAIN ON SECURITIES AVAILABLE-FOR SALE

Net gain on securities available-for-sale includes results from operations with available-for-sale securities and comprises:

	2003	2002
Net gain from disposal of securities available-for-sale	339,327	114,371
Fair value adjustment on securities available-for-sale	(122,385)	162,290
Recovery of provision for impairment of securities	-	9
Total net gain on securities available-for-sale	216,942	276,670

10. OPERATING EXPENSES

	2003	2002
Staff costs	229,472	185,068
Professional services fees	49,466	5,175
Depreciation charge	46,005	13,406
Operating lease expense	37,883	21,132
Advertising expenses	36,127	21,360
Taxes, other than income tax	27,911	81,683
Information technology and telecommunication services expenses	19,070	25,794
Security expenses	14,521	7,765
Expenses for business operations	9,506	20,031
Repairs and maintenance of equipment	6,097	21,383
Impairment of fixed assets	-	42,897
Other	43,796	35,058
Total operating expenses	<u>519,854</u>	<u>480,752</u>

11. INCOME TAX

The Bank provides for taxes based on the statutory tax accounts maintained and prepared in Roubles and in accordance with the Russian statutory tax regulations which may differ from the International Accounting Standards. During the years ended 31 December 2003 and 2002, the Russian's tax rate for corporations' for profits other than on state securities was 7.5% for Federal taxes and 16.5% for City taxes (combined 24% rate). The tax for interest income on state securities was 15% for Federal taxes.

Tax assets and liabilities consist of the following:

	2003	2002
Current income tax assets	-	44,031
Income tax assets	<u>-</u>	<u>44,031</u>
Current income tax liability	8,599	-
Deferred income tax liability	978,020	431,007
Income tax liabilities	<u>986,619</u>	<u>431,007</u>

The Bank is subject to permanent tax differences due to non-tax deductibility of certain expenses and tax-free regime for some income under local tax regulations.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences at 31 December 2003 and 2002 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as at 31 December 2003 and 2002 comprise:

	2003	2002
Deferred tax assets:		
Other liabilities	128,012	281,607
Trading securities	80,126	-
Other assets	28,006	-
Fixed and intangible assets	17,418	-
Customer accounts	7,267	-
Total deferred tax assets	<u>260,829</u>	<u>281,607</u>

	2003	2002
Deferred tax liabilities:		
Loans and advances to customers	3,246,132	1,074,584
Loans and advances to banks	574,704	534,168
Securities available-for-sale	446,909	451,882
Securities sold under agreements to repurchase	51,836	-
Securities purchased under agreements to resell	9,410	-
Precious metals	4,211	2,317
Debt securities issued	2,712	-
Trading securities	-	7,329
Customer accounts	-	5,971
Other assets	-	1,218
Deferred tax liabilities	<u>4,335,914</u>	<u>2,077,469</u>
Net deferred tax liability	<u>(4,075,085)</u>	<u>(1,795,862)</u>
Deferred tax liability at the statutory rate (24%)	<u>(978,020)</u>	<u>(431,007)</u>

Relationships between income tax expense and accounting profits for the years ended 31 December 2003 and 2002 are explained as follows:

	2003	2002
Profit before income tax and after loss on net monetary position	<u>1,608,894</u>	<u>593,332</u>
Statutory tax rate	24%	24%
Theoretical tax at the statutory tax rate	386,135	142,400
Tax effect of permanent differences	<u>217,361</u>	<u>171,482</u>
Income tax expense	<u>603,496</u>	<u>313,882</u>
Current income tax expense	56,483	27,969
Deferred income tax expense	<u>547,013</u>	<u>285,913</u>
Income tax expense	<u>603,496</u>	<u>313,882</u>
Deferred income tax liabilities	2003	2002
At beginning of the period	431,007	186,615
Increase in the deferred income tax for the period	547,013	285,913
Gain on net monetary position	-	<u>(41,521)</u>
At end of the period	<u>978,020</u>	<u>431,007</u>

12. CASH AND BALANCES WITH THE CENTRAL BANK OF THE RUSSIAN FEDERATION

	2003	2002
Cash	421,041	159,601
Balances with the Central Bank of the Russian Federation	<u>1,830,737</u>	<u>837,579</u>
Total cash and balances with the Central Bank of the Russian Federation	<u>2,251,778</u>	<u>997,180</u>

The balances with the Central Bank of the Russian Federation as at 31 December 2003 and 2002 include RUR 654,939 thousand and RUR 428,177 thousand, respectively, which represent the minimum reserve deposits required by the CBR. The Bank is required to maintain the reserve balance at the CBR at all times.

Cash and cash equivalents for the purpose of the statements of cash flows are comprised of the following:

	2003	2002
Cash and balances with the Central Bank of the Russian Federation	2,251,778	997,180
Loans and advances to banks in OECD countries	2,467,320	780,070
Trading securities	53,303	58,067
Precious metals	267,211	256,059
	<u>5,039,612</u>	<u>2,091,376</u>
Less minimum reserve deposit with the CBR	(654,939)	(428,177)
Total cash and cash equivalents	<u>4,384,673</u>	<u>1,663,199</u>

13. LOANS AND ADVANCES TO BANKS

Loans and advances to banks comprise:

	2003	2002
Advances to banks	2,716,555	652,287
Loans to banks	1,606,967	1,632,554
Accrued interest income on loans and advances to banks	549	337
	<u>4,324,071</u>	<u>2,285,178</u>
Less provision for loan losses	(38,061)	(29,413)
Total loans and advances to banks, net	<u>4,286,010</u>	<u>2,255,765</u>

Movements in provisions for loan losses for the years ended 31 December 2003 and 2002 are disclosed in note 5.

As at 31 December 2003 the Bank had an advance to one borrower totaling RUR 1,863,295 thousand, which exceeded 20% of the Bank's equity.

14. TRADING SECURITIES

	Interest to nominal	2003	Interest to nominal	2002
Promissory notes	5-17%	1,411,746	1-23%	291,932
Equity securities	-	412,552	-	2,133
Municipal bonds	10-15.5%	146,168	15-16%	31,997
OFZ Bonds and GKO	0-12%	53,303	0-12%	58,067
Corporate bonds	12-18.5%	13,908	5-19%	381,616
Total trading securities		<u>2,037,677</u>		<u>765,745</u>

As at 31 December 2003 and 2002 cost of trading securities includes the accrued interest income on debt securities amounting to RUR 6,520 thousand and RUR 12,398 thousand, respectively.

Russian State Bonds (OFZ) are Rouble denominated government securities issued with a coupon to face value and guaranteed by the Ministry of Finance of the Russian Federation. OFZ have medium to long-term maturities.

Russian State Short-Term Bonds (GKO) are Rouble-denominated government securities issued at a discount to face value and guaranteed by the Ministry of Finance of the Russian Federation. GKO have medium maturities.

Corporate shares represent shares of leading Russian companies.

Corporate bonds are bonds issued by leading Russian companies. The maturities of the corporate bonds are within 3 to 8 months from the reporting date.

Bank promissory notes are promissory notes issued by leading Russian banks. The maturities of the promissory notes are within 1 month to 1.5 years from the reporting date.

Municipal bonds are bonds issued by local authorities of the Russian Federation. The maturities of the municipal bonds is within 4 months to 6.5 years from the reporting date.

15. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

As at 31 December 2003 the Bank purchased shares of Gazprom and Sberbank under agreements to resell them within 1 to 3 months. As at the end of the reporting period interest income of RUR 9,528 thousand was accrued under such agreements.

	Interest rate as per agreement	2003
Shares of Gazprom	6.15-13.35%	1,147,359
Shares of Sberbank RF	5.86%	124,679
Total securities purchased under agreements to resell		<u>1,272,038</u>

16. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers comprise:

	2003	2002
Loans to customers	20,622,156	14,781,680
Net investments in finance lease	68,653	-
Accrued interest income on loans and advances to customers	40,939	64,056
	<u>20,731,748</u>	<u>14,845,736</u>
Less provision for loan losses	(1,879,933)	(1,339,485)
Total loans and advances to customers, net	<u>18,851,815</u>	<u>13,506,251</u>

	2003	2002
Loans collateralized by equipment	7,834,185	3,966,087
Loans collateralized by securities	4,058,687	3,782,099
Loans collateralized by guarantees	2,305,374	555,386
Loans collateralized by goods in turnover	1,538,403	2,466,366
Loans collateralized by real estate	384,994	-
Loans collateralized by rights to purchase precious metals	279,371	1,226,961
Loans collateralised by contract proceeds	232,424	1,196,911
Loans collateralized by others	103,845	685,187
Unsecured loans	3,953,526	902,683
Accrued interest income on loans and advances to customers	40,939	64,056
	<u>20,731,748</u>	<u>14,845,736</u>
Less provision for loan losses	(1,879,933)	(1,339,485)
	<u>18,851,815</u>	<u>13,506,251</u>

Movements in provisions for loan losses for the years ended 31 December 2003 and 2002 are disclosed in note 5.

As at 31 December 2003 and 2002 loans and advances to customers include non-performing loans amounting to RUR 154,382 thousand and RUR 437,290 thousand, respectively, on which no interest was accrued.

As at 31 December 2002 the Bank had loans and advances to one borrower totaling RUR 885,688 thousand which exceeded 10% of the Bank's equity.

Analysis by sector	2003	2002
Manufacturing	8,523,856	7,324,439
Trading	6,129,394	4,741,150
Investments	1,422,097	794,623
Real estate and leasing	1,309,153	564,195
Energy	702,000	-
Agriculture	596,741	-
Transport and communications	453,303	17,450
Construction	330,850	433,491
Individuals	211,718	152,882
Finance	-	20,500
Other	1,011,697	732,950
Accrued interest income on loans and advances to customers	40,939	64,056
	<u>20,731,748</u>	<u>14,845,736</u>
Less provision for loan losses	<u>(1,879,933)</u>	<u>(1,339,485)</u>
Total loans and advances to customers, net	<u>18,851,815</u>	<u>13,506,251</u>

The components of net investment in finance lease as at 31 December 2003 are as follows:

	2003
Total minimum lease and maintenance payments	100,144
Less: unearned finance income	<u>(31,491)</u>
Net investments in finance lease	<u>68,653</u>

The total amount of future minimum payments to the Bank under finance lease agreements as at 31 December 2003 were:

	2003
Not later than one year	4,006
Later than one year and not later than five years	<u>96,138</u>
Total future minimum lease payments	<u>100,144</u>

17. SECURITIES AVAILABLE-FOR-SALE

Securities available-for-sale comprise:

	Interest to nominal	2003	Interest to nominal	2002
Debt securities available-for-sale				
OVGVZ bonds	3%	3,591,927	3%	3,984,012
Eurobonds RF	5-12%	1,024,909	-	-
Corporate bonds	10-16%	501,252	-	-
Promissory notes	3-16%	307,886	-	-
Municipal bonds	11-16%	37,881	-	-
		<u>5,463,855</u>		<u>3,984,012</u>
Other investments		549		549
Total securities available for sale		<u>5,464,404</u>		<u>3,984,561</u>

As at 31 December 2003 and 2002 securities available-for-sale included the accrued coupon income amounting to RUR 86,191 thousand and RUR 103,935 thousand, respectively.

As at 31 December 2003 securities available for sale included Eurobonds Russia-18, OMZ bonds and AFK Sistema bonds collateralized under repurchase agreements concluded with other banks, with fair value of RUR 438,209 thousand, RUR 272,343 thousand and RUR 156,109 thousand, respectively. The maturities of loans are 6 days from the reporting date for transactions with Eurobonds and 9 days from the reporting date for transactions with corporate bonds.

OVGZ are state debt securities issued by the Ministry of Finance of the Russian Federation. The Bank's portfolio consists of 3 tranches with maturities ranging from November 2007 to May 2011.

RF Government Eurobonds are securities issued by the Ministry of Finance of the Russian Federation, and are freely tradable internationally. The Bank's portfolio consists of 4 tranches with maturities ranging from March 2010 to March 2030. The interest on these bonds is payable semi-annually.

Corporate bonds are bonds issued by leading Russian companies. The maturities of the corporate bonds are from April 2008 to February 2009.

Municipal bonds are bonds issued by local authorities of the Russian Federation. The maturities of the municipal bonds are from October 2004 to May 2006.

Other investments comprise:

	Percentage holding	2003	Percentage holding	2002
Other investments				
Investment in non-consolidated subsidiary				
OOO "Polyanka, 11-13"	100%	10	100%	10
Other investments		539		539
		<u>549</u>		<u>549</u>

Currently, it is not possible reasonably estimate fair value of these investments, therefore these investments are stated at cost.

As at 31 December 2003 and 2002 the Bank owned 100% of the share capital of OOO "Polyanka, 11-13" (Russian Federation) with the nominal value of RUR 10 thousand. The company is not involved in active operations, and its financial statements were not consolidated into these financial statements because this does not have a significant effect on the Bank's financial statements as a whole.

18. FIXED AND INTANGIBLE ASSETS

	Buildings and leasehold improvements	Furniture and equipment	Other fixed assets	Intangible assets	Total
At initial/ indexed cost					
As at 31 December 2002	6,819	69,680	87,760	19,173	183,432
Additions	5,218	35,411	52,061	4,081	96,771
Disposals	-	-	(8,161)	-	(8,161)
As at 31 December 2003	<u>12,037</u>	<u>105,091</u>	<u>131,660</u>	<u>23,254</u>	<u>272,042</u>
Accumulated depreciation					
As at 31 December 2002	1,035	18,799	8,865	6,563	35,262
Charge for the year	3,276	15,157	20,294	7,278	46,005
Disposals	-	-	(1,103)	-	(1,103)
As at 31 December 2003	<u>4,311</u>	<u>33,956</u>	<u>28,056</u>	<u>13,841</u>	<u>80,164</u>
Net book value					
As at 31 December 2003	<u>7,726</u>	<u>71,135</u>	<u>103,604</u>	<u>9,413</u>	<u>191,878</u>
Net book value					
As at 31 December 2002	<u>5,784</u>	<u>50,881</u>	<u>78,895</u>	<u>12,610</u>	<u>148,170</u>

19. PRECIOUS METALS

	2003	2002
Gold in vault	200,310	186,713
Silver in transit	39,887	48,911
Gold in transit	11,853	16,846
Silver in vault	8,006	3,032
Other precious metals in vault	7,155	557
	<u>267,211</u>	<u>256,059</u>

20. OTHER ASSETS

Other assets comprise:

	2003	2002
Debtors on operations with securities	583,617	-
Prepaid expenses and other receivables	51,878	13,780
Taxes recoverable, other than income tax	3,243	610
Stationery and supplies	184	15,489
Other	16,295	7,645
Total other assets	<u>655,217</u>	<u>37,524</u>

21. DEPOSITS FROM BANKS

Deposits from banks comprise:

	2003	2002
Repayable on demand	1,655,587	581,899
Time deposits	5,532,071	3,106,197
Accrued interest expense on deposits from banks	7,993	10,441
Total deposits from banks	7,195,651	3,698,537

22. CUSTOMER ACCOUNTS

Customer accounts comprise:

	2003	2002
Demand deposits	5,250,478	3,735,326
Time deposits	2,154,849	1,083,696
Accrued interest expense on customer accounts	44,182	22,218
Total customer accounts	7,449,509	4,841,240

As at 31 December 2003 included in customer accounts were demand deposits denominated in gold bullion and palladium of RUR 757,510 thousand and RUR 7,670 thousand, respectively.

As at 31 December 2002 included in customer accounts were demand deposits denominated in gold bullion of RUR 510,513 thousand.

As at 31 December 2003 and 2002, customer accounts of RUR 90,797 thousand and RUR 371,333 thousand, respectively, were held as security against letters of credit issued.

Analysis of customer accounts by industry:

	2003	2002
Individuals	2,266,822	1,193,030
Precious metals extraction	1,232,589	442,777
Trading	1,130,210	943,282
Manufacturing	696,666	381,276
Science	519,128	289,952
Construction	403,381	174,784
Intermediary services	188,519	198,924
Insurance	169,427	96,465
Transport and communications	148,256	246,352
Real estate and leasing	110,151	14,410
Architecture and designing	96,526	50,118
Finance	81,599	183,544
Marketing	49,465	13,572
Public utilities	45,107	10,915
Education	38,235	24,672
Publishing	33,862	44,405
Consulting	24,277	15,942
Advertising	13,177	388,266
Other	157,930	106,336
Accrued interest expense on customer accounts	44,182	22,218
Total customer accounts	7,449,509	4,841,240

23. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

As at 31 December 2003 securities sold under agreements to repurchase include Bank's commitments to repurchase Eurobonds Russia-18, OMZ bonds and AFK Sistema bonds in the amount of RUR 341,415 thousand, RUR 252,528 thousand and RUR 134,433 thousand, respectively. As at 31 December 2003 interest expense was accrued on these commitments in the amount of RUR 2,015 thousand. The securities sold under the above agreements are included in the portfolio of securities available-for-sell at fair value of RUR 438,209 thousand, RUR 272,343 thousand and RUR 156,109 thousand, respectively (note 17). The maturities of commitments under the agreements are 6 days from the reporting date for transactions with Eurobonds and 9 days from the reporting date for transactions with corporate bonds.

24. DEBT SECURITIES ISSUED

Debt securities issued consisted of the following:

	2003	2002
Certificates of deposits	5,334,252	846,600
Discount promissory notes	3,030,731	1,918,539
Bonds	1,300,000	1,300,000
Interest bearing promissory notes	928,503	1,757,283
Discount/Interest free promissory notes	20,778	552,275
Accrued interest expense on debt securities issued	249,449	142,421
Less: unamortized discount	(93,991)	(197,445)
Total debt securities issued	<u>10,769,722</u>	<u>6,319,673</u>

Discount on promissory notes and bonds is amortized using the effective interest rate method over the life of the note and the bond and is recorded in interest expense on debt securities issued.

Bonds as at 31 December 2003 and 2002 comprised discount and interest bearing bonds denominated in Roubles. As at 31 December 2003 and 2002 interest rates on such bonds ranged from 7.75% to 8% per annum and from 9% to 11% per annum, respectively.

As at 31 December 2003 and 2002 interests rates on certificates of deposit denominated in Roubles ranged from 2% to 16% per annum and from 4% to 17% per annum, respectively.

Promissory notes as at 31 December 2003 and 2002 comprised discount, interest bearing and settlement (zero interest rate, issued at par value) promissory notes. As at 31 December 2003 and 2002 interest rates on promissory notes denominated in foreign currency ranged from 1% to 8.5% per annum and from 1% to 11% per annum, respectively, interest rates on the promissory notes denominated in Roubles ranged from 1% to 17% per annum and from 4% to 26% per annum, respectively.

25. OTHER LIABILITIES

	2003	2002
Deferred income and other payables	35,037	3,684
Taxes payable, other than income tax	5,780	9,712
Other	10,239	15,484
Total other liabilities	<u>51,056</u>	<u>28,880</u>

26. SHAREHOLDERS' EQUITY

As at 31 December 2002 authorized, issued and paid in share capital consisted of 37,500,000 ordinary shares with par value of RUR 50 each and 200,000 preferred shares with par value of RUR 50 each. All ordinary shares are of the same type and bear one vote.

During the year ended 31 December 2003 the Bank issued additional 10,300,000 ordinary shares with par value of RUR 50 each. All ordinary shares are of the same type and bear one vote.

Share premium represents the excess of contributions received over the nominal value of shares issued. Ordinary shares were distributed with a premium that as at 31 December of 2003 and 2002 was RUR 2,651,810 thousand.

In 2003 the shareholders of the Bank made a decision to pay dividends for 2002 in the total amount of RUR 19,000 thousand. The dividends were paid during 2003.

The Bank's distributable among shareholders reserves are limited to the amount of its reserves as disclosed in its statutory accounts. As at 31 December 2003 and 2002, the statutory accounts of the Bank disclosed distributable reserves of RUR 4,873,611 thousand and RUR 3,733,678 thousand, respectively, and the amount of non-distributable reserves was RUR 256,234 thousand and RUR 114,622 thousand, respectively. non-distributable reserves are represented by a general reserve fund, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with the Bank's statutes, that provide for the creation of a reserve for these purposes of not less than 15% of the Bank's share capital reported in statutory books.

27. FINANCIAL COMMITMENTS AND CONTINGENCIES

In the normal course of business the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the balance sheet.

The Bank's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Bank uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance sheet transactions.

The risk-weighted amount is obtained by applying credit conversion factors and counterparty risk weightings according to the principles employed by the Basel Committee on Banking Supervision.

As at 31 December 2003 and 2002, the nominal or contract amounts and the risk weighted credit equivalents of instruments with off-balance sheet risks were:

	2003		2002	
	nominal amount	Risk Weighted Amount	nominal amount	Risk Weighted Amount
Contingent liabilities and credit commitments:				
Guarantees and other similar commitments	1,688,148	1,688,148	2,553,605	2,553,605
Letters of credit and other transaction related contingent obligations	1,133,632	521,418	652,736	140,702
Commitments on loans and unused credit lines	6,008,259	419,641	3,505,786	383,585
Total contingent liabilities and credit commitments	8,830,039	2,629,207	6,712,127	3,077,892
Derivative financial instruments				
Forward contracts (amount payable)				
Forward foreign exchange contracts	14,650	586	687,194	27,488
Forward contracts with precious metals	-	-	82,392	3,296
Forward contracts with securities	301,702	12,068	15,428	617
Total derivative financial instruments	316,352	12,654	785,014	31,401

As at 31 December 2003 and 2002, letters of credit of RUR 90,797 thousand and RUR 371,333 thousand, respectively, were secured by cash deposited at customer accounts.

The Bank has made a provision of RUR 185,723 thousand and RUR 268,454 thousand against commitments under guarantees and letters of credit issued as at 31 December 2003 and 2002.

Capital commitments - The Bank had no material commitments for capital expenditures outstanding as at 31 December 2003.

Operating leases - The Bank's future minimum rental payments under non-cancelable operating leases of buildings in effect as at 31 December 2003 and 2002 are presented in the table below.

	2003	2002
Not later than one year	20,578	17,201
Later than one year and not later than five years	66,156	69,692
Later than five years	148,297	299,456
Total operating lease	235,031	386,349

Operating environment - The Bank's principal business activities are within the Russian Federation. Laws and regulations affecting business environment in the Russian Federation are subject to rapid changes. The Bank's assets and operations could be at risk if there are further significant adverse changes in the political and business environment.

Fiduciary activities - The Bank provides depositary services to its customers.

As at 31 December 2003 and 2002, the Bank had customer securities totaling 199,161,396 items and 127,008,651 items, respectively, in its nominal holder accounts.

Legal proceedings - From time to time and in the normal course of business, claims against the Bank are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these financial statements.

Taxes - Due to the presence in Russian commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed by the tax authorities of making arbitrary judgment of taxpayer activities, if a particular treatment based on Management's judgment of the Bank's business activities was to be challenged by the tax authorities, the Bank may be assessed for additional taxes, penalties and interest. The Bank believes now that it has already complied with them, and therefore has not provided for in the financial statements. Tax years remain open to review by the tax authorities for three years.

Pensions and retirement plans - Employees receive pension benefits from the Russian Federation in accordance with the laws and regulations of the country. As at 31 December 2003 and 2002, the Bank was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Derivatives - During the years ended 31 December 2003 and 2002 the Bank had contracts with companies engaged in precious metals mining, for purchase of precious metals. Such contracts were made both for short and long terms and did not have a fixed price. The price was determined at the date of payment at the rate of the CBR less the margin stipulated in the contract. As at 31 December 2003 and 2002 total contracted volume of precious metals to be purchased by the Bank during 2004 and 2003 was 17.9 tons of gold, 71.1 tons of silver, 25.2 kg of platinum and 28.7 kg of palladium and 20.9 tons of gold, 76.3 tons of silver, 15 kg of platinum and 24 kg of palladium, respectively. Purchase of precious metals is not obligatory and the Bank has the right to renegotiate the terms of agreements, including cancellation. As at 31 December 2003 and 2002 the Bank had loans issued to companies counterparties of the contracts.

Also, as at 31 December 2003 and 2002 the Bank had entered into transactions to sell 18.0 tons of gold and 90 tons of silver and 20.0 tons of gold to other companies, respectively. Conditions stated in the contracts are similar to those stated in the contracts with mining companies. Also, as at 31 December 2003 and 2002 the Bank had entered into transactions to sell USD 168,000 thousand to other companies. According to contractual data, the sale of the currency is not obligatory and the Bank has the right to re-negotiate the contracts, including cancellation.

As at 31 December 2003 the Bank had purchased american type options to sell at a fixed price promissory notes of a Russian company with total nominal value of RUR 307,508 thousand to another company. The maturity of the options is 9 months within the reporting date.

28. RELATED PARTY TRANSACTIONS

Related parties, as defined by IAS 24, are those counterparties that represent:

- (a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise. (This includes holding companies, subsidiaries and fellow subsidiaries);
- (b) associates – enterprises in which the Bank has significant influence and which is neither a subsidiary nor a joint venture of the investor;
- (c) individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank;
- (d) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, including directors and officers of the Bank and close members of the families of such individuals; and

- e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Bank and enterprises that have a member of key management in common with the Bank.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Bank had the following transactions outstanding with related parties:

	2003		2002	
	Transactions with related parties	Total category as per financial statements caption	Transactions with related parties	Total category as per financial statements caption
Customer accounts	50,685	7,449,509	20,871	4,841,240
Subordinated loan	271,661	271,661	269,061	269,061
Guarantees and other similar commitments	50,250	1,688,148	252	2,553,605

During the years ended 31 December 2003 and 2002 the Bank received deposits and advances from customers – related parties, mainly demand deposits, of RUR 1,446,445 thousand and RUR 402,440 thousand, respectively, and repaid deposits and advances totaling RUR 1,416,631 thousand and RUR 404,446 thousand, respectively.

As at 31 December 2003 and 2002 the Bank had a subordinated loan for the term of 10 years from a related party amounting to RUR 260,000 thousand, respectively, and accrued interest amounting to RUR 11,661 thousand and RUR 9,061 thousand, respectively. Interest on the subordinated loan is due at maturity and accrued at 1% per annum. The loan matures on 7 July 2009.

During the years ended 31 December 2003 and 2002 guarantees issued by the Bank on behalf of related parties totaled RUR 50,250 thousand and RUR 270 thousand, respectively. no loss was recognised in the Bank's financial statements in respect of issued guarantees on behalf of related parties in 2003 and 2002. During the years ended 31 December 2003 and 2002 guarantees issued by the Bank on behalf of related parties amounting to RUR 252 thousand and RUR 492 thousand, respectively, expired.

Included in the profit and loss account for the years ended 31 December 2003 and 2002 are the following amounts which arose due to transactions with related parties:

	2003		2002	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Dividend received (included in other income in the profit and loss account)	1,601	28,539	-	32,592
Interest expense	(29)	(1,257,515)	(4,910)	(951,980)
Fees and commissions income	875	303,339	1,777	151,067
Operating expenses	(622)	(519,854)	(1,675)	(480,752)
Net (loss)/gain on foreign exchange operations	-	(161,871)	89	127,510

Transactions with related parties entered by the Bank during the years ended 31 December 2003 and 2002 and outstanding as at 31 December 2003 and 2002 were generally made in the normal course of business and under arm-length conditions, with the exception of the subordinated loan.

From time to time the Bank may perform credit operations with shareholders not considered as related parties. As at 31 December 2003 and 2002 loans and advances to customers included a loan of RUR 235,047 thousand and RUR 114,855 thousand, respectively, issued to a shareholder owning less than 5% of the Bank's share capital. Also as at 31 December 2003 and 2002 guarantees and letters of credit issued by the Bank included guarantees issued by the Bank to the above shareholder, totaling RUR 628,496 thousand and RUR 359,164 respectively.

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Bank's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument.

The estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a market exchange from the sale of its full holdings of a particular instrument.

As at 31 December 2003 and 2002 the following methods and assumptions were used by the Bank to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and balances with the Central Bank of the Russian Federation - For these instruments the carrying amount is a reasonable estimate of fair value.

Precious metals - For these instruments the carrying amount is a reasonable estimate of their fair value and determined with reference to the current rate computed based on the second fixing of the London Bullion Market.

Loans and advances to banks - As at 31 December 2003 and 2002, the carrying amount of short-term deposits and advances given is a reasonable estimate of their fair value.

Trading securities - As at 31 December 2003 and 2002 trading securities are stated at fair value amounting to RUR 2,031,157 thousand and RUR 753,347 thousand, respectively, plus accrued coupon income totaling RUR 6,520 thousand and RUR 12,398 thousand, respectively. Fair value of trading securities was determined with reference to an active market.

Derivative financial instruments - As at 31 December 2003 and 2002 derivative financial instruments are stated at fair value. Fair values of derivative financial instruments are determined based on quoted market prices (if available) and/or interest rates models.

Securities purchased under agreements to resell - As at 31 December 2003, the fair value of securities purchased under agreements to resell is determined based on market value of backed securities and other assets with reference to an active market. As at 31 December 2003 the fair value of the contracts was RUR 1,262,510 thousand plus accrued coupon income of RUR 9,528 thousand. As at 31 December 2003 the market value of the securities purchased under agreements to resell was RUR 1,430,378 thousand.

Loans and advances to customers - The fair value of the 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 losses 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. Accordingly, the provision for loan losses is considered a reasonable estimate of the discount required to reflect the impact of credit risk.

Securities available-for-sale - As at 31 December 2003 and 2002 securities available-for-sale are stated at fair value amounting to RUR 5,376,198 thousand and RUR 3,880,626 thousand, respectively, plus accrued coupon income totaling RUR 88,206 thousand and RUR 103,935 thousand, respectively. Fair value of securities available-for-sale was determined with reference to an active market for those securities quoted publicly or at over-the-counter market. For unquoted securities fair value was determined by reference to market prices of securities with similar credit risk and/or maturity, in other cases – by reference to the share in estimated equity capital of investee. If such quotes do not exist, management estimation is used. non-marketable securities that do not have fixed maturities are stated at cost, less allowance for impairment unless there are other appropriate and workable methods of reasonably estimating their fair value.

Deposits from banks - As at 31 December 2003 and 2002 the carrying amount of time deposits and deposits repayable on demand is a reasonable estimate of their fair value.

Customer accounts - As at 31 December 2003 and 2002 the carrying amount of deposits and current customer accounts is a reasonable estimate of their fair value.

Securities sold under agreements to repurchase - As at 31 December 2003 the fair value of the contracts was RUR 726,361 thousand plus accrued coupon income of RUR 2,015 thousand. As at 31 December 2003 the market value of the securities purchased under re-purchase agreements and included in securities available for sale was RUR 866,661 thousand.

Debt securities issued - Debt securities issued are stated at cost, adjusted for amortization of premium and discounts, which approximates fair value.

Subordinated loan - The fair value of the subordinated loan was calculated through discounting the amount of the loan at the CBR refinancing rate. As at 31 December 2003 and 2002 the fair value was RUR 126,054 thousand and RUR 97,205 thousand, respectively.

30. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

In February 2004 NOMOS-BANK issued Eurobonds in the amount of USD 125 million. The interest rate for these Eurobonds is 9.125 per annum. The Eurobonds mature in 2007.

31. REGULATORY MATTERS

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (as set forth in the table below) of total and tier 1 capital to risk weighted assets.

The capital is calculated as the amount of restricted and free components of the shareholders' capital plus and the Bank's provisions for the principal risks on condition that the general provision for losses does not exceed 1.25% of the risk weighted assets.

The ratio was calculated according to the principles employed by the Basle Committee by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for losses:

Estimate	Description of position
0%	Cash and balances with the Central Bank of the Russian Federation
0%	Government debt securities denominated in Russian Roubles
20%	Loans and advances to banks maturing within 1 year
100%	Loans and advances to customers
100%	Other assets
0%	Letters of credit secured by clients funds
50%	Letters of credit and other contingencies relating to settlement operations and commitments on unused loans with original maturity over 1 year
100%	Guarantees and other similar commitments

The Bank's actual capital amounts and ratios are presented in the following table:

Capital amounts and ratios	Actual Amount (RUR'000)	For Capital Adequacy purposes '000 RUR	Ratio For Capital Adequacy purposes	Minimum Required Ratio
As at 31 December 2003				
Total capital	7,639,711	8,131,645	25.26%	8%
Tier 1 capital	7,627,839	7,627,839	23.70%	4%
As at 31 December 2002				
Total capital	6,138,434	6,650,542	29.90%	8%
Tier 1 capital	6,126,441	6,126,441	27.54%	4%

As at 31 December 2003 and 2002 the Bank included in the computation of Total capital for Capital adequacy purposes the subordinated loan received, limited to 50% of Tier 1 capital. The loan matures on 7 December 2009 and bears interest of 1% per annum. In the event of bankruptcy or liquidation of the Bank repayment of this loan is subordinate to the repayments of the Bank's liabilities to all other creditors.

32. RISK MANAGEMENT POLICY

Management of risk is fundamental to the banking business and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Bank's risk management policies in relation to those risks is as follows.

The Bank manages the following main types of risks:

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The liquidity risk is defined as a mismatch of asset and liability maturity periods. The liquidity risk is managed by the Asset/Liability Committee of the Bank.

Some of the assets, however, may be of a longer term nature; for example, if loans are renewed and accordingly short term loans can have a longer term duration.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks to be completely matched since business transacted is often an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

Currently, a considerable part of customer deposits are repayable on demand. However, the fact that these deposits are diversified by the number and type of customers and the Bank's previous experience indicate that these deposits are a stable and long-term source of finance for the Bank.

Long-term credits and overdraft facilities are generally not available in Russia. However, in the Russian marketplace, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented above.

While trading and available-for-sale securities are shown as less than one month, realizing such assets upon demand is dependent upon financial market conditions. Significant security positions may not be liquidated in a short period of time without adverse price effects.

Substantially all of the Bank's interest bearing assets and interest bearing liabilities are at fixed rates of interest.

The following table presents an analysis of interest rate risk and liquidity risk. Interest bearing assets and liabilities generally have relatively short maturities and interest rates are reprised only at maturity.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Maturity undefined (incl. allowance for losses)	2003 '000 RUR Total
ASSETS								
Interest bearing assets:								
Loans and advances to banks, less allowance for loan losses	1,332,967	224,000	50,000	-	-	-	(32,136)	1,574,831
Trading securities	1,605,345	-	-	-	-	-	-	1,605,345
Securities purchased under agreements to resell	591,944	670,566	-	-	-	-	-	1,262,510
Loans and advances to customers, less allowance for loan losses	2,841,320	3,533,495	11,791,588	2,370,024	-	-	(1,725,551)	18,810,876
Securities available-for-sale*	197,113	46,312	80,659	622,949	4,430,631	-	-	5,377,664
Total interest bearing assets	6,568,689	4,474,373	11,922,247	2,992,973	4,430,631	-	(1,757,687)	28,631,226
Cash and balances with the Central Bank of the Russian Federation	1,596,839	-	-	-	-	-	654,939	2,251,778
Loans and advances to banks, less allowance for loan losses	2,716,555	-	-	-	-	-	(5,925)	2,710,630
Trading securities	425,812	-	-	-	-	-	-	425,812
Loans and advances to customers, less allowance for loan losses	-	-	-	-	-	154,382	(154,382)	-
Securities available-for-sale	-	-	-	-	549	-	-	549
Interest accrued on interest earning assets	51,641	5,915	86,171	-	-	-	-	143,727
Fixed and intangible assets, less accumulated depreciation	-	-	-	184,152	7,726	-	-	191,878
Precious metals	267,211	-	-	-	-	-	-	267,211
Other assets	84,332	570,885	-	-	-	-	-	655,217
TOTAL ASSETS	11,711,079	5,051,173	12,008,418	3,177,125	4,438,906	154,382	(1,263,055)	35,278,028

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Maturity undefined (incl. allowance for losses)	2003 '000 RUR Total
LIABILITIES								
Interest bearing liabilities:								
Deposits from banks	2,751,439	225,965	2,554,667	-	-	-	-	5,532,071
Customer accounts	89,645	1,050,737	1,014,467	-	-	-	-	2,154,849
Securities sold under repurchase agreements	726,361	-	-	-	-	-	-	726,361
Debt securities issued	2,776,630	2,606,994	3,567,257	1,546,638	1,976	-	-	10,499,495
Subordinated loan	-	-	-	-	260,000	-	-	260,000
Total interest bearing liabilities	6,344,075	3,883,696	7,136,391	1,546,638	261,976	-	-	19,172,776
Deposits from banks	1,655,587	-	-	-	-	-	-	1,655,587
Customer accounts	5,250,478	-	-	-	-	-	-	5,250,478
Debt securities issued	16,264	782	782	2,950	-	-	-	20,778
Interest accrued on interest bearing liabilities	303,639	-	-	-	11,661	-	-	315,300
Provisions	-	-	-	-	-	-	185,723	185,723
Income tax liability	986,619	-	-	-	-	-	-	986,619
Other liabilities	51,056	-	-	-	-	-	-	51,056
TOTAL LIABILITIES	14,607,718	3,884,478	7,137,173	1,549,588	273,637	-	185,723	27,638,317
Liquidity gap	(2,896,639)	1,166,695	4,871,245	1,627,537	4,165,269	154,382	-	-
Interest sensitivity gap	224,614	590,677	4,785,856	1,446,335	4,168,655	-	-	-
Cumulative interest sensitivity gap	224,614	815,291	5,601,147	7,047,482	11,216,137	11,216,137	-	-
Cumulative interest sensitivity gap as a percentage of total assets	0.64%	2.31%	15.88%	19.98%	31.79%	31.79%	-	-

*) Government securities available-for-sale are included in columns corresponding to their established maturity. However, the Bank treats them as a highly liquid asset which may be realized in less than a month, if necessary.

Liquidity risk of derivative financial instruments

Net fair values of derivative financial instruments are included in liquidity analysis above. Further analysis by types of derivatives' contracts as at 31 December 2003 is presented in the table below.

Fair value	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	2003 '000 RUR
Payable under forward deals	(316,352)	-	-	-	-	-	(316,352)
Receivable under forward deals	316,349	-	-	-	-	-	316,349
Payable under spot deals	(2,687,398)	-	-	-	-	-	(2,687,398)
Receivable under spot deals	2,685,774	-	-	-	-	-	2,685,774
NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION	(1,627)	-	-	-	-	-	(1,627)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Maturity undefined (incl. allowance for losses)	2002 '000 RUR Total
ASSETS								
Interest bearing assets:								
Loans and advances to banks, less allowance for loan losses	1,552,596	79,958	-	-	-	-	(18,562)	1,613,992
Trading securities	727,671	-	-	-	-	-	-	727,671
Loans and advances to customers, less allowance for loan losses	629,611	2,284,115	9,366,297	2,501,657	-	-	(1,339,485)	13,442,195
Securities available-for-sale*	-	-	181,547	314,304	3,384,226	-	-	3,880,077
Total interest bearing assets	2,909,878	2,364,073	9,547,844	2,815,961	3,384,226	-	(1,358,047)	19,663,935
Cash and balances with the Central Bank of the Russian Federation	569,003	-	-	-	-	-	428,177	997,180
Loans and advances to banks, less allowance for loan losses	652,287	-	-	-	-	-	(10,851)	641,436
Trading securities	25,676	-	-	-	-	-	-	25,676
Securities available-for-sale	-	-	-	-	549	-	-	549
Interest accrued on interest earning assets	76,791	-	103,935	-	-	-	-	180,726
Fixed and intangible assets, less accumulated depreciation	-	-	-	142,386	5,784	-	-	148,170
Precious metals	256,059	-	-	-	-	-	-	256,059
Income tax assets	44,031	-	-	-	-	-	-	44,031
Other assets	37,524	-	-	-	-	-	-	37,524
TOTAL ASSETS	4,571,249	2,364,073	9,651,779	2,958,347	3,390,559	-	(940,721)	21,995,286

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Maturity undefined (incl. allowance for losses)	2002 '000 RUR Total
LIABILITIES								
Interest bearing liabilities:								
Deposits from banks	703,129	-	1,747,198	655,870	-	-	-	3,106,197
Customer accounts	40,860	514,199	526,335	2,302	-	-	-	1,083,696
Debt securities issued	484,428	1,517,428	1,824,217	1,701,568	97,336	-	-	5,624,977
Subordinated loan	-	-	-	-	260,000	-	-	260,000
Total interest bearing liabilities	1,228,417	2,031,627	4,097,750	2,359,740	357,336	-	-	10,074,870
Deposits from banks	581,899	-	-	-	-	-	-	581,899
Customer accounts	3,735,326	-	-	-	-	-	-	3,735,326
Debt securities issued	295,086	50,115	138,967	68,107	-	-	-	552,275
Interest accrued on interest bearing liabilities	175,080	-	-	-	9,061	-	-	184,141
Provisions	-	-	-	-	-	-	268,454	268,454
Income tax liability	431,007	-	-	-	-	-	-	431,007
Other liabilities	28,880	-	-	-	-	-	-	28,880
TOTAL LIABILITIES	6,475,695	2,081,742	4,236,717	2,427,847	366,397	-	268,454	15,856,852
Liquidity gap	(1,904,446)	282,331	5,415,062	530,500	3,024,162	-	-	-
Interest sensitivity gap	1,681,461	332,446	5,450,094	456,221	3,026,890	-	-	-
Cumulative interest sensitivity gap	1,681,461	2,013,907	7,464,001	7,920,222	10,947,112	10,947,112	-	-
Cumulative interest sensitivity gap as a percentage of total assets	7.64%	9.16%	33.93%	36.01%	49.77%	49.77%	-	-

*) Government securities available-for-sale are included in columns corresponding to their established maturity. However, the Bank treats them as a highly liquid asset which may be realized in less than a month, if necessary.

Liquidity risk of derivative financial instruments

Net fair values of derivative financial instruments are included in liquidity analysis above. Further analysis by types of derivatives' contracts as at 31 December 2002 is presented in the table below.

Fair value	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	2002 '000 RUR
Payable under forward deals	(708,069)	(76,945)	-	-	-	-	(785,014)
Receivable under forward deals	706,751	71,975	-	-	-	-	778,726
Payable under spot deals	(1,261,628)	-	-	-	-	-	(1,261,628)
Receivable under spot deals	1,262,846	-	-	-	-	-	1,262,846
NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION	(100)	(4,970)	-	-	-	-	(5,070)

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. The following table presents an analysis of interest rate risk and thus the potential of the Bank for gain or loss. Effective interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Bank. The Treasury and the Financial Analysis Departments perform management of interest rate and market risks through interest position hedge, which enables the Bank to avoid negative interest margin.

	RUR	USD	2003 Other currency	RUR	USD	2002 Other currency
ASSETS						
Loans and advances to banks	6-16%	2-11%	5-10%	12-25%	1-5%	3%
Trading debt securities	5-18.5%	-	-	1-23%	-	-
Securities purchased under agreements to resell	5.86-13.35%	-	-	-	-	-
Loans and advances to customers	8-22%	7-15%	7-15%	7-28%	10-18%	15-17%
Debt securities available-for-sale	3-16%	3-12%	-	-	3%	-
LIABILITIES						
Deposits from banks	2-8%	1-10%	3-4%	10-20%	1-9%	5%
Securities sold under agreements to repurchase	2-16%	-	-	-	-	-
Customer accounts	3.5-12%	3-8%	4.5-7%	1-18%	5-10%	6-10%
Debt securities issued	1-17%	1-8.5%	1-6%	4-26%	1-11%	1%
Subordinated loan	1%	-	-	1%	-	-

The majority of the Bank's loan contracts and other financial assets and liabilities that bear interest are either fixed or contain clauses enabling the interest rate to be changed at the option of the lender.

Additionally, as disclosed in maturity analysis below, the maturity dates applicable to the majority of the Bank's assets and liabilities are relatively short-term. The Bank monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

Foreign exchange risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Treasury and the Financial Analysis Departments perform currency risk management through management of open currency position, which enables the Bank to minimize losses from significant fluctuations of exchange rates of national and foreign currencies.

The Bank's exposure to foreign currency exchange rate risk is presented in the table below:

	RUR	USD 1 USD = RUR 29.4545	EUR 1 EUR = RUR 36.8240	Gold 1 ounce = RUR 12,289.89	Other currency	Currency undefined (incl. allowance for losses)	2003 '000 RUR Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	2,176,283	60,287	15,153	-	55	-	2,251,778
Loans and advances to banks, less allowance for loan losses	1,184,067	2,758,952	62,583	-	318,469	(38,061)	4,286,010
Trading securities	2,037,677	-	-	-	-	-	2,037,677
Securities purchased under agreement to resell	1,272,038	-	-	-	-	-	1,272,038
Loans and advances to customers, less allowance for loan losses	13,893,160	6,325,683	512,905	-	-	(1,879,933)	18,851,815
Securities available-for-sale	346,316	5,118,088	-	-	-	-	5,464,404
Fixed and intangible assets, less accumulated depreciation	191,878	-	-	-	-	-	191,878
Precious metals	-	-	-	212,163	55,048	-	267,211
Other assets	651,419	3,756	-	-	42	-	655,217
TOTAL ASSETS	<u>21,752,838</u>	<u>14,266,766</u>	<u>590,641</u>	<u>212,163</u>	<u>373,614</u>	<u>(1,917,994)</u>	<u>35,278,028</u>
LIABILITIES							
Deposits from banks	2,970,192	3,788,265	437,194	-	-	-	7,195,651
Customer accounts	4,982,517	1,514,943	180,587	757,510	13,952	-	7,449,509
Securities sold under agreements to repurchase	-	728,376	-	-	-	-	728,376
Debt securities issued	9,731,851	1,003,954	33,917	-	-	-	10,769,722
Subordinated debt	271,661	-	-	-	-	-	271,661
Provisions	-	-	-	-	-	185,723	185,723
Income tax liability	986,619	-	-	-	-	-	986,619
Other liabilities	51,056	-	-	-	-	-	51,056
TOTAL LIABILITIES	<u>18,993,896</u>	<u>7,035,538</u>	<u>651,698</u>	<u>757,510</u>	<u>13,952</u>	<u>185,723</u>	<u>27,638,317</u>
OPEN BALANCE SHEET POSITION	<u>2,758,942</u>	<u>7,231,228</u>	<u>(61,057)</u>	<u>(545,347)</u>	<u>359,662</u>		

Derivative financial instruments

Fair values of derivative financial instruments are included in currency analysis presented above. The following table presents further analysis of currency risk to types derivative contracts as at 31 December 2003:

Fair value	RUR	USD 1 USD = RUR	EUR 1 EUR = RUR	Gold 1 ounce = RUR	Other currency	2003 '000 RUR	
		29.4545	36.8240	12,289.89		Total	
Payable under forward deals	(172,475)	(143,877)	-	-	-	(316,352)	
Receivable under forward deals	157,827	158,522	-	-	-	316,349	
Payable under spot deals	(667,512)	(1,677,423)	(342,463)	-	-	(2,687,398)	
Receivable under spot deals	1,042,232	999,122	644,420	-	-	2,685,774	
NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION	360,072	(663,656)	301,957	-	-	(1,627)	
TOTAL OPEN POSITION	3,119,014	6,567,572	240,900	(545,347)	359,662		
	RUR	USD 1 USD = RUR	EUR 1 EUR = RUR	Gold 1 ounce = RUR	Other currency	Currency undefined (incl. provision for losses)	2002 '000 RUR
		31.7844	33.1098	10,894.10			Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	937,917	51,696	7,567	-	-	-	997,180
Loans and advances to banks, less allowance for loan losses	1,394,440	768,231	122,507	-	-	(29,413)	2,255,765
Trading securities	765,745	-	-	-	-	-	765,745
Loans and advances to customers, less allowance for loan losses	8,408,693	6,307,785	116,139	13,119	-	(1,339,485)	13,506,251
Securities available-for-sale	549	3,984,012	-	-	-	-	3,984,561
Fixed and intangible assets, less accumulated depreciation	148,170	-	-	-	-	-	148,170
Precious metals	-	-	-	203,559	52,500	-	256,059
Income tax assets	44,031	-	-	-	-	-	44,031
Other assets	34,262	487	-	-	2,775	-	37,524
TOTAL ASSETS	11,733,807	11,112,211	246,213	216,678	55,275	(1,368,898)	21,995,286
LIABILITIES							
Deposits from banks	886,702	2,723,214	88,621	-	-	-	3,698,537
Customer accounts	3,033,510	666,054	631,045	510,513	118	-	4,841,240
Debt securities issued	5,201,536	1,100,654	17,483	-	-	-	6,319,673
Subordinated debt	269,061	-	-	-	-	-	269,061
Provisions	-	-	-	-	-	268,454	268,454
Income tax liability	431,007	-	-	-	-	-	431,007
Other liabilities	28,494	377	9	-	-	-	28,880
TOTAL LIABILITIES	9,850,310	4,490,299	737,158	510,513	118	268,454	15,856,852
OPEN BALANCE SHEET POSITION	1,883,497	6,621,912	(490,945)	(293,835)	55,157		

Derivative financial instruments

Fair values of derivative financial instruments are included in currency analysis presented above. The following table presents further analysis of currency risk to types derivative contracts as at 31 December 2002:

Fair value	RUR	USD	EUR	Gold	Other currency	2002
		1 USD = RUR 31.7844	1 EUR = RUR 33.1098	1 ounce = RUR 10,894.10		'000 RUR Total
Payable under forward deals	(346,923)	(379,561)	-	(58,530)	-	(785,014)
Receivable under forward deals	133,326	301,951	314,543	28,906	-	778,726
Payable under spot deals	(34,996)	(614,101)	(612,531)	-	-	(1,261,628)
Receivable under spot deals	-	632,842	630,004	-	-	1,262,846
NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION	(248,593)	(58,869)	332,016	(29,624)	-	(5,070)
TOTAL OPEN POSITION	1,634,904	6,563,043	(158,929)	(323,459)	55,175	

The Bank's principal cash flows (revenues, operating expenses) are largely generated in Russian Roubles. As a result, future movements in the exchange rate between the Russian Rouble and US dollar will affect the carrying value of the Bank's monetary assets and liabilities. Such changes may also affect the Bank's ability to invest in non-monetary assets as measured in US dollars in these financial statements.)

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Bank is exposed to market risks of its products which are subject to general and specific market fluctuations.

To manage market risk and market liquidity risk, the Bank developed, implemented and successfully uses a system of limits. Limits for liability operations are established under the Bank's credit policy. Establishment and control of limits for asset operations are performed under the Bank's limiting policy.

The Bank's financial committee sets the following limits:

- limits for operations with counterparties;
- limits for securities portfolios;
- limits for certain types of transactions;
- stop-loss limits.

To control market risks, the Bank uses a liquidity maintenance system. The relevant activities are initiated in accordance with the Bank's internal regulation on management and control of the Bank's liquidity.

Credit Risk

The Bank is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Credit Committee approves new loans and changes and amendments to loan agreements. The Credit and Guarantees Department performs current monitoring.

Credit risk for off-balance sheet financial instrument is defined as the possibility of sustaining a loss because any other party to a financial instrument fails to perform in accordance with the terms of the contract. The Bank uses the same credit policies in making conditional obligation as it does for on balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

Geographical concentration

The geographical concentration of assets and liabilities is set out below:

	Russia	Other CIS countries	OECD countries	non-OECD countries	Undefined (incl. allowance for losses)	2003 ‘000 RUR Total
Cash and balances with the Central Bank of the Russian Federation	2,251,778	-	-	-	-	2,251,778
Loans and advances to banks, less allowance for loan losses	1,842,938	3,375	2,467,320	10,438	(38,061)	4,286,010
Trading securities	2,037,677	-	-	-	-	2,037,677
Securities purchased under agreement to resell	1,272,038	-	-	-	-	1,272,038
Loans and advances to customers, less allowance for loan losses	20,627,293	-	-	104,455	(1,879,933)	18,851,815
Securities available-for-sale	5,464,404	-	-	-	-	5,464,404
Fixed and intangible assets, less accumulated depreciation	191,878	-	-	-	-	191,878
Precious metals	267,211	-	-	-	-	267,211
Other assets	84,332	-	-	570,885	-	655,217
TOTAL ASSETS	34,039,549	3,375	2,467,320	685,778	(1,917,994)	35,278,028
LIABILITIES						
Deposits from banks	3,881,500	441,818	2,575,214	297,119	-	7,195,651
Customer accounts	6,814,871	-	-	634,638	-	7,449,509
Securities sold under repurchase agreements	728,376	-	-	-	-	728,376
Debt securities issued	10,769,722	-	-	-	-	10,769,722
Subordinated debt	271,661	-	-	-	-	271,661
Provisions	-	-	-	-	185,723	185,723
Income tax liability	986,619	-	-	-	-	986,619
Other liabilities	51,056	-	-	-	-	51,056
TOTAL LIABILITIES	23,503,805	441,818	2,575,214	931,757	185,723	27,638,317
NET BALANCE SHEET POSITION	10,535,744	(438,443)	(107,894)	(245,979)		

	Russia	Other CIS countries	OECD countries	non-OECD countries	Undefined (incl. allowance for losses)	2002 ‘000 RUR Total
Cash and balances with the Central Bank of the Russian Federation	997,180	-	-	-	-	997,180
Loans and advances to banks, less allowance for loan losses	1,505,108	-	780,070	-	(29,413)	2,255,765
Trading securities	765,745	-	-	-	-	765,745
Loans and advances to customers, less allowance for loan losses	14,557,736	-	-	288,000	(1,339,485)	13,506,251
Securities available-for-sale	3,984,561	-	-	-	-	3,984,561
Fixed and intangible assets, less accumulated depreciation	148,170	-	-	-	-	148,170
Precious metals	256,059	-	-	-	-	256,059
Income tax assets	44,031	-	-	-	-	44,031
Other assets	37,524	-	-	-	-	37,524
TOTAL ASSETS	22,296,114	-	780,070	288,000	(1,368,898)	21,995,286
LIABILITIES						
Deposits from banks	1,356,019	635,688	1,652,789	54,041	-	3,698,537
Customer accounts	4,467,434	-	-	373,806	-	4,841,240
Debt securities issued	6,319,673	-	-	-	-	6,319,673
Subordinated debt	269,061	-	-	-	-	269,061
Provisions	-	-	-	-	268,454	268,454
Income tax liability	431,007	-	-	-	-	431,007
Other liabilities	28,880	-	-	-	-	28,880
TOTAL LIABILITIES	12,872,074	635,688	1,652,789	427,847	268,454	15,856,852
NET BALANCE SHEET POSITION	9,424,040	(635,688)	(872,719)	(139,847)		