ANDERSEN

AVTOBANK

Consolidated financial statements
31 December 2001

Together with independent auditors' report

ANDERSEN

Independent Auditors' Report

To the Shareholders of Avtobank –

We have audited the accompanying balance sheets of Avtobank and its subsidiary (the "Bank") as of 31 December 2001, and the related profit and loss account and statements of shareholders' funds and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Notes 2 and 15 to the accompanying consolidated financial statements, at 31 December 2001 and 2000 the Bank's liabilities to counter parties (resident and non-resident banks) under certain forward contracts, overdue since August 17, 1998, are Rbth 1,113,977 and Rbth 3,200,555 (restated for the effect of hyperinflation) have not been recognized by the Bank. Accordingly, foreign exchange losses and amounts due to credit institutions should be increased by Rbth 1,113,977 and Rbth 3,200,555, respectively, and shareholders' funds should be correspondingly decreased. The Bank does not believe that their remaining forward contracts will be settled on the terms implied in the contracts and made a decision not to record any obligations on forward contracts.

In our opinion, except for the effect of the matter referred to in the preceding paragraph, the consolidated financial statements referred to above give a true and fair view of the financial position of the Bank at 31 December 2001, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as published by the International Accounting Standards Board.

Arthur Andersen ZAO

Moscow
Russian Federation

22 July 2002

Consolidated profit and loss accounts
For the years ended 31 December 2001 and 2000
(In thousands of Rubles in terms of purchasing power of the Ruble as at 31 December 2001)

	Note	2001	2000 (restated)
Interest income		2,112,100	2,905,150
Interest expense		1,076,614	1,470,217
Net interest income	4	**1,035,486**	**1,434,933**
Provision for (reversal of) losses	6	(420,074)	(6,108,137)
Net interest income after provision for (reversal of) losses		**1,455,560**	**7,543,070**
		-	
Fees and commissions received	7	534,584	597,527
Dealing profit, net	8	418,601	1,232,136
Fair value adjustments to available-for-sale securities, net		439,905	-
Foreign exchange gains, net		138,305	254,635
Gain (losses) on settlement of derivative obligations	9	(151,262)	5,371,335
Translation gains (losses), net		33,213	(99,981)
Other operating income		39,871	36,639
Non interest income		**1,453,217**	**7,392,291**
Salaries and employment benefits	5	633,688	492,992
Administrative expenses	5	728,429	1,001,252
Fees and commissions paid	10	106,174	138,136
Depreciation and amortization	18, 19	83,967	75,840
Other provisions	6	34,189	39,092
Non interest expense		**1,586,447**	**1,747,312**
Monetary (loss) gain		(534,557)	553,811
Profit before taxation		**787,773**	**13,741,860**
Taxation (benefit)	11	471,451	(37,545)
Profit		**316,322**	**13,779,405**

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

Consolidated balance sheets
31 December 2001 and 2000

(In thousands of Rubles in terms of purchasing power of the Ruble as at 31 December 2001)

	Notes	2001	2000 (restated)
Assets			
Cash and due from Central Bank	12	1,729,576	2,035,792
Due from credit institutions	13	1,654,621	1,840,838
Trading securities	14	2,155,038	2,448,804
Loans to customers	16	7,840,754	8,057,346
Securities available-for-sale	17	879,589	324,942
Tax assets	11	-	78,078
Tangible fixed assets	18	671,012	473,938
Intangible assets	19	33,902	55,219
Other assets	20	253,515	353,239
Total assets		**15,218,007**	**15,668,196**
Liabilities			
Amounts owed to credit institutions	21	3,857,715	5,274,290
Amounts owed to customers	22	8,188,422	7,561,305
Certificated debts	23	1,201,014	1,688,716
Provisions for other risks	6	37,849	74,620
Tax liabilities	11	296,366	-
Other liabilities	24	110,592	126,081
Total liabilities		**13,691,958**	**14,725,012**
Shareholders' funds			
Share capital	25	3,233,897	2,919,246
Additional paid in capital	26	283,555	283,555
Treasury stock	25	(192,586)	(113,513)
Accumulated deficit	26	(1,798,817)	(2,146,104)
Total shareholders' funds		**1,526,049**	**943,184**
Total liabilities and shareholders' funds		**15,218,007**	**15,668,196**
Financial commitments and contingencies	30	**748,538**	**2,030,951**

Signed on behalf of the Board of Directors

Ludmila A. Shabalkina — Acting Chairman of the Bank

Evgenia A. Kniazeva — Chief Accountant of the Bank

15 April 2002

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

Consolidated statements of shareholders' funds
For the years ended 31 December 2001 and 2000

(In thousands of Rubles in terms of purchasing power of the Ruble as at 31 December 2001)

	Share capital (nominal), Note 25	Inflation adjustment to share capital	Additional paid in capital	Treasury stock	Accumulated deficit	General and Revaluation Reserves	Shareholders' funds
31 December 1999 (restated for the effect of hyperinflation)	**972,000**	**1,822,365**	**283,555**	**(105,596)**	**(15,956,085)**	**30,576**	**(12,953,185)**
Shares issued	105,000	19,881	-	-	-	-	124,881
Purchase of treasury stock	-	-	-	(7,917)	-	-	(7,917)
Net profit	-	-	-	-	13,779,405	-	13,779,405
31 December 2000 (as previously reported, restated for the effect of hyperinflation	**1,077,000**	**1,842,246**	**283,555**	**(113,513)**	**(2,176,680)**	**30,576**	**943,184**
Effect of adoption of IFRS 39, net of tax							
– available-for-sale securities	-	-	-	-	61,877	-	61,877
– initial recognition of loans to customers and held-to-maturity instruments at fair value less subsequent amortization	-	-	-	-	(88,128)	-	(88,128)
Shares issued	300,000	14,651		-	-	-	314,651
Purchase of treasury stock				(79,073)	-	-	(79,073)
Revaluation of fixed assets	-	-	-	-	-	57,216	57,216
Transfers	-	-	-	-	(6,111)	6,111	-
Net profit	-	-	-	-	316,322	-	316,322
31 December 2001	**1,377,000**	**1,856,897**	**283,555**	**(192,586)**	**(1,892,720)**	**93,903**	**1,526,049**

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

Consolidated cash flow statements
For the years ended 31 December 2001 and 2000
(In thousands of Rubles in terms of purchasing power of the Ruble as at 31 December 2001)

	Notes	2001	2000 (restated)
Cash flows from operating activities			
Interest, fees and commissions received		2,646,684	3,502,677
Interest, fees and commissions paid		(1,182,788)	(1,608,353)
Dealing profits (losses)		111,747	37,639
Foreign exchange gains (losses)		138,305	254,635
Other operating income		39,871	36,639
Salaries and employment benefits		(633,688)	(492,992)
Administrative expenses		(728,429)	(1,001,252)
Cash flows from operating profits before changes in operating assets and liabilities		*391,702*	*728,993*
(Increase) decrease in operating assets			
Obligatory reserves with CBR		26,028	(238,831)
Due from credit institutions		570,061	1,087,451
Securities owned		135,598	(364,198)
Loans to customers		412,909	(769,301)
Other assets and prepayments		109,978	(133,207)
Increase (decrease) in operating liabilities			
Amounts owed to credit institutions		(1,559,427)	(2,473,600)
Amounts owed to customers		662,792	2,973,611
Other liabilities		(17,204)	(174,868)
Effect of inflation on operating activities		527,848	199,589
Net cash flows from operating activities before profit taxes		*1,260,285*	*835,639*
Profit taxes paid		(130,513)	(123,248)
Net cash flows from operating activities		***1,129,772***	***712,391***
Cash flows from investing activities			
Equity investments sold		-	229,501
Tangible fixed assets purchased		(314,367)	(50,717)
Tangible fixed assets sold		16,090	17,857
Effect of inflation on investing activities		377,364	171,355
Net cash flows from investing activities		***79,087***	***367,996***
Cash flows from financing activities			
Shares issued		314,651	-
Treasury stock purchased		(79,073)	(7,917)
Certificated debts		(537,317)	335,808
Effect of inflation on financing activities		(508,097)	(494,612)
Net cash flows from financing activities		***(809,836)***	***(166,721)***
Effects of exchange rate changes on cash and cash equivalents		**3,833**	**(5,914)**
Change in cash and cash equivalents		**402,856**	**907,752**
Effect of inflation on cash and cash equivalents		**(441,637)**	**(431,332)**
Cash and cash equivalents, beginning of the year		**2,555,287**	**2,078,867**
Cash and cash equivalents, end of the year	27	**2,516,506**	**2,555,287**

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

Notes to consolidated financial statements
31 December 2001

NOTE 1 – PRINCIPAL ACTIVITIES

The accompanying consolidated financial statements contain the accounts of Avtobank and its subsidiary ”Fondovoye Agency” (the “Bank”).

Avtobank was formed on December 6, 1988 as an open joint stock company under the laws of the Russian Federation. The Avtobank possesses a general banking license from the Central Bank of Russia № 30. Furthermore, the Bank also possesses licenses for securities operations and custody services from the Federal Stock Market Commission, granted on November 16, 2000 and December 4, 2000 respectively, as well as a license for operations with precious metals from the CBR issued on December 17,1996.

Avtobank is among 20 largest banks in Russia in terms of total assets calculated under the local accounting rules. Its main office is in Moscow and it has 26 branches, 34 additional offices and 13 operating outlets. The Bank’s registered legal address is Moscow, 101514, Lesnaya str., 41. Avtobank had an average of 2,860 employees during the year (2000 - 2,747 employees) and 2,861 employees at the end of 2001 (2000 - 2,919 employees). Avtobank accepts deposits from the public and makes loans, operates with debt and equity securities, transfers payments in Russia and abroad, exchanges currencies and provides banking services for its commercial and retail customers.

Avtobank’s wholly owned subsidiary, Fondovoye Agency, an investment company, was formed as a closed joint stock company under the laws of the Russian Federation on July 10, 1996. The subsidiary possesses a license for operations with securities from the Federal Stock Market Commission granted on July 13,1998.

As at 31 December 2001 four shareholders owned 56.9% and none of shareholders holds the majority of the shares.

NOTE 2 – BASIS OF PRESENTATION

a) General

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and are presented in the thousands of Russian Rubles (Rbth) in terms of purchasing power of the Ruble as at 31 December 2001, unless otherwise indicated.

The Bank and its subsidiary maintain their books of account and prepare statements for regulatory purposes in accordance with Russian accounting and banking legislation and instructions (RAL). The accompanying consolidated financial statements are based on the statutory records, which are maintained under the historical cost convention as modified by revaluation of tangible fixed assets, trading portfolio of state securities. available-for-sale securities, financial assets and financial liabilities held for trading and all derivative contracts. The statutory data was then adjusted, appropriately reclassified and restated for the changes in the general purchasing power of the Russian Ruble for the purpose of fair presentation in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. The accompanying consolidated financial statements as at 31 December 2000 and the year then ended have been restated for the effect of inflation during 2001 to achieve comparability with the 2001 numbers.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

b) Operating environment

Russia continues to undergo substantial political, economic and social changes. As an emerging market, Russia does not possess a well-developed business and regulatory infrastructure that would generally exist in a more mature market economy.

However, during the first half of 2001 certain positive trends in the Russian economy continued and resulted in GDP increase by 5%. By the end of 2001, foreign currency reserves of the Central Bank of Russia amounted to USD 36.5 billion and increased by 30.6% comparing to year-end 2000. Additionally, the Government had reduced debt to the International Monetary Fund by USD 4.3 billion over 2001. Standard & Poor's upgraded Russia's sovereign rating to level B+/Stable.

Nevertheless, some uncertainties with respect to legal and tax infrastructures, including potential changes in these areas, may affect the ability of the banking sector to carry out operations. The accompanying consolidated financial statements do not include any adjustments that may result from the future clarification of these uncertainties. Such adjustments, if any, will be reported in the Bank's financial statements in the period when they become known and estimable.

c) Impact on the Bank

The Bank was significantly affected by the August 1998 crisis. The rapid devaluation of the Ruble resulted in significant losses, as the Bank held significant Ruble assets that were funded by foreign currencies and hedging contracts which have not been honored by counter parties. Due to the default of Russian Government on its debt securities, the Bank's liquidity position became unstable as approximately 25% of the Bank's total assets became illiquid.

In 1998, the Bank's capital significantly decreased due to losses on derivative financial instruments with resident counter parties, losses generated by the Government bond position and translation losses from the opened short currency position. In response to these events the Bank's Management worked out and the Shareholders Council of Avtobank approved a three-year Restructuring Program to make it possible for the Bank to overcome its financial difficulties and start new stage of development in 2002. In the framework of this Restructuring Program the Bank undertook the following steps:

- In 1999, the Bank obtained a stabilizing loan of Rbth 2,500,000 (not restated) from the Central Bank of the Russian Federation (CBR), collateralized with 75%+1 share of the Banks outstanding common shares and the GAZ common share portfolio valued at Rbth 504,421 (not restated) per the agreement with CBR (cost basis - Rbth 18,027 (not restated). This loan was used to restore liquidity, to finance the Bank's lending activities and for partial repayment of restructured obligations. The scheduled maturity of this loan was January 2002. In February 2002 the Bank concluded an agreement to extend the maturity to December 10, 2002. At 31 December 2001 the outstanding balance of the loan was Rbth 1,900,000. At 31 December 2001 the collateral amount comprised 58.66% of shares of the Bank's outstanding common shares (Rbth 807,750). Additionally, the GAZ common shares are still collateralized. In connection with the February agreement to extend the maturity of the loan, the Bank agreed to pledge the 300,000 common shares issued to Ingosstrakh in 2001. Consequently the CBR loan is collateralized with 80.4% of the Banks common shares as of February 2002.

- In August 2001, the Bank increased its share capital to Rbth 1,377,000 by issuing common shares. All issued shares in amount of Rbth 300,000 were purchased by Ingosstrakh.
- Significant efforts were made to preserve the existing customer base.
- The Supervisory Counsel of Avtobank approved the principle of shareholders' dividends not being paid during the course of the Restructuring Program.
- The Bank's internal control system is being modernized to introduce enhanced risk-management procedures.
- In 2001 and 2000, the Bank managed to cancel a significant number of derivative deals with resident counter parties. At 31 December 2001 there is only one significant debt to a non-resident bank on forward deals in the process of negotiations (see Note 15).

d) Adoption of IFRS 39

In 2001 the Bank adopted IFRS 39 "Financial instruments: Recognition and Measurement". The financial effects of adopting IFRS 39 are reported in the consolidated statement of shareholders' funds. Further information is disclosed in accounting policies for amounts due to credit institutions, derivative financial instruments, trading securities and investment securities, loans to customers, amounts owed to credit institutions and in related notes.

Prior to adoption of IFRS 39, all debt and equity securities, except for trading securities, were measured at cost, providing only for permanent value impairments. IFRS 39 has been applied prospectively in accordance with the requirements of this standard and therefore comparative information has not been restated.

e) Consolidated subsidiaries

The consolidated financial statements include, on a fully consolidated basis, the accounts of the Bank and the following wholly controlled subsidiary:

Subsidiary	Principal activities	Ownership interest	Registered legal address
Fondovoye Agency	Investment company	100%	Lesnaya str., 41, Moscow, Russia

f) Reconciliation of equity and profit between RAL and IFRS

Shareholders' funds (equity) and profit (loss) are reconciled between RAL and IFRS as follows:

	2001		2000 (restated)	
	Equity	Profit (loss)	Equity	Profit
Russian Accounting Legislation	**1,829,124**	**138,708**	**1,711,053**	**141,490**
Loss provisions	(597,535)	335,041	(726,336)	1,796,486
Mark-to-market on securities	600,791	722,108	(183,194)	1,087,916
Effect of accrued interest, net	395,233	241,066	154,167	76,570
Effect of inflation on non-monetary items	466,749	(732,312)	912,060	(173,401)
Derivatives fair value adjustments	(276,735)	163,321	(440,056)	10,753,875
Taxation	(296,997)	(375,075)	78,078	149,538
Fixed assets impairment adjustment	(210,001)	(28,424)	(181,577)	(42,297)
Fair value on loans	(126,728)	(244,840)	-	-
Treasury stock	(192,586)	-	(113,513)	-
Depreciation	(30,067)	158,293	(188,360)	(23,292)
Consolidation	(250)	-	(297)	-
Expenses recorded to funds	-	(105,456)	-	(114,000)
Translation gains (losses)	-	19,071	(19,071)	(19,071)
Other	(34,949)	24,821	(59,770)	145,591
International Financial Reporting Standards	**1,526,049**	**316,322**	**943,184**	**13,779,405**

NOTE 3 – PRINCIPAL ACCOUNTING POLICIES

a) Principles of consolidation

The consolidated financial statements of the Bank include on a fully consolidated basis, the accounts of Avtobank and its wholly owned subsidiary Fondovoye Agency. This control is normally evidenced when the Bank owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The purchase method of accounting is used for acquired businesses. Companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

b) Due from credit institutions

In the normal course of business, the Bank lends or deposits funds for various periods with other credit institutions. In 2000 such amounts were carried at cost, in 2001 these are categorized as loans originated by the Bank and are carried at amortized cost. As these placements of funds are typically unsecured extensions of credit, some of the assets may be impaired. The principles used to estimate the provision for loan impairment on amounts due from credit institutions are the same as for loans to customers (see below).

c) Trading securities and Investment securities

During 2000, securities owned for which active market existed and market value could be estimated reliably, were stated at market value. Other securities owned were stated at the lower of cost or market value. Changes in estimated market value were recorded in income in the period in which the change occurs.

After adoption of IFRS 39 at 1 January 2001, the Bank classified its securities into the following three categories:

- Securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or included in a portfolio in which a pattern of short-term profit-taking exists are classified as trading securities,

- Securities with fixed maturity where Management has both the intent and the ability to hold to maturity are classified as held-to-maturity,

- Securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale.

The classification of investments is determined by Management at the time of the purchase.

Securities are initially recognized at cost (including transaction costs), which is the fair value of the consideration given for them. Subsequently, trading and investment securities are measured as follows:

- Trading securities are subsequently measured at fair value based on quoted bid prices. The related realized and unrealized gains and losses are included in Dealing profit (loss).

- Available-for-sale investment securities are subsequently measured at fair value based on quoted bid prices or present value of future cash flows. Unrealized gains and losses arising from changes in the fair value of available-for-sale securities are recognized as fair value adjustments to available-for-sale securities in the profit and loss account.

  Unquoted equity investments are carried at cost restated for the effect of hyperinflation, because they do not have a quoted market price in an active market and other methods of reasonably estimating fair value are unworkable due to the absence of comparable quoted companies and the lack of reliable information for discounted cash flow analysis. It is also currently impossible to calculate the range of estimates within which fair value of the equity investments is highly likely to lie. The Bank's equity investments include investments in certain non-consolidated subsidiaries and certain associates, which are also carried at cost restated for the effect of hyperinflation. The reasons for not consolidating and not using the equity method of accounting for these investments are disclosed in Note 17.

- Held to maturity investments are carried at amortized cost using the effective yield method, less any provision for impairment. The amount of impairment loss is calculated as the difference between the asset's carrying amount and the present value of the expected future cash flows discounted at the instruments original effective interest rate.

Interest earned while holding trading and investment securities is reported as interest income. Dividends receivable are included in dividend income when a dividend is declared.

Purchases and sales of securities that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognized at trade date, which is the date that the Bank commits to purchase or sell the asset. Otherwise, such transactions are treated as derivatives until settlement occurs.

d) Derivatives

The Bank enters into derivative financial instruments for trading purposes. As at 31 December 2001, the Bank had outstanding forward contracts tied to underlying assets, which include foreign currency. Derivatives are initially recognized at cost (including transaction costs) and subsequently are measured at their fair value. The fair value of the foreign currency derivative position was calculated based on the exchange rate effective as at 31 December 2001 and 2000 – Ruble 30.14 and 28.16, respectively, for 1 US Dollar. The Bank does not recognize assets and liabilities arising from overdue forward contracts in the consolidated financial statements as of 31 December 2001 and 2000 as the management of the Bank does not believe that these contracts would be settled at the effective rate as of the year-end. See Note 15 for the detail of outstanding forward contracts at 31 December 2001 and 2000.

e) Loans to customers

Loans granted by the Bank by providing money directly to the borrower are categorized as loans originated by the Bank and are carried at amortized cost. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction. All loans and advances are recognized when cash is advanced to borrowers.

A credit risk reserve for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due. The amount of the reserve is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at inception.

The loan loss reserve also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic conditions in which the borrowers operate. When a loan is uncollectable, it is written off against the related reserve for impairment; subsequent recoveries are credited to the Provision for loan losses expense in the profit and loss account.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the reserve is credited to the Provision for loan losses expense.

In 2000 loans to customers were stated at the unpaid principal balance less reserve for loan losses.

f) Maturity of loans

The maturity of the loan portfolio is presented in Note 28 and shows the remaining period from the balance sheet date to the contractual maturity. 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. Accordingly, the effective maturity of a loan portfolio may be longer than indicated by the classification based on contractual terms.

g) Offsetting financial instruments

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

h) Tangible fixed assets

Fixed assets are recorded at historical cost restated for the effect of hyperinflation, except for building carried at revalued amounts, less accumulated depreciation and accumulated impairment loss. Independent property revaluations are performed once every three years with the last valuation performed as of 31 December 2001. Depreciation is provided to write off the cost or valuation on a straight-line basis over the estimated useful life of the asset. The useful lives are as follows:

	Years
Buildings	50
All other assets	5

Assets under construction are not depreciated. Depreciation of these assets will begin when the related assets are placed in service.

Repairs and maintenance are charged to the profit and loss account.

i) Operating lease

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

j) Intangible assets

Intangible assets are recorded at historical cost restated for the effect of hyperinflation less accumulated amortization. Amortization is provided to write off the cost on a straight-line basis over the estimated useful life of the asset. The useful lives for intangible assets are 5 years.

Intangible assets under development are not depreciated. Amortization of these assets will begin when the related assets are placed in service.

k) Amounts owed to credit institutions and to customers

Amounts owed to credit institutions and to customers in 2000 are stated at cost. In 2001 they are initially recognized at cost, which amounts to the initiation/issue proceeds less transaction costs incurred. Subsequently amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the Consolidated profit and loss account over the period of the borrowings using the effective yield method. If the Bank purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of a liability and the consideration paid is included in net interest income.

l) Certificated debts

Certificated debts represent promissory notes and certificates of deposit issued by the Bank to customers. They are accounted according to the same principles used for amounts owed to credit institutions and customers.

m) Treasury stock

Where the Bank or its subsidiary purchase the Bank's share capital or obtain rights to purchase its share capital, the consideration paid is shown as a deduction from total shareholders' equity.

n) Provisions

In the normal course of business, the Bank enters into credit related financial commitments (guarantees, letters of credit). As these instruments are typically unsecured or partly secured by customer funds, some of the claims may be impaired. The principles used to create provisions for impairment of financial commitments are the same as for loans to customers (see above).

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

o) Impairment of fixed assets

Fixed assets are impaired when the carrying amount of these assets exceeds its recoverable amount. The Bank used value in use for assessment of recoverable amount. Value in use was determined on the basis of estimated future cash flow from the continuing use of assets discounted at 44%. The management believes that this rate represents current estimation of the time value of money and risk associated with usage of such assets. Reversal of impairment losses recognized in prior years is recorded in income when there is an indication that the impairment losses recognized for the asset has decreased or no longer exist.

p) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated to Rubles at official Central Bank of the Russian Federation (CBR) rates of exchange at the balance sheet date. Transactions denominated in foreign currencies are reported at the CBR rates of exchange at the date of the transaction. Differences between the contractual exchange rate of a certain transaction and the Central Bank exchange rate on the date of the transaction are included in foreign exchange gain or loss. Any gains or losses on assets and liabilities denominated in foreign currencies arising from a change in official exchange rates are recognized as translation gains or losses.

q) Income and expense recognition

Interest income and expense are recognized on an accrual basis. Commissions and other income are credited to income when the related transactions are completed. Non-interest expenses are recognized at the time the transaction occurs.

r) Taxation

The taxation charge is calculated in accordance with the regulations of the Russian Federation and of [the cities in which the Bank has offices and branches] and is based on the results reported in the profit and loss accounts of the Bank and its subsidiaries prepared under RAL after adjustments for tax purposes. Deferred taxes are provided on temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

Russia also has various operating taxes, which are assessed on the Bank's activities. These taxes are included as a component of Non-interest expense.

s) Effect of inflation

IFRS 29 "Financial reporting in hyperinflationary economies" requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. IFRS 29 indicates that reporting operating results and financial position in the local currency without restatement is not useful because money loses purchasing power at such a rate that the comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading. The application of this principal results in an adjustment to the profit and loss account for the loss of purchasing power of the Russian Ruble. This gain or loss on net monetary position is calculated as the difference resulting from the restatement of non-monetary assets, shareholders' equity and profit and loss account items.

IFRS 29 sets forth various criteria for indication of hyperinflation, which include the following:

- the general population prefers to keep its wealth in non monetary assets;
- the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency;
- sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period;
- interest rates, wages and prices are linked to a price index;
- the cumulative inflation index of 100 percent or more over the preceding three years.

The indicated inflation rate based on the Russian consumer price index calculated by the State Committee on Statistics (Goskomstat) was 18.6% for the year ended 31 December 2001 (20.2% and 36.5% for 2000 and 1999, respectively). Although the cumulative inflation index for 1999-2001 is less than 100%, it is considered that the rest of the factors indicate that the Russian Federation continued to experience conditions that meet the definition of a hyperinflationary economy during 2001 and the three years then ended. The Bank has restated the accompanying financial statements to reflect the effect of hyperinflation.

A majority of the 2001 balance sheet consists of monetary items, some of which are denominated in freely convertible currencies. The Ruble to US Dollar exchange rate has declined by approximately 7% during 2001 from 28.16 to 30.14. See Note 28 for a summary of assets and liabilities denominated in freely convertible currencies.

The following assumptions were made to restate profit and loss account and balance sheet information:

- Inflation occurred evenly over the year, quarterly inflation averages have been used for each quarter;
- Income and expenses have accrued evenly over the year except for provision for losses and deferred taxation that have been treated, for the purpose of this calculation, as occurring at the period end.

Fixed assets have been indexed by the change in the general price index from the approximate date of purchase. Where large acquisitions or disposals in the year were known, the index has been applied from that date. In all other cases, an average index has been applied to acquisitions and disposals. An assessment has been made of the potential impairment in the carrying value of fixed assets, and where applicable such assets have been reduced to their recoverable amounts.

Other non-monetary assets have been indexed from the date that they were originally recorded.

t) Cash flows

The Bank considers cash, current account with the Central Bank of the Russian Federation and due from credit institutions with a maturity of three months or less when originated to be cash equivalents.

u) Reclassifications

The following reclassifications have been made to 2000 balances to conform to the 2001 presentation.

Amount	As reported	As reclassified	Comment
1,543,473	Monetary gain	Provision for losses (reversal)	Misclassification of prior year
15,680	Monetary gain	Provision for losses (reversal)	Misclassification of prior year

NOTE 4 – NET INTEREST INCOME

Net interest income comprises:

	2001	2000 (restated)
Interest income		
Loans to customers	1,438,625	2,010,100
Debt securities	344,208	548,566
Due from credit institutions	329,267	346,484
	2,112,100	**2,905,150**
Interest expense		
Amounts owed to credit institutions	506,502	760,557
Amounts owed to customers	387,698	504,145
Certificated debts	182,414	205,515
	1,076,614	**1,470,217**
Net interest income	**1,035,486**	**1,434,933**

Interest income from debt securities includes coupon interest received and accrued and discount accretion.

NOTE 5 – SALARIES AND ADMINISTRATIVE EXPENSES

Salaries and administrative expenses comprise:

	2001	2000 (restated)
Salaries	466,204	447,669
Social security costs	164,267	45,323
Other	3,217	-
Salaries	**633,688**	**492,992**
Occupancy	333,743	270,875
Operating taxes	105,533	169,629
Communications	94,974	236,395
Advertising expenses	84,092	105,341
Business development	10,710	11,666
Penalties paid	1,693	1,924
Customs payments	-	62,286
Other	97,684	143,136
Administrative expenses	**728,429**	**1,001,252**

The aggregate remuneration and other benefits paid to members of the Shareholders' Council and Management Boards for the year was Rbth 30,617 (2000 - Rbth 30,147). As at 31 December 2001, members of the Shareholders' Council and Management Boards owned 56,153 shares (0.41%) (2000 – 121,105 shares or 1.12%) of the Bank.

The Shareholders of the Bank approved the principle of shareholders' dividends not being paid during the course of the restructuring program.

The Bank does not have pension arrangements separate from the State pension system of the Russian Federation. The Russian Federation system requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged to the profit and loss account in the period the related compensation is earned by the employee.

NOTE 6 – RESERVES FOR LOSSES

Provisions for losses in the profit and loss accounts represent the charge required in the current year to establish total reserves for losses carried forward in accordance with IFRS.

The movement in the reserves for interest earning assets during 2001 and 2000 was:

	Loans to banks	Loans to customers	Securities owned	Total reserves
31 December 1999 (restated)	6,109,786	3,097,046	15,610	9,222,442
Provisions (recovered)	(1,037,714)	(1,764,563)	(15,610)	(2,817,887)
Derivative instruments provision (recovered)	(3,290,250)	-	-	(3,290,250)
Write off of assets	(1,653,941)	-	-	(1,653,941)
31 December 2000 (restated)	**127,881**	**1,332,483**	**-**	**1,460,364**
Effect of adoption of IFRS 39	-	206,240	-	206,240
Opening balance at 1 January 2001 (restated for the effect of adoption of IFRS 39)	**127,881**	**1,538,723**	**-**	**1,666,604**
Provisions recovered	(86,219)	(333,855)	-	(420,074)
Write off of assets	-	(13,759)	-	(13,759)
31 December 2001	**41,662**	**1,191,109**	-	**1,232,771**

The movement in the reserves for other assets and off-balance sheet risks during 2001 and 2000 was:

	Investment securities	Other assets	Other risks	Total reserves
31 December 1999 (restated)	24,002	139,367	69,697	233,066
Provisions charged to profit (recovered)	(8,041)	42,210	4,923	39,092
31 December 2000 (restated)	**15,961**	**181,577**	**74,620**	**272,158**
Provisions charged to profit (recovered)	(5,332)	76,292	(36,771)	34,189
Write off of assets	-	(47,868)	-	(47,868)
31 December 2001	**10,629**	**210,001**	**37,849**	**258,479**

Reserves for losses are deducted from the related asset. Reserves for other risks are recorded in liabilities. In accordance with the statutory legislation, loans may only be written off with the approval of the Shareholders' Council and, in certain cases, with the respective decision of the Court.

NOTE 7 – FEES AND COMMISSIONS RECEIVED

Fees and commissions received comprise:

	2001	2000 (restated)
Settlement operations	256,506	197,271
Cash operations	177,625	256,121
Guarantees issued	41,245	19,845
Securities and plastic cards operations	41,037	118,732
Foreign currency control	12,317	-
Other	5,854	5,558
Fees and commissions received	**534,584**	**597,527**

NOTE 8 – DEALING PROFIT, NET

Net dealing profit comprises:

	2001			2000 (restated)		
	Fair value adjustment	Sale and redemption	Total	Revaluation	Sale and redemption	Total
Trading securities	151,128	111,332	262,460	1,194,497	34,859	1,229,356
Fair value on loans	155,726	-	155,726	-	-	-
Bullion	-	415	415	-	2,780	2,780
Other operations	-	-	-	-	-	-
Dealing profit, net	**306,854**	**111,747**	**418,601**	**1,194,497**	**37,639**	**1,232,136**

NOTE 9 – GAIN (LOSSES) ON SETTLEMENT OF DERIVATIVE OBLIGATIONS

	2001	2000 (restated)
Gain on settled derivatives	-	6,356,189
Unrealized loss (loans issued)	163,321	(440,056)
Loss on settled derivatives	(314,583)	(544,798)
	(151,262)	**5,371,335**

During year 2000 a related non-resident company purchased the Bank's debts under overdue forward deals. Overdue debts on these forward deals amounting to Rbth 6,225,230 were subsequently cancelled, resulting in positive effect on year 2000 profit and loss account.

NOTE 10 – FEES AND COMMISSIONS PAID

Fees and commissions paid comprise:

	2001	2000 (restated)
Settlement operations	65,314	40,445
Cash operations	17,715	36,194
Securities operations	4,888	5,157
Other	18,257	56,340
Fees and commissions paid	**106,174**	**138,136**

NOTE 11 – TAXATION

The provision for profit taxes comprises:

	2001	2000 (restated)
Current tax charge	119,244	111,993
Deferred taxation (tax benefit)	352,207	(149,538)
Taxation	**471,451**	**(37,545)**

Russian legal entities must individually report taxable income and remit profit taxes thereon to the appropriate authorities. The tax rate for banks for profits other than on state securities was 11% for Federal taxes and 32% for Regional and City taxes. The tax rate for interest income on state securities was 15% for Federal taxes. The tax rate for companies other than banks was 11% for Federal taxes and 24% for Regional and City taxes.

Beginning 1 January 2002, the combined profit tax rate for the Bank decreased to 24%. The taxation provision for 2001 includes Rbth (128,958) related to the effect of this change in rates on deferred tax liabilities.
The effective profit tax rate differs from the statutory profit tax rates. A reconciliation of the profit tax provision based on statutory rates with the actual profit tax provision follows.

	2001	2000 (restated)
Profit (loss) before taxation	**787,773**	**13,741,860**
Statutory tax rate	43%	38%
Theoretical profit tax charge at statutory rate	**338,742**	**5,221,907**
Change in unrecognized deferred tax asset	(291,029)	(417,019)
Non-deductible expenditures	237,079	111,602
Tax exempt income	(228,920)	(5,316,275)
Other permanent differences	492,793	271,926
Effect of change in tax rates	(128,958)	-
Impact of inflation	119,073	187,953
State securities income	(67,329)	(97,639)
Profit tax provision (tax benefit)	**471,451**	**(37,545)**

As at 31 December 2001 and 2000, the Bank's net deferred profit tax liability (asset) was Rbth 274,129 and Rbth (78,078), respectively. Deferred tax liabilities are the amounts of profit taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amounts of profit taxes recoverable in future periods in respect of deductible temporary differences.

	2001	2000 (restated)
Tax effect of deductible temporary differences		
Provision for losses	143,408	313,489
Derivatives fair value adjustment	66,416	189,224
Impairment losses	50,400	78,078
Depreciation and amortization	7,216	66,728
Securities mark to market	-	78,774
Other	8,388	32,865
Gross deferred tax asset	**275,828**	**759,158**
Unrecognized deferred tax asset	(260,224)	(551,253)
Deferred tax asset	**15,604**	**207,905**
Tax effect of taxable temporary differences		
Securities mark to market	144,190	-
Inflation restatement of non-monetary assets	92,688	73,683
Interest accrued	52,855	56,144
Deferred tax liability	**289,733**	**129,827**
Net deferred tax liability (asset)	**274,129**	**(78,078)**

A portion of the deferred tax asset was not recognized because of the uncertainty of its future realizability.
Tax liabilities comprise:

	2001	2000 (restated)
Current tax liabilities	22,237	-
Deferred tax liabilities	274,129	-
Tax liabilities	**296,366**	**-**

Russia currently has a number of laws related to various taxes imposed by both federal and regional governmental authorities. Applicable taxes include value added tax, profit tax, a number of turnover based taxes, and social tax, together with others. Implementing regulations are often unclear or nonexistent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organizations (like the Ministry of Taxes and Levies and its various inspectorates); thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, who are enabled by law to impose extremely severe fines, penalties and interest charges. These facts create tax risks in Russia substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Bank is in substantial compliance with the tax laws affecting its operations; however, the risk remains that relevant authorities could take differing positions with regard to interpretive issues.

NOTE 12 – CASH AND DUE FROM CENTRAL BANK

Cash and due from Central Bank comprise:

	2001	2000 (restated)
Obligatory reserve	809,709	833,490
Cash on hand	646,706	581,489
Current accounts	273,161	620,813
Cash and due from Central Bank	**1,729,576**	**2,035,792**

The Central Bank of Russia requires credit institutions to maintain a non-interest earning cash deposit (obligatory reserve) with the CBR, the amount of which depends on the level of funds attracted by the credit institution. The Bank’s ability to withdraw such deposit is significantly restricted by the statutory legislation.

NOTE 13 – DUE FROM CREDIT INSTITUTIONS

Due from credit institutions comprise:

	2001	2000 (restated)
Current accounts	165,729	459,194
Time deposits	1,530,554	1,509,525
	1,696,283	**1,968,719**
Less – Reserves for loan losses	(41,662)	(127,881)
Due from credit institutions, net	**1,654,621**	**1,840,838**

NOTE 14 – TRADING SECURITIES

Trading securities comprise:

	2001		2000 (restated)	
	Nominal Value	Carrying value	Nominal value	Carrying Value
Vnesheconombank bonds and Eurobonds	1,171,301	913,236	965,603	628,398
Promissory notes	687,471	635,021	577,078	496,286
State bonds (OFZ)	562,709	544,504	1,499,423	1,324,120
Bonds	64,901	62,277	-	-
Trading securities	**2,486,382**	**2,155,038**	**3,042,104**	**2,448,804**

OFZ bonds are Ruble denominated government securities issued and guaranteed by the Ministry of Finance of the Russian Federation. OFZ bonds are issued at a discount to face value, have a medium to long-term maturity period with a coupon rate of approximately 10-15% in 2001, depending on the type of bond issue.

Vnesheconombank (VEB) bonds are U.S. Dollar denominated bearer securities which carry the guarantee of the Ministry of Finance of the Russian Federation. VEB bonds are purchased at a discount to nominal value and carry an annual coupon of 3%. The bonds have maturity dates from May 14, 2003 to May 14, 2011.

Russian Eurobonds are securities issued by the Ministry of Finance of the Russian Federation, and are freely tradable internationally. The Bank's portfolio of Russian Eurobonds consists of two tranches with maturity dates ranging from March 31, 2010 to March 31, 2030. The annual coupon rates on these bonds range from 5% to 8.25%, and interest is payable semi-annually.

Promissory notes mostly comprise OAO Gazprom promissory notes with maturity dates ranging from February 2002 to March 2003.

Bonds include bonds issued by OOO "Renaissance Capital" with maturity of October 2003 and REKB "Bashkreditbank" with maturity of November 2002.

The Bank has pledged Rbth 572,660 (USD 19,000,000)of VEB bonds and Eurobonds to secure transactions with counter parties (2000 – Rbth 748,596 or USD 22,407,000). None of these assets have been formally seized by the counter parties.

NOTE 15 – DERIVATIVE FINANCIAL INSTRUMENTS

The Bank's position and fair value of derivatives outstanding as at 31 December 2001 and 2000 can be presented as follows:

2001

	Amounts in USD, bullion and securities to receive (to pay), Rbth	Amounts in Rubles to receive (to pay), Rbth	Net position, Rbth
Assets foreign	-	-	-
Liabilities foreign	(825,293)	-	(825,293)
Assets domestic	-	-	-
Liabilities domestic	-	(288,684)	(288,684)
Total	**(825,293)**	**(288,684)**	**(1,113,977)**

2000 (restated)

	Amounts in USD, bullion and securities to receive (to pay), Rbth	Amounts in Rubles to receive (to pay), Rbth	Net position, Rbth
Assets foreign	-	-	
Liabilities foreign	(917,072)	-	(917,072)
Assets domestic	-	3,634,148	3,634,148
Liabilities domestic	-	(2,627,381)	(2,627,381)
Net result	(917,072)	1,006,766	89,694
Credit risk	-	(3,290,250)	(3,290,250)
Total	**(917,072)**	**(2,283,483)**	**(3,200,555)**

The fair value of the Bank's position on derivatives was calculated based on the RUR/USD exchange rate effective as at 31 December 2001.

At 31 December 2001, the Bank has outstanding liabilities to one foreign company, which is in the process of settlement negotiations.

At 31 December 2001 the outstanding liabilities to the domestic company are in litigation. During 2001, a claim was filed and pursued against the Bank for payment of USD 30,000,000 to a Russian bank under the terms of a foreign currency forward contract. In 2001 the courts ruled in favor of the Bank and the Russian bank ceded its claim to another Russian bank that continues to pursue the claim. The Russian Supreme Arbitrage Court is considering the matter. Management believes they will continue to prevail in this matter and therefore has not recorded any liability for this matter.

The Bank does not believe that forward contracts will be settled on the terms implied in the contracts, and made a decision not to record obligations computed in accordance with the contracts of Rbth 1,113,977 at 31 December 2001.

Bank's management believes that the overdue forward liabilities will be settled in 2002.

NOTE 16 – LOANS TO CUSTOMERS

Loans to customers are made principally within the Russian Federation and comprise:

	2001	2000 (restated)
Metallurgic and other manufacturing	4,749,897	5,200,671
Trading enterprises	2,540,766	2,450,192
Agriculture	530,305	354,580
Transportation	495,295	1,009,886
Individuals	215,790	76,020
State companies	179,443	126,150
Communication	96,907	172,330
Real estate construction	12,780	-
Other	210,680	-
	9,031,863	**9,389,829**
Less – Reserve for loan losses	(1,191,109)	(1,332,483)
Loans to customers, net	**7,840,754**	**8,057,346**

The Bank has a significant concentration of loans in the metallurgic industry and trading enterprises. The Bank has a substantial portion of loans extended to a limited number of customers. As at 31 December 2001, 9 customers and industry groups accounted for 59% (Rbth 5,301,228) of the total loan portfolio (2000 – 9 customers for 57% or Rbth 5,352,203).

Furthermore included in the concentrations discussed above is a series of loans to metallurgic companies controlled by shareholders (see also Note 29) in the amount of the Rbth 2,155,107 at 31 December 2001. Included in the reserve for loan losses is a specific reserve of Rbth 215,511 for the loans which management believes to be adequate in the circumstances.

The Bank's loan portfolio has been extended to the following types of enterprises:

	2001	2000 (restated)
Private companies	8,683,536	9,187,658
State companies	132,537	126,151
Individuals	159,383	76,020
Loans to customers	**9,031,863**	**9,389,829**

As at 31 December 2001 and 2000, the Bank had loans totaling Rbth 92,787 and Rbth 139,598, respectively, which were not accruing interest. Interest income foregone related to nonaccrual loans outstanding at year-end was approximately Rbth 20,774 and Rbth 35,591 for 2001 and 2000, respectively.

NOTE 17 – AVAILABLE-FOR-SALE SECURITIES

Available-for-sale securities are presented by the following investments:

	2001	2000 (restated)
Debt securities	174,454	-
Equity instruments	705,135	324,942
Available-for-sale securities	**879,589**	**324,942**

A portfolio of debt securities as at 31 December 2001 consists of the bonds of Republic of Bashkortostan stated at fair value.

Available-for-sale equity instruments consist of the following investments stated at cost:

	2001	2000 (restated)
Associates carried at cost	20,943	21,275
Other equity investments	694,821	319,628
	715,764	**340,903**
Less – Reserves for impairment	(10,629)	(15,961)
Equity instruments	**705,135**	**324,942**

Included into category of available-for-sale equity investments are GAZ shares with market value of Rbth 504,421 (purchase cost value Rbth 18,027) at 31 December 2001, pledged by the Bank to secure loan received from CBR (see also Note 2).

As at 31 December 2001, the Bank has investments in the following associate providing control or significant influence:

Name	Bank holding %	Total shareholders' (members') funds of investee	Carrying value of investment	Method of accounting	Principal activity	Country
Bank Akniet (Amanbank)	23.9	29,711	20,943	Cost	Banking	Kirgizstan

The investment in associate disclosed above is stated at the cost and is not accounted for under the equity method, as the effect would not materially alter the financial position of the Bank as at 31 December 2001 or the results of its operations or cash flows of the Bank for the period then ended. The financial results of this associate comprise the amounts reported in its unaudited financial statements prepared according to Kyrgizstan Accounting Legislation as at the most recent year-end on or before 31 December 2001.

NOTE 18 – TANGIBLE FIXED ASSETS

The movements of tangible fixed assets during 2001 and 2000 were as follows:

	Land and buildings	Fixtures and equipment	Assets under construction	Total
Original value				
31 December 1999 (restated)	**128,933**	**272,203**	**412,045**	**813,181**
Additions	-	50,630	87	50,717
Disposals	(19,445)	-	-	(19,445)
31 December 2000 (restated)	**109,488**	**322,833**	**412,132**	**844,453**
Additions	-	286,360	5,352	291,712
Disposals	-	(36,980)	-	(36,980)
Monetary gain reversed	(48,379)	-	-	(48,379)
Revaluation	57,216	-	-	57,216
31 December 2001	**118,325**	**572,213**	**417,484**	**1,108,022**
Accumulated depreciation				
31 December 1999 (restated)	**5,157**	**137,969**	-	**143,126**
Charge for the year	3,001	44,399	-	47,400
Disposals	(1,588)	-	-	(1,588)
31 December 2000 (restated)	**6,570**	**182,368**	-	**188,938**
Charge for the year	1,949	57,012	-	58,961
Disposals	-	(20,890)	-	(20,890)
31 December 2001	**8,519**	**218,490**	-	**227,009**
Net book value				
31 December 2000	102,918	140,465	412,132	655,515
Impairment reserve	-	-	(181,577)	(181,577)
Net book value less Impairment reserve 31 December 2000	102,918	140,465	230,555	473,938
31 December 2001	**109,806**	**353,723**	**417,484**	**881,013**
Impairment reserve	-	-	(210,001)	(210,001)
Net book value less Impairment reserve 31 December 2001	**109,806**	**353,723**	**207,483**	**671,012**

Assets under construction represent a construction project of an office building in Moscow, which is currently suspended. The Bank's management has intent to renew the construction works in the near future.

The Bank's buildings were valued on the basis of an independent appraisal. The valuation was carried out by an independent firm of appraisers as at 31 December 2001. The basis used for the appraisal was fair market value under the open market premise of value. As at 31 December 2001 the resulting revaluation surplus of Rbth 57,216 is recorded in the Revaluation Reserve in Shareholders' Funds.

NOTE 19 – INTANGIBLE ASSETS

At 31 December 2001 and 2000, the intangible assets amounted to Rbth 123,546 and Rbth 122,222, respectively and accumulated amortization was Rbth 89,644 and Rbth 67,003, respectively. The amortization charge for 2001 and 2000 was Rbth 25,006 and Rbth 28,440, respectively. Intangible assets consist principally of computer software.

NOTE 20 – OTHER ASSETS

Other assets comprise:

	2001	2000 (restated)
Receivable on operations with securities	80,920	150,739
Trade debtors and prepayments	71,011	107,774
Accounts receivable with employees	67,618	-
Prepaid operating taxes	1,564	3,123
Prepayments for operations on MISEX	-	22,995
Debtors on plastic cards operations	-	68,608
Other assets	32,402	-
Other assets	**253,515**	**353,239**

NOTE 21 – AMOUNTS OWED TO CREDIT INSTITUTIONS

Amounts owed to credit institutions comprise:

	2001	2000 (restated)
Amounts due to the CBR	1,900,000	2,854,418
Time deposits	1,334,606	1,619,217
Current accounts	623,109	800,655
Amounts owed to credit institutions	**3,857,715**	**5,274,290**

As discussed in Note 2, amounts due to CBR represent a stabilizing loan granted in 1999 with an original maturity in January 2002. In February the Bank concluded an agreement to extend the maturity to December 2002 and to pledge an additional 300,000 shares of stock as collateral giving the CBR a collateralization of 80.4% of the outstanding shares of the Bank.

At 31 December 2001 and 2000 the Bank has pledged USD 19,000,000 and USD 22,407,000, respectively, of VEB bonds and Eurobonds at nominal value to Ost-West Handelsbank as collateral for interbank loans received.

NOTE 22 – AMOUNTS OWED TO CUSTOMERS

Amounts owed to customers comprise:

	2001	2000 (restated)
Current accounts and on-demand deposits	3,793,004	3,859,754
Time deposits	4,395,418	3,701,551
Amounts owed to customers	**8,188,422**	**7,561,305**

NOTE 23 – CERTIFICATED DEBTS

Certificated debts represent promissory notes and certificates of deposit issued by the Bank to customers and denominated in Rubles and US Dollars.

Certificated debts are carried at amortized cost as prescribed by IFRS 39. The fair value is estimated on the basis of the present value of the cash flows over the remaining term of such debt. The discount rates were determined based on market rates available as at the year-end on borrowings with similar credit and maturity characteristics.

NOTE 24 – OTHER LIABILITIES

Other liabilities comprise:

	2001	2000 (restated)
Payable on operations on MISEX	73,268	28,305
Payable on operations on securities	6,030	-
Operating taxes payable	5,970	19,964
Trade creditors	2,759	-
Other	22,565	77,812
Other liabilities	**110,592**	**126,081**

NOTE 25 – SHARE CAPITAL

The share capital of the Bank has been contributed by shareholders in both Rubles and US dollars. As at 31 December 2001 and 2000, shares issued and outstanding comprise:

	Common shares	
	Number of shares	Rbth
31 December 1999 (nominal)	**9,720,000**	**972,000**
Contributions	1,050,000	105,000
31 December 2000 (nominal)	**10,770,000**	**1,077,000**
Contributions	3,000,000	300,000
31 December 2001 (nominal)	**13,770,000**	**1,377,000**

On 18 May 2001 amendments to the share capital of the Bank were approved by Council of Board as follows:

- As dislosed in statements of shareholders' funds, the share capital was increased to Rbth 1,377,000 through the 15th additional issue of the 13th subscription, by an amount of Rbth 300,000, comprising 3,000,000 shares of Rubles 100 each.

Treasury stock in the amount of Rbth 192,586 (2000 – Rbth 113,513) is a result of eliminating the reciprocal shareholding between Avtobank and Fondovoye Agency. It represents the nominal value of shares of Avtobank in the amount of Rbth 112,038 (2000 – Rbth 36,195) held by Fondovoye Agency, restated for the effect of hyperinflation (see also Statements' of Sharehodlers' funds).

In October 2001, the major shareholders of the Bank sold their ownership interest in the Avtobank and other affiliated entities to companies related to the largest Russian aluminum holding group. It is uncertain what operational changes will occur as a consequence of this change in ownership.

NOTE 26 – RESERVES

The Bank's distributable reserves are determined by the amount of its reserves as disclosed in the accounts of the Bank and its subsidiaries prepared in accordance with RAL. As at 31 December 2001, the statutory accounts of the Bank disclosed distributable reserves of Rbth 270,785 and non-distributable reserves of Rbth 84,670 (2000 – distributable reserves of Rbth 296,169 and non-distributable reserves of Rbth 4,606).

At 31 December 2001 the Bank's reserves included the general reserves and revaluation reserves in the amount of Rbth 36,687 and Rbth 57,216, respectively (in 2000 – general reserves of Rbth 30,576).

The general reserves represent amounts set aside, as required by the regulations of the Russian Federation, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The fund has been created in accordance with the Bank's statutes, which provide for the creation of a fund for these purposes of not less than 15% of the Bank's share capital.

The additional paid-in capital of Rbth 283,555 was contributed in 1997 for the benefit of the Bank's shareholders and is stated at its fair value at the date of contribution, restated for the effect of hyperinflation.

NOTE 27 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2001 and 2000 as shown in the Consolidated cash flow statement comprised:

	2001	2000 (restated)
Cash and current account with CBR	919,867	1,202,302
Due from credit institutions:		
– Current accounts	165,729	459,194
– Time deposits with a maturity of three months or less when originated	1,430,910	893,791
Cash and cash equivalents	**2,516,506**	**2,555,287**

NOTE 28 – RISK MANAGEMENT POLICIES

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 follows.

Credit risk

The Bank is exposed to credit risk which is the risk that a counter party will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry and geographical segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by borrower and by product, by industry sector and by region are approved by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee which is called once a week. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

The credit risk exposure on derivatives is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments.

Credit-related commitments ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are frequently fully or partially covered by the funds deposited by customers and therefore bear no credit risk.

With respect to undrawn loan commitments the Bank is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

The geographical concentration of monetary assets and liabilities follows.

	2001				2000 (restated)			
	Russia	OECD	Other non-OECD	Total	Russia	OECD	Other non-OECD	Total
Assets								
Cash and due from CBR	1,729,576	-	-	1,729,576	2,035,792	-	-	2,035,792
Credit institutions, net	763,007	859,349	32,265	1,654,621	1,095,410	668,301	77,127	1,840,838
Trading securities	2,155,038	-	-	2,155,038	2,448,804	-	-	2,448,804
Loans to customers, net	7,519,905	27,219	293,630	7,840,754	7,414,881	301,427	341,038	8,057,346
AFS securities	869,117	-	10,472	879,589	314,305	-	10,637	324,942
	13,036,643	**886,568**	**336,367**	**14,259,578**	**13,309,192**	**969,728**	**428,802**	**14,707,722**
Liabilities								
Credit institutions	2,934,780	890,245	32,690	3,857,715	4,093,731	1,115,208	65,351	5,274,290
Customers	8,108,916	-	79,506	8,188,422	7,455,061	-	106,244	7,561,305
Certificated debts	1,194,789	6,225	-	1,201,014	1,670,761	-	17,955	1,688,716
	12,238,485	**896,470**	**112,196**	**13,247,151**	**13,219,553**	**1,115,208**	**189,550**	**14,524,311**
Net position	**798,158**	**(9,902)**	**224,171**	**1,012,427**	**89,639**	**(145,480)**	**239,252**	**183,411**

Currency risk

The Bank is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currencies (primarily US Dollar), by branches and in total. These limits also comply with the minimum requirements of the Central Bank of Russia. The Bank's exposure to foreign currency exchange rate risk follows.

	2001			2000 (restated)		
	Rubles	Foreign currencies	Total	Rubles	Foreign currencies	Total
Assets						
Cash and due from CBR	956,288	773,288	1,729,576	1,733,071	302,721	2,035,792
Credit institutions, net	695,900	958,721	1,654,621	1,025,790	815,048	1,840,838
Trading securities	1,241,802	913,236	2,155,038	1,830,982	617,822	2,448,804
Loans to customers, net	3,034,845	4,805,909	7,840,754	4,911,373	3,145,973	8,057,346
AFS securities	869,117	10,472	879,589	314,305	10,637	324,942
All other assets	805,457	152,972	949,592	734,949	225,525	960,474
	7,603,409	**7,614,598**	**15,218,007**	**10,550,470**	**5,117,726**	**15,668,196**
Liabilities						
Credit institutions	2,356,970	1,500,745	3,857,715	3,803,112	1,471,178	5,274,290
Customers	4,248,781	3,939,641	8,188,422	4,147,780	3,413,525	7,561,305
Certificated debts	611,834	589,180	1,201,014	1,149,892	538,824	1,688,716
All other liabilities	402,962	41,845	444,807	110,392	90,309	200,701
	7,620,547	**6,071,411**	**13,691,958**	**9,211,176**	**5,513,836**	**14,725,012**
Net balance sheet position	**(17,138)**	**1,543,187**	**1,526,049**	**1,339,294**	**(396,110)**	**943,184**

The Bank has extended loans and advances denominated in foreign currencies. Although these loans are generally funded by the same currencies, their appreciation against the Ruble can adversely affect the borrowers' repayment ability and therefore increases the likelihood of future loan losses.

Liquidity risk

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current deposits, maturing deposits, loan draw downs, guarantees and from margin and other calls on derivatives settled by cash. The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The Bank's Assets and Liabilities Management Committee sets limits on the minimum proportion of maturing funds available to cover such cash outflows and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The contractual maturities of monetary assets and liabilities as at 31 December 2001 and 2000 follow.

	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over due	Total
Assets							
Cash and due from CBR	1,729,576	-	-	-	-	-	1,729,576
Credit institutions, net	162,591	1,350,682	50,495	90,853	-	-	1,654,621
Trading securities	2,155,038	-	-	-	-	-	2,155,038
Loans to customers, net	-	3,414	1,053,869	5,209,493	1,512,701	61,277	7,840,754
AFS securities	-	-	-	879,589	-	-	879,589
	4,047,205	**1,354,096**	**1,104,364**	**6,179,935**	**1,512,701**	**61,277**	**14,259,578**
Liabilities							
Credit institutions	623,109	792,232	15,052	1,900,000	527,322	-	3,857,715
Customers	3,793,004	269,657	306,090	3,435,079	384,592	-	8,188,422
Certificated debts	379,857	75,911	128,624	473,450	143,172	-	1,201,014
	4,795,970	**1,137,800**	**449,766**	**5,808,529**	**1,055,086**	**-**	**13,247,151**
Net position	**(748,765)**	**216,296**	**654,598**	**371,406**	**457,615**	**61,277**	**1,012,427**
Accumulated gap	***(748,765)***	***(532,469)***	***122,129***	***493,535***	***951,150***	***1,012,427***	

2000 (restated)

	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over Due	Total
Assets							
Cash and due from CBR	2,035,792	-	-	-	-	-	2,035,792
Credit institutions, net	459,194	870,611	114,345	127,103	269,585	-	1,840,838
Trading securities	2,448,804	-	-	-	-	-	2,448,804
Loans to customers, net	-	1,306,618	2,016,612	3,224,189	1,431,163	78,764	8,057,346
AFS securities	-	-	-	-	324,942	-	324,942
	4,943,790	**2,177,229**	**2,130,957**	**3,351,292**	**2,025,690**	**78,764**	**14,707,722**
Liabilities							
Credit institutions	800,655	674,299	93,250	17,874	3,688,212	-	5,274,290
Customers	3,859,754	1,088,913	1,791,951	739,041	81,646	-	7,561,305
Certificated debts	257,201	704,385	525,623	194,699	6,808	-	1,688,716
	4,917,610	**2,467,597**	**2,410,824**	**951,614**	**3,776,666**	**-**	**14,524,311**
Net position	**26,180**	**(290,368)**	**(279,867)**	**2,399,678**	**(1,750,976)**	**78,764**	**183,411**
Accumulated gap	***26,180***	***(264,188)***	***(544,055)***	***1,855,623***	***104,647***	***183,411***	

The financial statements have been prepared on a going concern basis as management believes that the real maturity of liabilities is greater than that indicated by contractual maturity and that the Bank would be able to realize the majority of its assets at the recorded balance sheet amounts at short notice.

Interest rate risk

The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest rate risk is measured by the extent to which changes in market interest rates impact margins and net income. To the extent the term structure of interest bearing assets differs from that of liabilities, net interest income will increase or decrease as a result of movements in interest rates. The Bank's expected repricing and maturity dates do not differ significantly from the contract dates, which are disclosed in the liquidity risk table above.

Interest rate risk is managed by increasing or decreasing positions within limits specified by the Bank's management. These limits restrict the potential effect of movements in interest rates on interest margin and on the value of interest-sensitive assets and liabilities.

The Bank's interest rate policy is reviewed and approved by the Bank's Assets and Liabilities Management Committee. The Bank's average effective interest rates as at 31 December 2001 and 2000 for monetary financial instruments follow.

	2001			**2000**		
	Rubles	**US Dollars**	**Other foreign currencies**	**Rubles**	**US Dollars**	**Other foreign currencies**
Interest earning assets						
Credit institutions	30%	2%	4%	9%	6%	-
Trading securities	87%	4%	-	87%	4%	5%
Loans to customers	20%	14%	13%	21%	17%	14%
Interest bearing liabilities						
Credit institutions	20%	2%	4%	14%	10%	6%
Customers	5%	4%	-	8%	4%	-
Certificated debts	2%	6%	-	3%	7%	-

NOTE 29 – RELATED PARTIES

Related parties, as defined by IFRS 24, are those counter parties 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, and anyone expected to influence, or be influenced by, that person in their dealings with 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. As at 31 December 2001, the Bank had Rbth 3,518,428 of transactions outstanding with related parties. These transactions comprise:

	2001			2000 (restated)
	Related party transactions	**Percentage on normal conditions**	**Total asset or liability category**	**Related party transactions**
Due from credit institutions, gross	-	-	1,696,283	508,385
Loans, gross	2,698,972	100%	9,031,863	2,970,946
Amounts due to credit institutions	424,636	100%	3,857,715	986,478
Amounts due to customers	274,259	100%	8,188,422	615,553
Certificated debts	-	-	1,201,014	122,432
Guarantees issued	120,560	100%	277,425	-
Interest income	85,524			159,354
Interest expenses	23,005			170,722

The percentages indicated above represent the percentages of related parties transactions that have been entered into under normal commercial and banking terms and conditions.

Reference is made to Note 16 for a further discussion of certain related party loans included in the above table.

NOTE 30 – FINANCIAL COMMITMENTS AND CONTINGENCIES

a) *Credit related financial commitments*

The credit related financial commitments as at 31 December 2001 and 2000 comprise:

	2001	2000 (restated)
Undrawn loan commitments	33,212	425,282
Letters of credit	325,776	139,467
Guarantees	277,425	1,272,543
Total	**636,413**	**1,837,292**

The Bank's Management evaluated the likelihood of possible losses arising from credit related commitments and concluded that a provision of Rbth 37,849 was necessary as at 31 December 2001 (2000 – Rbth 74,619).

b) *Operating lease obligations*

In the normal course of business, the Bank enters into operating lease agreements for office equipment and branch facilities. Future minimum payments under non-cancelable operating leases are as follows:

	2001	2000 (restated)
Not later than 1 year	61,355	105,835
Later than 1 year and not later than 5 years	47,998	82,202
Later than 5 years	2,772	5,622
	112,125	**193,659**

c) *Legal*

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank. For further discussion of outstanding litigation under a foreign currency forward contract, see Note 15.

d) *Insurance*

Liability insurance is generally not available in Russia at present. The Bank has not currently obtained insurance coverage related to property owned or liabilities arising from errors or omissions except for building and vehicles.

NOTE 31 – CAPITAL ADEQUACY

The Central Bank of Russia requires banks to maintain a capital adequacy ratio of 12.4% (12.6% for 2000) which exceed the minimum ratio of 10% and 11% for 2001 and 2000, respectively) of risk weighted assets, computed based on RAL. As at 31 December 2001 and 2000, the Bank's capital adequacy ratio on this basis exceeded the statutory minimum.

The Bank's international risk based capital adequacy ratio as at 31 December 2001 and 2000 was 13.04% and 8%, respectively (the minimum ratio recommended by the Basle Accord is 8%).

The ratio is calculated in accordance with the rules set forth by the Basle Accord, using the following risk weightings:

Weighting	Description of items
0%	Cash, amounts with the Central Bank of Russia and claims on the Government of the Russian Federation denominated in Rubles and funded in Rubles
20%	Due from OECD credit institutions
20%	Due from non-OECD credit institutions maturing within one year
100%	Loans to customers
100%	All other assets
	Off-balance sheet items
0%	Undrawn loan commitments maturing within one year
20%	Guarantees issued in favor of OECD credit institutions
50%	Undrawn loan commitments maturing in over one year and all standby letters of credit issued
100%	All other guarantees issued

Capital is calculated as the total of restricted and unrestricted components of equity, plus the Bank's general reserves for loans losses, to the extent that these general reserves for loan losses do not exceed 1.25% of risk weighted assets.

NOTE 32 – SUBSEQUENT EVENTS

During July the Bank entered into a purchasing agreement with the Nikoil Investment Group (Nikoil). Under the terms of the agreement Nikoil will purchase the common stock of the Bank in an amount sufficient to execute control over the Bank, subject to final regularity approval. This transaction is expected to be completed during 2002.

(end)