BANK FOR FOREIGN TRADE

Consolidated Financial Statements and Auditors' Report

31 December 2002

Contents

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AUDITORS' REPORT

To the Shareholders and the Board of Directors of the Bank for Foreign Trade:

1 We have audited the accompanying consolidated balance sheet of the Bank for Foreign Trade ("the Bank") and it's subsidiaries (together "the Group") as at 31 December 2002, and the related consolidated statements of income, of cash flows and of changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the Group's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

3 In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2002 and the consolidated results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Moscow, Russia
18 April 2003

Consolidated Balance Sheet as at 31 December 2002

(expressed in millions of US dollars - Note 3)

	Note	2002	2001
Assets			
Cash and short term funds	5	643	628
Mandatory cash balances with local central banks		211	153
Trading securities	6	921	233
Due from other banks	7	1 246	574
Loans and advances to customers	8	3 016	2 198
Investment securities available for sale	9	961	1 987
Accrued interest income and other assets	10	144	237
Premises and equipment	11	130	118
Total assets		**7 272**	**6 128**
Liabilities			
Due to other banks	12	1 285	597
Customer accounts	13	2 437	1 783
Other borrowed funds	14	694	1 361
Debt securities in issue	15	460	365
Accrued interest expense and other liabilities	16	175	49
Deferred tax liability	22	27	88
Total liabilities		**5 078**	**4 243**
Minority interest	17	**76**	**50**
Shareholders' equity			
Share capital	18	2 153	2 153
Share premium		34	34
Accumulated deficit		(69)	(352)
Total shareholders' equity		**2 118**	**1 835**
Total liabilities, minority interest and shareholders' equity		**7 272**	**6 128**

Approved for issue by the Board of Directors and signed on its behalf on 18 April 2003.

A.L. Kostin
President - Chairman of the Board

K.D. Djimbinov
Acting Chief Accountant

Consolidated Statement of Income for the Year Ended 31 December 2002

(expressed in millions of US dollars - Note 3)

	Note	2002	2001
Interest income	19	530	437
Interest expense	19	(182)	(149)
Net interest income		**348**	**288**
Release of provision/(provision for loan impairment)	7,8	36	(207)
Net interest income after provision for loan impairment		**384**	**81**
Gains less losses arising from trading securities		36	116
Gains less losses arising from investment securities available for sale		168	320
Gains less losses arising from dealing in foreign currencies		17	15
Gains less losses from derivative financial instruments		7	86
Foreign exchange translation losses net of gains		(23)	(17)
Fee and commission income	20	44	37
Fee and commission expense	20	(6)	(6)
Provision for losses on credit related commitments	26	-	(3)
Other operating income		20	26
Operating income		**647**	**655**
Operating expenses	21	(263)	(159)
Profit before taxation		**384**	**496**
Taxation	22	(106)	(170)
Profit after taxation		**278**	**326**
Minority interest	17	(17)	(16)
Net profit		**261**	**310**

(expressed in millions of US dollars - Note 3)

	Note	2002	2001
Cash flows from operating activities			
Interest received on loans		362	222
Interest received from securities		181	212
Interest paid		(166)	(143)
Income received on operations with securities		244	50
Income received on dealing in foreign currency		19	17
Fees and commissions received		44	37
Fees and commissions paid		(6)	(6)
Other operating income received		18	21
Operating expenses paid		(239)	(154)
Income tax paid		(121)	(100)
Operating profit before changes in operating assets and liabilities		**336**	**156**
Net cash decrease/(increase) in operating assets and liabilities			
Net (increase)/decrease in mandatory cash balances with local central banks		(58)	22
Net (increase)/decrease in restricted cash	5	(17)	96
Net (increase)/ decrease in trading securities		(688)	201
Net (increase)/decrease in due from banks		(614)	29
Net increase in loans and advances to customers		(837)	(1 417)
Net decrease/(increase) in other assets		77	(20)
Net increase/(decrease) in due to banks		667	(14)
Net increase in customer accounts		654	478
Net increase/(decrease) in debt securities in issue		99	(140)
Net increase in other liabilities		74	17
Net cash used in operating activities		**(307)**	**(592)**
Cash flows from investing activities			
Purchase of investments		(13)	(51)
Disposal of investments		1	3
Increase in investment securities available for sale		(388)	(198)
Decrease in investment securities available for sale		1 458	-
Purchase of premises and equipment	11	(43)	(13)
Disposal of premises and equipment	11	1	-
Net cash from/(used in) investing activities		**1 016**	**(259)**
Cash flows from financing activities			
Increase in Central Bank of the Russian Federation funding		1 096	1 014
Decrease in Central Bank of the Russian Federation funding		(2 002)	-
Increase in other borrowed funds		65	74
Decrease in other borrowed funds		(51)	(10)
Issue of debentures		24	-
Redemption of debentures		(32)	-
Dividends paid		(20)	-
Increase in syndicated loan		225	-
Net cash (used in)/from financing activities		**(695)**	**1 078**
Effect of exchange rate changes on cash and cash equivalents		**(16)**	**(7)**
Net (decrease)/increase in cash and cash equivalents		**(2)**	**220**
Cash and cash equivalents at beginning of the year	5	489	269
Cash and cash equivalents at the end of the year	5	**487**	**489**

Consolidated Statement of Changes in Shareholders' Equity for the Year Ended 31 December 2002

(expressed in millions of US dollars - Note 3)

	Share capital	Share premium	Accumulated deficit	Total shareholders' equity
Balance as at 1 January 2001	**2 153**	**34**	**(697)**	**1 490**
Profit for the year	-	-	310	310
Other movements	-	-	35	35
Balance as at 31 December 2001	**2 153**	**34**	**(352)**	**1 835**
Profit for the year	-	-	261	261
Dividends declared and paid (Note 23)	-	-	(20)	(20)
Other movements	-	-	42	42
Balance as at 31 December 2002	**2 153**	**34**	**(69)**	**2 118**

1 Principal Activities

The Bank for Foreign Trade and its subsidiaries and associates (the "Group") comprise Russian and foreign commercial banks, companies and other entities in which the Group, directly or indirectly, has the power to exercise control over financial and operating policies.

The ?ank for Foreign Trade (the "Bank"), more commonly known as Vneshtorgbank, is an open join-stock commercial bank. The Bank is licensed by the Central Bank of the Russian Federation to carry on banking activities and has operated under a full banking license since 1990. The bank's registered office is located at the following address: 16 Kuznetsky Most, Moscow 103031, Russian Federation.

A full list of subsidiaries and associates included within these consolidated financial statements is provided in Note 29.

The Group operates in the commercial banking sector. This includes deposit taking and commercial lending in freely convertible currencies and in Russian Roubles, support of clients' export/import transactions, foreign exchange, securities trading and trading in derivative financial instruments. The Group's operations are conducted in both Russian and international markets.

The number of employees of the Group as at 31 December 2002 was 5 840.

In October 2002 the Central Bank of the Russian Federation ("CBRF") transferred its 99.9% shareholding in the Bank to the Ministry of Property Relations of the Russian Federation (Refer Note 18).

Also during the second half of 2002 a majority of new directors were appointed to the Board of Directors.

2 Operating Environment of the Group

The Group operates primarily within the Russian Federation. Whilst there have been improvements in recent years in the economic situation in the Russian Federation, the economy of the Russian Federation continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible in most countries outside of the Russian Federation, and relatively high inflation.

In addition, the banking sector in the Russian Federation is particularly sensitive to adverse currency fluctuations and economic conditions. Furthermore, the need for further developments in the bankruptcy laws, the absence of formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the difficulties experienced by banks currently operating in the Russian Federation. The ongoing political stabilisation has been a positive contributing factor to the further development of the political and legal environment.

The prospects for future economic stability in the Russian Federation are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments, which are beyond the Group's control.

In addition, economic conditions continue to limit the volume of activity in the financial markets. Market quotations may not be reflective of the values for financial instruments which would be determined in an efficient, active market involving willing buyers and willing sellers. Management has therefore used the best available information to adjust market quotations to reflect their best estimate of fair values, where considered necessary.

3 Basis of Presentation

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standards ("IAS") and Interpretations issued by the International Accounting Standards Board. The Bank and its subsidiaries and associates maintain their accounting records in accordance with regulations applicable in their country of registration. These consolidated financial statements have been prepared from those accounting records and adjusted as necessary in order to comply with IFRS.

3 Basis of Presentation (Continued)

The national currency of the Russian Federation, where the Bank is domiciled, is the Russian Rouble. However, the Group's (and the Bank's) assets and liabilities are mostly dominated in United States dollars ("US dollars" or "USD") and other freely convertible currencies (Refer Note 25). The US dollar is used to a significant extent in, and has a significant impact on the operations of the Group, and the Group's cash flows are primarily denominated in US dollars and Euro's. Also, the US dollar is the currency in which Management manages the business risks and exposures, and measures the performance of the Group's business. Based upon these and other factors, the measurement currency of the Group is considered to be the US dollar and, therefore, these consolidated financial statements are measured and presented in US dollars. The Group's accounting records provide sufficient accounting information regarding the original US dollar equivalent of transactions executed in other currencies.

Where necessary, corresponding figures have been adjusted to conform with changes in the current year presentation.

4 Significant Accounting Policies

Consolidated financial statements. Subsidiaries are those companies and other entities in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has the power to exercise control over financial and operating policies. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are removed from consolidation from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition. The purchases of subsidiaries from the major shareholder have been accounted for under the uniting of interest method as the transactions are between two entities under common control. The excess of the cost of an acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Minority interest is that part of the net results of operations and of the net assets of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Minority interest in the consolidated balance sheet is recorded separately from liabilities and shareholders' equity and is affected by the foreign currency translation adjustment applicable to the minority shareholders' interest in the subsidiary. Minority interest related to operational results of the current year is recorded in the consolidated statement of income.

The line "Other movements" in the consolidated statement of changes in shareholders' equity includes the translation effect on equity, which arises for those subsidiaries whose measurement currency differs from the reporting currency of the Group (the US dollar), and other movements due to the acquisition and consolidation of certain subsidiaries.

Associates. Associates are entities over which the Group has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Investments in associates are accounted for using the equity method of accounting. Under this method, the Group's share of the post-acquisition profits or losses of associates is recognised in the consolidated statement of income, and its share of post-acquisition movements in reserves is recognised in equity. The cumulative post-acquisition movements are adjusted against the cost of the investments. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates includes goodwill (net of accumulated amortisation) on acquisition. When the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group does not recognise further losses unless the Group has incurred obligations or made payments on behalf of the associate.

Cash and short-term funds. Cash and cash equivalents are items which can be converted into cash within a day. All short term interbank placements, including overnight placements, are included in due from other banks. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents.

4 Significant Accounting Policies (Continued)

Mandatory cash balances with local Central banks. Mandatory cash balances with local Central banks represent mandatory reserve deposits which are not available to finance the Group's day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Trading securities. Trading securities are securities, which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities as trading securities if it has the intention to sell them within one year after purchase.

Trading securities are initially recognised at cost (which includes transaction costs) and subsequently remeasured at fair value based on their market value. In determining market value, all trading securities are valued at the last trade price if quoted on an exchange or, if traded over-the-counter, at the last bid price.

All related realized and unrealised gains and losses are recorded within gains less losses arising from trading securities in the consolidated statement of income in the period in which the change occurs. Interest earned on trading securities is reflected in the consolidated statement of income as interest income on securities. Dividends received are included within other operating income.

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

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are included into trading securities or investment securities available for sale as appropriate. The corresponding liability is presented within due to other banks or other borrowed funds. Securities purchased under agreements to resell ("reverse repo") are recorded as due from other banks or loans and advances to customers as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

Securities lent to counterparties continue to be recognised in the consolidated financial statements. Securities borrowed are not recognised in the consolidated financial statements, unless they are sold to third parties, in which case the purchase and sale are recorded within gains less losses arising from trading securities in the consolidated statement of income. The obligation to return the securities is recorded at fair value as a trading liability.

Originated loans and advances and provisions for loan impairment. Loans originated by the Group by providing money directly to the borrower or to a sub-participation agent at draw down, other than those that are originated with the intent of being sold immediately or in the short-term which are recorded as trading assets, are categorised as originated loans.

Originated loans and advances are recognised when cash is advanced to borrowers. Initially, originated loans and advances are recorded at cost, which is the fair value of the consideration given, and subsequently are carried at amortised cost less provision for loan impairment. Amortised cost is based on the fair value of cash consideration given to originate those loans determinable by reference to market prices at the origination date.

A credit risk provision for loan impairment is established if there is objective evidence that the Group will not be able to collect the amounts due according to the original contractual terms. The amount of the provision is the difference between the carrying amount and estimated recoverable amount, calculated as the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the instrument's original effective interest rate.

The provision for loan impairment 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 assigned to the borrowers and reflect the current economic environment in which the borrowers operate.

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the provision for loan impairment in the consolidated statement of income.

4 Significant Accounting Policies (Continued)

If the amount of the provision for loan impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the provision for loan impairment in the consolidated statement of income.

The Group does not enter into transactions for purchases of loans with third parties.

Other credit related commitments. In the normal course of business, the Group enters into other credit related commitments including letters of credit, commitments to extend credit and guarantees. Specific provisions are recorded against other credit related commitments when losses are considered probable.

Promissory notes purchased. Promissory notes purchased are included in trading securities, due from other banks or in loans and advances to customers, depending on their substance and are recognised, subsequently remeasured and accounted in accordance with the accounting policies for these categories of assets.

Investment securities available for sale. This classification includes investment securities which Management intends to hold for an indefinite period of time, that may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Management determines the appropriate classification of its securities at the time of purchase.

Investment securities available for sale are initially recognised at cost (which includes transaction costs) and are subsequently remeasured to fair value based on quoted bid prices or fair value as estimated by Management. Certain investments available for sale for which there is no available independent quotation have been fair valued by Management on the basis of results of recent sales of equity interests in the investees between unrelated third parties, consideration of other relevant information such as discounted cash flows and financial data of the investees and application of other valuation methodologies. Realised and unrealised gains and losses arising from changes in the value of investment securities available for sale are included in the consolidated statement of income in the period in which they arise. Interest earned on investment securities available for sale are reflected in the consolidated statement of income as interest income on securities. Dividends received are included within other operating income.

All regular way purchases and sales of investment securities available for sale are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. All other purchases and sales are recognised as derivative forward transactions until settlement.

Premises and equipment. Premises and equipment are stated at cost or revalued amounts less accumulated depreciation and provision for impairment where required. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the difference is recognised in the consolidated statement of income. The estimated recoverable amount is the higher of an asset's net selling price and its value in use.

Premises and equipment of acquired subsidiaries are initially recorded in the consolidated balance sheet at their estimated fair value at the date of acquisition.

Premises of the Group are subject to revaluation on a regular basis, approximately every three years. The frequency of revaluation depends upon the movements in the fair values of the premises and equipment being revalued.

Construction in progress is carried at cost less provision for any impairment in value. Upon completion, assets are transferred to premises and equipment at their carrying value. Construction in progress is not depreciated until the asset is available for use.

Gains and losses on disposal of premises and equipment are determined by reference to their carrying amount and are taken into account in determining profit or loss. Repairs and maintenance are charged to the consolidated statement of income when the expense is incurred.

4 Significant Accounting Policies (Continued)

Depreciation. Depreciation is applied on a straight line basis over the estimated useful lives of the assets using the following rates:

	Useful life	Depreciation rates
Premises	40 years	2.5% per annum; and
Equipment	4 – 20 years	5 –25% per annum

Operating leases. Where the Group is the lessee, payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

Borrowings. Borrowings are recognised initially at cost, being their issue proceeds (the fair value of consideration received) net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between the net proceeds and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective yield method.

If the Group purchases its own debt, it is removed from the consolidated balance sheet and the difference between the carrying amount of the liability and the consideration paid is recognised as gain arising from early retirement of debt in the consolidated statement of income.

Debt securities in issue. Debt securities in issue include promissory notes, certificates of deposit and debentures issued by the Group. Debt securities in issue are recognised initially at cost, being their issue proceeds (the fair value of consideration received) net of transaction costs incurred. Subsequently, debt securities in issue are stated at amortised cost and any difference between the net proceeds and the redemption value is recognised in the consolidated statement of income over the period of the security issue using the effective yield method.

If the Group purchases its own debt securities in issue, they are removed from the consolidated balance sheet and the difference between the carrying amount of the liability and the consideration paid is recognised as gains arising from early retirement of debt in the consolidated statement of income.

Share premium. Share premium represents the excess of contributions received over the nominal value of the shares issued.

Dividends. Dividends are recorded in equity in the period in which they are declared. The statutory accounting reports of the Group entities are the basis for profit distribution and other appropriations.

Income taxes. Taxation has been provided for in the consolidated financial statements in accordance with taxation legislation currently in force in the respective territories that the Group operates. The income tax charge in the consolidated statement of income comprises current tax and changes in deferred tax. Current tax is calculated on the basis of the taxable profit for the year, using the tax rates enacted at the balance sheet date.

Deferred income tax is provided, using the balance sheet liability method, for all temporary differences arising between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Taxes, other than on income, are recorded within operating expenses.

Income and expense recognition. Interest income and expense are recognised in the consolidated statement of income for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income securities and accrued discount and premium on promissory notes and other discounted instruments. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

4 Significant Accounting Policies (Continued)

Fees, commissions and other income and expense items are generally recorded on an accrual basis when the service has been provided. Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recorded on completion of the underlying transaction.

Foreign currency translation. Monetary assets and liabilities originally denominated in USD are stated at their original USD amounts. Monetary assets and liabilities in other currencies have been translated into USD using the exchange rate ruling at the balance sheet date. Non-monetary assets and liabilities, which are denominated in currencies other than USD, have been translated into USD at the exchange rates in effect at the date of the transaction. Income and expenses, which were earned and incurred in currencies other than USD, have been translated into USD using a basis that approximates the rate of exchange ruling at the date of the transaction.

Gains and losses arising from the translation of assets and liabilities into USD are reflected in the consolidated statement of income as foreign exchange translation losses net of gains.

As certain members of the Group located outside Russia operate independently of the Group, in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" (“IAS 21”), these entities are considered to be foreign entities (operations not integral to those of the parent) with respect to the Group. Thus, the financial statements of these foreign entities have been translated into USD as follows: balance sheets are translated at the applicable period end exchange rate and the statements of income are translated using a basis that approximates the rate of exchange ruling at the date of the transactions. This method of translation leads to the translation of non-monetary assets and liabilities, existing as at 31 December 2002, at two different rates (e.g. 31 December 2001 and 31 December 2002). In accordance with IAS 21, the exchange difference arising from the use of the two different exchange rates forms part of the Group’s net investment in the foreign entity and is classified as an element of equity in the consolidated financial statements until disposal, at which time it is recognised as income or expense. This exchange difference is reflected within the "Other movements" line in the consolidated statement of changes in shareholders’ equity.

As at 31 December 2002 the principal rate of exchange used for translating balances in Russian Roubles to USD was USD 1 =RR 31.78 (2001: USD 1 =RR 30.14).

Derivative financial instruments. Derivative financial instruments including foreign exchange contracts, currency swaps, options and other derivative financial instruments are initially recorded in the consolidated balance sheet at cost (including transaction costs) and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices, or using the spot rate at the year end as the basis, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative and are included within other assets or other liabilities as appropriate.

Changes in the fair value of derivatives are included in gains less losses arising from trading in foreign currency, gains less losses arising from trading securities, and gains less losses arising from investment securities available for sale, depending on the related contracts.

The Group does not enter into derivative instruments for hedging purposes.

Fiduciary assets. Assets and liabilities held by the Group in its own name, but for the account of third parties, are not reported on the consolidated balance sheet. Commissions received from such operations are shown within fee and commission income within the consolidated statement of income.

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

Provisions. Provisions are recorded when the Group 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.

Salary costs. The Group’s contributions to state pension schemes, social insurance and obligatory medical insurance funds in respect of its employees are expensed as incurred and included into staff costs within operating expenses.

(expressed in millions of US dollars - Note 3)

4 Significant Accounting Policies (Continued)

***Segment reporting*.** A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are ten per cent or more of all the segments are reported separately. Geographical segments of the Group have been reported separately within these consolidated financial statements based on the ultimate domicile of the counterparty, e.g. based on economic risk rather than legal risk of the counterparty.

5 Cash and Short-Term Funds

	2002	2001
Cash on hand	79	93
Cash balances with local central banks (other than mandatory reserve deposits)	135	128
Correspondent accounts with other banks		
- Russian Federation	259	23
- Other countries	170	384
Total cash and short-term funds	**643**	**628**
Less: restricted cash (refer below)	(156)	(139)
Total cash and cash equivalents	**487**	**489**

Restricted cash balances represent the balances on escrow accounts placed by the Bank in foreign banks on behalf of it's customers totalling USD 108 million (2001: USD 87 million) and cash placed by the Bank on nostro accounts with foreign and Russian banks in non-freely convertible currencies totalling USD 48 million (2001: USD 52 million). For the purposes of the consolidated statement of cash flows, restricted cash is not considered to be cash and cash equivalents.

Currency, maturity and interest rate analyses of cash and cash equivalents are disclosed in Note 25.

6 Trading Securities

	2002	2001
USD denominated securities		
MinFin bonds (OVGVZ)	506	29
Russian corporate Eurobonds	105	20
Bills of exchange	53	-
Other	15	8
RR denominated securities		
Bills of exchange and debentures	68	59
Federal loan bonds (OFZ)	54	39
Other	25	9
Securities denominated in other currencies		
Securities issued by foreign governments	43	40
Russian corporate Eurobonds	19	-
Other	33	29
Total trading securities	**921**	**233**

MinFin bonds (OVGVZ) are interest bearing securities denominated in USD, which carry the guarantee of the Ministry of Finance of the Russian Federation. The bonds are purchased at a discount to nominal value and carry an annual coupon of 3%. These bonds have maturity dates ranging from May 2003 to May 2011, and yields to maturity ranging from 5% to 8%.

(expressed in millions of US dollars - Note 3)

6 Trading Securities (Continued)

Russian corporate Eurobonds are interest bearing securities issued by major Russian corporates, which are freely tradable internationally. These bonds have maturity dates ranging from December 2003 to February 2009, coupon rates ranging from 9.7% to 13% and yields to maturity ranging from 6% to 10%.

USD and RR denominated bills of exchange and debentures represent securities issued primarily by Russian banks, large oil and gas companies and local authorities. These bills of exchange and debentures have maturity dates ranging from March 2003 to June 2007 and yields to maturity ranging from 5% to 18%.

Federal loan bonds (OFZ) are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. These OFZ bonds are issued at a discount to their nominal value, have maturity dates ranging from January 2003 to September 2008, coupon rates ranging from 10% to 14%, and yields to maturity ranging from 12% to 14%.

Included in securities issued by foreign governments are German government bonds, which have annual coupon rates ranging from 3% to 10% and maturities ranging from July 2003 to July 2012.

Included in MinFin bonds (OVGVZ) are USD 234 million (2001: nil) of securities pledged under sale and repurchase agreements with other banks (Refer Notes 12 and 26). All sale and repurchase agreements mature within one month of their inception.

7 Due from Other Banks

	2002	2001
Current term placements with other banks	1 165	581
Overdue placements with other banks	165	166
Reverse sale and repurchase agreements with other banks	35	-
Less: Provision for loan impairment	(119)	(173)
Total due from other banks	**1 246**	**574**

Due from other banks include Rouble and US dollar denominated loans to a Russian bank totalling USD 144 million (2001: USD 149 million). As at 31 December 2002 provision for impairment on these loans comprises USD 96 million (2001: USD 124 million). Subsequent to 31 December 2002, USD 48 million of these loans were repaid. See further disclosure about this Russian bank in Note 9.

Movements in the provision for loan impairment are as follows:

	2002	2001
Provision for loan impairment as at 1 January	**173**	**176**
(Release)/charge for provision for loan impairment during the year	(54)	26
Due from other banks written off during the year as uncollectable	-	(29)
Provision for loan impairment as at 31 December	**119**	**173**

As at 31 December 2002 the estimated fair value of due from other banks was USD 1 246 million (2001: USD 574 million) (Refer Note 27).

Currency, maturity and interest rate analyses of due from other banks are disclosed in Note 25. The relevant information on related party balances is disclosed in Note 28.

(expressed in millions of US dollars - Note 3)

8 Loans and Advances to Customers

	2002	2001
Current loans and advances	3 097	2 344
Rescheduled loans and advances	100	118
Overdue loans and advances	181	131
Less: Provision for loan impairment	(362)	(395)
Total loans and advances to customers	**3 016**	**2 198**

Included in loans and advances to customers is a deposit of USD 100 million (2001: USD 100 million) placed with a foreign bank for the purpose of financing Russian fishing enterprises, which has been fully provided against. In these consolidated financial statements this deposit has been treated as a loan to customers, that is the Russian fishing enterprises, following the concept of substance over form. The loan was originally financed by a deposit from a state-owned Russian bank, which is included in due to other banks (Refer Note 12). Both the loan and the deposit bear no interest.

Movements in the provision for loan impairment are as follows:

	2002	2001
Provision for loan impairment as at 1 January	**395**	**214**
Charge of provision for loan impairment during the year	18	181
Loans and advances to customers written off during the year as uncollectable	(51)	-
Provision for loan impairment as at 31 December	**362**	**395**

Economic sector risk concentrations within the customer loan portfolio are as follows:

	2002		2001	
	Amount	**%**	**Amount**	**%**
Energy	1 201	35	1 305	50
Manufacturing	972	29	460	18
Trade and commerce	357	11	194	8
Chemical	161	5	120	5
Finance	139	4	9	-
Telecommunications and media	130	4	63	2
Fishing	101	3	100	4
Construction	85	2	130	5
Transport	69	2	63	2
Government bodies	66	2	3	-
Other	97	3	146	6
Total loans and advances to customers	**3 378**	**100**	**2 593**	**100**

The Group has 9 borrowers with aggregated loan amounts above USD 50 million. The total amount of these loans is USD 1 607 million or 48% of the loan portfolio. Included in loans and advances are loans to a large corporate customer totalling USD 734 million (22% of the loan portfolio) with maturity dates from March 2003 to January 2004 and a fixed interest rate of 10% p.a. Of this amount USD 310 million was repaid subsequent to year end. The Group also has an exposure totalling USD 346 million (10% of the total loan portfolio) to one group of borrowers, of which USD 200 million is collateralised by restricted customer deposits (Refer Note 13).

As at 31 December 2002 the estimated fair value of loans and advances to customers was USD 3 016 million (2001: USD 2 198 million) (Refer Note 27).

Currency, maturity and interest rate analyses of loans and advances to customers are disclosed in Note 25. The relevant information on related party balances is disclosed in Note 28.

(expressed in millions of US dollars - Note 3)

9 Investment Securities Available for Sale

	2002	2001
Debt securities		
Eurobonds of the Russian Federation	756	1 517
MinFin bonds (OVGVZ)	93	431
Other	2	-
Equity securities		
Corporate shares	68	16
Other	42	23
Total investment securities available for sale	**961**	**1 987**

Eurobonds of the Russian Federation are US dollar denominated securities issued by the Ministry of Finance of the Russian Federation, which are freely tradable internationally. The Group's portfolio of Eurobonds consists of 7 tranches of securities with maturity dates ranging from June 2003 to March 2030. The annual coupon rates on these bonds range from 5% to 12.75% p.a. and interest is payable semi-annually. The Group's investments in Eurobonds of the Russian Federation range from approximately 0.07% to 13.07% of the respective tranches' total nominal value issued. As the Group owns a significant share of certain tranches of these bonds, in case the Group wishes to liquidate its investment in a particular tranche or all of its Russian Federation Eurobonds' portfolio, market prices could be adversely affected.

In December 2001 the Bank entered a forward agreement with the CBRF to sell Eurobonds of the Russian Federation of tranches 18 and 28 with nominal value of USD 903 million for USD 777 million with delivery and settlement in February 2002 (Refer Note 26). Management believed that the fair value of these securities based on market quotations as at 31 December 2001 did not depict their true fair value, and, therefore, this block of securities had been fair valued by Management as at 31 December 2001 at USD 777 million, which represented the amount to be received in February 2002 on the sale of these bonds in accordance with this forward agreement. This agreement was settled in February 2002.

MinFin bonds (OVGVZ) are interest bearing securities denominated in USD, which carry the guarantee of the Ministry of Finance of the Russian Federation. The bonds are purchased at a discount to their nominal value and carry an annual coupon of 3%. The bonds have maturity dates ranging from May 2006 to May 2011 and yields to maturity ranging from 7% to 8%.

MinFin bonds (OVGVZ) bonds as at 31 December 2001 included bonds totalling USD 111 million with a nominal value of USD 196 million. Under an agreement with the CBRF, any potential losses that may arise from holding these OVGVZ bonds were guaranteed by a placement of a corresponding deposit (Refer Note 14). This guarantee was treated in these consolidated financial statements in accordance with IAS 39 as a put option agreement with the CBRF. These securities were sold in August 2002 in accordance with the option terms (Refer Notes 26 and 28).

Corporate shares are shares of automobile production companies KAMAZ and Avtovaz. On 29 December 1999 the Group restructured a previously issued loan to KAMAZ into KAMAZ shares. As at 31 December 2002 the Group owned 19.9% (2001: 19.4%) of KAMAZ's and 8.3% (2001: nil) of Avtovaz's authorised ordinary share capital. These investments have been included in securities available for sale at Management's estimate of their fair value.

Included in the line "other" of equity securities is an investment in Ost-West Handelsbank of USD 29 million. This represents 31.9% of the net assets of this bank. This associate is accounted for in these consolidated financial statements using the equity method.

Also included in the line "Other" of equity securities is an investment in a Russian commercial bank (Most-Bank). In 2000 the Group acquired 100% of the share capital of Most-Bank for RR 5.5 million (USD 0.2 million). At the time of acquisition, the acquired bank was under the temporary administration of the CBRF. The CBRF withdrew Most-Bank's banking licenses on 20 April 2001 and the bank is currently subject to bankruptcy procedures initiated in May 2001. Due to the poor financial condition of this bank, the fair value of this investment has been estimated by Management as nil (2001: nil). The Group had also issued loans to this bank in 2000. (Refer Note 7).

Included in investment securities available for sale are Eurobonds of the Russian Federation with fair value as at 31 December 2002 of USD 107 million (2001: nil) pledged under sale and repurchase agreements. (Refer Note 12 and 26). All sale and repurchase agreements mature within one month of their inception.

(expressed in millions of US dollars - Note 3)

9 Investment Securities Available for Sale (Continued)

In addition, investment securities available for sale with fair value of USD 13 million (2001: USD 16 million) have been pledged to third parties as collateral with respect to term placements of other banks and other borrowed funds. (Refer Note 26).

Currency, maturity and interest rate analyses of investment securities available for sale are disclosed in Note 25.

10 Accrued Interest Income and Other Assets

	2002	**2001**
Accrued interest income	60	88
Trade debtors and prepayments	33	26
Unsettled transactions	12	1
Precious metals	9	9
Balances arises from derivative financial instruments (Note 26)	8	88
Settlements on conversion operations	4	3
Prepaid taxes	7	8
Other	11	14
Total accrued interest income and other assets	**144**	**237**

Currency and maturity analysis of accrued interest income and other assets are disclosed in Note 25.

11 Premises and Equipment

	Premises	**Office and computer equipment**	**Construction in progress**	**Total**
Net book amount as at 31 December 2001	**80**	**28**	**10**	**118**
Cost or revalued amount				
Opening balance	86	63	10	159
Additions	11	32	-	43
Disposals	(2)	(8)	-	(10)
Closing balance	**95**	**87**	**10**	**192**
Accumulated depreciation				
Opening balance at 1 January 2002	6	35	-	41
Depreciation charge	3	9	-	12
Impairment charge (Note 21)	-	-	10	10
Disposals	-	(1)	-	(1)
Closing balance	**9**	**43**	**10**	**62**
Net book amount as at 31 December 2002	**86**	**44**	**-**	**130**

The Bank's premises were independently valued as of 31 December 2000. The valuation was carried out by an internationally recognised independent firm of valuers, American Appraisal. The basis used for the appraisal was primarily open market value.

(expressed in millions of US dollars - Note 3)

12 Due to Other Banks

	2002	2001
Correspondent accounts and overnight deposits of other banks	495	341
Sale and repurchase agreements with other banks	273	-
Term deposits	517	256
Total due to other banks	**1 285**	**597**

Securities pledged against sale and repurchase agreements are MinFin bonds (OVGVZ) with a fair value of USD 234 million at 31 December 2002 (2001: nil) and Eurobonds of the Russian Federation with a fair value of USD 107 million at 31 December 2002 (2001: nil). As at 31 December 2002 these MinFin bonds (OVGVZ) bonds were recorded in the consolidated balance sheet within trading securities (Refer Note 6), Eurobonds of the Russian Federation were recorded within investment securities available for sale (Refer Note 9).

Included in correspondent accounts and overnight deposits of other banks is a USD 100 million deposit placed by a state-owned Russian bank in relation to a deposit placed by the Group with a foreign bank for the purpose of financing Russian fishing enterprises (Refer Note 8).

As at 31 December 2002 the estimated fair value of due to other banks was USD 1 285 million (2001: USD 597 million) (Refer Note 27).

Currency, maturity and interest rate analyses of due to other banks are disclosed in Note 25. The relevant information on related party balances is disclosed in Note 28.

13 Customer Accounts

	2002	2001
State and public organisations		
Current/settlement accounts	249	246
Term deposits	7	6
Other legal entities		
Current/settlement accounts	802	632
Term deposits	835	675
Individuals		
Current/settlement accounts	103	73
Term deposits	441	151
Total customer accounts	**2 437**	**1 783**

Economic sector concentrations within customer accounts are as follows:

	31 December 2002		31 December 2001	
	Amount	**%**	**Amount**	**%**
Individuals	544	22	224	12
Energy	474	19	788	44
Trade	398	16	154	9
Government bodies	256	11	252	14
Manufacturing	255	10	95	5
Finance	166	7	32	2
Telecommunication and mass media	68	3	31	2
Transport	67	3	-	-
Foreign entities representative offices	66	3	30	2
Construction	19	1	-	-
Other	124	5	177	10
Total customer accounts	**2 437**	**100**	**1 783**	**100**

(expressed in millions of US dollars - Note 3)

13 Customer Accounts (Continued)

Included in customer accounts are:

- Restricted deposits amounting to USD 108 million (2001: USD 87 million), where matching deposits were placed by the Group on escrow accounts (Refer Note 5).
- Restricted deposits of USD 200 million (2001: USD 200 million) held as collateral for loans issued to a group of related borrowers (Refer Note 8).
- Deposits of USD 56 million (2001: USD 67 million) held as collateral against irrevocable commitments under import letters of credit (Refer Note 26).

As at 31 December 2002 the estimated fair value of customer accounts was USD 2 437 million (2001: USD 1 783 million) (Refer Note 27).

Currency, maturity and interest rate analyses of customer accounts are disclosed in Note 25.

14 Other Borrowed Funds

	2002	2001
CBRF funding	380	1 286
Syndicated loan	225	-
Revolving credit lines	89	74
Other borrowings	-	1
Total other borrowed funds	**694**	**1 361**

CBRF funding includes term deposits totalling USD 150 million with interest rates ranging from 3.8 to 3.9%. and was repaid in January and March 2003. As at 31 December 2001 included in CBRF funding was a deposit of USD 670 million with a fixed interest rate of 4% p.a., which was repaid by the Group at maturity in February 2002.

Also included in CBRF funding as at 31 December 2001, was a deposit of USD 196 million, the use of which is restricted and which was extended to the Group specifically for the purpose of financing the purchase of OVGVZ bonds with nominal value of USD 196 million (Refer Note 9 and 28). This deposit was repaid by the Group in August 2002.

In December 2002 the Group attracted a syndicated loan of USD 225 million from a syndicate of international banks. The loan was arranged by Citibank, N.A., London and Deutsche Bank AG, London and bears an interest rate of LIBOR plus 2.5-2.7% with maturities ranging from December 2003 to June 2004.

The Group has a revolving credit line opened with the European Bank for Reconstruction and Development (EBRD), which carries interest rate of LIBOR plus 2.5-3%.

Currency, maturity and interest rate analyses of other borrowed funds are disclosed in Note 25.

15 Debt Securities in Issue

	2002	2001
Promissory notes	432	327
Debentures and deposit certificates	28	38
Total debt securities in issue	**460**	**365**

(expressed in millions of US dollars - Note 3)

15 Debt Securities in Issue (Continued)

In April 2002 the Group issued Russian Rouble denominated debentures, which are publicly traded in the Russian market. Debentures were issued at a discount to nominal value, and mature in April 2004. The market price of these securities as at 31 December 2002 represents 82.7% of their nominal value.

As at 31 December 2002 the estimated fair value of debt securities in issue was USD 458 million (2001: USD 363 million) (Refer Note 27).

Currency, maturity and interest rate analyses of debt securities in issue are disclosed in Note 25.

16 Accrued Interest Expense and Other Liabilities

	2002	2001
Taxation payable	45	2
Accrued interest expense	40	19
Trade creditors	37	10
Unsettled transactions	11	1
Provisions for credit related commitments (Note 26)	10	10
Settlements on conversion operations	2	-
Balances arises from derivative financial instruments (Note 26)	1	2
Other	29	5
Total accrued interest expense and other liabilities	**175**	**49**

Currency and maturity analyses of accrued interest expense other liabilities are disclosed in Note 25.

17 Minority Interest

	2002	2001
Minority interest as at 1 January	**50**	**109**
Share of net profit	17	16
Other movements	9	(75)
Minority interest as at 31 December	**76**	**50**

The caption "Other movements" includes movements in the minority interest arising due to the acquisition of additional shares of Donau-bank, East-West United Bank and other Russian subsidiaries by the Group in 2001, and the translation effect on minority interest arising for subsidiaries whose operating currency differs from the reporting currency of the Group (US dollar).

18 Share Capital

Authorised, issued and fully paid share capital of the Group comprises:

	2002		2001	
	Number of shares	Amount	Number of shares	Amount
Ordinary shares	42 137 236	2 153	42 137 236	2 153
Total share capital	**42 137 236**	**2 153**	**42 137 236**	**2 153**

(expressed in millions of US dollars - Note 3)

18 Share Capital (Continued)

Contributions to the Bank's share capital were originally made in the form of Roubles, foreign currency and gold bullion. All ordinary shares have a nominal value of RR 1 thousand per share, rank equally and carry one vote.

In October 2002 the CBRF transferred its 99.9% shareholding in the Bank to the Ministry of Property Relations of the Russian Federation.

19 Interest Income and Expense

	2002	2001
Interest income		
Loans and advances to customers	334	172
Securities	157	206
Due from other banks	39	59
Total interest income	**530**	**437**
Interest expense		
Customer accounts	(108)	(46)
Debt securities in issue	(31)	(29)
Due to banks and other borrowed funds	(43)	(74)
Total interest expense	**(182)**	**(149)**
Net interest income	**348**	**288**

20 Fee and Commission Income and Expense

	2002	2001
Commission on settlement transactions	22	19
Commission on cash transactions	9	8
Commission on guarantees issued	4	3
Commission on cash collection	1	1
Commission on transactions with securities	1	1
Other	7	5
Total fee and commission income	**44**	**37**
Commission on settlement transactions	(2)	(2)
Commission on cash transactions	(1)	(1)
Commission on cash collection	(1)	(1)
Other	(2)	(2)
Total fee and commission expense	**(6)**	**(6)**
Net fee and commission income	**38**	**31**

(expressed in millions of US dollars - Note 3)

21 Operating Expenses

	2002	2001
Staff costs	117	79
Depreciation and other expenses related to premises and equipment	24	16
Taxes other than on income	23	16
Leasing and rent expenses	19	15
Administrative expenses	17	9
Charity	13	1
Impairment charge on premises and equipment (Note 11)	10	-
Professional services	3	2
Other	37	21
Total operating expenses	**263**	**159**

22 Income Taxes

Income tax expense comprises the following:

	2002	2001
Current tax charge	167	82
Deferred taxation movement due to the origination and reversal of temporary differences	(61)	152
Effect of change in tax rate	-	(64)
Income tax expense for the year	**106**	**170**

The income tax rate applicable to the majority of the Group's income is 24% (2001: 43%). Effective 1 January 2001, the Russian statutory tax rate was increased from 38% to 43%. A 24% statutory income tax rate was enacted in August 2001 and became effective starting from 1 January 2002. The income tax rate applicable to the majority of subsidiaries income ranges from 4% to 34% (2001: from 4% to 43%). A reconciliation between the expected and the actual taxation charge is provided below.

	2002	2001
IFRS profit before taxation	**384**	**496**
Theoretical tax charge at the applicable statutory rate	92	203
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non deductible expenses	114	99
- Income which is exempt from taxation	(75)	(11)
- Income on government securities taxed at different rates	(5)	(16)
- Other non-temporary differences	6	5
- Tax losses utilized	(26)	(15)
Effect of the change in tax rate	-	(64)
Non-recognised net deferred tax asset movement	-	(31)
Income tax expense for the year	**106**	**170**

(expressed in millions of US dollars - Note 3)

22 Income Taxes (Continued)

Differences between IFRS and taxation regulations give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and for profits tax purposes. The tax effect of the movement on these temporary differences is recorded at the rate of 24% (2001: 43%), except for income on Russian government securities which is taxed at 15% (2001: 15%).

	2000	Movement	2001	Movement	2002
Tax effect of deductible temporary differences					
Provision for loan impairment	-	5	5	26	31
Fair valuation of securities	68	(17)	51	(42)	9
Accrued expenses	8	(3)	5	10	15
Gross deferred tax asset	**76**	**(15)**	**61**	**(6)**	**55**
Less: non-recognised deferred tax asset	(31)	31	-	-	-
Net deferred tax asset	**45**	**16**	**61**	**(6)**	**55**
Tax effect of taxable temporary differences					
Fair valuation of securities	(4)	(89)	(93)	26	(67)
Premises and equipment	(13)	4	(9)	3	(6)
Accrued income	(17)	(10)	(27)	27	-
Fair valuation of derivative financial instruments	-	(20)	(20)	20	-
Provision for loan impairment	(11)	11	-	(9)	(9)
Gross deferred tax liability	**(45)**	**(104)**	**(149)**	**67**	**(82)**
Total net deferred tax liability	**-**	**(88)**	**(88)**	**61**	**(27)**

The Group's subsidiaries have approximately USD 502 million (2001:USD 479 million) of tax losses available for relief against future profits. These tax loss carry forwards have not been recognised as a deferred tax asset due to uncertainty surrounding the Group’s ability to utilise these tax losses in the future.

23 Dividends

In 2002 the Bank declared and paid dividends in the amount of USD 20 million (2001: nil). All dividends are declared and paid in Russian Roubles.

24 Analysis by Segment

In accordance with IAS 14, “Segment Reporting”, the Group’s primary format for reporting segment information is geographical segments and the secondary format is business segments. Segment information for the two main reportable geographical segments of the Group, Russia and Europe, is set out below for the year ended 31 December 2002.

(expressed in millions of US dollars - Note 3)

24 Analysis by Segment (Continued)

	Russia	Europe	Total
Total revenues	652	170	822
Segment results	288	96	384
Taxation			(106)
Profit after taxation			278
Minority interest			(17)
Net profit			**261**
Segment assets	5 932	1 340	7 272
Segment liabilities	4 080	998	5 078
Other segment items			
Capital expenditure	42	1	43
Depreciation	11	1	12
Impairment charge	(10)	-	(10)
Other non-cash income (expenses)/income	(31)	34	3

The Group has one reportable business segment, which is commercial banking. The summary information of this business segment as at 31 December 2002 is presented below:

	Commercial banking
Operating income	647
Segment assets	7 272
Credit related commitments	1 763
Capital expenditure	43

Segment information for the year ended 31 December 2001 is set out below:

	Russia	Europe	Total
Total revenues	810	227	1 037
Segment results	409	86	495
Income from associated companies			1
Profit before taxation			496
Taxation			(170)
Profit after taxation			326
Minority interest			(16)
Net profit			**310**
Segment assets	5 022	1 106	6 128
Segment liabilities	3 336	907	4 243
Other segment items			
Capital expenditure	10	3	13
Depreciation	2	1	3
Other non-cash expenses	(147)	(50)	(197)

(expressed in millions of US dollars - Note 3)

24 Analysis by Segment (Continued)

The summary information of the business segment as at 31 December 2001 is presented below:

	Commercial banking
Operating income	655
Segment assets	6 128
Credit related commitments	789
Capital expenditure	13

External revenues, assets, other than assets detailed below, liabilities and credit related commitments have generally been allocated based on the domicile of the counterparty. Cash on hand, precious metals, premises and equipment and capital expenditure have been allocated based on the country in which they are physically held.

25 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. Risk assessment also forms the basis for optimal risk-adjusted capital allocation, transaction pricing and performance assessment. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimize operational and legal risks.

Credit risk. The Group takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Group 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 geographical and industry 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 industry sector are approved regularly by the Assets/Liabilities Committee and Credit Committee.

The exposure to any one borrower including Groups and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored regularly.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal 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 Group's maximum exposure to credit risk is primary reflected in the carrying amounts of financial assets on the consolidated balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

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

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Asset/Liability Committee sets limits on the value of risk that may be accepted, which is monitored on a regular basis.

Currency risk. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Assets/Liability Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2002. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by currency. The off-balance sheet gap represents the difference between the notional amounts of foreign currency derivative financial instruments, which are principally used to reduce the Group's exposure to currency movements, and their fair values. At 31 December 2002, the Group has the following positions in currencies:

(expressed in millions of US dollars - Note 3)

25 Financial Risk Management (Continued)

	USD	RR	Euro	Other currencies	Total
Assets					
Cash and cash equivalents	275	166	136	66	643
Mandatory cash balances with local central banks	-	203	8	-	211
Trading securities	679	147	82	13	921
Due from other banks	830	205	180	31	1 246
Loans and advances to customers	2 299	662	55	-	3 016
Investment securities available for sale	901	29	31	-	961
Accrued interest income and other assets	72	41	19	12	144
Premises and equipment	-	117	11	2	130
Total assets	**5 056**	**1 570**	**522**	**124**	**7 272**
Liabilities					
Due to other banks	955	178	86	66	1 285
Customer accounts	1 432	761	228	16	2 437
Other borrowed funds	694	-	-	-	694
Debt securities in issue	172	193	95	-	460
Accrued interest expense and other liabilities	73	63	23	16	175
Deferred tax liability	-	18	9	-	27
Total liabilities	**3 326**	**1 213**	**441**	**98**	**5 078**
Net balance sheet position	**1 730**	**357**	**81**	**26**	**2 194**
Credit related commitments (Note 26)	**1 309**	**15**	**88**	**351**	**1 763**
Off-balance sheet net notional position (Note 26)	**(282)**	**4**	**247**	**38**	**7**

At 31 December 2001, the Group had the following positions in currency

	USD	RR	Euro	Other currencies	Total
Net balance sheet position	**1 366**	**426**	**101**	**(8)**	**1 885**
Credit related commitments (Note 26)	**644**	**73**	**48**	**24**	**789**
Off-balance sheet net notional position (Note 26)	**(101)**	**(3)**	**93**	**12**	**1**

Liquidity risk. Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivatives. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The liquidity risk is managed by the Asset/Liability Committee.

The table below shows assets and liabilities as at 31 December 2002 by their remaining contractual maturity. Some of the assets, however, may be of a longer term nature; for example, certain loans are frequently renewed and accordingly short term loans can have a longer term duration.

(expressed in millions of US dollars - Note 3)

25 Financial Risk Management (Continued)

The liquidity position of the Group as at 31 December 2002 is set out below.

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
Assets						
Cash and short-term funds	487	-	-	-	156	643
Mandatory cash balances with local central banks	125	51	16	1	18	211
Trading securities	921	-	-	-	-	921
Due from other banks	897	144	117	40	48	1 246
Loans and advances to customers	353	969	636	1 047	11	3 016
Investment securities available for sale	851	-	-	-	110	961
Accrued interest income and other assets	107	29	7	1	-	144
Premises and equipment	-	-	-	-	130	130
Total assets	**3 741**	**1 193**	**776**	**1 089**	**473**	**7 272**
Liabilities						
Due to banks	1 127	95	33	30	-	1 285
Customer accounts	1 357	568	233	123	156	2 437
Other borrowed funds	70	290	215	119	-	694
Securities issued	261	130	41	28	-	460
Accrued interest expense and other liabilities	73	62	4	26	10	175
Deferred tax liability	-	-	27	-	-	27
Total liabilities	**2 888**	**1 145**	**553**	**326**	**166**	**5 078**
Net liquidity gap	**853**	**48**	**223**	**763**	**307**	**2 194**
Cumulative liquidity gap as at 31 December 2002	**853**	**901**	**1 124**	**1 887**	**2 194**	**-**

(expressed in millions of US dollars - Note 3)

25 Financial Risk Management (Continued)

The liquidity position of the Group as at 31 December 2001 is set out below.

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
Assets						
Cash and short-term funds	489	-	-	-	139	628
Mandatory cash balances with local central banks	69	71	6	7	-	153
Trading securities	233	-	-	-	-	233
Due from other banks	300	162	58	54	-	574
Loans and advances to customers	294	605	421	878	-	2 198
Investment securities available for sale	1 837	-	-	111	39	1 987
Accrued interest income and other assets	126	9	16	86	-	237
Premises and equipment, net	-	-	-	-	118	118
Total assets	**3 348**	**847**	**501**	**1 136**	**296**	**6 128**
Liabilities						
Due to banks	465	98	9	25	-	597
Customer accounts	1 031	420	166	27	139	1 783
Other borrowed funds	5	1 232	1	123	-	1 361
Securities issued	238	91	34	2	-	365
Accrued interest expense and other liabilities	11	22	16	-	-	49
Deferred tax liability	-	-	-	88	-	88
Total liabilities	**1 750**	**1 863**	**226**	**265**	**139**	**4 243**
Net liquidity gap	**1 598**	**(1 016)**	**275**	**871**	**157**	**1 885**
Cumulative liquidity gap as at 31 December 2001	**1 598**	**582**	**857**	**1 728**	**1 885**	**-**

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the Management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of 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 Group and its exposure to changes in interest and exchange rates.

Management believes that in spite of the fact that the majority of the Group's security portfolio matures after one year in accordance with the terms of issue, the majority of these securities are freely traded on the market and as such securities represent a hedge against potential liquidity risks. As such, the Group has included the securities in the "on demand and less than one month" category.

Further, Management believes that although a substantial portion of customer deposits are on demand and less than one month, diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these deposits provide a long-term and stable source of funding for the Group.

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The Group is exposed to interest rate risk, principally as a result of lending at fixed interest rates, in amounts and for periods, which differ from those of term borrowings at fixed interest rates. In practice, interest rates are generally

(expressed in millions of US dollars - Note 3)

25 Financial Risk Management (Continued)

fixed on a short-term basis. Also, interest rates that are contractually fixed on both assets and liabilities are usually renegotiated to reflect current market conditions.

The Assets/Liability Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored on a regular basis. In the absence of any available hedging instruments, the Group normally seeks to match its interest rate positions.

The table below summarises the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity/ overdue/ non-interest bearing	Total
Assets						
Cash and short-term funds	487	-	-	-	156	643
Mandatory cash balances with local central banks	125	51	16	1	18	211
Trading securities	921	-	-	-	-	921
Due from other banks	898	234	60	6	48	1 246
Loans and advances to customers	373	1 108	624	900	11	3 016
Investment securities available for sale	851	-	-	-	110	961
Accrued interest income and other assets	98	29	7	1	9	144
Premises and equipment	-	-	-	-	130	130
Total assets	**3 753**	**1 422**	**707**	**908**	**482**	**7 272**
Liabilities						
Due to banks	1 163	98	16	8	-	1 285
Customer accounts	1 357	568	233	123	156	2 437
Other borrowed funds	70	525	77	22	-	694
Securities issued	261	130	41	28	-	460
Accrued interest expense and other liabilities	73	62	4	26	10	175
Deferred tax liability	-	-	-	-	27	27
Total liabilities	**2 924**	**1 383**	**371**	**207**	**193**	**5 078**
Net gap	**829**	**39**	**336**	**701**	**289**	**2 194**
Cumulative gap as at 31 December 2002	**829**	**868**	**1 204**	**1 905**	**2 194**	**-**

As at 31 December 2001 the Group's interest rate sensitivity analysis based on the repricing of the Group's assets and liabilities did not differ significantly from the maturity analysis.

(expressed in millions of US dollars - Note 3)

25 Financial Risk Management (Continued)

The table below summarises the effective interest rates by major currencies for major monetary financial instruments. The analysis has been prepared using period-end effective contractual rates.

	2002				2001			
	USD	**RR**	**Euro**	**Other currencies**	**USD**	**RR**	**Euro**	**Other currencies**
Assets								
Cash and cash equivalents	1%	0%	1%	1%	1%	0%	1%	0%
Debt trading securities	10%	13%	7%	5%	3%	15%	4%	-
Due from other banks	4%	9%	4%	2%	4%	14%	4%	3%
Loans and advances to customers	9%	21%	10%	-	10%	21%	7%	7%
Debt investment securities available for sale	9%	-	-	-	8%	-	-	-
Liabilities								
Due to other banks	1%	9%	3%	2%	4%	20%	4%	1%
Customer accounts	6%	6%	2%	2%	4%	7%	6%	1%
Other borrowed funds	3%	-	-	-	4%	-	-	-
Debt securities in issue	7%	9%	7%	-	6%	6%	-	-

The sign "-" in the table above means that the Group does not have the respective assets or liabilities in the corresponding currency.

26 Contingencies, Commitments and Derivative Financial Instruments

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

Tax legislation. 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 in a generally unstable environment by the tax authorities of making arbitrary judgement of business activities, Management's judgement of the Group's business activities may not coincide with the interpretation of the same activities by tax authorities. If a particular treatment was to be challenged by the tax authorities, the Group entities may be assessed additional taxes, penalties and interest, which can be significant. Tax years remain open to review by the tax authorities for three years.

Transfer pricing legislation, which was introduced from 1 January 1999, provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect to all controlled transactions, provided that the transaction price differs from the market price by more than 20%. Controlled transactions include transactions with related parties, and transactions with unrelated parties if the price differs on similar transactions with two different counterparties by more than 20%.

Capital commitments. As at 31 December 2002 the Group has no capital commitments.

Operating lease commitments. Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases are USD 3 million during 2003 and 2004.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees which represent irrevocable assurances that the Group 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 Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by cash deposits and therefore carry less risk than direct borrowings.

(expressed in millions of US dollars - Note 3)

26 Contingencies, Commitments and Derivative Financial Instruments (Continued)

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Outstanding credit related commitments are as follows:

	2002	2001
Export letters of credit	1 088	360
Undrawn credit lines	292	102
Guarantees issued	226	216
Import letters of credit	123	69
Commitments to extend credit	44	52
Less: provision for losses on credit related commitments	(10)	(10)
Total credit related commitments	**1 763**	**789**

?ommitments under import letters of credit collateralised by customer deposits of USD 56 million (2001: USD 67 million) (Refer Note 13).

Movements in the provision for losses on credit related commitments are as follows:

	2002	2001
Provision for losses on credit related commitments at 1 January	**10**	**7**
Provision for losses on credit related commitments during the period	-	3
Provision for losses on credit related commitments at 31 December (Note 16)	**10**	**10**

Derivative financial instruments. Foreign exchange and other off-balance sheet financial instruments are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions.

The principal amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or principal amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The principal or agreed amounts and fair values of derivative instruments held are set out in the following table. This table reflects gross position before the netting of any counterparty position by type of instrument and covers the contracts with a maturity date subsequent to 31 December 2002. These contracts were mainly entered into in December 2002 and settled early in January 2003.

(expressed in millions of US dollars - Note 3)

26 Contingencies, Commitments and Derivative Financial Instruments (Continued)

The table below includes contracts outstanding as at 31 December 2002.

	Domestic			Foreign		
	Principal or agreed amount	**Negative fair value**	**Positive fair value**	**Principal or agreed amount**	**Negative fair value**	**Positive fair value**
Deals entered into in 2002:						
Deliverable forwards						
- sale of foreign currency	-	-	-	6	-	-
- sale of precious metals	-	-	-	1	-	-
- sale of securities	20	-	-	-	-	-
Spot						
- sale of foreign currency	11	-	-	3	-	-
- purchase of foreign currency	11	-	-	3	-	-
- sale of securities	13	-	-	-	-	-
Swap						
- sale of foreign currency	-	-	-	24	(1)	-
- purchase of foreign currency	12	-	-	295	-	8
Total	**67**	**-**	**-**	**332**	**(1)**	**8**

The table below includes contracts outstanding as at 31 December 2001.

	Domestic			Foreign		
	Principal or agreed amount	**Negative fair value**	**Positive fair value**	**Principal or agreed amount**	**Negative fair value**	**Positive fair value**
Deals entered into in 2001:						
Deliverable forwards						
- sale of foreign currency	-	-	-	1	-	-
- purchase of foreign currency	-	-	-	26	-	-
- sale of investment securities available for sale (Refer Note 9)		-	-	-	-	-
Spot						
- sale of foreign currency	17	-	-	-	-	-
Option						
- sale of investment securities available for sale (Refer Note 9)	196	-	85	-	-	-
Swap						
- sale of foreign currency	-	-	-	24	-	3
- purchase of foreign currency	-	-	-	119	(2)	-
Total	**990**	**-**	**85**	**170**	**(2)**	**3**

As at 31 December 2001 the Group had an outstanding forward agreement with CBRF for the sale of investment securities available for sale (Eurobonds of the Russian Federation). The Bank entered a forward agreement with the CBRF to sell this block of securities for USD 777 million with delivery and settlement in February 2002. This deal was settled in February 2002 (Refer Note 9).

OVGVZ bonds as at 31 December 2001 included bonds totalling USD 111 million with a nominal value of USD 196 million. Under an agreement with the CBRF, any potential losses that may arise from holding these OVGVZ bonds were guaranteed by a corresponding deposit (Refer Note 14). This guarantee was treated in these consolidated financial statements in accordance with IAS 39 as a put option agreement with the CBRF. These securities were realised in August 2002 in accordance with the option terms (Refer Notes 9 and 28).

(expressed in millions of US dollars - Note 3)

26 Contingencies, Commitments and Derivative Financial Instruments (Continued)

Fiduciary assets. These assets are not included in the Group's consolidated balance sheet as they are not assets of the Group. Nominal values disclosed below are normally different from the fair values of respective securities. The fiduciary assets fall into the following categories:

	2002 Nominal value	**2001 Nominal value**
MinFin bonds (OVGVZ)	6 252	5 189
Eurobond of the Russian Federation	858	2 040
Other	260	353

Assets pledged. As at 31 December 2002, the Group has USD 13 million (2001: USD 16 million) of securities pledged as collateral (Refer Note 9). The Bank, also, pledged securities with the fair value of USD 341 million (2001: nil) under sale and repurchase agreements with other banks. (Refer Notes 6 and 9). All these operations were performed by the Bank in the normal course of business.

27 Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. As described in more detail in Note 2, the Russian Federation has shown signs of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. While Management has used available market information in estimating the fair value of financial instruments, the market information may not be fully reflective of the value that could be realised in the current circumstances.

Financial instruments carried at fair value. Cash and cash equivalents, trading securities and investment securities available for sale are carried on the balance sheet at their fair value. The fair value of these assets were determined by Management on the basis of market quotations.

Due from other banks. Management has estimated that as at 31 December 2002 and as at 31 December 2001 the fair value of due from other banks was not materially different from respective carrying value. This is primarily due to the fact that it is practice to renegotiate interest rates to reflect current market conditions and, therefore, a majority of balances carry interest at rates approximating market interest rates.

Loans and advance to customers. Management has estimated that as at 31 December 2002 and as at 31 December 2001 the fair value of loans and advances to customers was not materially different from respective carrying value. This is primarily due to the fact that it is practice to renegotiate interest rates to reflect current market conditions and, therefore, a majority of balances carry interest at rates approximating market interest rates.

Borrowings. Management has estimated that as at 31 December 2002 and as at 31 December 2001 the fair values of borrowings were not materially different from respective carrying values. This is primarily due to the fact that it is practice to renegotiate interest rates to reflect current market conditions and, therefore, a majority of balances carry interest at rates approximating market interest rates.

Debt securities in issue. The fair value of debt securities were determined by Management on the basis of market quotations.

The fair value of derivatives is disclosed in Note 26.

(expressed in millions of US dollars - Note 3)

28 Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Banking transactions are entered into in the normal course of business with shareholders, non-consolidated subsidiaries and associates. These transactions include settlements, loans, deposit taking, trade finance and foreign currency transactions. Transactions are priced predominantly at market rates.

The outstanding balances at the year end and income and expense items for the year with related parties (excluding the major shareholder) are as follows:

	2002	2001
Loans		
Loans and advances to customers and due from other banks	-	369
Provision for loan impairment	-	(161)
Interest income	-	2
Investment securities available for sale		
Investment securities (Refer Note 9)	-	111
Deposits		
Customer accounts and due to other banks	-	2

The outstanding balances at the year-end and interest income and expense as well as other transactions for the year with the major shareholder (commencing October 2002: the Ministry of Property Relations of the Russian Federation; prior to October 2002: the CBRF) are as stated in the table below:

	2002	2001
Mandatory cash balances with local central banks	-	148
Loans and advances to customers and due from other banks	-	123
Interest income	1	-
Customer accounts and due to other banks	-	2
Other borrowed funds	-	1 286
Interest expense	18	31
Gain less losses on operations with investment securities available for sale	36	-
Balances arising from derivative financial instruments (Refer Notes 10 and 26)	-	85
Guarantees received	-	9
Deliverable forward on investment securities (Refer Note 26)	-	777
Investment securities pledged	-	13
Dividends paid	20	-

In 2002 the total remuneration of the directors and key management personnel, including pension contributions, and discretionary compensation amounts to USD 10 million (2001: USD 6 million).

The decrease in related party transactions resulted from the change in ownership of the Group (Refer Note 1) in October 2002.

(expressed in millions of US dollars - Note 3)

29 Consolidated Subsidiaries and Associates

The subsidiaries and associate included in these consolidated financial statements are presented in the table below:

Name	Activity	Country of registration	Equity controlled 2001	Equity controlled 2002
Subsidiaries				
Donau-bank	Banking	Austria	85.0%	85.0%
Russian Commercial Bank	Banking	Cyprus	100.0%	100.0%
Russian Commercial Bank	Banking	Switzerland	100.0%	100.0%
East-West United Bank	Banking	Luxembourg	58.0%	53.0%
Bank "Zabaikalsky"	Banking	Russia	99.9%	99.9%
VOK Vneshtorgbank	Banking	Russia	99.4%	99.4%
Novosibirskvneshtorgbank	Banking	Russia	97.5%	97.5%
Ulyanovskvneshtorgbank	Banking	Russia	60.4%	60.4%
Multicarta Ltd	Plastic cards	Russia	50.0%	50.0%
Euroleasing, GMBH	Leasing	Germany	60.0%	60.0%
Rafinco Co., NY	Trading	USA	100.0%	100.0%
ITC Consultancy	Finance	Cyprus	100.0%	100.0%
VB Service	Commerce	Russia	100.0%	100.0%
Trading House VTB	Commerce	Russia	100.0%	100.0%
Vympel-B Ltd	Security	Russia	100.0%	100.0%
Non-state Pension Fund of Vneshtorgbank	Finance	Russia	100.0%	100.0%
ZAO Konobeevo	Recreation	Russia	89.9%	89.9%
Insurance capital Ltd	Insurance	Russia	69.8%	69.8%
ZAO " Binex"	Oil	Russia	51.0%	51.0%
Associates				
Ost -West Handelsbank	Banking	Germany	29.9%	31.9%

On 30 December 2002 the Group sold 5% of the share capital of EWUB for USD 1 million, which decreased the Group's holding from 58% to 53%.

On 16 April 2002 the Group acquired 2% of Ost-West Handelsbank's share capital for cash payment of Euro 1 million (USD equivalent is USD 1 million), thus increasing its share in Ost-West Handelsbank to 31.9%.