



## Financial Highlights



As of / For the Year Ended December 31  
(in thousands of US Dollars, except ratio data)

	2002	2001	2000	% change 2002/2001
<b>Earnings Summary</b>				
Interest income <sup>(1)</sup>	22,268	13,803	4,933	61
Net interest income	19,512	9,826	3,774	99
Non interest income	6,852	5,529	6,469	24
Non interest expense (excluding translation losses)	11,748	9,652	7,492	22
Net income	8,814	1,238	630	612

### Balance Sheet

Trading securities	16,475	3,475	880	374
Loans to customers, net	135,104	81,917	40,621	65
Total assets	214,680	134,614	73,263	60
Deposits by customers	81,160	66,138	34,777	23
Promissory notes and certificates of deposit	51,218	19,235	6,839	166
Stockholders' equity	64,206	44,371	29,660	45

### Ratios

Return on average assets	5.0%	1.2%	0.9%	317
Return on average equity	16.2%	3.3%	2.5%	391
Overhead ratio <sup>(2)</sup>	45%	58%	73%	(22)
Equity to assets ratio	29.9%	32.9%	40.5%	(9)

<sup>(1)</sup> On a full tax equivalent basis

<sup>(2)</sup> The overhead ratio is defined as non interest expense (excluding translation losses) divided by total revenue (interest income and non interest income)

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## Message from the Chairmen

Given the dynamically developing Russian economy, capitalizing on market opportunities in the time of favourable macroeconomic trends is critical to the consolidation of Credit Bank of Moscow's position in the financial market. The 2002 performance of CBM shows that, successfully implementing this task, CBM not only retained one of the leadership positions in the domestic banking market, but can also claim being one of the most rapidly progressing financial institutions in Russia, setting new banking standards.

In 2002, Credit Bank of Moscow celebrated the remarkable jubilee – the 10th anniversary year since its foundation. Undoubtedly, this period was far from easy. Over this time Russia has experienced many economic and political adversities. However, summing up the results of the ten-year period, we are pleased to state that our bank has managed to maintain and steadily increase what is the major asset of any company – particularly in the financial sector – the confidence of our stockholders, clients and partners. We are sure it is primarily due to the numerous domestic and international projects that have been implemented and are being carried out by CBM.

The successful achievement of the set tasks in 2002 allowed the bank to report a strong set of results. Total assets grew by 59.5% to USD 215 million at 31 December 2002. The bank's credit portfolio increased by 1.7 times, while its stockholders' equity rose 44.7% to aggregate USD 64 million at the year-end.

Last year we significantly expanded the range of products and services on offer through actively developing consumer lending. Credit Bank of Moscow was one of the leaders in the domestic market for car loans to private individuals in 2002.

Reviewing our yearly performance results, we should note that the previously registered trend towards increasing customer numbers continued in the year of this annual report. At 31 December 2002, the bank had 49 thousand corporate and individual customers. The amount of liabilities showed a 55 per cent rise in the reported year.

CBM's financial stability and high technological potential enabled us to actively participate in the implementation of international projects, assisting in the attraction of foreign investment and credit resources into Russia's economy. Within this context, we were active in delivering quality settlement services to our corporate clients specializing in foreign trade transactions.

In the year under review, Credit Bank of Moscow signed a long-term loan agreement with the German banking consortium AKA (Ausfuhrkredit-Gesellschaft mbH) comprising 32 major German banks including Deutsche Bank, Commerzbank, Bayerische Hypo- und Vereinsbank, etc. Under this agreement the total volume of loans that may be extended through our bank is not limited.

Last year saw the considerable improvement in the bank's quality control system. Our successful work in this area was highly appreciated by representatives of the banking community.

The high level of CBM's financial services deserved recognition by *The Bankir* magazine. Its 2002 review of Russian banks rated us as a high quality customer service institution and one of the ten leading domestic banks in terms of customer service quality.

The efficiency of our operation was also recognized by the Interfax rating agency: in 2002 CBM was assigned: Baa3 (rus) long-term and RUS-3 short-term credit ratings. The procedures followed by Interfax in estimating the bank's financial position was developed under the Moody's methodology. Recently the Interfax rating agency has upgraded our long- and short-term rating from Baa3 to Baa1 and from RUS-3 to RUS-2, respectively. It is also in our plans for 2003 to receive Moody's international ratings.

In 2002, we continued to implement a corporate management program based on international standards and practices. This is a major element of our strategy. This program envisages a number of steps to provide effective risk control and centralized resource management in accordance with the standards accepted by major international financial institutions and is aimed at speeding up our growth.

In September 2002, the General Stockholders' Meeting was held at which the bank's development strategy for 3 years from 2003 to 2005 was discussed and approved. Under this strategy, we will prioritize efforts aimed at the following goals:

- ☐ Enter the group of Russia's 30 largest banks in terms of assets and capital
- ☐ Increase the volume of corporate deposits by 3 times and personal deposits by 7 times
- ☐ Expand the geographical coverage of the bank's operations in the Moscow metropolitan area
- ☐ Further develop international banking activities

We are confident that today Credit Bank of Moscow has everything it needs and a whole number of competitive advantages to implement the adopted development strategy successfully.

**Roman I. Avdeev**

Chairman  
of the Council

**Andrey M. Donskikh**

Chairman of the Executive  
Management Board



# Mission and Strategy



*Mission*

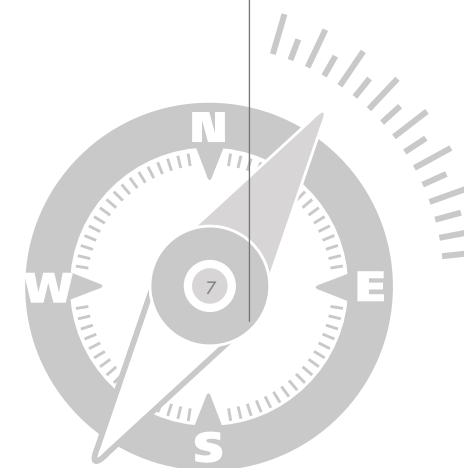
*Strategic Goals and Objectives*

*Financial Targets*

*Marketing and Customer Relationship Management*

*Information Technologies*

*Human Resources*



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## Mission and Strategy

### *Mission*

Our mission is to build Russia's most efficient and stable universal-style commercial bank, a leader in providing financial products and services to small and medium-sized businesses and private individuals.

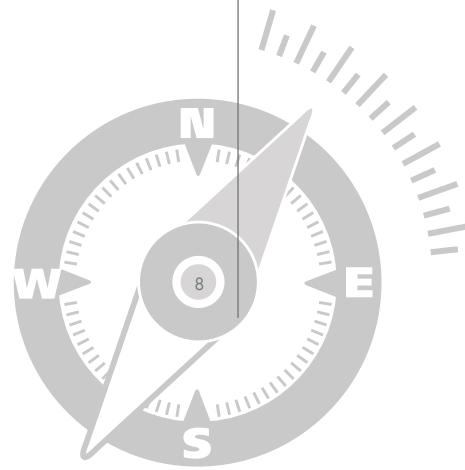
### *Strategic Goals and Objectives*

Our main strategic goals and objectives for the period from 2002 to 2005 are to:

- Become one of the largest Russian banks in terms of assets, equity, customer funds and lending portfolio volume
- Enhance the efficiency of the bank's operation
- Increase the value of the bank to its stockholders

### *Financial Targets*

We seek to provide constant growth in our business volume figures at better rates than those delivered by our competitors. We plan to increase the amount of our total assets up to USD 500 million and the amount of our equity up to USD 100 million through retaining the bank's earnings, additional contributions provided by its existing stockholders, as well as by attracting new stockholders including international financial organizations. We will continue to pursue our asset and liability management policy that is focused on maintaining a highly liquid balance sheet, expanding the bank's loan portfolio, limiting the volume of capital market transactions in relation to the bank's total business volumes, pursuing the strategy of borrowing funds with longer maturities and reducing their costs.



CBM strives to enhance its profitability and to increase the value of its business franchise. To achieve these goals, we constantly improve the mechanisms for managing and controlling the efficiency of the bank's entire operation and effectiveness of its business processes by the phased implementation of our cost management system based on the concept of Activity Based Costing. Comprising three main stages: Activity Based Costing, Activity Based Budgeting and Activity Based Management, this cost management system is being developed by the bank in co-operation with an international consulting firm.

The Balanced Scorecard (BSC) methodology was chosen by the bank as the basis for its strategic financial and business planning. The BSC methodology enables us to design, set and monitor key performance indicators both for individual lines of business and for the bank as a whole. It is expected that BSC will also cover non-financial aspects of the bank's business, translating them into numerical data and providing meaningful links between data elements.

We also focus on further improvement of our financial and management accounting systems on the basis of internationally accepted standards.

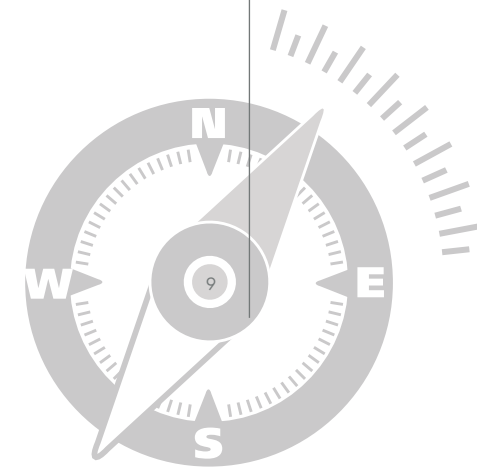
### *Marketing and Customer Relationship Management*

In this area, we seek to increase our share in selected market segments, such as small and medium-sized enterprises and retail customers.

CBM puts considerable efforts to deliver its products and services to the market. We consider the Customer Relationship Management (CRM) system as the main tool for increasing sales to our existing and potential clients.

CBM has made significant steps to cover new market segments, considerably diversifying its activity through carrying out industry-focused projects. We hope the successful implementation of these projects will allow us to increase our customer base by 25% at a minimum, and we intend to cover at least two new industry segments each year. Implementing the programme aimed at the expansion of CBM's client base, we develop a system for managing and controlling the quality of customer service.

CMB's territorial policy clearly defines its target regions. In this area, the bank plans to expand its presence in the



Moscow metropolitan area and to open new branches in the most dynamically growing regions of the Russian Federation. Under its territorial policy, the bank intends to increase the volumes of business transacted within the Moscow metropolitan area and – after accumulating required resources and gaining the targeted market share in this region – to expand its geographical coverage by establishing new branches across Russia.

Our tariff policy reflects the specifics of our operations with the main customer groups. To provide efficient complex transactions pricing, we will take into account the efficiency of the bank-client relationships and the overall amount of business the customer brought to the bank. The cost of borrowings will be determined based on existing opportunities for the most efficient placement of our resources into our earning assets, pre-defined levels of spread and the expected “asset immobilization” ratio. In pricing our products and services, we will take account of all underlying costs and will use the “ABC-ABB-ABM” models more actively.

### *Information Technologies*

In the IT area, our main tasks are to select the optimal solutions for automation of all of the bank's activities

and to re-engineer its business processes. By enhancing our IT capabilities we intend to reduce the costs and time of processing business transactions, thus significantly improving the bank's competitive position, the attractiveness of its products and services and the quality of customer service.

### *Human Resources*

In human resources management, our top priority is to staff the bank with highly qualified specialists capable of fulfilling the tasks and achieving the objectives set. We put much effort into setting up specialized project teams responsible for developing new lines of business and establishing key performance indicators for all management levels as well as for designing staff selection, training and appraisal systems to provide maximum efficiency in reaching the targeted results. Our work in this area also includes the efforts to build a performance-based remuneration system. Much significance is attached to establishing common corporate values across all structural units of the bank. Further development of its corporate culture, creation of a team of self-motivated and enthusiastic persons oriented towards reaching the set tasks, and maintenance of team spirit is crucial to achieving our strategic objectives.

# Stockholders of Credit Bank of Moscow



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## Stockholders of Credit Bank of Moscow

The bank's stockholders are companies incorporated in the Rossium Concern, a dynamically developing investment and industrial group.

**ROSSIUM** comprises several horizontally integrated groups: the Banking Group, the Agro-Industrial Group, the Trade Industrial Group, and the Investment Division that consists of the Investment Group, the Production and Construction Group and the Production and Trading Group.

The **"Chernozyomiye" Agro-Industrial Group** was set up in 1997. It includes two sugar refineries, agricultural firms, suppliers and sellers. According to *The Profil* magazine, the group's enterprises have a 4.6% share in the Russian sugar production market.

The **TVC Holding** was established in 2000 when, due to the high potential of the market for building materials and repair and construction services, the Rossium Concern made the decision to invest funds in this area of business. The TVC Holding comprises several construction and trading companies including those that engage in the sale of building materials.

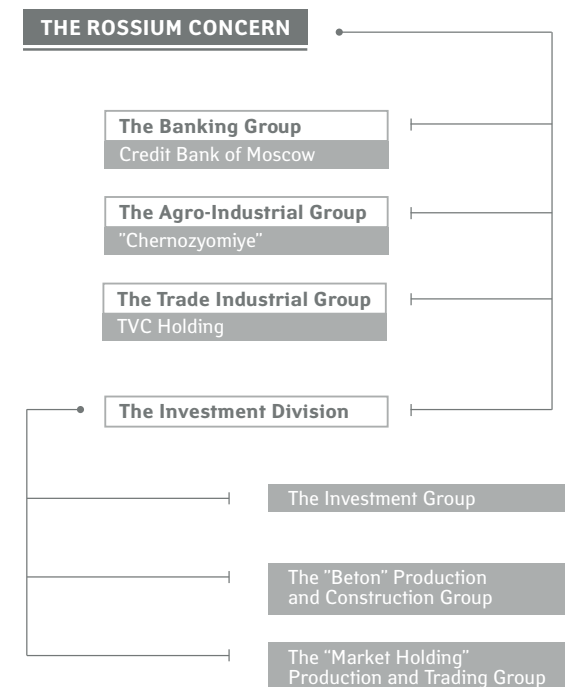
TVC offers a full range of services for the construction, sale and delivery of building materials and implementation of turnkey construction projects.

The **Investment Division** was created through incorporating the Production and Trading Group and the newly-established Production and Construction Group. The aim of this structural unit within the Rossium Concern is to concen-

trate investment resources for effectively supporting the development of a large number of specific activities.

The **"Beton" Production and Construction Group** was created after the expansion of ROSSIUM's operation in the area of production of building materials, concrete and reinforced concrete products. At the present time, the group includes several large reinforced concrete production companies, collectively carrying out the entire production and selling cycle.

The **"Market Holding" Production and Trading Group** was formed in 2002 to produce and sell foodstuffs. In particular, the group incorporates a chain of food shops under the Stolitsa trademark. At the end of 2002 it consisted of 12 Moscow-based supermarkets.





Management  
of the Bank

Mission

Our mission is to build Russia's most efficient and stable universal-style commercial bank, the leader in providing financial products and services to small and medium-sized businesses and private individuals.

Strategic Goals  
and Objectives

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- Become one of the largest Russian banks in terms of assets, equity, customer funds and lending portfolio volume
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Financial Targets

We seek to provide constant growth in our business volume figures at better rates than those delivered by our competitors. We will continue to pursue our asset and liability management policy that is focused on maintaining a highly liquid balance sheet, expanding the bank's loan portfolio, limiting the volume of capital market transactions in relation to the bank's total business volumes, pursuing the strategy of borrowing funds with longer maturities and reducing their costs.



# The 2002 Financial and Economic Results in Russia

*The Russian Economy*

*The Russian Banking System*



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## The 2002 Financial and Economic Results in Russia

### *The Russian Economy*

Throughout 2002 we witnessed the steady economic growth characteristic of the last three years of the post-crisis development in the Russian Federation.

The years 2000-2002 saw an average growth of 6 per cent and 7 per cent in the nation's GDP and industrial production, respectively. Real households' income virtually returned to the level registered before the 1998 financial crisis.

We witnessed the continued financial stability based on the country's budget and balance of payments surplus, with the increased level of monetarization of the economy.

The situation on the foreign exchange market was rather stable and predictable. Government debt servicing was conducted under the adopted schedule, with a relatively small amount of new borrowings. The Central Bank's gold and currency reserves almost quadrupled to reach USD 47.8 billion at end-2002.

Real households' income in 2000-2002 also showed steady growth to gradually return to the pre-crisis level.

The growth in real wages and income of the mass population was favourably impacted by the reduced rate of the

### Selected Macroeconomic Data

GDP	60.6%	105.4%	109.0%	105.0%	104.3%	119.4%
Consumer price index	by 4,458 times	136.5%	120.2%	118.6%	115.1%	164.0%
Industrial production	49.8%	111.0%	111.9%	104.9%	103.7%	121.7%
Capital investments	24.8%	105.3%	117.4%	108.7%	102.6%	130.9%
Real households' income	52.4%	87.5%	111.9%	108.5%	108.8%	132.1%
Retail trade turnover	97.2%	93.9%	108.8%	110.7%	109.1%	131.3%
Paid retail services	28.6%	106.6%	105.0%	102.8%	100.4%	108.4%
Export of goods	110.5%*	101.5%	139.0%	96.7%	104.4%	140.3%
Import of goods	115.0%*	68.1%	113.5%	119.8%	112.1%	152.4%

\* 1998/1994





THE 2002 FINANCIAL  
AND ECONOMIC RESULTS IN RUSSIA

unified social tax (from the start of 2000) and individual income tax (from the beginning of 2002).

In 2002, according to estimates, the investment structure by industrial segment was characterized by a significant share of the fuel and energy sector and the transport sector (both representing 45% of the total investments). Given the poorly developed mechanism for intersector capital mobility and inactive participation of domestic banks in the investment process, the concentration of revenues in the export-oriented industries leads to the dependency of general investment dynamics on the investment decisions taken in those sectors.

In 2000-2002 inflation reduced significantly in comparison with the two previous years. Consumer prices grew by 20.2% in 2000, 18.6% in 2001, and 15.1% in 2002, against 36.5% in 1999.

The reduction in the rate of inflation in 2000-2002 was a result of the well-balanced government budget, credit and monetary policy (the state annual budgets showed a surplus in this period) and the increased financial discipline.

### *The Russian Banking System*

In 2002, total assets of the domestic banking system rose by 31%. Total capital grew by 27%. The vast majority of banks operating in Russia (over 96%) were profitable in the year under review.

The banks' capitalization increased. At 31 December 2002 the share of credit institutions with capital of more than EUR 5 million in the overall number of banks was 33%, as compared with 30% a year earlier.

The growth in the banks' assets was due primarily to increased lending volumes. At 31 December 2002, the proportion of loans extended to non-financial companies and organizations was 52% of the total assets of all domestic banks.

2002 saw increased competition in the Russian personal deposits market, with the share of the Savings Bank of Russia, the traditional leader in this marketplace, reducing from 72% to 68%.

One of the main barriers to growth in the amount of deposits is the non-existence of an adequate legal framework that would regulate the establishment and functioning of a Russian bank deposit guarantee system as well as the still low confidence of the general public in the Russian banking system.

2002 registered a dramatic 47% increase in the volume of consumer lending.

The share of foreign banks in the Russian market is far from large. At present, 38 banking companies controlled by foreigners operate in the Russian Federation. The share of Russian banks with more than 50 per cent foreign participation in the total assets and capital of the domestic banking sector was 9% and 7%, respectively.

## Business and Financial Review

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# Overview of the Bank's Results



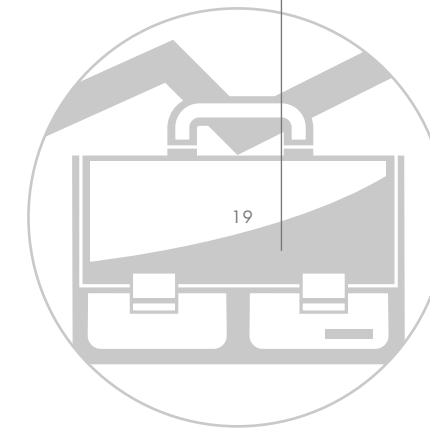
*Balance Sheet*

*Stockholders' Equity*

*Loan Portfolio*

*Borrowed Funds*

*Revenues and Expenses*

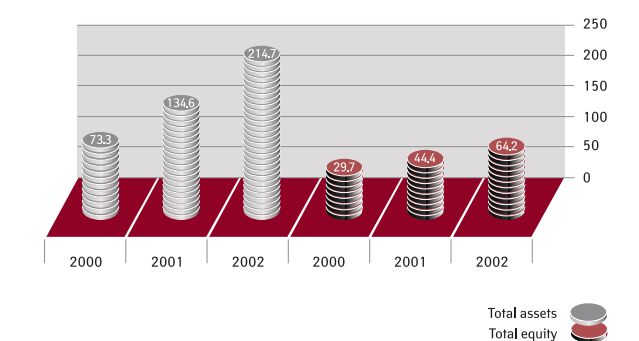


## Overview of the Bank's Results

### *Balance Sheet*

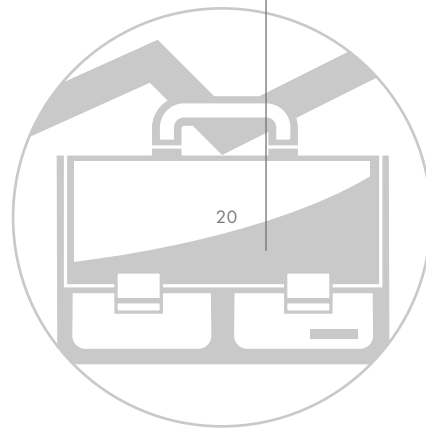
Over the last few years CBM's total assets have demonstrated stable growth. In 2002 our assets – the key measure of the bank's size and volume of its business – grew by 1.6 times to USD 215 million, and we were ranked by *The Profil* magazine among Russia's Top-50 largest banks in terms of assets.

### **Assets and Equity** *USD mn at year-end*



### *Stockholders' Equity*

In the rapidly growing and consolidating banking industry, maintenance of adequate capitalization is of paramount importance for the bank. A high level of capital support ensures the bank's financial stability and its attractiveness for customers and provides opportunities for expansion of the high-yielding investment business. Over the last two years the bank's capital has increased by more than two times. In 2002 alone our stockholders' equity grew by 1.5 times to USD 64 million. *The Profil* magazine ranks CBM among the Top-50 Russian banks in terms of equity; and, according to the survey conducted by the Interfax rating agency, we were ranked 27th in terms of capital calculated in accordance with International Financial Reporting Standards.



### Loan Portfolio

Lending to sound and reputable customers operating in various sectors of Russia's economy remains the principal area of the bank's activities. In 2002 commercial credit portfolio grew by 1.7 times to USD 135 million. Mainly due to the effectiveness of our credit risk control system, overdue loans accounted for only 0.34% of the total loan portfolio at the end of 2002.

The increased lending volume led to a rise in interest income earned on loans from USD 13.8 million to USD 22.3 million.

### Borrowed Funds

The amount of borrowed funds and the dynamics of this figure provide a clear evidence of the trust our customers place on us. In 2002 the total amount of funds placed with the bank grew by 55%, and in relation to the 2001-end figure we recorded an impressive two-fold increase in the entrusted funds. These results reflect the efficiency of our customer policy aimed at broadening the relationships with existing clients as well as attracting new customers.

### Revenues and Expenses

CBM reported 2002 net income of USD 8.8 million, or more than a 7 times increase from last year. Income before provision for income taxes grew by 4.3 times from USD 2.9 million to USD 12.8 million.

The primary contributor to the increase in net income was the significant growth in interest revenues result-

ed from the expansion of earning assets, principally loans and fixed-income securities.

The main source of the bank's revenues is the difference between interest earned on loans (most of which having maturities not exceeding one year), RF Government and municipal debt securities and the cost of funds mainly consisting of settlement and deposit accounts of domestic companies. In 2002 net interest income rose by USD 9.7 million, or a nearly two times increase over the prior year. Interest income grew from USD 13.8 million to USD 22.3 million, while funding costs declined by almost 30%.

Fee and commission income is the second largest source of our revenues. In 2002 fees and commissions increased by more than 20% from USD 5.3 million to USD 6.4 million. This growth reflects to a significant extent our new tariffs for fee-based services which were changed by the bank in the course of implementing the Activity-Based Cost Management Project. In particular, calculation of the full costs of banking products and services allowed the bank to change the mix of products and services on offer based on their relative profitability and to develop a more flexible and efficient pricing system.

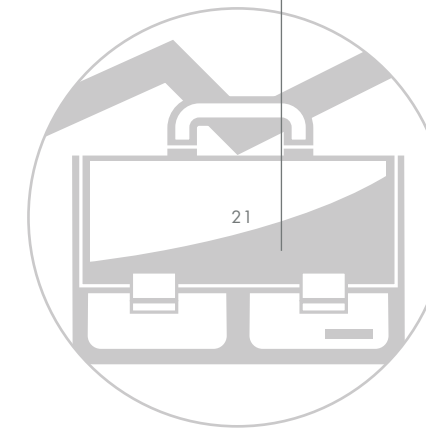
Lower provisions for country risks is another contributing factor of the increase in net income. After the 1998 crisis and due to the unstable macroeconomic environment, we started to provide provisions for possible losses on transactions executed in Russia, i.e. general country risk provisions. However, by the end of 2002 Russia's macroeconomic situation had improved

dramatically, thus lowering the risk of conducting business in the domestic markets. As a result, in 2002 we gradually reduced the provisions against general country risks, which had a positive impact on the bank's net income figure.

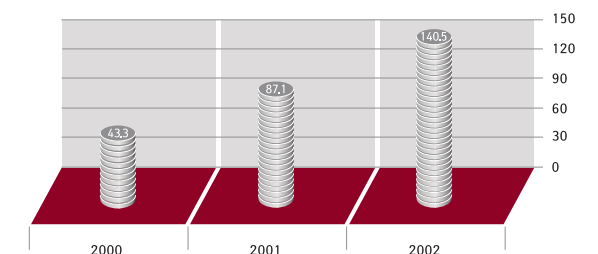
In 2002 total operating revenues rose 51% to USD 29.1 million, as compared with USD 19.3 million reported in 2001. Non-interest expenses (excluding translation losses) increased by 22% over last year to USD 11.7 million principally due to the expansion in the bank's activities, the introduction of new products and growth in the volume of transactions. The overhead ratio, i.e. non-interest expenses divided by total operating revenues, decreased from 58% to 45% in 2002. This reflects the lower costs required to earn one US Dollar in revenues and the increased efficiency of our business.

The measures taken within the implementation of the Activity Based Management Project contributed greatly to the lowering of the overhead ratio. In particular, adjustments made to the bank's pricing mechanisms allowed us to sell banking products more successfully. On the other hand, the in-depth analysis of costs incurred by the bank in rendering financial services enabled us to improve the efficiency of our operations in several business areas and to reduce operating expenses. It is in our plans to develop a comprehensive system of cost management and control.

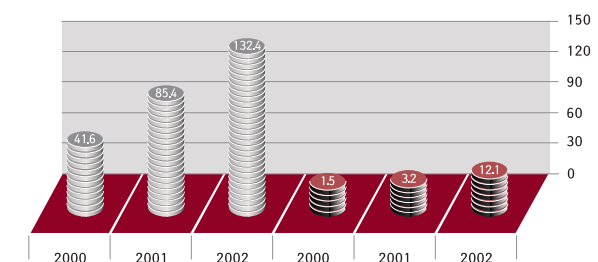
Considerable growth in net income led to an increase in earnings per share which jumped from USD 0.004 to USD 0.025, or by 6.25 times.



### Customer Lending USD mn at year-end

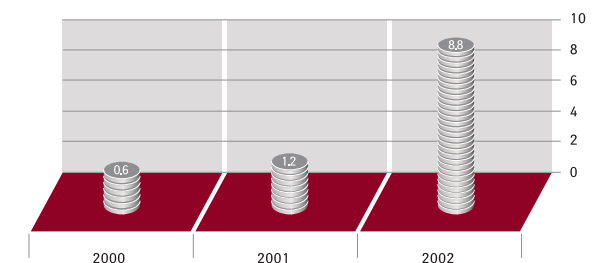


### Borrowed Funds USD mn at year-end



Customer deposits, promissory notes and CDs  
Deposits by banks

### Net Income USD mn

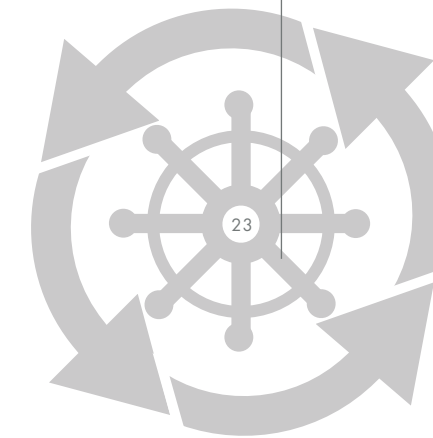




# Organization and Risk Management

Overview

Risk Management

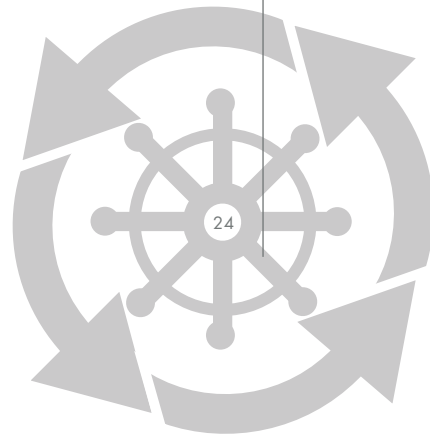


## Organization and Risk Management

### Overview

The bank's dynamic growth over the last ten years would have been impossible without making constant improvements in its organization and business management methods. CBM's Finance & Economics Department plays an important role in this process. Finance & Economics supports the bank's top executives and shareholders in making timely decisions on strategic and tactical issues, and provides them with up-to-date information on the status of the bank's activities and its positions in the financial services market. Finance & Economics was directly involved in the development of CBM's strategy for the period from 2002 to 2005. In the short and medium-term time horizons this strategy is translated into the bank's financial plan and budget. Under the selected conceptual framework based on the BSC model, managing the bank means managing its business processes in their entirety and the development of a set of Key Performance Indicators (or KPIs) for each process. KPIs have a hierarchical structure. The KPIs of different levels are "vertically" interlinked according to the bank's management layers. At the same time, the KPIs are also coordinated "horizontally" in order to reflect the "matrix" structure of the bank's overall management system that includes management of business processes, products and services and delivery channels.

Regular monitoring of the data contained in the bank's financial reports provides a solid basis for prudent management of our day-to-day activities. The electronic financial data monitoring system is designed for the bank's executives of different management levels, and is capable of providing separated data access in accordance with the respective executives' positions and responsibilities. In the



next few years Finance & Economics plans to implement modern management accounting techniques that are based on the ABC-ABM methodology and usage of KPIs. As the first step in this direction, in 2002 we hired the Ernst & Young consulting firm to conduct a review of the functional and cost characteristics of CBM's main products and services. Also, it is in our plans for the near future to implement the Balanced Scorecard methodology based on state-of-the-art IT solutions and advanced analytical techniques.

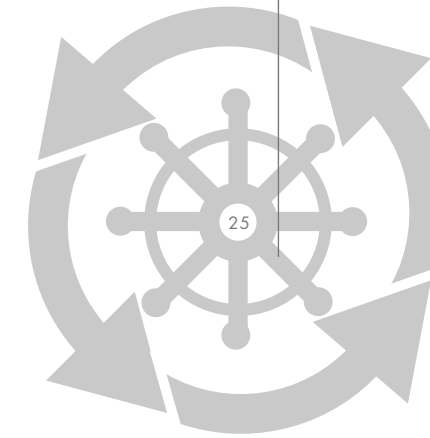
Analysis of the macroeconomic situation, examination of developments in the banking industry and trends in the financial markets are an important element of Finance & Economics' overall activity. Based on the analyses and reviews conducted, the Finance & Economics Department provides assessment of the principal risks the bank takes in its operation, prepares recommendations on optimal allocation of CBM's assets and the scope of its activities, establishes counterparty limits and limits on the financial instruments used by the bank. In today's environment characterized by increasing competition in Russia's banking industry, the bank's successful operation depends to a large extent on its ability to analyze its competitive positions across all products on a continuous basis, make timely adjustments to the range of offered products and services and to develop an advanced tariff system. The issues related to our marketing strategy, the clear positioning of our products and services, and introduction of new products at the right time are of great importance for the bank. We employ a wide range of marketing techniques includ-

ing the situation industry analysis, preparation of customer questionnaires and review of clients' responses, identification of our competitors' business profiles, and many other methods.

### *Risk Management*

We employ a comprehensive system for monitoring, managing and controlling all risks arising from our activities. This system is one of the pillars of our successful operation, helping us to protect the bank from possible losses on our day-to-day business and to minimize losses from the occurrence of a systemic crisis and/or force-majeure circumstances. This system enables CBM to monitor current situation in Russia's economy and track the developments in the bank's business in order to forecast the probability of occurrence of a risk event and to estimate its impact on the bank's results. The following risks are analyzed on a continuous basis:

- Credit risks (risks of possible losses on commercial and consumer loans)
- Risks related to the management of the bank's assets and liabilities (solvency risk, liquidity risk, currency risk, interest rate risk)
- Market risks (risks arising from movements in the market prices for financial assets)



### □ Operational risk

To control solvency risk, we have developed a methodology for determining the bank's solvency position on a daily basis. According to that methodology, the bank's assets are measured on their market values by applying discounts to the book value of assets, thus enabling the bank to calculate its "net conventional capital" under the extremely strict conditions. The bank's objective is to maintain its solvency at a very high level. The requirement to maintain solvency within the pre-defined levels protects the bank from making additional investments in the risk assets and allows it to reduce the risk of losses on impairment of the already existing assets by timely selling them on the market.

In addition to exercising control over the bank's solvency, management of liquidity risk also includes matching of the maturities of the bank's assets with that of its liabilities. For this purpose, the balance of payments for assets and liabilities within different maturity terms is prepared on a regular basis, and limits on investments in assets with the relevant maturity are established. This methodology enables the bank to eliminate "liquidity gaps", provide seamless execution of customers' payments and minimize the costs of borrowing of additional funds.

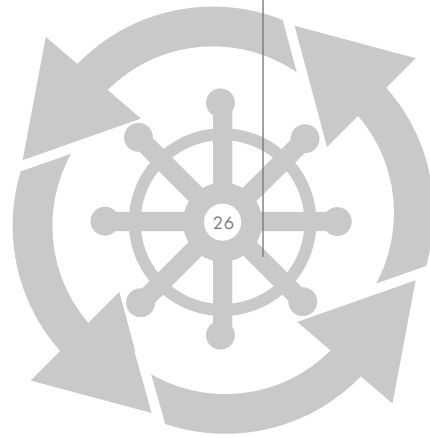
Credit risk is one of the principal risks the bank takes. The identification and adequate measurement of cred-

it risk is one of the key factors contributing to increased efficiency of the bank's operation. We have developed methodologies for measuring credit risks inherent in each of the bank's loan products. In particular, in providing working capital loans, the following risks are analyzed at the transaction level:

- Business risk
- Financial risk
- Debt servicing risk
- Legal and criminal risks

In extending loans backed by collection of cash and merchants' receipts, small-balance loans, and overdrafts as well as in delivering factoring services, the bank performs the statistical analysis of information on a particular customer and its counterparties and also reviews the legal and criminal risks associated with the transaction.

An extensive credit file is maintained for each borrower. This file contains the borrower's statutory and other legal documentation, data on the borrower's financial position (the financial and management reports, supporting schedules, tables and other data delivered by the borrower on the bank's request), the data on guarantors and the results of analyses of their financial position, the details on collateral including the documents confirming its



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## ORGANIZATION AND RISK MANAGEMENT

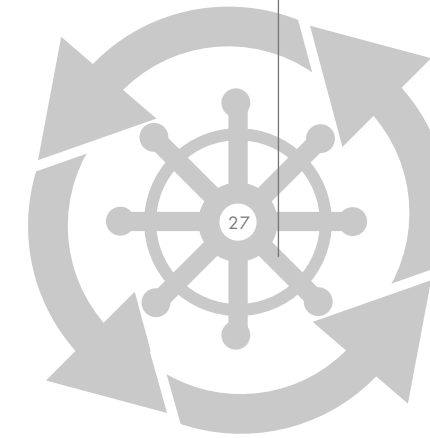
estimated value. CBM collects updated information on the borrower's financial position and regularly monitors the financial positions of its guarantors and the current value of the collateral accepted.

In analyzing credit risks, we also take into account the business risks specific for the market segment in which the borrower operates.

The system for controlling and limiting risks arising from our interbank business (loans, deposits, forex transactions, etc.) has two levels. At the first level the Finance & Economics Department performs the comprehensive analysis of counterparty banks in order to establish and/or confirm limits. This analysis is based on the financial data supplied by every counterparty as well as on the information extracted from the Internet, newspapers, magazines, other mass media sources and specialized databases. Counterparty limits are established in compliance with the bank's Limit policy. This policy provides for the diversification of risks among counterparty banks and the establishment of a series of limits for different types of interbank transactions within the total limit on operations conducted with any single counterparty. To restrict our aggregate

exposure in the interbank business area, we establish the total limit on all transactions with all counterparty banks in the amount that does not exceed the sum of the limits approved for separate banks. The final decision on limits for interbank transactions rests with CBM's Limit Committee.

Currency risk is another primary risk the bank faces. As we saw in 1998, the occurrence of unexpected events in this area can lead to a systemic crisis. Currency risk is the risk of possible reduction in the value of asset denominated in one currency relative to the value of liability stated in another currency. Changes in political and macroeconomic environment, regulatory framework and finances – these are the principal underlying factors of currency risks. To control and minimize currency risk, we constantly monitor the situation in Russia's economy and track the movements in the international financial markets. On the basis of performed analyses and reviews decisions are made as regards the acceptable amount of currency position. By calculating the exact amount of currency position, we are able to minimize the bank's exposure to currency risk and to maximize foreign currency translation gains.



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Interest rate risk arises from movements in the market prices for different financial instruments. Interest rate risk can manifest itself in various ways, including changes in the amounts of interest earned/paid by the bank and increase/decrease in the market values of its assets and liabilities. To minimize the impact of interest rate risk on the bank's financial results, we analyze the statistical characteristics of changes in the prices for asset and liability-related instruments and prepare forecasts for observable periods. Based on the results of the analyses and reviews conducted, the Bank's executive bodies make the decision on the optimal allocation of the bank's assets and the composition of its liabilities, thus enabling the bank to minimize losses that may result from our interest risk-related exposures. By taking into account current situation in the markets and the pursuance of the pricing policies by the main market operators, we constantly optimize the interest rates used in our placements and borrowings. Primary responsibility for determining interest rates and prices on the bank's products and services rests with our Tariff Committee.

Operational risk is associated with the bank's day-to-day activities. This risk is inherent in each banking operation

representing the possibility of failure in the information system, reporting systems, internal risk-monitoring rules and internal procedures designed to take timely corrective actions. Operational risk management includes control over the execution and recording of banking transactions, maintenance of accounting records, and preparation of financial and other reports. In this area, we also provide control over the effectiveness of the bank's organizational structure and the conformity of its employees' competencies and qualifications with the established requirements. All transactions executed by employees and the status of customer relationships are monitored by the bank on a continued basis. The implementation of the above-mentioned and related tasks is the responsibility of the bank's Internal Audit Department and its Compliance Comptroller, as required by the RF Central Bank's regulations.

The comprehensive system for managing, controlling and monitoring the major risks inherently existing in the bank's operations ensures its stable financial standing and the high degree of safety and reliability – the characteristic features of Credit Bank of Moscow for the 10 years of its operation.



# Corporate Banking

*Principles and Results*

*Corporate Lending*

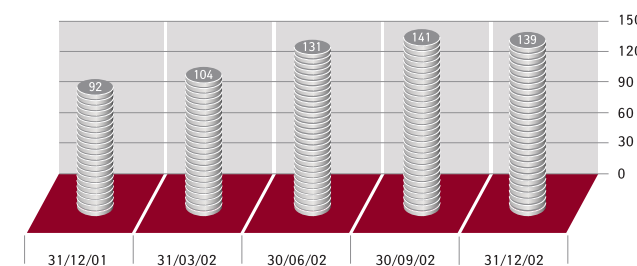


## Corporate Banking

### *Principles and Results*

Corporate banking is a core business for CBM. Over the last ten years we have developed and improved our system of customer service. To satisfy our clients' needs we have created more than one hundred modern, technologically advanced banking products and services, thus allowing the bank not only to compete with its peers, but also to occupy the leading positions in a number of areas such as lending, international finance, payments and cash management. The list of our main customers includes Moscow's largest manufacturing companies and retailing chains including Eldorado, Tekhnosila, M-Video, Pilot, Starik Khottabych, Sportmaster, Evroset, Tekhmarket, Alterwest, Kopeika, Stolitsa, 12 Mesyatsev, Evrooil, Marta, RBC, R Style, Bely Veter, Foks, Ekort, Invent, Fronda, Kraft, Konstantin AT, Sinteks, Azindor, Ost-West Corporation, ZBI 17, Mac-Dac, Tsentri-Obuv, etc. These companies specialize in various businesses: from computers and consumer electronics to clothes and food.

**Commercial Loan Portfolio**  
USD mn



### *Corporate Lending*

The distinctive feature of the bank's corporate lending business is its "open" credit policy that encompasses well-defined standards for assessing a borrower's standing on the basis of the professional risk management models and loan terms and conditions specially designed for small and medium-sized enterprises.

The principal requirements we apply to our borrowers are:

- Information transparency, i.e. the ability of a potential borrower to deliver data sufficient to assess its financial position
- Personal responsibility of business owners for loans extended by the bank
- Ability to provide collateral coverage for certain types of loans
- Maintenance of the monthly aggregate cash flows channeled via the accounts held with the bank at the pre-agreed levels

Competition in the market for corporate loans is increasing, and in this environment the bank's ability to deliver lending products fully meeting the current business requirements of its customers is of great importance. In order to maintain our competitive edge, we continuously improve the attractiveness of offered loan products based on the extensive market research conducted by our experts.

In 2003 CBM plans to increase the volumes of lending, mainly through attracting new clients, introducing new banking products for small businesses, developing documentary-based credit services and financing its clients' long-term investment projects.

# Retail Banking

Principles and Results



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## Retail Banking

Principles and Results

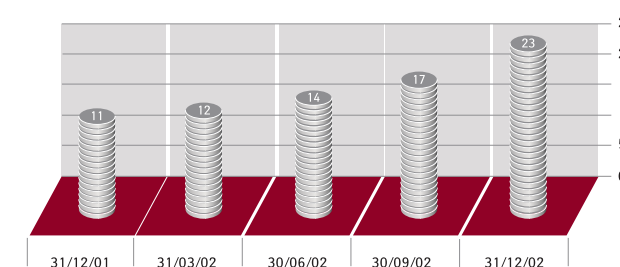
Credit Bank of Moscow has provided personal financial services since its inception, but only in 2002 we started our expansion in the market for these services. The decision was made to transform retail banking activities into a separate line of business. For this reason, we established our Retail Banking Department. This department is focused on developing and introducing a full spectrum of attractive, high-quality and competitively-priced personal banking products and services.

Today, CBM offers individuals a wide range of payment services, provides deposit facilities and safe deposit boxes, issues banking cards and renders cards-related services, performs transactions with traveler's cheques, and delivers many other personal banking products and services. The development of various private lending programmes is another strategic area of the bank's retail banking activities.

In 2002, great progress was made in the retail banking business. In December 2002 CBM was ranked among the leaders in personal lending and included by *The Profil* magazine in the list of Russia's largest banks in terms of private customer deposits. These results were mainly attributable to the introduction of a number of new products and improvements in the private customer service. Competitive tariffs was another factor contributing to the bank's strong positions in the retail banking market. CBM has succeeded in developing and implementing programmes covering the provision of loans for the purchase of motor vehicles and large home appliances.

In personal lending, the bank employed the credit scoring technique enabling CBM to assess the customer's standing, prepare loan documentation and extend loans within the shortest time possible.

**Balances on Individual Customer Accounts**  
USD mn

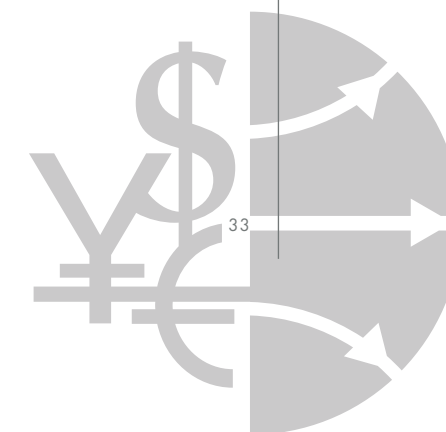




# International Business

*Trade Finance*

*Correspondent Banking  
and International Payments*



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## International Business

### *Trade Finance*

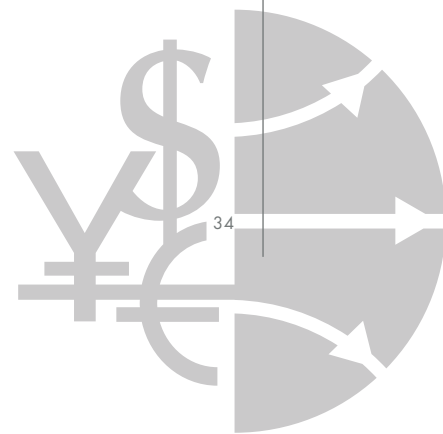
In 2002 the total amount of trade finance provided by CBM to its customers grew by more than 11 times. Last year also saw an increase in the number of first-class foreign banks and export credit insurance companies considering CBM as a sound and reliable guarantor/borrower. This status enables the bank to obtain resources on preferential terms to fund its customers' long-term projects in the area of import of equipment and technologies and to finance short-term foreign trade transactions.

CBM provides its clients with the deferral of payment on short-term transactions for a period usually not exceeding 12 months. But in some cases, the bank can provide solutions for specific transactions aimed at extending the deferred payment period up to 18 months – the time which is sometimes sufficient for the delivery of equipment within short payback periods.

In 2002 we broadened the range of trade finance instruments. Currently, the bank's offering in this area covers "clean" guarantees confirmed by major international banks, documentary credits, including deferred payment credits and credits with post-financing, stand-by letters of credit, forfeiting, as well as direct payment guarantees acceptable by foreign export credit agencies. Mainly thanks to this extensive range of products, the bank's customers have the opportunity to select the form of financing that best suits the structure of their foreign trade transactions.

Considerable results were achieved by Credit Bank of Moscow in expanding its clients' access to long-term resources provided by foreign institutions to finance medium- and long-term programmes covering the import of equipment and provision of related services.





In 2001, the scheme to finance the import of equipment, tailored to Russia's specific conditions and not requiring the coverage by the RF Government's sovereign guarantees, was designed by the bank in collaboration with the German export insurance agency HERMES and Commerzbank. In 2002, domestic enterprises' medium- and long-term projects with implementation periods not exceeding 10 years were funded under this scheme.

In August 2002 CBM signed a basic loan agreement with the AKA (Ausfuhrkredit-Gesellschaft GmbH) Consortium. This document covers the provision of long-term loans for financing export of equipment and services to Russia. The distinctive feature of the agreement is the absence of limits, i.e. the parties thereto decided not to restrict the total amount of loan funds provided through CBM under the established facility.

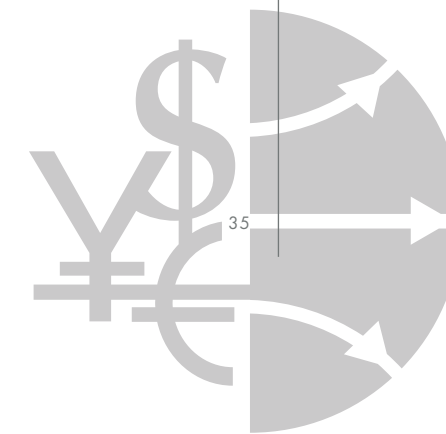
The AKA Consortium comprises 32 largest German banks including those occupying the leadership positions in the area of foreign trade finance, such as Deutsche Bank, Commerzbank, Bayerische Hypo- und Vereinsbank, etc. Operation within the Consortium's structure enables participating banks to allocate credit risks among AKA's members and to increase the amount and reduce the cost of funds provided to borrowers. The AKA Consortium signed the loan agreement with Credit Bank of Moscow after entering into similar agreements with the RF Sberbank and Vneshtorgbank – Russia's largest banking institutions. By signing the loan agreement with CBM, AKA clearly

demonstrated its interest in entering into the promising Russian market for lending to small and medium-sized enterprises in co-operation with Credit Bank of Moscow – one of the most dynamic and stable mid-sized banks in Russia.

Responding to its clients' wishes and diversifying its sources of long-term financing, Credit Bank of Moscow in 2002 finalized the preparation of a loan agreement with BCEN-Eurobank which is backed by COFACE's (the French export credit agency) guarantees. The agreement does not contain any restrictions as regards allocation of funds among industries, and the resources provided under this agreement are thus available for financing practically any project approved by CBM.

As of December 31, 2002 CBM was considered as a sound borrower by such export credit insurance companies as HERMES (Germany), COFACE (France), CESCE (Spain), EKN (Sweden), MEHIB (Hungary), KUKE (Poland), and NEXI (Japan).

One of the major drivers behind the bank's increased competitiveness and customer numbers was its international activities. Their development was built on the clear understanding of favourable dynamics of Russia's trade and economic relationships with its foreign partners and our wish to contribute to this process in the interests of our customers. This allows us to forecast intensive development of our international operations in 2003.



### *Correspondent Banking and International Payments*

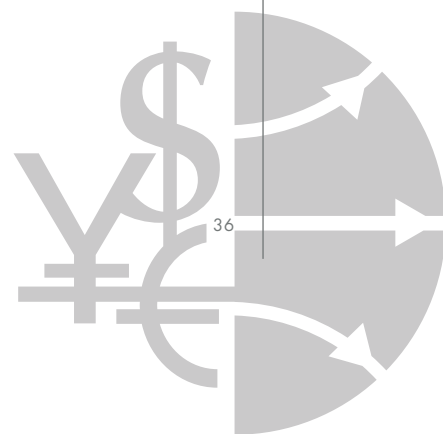
In 2002 Credit Bank of Moscow continued to develop and improve its correspondent banking business on the basis of maintaining correspondent accounts with counterparty banks and establishing correspondent relations with major foreign financial institutions, without opening correspondent accounts with them.

CBM has a wide correspondent network comprising nearly 60 accounts held with domestic and foreign credit institutions. In 2002, the international correspondent banking business was conducted principally through the following banks:

- Wachovia Bank, N. A., NY International Branch, New York, USA
- Union Bank of California International, New York, USA
- Commerzbank AG, Frankfurt am Main, Germany
- Ost-West Handelsbank AG, Frankfurt am Main, Germany
- Bayerische Hypo- und Vereinsbank AG, Muenchen, Germany

- Donau-Bank AG, Vienna, Austria
- Raiffeisen Zentralbank Oesterreich AG, Vienna, Austria
- BCEN-Eurobank, Paris, France
- Nordea Bank Finland PLC, Helsinki, Finland
- UniCredito Italiano S. p. A., Milan, Italy
- IntesaBci S. p. A., Milan, Italy
- Banca Nazionale del Lavoro S. p. A., Rome, Italy
- Svenska Handelsbanken, Stockholm, Sweden

For execution of transactions denominated in "soft" currencies, we maintain correspondent accounts in the Ukrainian Grivna (PrivatBank, Dnepropetrovsk, Ukraine), the Belorussian Ruble (BelVneshEconBank, Minsk, Belarus), the Kazakh Tenge (KazCommerzBank, Alma-Aty, Kazakhstan), and the Czech Koruna (Komerční Banka a.s., Prague, Czech Republic).



INTERNATIONAL BUSINESS

In 2003 we intend to further develop and improve our services aimed at supporting our customers' foreign trade activities, including provision of payments both in freely convertible and "soft" currencies. It is also our intention to enhance CBM's capabilities in the areas of designing personalized solutions for the execution of international pay-

ments relating to "non-standard" banking operations and the provision of payment facilities that incorporate some forms of credit, including payments made under the credit lines backed by export credit agencies' guarantees and the payments supported by the funds obtained in the interbank loan market.



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# Financial Statements



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*Statements of Changes  
in Stockholders' Equity*

*Statements of Cash Flows*

*Notes to the Financial Statements*



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## Independent Auditor's Report

*To the Council and Owners of JSC "Credit Bank of Moscow"*

We have audited the accompanying balance sheets of JSC "Credit Bank of Moscow" ("the Bank") as of December 31, 2002 and the related statements of income, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the Bank for the year ended 31 December 2001 were audited by another auditor whose report thereon dated 30 January 2002 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the

financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JSC "Credit Bank of Moscow" as of December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*KPMG Limited*

KPMG Limited  
Moscow, Russian Federation  
April 14, 2003



# Balance Sheets

December 31, 2002 and 2001

(thousands of US Dollars)

FINANCIAL STATEMENTS

		December 31,	
	NOTES	2002	2001
<b>ASSETS</b>			
Cash and due from Central Bank	4	41,549	34,993
Due from credit institutions, net	5	18,124	11,156
Trading securities	6	16,475	3,475
Loans to customers, net	7	135,104	81,917
Property and equipment	8	2,045	2,085
Other assets	9	1,383	988
<b>Total assets</b>		<b>214,680</b>	<b>134,614</b>
<b>LIABILITIES</b>			
Deposits by credit institutions	10	12,089	3,207
Deposits by customers	11	81,160	66,138
Promissory notes and certificates of deposit	12	51,218	19,235
Deferred tax liabilities	21	5,013	1,387
Provisions, accruals and other liabilities		994	276
<b>Total liabilities</b>		<b>150,474</b>	<b>90,243</b>
<b>STOCKHOLDERS' EQUITY</b>			
Common stock	13	21,898	21,898
Additional paid-in capital		38,558	38,558
Unpaid common stock and additional paid-in capital	13	–	(11,021)
Retained earnings/(accumulated deficit)	14	3,750	(5,064)
<b>Total stockholders' equity</b>		<b>64,206</b>	<b>44,371</b>
<b>Total liabilities and stockholders' equity</b>		<b>214,680</b>	<b>134,614</b>
Commitments and contingencies	22		

Signed on behalf of the Executive  
Management Board

Andrey M. Donskikh



Chairman  
of the Executive  
Management Board

Olga I. Melnikova



Chief Accountant

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

# Statements of Income

For the years ended December 31, 2002 and 2001

(thousands of US Dollars, except per share data)

ANNUAL REPORT | 2002

	NOTES	2002	2001
Interest income		22,268	13,803
Interest expense		(2,756)	(3,977)
Net interest income	16	19,512	9,826
Provisions for loan impairment	17	(157)	(2,525)
<b>Net interest income after provision for loan impairment</b>		<b>19,355</b>	<b>7,301</b>
Fees and commissions received	18	6,396	5,286
Securities trading profits, net	19	237	66
Other operating income		219	177
<b>Non interest income</b>		<b>6,852</b>	<b>5,529</b>
Salaries and employment benefits	20	6,466	5,418
Administrative expenses	20	4,362	3,666
Foreign exchange and translation losses, net		1,642	210
Depreciation and amortization		545	438
Other operating expenses		375	130
<b>Non interest expense</b>		<b>13,390</b>	<b>9,862</b>
<b>Income before provision for income taxes</b>		<b>12,817</b>	<b>2,968</b>
Income taxes	21	(4,003)	(1,730)
<b>Net income</b>		<b>8,814</b>	<b>1,238</b>
Earnings per share (basic and diluted)	15	\$0.025	\$0.004

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

# Statements of Changes in Stockholders' Equity

For the years ended December 31, 2002 and 2001

(thousands of US Dollars)

	Common stock	Additional paid-in capital	Unpaid common stock and additional paid-in capital	Retained earnings/ (accumulated deficit)	Total stock- holders' equity
December 31, 2000	20,202	15,760	–	(6,302)	29,660
Issuance of stock	1,696	22,798	(11,021)	–	13,473
Net income	–	–	–	1,238	1,238
December 31, 2001	21,898	38,558	(11,021)	(5,064)	44,371
Stock paid	–	–	11,021	–	11,021
Net income	–	–	–	8,814	8,814
<b>December 31, 2002</b>	<b>21,898</b>	<b>38,558</b>	<b>–</b>	<b>3,750</b>	<b>64,206</b>

FINANCIAL STATEMENTS

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

# Statements of Cash Flows

For the years ended December 31, 2002 and 2001

(thousands of US Dollars)

	NOTES	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income before taxes		12,817	2,968
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		545	438
Provision for losses		157	2,525
Accrued interest income		(184)	150
Accrued interest expense		230	(89)
Other non cash items		328	68
Operating cash flow before changes in operating assets and liabilities		13,893	6,060
(Increase)/Decrease in operating assets			
Reserve deposits with the Central Bank of the Russian Federation		(1,081)	(2,064)
Trading securities		(13,000)	(2,677)
Loans to customers, net		(53,344)	(45,382)
Other assets		(211)	24
Increase/(decrease) in operating liabilities			
Deposits by credit institutions		8,882	1,790
Deposits by customers		15,022	32,407
Promissory notes and certificates of deposit		31,983	12,810
Provisions, accruals and other liabilities		47	32
Net cash provided from operating activities before income taxes paid		2,191	3,000
Income taxes paid		(264)	(490)
Net cash provided by operations		1,927	2,510
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net purchase of property and equipment and intangible assets		(505)	(742)
Net cash used in investing activities		(505)	(742)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of common stock		11,021	13,473
Net cash provided by financing activities		11,021	13,473
Change in cash and cash equivalents		12,443	15,241
Cash and cash equivalents, beginning of the year		40,553	25,312
Cash and cash equivalents, end of the year	23	52,996	40,553
Supplemental information:			
Interest paid during the year		2,603	4,066

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



## Notes to the Financial Statements

December 31, 2002

(all amounts in thousands of US Dollars)

### Note 1 – Background

#### a) Organization and Operations

Credit Bank of Moscow (the “Bank”) was formed on August 5, 1992 as an open joint stock company, then re-registered as a closed joint stock company under the laws of the Russian Federation. On August 18, 1999 the Bank was reorganized as an open joint stock company. The Bank’s registered legal address is 4, Marshala Rybalko Str., Moscow, Russia. The Bank possesses a general banking license from the Central Bank of Russia (the “CBR”), granted on January 20, 2001. The Bank is among the 60 largest banks in Russia. The Bank’s main office is in Moscow and it has 18 limited-scope operations branches in Moscow.

At December 31, 2002 the stockholders of the Bank were as following:

Inform Personal	17%
Centre Servicestroy	17%
Yuridicheskoye agentstvo	16%
Capital MKB	15%
Firma 7	12%
MKB – Holding	8%
Balansovoye planirovanie	7%
NTC DIALOG	6%
Others	2%
<b>Total</b>	<b>100%</b>

#### b) Operating Environment

The Russian Federation has been experiencing political and economic instability change which has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks which do not typically exist in other markets. The accompanying financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Bank. The future business environment may differ from management’s assessment.



### Note 2 – Basis of Preparation

#### a) Statement of Compliance

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

#### b) Reporting Currency and Translation into US Dollars

As the Russian economy is considered to be hyperinflationary under Statement of Financial Accounting Standard 52 Foreign Currency Translation, the Bank has elected to use the US Dollar as the functional and reporting currency for financial statement purposes.

The translation of the Ruble financial statements into US Dollars has been made under the provisions of FAS 52 Foreign Currency Translations. Monetary assets and liabilities denominated in currencies other than the US Dollar at the balance sheet date have been translated to US Dollars at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities denominated in currencies other than the US Dollar have been translated to US Dollars at the foreign exchange rate ruling at the date of the transaction. Income statement transactions in foreign currencies are translated to US Dollars at the foreign exchange rate ruling at the date of the transaction.

The closing rate of exchange ruling at December 31, 2002 and 2001 was 1 USD to 31.78 Rubles and 1 USD to 30.14 Rubles, respectively.

#### c) Convertibility of the Ruble

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

#### d) Going Concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The accompanying financial statements do not include any adjustments should the Bank be unable to continue as a going concern.

### Note 3 – Summary of Significant Accounting Policies

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

#### a) Use of Estimates

Management of the Bank has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.





**b) Loans to Customers**

The carrying amounts of the Bank’s loans are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the loans’ recoverable amounts are estimated.

An impairment loss is recognized whenever the carrying amount of a loan exceeds its recoverable amount.

The recoverable amount of loans is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the loan.

**c) Due from Credit Institutions**

In the normal course of business, the Bank lends or deposits funds for various periods with other credit institutions. Impairment provision for placements with banks and other credit institutions is calculated in accordance with the policy similar to the one applied to loans to customers (refer 3(b) above).

**d) Securities**

Trading securities are carried at market value with the gains and losses recognized in the statement of income. Included in non interest income are realized gains and losses from recording the results of sales and unrealized gains and losses resulting from market value adjustments of trading securities.

**e) Repurchase and Reverse Repurchase Agreements**

Repurchase and reverse repurchase agreements are utilized by the Bank as an element of its treasury management and trading business. Repurchase agreements are accounted for as financing transactions. As financing transactions, the related securities are recorded in the Bank’s accounts and the related payable is included as an amount due to credit institutions or customers, respectively. Any related expense arising from the pricing spreads for the underlying securities is recognized as interest expense during the period that the related transactions are open.

Reverse repurchase agreements are accounted for as loans and advances to banks or customers, respectively. Any related income arising from the pricing spreads for the underlying securities is recognized as interest income during the period that the related transactions are open.

**f) Property and Equipment**

Property and equipment are recorded at historical cost less accumulated depreciation (refer below) and impairment losses (refer accounting policy (g)). Depreciation is provided to write off the cost on a straight-line basis over the estimated useful economic life of the asset. The economic lives are as follows:

	Years
Buildings	50
Furniture and equipment	6
Computers	4
Vehicles	5
Other	5



Intangible assets are recorded at historical cost less accumulated amortization and impairment losses (refer accounting policy (g)). Amortization is provided to write off the cost on a straight-line basis over the estimated useful economic life of the asset. Intangible assets under development are not amortized. Amortization of these assets will begin when the related assets are placed in service. The majority of intangible assets is represented by accounting software.

**g) Impairment of Property and Equipment**

The Bank accounts for long-lived assets in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets. Under this standard the carrying value of the asset is considered to be impaired when the anticipated undiscounted future cash flow from such asset is separately identifiable, and is less than the carrying value.

In that event, an impairment loss is recognized based on the amount by which the carrying value exceeds the fair market value of the asset. Impairment losses are recognized in the income statement. Fair market value is determined primarily using anticipated cash flows discounted at a rate commensurate with the risk involved.

**h) Interest-Bearing Liabilities**

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

**i) Income and Expense Recognition**

Interest income and expense is recognized on an accrual basis. Commissions for other operations are recognized when earned. Non-interest expenses are recognized on an accrual basis.

**j) Dividends**

Dividends are recognized as a liability in the period in which they are declared.

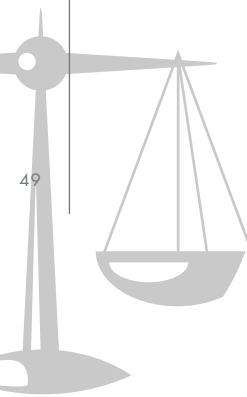
**k) Taxes**

Income taxes are accounted for under the asset and liability method in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 109 Accounting for Income Taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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

**l) Statement of Cash Flows**

The Bank considers cash on hand, correspondent account with CBR and due from credit institutions with original maturities of three months or less to be cash equivalents.

**m) Provisions**

A provision is recognized in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the outflow can be reasonably estimated.

**n) Reclassifications**

Certain reclassifications have been made to 2001 amounts to conform with 2002 presentation.

**Note 4 – Cash and Due from Central Bank**

Cash and due from Central Bank comprise:

	December 31,	
	2002	2001
Correspondent account with CBR	22,042	17,677
Obligatory reserve deposits with CBR	6,677	5,596
Cash on hand	12,830	11,720
<b>Cash and due from Central Bank</b>	<b>41,549</b>	<b>34,993</b>

The obligatory reserve deposits are mandatory non-interest bearing deposits calculated in accordance with regulations issued by the CBR, the withdrawal of which is restricted, based on either a reduction in the Bank's deposit base or a reduction in the required level of reserves. The correspondent account with CBR represents balances held with the CBR related to settlement activity, and was available for withdrawal at period end.

Information about the currency breakdown and maturity profile of cash and due from Central Bank is presented in note 27 to these financial statements.

**Note 5 – Due from Credit Institutions, Net**

Due from credit institutions comprise:

	December 31,	
	2002	2001
Current deposits	17,811	10,565
Time deposits	316	591
Less: Provision for losses	(3)	–
<b>Due from credit institutions</b>	<b>18,124</b>	<b>11,156</b>

Information about the currency breakdown, maturity profile and effective interest rates on amounts due from credit institutions is presented in note 27 to these financial statements.

**Note 6 – Trading Securities**

Trading securities, at fair value, consist of the following:

	December 31,	
	2002	2001
Debt instruments		
– Corporate promissory notes	10,219	1,272
– Fixed income state debt securities (OFZ)	4,014	14
– Municipal state bonds	1,725	1,836
Marketable equity securities	517	353
<b>Trading securities</b>	<b>16,475</b>	<b>3,475</b>

Information about the currency breakdown, maturity profile and effective interest rates on Bank's trading securities is presented in note 27 to these financial statements.

**Note 7 – Loans to Customers, Net**

The Bank's loan portfolio has been extended to private enterprises and individuals only. Loans to customers are made principally within the Russian Federation and comprise:

	December 31,	
	2002	2001
Commercial (trading) enterprises	123,717	81,680
Manufacturing	7,820	4,092
Individuals	5,089	531
Services	1,353	–
Building	575	–
Other	1,909	819
	140,463	87,122
Less – Provision for loan impairment	(5,359)	(5,205)
<b>Loans to customers, net</b>	<b>135,104</b>	<b>81,917</b>

Information about the currency breakdown, maturity profile and effective interest rates on Bank's loan portfolio is presented in note 27 to these financial statements.



### Note 8 – Property and Equipment

Property and equipment were as follows:

	December 31,	
	2002	2001
Land and buildings	758	771
Fixtures and fittings	3,218	3,311
	3,976	4,082
Less - accumulated depreciation	(1,931)	(1,997)
<b>Property and equipment</b>	<b>2,045</b>	<b>2,085</b>

### Note 9 – Other Assets

Other assets comprise:

	December 31,	
	2002	2001
Accrued interest receivable	604	420
Trade debtors and prepayments	218	240
Intangibles	182	186
Prepaid expenses	76	70
Other	303	72
<b>Other assets</b>	<b>1,383</b>	<b>988</b>

### Note 10 – Deposits by Credit Institutions

Deposits by credit institutions comprise:

	December 31,	
	2002	2002
Demand deposits	2,621	1,985
Time deposits	9,468	1,222
<b>Deposits by credit institutions</b>	<b>12,089</b>	<b>3,207</b>

Information about the currency breakdown, maturity profile and effective interest rates on deposits by credit institutions is presented in note 27 to these financial statements.

### Note 11 – Deposits by Customers

Deposits by customers comprise:

	December 31,	
	2002	2001
Demand deposits	52,580	52,499
Time deposits	28,580	13,639
<b>Deposits by customers</b>	<b>81,160</b>	<b>66,138</b>

Information about the currency breakdown, maturity profile and effective interest rates on deposits by customers is presented in note 27 to these financial statements.

### Note 12 – Promissory Notes and Certificates of Deposit

	December 31,	
	2002	2001
Promissory notes issued – nominal value	47,532	19,230
Unamortized discount on promissory notes	(719)	(61)
	46,813	19,169
Certificates of deposit	4,405	66
	51,218	19,235

Information about the currency breakdown, maturity profile and effective interest rates on Bank's promissory notes and certificates of deposit is presented in note 27 to these financial statements.

### Note 13 – Common Stock

The stockholders' equity of the Bank has been contributed by stockholders in Rubles. Stockholders are entitled to dividends and capital distributions in the currency in which their contribution was made. The common stock transactions during 2002 and 2001 were as follows:





	Number of shares (1 RUR par value)
31 December 2001	300,289,502
Stock issued	50,000,000
31 December 2001 – issued and outstanding	350,289,502
Less – stock not paid by stockholders	(25,000,000)
31 December 2001 – paid	325,289,502
Stock paid during 2002	25,000,000
<b>31 December 2002 – issued, outstanding and paid</b>	<b>350,289,502</b>

In conjunction with Russian statutory rules, the payment for stock issued can be arranged in installments. Stockholders of the Bank commit the purchase price of stock and make several partial payments within a twelve-month period.

#### Note 14 – Retained Earnings / (Accumulated Deficit)

The Bank's distributable reserves are determined according to legislation in the Russian Federation. In accordance with the legislation of the Russian Federation, as of the balance sheet date, profit and retained earnings available for distribution amount to USD 2,429 thousand (31 December 2001: USD 1,569 thousand).

#### Note 15 – Earnings per Share

The following table presents the computation of earnings per share based on the provisions of SFAS No. 128 for 2002 and 2001:

Basic earnings per share (thousands of US Dollars, except per share data)	2002	2001
Net income applicable to common shares	<b>8,814</b>	1,238
Weighted-average basic shares outstanding	<b>350,289,502</b>	310,563,475
<b>Net income per share</b>	<b>\$0.025</b>	\$0.004



#### Note 16 – Net Interest Income

Net interest income comprises:

	2002	2001
<b>Interest income</b>		
Loans to customers	<b>19,707</b>	11,744
Debt securities	<b>2,123</b>	1,578
Due from credit institutions	<b>438</b>	481
	<b>22,268</b>	13,803
<b>Interest expense</b>		
Deposits by customers	<b>(1,439)</b>	(1,452)
Promissory notes and certificates of deposit	<b>(1,096)</b>	(2,429)
Deposits by credit institutions	<b>(221)</b>	(96)
	<b>(2,756)</b>	(3,977)
<b>Net interest income</b>	<b>19,512</b>	9,826

#### Note 17 – Provisions for Loan Impairment

Provisions for impairment in the income statement represent the charge required in the current year to establish total provision for impairment. The movement in the allowance for earning assets during 2002 and 2001 was:

	Loans to customers	Due from credit institutions	Total allowance
December 31, 2000	2,680	–	2,680
Provisions charged	2,525	–	2,525
December 31, 2001	5,205	–	5,205
Provisions charged	154	3	157
<b>December 31, 2002</b>	<b>5,359</b>	<b>3</b>	<b>5,362</b>

The estimate of loan losses includes consideration of specific loss exposures identified with respect to individual credits as well as judgmental consideration of risk factors unique to the Bank's loan portfolio and the economy in which the borrowers operate.



### Note 18 – Fees and Commissions Received

Fees and commissions received comprise:

	2002	2001
Settlements and wire transfers	3,360	2,793
Other settlements	1,114	566
Cash operations	1,052	1,339
Guarantees issued	850	580
Securities operations	20	8
<b>Fees and commissions received</b>	<b>6,396</b>	<b>5,286</b>

### Note 19 – Securities Trading Profits, Net

Net dealing profits comprise:

	2002	2001
Gains from operations with securities	325	206
Losses from operations with securities	(88)	(140)
<b>Dealing profits, net</b>	<b>237</b>	<b>66</b>

### Note 20 – Salaries, Employment Benefits and Administrative Expenses

Salaries, employment benefits and administrative expenses comprise:

	2002	2001
Salaries	6,201	5,337
Social security costs	265	81
<b>Salaries and employment benefits</b>	<b>6,466</b>	<b>5,418</b>
Occupancy	1,881	1,522
Operating taxes	1,110	829
Communications	467	476
Business development	443	235
Professional fees	207	170
Other	254	434
<b>Administrative expenses</b>	<b>4,362</b>	<b>3,666</b>



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

### Note 21 – Income Taxes

The provision for income taxes comprises:

	2002	2001
Current tax charge	377	490
Deferred taxation	3,626	1,240
<b>Taxation</b>	<b>4,003</b>	<b>1,730</b>

Russian legal entities must report taxable income and remit income taxes thereon to the appropriate authorities. The current year income tax rate for the Bank is 24% (2001: 43%).

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the provision for income taxes based on statutory rates with the actual provision for income taxes follows:

	2002	2001
Income before tax	12,817	2,968
Applicable statutory tax rate	24%	43%
Income tax using the applicable tax rate	3,076	1,276
Non-deductible costs and non-taxable income	927	491
Change in tax rate	–	(37)
	<b>4,003</b>	<b>1,730</b>

Accumulated temporary differences between the carrying amounts of assets and liabilities reflected in these financial statements and their bases for local taxation purposes give rise to a deferred tax liability of USD 5,013 thousand as of 31 December 2002 (31 December 2001: USD 1,387 thousand). The net change in the deferred tax liability has been recognised in the income statement. This deferred tax liability is attributable to the following items, listed below at their tax effected values:



	2002	2001
Property and equipment	(128)	(37)
<b>Deferred tax assets</b>	<b>(128)</b>	<b>(37)</b>
Loans to customers	5,116	1,355
Trading securities	25	3
Accrued interest receivable	–	66
<b>Deferred tax liabilities</b>	<b>5,141</b>	<b>1,424</b>
<b>Net deferred tax liability</b>	<b>5,013</b>	<b>1,387</b>

The applicable deferred tax rate for the Bank is 24% (2001: 24%).

## Note 22 – Commitments and Contingencies

### a) Financial Commitments

Financial commitments and contingencies at December 31, 2002 and 2001 comprise:

	December 31,	
	2002	2001
<b>Commitments given</b>		
Undrawn loan commitments	39,925	16,123
Guarantees	8,303	1,947
	<b>48,228</b>	<b>18,070</b>

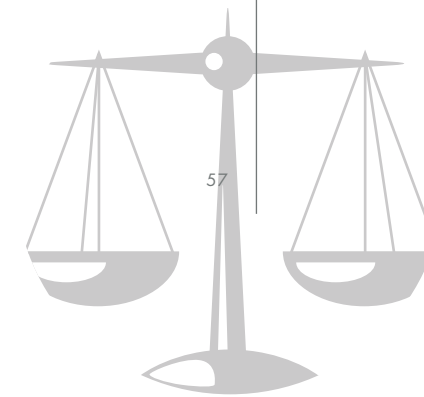
At December 31, 2002 and 2001 the Bank provided for off-balance sheet risks in the amount of USD 170 thousands and USD 58 thousands, respectively.

### b) Legal

Bank management is unaware of any significant actual, pending or threatened claims against the Bank.

### c) Insurance

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



### d) Tax

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

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

## Note 23 – Cash and Cash Equivalents

Cash and due from Central Bank comprise:

	December 31,	
	2002	2001
Correspondent account with CBR	22,042	17,677
Due from credit institutions with the original maturity of less than 3 months	18,124	11,156
Cash on hand	12,830	11,720
<b>Cash and due from Central Bank</b>	<b>52,996</b>	<b>40,553</b>

## Note 24 – Related Parties

The outstanding balances and related average interest rates as of 31 December 2002 and 2001 with related parties are as follows:

	2002		2001	
	Amount	Average effective interest rate	Amount	Average effective interest rate
<b>Assets</b>				
Loans to customers, gross	7,032	21.1%	2,419	21.2%
Due from credit institutions	40	0.0%	213	0.0%
<b>Liabilities</b>				
Deposits by customers	639	10.0%	75	3%
Deposits by credit institutions	401	1.0%	50	0.3%





Amounts included in the income statements for the years ending 31 December 2002 and 2001 in relation to transactions with related parties are as follows:

	2002	2001
	Amount	Amount
Interest income on loans to customers	604	179

### Note 25 – Capital Adequacy

The Bank's risk based capital adequacy ratio as at December 31, 2002 and 2001 was 44% and 58%, respectively, which exceed the minimum ratio of 8% recommended by the Basle Accord.

### Note 26 – Fair Value of Financial Instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No.107. The Bank has performed an assessment of its financial instruments to determine whether it is practicable within the constraints of timeliness and cost to determine their fair values with sufficient reliability.

The Bank has concluded that due to the lack of liquidity and published “indicator interest rates” in the Russian markets, and the fact that some of its transactions are with related parties and of a specialized nature, it is not possible to determine the fair value of the obligatory reserve deposits with CBR, loans to customers, deposits by customers, promissory notes and certificates of deposit.

The financial assets and financial liabilities that the Bank does believe it is able to estimate fair values for are as follows:

	2002		2001	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial Assets</b>				
Cash and correspondent account with CBR	41,549	41,549	34,993	34,993
Due from credit institutions, net	18,124	18,124	11,156	11,156
Trading securities	16,475	16,475	3,475	3,475
<b>Financial Liabilities</b>				
Deposits by credit institutions	12,089	12,089	3,207	3,207



The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

*Cash and correspondent account with CBR, due from credit institutions, deposits by credit institutions:* the carrying amounts approximate fair value because of the short maturity of these instruments.

*Trading securities:* the fair values are based on quoted market prices for these or similar instruments.

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

### Note 27 – Risk Management Policies

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

#### Credit Risk

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

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

Credit-related commitments ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are frequently fully or partially covered by the funds deposited by customers and therefore usually bear limited credit risk.

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



## FINANCIAL STATEMENTS

	2002				2001			
	Russia	OECD	Other non – OECD	Total	Russia	OECD	Other non – OECD	Total
<b>Assets</b>								
Cash and due from CBR	36,357	5,186	6	41,549	34,993	–	–	34,993
Due from credit institutions, gross	9,007	9,107	13	18,127	3,885	7,266	5	11,156
Trading securities	16,475	–	–	16,475	3,475	–	–	3,475
Loans to customers, gross	140,463	–	–	140,463	87,122	–	–	87,122
	202,302	14,293	19	216,614	129,475	7,266	5	136,746
<b>Liabilities</b>								
Deposits by credit institutions	8,931	2,157	1,001	12,089	1,985	1,222	–	3,207
Deposits by customers	80,415	5	740	81,160	65,812	8	318	66,138
Promissory notes and certificates of deposit	51,218	–	–	51,218	19,235	–	–	19,235
	140,564	2,162	1,741	144,467	87,032	1,230	318	88,580
<b>Net position</b>	61,738	12,131	(1,722)	72,147	42,443	6,036	(313)	48,166

### Currency Risk

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



	2002				2001			
	USD	Rubles	Other currencies	Total	USD	Rubles	Other currencies	Total
<b>Assets</b>								
Cash and due from CBR	4,736	36,358	455	41,549	2,799	31,708	486	34,993
Due from credit institutions, gross	8,722	8,619	786	18,127	5,805	2,927	2,424	11,156
Trading securities	41	16,434	–	16,475	–	3,475	–	3,475
Loans to customers, gross	47,575	85,314	7,574	140,463	23,003	60,522	3,597	87,122
	61,074	146,725	8,815	216,614	31,607	98,632	6,507	136,746
<b>Liabilities</b>								
Deposits by credit institutions	8,636	395	3,058	12,089	1,763	52	1,392	3,207
Deposits by customers	24,894	54,402	1,864	81,160	17,127	47,749	1,262	66,138
Promissory notes and certificates of deposit	19,630	29,569	2,019	51,218	9,476	9,716	43	19,235
	53,160	84,366	6,941	144,467	28,366	57,517	2,697	88,580
<b>Net position</b>	7,914	62,359	1,874	72,147	3,241	41,115	3,810	48,166

### Liquidity Risk

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current deposits, maturing deposits, loan drawdowns, guarantees and from margin and other calls on derivatives settled by cash. The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The Bank's Asset and Liability Management Committee sets limits on the minimum proportion of maturing funds available to cover such cash outflows and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The contractual maturities of monetary assets and liabilities as of December 31, 2002 and 2001 are as follows:



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	2002							
	On demand	Less than 1 month	1 – 6 months	6 months to 1 year	Over 1 year	No maturity	Overdue	Total
<b>Assets</b>								
Cash and due from CBR	34,872	–	–	–	–	6,677	–	41,549
Due from credit institutions, gross	17,809	318	–	–	–	–	–	18,127
Trading securities	–	908	6,093	7,807	1,150	517	–	16,475
Loans to customers, gross	–	46,730	52,672	30,900	9,663	–	498	140,463
	52,681	47,956	58,765	38,707	10,813	7,194	498	216,614
<b>Liabilities</b>								
Deposits by credit institutions	2,753	7,850	–	328	1,158	–	–	12,089
Deposits by customers	54,077	7,693	13,231	6,043	116	–	–	81,160
Promissory notes and certificates of deposit	2,245	27,359	16,984	4,630	–	–	–	51,218
	59,075	42,902	30,215	11,001	1,274	–	–	144,467
<b>Net position</b>	<b>(6,394)</b>	<b>5,054</b>	<b>28,550</b>	<b>27,706</b>	<b>9,539</b>	<b>7,194</b>	<b>498</b>	<b>72,147</b>
<b>Accumulated gap</b>	<b>(6,394)</b>	<b>(1,340)</b>	<b>27,210</b>	<b>54,916</b>	<b>64,455</b>	<b>71,649</b>	<b>72,147</b>	

	2001							
	On demand	Less than 1 month	1 – 6 months	6 months to 1 year	Over 1 year	No maturity	Overdue	Total
<b>Assets</b>								
Cash and due from CBR	29,397	–	–	–	–	5,596	–	34,993
Due from credit institutions, gross	10,565	591	–	–	–	–	–	11,156
Trading securities	3,122	–	–	–	–	353	–	3,475
Loans to customers, gross	3,386	8,162	14,259	56,350	4,716	–	249	87,122
	46,470	8,753	14,259	56,350	4,716	5,949	249	136,746
<b>Liabilities</b>								
Deposits by credit institutions	1,985	–	–	–	1,222	–	–	3,207
Deposits by customers	53,421	4,096	5,184	3,354	83	–	–	66,138
Promissory notes and certificates of deposit	8,648	1,392	3,429	5,716	50	–	–	19,235
	64,054	5,488	8,613	9,070	1,355	–	–	88,580
<b>Net position</b>	<b>(17,584)</b>	<b>3,265</b>	<b>5,646</b>	<b>47,280</b>	<b>3,361</b>	<b>5,949</b>	<b>249</b>	<b>48,166</b>
<b>Accumulated gap</b>	<b>(17,584)</b>	<b>(14,319)</b>	<b>(8,673)</b>	<b>38,607</b>	<b>41,968</b>	<b>47,917</b>	<b>48,166</b>	



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

### Interest Rate Risk

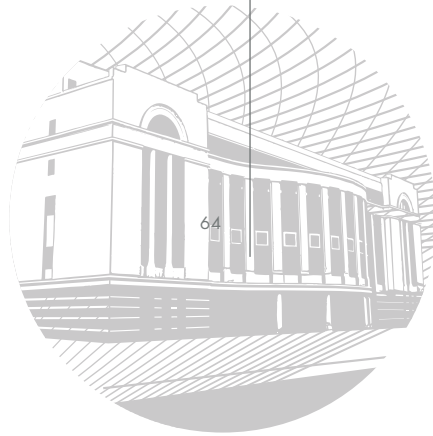
The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest rate risk is measured by the extent to which changes in market interest rates impact margins and net income. To the extent the term structure of interest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

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

The Bank's interest rate policy is reviewed and approved by the Bank's Assets and Liabilities Management Committee. The Bank's average effective interest rates as at December 31, 2002 and 2001 for interest bearing monetary financial instruments follow.

	2002			2001		
	US Dollars	Rubles	Other foreign currencies	US Dollars	Rubles	Other foreign currencies
<b>Interest earning assets</b>						
Due from credit institutions	0.2%	0.3%	1.3%	0.4%	3.3%	0.4%
Trading securities – government bonds	6.7%	12.9%	–	–	24.0%	–
Trading securities – corporate notes and municipal bonds	–	15.9%	–	–	9.3%	–
Loans to customers	16.5%	13.5%	14.3%	17.5%	21.6%	15.3%
<b>Interest bearing liabilities</b>						
Deposits by credit institutions	0.4%	1.0%	4.2%	2.7%	0.3%	2.6%
Deposits by customers	7.2%	10.4%	6.8%	6.2%	12.3%	5.1%
Promissory notes and certificates of deposit	8.0%	14.5%	3.3%	1.6%	1.4%	1.6%





GENERAL INFORMATION  
ON THE BANK



General Information on the Bank

- ❑ Founded on 5 August 1992
- ❑ The Central Bank of the Russian Federation general license for banking transactions both in rubles and foreign currencies No. 1978 of 20 January 2000
- ❑ License for banking operations with precious metals No. 1978 of 18 August 1999

Licenses of professional securities market participant:


- ❑ Securities management license No. 177-03675-001000 of 7 December 2000
- ❑ Broker license No. 177-03476-100000 of 7 December 2000
- ❑ Dealer license No. 177-03579-010000 of 7 December 2000
- ❑ Custody license No. 177-04183-000100 of 20 December 2000

Auditor of the Bank's financial statements:	KPMG
Location:	4 Marshala Rybalko Street, 123060 Moscow
Postal address:	123060 Moscow, POB 63
Telex:	614645 MCB RU
E-mail:	info@mkb.ru
Internet:	www.mkb.ru
Reuters Dealing:	MCRB
S.W.I.F.T.:	MCRB RU MM
Sprint:	MCB/DCOM.I

Accounts and codes:	
Correspondent account:	30101810300000000659 with the Branch-2 of the CB RF Moscow GTU
BIC:	044585659
INN:	7734202860
OKPO:	09318941
OKVED:	65.12
Foreign currency account:	acc. No. 2000193001150 with Wachovia Bank, N.A. New York, NY International Branch, USA, S.W.I.F.T.: PNBP US 3N NYC

CREDIT BANK OF MOSCOW

- ❑ A bank authorized to discount exporters' bills of exchange
- ❑ A member of the Moscow Chamber of Commerce and Industry
- ❑ A member of the Association of Russian Banks
- ❑ A member of the Association of Russian Regional Banks (Association "Russia")
- ❑ A member of the Association of Corporate Debt Market Participants
- ❑ A member of the National Association of Stock Market Participants
- ❑ A member of the Moscow International Currency Association
- ❑ A member of Interregional Public Foundation for Protection of Taxpayers' Rights "The State and We"
- ❑ A founder and associated member of the Moscow Stock Exchange
- ❑ An associated member of the VISA International payment system
- ❑ An affiliated member of the Europay International payment system
- ❑ A member of the Union Card payment system, Russia
- ❑ A member of the Society for Worldwide Interbank Financial Telecommunications (S.W.I.F.T.)
- ❑ A member of the Reuters dealing and informational system



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