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CentroCredit Bank annual report

contents

- 4 / The CentroCredit Joint Stock Commercial Bank: General Information
- 5 / Message from the Chairman of the Managing Board to the Shareholders and Customers

1. RESULTS OF THE YEAR 2000

- 7 / Economic Situation in Russia in 2000
- 9 / The Russian Federation Banking System in 2000
- 11 / Main Results of the CentroCredit Bank Performance in 2000

2. THE BANK MANAGEMENT SYSTEM

- 19 / Management Principles
- 20 / Bank Organization and Personnel Policy
- 21 / Outlook for the Bank Development in 2001

3. CUSTOMER AND PARTNER RELATIONSHIP

- 23 / The CentroCredit Bank Customer-Oriented Policy
- 25 / Corporate Customers
- 28 / Individual Customer Services
- 29 / Activities in the Financial Markets
- 30 / Lending Business
- 32 / Bullion Operations
- 33 / Correspondent Banking and International Settlements
- 34 / International Activities
- 35 / Banking Automation and Software

4. FINANCIAL STATEMENTS

- 37 / The CentroCredit Bank. Consolidated Financial Statements for the year ended 31 December 2000.
- 40 / The CentroCredit Bank. Financial Statements for the year 2000.
- 43 / Appendix 1.
The CentroCredit Bank. Semi-Annual Financial Statements 2001.
- 46 / Appendix 2.
The CentroCredit Bank. Consolidated Semi-Annual GAAP Financial Statements 2001.

THE CENTROCREDIT JOINT STOCK COMMERCIAL BANK: GENERAL INFORMATION

The CentroCredit Joint Stock Commercial Bank was established in 1989 by the Association of Timber Companies as a sectoral bank of the Ministry of Timber Industry. The Bank's original shareholders were the timber factories and furniture-making companies. In 1991, the Bank obtained the Central Bank of Russian Federation General License #121.

In autumn 1996, the controlling interest was acquired by the North-East Investment Company and a group of companies operating in the oil refining and construction sectors.

In 2000, the CentroCredit Bank attracted new strategic shareholders. Following the increase of the Bank's share capital, telecommunications companies, major construction integrated factories, trading companies and companies operating in the natural gas and petrochemical sector became its stockholders.

Changes in the ownership structure entailed changes in the Board of Directors: Mr. Pavel Kosolobov (ZAO «Inter-Regional TransitTelecom») was elected Chairman of the Board.

Following the appearance of new shareholders, the CentroCredit is operating and actively developing as a universal customer-oriented bank laying special emphasis on the investment banking; therefore much attention is given to the diversification of the services provided and to the establishment of the up-to-date infrastructure necessary for the successful business.

The CentroCredit Bank has established correspondent relationship with foreign banks, such as the Bank of New York, Dresdner Bank, Skandinaviska Enskilda Banken, Bank of Tokyo, etc.

In the late 1999, the CentroCredit Bank obtained a Ministry of Economics of Russian Federation License to perform the leasing business.

In December 2000, the Central Bank of Russian Federation granted the CentroCredit Bank the License #121 to perform transactions with precious metals.

Furthermore, in December 2000, the State Customs Committee of Russian Federation entered the CentroCredit Bank in the register of organizations authorized to act as the guarantors before the customs authorities for an amount equivalent to \$1 mln.

The CentroCredit Bank is a member of the Association of Russian Banks, the National Stock Association and the National Association of the Stock Market Participants ("NAUFOR"), the Professional Association of the Registrars, Transfer Agents and Depositories ("PARTAD"); it is also a member of the Russian Trading System ("RTS") and the Moscow Stock Exchange ("MSE"), as well as a shareholder and a member of the Stock and Futures Market Sections of the Moscow Interbank Currency Exchange ("MICEX"). In January 1998, the Central Bank of Russia registered the CentroCredit Bank as a professional participant of the stock market and granted it a License to perform the broker (broking business with the individuals included), dealer and depository activities. The bank has a securities depository status.

At the Federal Commission for the Securities Market of Russian Federation ("FCSM") Meeting held on 17 September, 2000, a decision was taken to grant the Closed Joint Stock Society «Joint Stock Commercial "CentroCredit" Bank» a professional participant of the securities market License to perform the trust business. The FCSM also extended the period of the bank's professional participant of the stock market License to perform the broker, dealer and depository activities. The existence of the FCSM Licenses to perform all the four types of business shall enable the CentroCredit Bank to provide comprehensive services to a broader circle of customers, foreign investors included.

According to the MICEX, by the end of the year 2000 the CentroCredit Bank ranked fourth in terms of the volume of trades at the MICEX Stock Market Section. In terms of the annual returns, the bank ranked seventh at the MSE and thirty-fifth at the RTS.

The CentroCredit Bank General Shareholders Meeting held in the late August 1997, decided, by a unanimous vote, to increase the bank's share capital tenfold. In August 1998, the Main Department of the Central Bank of Russia for the city of Moscow registered the report on the results of the CentroCredit Bank's fourth issue shares placement; in consequence of which the bank's authorized capital increased from RUR 5 million to RUR 50 million.

On 25 December, 2000, the Main Department of the Central Bank of Russia for the city of Moscow announced the registration of the report on the results of the ZAO «Joint Stock Commercial "CentroCredit" Bank» fifth and sixth issues shares placement. The volume of the issue was 1,700,000 shares, face value RUR 100 each; State Registration Number [10100121B].

Thus, the CentroCredit Bank's authorized capital increased more than fourfold, i.e., from RUR 50 million to RUR 220 million.

The Bank is planning to perform the further augmentation of its authorized capital.

The Bank's capital gains within the year 2000 were almost 400 per cent. The CentroCredit equity now amounts to over RUR 400 mln, placing it among the first one hundred Russian banks in terms of equity (ranking 98th according to the rating published by the "Profile" magazine (#11, 26 March, 2001)). In terms of net assets, the CentroCredit Bank is also among the first one hundred banks, ranking 81st.

The CentroCredit Bank offers a full line of the cash and settlement and investment services. We are striving to establish an individual approach and firm relationship with each customer, meeting the highest professional standards. We possess the requisites for being financial advisors and trading intermediaries for our customers.

The CentroCredit prepares its financial statements in accordance with the Russian and the International standards. Its Auditors are the OOO "Delovoy Partner" ("Business Partner") Audit Association and the KPMG company ranking among the world's major and most authoritative auditing companies.

MESSAGE TO THE SHAREHOLDERS AND CUSTOMERS

▶▶ 4 / 5

Dear Ladies and Gentlemen,

Offering to your attention the report on the CentroCredit Bank performance in the year 2000, I would like to express my gratitude for your support and the trust you put in us.

We take pride in the partnership established between us and hope that henceforward our cooperation will continue to promote the reinforcement of the stability and business reputation of our companies.

The reported year was marked by a sharp growth of virtually all the CentroCredit Bank's economic performances, as opposed to the insignificant increase in the number of its personnel and in the value of its fixed assets.

This was objectively promoted by a general recovery of the Russian economy; however, in our opinion, the correct positioning of the Bank in the financial services market was the chief point. We succeeded in securing our leadership in the Russian stock market, increasing sharply the volume of operations providing for our customers' export and import activities, as well as in developing commercial crediting in a number of industrial sectors.

Last year witnessed a more rigorous competition in the banking sector and a continuing drop in all the financial instruments yield without exception.

These phenomena are of fundamental secular nature, for which reason we are always looking for the new market segments and consistently augmenting our resource base by means of attraction of new customers and performance of external drawings at both Russian and international capital markets.

Let me once again extend my gratitude to you for your trust and support. Hoping for our further long lasting fruitful cooperation,

Yours respectfully,

*Andrey Tarasov
Chairman of the Managing Board*

- ▼ Economic Situation in Russia in 2000
- ▼ The Russian Federation Banking System in 2000
- ▼ Main Results of the CentroCredit Bank Performance in 2000



Results



ECONOMIC SITUATION IN RUSSIA IN 2000

of year 2000

▶▶ 6 / 7

▶ In the year 2000, Russia's economic indices continued to grow, and this growth rate, by and large for the year, was high enough. Last year may be considered the most successful for the Russian economy within the past decade. This is reflected in the following data provided by the State Statistics Committee and the Bank of Russia.

The Year 2000 Key Economic Indices

1. Gross Domestic Product <i>percentage of the correspondent period of the previous year</i>	108.30
2. Five Basic Industries Index (Industry, Agriculture, Construction, Transport, Retail Trade) <i>percentage of the correspondent period of the previous year</i>	108.00
3. Industrial Output RUR bln <i>percentage of the correspondent period of the previous year</i>	4,763.00 109.00
4. Agricultural Output <i>percentage of the correspondent period of the previous year</i>	105.00
5. Rail Cargo Carriage <i>percentage of the correspondent period of the previous year</i>	111.00
6. Permanent Investment RUR bln. <i>percentage of the correspondent period of the previous year</i>	1,165.00 117.40
7. Consumer Price Index <i>average for the period from the start of the year on the annual basis</i>	120.80
8. General Unemployment Rate (calculated by the ILO methods) million persons percentage of the economically active population <i>percentage of the correspondent period of the previous year</i>	7.00 9.60 78.10
9. Real Cash Income of the Population <i>percentage of the correspondent period of the previous year</i>	110.20
10. Total Exports (F.O.B.), \$ bln.	105.60
11. Total Imports (C.I.F.), \$ bln.	44.90
12. Official Rouble Rate v US Dollar, RUR/\$ (at the year end)	28.16
13. Gold and Foreign Exchange Reserves (at the year end) \$ bln. <i>percentage of the correspondent period of the previous year</i>	27.90 223.00

The GDP growth in the year 2000 was primarily due to the high rate of the industrial output and construction growth providing for the goods output growth rate outrunning that of the services production (8.6% and 6.7% respectively). The main factors of the industrial output and construction growth were the home demand expansion and the exports growth.

The industrial production growth was accompanied by the stabilization in the area of finance. The companies' financial standing improved significantly, their profits increased, and the percentage of enterprises operating at a loss reduced slightly, though, according to the official statistics, about 40 per cent of the total number of companies still remain unprofitable.

Substantial industrial output growth and the high level of world prices for the basic export commodities (i.e., oil and oil products, metals and timber), together with the improvement of taxes collection, provided for the high Federal budget revenue (at 16.2% of the GDP value). Public outlay financing improved considerably, and monetization ratio of settlements increased noticeably.

Another characteristic feature of year 2000 was a significant improvement of the credit standing of the State. The high favorable balance of trade (\$ 60.7 bln.), combined with the maintaining of the Federal budget surplus, made it possible to service the State external debt without any additional external borrowings. The budget equilibrium and the adequate utilization of monetary instruments by the Bank of Russia allowed curbing the inflationary pressure on the national economy along with a considerable growth of the money reserve.

The economic growth rate was not steady throughout 2000. It slowed down in the last months of the year, while the behavior of the indices characterizing the improvement of the companies' financial standing shifted into low gear due to the strengthening of the Rouble and to the growth of the operating costs. There was also a marked difference in the financial situation of the export-oriented and the domestic market-oriented industrial sectors in favor of the former. One of the reasons for that is the real strengthening of the Rouble versus the US Dollar. Within the year the Rouble nominal exchange rate changed by 4.3 per cent, while the inflation rate was a little more than 20 per cent. Nonetheless, though the Rouble rate is strengthening, its purchasing power par is still remaining undervalued. This is just what protects the Russian producers from the external competition. The real Rouble rate should continue to strengthen in the long run, which in turn shall mean the further lowering of the Russian-made goods competitiveness. The rise in prices of energy resources at the domestic market is also unavoidable. Therefore, the matter of the production efficiency enhancement and cost saving becomes still more urgent.

One must not rest content with the economic and investment activity growth observed in 2000. Should the world prices of the Russian basic export items go down, the currency earnings inflow will shrink. Though the volume of investments has grown, however, this growth took place against the background of the continuing drain of capital, which amounted \$ 28 bln in the reported year, according to Mr. G. Gref, Minister of Economic Development. Exporters are not inclined to invest the disposable income into the development of other sectors of Russian economy, it being highly risky in the environment lacking stability of the proprietary rights. Thus, there exists an obvious gap between the exporting industries and most of the other sectors. The only way for Russia to settle this contradiction is to have the State establish and provide for the favorable environment for busi-

newspaper

COMMERSANT

The British bank supervisory authorities have given their consent for the CentroCredit bank Representative Office to be opened in one of the business centers of London.

ness development in all the areas. This should involve the establishment, at the earliest, of the equal terms of competition, reasonable taxation system and independent judicial authority, as well as the deregulation of national economy, refusal of the State from its direct involvement in the economic processes and protection of the private property rights. In the medium term outlook, the government's key task is to provide for the sustained economic growth in the country at a sufficiently high rate. The qualitative aspect of the process being of no less importance than the quantitative one, everything related to the national economy modernization and the investment climate improvement gains paramount importance.

▶ **A**ssessing the situation in the Russian banking sector by the end of the year 2000, we can note a relative stabilization of the system and the reaching of an acceptable level of the financial standing and the banking development rate by the credit institutions in general. One should emphasize the relative nature of this assessment, as all the results of the Russian banking system performance may only be considered positive within the general economic and legal environment in which the Russian credit institutions operate. The banking sector is an integral part of the country's single economic system and the condition of this system is mainly governing the nature and the dynamics of the situation in the banking sector.

According to the Bank of Russia, the financially stable banks' share in the total assets of the operating credit institutions is 88.6 per cent. Over 93 per cent of the operating banks closed the year 2000 in the black, while in the real sector of national economy only 6 of each 10 companies are profitable. The aggregate assets of credit institutions have grown from RUR 1,586.4 bln as at 1 January 2000 to RUR 2,362.5 bln as at 1 January 2001, and the aggregate equity from RUR 249.67 bln to RUR 443.02 bln respectively.

However, despite the general improvement of the situation, the system instability factors continue to operate in the banking sector. The role of the banking system in the economic processes is still remaining quite modest. It is necessary to raise the corporate management level significantly and to provide for the greater transparency of the banks' activity.

The banking sector performance has not yet reached the parameters of the mid-1998 in terms of the major items, such as assets, capital and retail deposits. In real terms, the aggregate banking system assets only amount to 90 per cent and the aggregate equity – to 85 per cent of the pre-crisis level (though if we exclude the banks transferred under the ARCO management, the aggregate equity of those operating under the standard conditions will reach 96 per cent of the pre-crisis level). About 80 per cent of the operating banks are small, with equity below \$ 5 mln, while the equity of almost half of them does not even reach \$ 1 mln. Nonetheless, the aggregate banks' assets to the GDP ratio as at the start of the year 2001 exceeded the pre-crisis figure (34.0% as against 30.4% respectively). The quota of the incomes deposited by the individuals with the banks has also exceeded the pre-crisis

RUSSIAN BANKING SYSTEM IN 2000

magazine

PROFILE

As at 1 November, 2000, the CentroCredit ranks 20th among the best profit-making banks.

level a little: 12.2% as against 11.9% respectively. The amount of loans to the real sector of national economy has exceeded the pre-crisis level by almost 10 per cent (in real terms).

In 2000 the aggregate amount of the RUR-denominated loans issued to the real sector of national economy grew by 108 per cent, and that of the foreign currency-denominated loans – by 20 per cent. As the result, the absolute aggregate value of the loans to the real sector grew within the last year to RUR 602 bln, while the share of such loans in the total assets of the operating banks reached 34 per cent. Development of the lending business was possible, in the first instance, due to the significant (almost 1.4 times') growth of the balance of the legal entities' accounts with the banks. On the other hand, one of the principal factors impeding the development of the long-term investments is the existing structure of the banks' liabilities in which the short-term borrowings are prevailing. The banks are suffering quite an acute shortage of the medium-term and long-term resources, which, in turn, is determined by the low general level of funds accumulation and savings, as well as by the insignificance of the quota of such funds placed with the banks. Much depends here on the real income earned by the businesses and the individuals. Meanwhile, according to the State Statistics Committee, in the year 2000 the real income of the individuals did not exceed 80 per cent of the level of 1997.

The certain hopes for the progress in this area are associated with the further economic recovery, as well as with the establishment of the State deposit insurance system.

The key factors determining the banking system functioning last year were the still existing overtaxation of banking and sharp reduction of the lending and borrowing rates. According to Mr. S. Egorov, Chairman of the Association of Russian Banks, of the profit amounting in aggregate over RUR 20 bln, earned by the profitable banks within the first six months of the year 2000, more than 84% was spent on taxes.

Therefore, the further development of the country's banking system will depend on the efficient solution of the following problems.

- ▼ Bolstering the banking system stability and elimination of the possibility of the system crises in the banking sector.
- ▼ Substantial improvement of the banking sector performance in the savings accumulation and their further transformation into loans and investments.
- ▼ Building confidence in the Russian banking system on the part of the investors (this to include the reduction of the system risks, enhancement of corporate management and internal controls in the banks, providing for the more transparent banking operations and for the discipline tightening in the banking services market, and the bank supervision system development).

The CentroCredit Bank successfully performed the tasks set at the start of the year, having completed the year 2000 with positive dynamics.

- ▲ The value of the balance sheet totals grew 2.5 times within a year: from RUR 610 mln to RUR 1,754 mln.
- ▲ The shareholders' equity grew almost five times within a year: from RUR 82.7 mln to RUR 401.7 mln.
- ▲ The balance sheet profit amounted RUR 100.1 mln.
- ▲ Balance of the customers' RUR-denominated settlement accounts and foreign currency-denominated accounts grew almost threefold: from RUR 230 mln to almost RUR 700 mln.
- ▲ Within the year 2000, the number of the Bank's corporate customers grew by 36 per cent: from 830 to 1132, while the number of their RUR-denominated settlement accounts and foreign currency-denominated accounts increased by 40 per cent, having reached 3000.

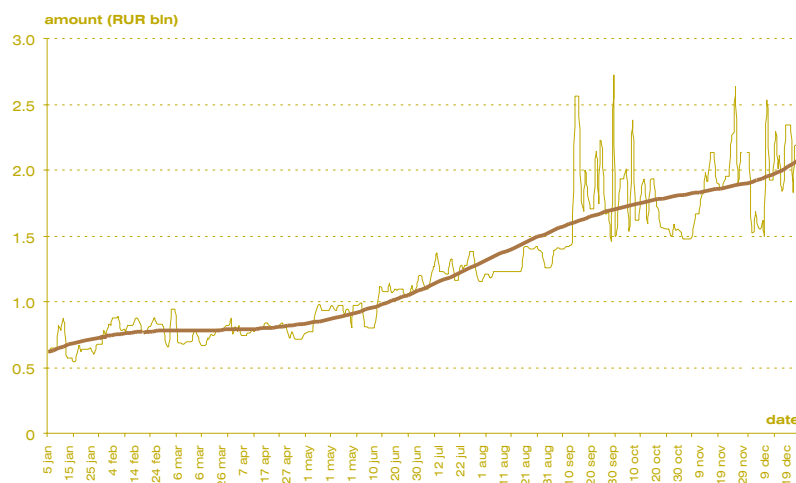
The Bank is confidently ranking among the leaders of the stock market.

According to the MICEX Stock Market Section, by the end of the year 2000 the CentroCredit Bank ranked fourth in terms of the volume of trades. The Bank's turnover in the equity stock trading at the MICEX grew more than threefold within the year: RUR 5,581 mln in December 2000 as against RUR 1,537 mln in January 2000.

According to the MSE data for the year 2000, the CentroCredit Bank ranked seventh in the fully covered trading section with the turnover amounting RUR 1,042 mln.

By the results of 2000, the Federal Commission for the Securities Market of Russian Federation ('FCSM') Central Federal District Regional Branch awarded the CentroCredit Bank a Certificate of the Leader in the rating of the professional participants of the stock market operating with the funds of the individual customers in the city of Moscow.

Net Value of the Balance Sheet Totals: Yearly Dynamics



Thus, a well-founded conclusion may be drawn that the Bank successfully performed its tasks set for the year 2000.

MAIN RESULTS OF THE CENTROCREDIT BANK PERFORMANCE IN 2000

news agency

INTERFAX-AFI

The State Customs Committee of Russian Federation has entered the CentroCredit bank in the register of entities authorized to act as the guarantors before the customs authorities for an amount equivalent to \$ 1 million.

Analysis of the CentroCredit Bank Performance in 2000

1. The Bank Capital Structure and Adequacy Analysis

The Bank shareholders' equity, formed in accordance with the requirements of the Central Bank of Russia Instruction No. 1, grew by RUR 319 mln, or 4.9 times: RUR 401.7 mln. as at 01.01.2001 against RUR 82.7 mln as at 01.01.2000. The equity buildup was primarily performed from the following sources:

- the authorized capital increase by RUR 168.7 mln (accounting for the 49.3% of the equity growth);
- subordinated loans provided by the Bank's shareholders in the aggregate amount of RUR 62 mln (19.4% of the equity growth); and
- the Bank's net profit in the amount of RUR 100 mln (31.3% of the equity growth).

The equity structure and behavior assessed in terms of the Bank's assets and liabilities market (real) value is as follows.

Bank's Net Equity Analysis as at 01.01.2000 and 01.01.2001

	01.01.2000 (RUR Ths)	01.01.2001 (RUR Ths)	Annual Increment, %
Net Equity, Total,	102,676	694,951	+ 680%
incl.: Authorized Capital (share in the equity)	50,000 (48.7%)	220,000 (31.6%)	+ 340%
Subordinated Loan (share in the equity)	(0.0%)	62,000 (8.9%)	
Profit Earned in the Reported Year (share in the equity)	42,621 (41.5%)	360,275 (51.9%)	+745%
Profit Earned in the Previous Years incl. Reserves Established (share in the equity)	10,055 (9.8%)	52,676 (7.6%)	+ 520%

Thus, the Bank's net equity increment amounted RUR 592,275 ths, which means a 6.8 times' growth. 2/3 of the Bank's equity are made up by the profit earned in the year 2000 and in the previous years in the aggregate amount of RUR 412,951 ths, while the authorized capital reached RUR 220,000 (accounting for 31.6% of the net equity). The equity to the borrowed funds ratio as at 01.01.2001 was 50.6%, i.e., half the customers' funds are covered by the Bank's own capital, providing for a very high degree of security. On the other hand, this testifies to the missed opportunities of the additional customers' funds attraction, as for our peers in terms of the value of assets or equity, and even more so – for the major banks, this ratio equals about 25 to 30 per cent, i.e., their borrowed funds are about four times as great as the equity. One should note that the low-risk assets, like cash and funds on the correspondent accounts with the Central Bank of Russia and other banks, overnight inter-bank loans and investments in the Minfin bonds, stock and liquid bills of exchange and promissory notes account for 66 per cent of the total assets. This guarantees the Bank's meeting all its liabilities to customers even in case of 100% loss of other assets (these being mainly the loans issued to the individual and corporate borrowers), while most of the other banks' low-risk assets value is only sufficient to cover 30 to 50 per cent of their liabilities to customers.

2. Assets and Liabilities Structure

As at 01.01.2001, the Bank's net balance sheet totals amounted to RUR 1,754 mln. Cash and other liquid funds amounted RUR 207.5 mln, accounting for 12% of the total assets value. The break-up of these funds is as follows.

magazines

PC WEEK,
COMPUTERWORLD

The CentroCredit has started the commercial application of the DiasoftBANKING 5 NT automated banking system.

	Amount	Share
Correspondent account with the Central Bank of Russia (CBR)	65,443	32%
Correspondent accounts with other banks (foreign currency-denominated)	11,033	5%
Correspondent accounts with other banks (RUR-denominated)	12,668	6%
Cash in hand	13,123	6%
Mandatory Reserve Fund with the CBR	97,441	47%
Funds involved in settlements	7,861	4%

Though in absolute terms the cash and other liquid funds amount as at 01.01.2001 grew, as compared to 01.01.2000, by 61% (from RUR 128.7 mln to RUR 207.5 mln), their share in the Bank's total assets reduced almost two times: from 21% as at 01.01.2000 to 12% as at 01.01.2001. This enabled the Bank to retain the liquidity and at the same time to increase the profit owing to the investment of funds into the higher-yield financial market instruments, securities in particular.

The overnight inter-bank loans amount reached RUR 46.3 mln, accounting for 3 per cent of the Bank's total assets, including:

	Amount	Share
Residents	29,133	63%
Non-residents	17,224	37%

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The amount of the inter-bank loans issued reduced by 73 per cent: from RUR 173.1 mln to RUR 46.3 mln, resulting in the 9 times' reduction of their share in the Bank's total assets: from 28% as at 01.01.2000 to 3% as at 01.01.2001. In this particular case, the reason is the funds transfer from the less profitable inter-bank market (the year 2000 average return in which was 15% p.a.) into an equally liquid but higher profitable and less risky State securities market (the average yield on the RUR-denominated Minfin bonds ('OFZ') in the year 2000 was about 78%).

Investments into securities amounted RUR 849.9 mln, accounting for 47 per cent of the total Bank's assets, including:

	Amount	Share
RUR-denominated State securities ('OFZ')	562,867	66%
Foreign currency-denominated State securities ('OVVZ' and the Russian Federation eurobonds)	11,956	1%
Highly liquid bills of exchange and promissory notes	66,172	8%
Other bills of exchange and promissory notes	4,916	1%
Stocks	203,924	24%
Funds involved in settlements	88	0%

The amount of the investments into securities increased 3.3 times: from RUR 243.7 mln to RUR 849.9 mln, resulting in the growth of their share in the Bank's total assets from 39% as at 01.01.2000 to 48% as at 01.01.2001.

One should note that the liquid assets share in the Bank's total assets grew from 56% as at 01.01.2000 to 61% as at 01.01.2001. In this context 'the liquid assets' imply cash, overnight inter-bank loans and investments in the securities with market liquidity. As at 01.01.2000, these were represented by the following:

- cash amounting RUR 128.7 mln;
- overnight inter-bank loans amounting RUR 173 mln;
- investments in the securities (liquid bills of exchange and promissory notes and stock only, as the then existing RUR-denominated Minfin bonds ('OFZ') market was not liquid) amounting RUR 47.9 mln.

newspaper

VREMIA NOVOSTEY

The CentroCredit Joint Stock Commercial Bank has attracted new strategic shareholders. Following the increase of the share capital, telecommunications companies, major construction integrated factories, trading companies and companies operating in the natural gas and petrochemical sector have become its stockholders.

In aggregate, they amounted to RUR 349.8 mln, or 56% of the Bank's total assets.

However, in 2000 the RUR-denominated Minfin bonds ('OFZ') market became as liquid as the money market. As at 01.01.2001, the liquid assets amounted RUR 1,098 mln, or 61% of the Bank's total assets, including:

- cash amounting RUR 207.5 mln;
- overnight inter-bank loans amounting RUR 46.3 mln;
- investments in the securities amounting RUR 844 mln.

Thus, the liquid assets, which as at 01.01.2000 covered the call deposits, inter-bank loans attracted and the individual depositors' accounts by 76% (this being a high ratio at the time), accounted for 125% of the same as at 01.01.2001 already. It is necessary to note the fact that as at 01.01.2001 all the Bank's liabilities (even with due regard of the subordinated loan) were 99 per cent covered by the liquid assets. These facts testify to a high credit worthiness of the Bank as a financial institution.

The commercial loan portfolio as at 01.01.2001 amounted RUR 626.2 mln, accounting for 36% of the Bank's total assets, including:

	Amount	Share
Loans to corporate borrowers	617,833	99%
Loans to individuals	8,415	1%

As compared to the year 1999, when the loan portfolio value was RUR 72.7 mln, it grew 8.6 times to amount RUR 626.2 mln as at 01.01.2001.

Comparative Analysis of Balance Sheet Aggregates

Date	01.01.00			01.01.01		
	amount RUR Ths	annual increment	share in the total	amount RUR Ths	annual increment	share in the total
ASSETS	625,663	292% ↑		1,752,879	180% ↑	
Liquid Assets	128,739	83% ↑	21%	207,569	61% ↑	12%
Correspondent account with the CBR	68,831	77% ↑	53%	65,443	-5% ↓	32%
Correspondent accounts with other banks (foreign currency-denominated)	9,923	50% ↑	8%	11,033	11% ↑	5%
Correspondent accounts with other banks (RUR-denominated)	1,969	-11% ↓	2%	12,668	543% ↑	6%
Cash in hand	10,945	-33% ↓	9%	13,123	20% ↑	6%
Mandatory Reserve Fund with the CBR	29,764	398% ↑	23%	97,441	227% ↑	47%
Funds involved in settlements	7,307	1 656% ↑	6%	7,861	8% ↑	4%
Inter-Bank Loans	173,191	578% ↑	28%	46,357	-73% ↓	3%
Residents	77,391	867% ↑	45%	29,133	-62% ↓	63%
Non-residents	95,800	446% ↑	55%	17,224	-82% ↓	37%
Investments in Securities	243,797	528% ↑	39%	849,923	249% ↑	48%
RUR-denominated State securities	186,514	2491% ↑	77%	562,867	202% ↑	66%
Foreign currency-denominated State securities				11,956	↑	1%
Highly liquid bills of exchange and promissory notes	22,539	-27% ↓	9%	66,172	194% ↑	8%
Other bills of exchange and promissory notes				4,916	↑	1%
Stock	25,398	4 183% ↑	10%	203,924	703% ↑	24%
Funds involved in settlements	9,346	3 214% ↑	4%	88	-99% ↓	0%
Loans Extended	72,718	304% ↑	12%	626,248	761% ↑	36%
Loans to corporate borrowers	71,272	358% ↑	98%	617,833	767% ↑	99%
Loans to individuals	1,446	-41% ↓	2%	8,415	482% ↑	1%
Property	7,218	157% ↑	1%	22,782	216% ↑	1%

Date	01.01.00			01.01.01		
	amount RUR Ths	annual increment	share in the total	amount RUR Ths	annual increment	share in the total
LIABILITIES	528 600	370% ↑		1 119 928	112% ↑	
Liabilities payable on demand	351 104	273% ↑	66%	605 194	72% ↑	54%
Corporate customers' accounts (Residents)	214 615	359% ↑	61%	380 213	77% ↑	63%
Corporate customers' accounts (Non-residents)	26 016	871% ↑	7%	22 315	-14% ↓	4%
Other banks' "loro" correspondent accounts (Residents)	2 859	-33% ↓	1%	161 003	5531% ↑	27%
Other banks' "loro" correspondent accounts (Non-residents)	74 888	143% ↑	21%	4 699	-94% ↓	1%
Other call deposits	20 047	238% ↑	6%	35 137	75% ↑	6%
Bank settlements	12 679	252% ↑	4%	1 827	-86% ↓	0%
Inter-Bank Loans	39 864	2558% ↑	8%	229 532	476% ↑	20%
Residents	20 964	1298% ↑	53%	229 532	995% ↑	100%
Non-residents	18 900	↑	47%			
Time Deposits	137 632	723% ↑	26%	285 202	107%	25%
Corporate customers' deposits	100	733% ↑	0%	77 065	76965% ↑	27%
Individual customers' deposits	61 851	615% ↑	45%	42 851	-31% ↓	15%
Bills of exchange and promissory notes in issue	75 681	838% ↑	55%	165 286	118% ↑	58%
NET ASSETS	102.676	118% ↑		632.951	516% ↑	

The 36% loan portfolio share in the total Bank's assets as at 01.01.2001 indicates a threefold growth as against 12% at 01.01.2001. This reflects the Bank's policy targeted at the new customers attraction (to a lesser extent), when the purpose of the loans is to replenish the borrowers' working capital, and at the support and growth of the customers' business (to a greater extent), when the loan is intended for the borrowers' business expansion. One should emphasize that the Bank pursues a well-balanced policy in respect of the loans issued to its customers, as the loan portfolio volume (generally, this is the only illiquid item of the Bank's portfolio) is less than its net equity, which amounted RUR 694 mln as at 01.01.2001. The average interest rate on the loans issued through 2000 was 28%, which actually provides for the total loan portfolio repayment within three years. As for the majority of the borrowers the repayment period of the loans received by them exceeds the period of the loans (this is the way the credit policy is built and this is also supported by the fact that 90 per cent of the Bank's loan portfolio are represented by the up to one year loans), there is a high probability that most of the borrowers will endeavor to pay interest within the periods in question (at least in order to be able to extend the period of the loan). Therefore, even if we suppose that the Bank may lose 20 per cent of its loan portfolio within a year (this being an overestimate), the real losses, with due account of interest received, may be limited to 10 per cent, or RUR 61 mln, which is covered by 9% of the Bank's equity (this is much less than its multiple growth dynamics within the last three years).

It is necessary to note the fact that, compared to the year 1999, the earning assets quota in the total Bank's assets grew by 8.5%: if at 01.01.2000 the earning assets (including inter-bank loans, securities and commercial loans) amounted RUR 489.7 mln, or 78.2% of the total, at 01.01.2001 they reached RUR 1,522.5 mln, accounting for

86.8% of the total Bank's assets. The degree of risk assumed by the Bank in respect of such assets grew accordingly. However, the level of protection of such assets, or otherwise the level of the equity-covered maximum losses, rose significantly: if at 01.01.2000 the equity to the risk assets ratio had been 20.8%, meaning the Bank's actual bankruptcy in case of the loss of over 20.8% of these assets (moreover, with due regard of the existing assets structure, this could happen in case of the non-repayment of either _ inter-bank loans amount or 50% of the commercial loans and 1/3 inter-bank loans amounts), at 01.01.2001 the said ratio was 45.6% already, i.e., it had grown more than twofold. With the existing assets structure, to cause the loss of 45.6% of the risk assets there should occur either a 100 per cent non-repayment of commercial loans and inter-bank loans and a loss of a half of the stock value, or a 50 per cent loss in the investments into the RUR-denominated Minfin bonds ('OFZ') and the stock, as well as the commercial loans sectors. Actually, the Bank's equity as a 'risk premium' had grown at a much higher rate than the risk itself.

As at 01.01.2001 the Bank's liabilities structure was as follows.

The volume of liabilities payable on demand totaled RUR 605.1 mln, including:

Liabilities Payable on Demand

Corporate customers' accounts (Residents)	380,213	63%
Corporate customers' accounts (Non-residents)	22,315	4%
Other banks' "loro" correspondent accounts (Residents)	161,003	27%
Other banks' "loro" correspondent accounts (Non-residents)	4,699	1%
Other call deposits	35,137	6%
Bank settlements	1,827	0%

The aggregate amount of liabilities payable on demand as at 01.01.2001 showed a 72% growth against RUR 351 mln as at 01.01.2000, however, its share in the total liabilities shrank from 66% to 54% respectively. It is worth noting that no significant changes had occurred either in the composition or in the percentage within the discussed group of items. Actually, the each item amounts grew to the same extent of about 72 to 77 per cent. The only change was associated with the funds shifting from the non-resident banks' accounts to the resident banks' accounts, such shift being due to the following two factors:

- firstly, the non-resident banks withdrawal either because of the Bank's insufficient competitiveness in terms of the velocity of their payments and settlements servicing, or due to the Bank's own wish to reduce risks associated with the services rendered to a certain category of non-resident banks (like the off-shore banks, etc.);
- secondly, the growth of balance of the resident banks' correspondent accounts is resultant from the inter-bank loans attracted, the resident banks having to place the funds lent on the correspondent accounts only due to the existence of certain restrictions in respect of their activities.

Attention must be given to the fact that along with the multiple growth of the Bank's assets, equity and reliability from various points of view, its customer base and borrowings grew by about 75 per cent only. Moreover, the borrowed funds share in the total liabilities reduced from 45% to 35%, and even with due account of time deposits, including the individ-

news agency

REUTERS

The CentroCredit bank London Representative Office will be attracting long-term investments into the projects started by the bank's Russian customers.

ual and corporate customers' deposits, as well as the Bank's own bills of exchange and promissory notes, their share reduced from 71% to 61%.

The inter-bank loans obtained amounted RUR 229.5 mln as at 01.01.2001, accounting for 20% of the Bank's total liabilities, while with due regard of the balance of the correspondent accounts (which, as it has already been mentioned above, is actually the same) they amounted RUR 390.3 mln, or 35% of the Bank's total liabilities, as compared to RUR 40 mln at 01.01.2000.

news agency

AK&M

In terms of the securities sale and purchase by the customers, the CentroCredit bank is ranking third; in terms of the number of the individual customers owning the non-zero balances of the funds and securities accounts — fifth; in terms of the total amount of funds placed by the individual customers with the bank — twelfth.

- ▼ Management Principles
- ▼ Bank Organization and Personnel Policy
- ▼ Outlook for the Bank Development in 2001

▶ 2

The Bank



TUNE FOR MAX.

TUNING METER

MANAGEMENT PRINCIPLES

management

system

▶▶ 18 / 19

▶ **T**he main purpose of the Bank management development in 2000 was to increase its competitive strength on the basis of the better quality and quick and efficient implementation of the management solutions.

Strategic management involved the definition of the underlying principles of the Bank's activity and the development of basic programs providing for the improvement of banking technologies, long-term planning system implementation and the further Bank's equity growth.

Risk management was mainly performed within the Bank's Crediting Committee activities, the primary task of which was to provide for the optimum combination of the astringent centralized risk management policy realized via the limits and interest rates mechanisms with the maximum independence granted to the Bank's departments.

Staff management was based on the realizing that the human potential is the main requisite to achieve the strategic goals set. The personnel certification is continuously performed in the Bank and the material and moral stimulation mechanisms are improved. Special importance is attached to the professional training of the employees, as well as to the attendance of all the significant events at which the banking experience may be exchanged, such as conferences, workshops, etc., arranged both in Russia and abroad.

Image management was based on the maximum transparency of information and the equally benevolent attitude to all the customers. "The Bank is its Customers" is a key principle for both the client-oriented and the PR policy of the CentroCredit Bank.

Logistics, automated banking and telecommunication systems and infrastructure development was driven by the principle of maximum convenience for the customers and by the task of the speed up of the introduction of the primarily remote customer service, via Internet in particular.

BANK ORGANIZATION AND PERSONNEL POLICY

BOARD OF DIRECTORS

1. PAVEL N. KOSOLOBOV
Chairman of the Board of Directors
2. ARSEN B. KANOKOV
Member of the Board of Directors
3. IGOR V. KOSOLOBOV
Member of the Board of Directors
4. ANDREY A. PANKOVSKY
Member of the Board of Directors
5. ANDREY N. SURMILO
Member of the Board of Directors
6. ANDREY I. TARASOV
Member of the Board of Directors
7. VALERY M. TELEGIN
Member of the Board of Directors

AUDITING COMMISSION

1. AKHMED B. ZHAMANOV
Chairman of the Auditing Commission
2. GLEB E. KISELEV
Member of the Auditing Commission
3. EUGENY I. MAXIMOV
Member of the Auditing Commission

CHAIRMAN OF THE MANAGING BOARD

ANDREY I. TARASOV

FIRST DEPUTY CHAIRMAN OF THE MANAGING BOARD

Position vacant

MANAGING BOARD

1. ANDREY I. TARASOV
Chairman of the Managing Board
2. VLADIMIR E. GORSKI
Member of the Managing Board
3. SERGEY A. EREMIN
Member of the Managing Board
4. IGOR V. KOSOLOBOV
Member of the Managing Board
5. VITALY S. LARICHEV
Member of the Managing Board
6. KIRILL E. SHERSHUN
Member of the Managing Board

ORGANIZATION DIVISIONS

TREASURY

ILYA Y. KORBASHOV, Director

ACCOUNTING, ANALYSIS, PLANNING AND INTERNAL CONTROL DIVISION

SERGEY A. EREMIN, Director, Deputy Chairman of the Managing Board

“COMMERCIAL BANK” DIVISION

ANDREY S. KULIK, Director, Deputy Chairman of the Managing Board

«INVESTMENT BANK» BLOCK

ANDREY I. TARASOV, Curator, Chairman of the Managing Board

ASSET MANAGEMENT DIVISION

ALEXANDER V. ALEKSEEV, Director

CORPORATE FINANCE DIVISION

SERGEY A. BEREZOVOL, Acting Director

FOREIGN ECONOMIC RELATIONS DIVISION

KIRILL E. SHERSHUN, Director, Deputy Chairman of the Managing Board

LEGAL, INFORMATION, TECHNOLOGICAL AND MAINTENANCE SERVICES BLOCK

LEGAL AND INFORMATION SERVICES DIVISION

ANDREY N. SURMILO, Director

AUTOMATED BANKING TECHNOLOGIES DEPARTMENT

IGOR A. AVILKIN, Head of Department

SECURITY DEPARTMENT

ALEXANDER L. VASILENKO, Head of Department

MAINTENANCE SERVICES DEPARTMENT

MIKHAIL N. SMIRDAN, Head of Department

REMOTE ORGANIZATION DIVISIONS**REPRESENTATIVE OFFICE IN THE UNITED KINGDOM**

VALERY M. TELEGIN, Chief Representative, Deputy Chairman of the Managing Board

VOLOGDA BRANCH

SERGEY M. MOSKVIN, Manager

ADDITIONAL OFFICES**“SAVINSKY” ADDITIONAL OFFICE**

ALEXANDER V. BIRIUKOV, Head of the Additional Office

“DEALING CENTER IN NOVOKUZNETSKAYA STREET”**ADDITIONAL OFFICE**

OLGA V. YAKOVLEVA, Head of the Dealing Center

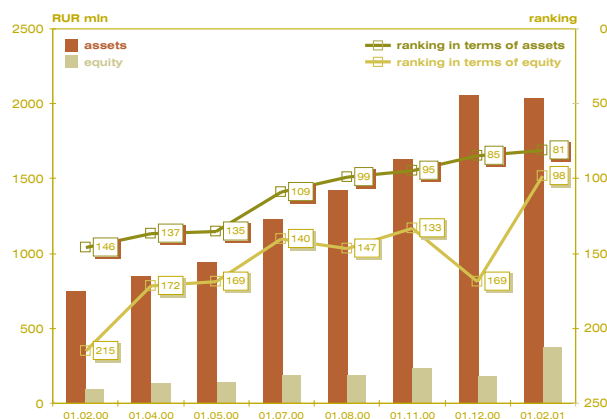
The CentroCredit Bank personnel policy is based on the recruiting of highly qualified professionals with higher education in banking and finance and experience in the banking area. As at the end of the year 2000, the total number of employees was 189 (as compared to 152 at the end of 1999). 129 officers (68% of the total) are college and university graduates, while eleven of them have two university degrees and four are candidates of sciences (Russian equivalent for Ph. D. and similar degrees).

At the same time, the Bank is actively cooperating with the leading Russian colleges and faculties of economics and law, attracting for practical study and recruiting the senior students and graduates of the State Financial Academy at the Government of Russian Federation, the Plekhanov Russian Academy of Economics and the Moscow State Academy of Law.



► **T**he Bank's development dynamics allowed planning the following performance parameters for the year 2001.

- The Bank's equity and net assets value should rank it in the region of 50th to 60th among the Russian banks.
- The Bank's turnover at the stock market should place it among the top ten of the Russia's largest investment companies.
- The number of the Bank's active corporate customers is to reach two thousand.
- The number of the individual customers operating at the stock market via the discretionary accounts with the CentroCredit Bank should reach one thousand.
- The Bank is to obtain the VISA International associated member status.
- The Bank's annual turnover at the precious metals market should reach \$10–12 mln.
- The CentroCredit Bank Representative Office in the United Kingdom should start operation at full scale.
- The Bank's internal structure is to be reordered resulting in the differentiation of the commercial banking and investment banking lines of business.

OUTLOOK FOR THE BANK DEVELOPMENT IN 2001**The CentroCredit Bank Rating Behavior**

- ▼ **The CentroCredit Bank Customer-Oriented Policy**
- ▼ **Corporate Customers**
- ▼ **Individual Customer Services**
- ▼ **Activities in the Financial Markets**
- ▼ **Lending Business**
- ▼ **Bullion Operations**
- ▼ **Correspondent Banking and International Settlements**
- ▼ **International Activities**
- ▼ **Banking Automation and Software**

THE CENTROCREDIT BANK CUSTOMER-ORIENTED POLICY

and partner

relationship

▶▶ 22 / 23

▶ **S**ince its foundation in 1989, the CentroCredit Bank has been pursuing and developing the customer-oriented policy. Established originally as a sectoral bank, it was building its relationship with customers in strict accordance with the requirements of the Russian timber and wood-working industry. Later, as the volume of business, the number of customers and their requirements grew significantly, the Bank entered the new phase in its development.

Having made a big stride towards the diversification of services rendered to clients of all the categories, the CentroCredit Bank is now a universal customer-oriented bank offering a full range of high-tech financial products, improving its own infrastructure continuously in line with the customers' needs and providing the information services and funds necessary for the success of the customers' business. At present, the Bank offers the equally high quality services to major corporate customers and to the small and medium-size businesses.

The existing system of the Bank's relationship with its clients is based on the principles of the individual approach to each customer with due regard of the customers' sectoral structure and the implementation of the latest technological innovations in banking.

Each customer's requirements are unique. For this reason any financial product is designed by the Bank is such a way that at any moment it may be 'tailor-made' to meet the specific user's personal preferences with due regard of its business peculiarities. The personal managers perform the direct marketing of banking products providing for the most efficient interaction of all the Bank's organization divisions to the best advantage of the customer.

The Bank's experts, jointly with the customer, formulate the tasks and propose the solutions. These may involve a loan obtaining or drafting a busi-

ness plan for the attraction of investments, preparation of the export/import documents, investment business organization, cash services or introduction of the up-to-date information systems. Subject to necessity, additional advice may be obtained by a customer on a specific subject of interest. Assistance to the customer in the drawing up of its agreements with the relevant Bank's divisions is a must. Work may also be performed under the long-term programs of cooperation between the customers and the Bank. Services are provided to clients by their respective personal managers free of charge.

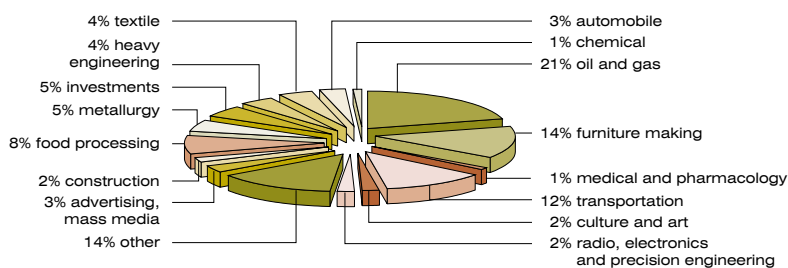
The sectoral structure of the CentroCredit Bank's clientele is quite diverse. It includes trading and manufacturing companies, enterprises operating in the mining industries, services sector and public organizations. So different areas imply the diversification of the customers' needs for various financial products, calling for the sectoral segmentation of the client base and operation with due regard of each specific segment's peculiarities. Therefore, the Bank does not only provide standard services (settlements, lending, exchange, collection or the banking support of the foreign economic activities), but also develops specific products on the basis of the sectoral groups development and the production and marketing chains analysis, offering the comprehensive customer service. Widely used are various mechanisms involving the use of debt instruments, clearing and counter claims offsetting, tailor-made crediting schemes, organization of mutual investments by the technological processes participants, mutual factoring

operations, as well as other financial technologies. The individualized package service provided to the specific sectoral groups of customers has already been welcomed by them, which proves the mutual benefit of the cooperation between the client and the Bank.

Continuously improving its operation and increasing the variety of services provided, the CentroCredit Bank is keeping pace with the latest developments in the area of the banking business organization technologies. From the very start of its operation, the Bank aimed at the promotion of the centralized customer service. The refusal from the establishment of a wide branch network and a large number of offices was fully compensated for by a maximum concentration of the professionals in the Bank's head office, on the one hand, and by the granting the customers the possibility to use the banking services via the remote access systems, on the other hand. This means the customer's complete territorial independence from the Bank, all the contacts now being possible via the 'Client-Bank' system, as well as via the Internet banking facilities actively functioning today. Thus the customer is afforded the unlimited opportunities to use all the possible financial services staying in any part of the world and saving the time and funds.

Another salient feature of the CentroCredit Bank' style of customer service is worth noting. This is the Bank's reliability guaranteed by the high professionalism of our staff, continuous monitoring of the Bank's performance, transparency of its financial reporting and the reasonably conservative investment policy. The best proofs of the success of our management principles are our customers' words: «We are recommending you to our partners».

**The CentroCredit Bank Customers:
Sector Structure**



magazine

BUSINESS ONLINE

As per the expert opinion based on the assessment made under the «Russian Internet Trading» category, the CentroCredit bank's «Investor» program ranks sixth.

▶ **T**hroughout the year 2000 a significant acceleration of the CentroCredit Bank's clientele growth rate was observed, having revealed two distinctive trends. Many of the customers for whom the CentroCredit used to be of minor importance as a vehicle for their payments flow, subsequently transferred one hundred per cent of their business volume to our Bank. Along with that, some of the new Bank's customers, having satisfied themselves of the high quality and promptness of the settlement services provided by the CentroCredit, recommended our Bank to their business partners. This has eventually placed the CentroCredit Bank in the center of the financial flows of the producing and trading companies operating in the oil and chemical industries, light industry, heavy engineering and other sectors.

The Bank's relationship with its customers within the reported year has demonstrated that today any bank's reputation does not so much depend on its size as on its ability to operate efficiently, pursuing a reasonably conservative financial policy and meeting the high management standards.

The CentroCredit Bank has never set itself to attract more clients at any cost. We attach primary importance to the quality and diversification of services provided to the existing customers, establishment of partner relationship with them and development, subject to necessity, of the individualized cooperation schemes. The following comprehensive banking products are currently offered by the Bank to its customers.

CORPORATE CUSTOMERS

▶▶ 24 / 25

magazine

EXPERT

Among the 30 banks being the leaders in terms of the assets behavior in the III quarter of the year 2000, the CentroCredit bank ranks 19th, while in terms of the equity amount behavior as at the year end — 21st.

Cash and Settlements Services

▼ RUR-denominated settlements

The CentroCredit Bank effects all the customer payments on a same day basis; urgent payments may be effected after the end of the Bank's operational day; and mutual settlements may be performed in the Moscow Region. The Bank enters funds to the accounts same day it receives the relevant instruction without waiting for the arrival of the hard copies of the supporting documents from the Settlements Center. The «Client-Bank» remote access computer settlement system may be offered to the customers, allowing operating the settlement accounts from their offices.

▼ Foreign currency-denominated settlements

Being the MICEX shareholder and member from the very moment of its establishment, the CentroCredit Bank offers the exchange services to its customers without any intermediaries and at a minimum banking fee. The well-developed overseas correspondent banks network, usage of the letters of credit in the export/import transactions and the possibility of the accelerated international settlements have made the work via the Bank particularly convenient for the companies engaged in foreign trade.

▼ Cash services

The CentroCredit Bank receives the customers' funds and enters them to the customers' accounts on a same day basis and carries out the customers' instructions in respect of the funds withdrawal from the settlement accounts both at a prior request in accordance with a company's cash and settlement plan and without the same.

▼ Collection of proceeds in cash and transportation of valuables

The Bank performs collection of the customers' proceeds in cash, as well as their transportation and handover. The proceeds may be entered to the customer's account on the day of their collection. Besides, we offer our customers the valuables transportation services.

Loans

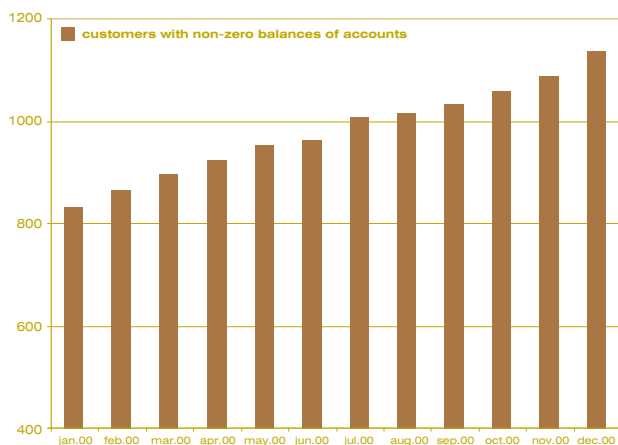
The Bank provides fixed-date loans and opens credit lines. Short-term loans for the working capital replenishment and medium-term project financing are also available.

At present, new comprehensive banking products are also offered in addition to the wide range of standard services.

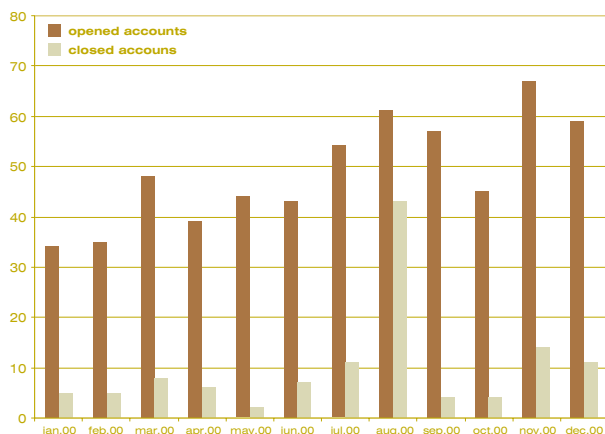
Leasing

At the end of the year 1999, the CentroCredit Bank obtained the Ministry of Economics of Russian Federation License to perform the leasing activities. This should assist in the mastering of the new promising line of the comprehensive customer service providing for the full and flexible orientation of banking products at the satisfaction of the current and long-term needs of the clients. Tax and corporate cash flow management incentives provided by the leasing business to the operating companies allow transforming the traditional (and therefore, conservative) banking lending practice into the efficient and flexible financial management instrument in the customer's

Total Number of Customers: Yearly Dynamics



Number of Accounts Opened and Closed: Yearly Dynamics



hands. Moreover, using different leasing varieties depending on the existing needs, the Bank's customers are able to increase their capital turnover and productivity ratio and to optimize their tax payments.

Factoring

This is another alternative to the traditional lending, allowing the seller to receive immediate payment without deferral, saving the necessity of bearing all the expenses associated with the issue of a loan and minimizing the customer's tax basis due to the full charging (unlike the bank credit) of the factoring service cost to the product manufacturing cost. For the buyer, factoring means the reduction of the purchase prices, which in turn directly influences the efficiency of its performance.

Business Consulting

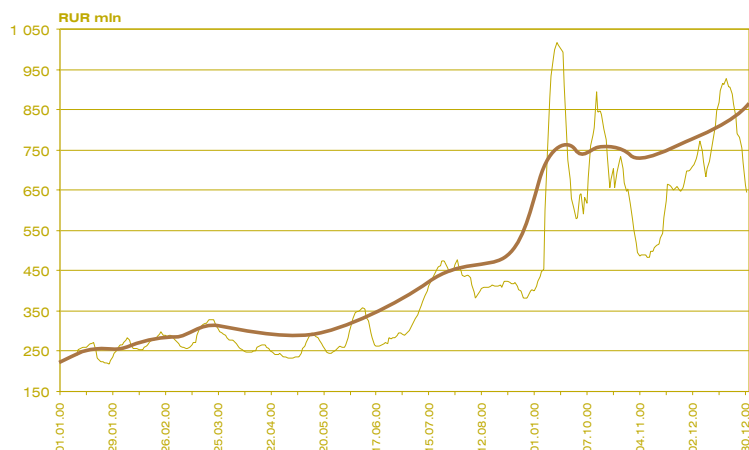
The CentroCredit Bank acts as a financial advisor for its customers in the investment projects aimed at the following:

- equity structure optimization;
- raising the competitive capacity; and
- industrial production modernization and expansion.

Our objective is to help our clients enhance their financial standing and realize their potential. We analyze various financial alternatives (bank loans, debt financing, sale of existing shares, issue of new shares, or a combination of these methods) and choose the appropriate framework for the programs after comprehensive analysis of the client's assets and liabilities. The CentroCredit Bank offers access to the Russian and foreign capital markets. The Bank's professionals assist in the preparation of legal and accounting documents required by the investors.

Our experts make critical investment decisions for financially distressed companies. If our clients are experiencing difficulty in any area we have experts who can handle the most complex of problems. We will carefully analyze the situation and then make recommendations based upon our experience handling problems and conflicts. That enables our clients to focus their energies in the right direction. We determine what resources our clients will need and assist in obtaining funding if necessary.

Balance of Customers' Accounts: Yearly Dynamics



newspaper

**DELOVOY
PETERSBURG**

The ZAO «NORIT» has been specially established to bid for the right to develop the Lukkulaisvaar platinum group metals field. The «NORIT» has obtained a license to develop the field for a 25 years' period. Its founder is the «Premiere 2000» Moscow company whose shareholders are the OOO «Alpha-A» and the CentroCredit bank.

INDIVIDUAL CUSTOMER SERVICES

► **T**he CentroCredit Bank provides its individual depositors a full standard set of banking services, i.e.,

- holding all types of accounts;
- Internet banking and Internet trading;
- currency exchange services;
- foreign currency funds transfer from Russia and into Russia, via the Western Union system in particular;
- renting of the individual safe-deposit boxes and quick service tills;
- operations with precious metals;
- the Visa-Classic, Visa-Gold and Visa-Business plastic card service (the Visa-Business brand is only available for corporate customers);
- time deposits; special VIP offers for the high net worth individuals' time deposits.

Besides, the CentroCredit Bank is one of the leaders of the Russian stock market. The Bank operates at all the Russian exchanges: MICEX, RTS, MSE, as well as at the over-the-counter market.

Based on the results of the performance in the first six months of the year 2000, the AKM rating agency placed the CentroCredit Bank third in the rating list of the stock market professional participants operating with the individual customers' funds in the city of Moscow. In terms of the stock trading volume at the MICEX and the MSE the CentroCredit Bank is regularly ranking among the top ten participants, while its RTS ranking is among the first one hundred banks.

The Bank offers the individualized services to each customer.

The CentroCredit Bank Exchange Business Performance in the Year 2000

	Jan 2000	Feb 2000	May 2000	Aug 2000	Nov 2000	Dec 2000
Volume of trades at the MICEX, RUR mln	1,537	1,848	1,393	3,202	3,850	5,581
MICEX ranking	7	5	10	8	4	4
MSE ranking	10	9	8	6	14	7

The Bank has the status of the authorized professional market participant, which makes it possible for our individual customers engaged in investment business to perform the income tax-exempt operations with securities. The Bank is one of the leaders in the individual customer service sector of the Moscow banking market. This is confirmed, in particular, by its high ranking in the AKM rating. The Bank's advantages in the competition in this segment are assured by its individual approach to each customer, versatility (one and the same account being used for operations in all the markets) and the flexible tariff policy. The basis of the extensive customer service system is the growth of the front office capacity and the service promptitude. That was the reason for the front office restructuring performed in the Bank. Permanent growth of the employees' professional skills is provided for, and technological modernization has been carried out. The order of the brokerage service addressing all the matters of the relationship between the Bank and the client has been established. The maximum automation of the customer service procedure being one of the priorities, a special purpose back-office software was developed and introduced in the Bank for the customers' securities and cash flow current accounting and the online monitoring of the customers' investment portfolios.

In accordance with the Program of the CentroCredit Bank development as an investment bank for the broad sections of investors, adopted in summer

newspaper

VEDOMOSTI

The CentroCredit bank has formed a \$5 mln investment pool for the purposes of a biotechnological complex construction in the Moscow Region.

2000, a number of measures were taken aimed at the customer service improvement, including the following:

- reduction of the brokerage and depository services fees;
- development of the customer-servicing regional agencies network;
- introduction of the Internet trading system providing for the customer's direct access to the quotations submission at the MICEX;
- opening of a dealing room where the customers may obtain all the necessary information on the stock market situation and perform trading at the MICEX on their own.

The IT development has led to the active growth of the Internet stock trading services market. The CentroCredit Bank is now providing the Internet trading services based on the software developed by the «Inist» company.

The same software product is used for the customer service in the dealing room opened on 1 November, 2000. The existence of the dealing room has strengthened the Bank's position in the struggle for the customers. Following its opening, the number of the brokerage service contracts concluded between the Bank and the customers grew significantly. By the end of the year 2000, over six hundred customers' discretionary accounts were opened with the Bank.

The outlook for the development of this business segment involves the provision of a wider range of services to customers (all the trading platforms), as well as the work with the Bank's agents in the regions.

▶▶ 28 / 29

▶ **T**he CentroCredit Bank **Asset Management Division** provides services in the stock and money markets. The division incorporates the Exchange Sector, Bills Circulation Sector, Money Circulation Sector and back office.

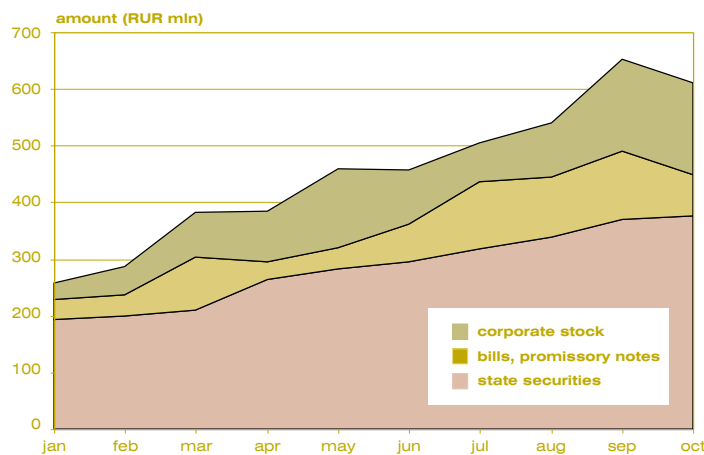
The **Money Circulation Sector** performs transactions in the inter-bank RUR- and foreign currency-denominated loans market, foreign currency sale and purchase at the request of the Treasury and other divisions, as well as engages in the arbitrage business. The Sector has done a lot to restore and further expand the circle of its counterpart banks. A MICEX Currency Exchange Section remote terminal has been installed at the Bank's premises, as well as two REUTERS trading terminals. The year 2000 has seen an over five times' growth of the Bank's turnover at the inter-bank loans market as compared to 1999. The Sector personnel establishes correspondent relationship with other banks, as well as actively cooperates with the regional banks.

The **Bills Circulation Sector** performs the bills and promissory notes discounting and negotiation at the request of the Treasury and the bank's customers, settlement of bills at the customers' instruction, as well as pledge transactions. The bank is remaining one of the most active and highly professional market players.

The Bank's **Exchange Sector** provides a full range of services in the securities market. The CentroCredit Bank is a member of the MSE, the Stock Market Section of the MICEX and the Russian Trading System (RTS); it is an active participant of the over-the-counter and commercial paper markets. The Bank is also a member of the National Stock Association ('NFA'), the National Association of the

ACTIVITIES IN THE FINANCIAL MARKETS

Investment in Securities: Yearly Dynamics



Stock Market Participants ('NAUFOR') and the Professional Association of the Registrars, Transfer Agents and Depositories ('PARTAD'). A MICEX Stock Market Section remote terminal, as well as two MSE trading terminals are installed at the Bank's premises, and trading via the Internet is performed.

The wide range of services provided by the CentroCredit in the securities market includes the sale and purchase of shares, bonds and bills, pledge of securities, the REPO transactions, and securities loans.

The Bank's achievements in customer service in the securities market are quite tangible. The CentroCredit is regularly ranking among the top ten in terms of the volume of trades at the MICEX. By the end of 2000, it ranked fourth with a RUR 3,850,825,145 annual turnover. Within the RTS the Bank occupies a place in the fourth ten, being of repute in the market. Major RTS trading participants, such as the Aton Company, the Troika-Dialog, the United Financial Group, the Metropol Investment Financial Company and the Centreinvest Securities have fixed limits for the Bank.

The CentroCredit is also a depository bank providing services in the securities safe custody and accounting, as well as the re-registration of the title to the securities.

Being oriented at the work with the individual customers, the commission charged by the **CentroCredit Bank Depository** for its custody services is quite low. The Bank is a member of the PARTAD and has a securities depository status at the MICEX. This enables it to provide the depository service to the investment companies not possessing a depository license. Being a participant of the PARTAD signature guaranteeing program, the Bank is authorized to enter into the agency agreements on the purchase of stock from the individuals.

To provide for the greater reliability of the operation in the securities market, the CentroCredit Bank Depository has entered into an insurance contract with the INGOSSTRAKH.

LENDING BUSINESS

In the year 2000, along with the clientele growth, the CentroCredit Bank expanded its lending activities considerably.

The sectoral structure of the Bank's corporate borrowers, traditionally including the furniture-making, gas, oil and chemical, as well as the textile and food-processing industries, was diversified significantly to involve the producing and trading companies in the automobile-making, construction, rail and sea transportation, as well as fish-processing and fish-trading sectors.

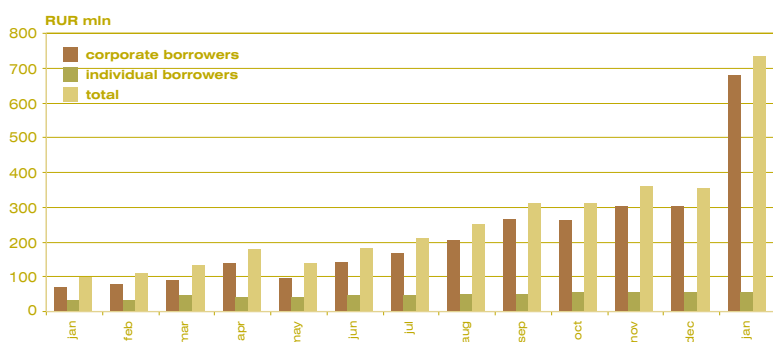
The lending services offered by the Bank include the simple loan account credit, loans of overdraft and opening of credit lines. The choice of the method is governed by the economic feasibility and the maximum customer's convenience principles.

The Bank also actively engaged in the factoring business.

The primary goal of the Bank's crediting policy is the maintenance of the sustained balance between the necessary revenue performance and the acceptable credit risk subject to the maximum satisfaction of the customers' need for the additional financing of their business.

The Bank was granting loans at the expense of both its own capital and the borrowed funds, pro-

Total Debt Receivable: Yearly Dynamics



viding for the well-balanced assets and liabilities structure in terms of maturity and volume and duly meeting the standard commercial banks performance ratios established by the Central Bank of Russia. The lending income earned within a year amounted RUR 67.29 mln, being 2.3 times as much as the corresponding 1999 result.

The efforts of the Bank's loan officers were aimed, in the first instance, at the formation of the high-quality loan portfolio diversified by the borrowers' type and business sector, maturity of the loans and the type of collateral backing the loans. As at 1 January, 2001, the Bank's loan portfolio amounted RUR 643.46 mln, having exceeded the previous year's figure 6.5 times.

Owing to the reasonable crediting policy pursued by the Bank, the total credit risk-related losses borne in the year 2000 did not exceed 0.16% of the debt receivable value as at 1 January, 2001, and 1.57% of the total income earned within 2000.

This was possible due to the establishment of the aggregate and individual credit limits, thorough analysis and selection of the loan applications, the efficient system of the loans approval at the Crediting Committee, the continuous monitoring of the borrowers' financial situation throughout the life of the loans, the early reveal of the signs of doubtful loans and the work aimed at the eventual repayment thereof, as well as the elaborate risk control system operating at each stage of the crediting process. Such approach provided for the success of the Bank's lending business throughout the year 2000.

Considering the loan applications, the Bank performs a comprehensive analysis of the borrowers' creditworthiness and assesses their financial standing and the quality of the collateral in order to define the existing credit risk with due regard of the following factors:

- The borrower's readiness to meet its obligations under the loan; management experience of its executives; the success of the company's business and its ranking among the peers in the relevant sector; management level; credit history; and the borrower's trustworthiness. The priority was given by the Bank only to the companies and organizations successfully performing for a lengthy period of time and having a positive credit history.
- Proceeding from a company's financial potential, the Bank defines the borrower's ability to meet its obligations under the loan. The Bank places exacting demands upon the borrower in respect of its financial standing, based on the Russian and Western crediting practices.
- Adequacy of the borrower's internal funds providing for its ability to repay the loan. Loans of overdraft were only provided subject to a credit limit in the amount not exceeding one fifth of the minimum monthly revenue return credited to the customer's settlement account within the last four months (three largest amounts entered to the account in each of such months disregarded). Loans for the replenishment of the working capital provided under the open credit lines were subject to the limit of the debt outstanding not exceeding one half of the average monthly turnover of the company's account with the Bank.
- Acceptability and adequacy of the collateral offered by the borrower. To provide for the extra reduction of the loan non-repayment risk, the following instruments were considered as an additional security: banker's bills; material assets, including goods in turnover; motor vehicles, real estate and other assets; the privatized companies' and commercial structures' shares, bonds, bills and other securities, as well as the guarantees and sureties of the companies and organizations with a firm financial standing. The collateral

news agency

FINMARKET

The CentroCredit bank has obtained the Federal Securities Commission License to perform the trust operations.

amount was, as a rule, no less than the loan principal cum interest charged. The hypothecation value of the property and the title to it was assessed on the basis of the market value thereof with due regard of the Bank's possible recourse-related expenses, market situation changes and the time necessary for the sale of the pledged property. As a rule, the hypothecation value was fixed at about 50 to 70 per cent of the market value. As at 1 January, 2001, the aggregate value of the collateral received by the Bank amounted RUR 1,034.63 mln (160.79% of the Bank's total loan portfolio).

- The industrial sector to which the borrower belongs; the regional, political and economic risk; outlook for the sector's further development. With due regard of the changes in the economic situation, preference was given to the domestic producing and trading companies, as well as the companies operating in the services sector.

Borrowers are grouped by risk in accordance with the Central Bank of Russia methods. Loans are extended to those classified under the minimum risk group. Meeting the requirements of the Central Bank of Russia, the CentroCredit Bank has established a loan loss provision in the amount of no less than 100 per cent of the estimated possible losses. As at the end of 2000, the loan loss provision totaled RUR 33.78 mln. The credit risk related to each outstanding loan is revalued by the Bank on a monthly basis.

Due to the clear and elaborate credit policy pursued by the Bank in the selection of the loan applications and to the continuous monitoring of the borrowers' financial situation, the backlog of outstanding payments was minimum and short-time, having amounted, as at the year end, to RUR 2.15 mln (0.3% of the total debt receivable).

As before, the priority of the Bank's credit policy in the year 2001 is the formation of a high-quality loan portfolio diversified by the borrower's sector, as well as by the loan period and type.

Priority will continue to be given to the further expansion of the range of services provided by the Bank to corporate customers.

BULLION OPERATIONS

▶ **F**ollowing the traditions and the principle of versatility, as well as striving to provide a full set of comprehensive services to any category of customers, the CentroCredit Bank performed the preliminary work necessary for the start of operation in the precious metals market. On 21 December, 2000, the Central Bank of Russia granted the CentroCredit Bank the License # 121 to perform transactions with precious metals.

The Sector for Operations with Precious Metals has been established in the Bank, and the relevant contractual and legal base for the business has been developed. Today, the Bank has already become an active inter-bank market participant; it also engages in the sale of gold in bullions to the jewelry-making factories and the individuals. A number of other services are being developed with the view to encompass the whole range of the existing types of operations with precious metals and to offer the customers the comprehensive service in this market. It is planned to start, in the near future, the advance financing of the gold-mining sector, as well as to introduce the

unallocated gold accounts and custody accounts. The Bank considers the possibility of obtaining an export license and is in the process of opening correspondent accounts for operations with precious metals with the world's leading banks playing in this market, such as the Credit Suisse First Boston and the Standard Bank London Ltd., which should allow the precious metals exporting and give the customers the opportunity to trade in precious metals and derivatives at the world's largest exchanges.

It is also planned to start, in the near future, the retail sale of gold bullions 5 grams and up in weight, as well as of the precious metals coins, at the Bank's cashier's desks.

Thus, with the start of operations in the bullion market the Bank has begun developing a new funds application sector and is ready to offer a full set of the precious metals-related services.

▶ **T**o provide for the further development of the inter-bank transactions in the financial markets, the CentroCredit Bank in the year 2000 continued expanding its correspondent bank network, laying special emphasis on the opening of the loro accounts and striving to improve the quality of services offered to its correspondents.

The CentroCredit Bank is developing business relationship with the reliable and highly experienced partners both in the domestic and the overseas markets, thus providing for the most favorable environment for the customers' settlements, as well as for its own operations.

The CentroCredit Bank's most important correspondents in the year 2000 were the Bank of New York, New York, Raiffeisen Zentralbank Oesterreich AG (RZB), Vienna, and Banque Commerciale pour l'Europe du Nord S.A. (EUROBANK). Four new nostro correspondent accounts were opened by the Bank with the overseas banks on the basis of the detailed analysis of its customers' international business. By the year-end, a correspondent bank network was established comprising ten overseas banks, allowing offering the customers an extensive range of service in the area of international settlements, selecting the optimum routing of payments and accelerating the transactions. Owing to the CentroCredit Bank's efficient cooperation with the correspondent banks, its customers face no problems with settlements whatever is the currency.

Within the reported year, 16 loro correspondent accounts were opened (including three regional banks' accounts and one account held by a non-resident bank). To date, 78 loro accounts and 49 nostro accounts are operative. Among the services offered by the CentroCredit Bank to its correspondents there are the following: any currency-denominated correspondent accounts opening and keeping; casting interest on the balance of the account; accelerated payments via a correspondent account; earmarking of funds on the correspondent account; performance of operations in the internal currency market; documentary business; cash operations; collection of valuables; and operations in the stock market.

The use of the electronic communications facilities provides for the

CORRESPONDENT BANKING AND INTERNATIONAL SETTLEMENTS

news agency

PRIME-TASS

The Central Bank of Russian Federation has granted the CentroCredit bank the License # 121 to perform banking operations with the precious metals.

CentroCredit Bank's prompt cooperation with its correspondents. Its services have assisted the regional banks in a more efficient management of their allocated liquidity placed on the correspondent accounts.

The basis of our long-term cooperation with the overseas and Russian banks is the accuracy and a highly efficient performance of each transaction. The mutually beneficial forms of cooperation and the variety of services offered by the CentroCredit Bank are attractive to our partners.

Throughout the reported year the Bank was actively expanding the network of its counterparts in the inter-bank market, having signed 45 master agreements on the general terms of cooperation in the Russian currency and money markets.

During the year 2000, a continuous study of the matters related to the updating of the contractual base underlying the transactions concluded and to the Bank's internal procedures optimization was performed.

The present strategic tasks are not only the further improvement of the correspondent banking service, but also the search of the new forms of cooperation and the establishment of partnership in the inter-bank market, as well as the further integration into the global banking market.

INTERNATIONAL ACTIVITIES

On 15 October, 1996, the CentroCredit Bank obtained the General License # 121 to perform the foreign currency transactions. As of today, the CentroCredit Bank has established an extensive correspondent banking relationship; among its correspondents there are the Raiffeisen Zentralbank Oesterreich AG, Commerzbank AG, the Union Bank of California International, Banque Commerciale pour l'Europe du Nord S.A. (EUROBANK) and other overseas banks. The correspondent relations involve the opening of the G7 currencies-denominated accounts.

Owing to our experience in the international settlements and to our highly qualified staff having a good command of the English language, customers operating in the export/import-related areas are choosing our Bank for their business.

Today, the CentroCredit Bank offers its clients the comprehensive service of their foreign economic activities, including the international settlements of any complexity and in any form customary for the international business practice, and provides the highly competent consultancy, including the advice on the payment terms of the foreign trade contracts with due regard of the current exchange regulation.

The CentroCredit Bank being able to perform any international payment order promptly and accurately, more and more customers trust us; this is confirmed by the growth of both the volume of transactions performed in the year 2000 and the number of the Bank's clientele. The turnover across the correspondent accounts grew almost twofold as compared to the year 1999. Bank transfers continued to be a prevailing form of settlements in the export and import operations.

Along with the payment orders, a considerable growth of the number of transactions involving the documentary settlements was noted. Compared to 1999, the aggregate amount of the letters of credit opened and advised by

news agency

MFD-INFOCENTER

During the ten months of the year 2000, the balance of the CentroCredit bank customers' discretionary accounts has increased more than threefold.

the Bank grew threefold. This testifies to the growth of the customers' trust in both the documentary business as it is and in our Bank able to perform the LC settlements up to the international standards.

Pursuing the main strategic line of the expansion of the range of services provided, improvement of the quality of services and introduction of the new banking products, the CentroCredit Bank is steadily developing its technological base.

In the year 2000, the Bank joined the S.W.I.F.T. system. The use of the formalized standard S.W.I.F.T. messages allows the complete automation of data processing and the real time delivery of messages. Besides, the system bears the financial responsibility for the accurate, complete and timely delivery of information. The Bank's joining the S.W.I.F.T. also attracted new customers and provided for the further growth of the export and import operations.

The technological infrastructure development and the availability of the up-to-date means of communications have enabled the CentroCredit Bank to operate at the same level as the Western banks.

To provide for the full satisfaction of the requirements of the customers operating in the international market, the CentroCredit Bank has opened in the year 2001 its Representative Office in the United Kingdom.

▶ In the year 2000 the CentroCredit Bank continued the hardware and software modernization in its main divisions. The main avenue of these efforts was the financial accounting and reporting integrated automation based on the up-to-date DiasoftBANKING 5 NT automated banking system commissioned on 15 January, 2000. The development by the Bank of its own investment business accounting software made it possible to significantly improve the customer service and to retain the leading position among the country's largest market operators.

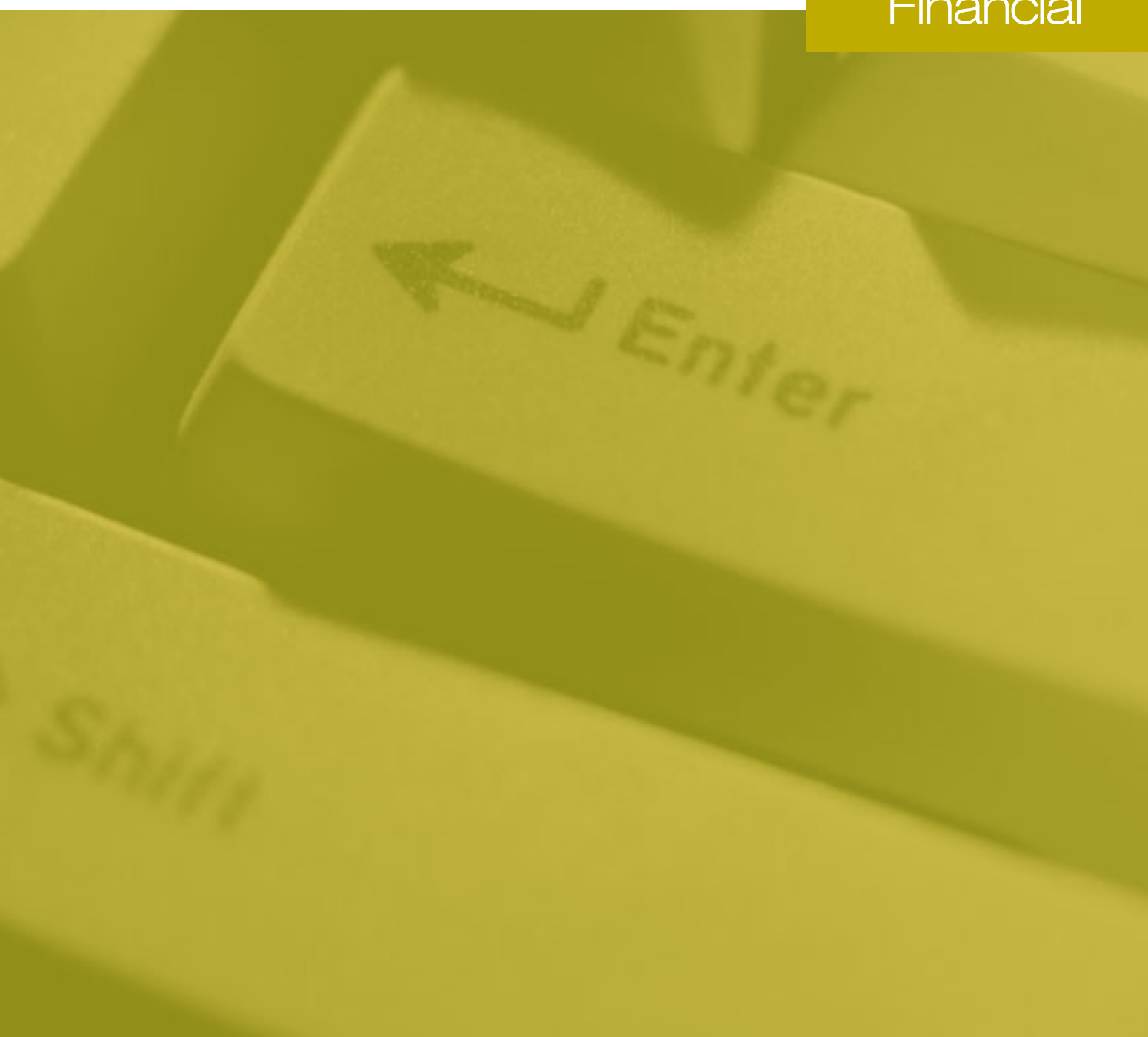
The technological modernization was performed in the reported year under the strategic slogan of the servers conversion to the 'Solaris-8' OS-operated fail-safe SUN Microsystems platform.

Much attention was given in 2000 to the electronic customer service systems development, particularly those involving the use of the Internet. Certain experience was gained in the Internet banking and Internet trading services provision to customers.

The seriousness of the Bank's plans for the further development of the Internet-based technologies has been confirmed by the application of a high-speed duplicated 2 Mbps optic fiber channel and the Bank's own autonomous class «B» local area network. A Bank's own modem pool has also been applied and is actively utilized, providing for the access to the Internet, www and the e-mail services via the commutable transmission lines. An international certificate for the www.ccb.ru domain name has been obtained.

BANKING AUTOMATION AND SOFTWARE

- ▼ The CentroCredit Bank. Consolidated Financial Statements for the year ended 31 December 2000.
- ▼ The CentroCredit Bank. Financial Statements for the year 2000.
- ▼ Appendix 1
The CentroCredit Bank. Semi-Annual Financial Statements 2001.
- ▼ Appendix 2
The CentroCredit Bank. Consolidated Semi-Annual GAAP Financial Statements 2001.



THE CENTROCREDIT BANK.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2000

statements

▶▶ 36 / 37

Auditor's Report

To the Council and Shareholders of JSC "AKB "CentroCredit"

We have audited the accompanying consolidated balance sheet of JSC «AKB «CentroCredit» and its subsidiaries («the Group») as of 31 December 2000, and the related statements of income and cash flows for the year then ended. The consolidated financial statements, as set out on pages 4 to 35 are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2000, and of the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards as issued by the International Accounting Standards Committee.

*KPMG Limited
Moscow, Russian Federation
27 April 2001*

Bank CentroCredit Consolidated statement of income for the year ended 31 December 2000

	2000	1999
	RUR'000	RUR'000
Interest income	109,108	86,594
Interest expense	(96,468)	(46,593)
Net income before provisions for loan impairment	12,640	40,001
Provisions for loan impairment	(87,217)	652
Net income after provisions for loan impairment	(74,577)	40,653
Fees and commissions income	83,556	26,357
Fees and commissions expense	(16,069)	(1,164)
Net income from debt securities	332,254	104,941
Net income from foreign exchange	17,128	39,074
Net income from equity securities	231,940	29,081
Other income	4,218	3,063
Non-interest income	653,027	201,352
Administrative expenses	(119,364)	(114,499)
Income before loss on net monetary position, taxes and minority interest	459,086	127,506
Loss on monetary position	(67,523)	(36,647)
Income before taxes and minority interest	391,563	90,859
Income tax expense	(96,051)	(22,127)
Net income before minority interest	295,512	68,732
Minority interest	(69,290)	
Net income	226,222	68,732

The financial statements were approved by the Board of Management of the Bank on 27 April 2001.

Chairman of the Board
Chief Accountant

Tarasov A.I.
Kotsyubinskaya E.P.

Bank CentroCredit Consolidated balance sheet as of 31 December 2000

	2000	1999
	RUR'000	RUR'000
ASSETS		
Banking assets		
Cash	19,698	13,135
Due from the Central Bank of the Russian Federation	162,884	118,324
Placements with other banks and financial institutions	318,920	221,348
Debt securities	645,885	265,302
Loans to customers	453,305	113,997
Equity securities	383,473	50,845
Total banking assets	1,984,165	782,951
Other assets	36,649	20,982
Property and equipment	13,948	6,048
Total assets	2,034,762	809,981
LIABILITIES AND STOCKHOLDERS' FUNDS		
Banking liabilities		
Deposits and balance from banks and other financial institutions	670,390	141,145
Current accounts and deposits from customers	491,211	435,852
Promissory notes	144,054	90,825
Deferred tax liability	101,723	11,378
Total banking liabilities	1,407,378	679,200
Other liabilities	35,038	3,647
Total liabilities	1,442,416	682,847
Minority interest	69,290	
SHAREHOLDERS' FUNDS		
Share capital	219,700	50,000
Share capital inflation adjustment	162,331	162,331
Retained earnings/(Accumulated losses)	141,025	(85,197)
Total shareholders funds	523,056	127,134
Comments and Contingent liabilities		
Total liabilities and Shareholders' funds	2,034,762	809,981

Bank CentroCredit

Consolidated statement of cash flows for the year ended 31 December 2000

	2000 RUR'000	1999 RUR'000
Cash flows from operating activities		
Interest and fee and commission receipts	187,665	113,293
Interest and fee and commission payment	(109,560)	(57,962)
Net receipts from foreign exchange	17,128	39,075
Net receipts from debt securities	332,483	30,143
Net receipts from equity securities	233,556	29,168
Other receipts	4,218	3,064
Cash payments to employees and suppliers	(91,562)	(73,819)
Operating cash flows before changes in operating assets and liabilities	573,928	82,962
(Increase)/Decrease in operating assets		
Reserve deposit with Central Bank of the Russian Federation	(61,721)	(25,911)
Placements with banks and other financial institutions	(95,709)	(177,697)
Debs securities held for short-term purposes	(381,251)	(239,218)
Loans to customers	(428,388)	(55,306)
Equity securities held for short-term purposes	(334,244)	(28,618)
Other operating assets	(6,060)	(95)
Increase/(Decrease) in operating liabilities		
Deposits and balances from banks and other financial institutions	529,245	79,446
Current accounts and deposits from customers	55,359	329,223
Promissory notes	53,229	77,592
Other operating liabilities	(468)	1,242
Net cash (used in)/provided by operating activities before taxes	(96,080)	43,620
Taxes paid	(5,706)	(16,393)
Net cash (used in)/provided by operating activities	(101,786)	27,227
Cash flows from investing activities		
Purchase of property and equipment	(10,989)	(5,696)
Proceeds from the sale of property and equipment		1,440
Net cash used in investing activities	(10,989)	(4,256)
Cash flow from financing activities		
Decrease in share contributions receivable from shareholders		18,023
Own shares acquired		821
Proceeds from shareholders' contributions	169,700	
Net cash provided by financing activities	169,700	18,844
Effect of hyperinflation and exchange rates	(67,523)	(36,647)
Net (decrease)/increase in cash and cash equivalents	(10,598)	5,168
Cash and cash equivalents at beginning of year	95,739	90,571
Cash and cash equivalents at end of year	85,141	95,739

 38 / 39

Bank CentroCredit

Consolidated statement of movements in shareholders' funds for the year ended 31 December 2000

	Share capital, RUR'000	Share capital inflation adjustment, RUR'000	Treasury stock, RUR'000	Retained earnings/ (accumulated losses), RUR'000	Total, RUR'000
Balance as at 1 January 1999	50,000	162,331	(821)	(153,929)	57,581
Own shares sold			821		821
Net income for the year				68,732	68,732
Balance as at 31 December 1999	50,000	162,331		(85,197)	127,134
Balance as at 1 January 2000	50,000	162,331		(85,197)	127,134
Shareholders' contributions	169,700				169,700
Net income for the year				226,222	226,222
Balance as at 31 December 2000	219,700	162,331		141,025	523,056

THE CENTROCREDIT BANK.
FINANCIAL STATEMENTS FOR THE YEAR 2000

**As per Appendix 1 to the Central Bank of Russia Regulation No. 914-U
“On Credit Institutions Published Financial Reporting for the Year 2000”
of 2 February, 2001**

**BALANCE SHEET as of 1 January, 2001
The CentroCredit Joint Stock Commercial Bank**

Registration No.: 121

BIC 044583514

Address: 9/2, 2nd Kolobovsky Per., Moscow, 103051

	Amount, RUR'000
ASSETS	
1. Cash and accounts with the Central Bank of Russia	176,007
2. State debt instruments	374,510
3. Due from credit institutions	24,559
4. Dealing securities, net investments (item 4.1 less item 4.2)	197,303
4.1. Dealing securities (Balance sheet value)	225,918
4.2. Provision for possible securities depreciation	28,615
5. Loans, gross	1,078,258
6. Interest charged (incl. Past due interest)	992
7. Leases	0
8. Loan loss provision	127,269
9. Loans, net (item 5 less item 8)	950,989
10. Fixed assets and intangibles	17,782
11. Investment securities, net (item 11.1 less item 11.2)	3,671
11.1. Investment securities (Balance sheet value)	3,738
11.2. Provision for possible securities depreciation	67
12. Accrued income	2,197
13. Other assets	6,099
14. Total Assets (items 1+2+3+4+6+7+9+10+11+12+13)	1,754,109
LIABILITIES	
15. Due to the Central Bank of Russia	0
16. Due to credit institutions	658,904
17. Customer Deposits	573,773
17.1. incl. Individual customers' deposits	41,013
18. Accrued expense	0
19. Debt instruments in issue	166,056
20. Other liabilities	31,195
21. Reserves for possible losses on the settlements with debtors, risks and liabilities	0
22. Total Liabilities (items 15+16+17+18+19+20+21)	1,429,928
SHAREHOLDERS' EQUITY	
23. Share capital (items 23.1+23.2)	219,700
23.1. incl. Registered common stock	219,699
23.2. Registered preferred stock	1
24. Bank's own stock redeemed from shareholders	0
25. Margin revenue	0
26. Retained profit/loss and difference between the Bank's share capital and its shareholders' equity	36,227
27. Fixed assets revaluation	1,006
28. Net profit for the year	100,885
29. Dividends paid from the net profit	0
30. Distributed profit (excl. dividend)	29,149
31. Undistributed profit (item 28 less items 29 and 30)*	71,736
32. Expenses and risks influencing the shareholders' equity	4,488
33. Total Shareholders' Equity (item 23 less item 24 + items 25, 26, 27, 31 less item 32)	324,181
34. TOTAL LIABILITIES and SHAREHOLDERS' EQUITY (items 22+33)	1,754,109
OFF-BALANCE ITEMS	
35. Irrevocable LCs and other commitments	809,257
36. Guarantees and acceptances	15,516

* No transactions with funds held in trust were performed.

**As per Appendix 2 to the Central Bank of Russia Regulation No. 914-U
“On Credit Institutions Published Financial Reporting for the Year 2000”
of 2 February, 2001**

**PROFIT AND LOSS ACCOUNT
as of 1 January, 2001
The CentroCredit Joint Stock Commercial Bank**

Registration No.: 121

BIC 044583514

Address: 9/2, 2nd Kolobovskiy Per., Moscow, 103051

	Amount, RUR'000
INTEREST INCOME	
1. Interest from banks on loans, deposits and funds placed on accounts with other banks	31,218
2. Interest on loans to other customers	94,852
3. Interest on leases	0
4. Interest on the fixed-income debt instruments	113,262
5. Other interest income	754
6. Total Interest Income (items 1+2+3+4+5)	240,086
INTEREST EXPENSE	
7. Interest to credit institutions, incl. interest on loans and deposits	19,247
8. Interest on other customer's loans and deposits	4,518
9. Interest on debt instruments in issue	32,868
10. Interest on rent payments	8,174
11. Total Interest Expense (items 7+8+9+10)	64,807
12. Net Interest Income (item 6 less item 11)	175,279
13. Commission income	34,060
14. Commission expenses	6,491
15. Net commission income (item 13 less item 14)	27,569
OTHER OPERATING INCOME	
16. Foreign Exchange income	143,821
17. Gains on sales of precious metals, securities and other property and positive result of the revaluation thereof	66,671
18. Dividends on participations and shares	2,101
19. Other current income	2,763
20. Total Other Operating Income (items 16+17+18+19)	215,356
21. Total Current Income (items 12+15+20)	418,204
OTHER OPERATING EXPENSE	
22. Wages and salaries	11,695
23. Maintenance and repair	22,610
24. Foreign Exchange expense	103,257
25. Loss on sales of precious metals, securities and other property and on repo transactions, and negative result of the revaluation of precious metals and securities	24,804
26. Other current revenue expenditure	19,164
27. Total Other Operating Expense (items 22+23+24+25+26)	181,530
28. Net Current Income before the loan loss provision, disregarding extraordinary income (item 21 less item 27)	236,674
29. Movements in loan loss provision	107,164
30. Movements in provision for possible securities depreciation	28,597
31. Movements in other provisions	28
32. Net Current Income disregarding extraordinary income (item 28 less items 29, 30 and 31)	100,885
33. Extraordinary income less extraordinary expense	0
34. Net Profit before profit tax (items 32+33)	100,885
35. Profit tax*	22,118
36. Deferred profit tax	X
36a. Extraordinary expense after profit tax	0
37. Net Profit for the reported year (item 34 less items 36 and 36a)	100,885

▶▶ 40 / 41

* The profit tax amount (item 35) is for reference only and is not subtracted from the net profit amount for the year 2000 (item 37).

**PERFORMANCE OF THE BASIC RATIOS
ESTABLISHED BY THE CENTRAL BANK OF RUSSIA
as of 1 January, 2001**

Ratios or Provisions Type		Amount or percentage
1.	Capital adequacy ratio (H1, per cent)	32.2
2.	Individual customers' deposits to equity ratio (H11, per cent)	10.2
3.	Loan loss provision (100% of the standard amount, RUR Ths)	120,899
4.	Loan loss provision (actual amount, RUR Ths)	127,269
5.	Provision for possible securities depreciation (standard amount, RUR Ths)	28,682
6.	Provision for possible securities depreciation (actual amount, RUR Ths)	28,682

Chairman of the Board
Chief Accountant

Andrey I. Tarasov
Elena P. Kotsyubinskaya

- ▼ The audited annual financial statements have been properly prepared in all material aspects in accordance with the existing legislation and legal acts regulating the order of the accounting and financial reporting in Russian Federation and the established accounting principles.
- ▼ The credibility of the Balance Sheet and the Profit and Loss Account is hereby confirmed.
- ▼ The information on the above data is part of the Auditor's opinion on the credibility of the CentroCredit Bank's financial statements as at 1 January, 2001.

Name of the Auditing company:	OOO "Delovoy Partner" Audit Association
License No.	0205
License issued on	15.02.2001
License valid until	14.02.2004
Name of the Executive:	Yuri A. Lomov

APPENDIX 1.
THE CENTROCREDIT BANK.
SEMI-ANNUAL FINANCIAL STATEMENTS 2001

**As per Appendix 1 to the Central Bank of Russia Regulation No. 914-U
"On Credit Institutions Published Financial Reporting for the Year 2000"
of 2 February, 2001**

**BALANCE SHEET
as at 1 July, 2001
The CentroCredit Joint Stock Commercial Bank**

Registration No.: 121

BIC 044583514

Address: 9/2, 2nd Kolobovskiy Per., Moscow, 103051

	Amount, RUR'000
ASSETS	
1. Cash and accounts with the Central Bank of Russia	346,086
2. State debt instruments	425,122
3. Due from credit institutions	20,084
4. Dealing securities, net investments (item 4.1 less item 4.2)	681,739
4.1. Dealing securities (Balance sheet value)	685,049
4.2. Provision for possible securities depreciation	3,310
5. Loans, gross	1,303,412
6. Interest charged (incl. Past due interest)	63,434
7. Leases	0
8. Loan loss provision	181,679
9. Loans, net (item 5 less item 8)	1,121,733
10. Fixed assets and intangibles	21,972
11. Investment securities, net (item 11.1 less item 11.2)	3,671
11.1. Investment securities (Balance sheet value)	3 737
11.2. Provision for possible securities depreciation	66
12. Accrued income	1,474
13. Other assets	901,419
14. Total Assets (items 1+2+3+4+6+7+9+10+11+12+13)	3,586,734
LIABILITIES	
15. Due to the Central Bank of Russia	0
16. Due to credit institutions	1,049,796
17. Customer Deposits	1,155,488
17.1. incl. Individual customers' deposits	44,751
18. Accrued expense	0
19. Debt instruments in issue	361,459
20. Other liabilities	591,706
21. Reserves for possible losses on the settlements with debtors, risks and liabilities	0
22. Total Liabilities (items 15+16+17+18+19+20+21)	3,158,449
SHAREHOLDERS' EQUITY	
23. Share capital (items 23.1+23.2)	220,000
23.1. Registered common stock	219,999
23.2. Registered preferred stock	1
24. Bank's own stock redeemed from shareholders	0
25. Margin revenue	0
26. Retained profit/loss and difference between the Bank's Bank's share capital and its shareholders' equity	117,302
27. Fixed assets revaluation	1,184
28. Net profit for the reported period	57,845
29. Dividends paid from the net profit	0
30. Distributed profit (ex dividend)	23,252
31. Undistributed profit (item 28 less items 29 and 30)	34,593
32. Expenses and risks influencing the shareholders' equity	-55,206
33. Total Shareholders' Equity (item 23 less item 24 + items 25, 26, 27, 31 less item 32)	428,285
34. Total Liabilities and Shareholders' Equity (items 22+33)	3,586,734
OFF-BALANCE ITEMS:	
35. Irrevocable LCs and other commitments	4,412,877
36. Guarantees and acceptances	189,536

TRUST ACCOUNTS as at 1 July, 2001

	Amount, RUR'000
ASSETS	
1. Cash	0
2. Securities held in trust	16,256
3. Precious metals	0
4. Loans outstanding*	0
5. Funds used for other purposes	0
6. Settlements under trust agreements	0
7. Accrued interest paid on coupon bonds	0
8. Current accounts	0
9. Trust operations-related expenses	0
10. Loss on trust operations	0
LIABILITIES	
11. Funds held in trust	16,256
12. Settlements under trust agreements	0
13. Coupon yield on bonds	0
14. Income earned on trust operations	0
15. Trust operations profit	0

* To be completed by the credit institutions having issued loans before 08.07.1997 (i.e., the date of the Central Bank of Russia Instruction No. 63 of 02.07.1997 entering in force)

**As per Appendix 2 to the Central Bank of Russia Regulation No. 914-U
“On Credit Institutions Published Financial Reporting for the Year 2000”
of 2 February, 2001**

PROFIT AND LOSS ACCOUNT

as at 1 July, 2001

The CentroCredit Joint Stock Commercial Bank

Registration No.: 121

BIC 044583514

Address: 9/2, 2nd Kolobovskiy Per., Moscow, 103051

	Amount RUR'000
INTEREST INCOME	
1. Interest from banks on loans, deposits and funds placed on accounts with other banks	50,102
2. Interest on loans to other customers	87,468
3. Interest on leases	0
4. Interest on the fixed-income debt instruments	61,512
5. Other interest income	374
6. Total Interest Income (items 1+2+3+4+5)	199,456
INTEREST EXPENSE	
7. Interest to credit institutions, incl. interest on loans and deposits	36,149
8. Interest on other customer's loans and deposits	5,766
9. Interest on debt instruments in issue	25,702
10. Interest on rent payments	3,944
11. Total Interest Expense (items 7+8+9+10)	71,561
12. Net Interest Income (item 6 less item 11)	127,895
13. Commission income	24,688
14. Commission expenses	3,543
15. Net commission income (item 13 less item 14)	21,145
OTHER OPERATING INCOME	
16. Foreign Exchange income	70,234
17. Gains on sales of precious metals, securities and other property and positive result of the revaluation thereof	44,728
18. Dividends on participations and shares	4,520
19. Other current income	2,513
20. Total Other Operating Income (items 16+17+18+19)	121,995
21. Total Current Income (items 12+15+20)	271,035
OTHER OPERATING EXPENSE	
22. Wages and salaries	22,632
23. Maintenance and repair	14,940
24. Foreign Exchange expense	60,632
25. Loss on sales of precious metals, securities and other property and on repo transactions, and negative result of the revaluation of precious metals and securities	77,468
26. Other current revenue expenditure	8,558

PROFIT AND LOSS ACCOUNT (continued)

	Amount RUR'000
27. Total Other Operating Expense (items 22+23+24+25+26)	184,230
28. Net Current Income before the loan loss provision, disregarding extraordinary income (item 21 less item 27)	86,805
29. Movements in loan loss provision	54,319
30. Movements in provision for possible securities depreciation	-25,305
31. Movements in other provisions	96
32. Net Current Income disregarding extraordinary income (item 28 less items 29, 30 and 31)	57,695
33. Extraordinary income less extraordinary expense	0
34. Net Profit before profit tax (items 32+33)	57,695
35. Profit tax*	3,470
36. Deferred profit tax	X
36a. Extraordinary expense after profit tax	0
37. Net Profit for the reported year (item 34 less items 36 and 36a)	57,695

* The profit tax amount (item 35) is for reference only and is not subtracted from the net profit amount for the first six months of the year 2001 (item 37).

**PERFORMANCE OF THE BASIC RATIOS
ESTABLISHED BY THE CENTRAL BANK OF RUSSIA
as at 1 July, 2001**

Ratios or Provisions Type	Amount or percentage
1. Capital adequacy ratio (H1, per cent)	15.7
2. Individual customers' deposits to equity ratio (H11, per cent)	9.4
3. Loan loss provision (100% of the standard amount, RUR Ths)	174,230
4. Loan loss provision (actual amount, RUR Ths)	181,679
5. Provision for possible securities depreciation (standard amount, RUR Ths)	3,376
6. Provision for possible securities depreciation (actual amount, RUR Ths)	3,376

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Chairman of the Board
Chief Accountant

Andrey I. Tarasov
Elena P. Kotsiubinskaya

- ▼ The audited semi-annual financial statements for the year 2001 have been properly prepared in all material aspects in accordance with the existing legislation and legal acts regulating the order of the accounting and financial reporting in Russian Federation and the established accounting principles.
- ▼ The credibility of the Balance Sheet and the Profit and Loss Account is hereby confirmed.
- ▼ The information on the above data is part of the Auditor's opinion on the credibility of the CentroCredit Bank's financial statements as at 1 July, 2001.

Name of the Auditing company:	OOO "Delovoy Partner" Audit Association
License No.	0205
License issued on	15.02.2001
License valid until	14.02.2004
Name of the Executive:	Yuri A. Lomov

APPENDIX 2*.
 THE CENTROCREDIT BANK.
 CONSOLIDATED SEMI-ANNUAL GAAP FINANCIAL STATEMENTS 2001

The CentroCredit Joint Stock Commercial Bank
Statement of income for the year ended 31 December 2000
and as of 30 June 2001

	As of 30 June 2001	2000
	RUR'000	RUR'000
Interest Income	84,679	109,108
Interest Expense	(41,915)	(96,468)
Net interest income before provisions for loan impairment	42,764	12,640
Provisions for loan impairment	1,351	(87,217)
Net interest income after provisions for loan impairment	44,115	(74,577)
Fees and commissions income	17,688	83,556
Fees and commissions expense	(4,883)	(16,069)
Net income from debt securities	92,255	332,254
Net income from equity securities	96,525	231,940
Net income from foreign exchange	9,602	17,128
Other income	3,257	4,218
Non-interest income	214,444	653,027
Administrative expenses	(44,229)	(119,364)
Income before loss on net monetary position, taxes and minority interest	214,330	459,086
Loss on net monetary position		(67,523)
Income before taxes and minority interest	214,330	391,563
Income tax expense	(28,804)	(96,051)
Minority interest		(69,290)
Net income	185,526	226,222

The CentroCredit Joint Stock Commercial Bank Balance Sheet as of 31 December 2000 and 30 June 2001

	As of 30 June 2001	2000
	RUR'000	RUR'000
ASSETS		
Banking assets		
Cash	36,389	19,698
Due from the Central Bank of the Russian Federation	309,697	162,884
Placements with banks and other financial institutions	20,015	318,920
Loans to customers	811,171	453,305
Debt securities	1,409,185	645,885
Equity securities	739,763	383,473
Total banking assets	3,326,220	1,984,165
Other assets	14,790	36,649
Property and equipment	21,972	13,948
Total assets	3,362,982	2,034,762
LIABILITIES and SHAREHOLDERS' FUNDS		
Banking liabilities		
Deposits and balances from banks and other financial institutions	1,049,072	670,390
Current accounts and deposits from customers	1,155,166	491,211
Certificates of deposit and promissory notes	357,460	144,054
Deferred tax liability		101,723
Total banking liabilities	2,561,698	1,407,378
Other liabilities	23,112	35,038
Total liabilities	2,584,810	1,442,416
Minority interest	69,290	69,290
SHAREHOLDERS' FUNDS		
Share capital	220,000	219,700
Share capital inflation adjustment	162,331	162,331
Retained earnings	326,551	141,025
Total Shareholders' funds	708,882	523,056
Commitments and Contingent Liabilities		
Total Liabilities and Shareholders' funds	3,362,982	2,034,762

* Prepared by the CentroCredit Bank Accounting, Analysis, Planning and Internal Control Division on the basis of Appendix 1.

All the questions should be addressed to the CentroCredit Bank Secretariat or otherwise to the Customer Service Sector of the Corporate Services Department at:

Head Office

31, Pyatnitskaya Ul., Moscow, 109017
Phone: (095) 956 8626, 959 0280
Fax: (095) 959 0285
E-mail: info@ccb.ru

Representative Office in the United Kingdom

Level 4, City Tower
40 Basinghall Street
London EC2 5DE, United Kingdom
Phone/Fax: (44 207) 638 8652

Besides the Head Office located in 31, Pyatnitskaya Street, the CentroCredit Bank has the following offices:

Vologda Branch

2, Kozlenskaya Ul., Vologda, 160000
Phone: (8172) 25 17 66

«Savvinsky» Additional Office

14, 1st Truzhenikov Per., Block 7
Phone: 792 9950

«Dealing Center In Novokuznetskaya Street» Additional Office

4/12, Novokuznetskaya Ul., Block 2
Phone: 951 21 01

#2 Remote Cashier's Desk

Located at the premises of the «Furniture Exhibition» Trade Center
14, Kronstadtsky Bul.
Phone: 459 1786

#3 Remote Cashier's Desk

Located at the premises of the OOO «AvtoGAZ-Lux» Motor Salon
6, Kotlyakovskaya Ul., Block 12
Phone: 113 4233

#4 Remote Cashier's Desk

Located at the premises of the OOO «Orbita-Motors» Motor Salon
19A, Aviamotornaya Ul., Block 2
Phone: 726 5995

Exchange Office

Located at the Bank's Head Office premises
31, Pyatnitskaya Ul.,
Phone: 951 7581

Exchange Office

Located at the premises of the «Trio Interior» Store
39, Pyatnitskaya Ul.,
Phone: 953 1368, 953 0974

Exchange Office

Located at the premises of the «Leningradskaya» Hotel
21/40, Kalanchevskaya Ul.,
Phone: 975 1960