



annual report

2001



CentroCredit Bank

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 the 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 investment banking; therefore much attention is given to the diversification of the services provided and to the establishment of an up-to-date infrastructure necessary for successful business.

The CentroCredit Bank has established correspondent relationship with foreign banks, such as the ABN AMRO Bank N.Y., USA; Union Bank of California International, New York; Raiffeisen Zentralbank Oesterreich AG (RZB), Vienna; Banque Commerciale pour l'Europe du Nord S.A. (Eurobank), Paris; Commerzbank AG, Frankfurt am Main, etc.

In 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 the Russian Federation granted the CentroCredit Bank License # 121 to perform transactions with precious metals.

Furthermore, in December 2000, the State Customs Committee of the 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 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 November 2001 the Commission on Commodity Exchanges of the Antitrust Ministry of the Russian

Federation granted the CentroCredit Bank a License of Stock Broker for the right to execute futures and option transactions on exchanges in the territory of the Russian Federation.

In autumn 2000, the Federal Commission for the Securities Market of the Russian Federation (FCSM) granted the Closed Joint Stock Society «Joint Stock Commercial «CentroCredit Bank» a professional participant of the securities market License to perform trust business. The FCSM also extended the period of the bank's professional participant of the stock market License to perform 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 on the Russian stock market to a broader circle of customers, foreign investors included.

In 2001, the FCSM placed the CentroCredit Bank among the top twenty Russian stock market participants.

In spring 2001, which was the period of the highest customers' activity, the CentroCredit Bank ranked fifth in terms of the volume of trades at the MICEX Stock Market Section and thirty-fourth at the RTS.

The CentroCredit Bank General Shareholders Meeting held in late August 1997, decided, by a unanimous vote, to increase the bank's authorized capital tenfold, in consequence of which the bank's authorized capital increased, in August 1998, from RUR 5 million to RUR 50 million.

In December 2000, the CentroCredit Bank's authorized capital increased more than fourfold, i.e., from RUR 50 million to RUR 220 million.

In late 2001, the CentroCredit Bank's authorized capital increased again almost fourfold, i.e., from RUR 220 million to RUR 820 million.

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

Within 2001, the CentroCredit Bank's equity grew threefold and now amounts to over RUR 1.2 billion, placing it among the top fifty Russian banks in terms of equity (ranking 50th as at 1 January 2002, according to the rating published by the «Profile» magazine /#10, 11 March, 2002/). In terms of net assets, the CentroCredit Bank ranks 53rd.

The CentroCredit Bank offers its customers a full line of 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 all the requisites for being financial advisors and trading intermediaries for our customers.

The CentroCredit prepares its financial statements in accordance with Russian and 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.

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Message to the Shareholders and Customers

Ladies and Gentlemen,

On behalf of the CentroCredit Bank Managing Board, I am pleased to bring to your attention the report on Bank performance in the year 2001. We are glad to inform you that last year's results proved quite positive. The Bank succeeded in implementing its plans for the year 2001 in every basic sphere of its activities.

One of last year's key results is the increase of the Bank's authorized capital up to RUR 820 million.

Another prominent feature is that we succeeded in achieving a significant growth of the Bank's economic performances, having maintained, at the same time, the number of its personnel and the value of its fixed assets.

Last year witnessed fierce competition on the financial markets, which was even more vivid in the banking sector. This was accompanied by a sharp drop in the yield of many financial instruments.

Under these circumstances, the Bank had to be more persistent in looking for new business opportunities on the Russian and international financial markets. The following facts are the most characteristic proof of the success of this search:

- the Bank's Representative Office in the United Kingdom was registered and started active operations in London;
- work on a number of major investment projects was started on the basis of the newly established Corporate Finance Division;
- actively developing are the factoring operations as the most promising form of commercial credit;
- development of the technological infrastructure allowed to bring, the share of the electronic payments performed via the 'Client-Bank' System up to 70 per cent by the end of 2001.


We are realistic minded in the assessment of the Bank's development prospects. We wish to assure you that in the future the Bank will continue to meet the tightening market requirements.

Let me express my gratitude to you for your trust and support.

Andrey Tarasov
Chairman of the Managing Board

section

1



Results and Outlook

Economic Situation in Russia
and the Russian Federation
Banking System in 2001

Results of Bank Performance
in 2001 and the Outlook for
Bank Development in 2002

Economic Situation in Russia and the Russian Federation Banking System in 2001



Ilya Yu. Korbashov
Director, Treasury

I. Economic Situation in Russia

In 2001, the macroeconomic situation in the country, as it follows from the results of the year, was characterized by the continuation of the growth of economic indices and investment activity, as well as the people's real cash income. The yearly dynamics of the primary indices is provided in Table.

KEY ECONOMIC INDICES	1999	2000	2001
Nominal GDP (RUR bln.)	4607	7063	9063
Real GDP (annual growth, per cent)	5.4	8.3	5.0
Industrial Output (annual growth, per cent)	11.0	11.9	4.9
Retail Trade Turnover (annual growth, per cent)	-8.1	8.7	10.8
Permanent Investment (annual growth, per cent)	5.3	17.4	8.7
Producers' Price Index (annual growth, per cent, as at the year end)	67.4	31.6	10.7
Inflation Rate (annual growth, per cent, as at the year end)	36.5	20.2	18.6
TRADE	1999	2000	2001
Total Exports (\$ bln.)	75.692	105.565	103.0
Total Imports (\$ bln.)	39.537	44.862	53.4
Balance of Trade (\$ bln.)	36.155	60.703	49.6
FEDERAL BUDGET	1999	2000	2001
Revenue (RUR bln.)	608.0	1127.6	1590.7
Revenue (per cent of the GDP)	13.0	16.0	17.5
Expenditures (RUR bln.)	662.8	953.8	1376.2
Expenditures (per cent of the GDP)	14.4	13.5	15.1
Total Deficit (-) / Profit (+) (per cent of the GDP)	-1.4	2.5	2.4
MONETARY INDICES	1999	2000	2001
Money Supply (RUR bln., as at the year end)	324.3	519.6	708.5
Gold and Foreign Exchange Reserves (\$ bln., as at the year end)	12.456	27.972	36.622
M0 (RUR bln., as at the year end)	266.5	419.3	584.3
M0 (annual growth, per cent)	41.9	57.3	39.4
M2 (RUR bln., as at the year end)	704.7	1,144.3	1,602.6
M2 (annual growth, per cent)	57.2	62.4	40.1
Exchange Rate, RUR/\$ (as at the year end)	27.55	28.16	30.51
The Central Bank Refinancing Rate (per cent, as at the year end)	55	25	25

The economic growth was promoted by the prevalence, until the end of the 3rd quarter of the year, of a sufficiently favorable foreign economic situation. This provided for considerable exports growth, despite the negative trends in the economic development of the USA, Japan and quite a number of European countries. At the same time, further re-orientation at domestic consumption took place as a result of the domestic demand growth.

Despite the positive trends in the national economy, its key indices dropped in 2001 as compared to 2000. The drop of the industrial output growth rate was more marked than that of the GDP, due to the following main reasons:

- real strengthening of the rouble exchange rate, negatively influencing the competitiveness of Russian-made goods as compared to imported ones, which in turn led to a significant imports growth; and
- drop in the demand for exported raw materials.

In 2001, the maximum annual growth was marked in the following industrial sectors: the food-processing industry (108.4%), machine building and metal working (107.2%), and chemical and petrochemical (106.5%). Leading among the sectors with a small share in the total country's industrial output were the microbiological (182.3%), printing (125.4%), and glass and porcelain and faience (114.2%) industries.

As before, a prevailing part of the investments (82%) was concentrated in the export-oriented sectors earning the larger part of the national economy's profit. None the less, the main investments growth factor in 2001 was the growth in demand for investments in such 'fixed industrial assets establishing' sectors as the machine building and metal working and the construction materials industries.

In 2001, the inflation rate practically did not slow down against the year 2000, having reached 18.6%, which was almost 1.5 times higher than the budget forecast. Price rise for food products reached 17.1%, while that for non-food items was 12.7%. The highest price rise was marked in the services sector (including municipal services) — 36.9%. Such as inflation growth rate was mainly due to the growth of the 'natural monopolies' tariffs and to a lesser extent — to monetary reasons.

The orientation of Russian exports primarily of raw materials continued. In value terms, crude oil and natural gas exports accounted for about 40% of the total Russian exports, while the share of machinery and equipment in total exports was only about 9%. The drop of world prices for basic exported raw material resources was compensated by the growth of the volume of exports. For example, crude oil exports grew in 2001, in real terms, by 12% against the year 2000.

The average monthly nominal wages and salaries grew in 2001 up to RUR 3262 as against RUR 2223 in 2000 (i.e., by 45.5%), while real wages and salaries grew by 19.8%.

The average annual number of the unemployed (calculated by ILO methods) reduced, according to the preliminary estimate, from 7.5 million in 2000 to 6.4 million in 2001.

II. Banking Sector

Russia's banking sector developed against the background of the positive changes in the macroeconomic situation in the country. For the Russian banking system, the year 2001 was marked by the beginning of a new stage of reforms. It may be described as the time of the complete withdrawal from the market of credit institutions having signs of insolvency in accordance with current legislation. The approval, in June 2001, of the amendments to the Federal laws regulating the activities of credit institutions, created, for the Central Bank of Russia, additional possibilities to perform its functions in regulating activities of the credit institutions. Following international practice, the compulsory grounds to revoke banking licenses were

established and possibilities to place additional demands upon executives and officers of credit institutions as well as the requirements to credit institutions and banking holdings in respect of to submitting consolidated reporting were, determined.

The State policy in relation to the banking sector is based on the preservation and reinforcement of the market grounds of the credit institutions' activities and the use of mainly indirect methods of governing the processes ongoing in the banking sphere. The State regulates the banking sector by way of forming the adequate legal base underlying the credit institutions activity and functioning of the financial services market, as well as exercising control of the fulfillment of the legal requirements. The State's direct influence on the banking sector performance via its participation in the credit institutions' capital is limited, such participation generally tending to shrink. In the coming few years, the State will have to retain its participation in the capital of some of the Russian banks with due regard to the transitional character of the national economy and the lack of the banking sector stability. As of 1 January, 2002, the credit institutions profit tax rate has been reduced from 43% to 24%. The banks are granted the possibility to establish various reserves, defer the losses, as well as deduct all the necessary, justified and vouched charges.

According to the medium term (5 years) Russian Federation banking sector development Strategy, the main result of such development shall be a significant growth of the banking sector reliability. At the same time, the functional role of the banking sector in the Russian national economy shall become more important, and its parameters shall eventually become closer to those of the banking systems of countries leading among the transitional economies in terms of the economic development level. It is forecast that the banking sector aggregate assets to the GDP ratio may reach 45% to 50%, the banking sector aggregate equity to the GDP ratio – 5% to 6%, and the aggregate amount of loans granted to the real sector of the national economy to the GDP ratio — 18% to 20%.

The dynamics of the basic parameters characterizing the situation in the banking sector in the period of 1 January 2001 till 1 October 2001 testify to the strengthening of the positive trends in the banking system development. Within the period, the banking sector aggregate assets grew by RUR 624.6 bln. (in real terms — by 14.9%) and the aggregate equity — by RUR 84.1 bln. (29.4%), the equity growth having been registered in 79% of the operating credit institutions. The banks' resource base continues to expand at the expense of the companies' funds, as well as the deposits made by the individual customers. Within the a.m. period, the aggregate value of the legal entities' deposits grew by 28.9%, while that of the individuals — by 34.5%. The structure and the quality of the credit institutions' assets are improving, which is reflected in the growth of the value of loans to the real sector of the national economy, reduction of the debts past due value, as well as the loan portfolio quality. The volume of loans granted by the banks to the real sector of the national economy in the period of 1 January 2001 till 1 October 2001 grew by RUR 278.8 bln. (in real terms — by 22%), having reached RUR 1,074.6 bln.; and the share of these loans in the banking system aggregate assets grew within the same period from 33.7% to 36%. The credit institutions' financial performance improved considerably. As at 1 October 2001, the financially stable banks accounted for 91% of the total number of Russian banks, the aggregate value of assets concentrated in them accounting for almost 92.2% of the total. The aggregate profit earned by the Russian credit institutions within the period of January to September 2001 reached RUR 41.2 bln., which is 1.8 times as much as in the corresponding period of the previous year.

Despite the improvement of the situation in the banking sector, it should not be overestimated. The aggregate assets of the Russian banking sector do not exceed 35% of the GDP. As of 1 July 2001, the aggre-

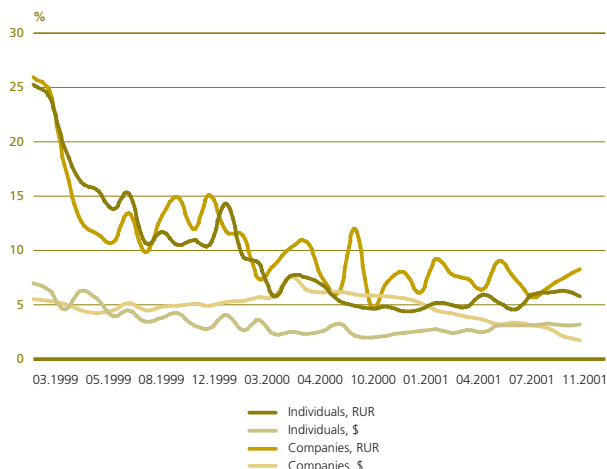
Deposits from Corporate and Individual Customers (All Maturities): Dynamics of Average Weighted Interest Rates

gate equity of the operating banks accounted for only about 90% of the pre-crisis value (in real terms). The individual depositors' funds share in the banks' resource base is rather insignificant: throughout the post-crisis period, it practically never exceeded 20% of the aggregate banking sector liabilities.

Among the external factors preventing banking business development are the following: low rate of structural reforms in the national economy; low liquidity; insufficient capitalization; low credibility and transparency of many Russian companies' financial reporting; low level of the national economy monetization; lack of legal environment providing for the protection of rights of the secured creditors; faulty juridical system; lack of legal base underlying the banking supervision function; and low country rating.

Among the internal unfavorable factors the following may be noted: poor management in many credit institutions, including low efficiency of risk control and internal control; lack of the structure of ownership transparency; as well as the underdevelopment of modern banking technologies. Banking business development is mainly impeded by the high risks. Investments into the real sector of the national economy being highly risky, the banks are unwilling to build up their lending activity. One may also note that a limited number of borrowers have now 'concentrated' a significant part of credit risks. Large credit risks account for about 30% of the aggregate banking sector assets. An important factor impeding the development of banking operations is the shortage of the medium term and long term resources. As of 1 July 2001, long-term debts (over 1 year maturity) accounted for only about 7% of the bank's aggregate liabilities. Throughout the post-crisis period, a significant mismatch of the credit institutions' assets and liabilities in terms of maturity has existed, directly affecting banking sector liquidity. Such a risk maybe reduced by improving liquidity management, including the introduction of new financial instruments.

The strategic task of banking sector development is the establishment of an environment favorable for the banks' work with individual depositors. The pre-requisites of the saving operations growth are as follows: 1) strengthening the stability of credit institutions and the banking sector as a whole; 2) strengthening the legal basis of the creditors' and depositors' interests protection; 3) growth of reliance placed by businesses in the State and in their business partners, including the individuals' trust in the financial intermediaries; 4) growth of the people's real cash income; 5) preservation of the institution of the banking secret and privacy of deposits; 6) banking products diversification as a means of attracting funds from the population; and 7) establishment of an efficient system of guaranteeing the individuals' deposits.





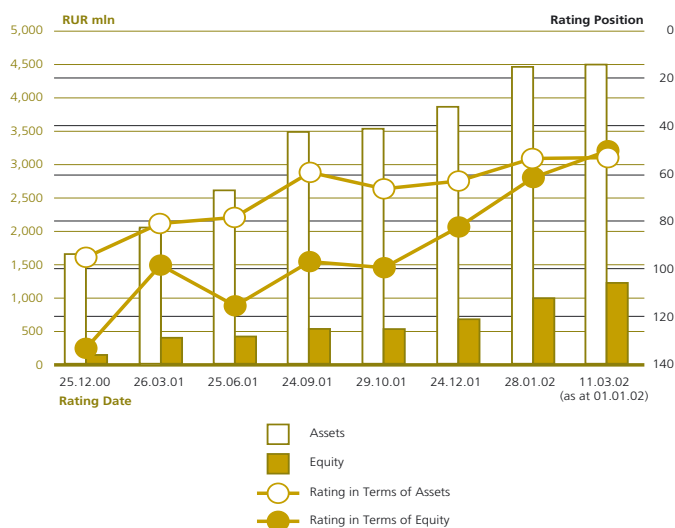
Sergey A. Eremin
Deputy Chairman of the Managing Board — Director, Accounting, Analysis, Planning and Control Division



Kirill E. Shershum
First Deputy Chairman of the Managing Board

Results of Bank Performance in 2001 and the Outlook for Bank Development in 2002

The CentroCredit Bank Rating Dynamics
(based in the «Profile» magazine ratings)



1. The Bank Capital Structure and Adequacy Analysis

1.1. Capital Structure

The Bank shareholders' equity formed in accordance with the requirements of the Central Bank of Russia Instruction No.1

grew threefold within a year; the dynamics of its growth is given in the table.

RUR mln.

Values at the Relevant Reporting Date

	01.01.2001	1.04.2001	01.07.2001	01.10.2001	31.12.2001
Shareholders' Equity incl.:	402	433	503	659	1 221
Authorized Capital	220	220	220	220	820
Subordinated Loan	62	62	62	222	222

The growth of equity was due to the following factors:

- Authorized capital increase by RUR 600 mln. as the result of issuing new shares in December 2001;
- Obtaining, an additional subordinated loan amounting RUR 160 mln. in the 3rd quarter of the year 2001;
- A RUR 72 mln. balance sheet profit earned within 2001.

Shareholders' Equity Dynamics (value calculated by the Central Bank of Russia method)

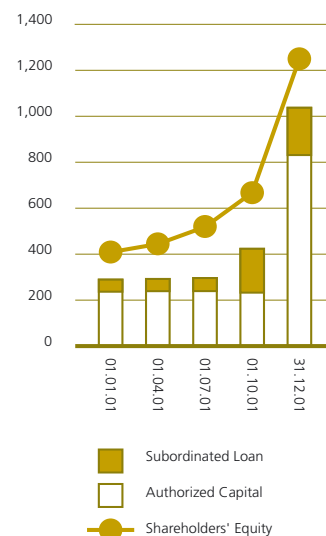
As per the CAMEL (Capital, assets, management, earnings, liquidity) rating system, the optimum share of the authorized capital in equity total is between 15 and 50 per cent.

Prior to the new shares issued in December 2001 this ratio could have been 35%. Following the issue, the share of the authorized capital in the equity total calculated in accordance with the Central Bank of Russia Instruction No.1 equaled 67%.

1.2. Capital Adequacy Analysis.

The average annual value of equity calculated as a difference between the market value of the Bank's assets and the borrowed funds was RUR 835 mln., while at years end, with due regard of the profit earned and the new shares issue the equity reached RUR 1.785 mln., or 33% of the total resource base. This means that almost half of the funds borrowed from the customers are covered by the Bank's capital, which, as far as the security of the creditors indebtedness is concerned, is a fairly high ratio. On the other hand, it is possible to speak of a large «supply» of the Bank's own funds allowing at the moment to attract from the customers, without jeopardizing the Bank's stability, additional funds to the amount of RUR 6.5 bln., i.e., to increase the liabilities 2.8 times against their current value. It is worth noting that, as per the CAMEL international rating system, a sufficient value of the equity to the total liabilities ratio is 15%.

Within 2001, the equity to the income-earning assets ratio also demonstrated a stable growth. Its average value was 36%, i.e., 36% of the investments into the earning assets were backed by the equity. With due regard of the new issue of shares performed, this ratio has reached 48%, while the minimum acceptable value thereof, as per the CAMEL, is 25%.

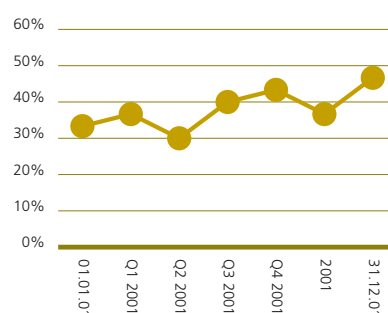


Equity to Earning Assets Ratio

Note: the earning assets considered here are investments in securities, commercial loans and inter-bank issued loans.

The large share of equity in liabilities enables the Bank to sustain a high level of the margin of profit on its operations. With the average value of equity equaling RUR 835 mln., the profit earned to the amount of RUR 606 mln. (disregarding the provisions established) provides for equity profitability of 72.5% p.a..

At the same time, the share of equity in the liabilities being higher than the current banking system average gives the Bank larger possibilities to perform additional term borrowings, as to well as take extra customers' funds on call deposits, which may allow the Bank to increase the amount of investments into the interest bearing instruments and further raise the equity efficiency.



The above analysis leads us to the conclusion that the Bank's position in terms of its capital adequacy was stable throughout the year and better than the Russian banking sector average. It was further consolidated as the result of the issue of new shares. Banking ratings prepared and published by various well-known analytical groups also support this conclusion.

The Bank's equity growth has resulted in the change of its rating in the following way (see page 11).

2. Assets and Liabilities

2.1. Assets

The Bank's rating in terms of the value of assets also grew in the course of the year.

The total assets value had risen up to RUR 4.5 bln. as the result of the growth of the volume of operations, as well as the new issue of shares in December.

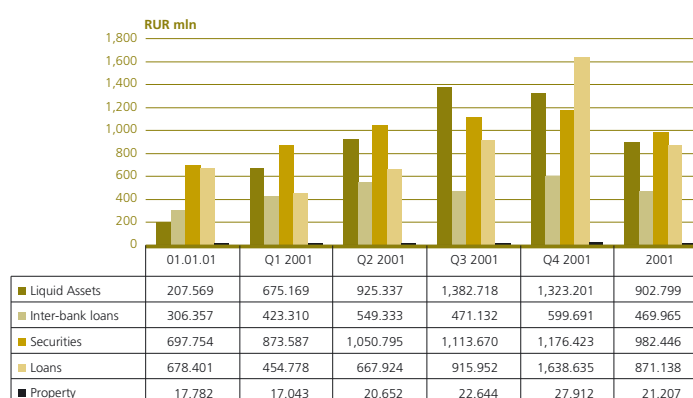
2.1.1. Assets Structure

The assets structure remained stable throughout the year. One third of the assets is represented by the investments in securities; a little over 20% were the issued loans; and 30% were the liquid assets being the balances of the accounts with the Central Bank of Russia and other banks, as well as funds involved in settlements.

	Average for					
	01.01.2001	I Quarter	II Quarter	III Quarter	IV Quarter	2001
Liquid Assets	11%	28%	29%	35%	31%	28%
Inter-Bank Loans	16%	17%	17%	12%	16%	14%
Securities	37%	36%	33%	29%	30%	30%
Loans Issued	36%	19%	21%	23%	23%	27%
Property	1%	1%	1%	1%	1%	1%

Assets Items Yearly Dynamics

It should be noted that the share of the low risk assets, which are the balances of the correspondent accounts with the Central Bank of Russia and other banks, cash in hand, overnight inter-bank loans, investments in the OFZ, shares and liquid promissory notes was about 52% of the total assets throughout the year, covering 70% of the Bank's borrowings.

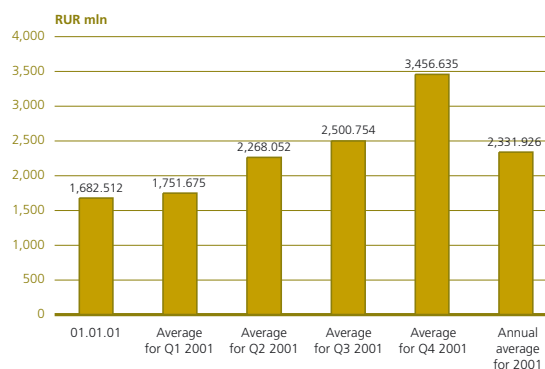


The value of investments in the earning assets grew by about RUR 1.4 bln. within a year.

Investments in the earning assets accounted for about 72% of the total assets (average for the year); and their growth throughout the year was proportional to the growth of the net balance sheet totals.

2.1.2. Investments in Securities

As of 31 December 2001, the market value of the Bank's securities portfolio was RUR 897 mln., or 21% of the total investments in the earning assets. The average annual value of the investments in securities was about RUR 991 mln., the breakup of which is provided in Diagram.



Investments in Securities

The most significant portfolio item was the corporate stock, the average annual share of which reached 47%.

In terms of this particular indicator, the CentroCredit Bank was the absolute leader among its banking partners.

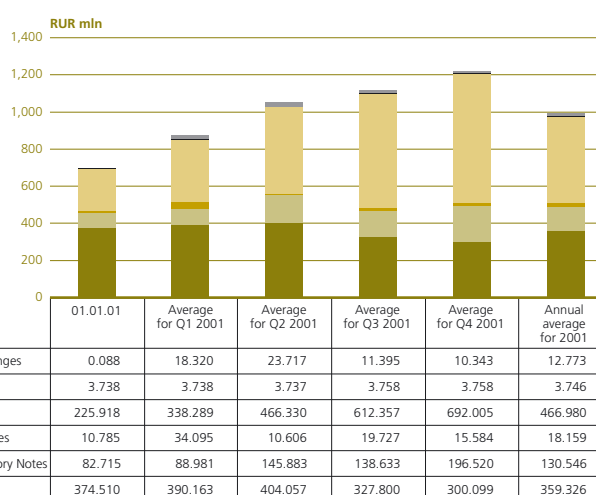
With due regard of the RUR 77 mln. difference between the balance sheet

and the market value of the corporate stock portfolio (which, in accordance with the accounting principles, may not be reflected in the Profit and Loss Account) and the profit thereon collected during the year to the amount of RUR 60.4 mln., the investments in corporate stock yielded a profit of RUR 137.4 mln.. The year 2001 average value of investments in corporate stock was RUR 467 mln., while the yield thereof reached 29.4% p.a.. It is estimated that the Bank's long-term investments in Russian corporate stock should pay off significantly in the coming 2 or 3 years.

The share of the State securities in the CentroCredit Bank portfolio is also high as compared to that of other banks; as of 1 December 2001, it equaled RUR 299 mln., accounting for 33% of the investment portfolio; the respective average values for the year 2001 were RUR 369 mln. and 37%.

The year 2001 balance sheet value of profit earned on State securities was RUR 332 mln..

In 2001, promissory notes became the most popular stock market instrument among Russian banks. In the portfolios of many of them, promissory notes were the basic element. In the CentroCredit Bank's portfolio, the average 2001 investments in the highly liquid promissory notes accounted for 13%



(RUR 131 mln.). Income was earned to the amount of RUR 37 mln.; consequently, the yield of investments in the promissory notes reached 28.2%.

2.1.3. Commercial Loans

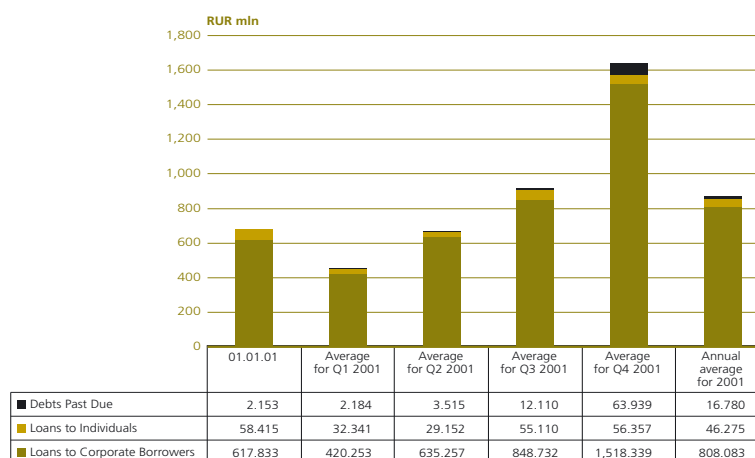
The volume of commercial loans issued throughout the year displayed an over fourfold growth - from RUR 678 mln. at the start of the year to RUR 2,870 mln. as of 31 December 2001.

The growth of the value of issued commercial loans was more significant than the net balance sheet totals growth, the latter having increased threefold within a year. The share of commercial loans in total assets varied during the year between 19% and 34%, which is much lower than the average Russian banking sector level being about 45% to 50%.

Loans Issued

The interest income earned on loans to corporate borrowers in 2001 was about RUR 316 mln., or 36.2% p.a.; the average annual value of the loans issued being RUR 871 mln..

Profit earned on loans to corporate borrowers accounted for 33% of the total Bank's revenue.

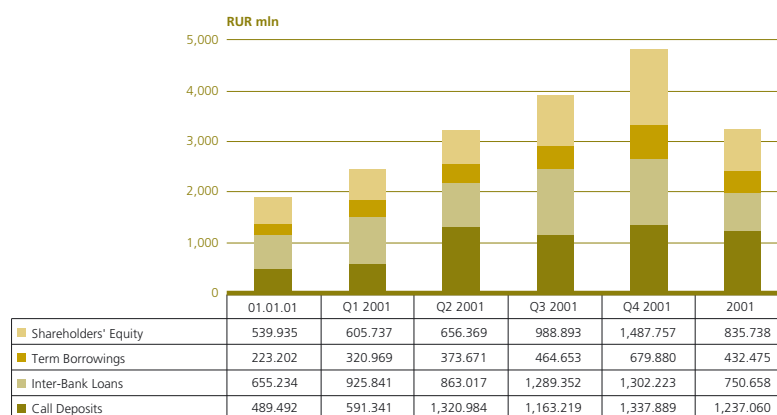


2.2. Liabilities

2.2.1. Liabilities Structure

During 2001, the average annual breakup of the Bank's Total Liabilities and Shareholders Equity was as follows: equity — 26%, call deposits (mainly corporate customers' accounts) — 38%, term borrowings (deposits and promissory notes) — 13%, and inter-bank loans — 23%.

Liabilities Items Yearly Dynamics



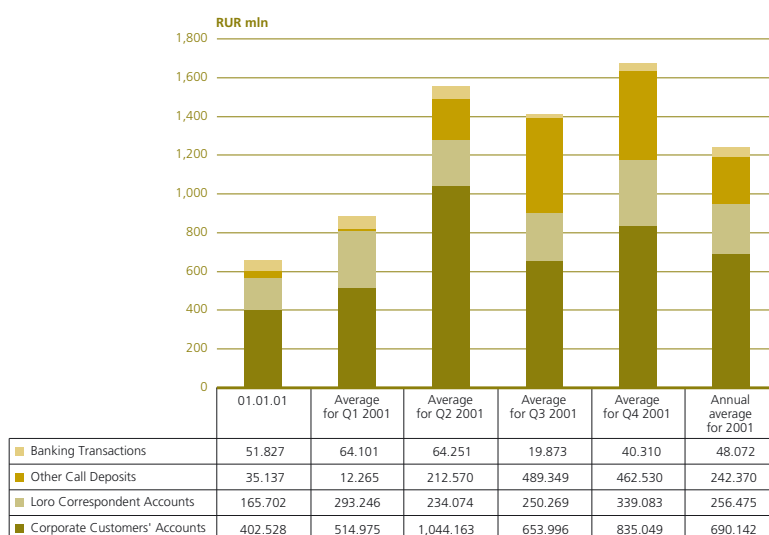
	Average for					
	01.01.2001	I Quarter	II Quarter	III Quarter	IV Quarter	2001
Call Deposits	25%	24%	41%	30%	28%	38%
Inter-Bank Loans	34%	38%	27%	33%	27%	23%
Nerm Borrowings	11%	13%	12%	12%	14%	13%
Shareholders' Equity	28%	25%	20%	25%	31%	26%

2.2.2. Call Deposits

In 2001, the average value of call deposits with the Bank was RUR 1,237 bln., including the following:

Call Deposits

As may be seen from the given structure, funds on corporate customers' settlement accounts were predominant. Compared to the beginning of the year, the volume of funds attracted to settlement accounts grew about twofold within 2001, having reached in the 4th quarter the



average value of RUR 835 mln.; the average annual share of the same in the total borrowed funds was 21.1%.

As it has already been mentioned above, the value of the Bank's equity, with due regard to the additional issue of shares performed and the profit earned, shall allow to increase the value of the customers' funds placed with the Bank by RUR 6.5 bln.

With the amount of interest paid on settlement accounts within the year slightly exceeding RUR 2 mln., the cost of borrowing (with due regard of the mandatory reserve established with the Central Bank of Russia) was below 1%. Besides, the cash and settlement service commission earnings reached about RUR 40 mln. in 2001.

2.2.3. Inter-Bank Loans

With due regard of balances of the correspondent accounts, the average volume of inter-bank loans attracted in the 4th quarter 2001 reached RUR 1,302 bln., or 27% of the Bank's total borrowings, while the average annual value of this ratio was 31%. As it has already been noted above, due to the specific character of its operation, the CentroCredit is an actively borrowing player on the inter-bank loans market. With the total value of the funds borrowed from the inter-bank loans market adjusted for the value of funds lent at the same market, the share of the inter-bank loans really attracted as a resource for the investments in securities reached in 2001

17% of the total borrowed funds. This kind of resources provided for a 57% cover of the total investments in securities.

The inter-bank loans are a more available means of the resource base buildup than the attraction of additional funds to the customers'



Igor V. Kosolobov
Head, Bank Development Department,
Member of the Board of Directors,
Member of the Managing Board



Vitaly S. Larichev
Deputy Chairman
of the Managing Board

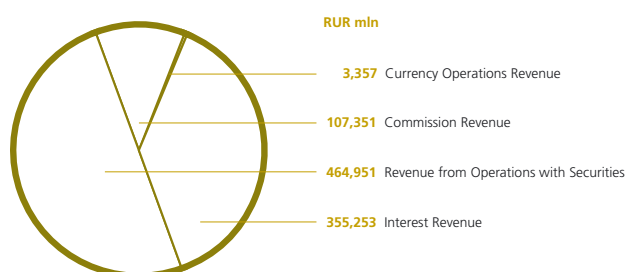
accounts, though they are more expensive. If the cost of borrowing the customers' funds (with due regard of the mandatory reserve establishment with the Central Bank of Russia) was below 1%, the average cost of borrowing at the inter-bank loans market in 2001 reached 8.1% p.a.. As it was noted earlier, the borrowing capacity being restricted to the value of the shareholders' equity, the Bank thus possesses large development reserve.

3. Profitability Analysis

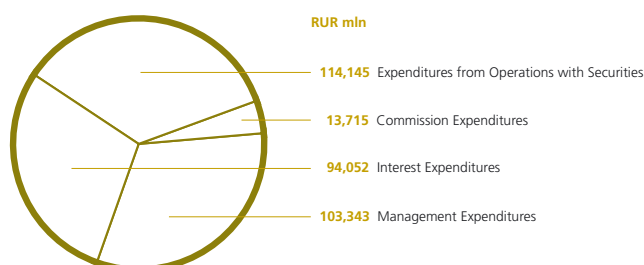
The total value of profit earned in 2001 was RUR 606 mln. Adjusted for the expenditure on the loan loss provision and the provision for possible securities depreciation establishment, as well as the taxes payment, in the aggregate amount of over RUR 500 mln., the balance sheet net profit equaled RUR 72 mln. in 2001. The 2001 revenue and expenditure breakup was as follows.

Revenue Composition

The core of the Bank's investment strategy is the investments in corporate stock and state securities. The balance sheet profit earned on the investments in securities in 2001 was RUR 351 mln.; besides, the difference between the market value and the balance sheet value of the portfolio was RUR 150 mln. as at year's end. The larger part of the above profit (77%) was earned on transactions with State securities, while the profit earned on corporate stock transactions accounted for 14% of the total.



Expenditure Pattern

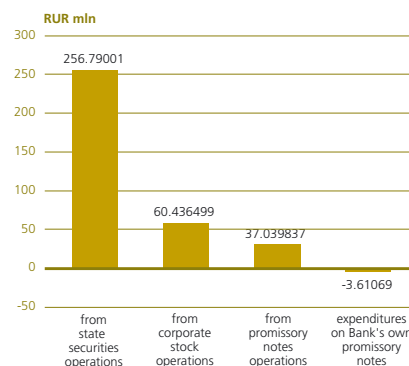


Transactions with Securities: Profit Earned

The average annual portfolio value being RUR 991 mln., its yield was 35.4% p.a..

In the Bank's revenue composition the income on the transactions with securities accounted for 50% of the total revenue earned in 2001.

One of the sources of funds (accounting for over half of the total investments) invested in securities was the funds attracted from the inter-bank loans market. For this purpose, a considerable part of the attracted inter-bank loans was backed by the pledge of securities. The average aggregate value of the inter-bank loans obtained within the year (minus the issued inter-bank loans) was RUR 537 mln., while the annual interest expense on the inter-bank loans (minus the interest income thereon) was RUR 44 mln.. Thus, the cost of borrowing at the inter-bank market was about 8.1% p.a.. Therefore, the efficiency of the mechanism of the inter-bank loans attraction against the pledge of securities for the subsequent investment of the borrowed funds in securities was about 27.3% p.a.



Commercial loans ranked second among the sources of the Bank's profit earned in 2001, the interest income on the loans to companies having reached RUR 316 mln. (or 33.9% of the total annual revenue).

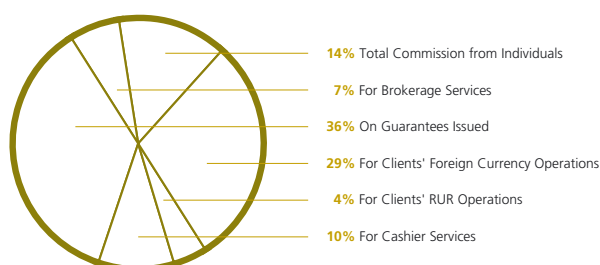
Another priority in the Bank's activities is a wide range of cash and settlement services and the securities market services provided to customers. In 2001, commission income was RUR 93.6 mln., or 15% of the total revenue.

Among the services offered to corporate clients, the cash and settlement services yielded the highest profit: in 2001, it reached about RUR 40 mln. Its larger part, to the amount of over RUR 27 mln., was earned on servicing customers' foreign currency transactions, such as the commission charged for foreign currency funds transfer, or foreign currency sale and purchase on the customers' instructions.

The commission paid by companies on their transactions with securities, minus the Bank's commission expenses on such transactions, yielded the Bank's profit to the amount of about RUR 6 mln..

Commission Income Breakup

A RUR 13 mln.' profit was earned on services provided to individual customers, of which about RUR 10 mln. was the amount of the commission income earned on the transactions with securities, RUR 2 mln. — the commission income on exchange operations, and RUR 1 mln. — the commission income on money transfer.



Besides, an over RUR 7 mln.' interest income was earned on loans issued to individuals. The source of the credit funds was the individuals' funds placed with the Bank on deposit, the interest expense thereon having amounted to about RUR 2 mln..

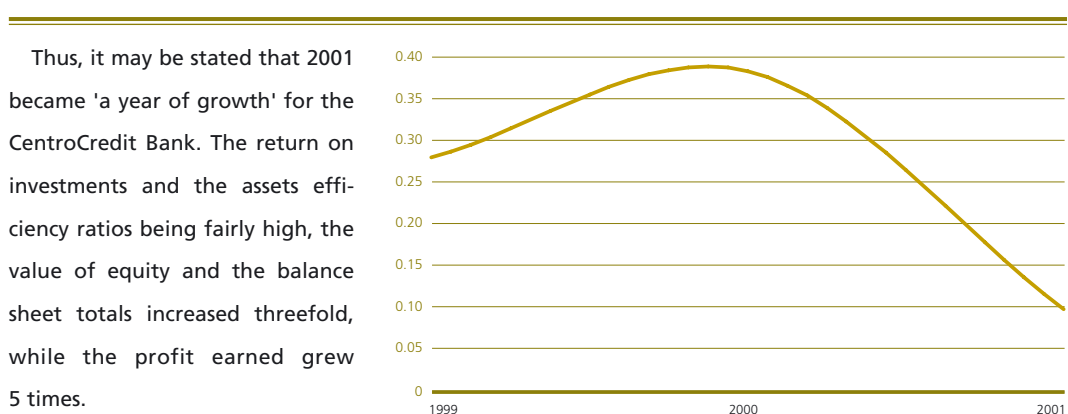
The Bank's profitability indices are as follows:

In 2001, the shareholders' equity profitability, with due regard of the profit earned to the amount of RUR 606 mln., reached 72.5%, while the return on the earning assets was 25.9% p.a..

The average Bank's payroll including 212 people, the 'per capita' profit was RUR 2.9 mln., while the average annual wages fund per one employee, with due regard of the wage tax, was RUR 287 ths.

It is worth noting that compared to the previous reporting periods, the profit per one employee figure grew much quicker than the average salary.

Salary to Profit Ratio (per one employee)



Thus, it may be stated that 2001 became 'a year of growth' for the CentroCredit Bank. The return on investments and the assets efficiency ratios being fairly high, the value of equity and the balance sheet totals increased threefold, while the profit earned grew 5 times.

Outlook for 2002

The current situation on the financial markets and the Bank's standing allow planning the following performance in the year 2002.

- The Bank's equity and net assets value should grow by at least 30% providing the CentroCredit ranking 40th to 50th among Russian banks;
- The Bank's turnover on the Russian stock market should be sufficient to let it rank among the top ten operators thereof;
- The number of the Bank's customers should reach at least three thousand;
- The Bank should rank among the top 20 Russian Visa card issuers;
- The Bank should enter the international bullion market, precious metals transactions turnover to reach about \$ 10 mln. in 2002;
- The aggregate value of credit limits set for the CentroCredit by the Bank's overseas correspondents should reach no less than \$ 20 mln.;
- The value of the Bank's own investments performed via the Corporate Finance Division should reach at least \$ 10 mln.;
- A «Private Banking» project is to be launched involving at least 50 high net worth individual customers, with an annual turnover to reach no less than \$ 10 mln.

section
2



**The Bank
Management
System**

Management Principles

Bank Organization
and Personnel Policy

Management Principles

The main target of Bank management development in 2001 was to increase its competitive strength on the basis of better quality, quick and efficient implementation of the management solutions.

Strategic management was performed by the Board of Directors and involved the definition of the underlying principles of the Bank's activity and the development of a number 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 is to provide for the optimum combination of the astringent centralized risk management policy realized via the limits and interest rates mechanisms with maximum independence granted to the Bank's departments.

Personnel management was based on realizing that the human potential is the main requisite to achieve the set strategic goals. Personnel certification is continuously performed in the Bank and the material and moral stimulation mechanisms are improved. Special importance is attached to professional training of the employees, as well as to attendance of all the significant events at which 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 speeding up the introduction of the primarily remote customer service, via the Internet in particular.

Bank Organization and Personnel Policy

Bank Organization

Governing Bodies

- General Shareholders' Meeting
- Board of Directors

Executive Bodies

- Chairman of the Board (Individual executive body)
- Managing Board (Collective executive body)

Functional divisions

- Banking Service, Products and Technologies Division
 - Analytical Group
 - Corporate Service Department
 - Non-trade Transactions Department
 - Credit and Project Finance Department
- Asset Management Division
 - Securities Transactions Department
 - Money Market Transactions and Correspondent Banking Department
 - Precious Metals Transactions Department
 - Depository
 - Asset Management Support Department
- Corporate Finance Division
 - Corporate Consulting Services Department
 - Investment Projects Department
- Treasury
 - Analytical Sector
 - Planning Sector
- Accounting, Analysis, Planning and Control Division
 - Financial Analysis Department
 - Accounting Department
 - Internal Control and Compliance Service
- Legal and Information Services Division
 - Legal Department
 - Administrative Department
 - Press Service
- Automated Banking Technologies Department
 - Operation Sector
 - Software Development Sector
 - Technological Support Sector
- Bank Development Department
- Security Department
 - Internal Security Sector
 - Economic Security Sector
- Maintenance Services Department
- Representative Offices and Branches
 - The CentroCredit Bank Representative Office in the United Kingdom (London)
 - The CentroCredit Bank Branch in the city of Vologda

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

MANAGING BOARD

- **ANDREY I. TARASOV**
Chairman of the Managing Board
- **KIRILL E. SHERSHUN**
First Deputy Chairman of the Managing Board
- **VITALY S. LARICHEV**
Deputy Chairman of the Managing Board
- **SERGEY A. EREMIN**
Deputy Chairman of the Managing Board — Director, Accounting, Analysis, Planning and Control Division
- **IGOR V. KOSOLOBOV**
Member of Board — Head, Bank Development Department

HEADS OF ORGANIZATION DIVISIONS

Asset Management Division

- **Alexander V. Alekseev**
Director

Corporate Finance Division

- **Sergey A. Berezovoy**
Director

Banking Service, Products and Technologies Division

- **Andrey S. Kulik**
Director — Deputy Chairman of the Managing Board

Treasury

- **Ilya Yu. Korbashov**
Director

Accounting, Analysis, Planning and Control Division

- **Sergey A. Eremin**
Director — Deputy Chairman of the Managing Board
- **Elena P. Kotsubinskaya**
Head, Accounting Department — Chief Accountant

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

Bank Development Department

- **Igor V. Kosolobov**
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. Moskvina**
Manager

Personnel Policy

The organizational changes in the CentroCredit Bank in 2001 were to a large extent promoted, in particular, by its personnel policy. The dynamic growth of the Bank's business brought about the structural re-organization aimed at the strategic tasks solution. In this situation, the importance of the human factor is ever-growing. The up-to-date personnel selection and merit-rating system allows to utilize the people's professional and personal skills most efficiently. Such personnel policy avenues as career planning and personnel training have borne fruit: over 15% of the Bank's officers were promoted during the year, and many of them were appointed heads of the newly established dynamically developing structural units.

Within 2001, the number of the Bank's personnel grew by 78% due to the increase of the volume of operations, development of new avenues of activity, as well as the establishment of the additional offices network.

The CentroCredit Bank makes high demands of its officers' professional and personal skills realizing that only a well-coordinated team of professionals may successfully withstand competition in the banking sector. 73% of our staff are college and university graduates, 10% have two university degrees and six people have academic degrees. Much attention is given to the professional training of the staff. The Bank's officers and managers are regularly sent to consultancy workshops and conferences on banking subjects.

The Bank also cooperates, on a permanent basis, with professional clubs, as well as staff-recruiting and consulting agencies. This cooperation has made it possible to introduce up-to-date technologies of personnel auditing, complex merit-rating, motivation and incentives providing in accordance with the results achieved. The well established links with leading Moscow colleges and faculties of economics and law give the Bank the possibility to attract promising senior students for practical studies and then recruit the best performing of them for permanent work in the Bank.

The Bank's management strives to create a business environment favorable for the staff's potential disclosure and their business activity stimulation. With this purpose such incentives are widely used as bonuses, valuable gifts and increase of salaries. Special attention should be drawn to the social benefits program enabling all the members of the staff to use the services of medical establishments within the framework of the medical insurance programs, as well as get trained at sports centers. It has become a tradition to hold corporate events and holidays promoting the cohesion of the team and maintaining the corporate culture.



Andrey N. Surmilo
*Director, Legal and Information Services
Division, Member of the Board of
Directors*

section

3



Customer and Partner Relationship



Customer-oriented Policy

Credit Policy

Activities on the Financial
Markets

Investments and Project Finance

Correspondent Banking and
International Settlements

Bullion Operations

International Activities

Banking Automation and
Software

Customer-oriented Policy



Andrey S. Kulik
Deputy Chairman of the
Managing Board – Director,
Banking Service, Products and
Technologies Division

The CentroCredit Bank is a universal customer-oriented bank offering a full range of high-tech financial products. The Bank is striving to improve its own infrastructure in line with the customers' needs and to establish the information and resource base necessary for the success of the customers' business. Thus, at present, the Bank offers equally high quality services to major corporate customers and to small and medium-size businesses.

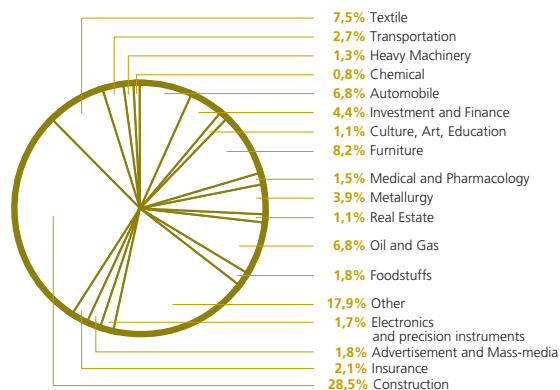
The existing system of the Bank's relationship with its clients is based on the principles of an individual approach to each customer with due regard of the customers' sectoral structure and the implementation of the latest technological innovations in the banking business.

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 expert 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 both the Bank and the customer.

The CentroCredit Bank's experts, jointly with the customers, reveal and formulate the existing needs and propose methods of their satisfaction. For example, the customers may always obtain high quality consultancy assistance when a loan is requested or a business plan is drafted for the attraction of investments, preparation of export/import documents, investment business organization, cash services or the introduction of up-to-date information systems. Assistance to the customer in drawing up its agreements with the relevant Bank's divisions is a must. Services are provided to clients by their respective personal managers free of charge.

The CentroCredit Bank Clientele: Sectoral Structure

The sectoral structure of the CentroCredit Bank's clientele is quite diverse. Among the Bank's customers are trading and manufacturing companies, enterprises operating in the mining industries, companies from the services sector and public organizations. So different areas imply the diversification of the customers' needs for various financial products, calling for the sectoral segmen-



tation of the client base and operation with due regard of each specific segment's peculiarities. Therefore, the Bank does not only provide standard services, but also develops specific products on the basis of the sectoral groups development and the production and marketing chains analysis, offering 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 cooperation between the client and the Bank.

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

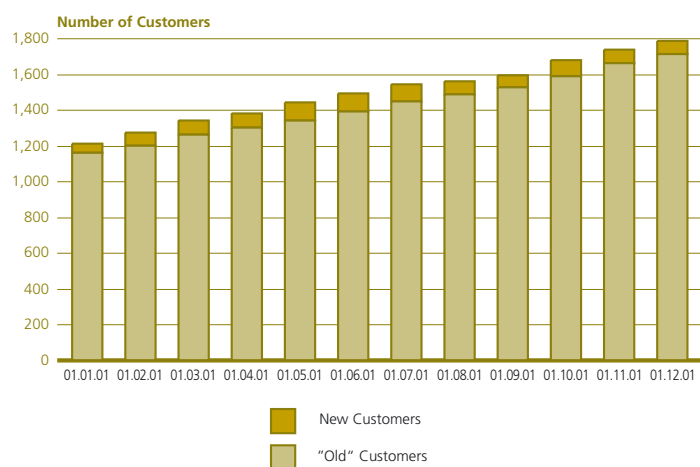
Another salient feature of the CentroCredit Bank' style of customer service is worth noting. This is the Bank's reliability guaranteed by the high professionalism of our staff, continuous monitoring of the Bank's performance, transparency of its financial reporting and the reasonably conservative investment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

New and 'Old' Customers: Yearly Dynamics

Corporate Customer Service

The year 2001 was marked by the strong tendency of growth of both the quantitative and qualitative indices of the CentroCredit Bank's client base. The aggregate balance of the customers' settlement and foreign currency accounts grew almost twofold thanks to the appearance of many new cus-

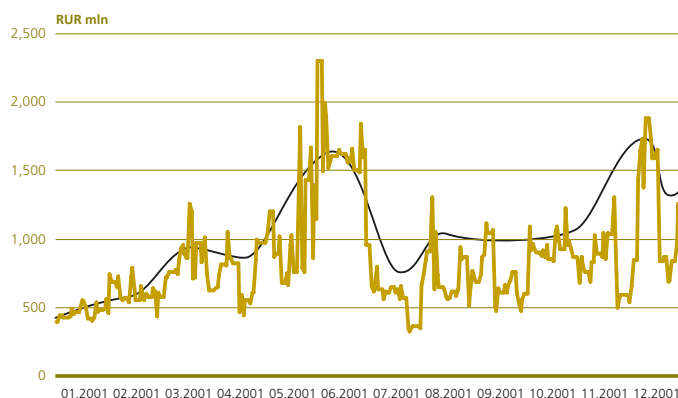
tomers, on the one hand, and the deepening of the Bank's cooperation with its «old» customers, on the other. We presume that most of the customers select a bank for their business relying upon their partners' recommendations and opinions.



In this respect, the CentroCredit Bank's new customers are no exception, as many of them started using the Bank for settlements only after they had been invited to do so by their business partners already being the Bank's clients. The new Bank's customers, having satisfied themselves of the high quality and promptness of the services provided by the CentroCredit, as well as the consideration displayed by our experts, transfer practically one hundred per cent of their financial flows to our Bank. The best and the main proof of the attractiveness of the CentroCredit Bank to its corporate customers is the growth of the turnover across their accounts. The CentroCredit has positioned itself in the center of the financial flows of the whole production and trading chains formed in the petrochemical and light industries, engineering, trade and other sectors.

Balances of Customers' Accounts: Yearle Dynamics

The CentroCredit Bank's relationship with its customers has demonstrated that its efficient and reasonably conservative financial policy and the high quality management have positively affected its reputation. The CentroCredit Bank has never followed "the end justifies the means" principle, for which reason the Bank's man-



agement does not set itself to attract any clients at any cost. We attach primary importance to the quality and diversification of the services provided to the existing customers, establishment of a partner relationship with them and development, subject to necessity, of the individualized cooperation schemes. The comprehensive cash and settlement service offered by our Bank includes the following.

RUR-denominated Settlements Service

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 within one operational day. The Bank enters funds to the accounts on the 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» and «Internet Banking» remote access computer settlement systems may be offered to customers, allowing operating the settlement accounts from their offices.

Foreign Currency-denominated Settlements Service

Being a MICEX shareholder and member from the very moment of its establishment, the CentroCredit Bank

The balance sheet value of the CentroCredit Bank's profit in the year 2001 reached RUR 83 million.

25 January 2002.

Reuters

offers 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 accelerated international settlements have made the work via the Bank particularly convenient for 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. Trading companies are offered to have the Bank's remote operational cash-desks established at their premises.

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 in the customer's account on the day of their collection. Besides, we offer our customers valuables transportation services.

Internet Banking

The use of banking services has long ceased to be associated with endless visits to the operational room, drafting the payment orders on paper and a waste of time on traveling to the bank and back. Customers no longer select a bank depending on its location near their office. All this ended with the introduction of the first "Client-Bank" system. However, even the best system based on the dial-up connection between the customer and the Bank's server may not ensure the absolute promptness and simplicity of communication.

The solution was found when the CentroCredit became one of the very first to offer its clients the "Internet Banking" remote account operation computer system. A large variety of the customers' needs were taken into account in the process of its development: hardware and software requirements; simplicity of usage; promptness; reliability; safety; availability; and many other factors. All these matters had been addressed, and our customers obtained the necessary functionality over a year ago.

One no longer needs to be concerned about the telephone lines being overloaded, the modem connection quality insufficient, or whether there is a need of any additional equipment installation

on the customer's computer. All you need is the Internet connection. Having registered and visited the Bank's site, a customer may operate its account as easily as via the "Client-Bank" system already well known.

The customer obtains the possibility to effect payments from its office or otherwise from any other place in the world where access to the Internet is available, operating a computer installed elsewhere — in its office, in a hotel or in an Internet cafe. Our system provides for a quicker performance with the necessary safety and confidentiality. Besides, if due to the professional or any other need a customer is already an Internet user, this system will be much cheaper than any other remote account operation system.

"Profile" magazine

As of 1 December 2001, the CentroCredit ranks 16th among the best profit making banks.

28 January 2002.

The CentroCredit Bank is always keeping an eye on technological progress, organically uniting the latest scientific and technological achievements with financial procedures and instruments and offering its customers many services the other banks are only thinking of.

Individual Customer Service

The personal banking service offered by the CentroCredit Bank in the first instance is the provision of high standard financial services to high net worth clients and their family members, including the following:

- the customer's personal contact with highly qualified client managers;
- strict confidentiality of the relationship;
- «tailor-made» services meeting our customers' individual requirements;
- orientation on long-term partnership between the Bank and its customers.

The CentroCredit Bank offers a wide selection of basic and associated banking services.

The VIP individual customer service involves the following products and services:

- Banking;
- Investment banking;
- Asset management;
- Tax planning;
- Financial consulting;
- Advice on overseas financial markets;
- Additional services.

The offered banking service fully meets the most exacting demands and may be adjusted to meet the customers' preferences. The CentroCredit Bank's customers using any of the services under the VIP service program are entitled to receive, on a regular basis, complete reporting on all the operations performed. **The Bank provides:**

- mandatory reporting in accordance with the current legislation;
- consolidated analytical reporting on all the operations performed;
- reporting on individual operations — at the clients' request.

The VIP Private Banking also provides for a flexible approach to the matter of payment for the Bank's services. The rates and commissions are not only adapted to the volume of operations involving the certain instruments, but also to the aggregate volume of all the client's operations both for the current period and for the whole period of its being a CentroCredit Bank's customer.

The asset management services offered by the CentroCredit involve the possibility of obtaining a loan backed by the client's assets, studying all the taxation-related matters and tax planning. Having decided to invest funds relying upon our advice, the client may define the investment policy and select the appropriate investment instrument.

“The State needs national banks owning sizeable capital, in the first instance, to service large scale transactions,”
Andrey Tarasov,
Chairman of the Board of the CentroCredit Bank,
is sure.

15 November 2001.

“Finansovye Izvestia” newspaper

The ability to simultaneously offer commercial banking, investment banking and personal services allows the CentroCredit bank to talk about the comprehensive nature of its customer service.

Based on the customers' opinions on their experience of cooperation with our bank, it may be described in the following way:

- a reasonably conservative investment policy guaranteeing stability and long duration of the Bank's relationship with the customer, as well as absolute safeguarding of the customer's interests;
- the use of up-to-date information and telecommunication technologies providing for the complete safety of commercial secrets;
- high professionalism and responsibility of the staff guaranteeing maximum satisfaction of the customer's needs;
- individual approach to each customer;
- strict observance of confidentiality of information on the customers and their transactions;
- free accessibility of the Bank for the client.

In the reported year, the Bank continued to make progress towards the diversification of services offered to the individual customers. An important factor indicating the quality of a universal bank's services is the availability of the credit card service.

In 2001, to further improve the customer service quality, the Bank

- joined the VISA International association, having obtained an associated member license allowing the issue of practically all the VISA International card products, as well as cash payment via the ATMs and from the banks' cash desks;
- signed an agreement with the «Western Union», the world's largest cash transfer company operating over 80 thousand cash desks in 170 countries. Cooperation with the «Western Union» allows the Bank's clients to perform foreign currency denominated and RUR-denominated cash transfers in a real time mode. The main criteria characterizing cash transfers via the «Western Union» are promptness, reliability and convenience. The transferred money may be collected by the addressee in any «Western Union» customer service office just within a few minutes following the dispatch. Cash is transferred overseas in terms of US dollars, and inside Russia — in terms of Russian roubles.

In 2001, the Bank continued developing its operational cash desks outside the cash center infrastructure, having opened 3 new ones, thus bringing their total number to 4.

The newly opened cash desks are located at the following addresses:

- 19a, Aviamotornaya Ul., Block 2, Moscow (at the «Orbita Motors» Motor Salon premises);
- 6, Kotlyakovskaya Ul., Block 12, Moscow (at the «AvtoGAZ-Lux» Motor Salon premises);
- 4, Simferopolskoye Shosse, Shcherbinka, Moscow Region (at the «Mozer Motors» Motor Salon premises).

The operational cash desks outside the cash center perform the following banking operations:

- receiving payments from the individuals favor of legal entities for the goods purchased and services provided; individuals are not required to open personal accounts for payment to be effected;

Reuters

Over 50 per cent of the CentroCredit shares are owned by a number of companies in the construction and telecommunications sectors.

30 November 2001.

- RUR-denominated and foreign currency denominated deposits from individuals and cash payment from their accounts;
- exchange services to individuals (such as foreign currency cash sale and purchase for rouble cash; examination of foreign countries' currency notes the genuineness of which is doubtful; and purchase of foreign countries' void currency notes for rouble cash); and
- wages and salaries payment to the personnel of companies.

The Bank's plans for the year 2002 include:

- reaching a \$ 2 mln. turnover across the bank credit card accounts;
- introduction of a service involving an automatic revolving overdraft of the bank credit card account; and
- providing the AIG Assist worldwide service to the Bank's clients holding VISA-CentroCredit Bank cards.

Private Banking

Servicing wealthy customers and the preservation and augmentation of their funds is a complicated task and a great responsibility in our time of rapid changes. Implementation of the new instruments and investment ideas has allowed us to gain a sufficiently solid standing on the market of the 'elite' banking services offered to the high net worth clients.

The financial markets susceptibility to the still greater fluctuations, along with the imperfection of the legal and taxation base, put the clients before the need of selecting a highly professional and reliable partner able to satisfy their personal financial needs and to efficiently manage their funds entrusted to the bank. The CentroCredit Bank guarantees reliability and confidentiality of services provided to its customers.

Our mission is to understand the client's financial objectives and to offer reasonable solutions yielding an adequate income ensuring the client's well-being.

From the very start, the CentroCredit Bank conceived the development of the Private Banking sector as a possibility to provide its individual clients with a full set of banking products and services varying from the traditional cash and settlements service to asset management and financial consultancy. Today, the wide profile of the CentroCredit Bank's business does not only allow offering our individual customers with a complete program of comprehensive banking and investment services, but also provides a wide selection of additional products and services, the list of which is continually growing following the wishes expressed by our customers.

The sustained growth of the CentroCredit Bank's clientele throughout the latest years testifies to the Bank having gained the reputation of a highly reliable partner. The potential incorporated into our development programs, orientation at the comprehensive nature of the services offered, striving to minimize the customers' risks, quality of the services provided, and the high professionalism of the CentroCredit Bank's personnel are the earnest of success of our future operation.

The CentroCredit explains the necessity of its presence in London by the growing requirements of its expanding clientele.

21 May 2001.

AK&M news agency

Today, the CentroCredit is ready to offer our clients a set of banking, investment and associated services comparable with the relevant offers of leading Western banks operating in the Private Banking sector.

We attach special attention to the information support provided to our clients. All the latest news in the taxation area, the economic policy tendencies in Russia, financial forecasts and advice, as well as the legal aspects of business are available to our customers. Thus, the clients may fully rely upon the offered information executing tax planning, taking the specific investment decisions and placing their assets.

The CentroCredit Bank does not only offer the preservation and augmentation of its client's funds, but also the solution of practically any financial problem in the tax and financial planning, investment and asset management areas.

Our policy is the continuous striving to implement the new products and services not only following our clients' wishes, but also trying to anticipate them.

CREDIT POLICY

Positively assessing the tendencies in the country's economic and political life giving reason to expect a fairly long period of economic growth, the CentroCredit Bank has expanded its lending activities.

Along with the Bank's corporate borrowers, traditionally including companies in the furniture-making, gas and petrochemical, as well as the food-processing sectors, crediting of manufacturing and trading companies in the motor industry was further expanded.

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 primary goal of the Bank's credit policy was 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 additional financing of their business.

The Bank was granting loans at the expense of both its own capital and the borrowed funds, providing 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 174.90 mln., being 2.6 times as much as the corresponding 2000 result.

The efforts of the Bank's loan officers were aimed, in the first instance, at the formation of a 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 of 1 January, 2002, the Bank's loan portfolio amounted to RUR 2,819.59 mln., having exceeded the corresponding figure at the start of the reporting year 4.38 times.

**Since 2001, the
CentroCredit Bank
has been
a VISA system
associated
member.**

5 February 2002.

"Prime-TASS" news agency

Thanks to the reasonable credit policy pursued by the Bank, no credit risk-related losses were borne in the year 2001.

This was possible due to the establishment of 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 exposure of 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.

Considering 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. Priority was given by the Bank only to companies and organizations successfully operating 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 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 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 amount was, as a rule, not less than the loan principal cum interest charged. The hypothecation value of the property and the title to it was



Eduard Yu. Kovaletov
Head, Credit and Project Finance
Department

**The KPMG and the
OOO "Delovoy
Partner" Audit
Association have
been appointed
the CentroCredit
Bank Auditors for
the year 2001.**

2 July 2001.

"Finmarker" news agency

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 of 1 January, 2002, the aggregate value of the collateral received by the Bank amounted to RUR 5,601.04 mln. (198.65% 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 domestic producing and trading companies, as well as 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 to the amount of no less than 100 per cent of the estimated possible losses. As at the end of 2001, the loan loss provision totaled RUR 628.78 mln. The credit risk related to each outstanding loan is revalued by the Bank on a monthly basis.

Thanks to the clear and elaborate credit policy pursued by the Bank in the selection of loan applications and to the continuous monitoring of the borrowers' financial situation, the backlog of outstanding payments amounted, as at the year end, to RUR 40.09 mln. (1.42% of the total debt receivable).

As before, the priority of the Bank's credit policy in the year 2002 will be 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.

LEASING OPERATIONS

Throughout its history, the Bank has continued to expand the range of services provided to customers. The implementation of the new banking products is primarily guided by the idea of maximum growth and optimization of our customers' business and satisfaction of their vital needs. This is why the Bank started developing such a financial service as leasing.

Leasing allows the customer to establish a flexible universal system to implement its long-term investment projects. The main advantages of financing under a leasing scheme compared to the traditional credit or the purchase of equipment at the customer's own expense are the following:

- The customer utilizing leasing is able to expand production and to provide for the maintenance of equipment without the need to bear the heavy one time expenditure and to borrow funds; thus, an optimum ratio of the company's own capital to the borrowed funds is maintained on its balance sheet;
- There is no growth of assets not involved in the turnover and more funds become available to increase the company's working capital;

To be able to implement the leasing scheme, the SHS needed a financial partner. Thus, it was the CentroCredit Bank who undertook the role of the necessary link between the buyer and the supplier.

18 February 2002.

"Computerworld" magazine

- The client is able to optimize its tax base due to
 - the charge of the total amount of the leasing payments to the product manufacturing cost or the cost of work performed or service provided;
 - the use of the accelerated depreciation method with an acceleration factor of up to 3.

It is worth noting that the Bank offers this type of service itself, without turning to leasing companies, thus enabling our clients to significantly save on the commission.

Therefore, offering the potential buyers of the equipment to acquire the same via a leasing scheme, we do not only give them the chance to perform the renovation of their fixed assets providing for their advantage over competitors, but also to optimize their companies' financial standing.

FACTORING OPERATIONS

Factoring is one of the promising new avenues of the Bank's development. The criterion of the choice of this financial service as an alternative to the traditional credit was its more comprehensive nature and closer contact with the Bank's customer based on the flexible crediting of the latter's sales on the deferred payment terms increasing the customer's competitive capacity on the market.

Factoring gives the customer an opportunity, on the one hand,

- to sharply increase its sales;
 - to attract new buyers;
 - to offer buyers easy terms for purchase;
 - to significantly increase its market competitive capacity;
 - to buy goods from its suppliers at lower prices owing to the absence of the payment deferrals;
- and

on the other hand,

- compared to the traditional banking credit, to obtain a more flexible and optimum financing of its growing sales in case of the lack of its own working capital;
- to turn a deferred payment sale into a spot sale: the Bank's customer will no longer have to wait for the buyer to effect payment for the goods delivered, as it will be receiving a larger part thereof as soon as the delivery is performed;
- to refuse from the bank loans, whereupon
 - it will no longer be obliged to provide any collateral, and thus to bear all the loan-associated costs;
 - it will no longer have to overpay for the utilization of the bank loan, as in case of a loan attraction the producer is obliged to add the time required for the raw materials purchase and the commodities production to the term of the loan.

Moreover, the Bank holds all the necessary documents related to the customer's debtor indebtedness and monitors the timely payment of the deliveries, thus freeing the customer completely from work with its debtors, as well as protecting the customer from losses in case of infringement by the buyers of the terms of payment.

Third ranking is the CentroCredit Bank (Moscow) accounting for 3% of the total value of factoring transactions.

23 August 2001.

"Commerçant" newspaper



Alexander V. Alekseev
Director, Asset Management
Division

Thus, factoring is a highly efficient financial instrument allowing the customers not only to increase their working capital, but also to manage their flow of payments in a more efficient and flexible manner to provide for minimization of losses and sales growth.

ACTIVITIES ON THE FINANCIAL MARKETS

Ranking among the top twenty leading stock market participants (according to the FCSM data), the CentroCredit Bank offers investors a comprehensive service in all the stock market segments, which may only be possible for a universal bank.

The CentroCredit Bank possesses an up-to date broker service technology providing for an adequate large corporate customer service and convenience for an individual investor. The Bank provides broker service in each significant segment of the Russian securities market, be it at the main floors (the MICEX, RTS and MSE), or at the OTC market. The CentroCredit Bank has signed an agreement «On Dealer Functions Performance at the GKO-OFZ Market» with the Central Bank of Russia. Customers are offered to perform investments in Russian corporate stock, State securities (GKO-OFZ) or corporate and municipal bonds. By mid-2001, the volume of transactions performed by the Bank at the MICEX and the MSE grew by over 100% as against the start of the year.

Large investors are offered a set of VIP services providing for high quality execution of large or specific orders.

In 2001, meeting the mass investors' demand for broker services, the Bank, within the "retail investment" concept, continued developing retail services at the stock market. To simplify the clients' access to the open market transactions procedure, a complex investment banking product was developed providing for securities trading via the Internet and investor servicing in a specialized Dealing room equipped with a projector and individual workplaces allowing performing the exchange trade and analysis. This resulted in a 46% increase, in the second quarter of 2001 already, of the number of broker agreements concluded as against the first quarter.

Operating actively at the stock market and introducing new banking products thereat, the Bank utilizes the schemes involving the provision of credit and finance to its banking and corporate borrowers with the debt secured by the stock market instruments.

Depending on the specific situation, various financing technologies are used, including the standard pledge and REPO transactions, as well as financing the targeted customer's position for the purchase of securities.

INVESTMENTS AND PROJECT FINANCE

In 2001, the Corporate Finance Division was established in the Bank offering customers a full range of investment services:

The CentroCredit Bank ranks fourth among the top 30 banks in terms of annual corporate stock exchange turnover for the year 2001.

#1, January 2002.

"Vestnik NAUFOR" magazine

1. Consultancy on mergers and acquisitions and transactions involving large blocks of shares:

- Analytical support at the transaction initiation and conclusion stages (i.e., the transaction subject sectoral and financial analysis and a comparative analysis of the companies being the targets for acquisition);
- Expert assessment of the value of business;
- Transaction structuring and legal support;
- Provision of the necessary investment banking infrastructure to conclude a transaction and performance of settlements.

2. Organization of financing corporate transactions:

- Short term crediting of corporate transactions;
- Syndicated loans arrangement for the purposes of corporate transactions financing, in particular, LBO/MBO transactions.

3. Services involving the attraction of direct investments and investments from the capital market.

Direct investments attraction:

- The investment prospectus preparation and the general «packing» of the project,
- The project presentation to the potential investors, including that in London, Europe's financial «heart», where we have opened a Representative Office;
- The structuring and closure of the transaction with an investor; performance of settlements under the transaction.

Private/public placement of securities on the Russian market:

- Preparation and performance of stock and corporate bonds floatation;
- Tentative Russian securities market analysis — general or otherwise by the pre-determined groups of investors;
- The underwriter and market maker services under the market transactions involving the customer's corporate securities.

The CentroCredit Bank's strong feature distinguishing us from other investment companies and banks is our readiness not only to provide consultancy, but also to provide financing to a Customer at the stage of preparation for the investments attraction. Assuming the financial risk, the Bank clearly indicates both the applicant for the investments and the potential investor that it does believe in the success of the projects it has decided to support.

4. Consulting services (jointly with the Corporate Service Department):

- Investment consulting — all matters related to drafting the business plans, investment planning and credit resources attraction;



Sergey A. Berezovoy
Director, Corporate Finance
Division

The CentroCredit Bank ranks 30th among banks — leaders in terms of the services provided to the largest corporate customers.

17 September 2001.

“Expert” magazine

- Financial consulting — settlements optimization, debtor and creditor indebtedness management, structured financial products, financial restructuring;
- Management consulting — budgeting, management reporting, business restructuring, management structure optimization, strategic planning;
- Consultancy on all matters related to corporate actions, capital structure management, shareholder relationship, protection from a hostile takeover, etc.

5. Projects selection and structuring for investments from the Bank's own venture investment fund.

Funds have been contributed to the venture investment fund by the Bank's shareholders and private investors. The following criteria are used in the projects selection for our fund:

- an attractive business idea underlies the project, and a well-developed business plan is available;
- the project business model has been supported by the company's successful operation at the initial stage;
- the project is oriented at the growing mass market giving room for the fast growth of the company's operating revenue and net value;
- a highly efficient project managers team capable of augmentation of the success.

CORRESPONDENT BANKING AND INTERNATIONAL SETTLEMENTS

One of the main trends in the CentroCredit Bank's activities in the reported year was the further expansion and strengthening of cooperation with its correspondents. Proceeding from the necessity to be able to meet, to the fullest extent, its customers' requirements for settlements performance, the Bank continued to actively develop its correspondent banking network.

Both at domestic and international markets, the CentroCredit Bank is developing a business relationship with reliable and highly experienced partners. As a result, the Bank has succeeded in providing the most favorable environment for customers' settlements, as well as for its own operations.

The CentroCredit Bank's most important overseas correspondents in the year 2001 were the ABN AMRO Bank N.Y., USA; Union Bank of California International, New York; Raiffeisen Zentralbank Oesterreich AG (RZB), Vienna; Banque Commerciale pour l'Europe du Nord S.A. (Eurobank), Paris; and Commerzbank AG, Frankfurt am Main. Seven new «NOSTRO» correspondent accounts were

opened by the Bank with overseas banks following preparatory work performed on the basis of detailed analysis of its customers' international business. By the year-end, a correspondent bank network was established comprising thirteen overseas banks, offering customers an extensive range of services in the area of international settlements, selecting the optimum routing of payments and accelerating the transactions. Thanks to the CentroCredit Bank's efficient cooperation with correspondent banks, its customers do not face any problems with settlements whatever the currency.

For the full satisfaction of the needs of its customers operating on the international market, the CentroCredit Bank has opened its Representative Office in the United Kingdom.

Within the reported year, 14 «LORO» correspondent

A RUR 5 mln.' first REPO transaction has been concluded between the Transcreditbank and the CentroCredit Bank.

2 October 2001.

"Vedomosti" newspaper

accounts were opened (including two regional banks' accounts and three accounts held by non-resident banks). To date, 69 «LORO» accounts and 60 «NOSTRO» accounts are operative. Among the services offered by the CentroCredit Bank to its correspondents are the following: opening and keeping any currency-denominated correspondent accounts; casting interest on the balance of the account; accelerated payments via a correspondent account; earmarking of funds on the correspondent account; performance of operations on the internal currency market; documentary business; cash operations; collection of valuables; and operations on the stock market.

The CentroCredit Bank is continuously developing its technological base, guided by the main strategic idea of expanding the range of services offered, improvement of the customer service quality and introduction of new banking products. The use of electronic communication facilities provides for the CentroCredit Bank's prompt cooperation with its correspondents. Its services have assisted regional banks in more efficient management of their allocated liquidity placed on the correspondent accounts.

The basis of our long-term cooperation with overseas and Russian banks is the accuracy and 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 2001, the Bank was actively expanding the network of its counterparts on the inter-bank market, having signed 44 master agreements on the general terms of cooperation on Russian currency and money markets.

During the year 2001, a continuous study of matters related to updating the contractual base underlying the transactions concluded and to the Bank's internal procedures optimization was also performed.

Within the program of the Bank's development as a universal crediting and financial institution offering a wide range of high quality services, it is planned to further study and utilize the positive experience gained by Russian and overseas banks in the area of RUR-denominated and foreign currency denominated settlements, strengthen the existing business links, look for new business partners and increase the number of its correspondent banks both in Russia and overseas.

BULLION OPERATIONS

Russia is one of the world leaders in terms of precious metals reserves; in particular, the country ranks second in terms of gold reserves. The Russian jewelry industry is also well known; it is worth noting that imports account for over half of the Russian jewelry market, which is proof of a significant potential of the sector. Precious metals may also be considered as a medium of the individuals' funds investment. All this explains the Russian banks' steady interest towards the precious metals market.

The CentroCredit Bank leads an active policy on the bullion market.

Having obtained, in late 2000, the Central Bank of Russia's License # 121 to perform transactions with precious metals, the CentroCredit Bank became a well recog-

The National Association of Stock Market Participants ('NAUFOR') work-group for the debt securities market has approved, on 15 October, the list of 64 reliable drawers of bills and promissory notes. Among these, the CentroCredit Bank ranks 37th.

16 October 2001.

"Prime-TASS" news agency

nized inter-bank precious metals market operator in 2001. The Bank is cooperating with the gold-mining sector and jewelry-making factories. The Bank's monthly average inter-bank market turnover is 405 kg of gold and over 1.5 tons of silver. Transactions with platinum and palladium are also performed.

The Bank performs the retail sale of gold bullions 5 grams and over in weight, as well as of precious metals coins, acting in the latter case as the Central Bank of Russia's agent.

The CentroCredit Bank opens both unallocated and custody gold and silver accounts. It also offers its customers services involving funds investment in the gold-mining sector. In this particular case, the Bank offers itself as an operator performing direct investments in the gold-mining enterprises.

As it follows from the above, the Bank has mastered a wide range of services on the precious metals market, and the number thereof will be growing further.

INTERNATIONAL ACTIVITIES

The reported year has shown a growth in the number of the CentroCredit Bank's business partners — both correspondent banks and commercial clients.

Besides, 2001 was also marked by a significant growth of the commercial banking transactions volume. The Bank continues performing operations attracting its correspondents among which there are the widely known international commercial banks, such as the ABN AMRO Bank, Raiffeisen Zentralbank Oesterreich AG, Commerzbank AG, Banque Commerciale pour l'Europe du Nord and other banks.

Today, the CentroCredit Bank offers its clients the comprehensive service of their foreign economic activities, including international settlements of any complexity and in any form customary for international business practice. Payment orders are executed within twenty four hours. The Bank guarantees the privacy of its customers' and correspondents' transactions, accounts and deposits. Each customer may be provided with highly competent consultancy, including advice on the payment terms of foreign trade contracts with due regard of the current exchange regulation, as well as assistance in the individual settlement schemes development.

Bank transfers continued to be a prevailing form of settlements in export and import operations,

which is proven by the further growth of the volume of transactions performed, the turnover thereof having increased significantly as against the year 2000.

Along with the payment orders, a growth in the number of transactions involving documentary settlements was noted in 2001. 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 international standards.

Another new form of customer service was the guarantee operations facilitating a considerable growth of Russian exports. The bank guarantees were granted to a number of companies which had successfully cooperated with the CentroCredit Bank for a long period of time.

Valery Telegin has taken charge of the CentroCredit Bank Representative Office in London.

18 June 2001.

"Vedomosty" newspaper

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

The Bank joining the S.W.I.F.T. system using the formalized standard messages has allowed the complete automation of data processing, providing for higher reliability and promptness of settlements under the ever-growing demands placed by the international banking community, as well as by the Central Bank of Russia.

For the full satisfaction of the needs of its customers operating on the international market, the CentroCredit Bank has opened, its Representative Office in the United Kingdom in 2001.



Valery M. Telegin
Deputy Chairman of the Managing Board – Chief Representative in the United Kingdom, Member of the Board of Directors

BANKING AUTOMATION AND SOFTWARE

In the year 2001, the CentroCredit Bank continued its hardware and software modernization efforts aimed, in the first place, at higher reliability and safety of the basic hardware and software systems performance. To provide for the 'Diasoft 5NT' automated banking system hot backup, the second SUN 280R server was acquired and put into operation. All the server equipment is overprotected with the Symmetra Power Array scalable uninterruptible power supply system. Modernization of the LAN and the server part of the structured cable system has been performed.

Ongoing is work aimed at the further development of the securities business accounting software, which has already allowed increase the number of the Bank's customers and improve the customer service quality in accordance with market requirements. The second gateway providing access to the MICEX trading floor has been implemented.

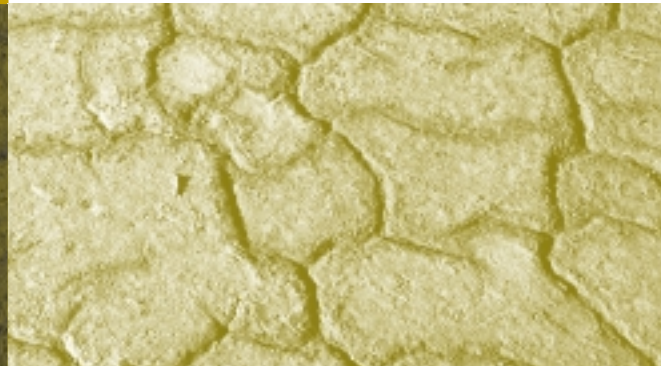
The Bank is actively reconstructing its web site; to facilitate access to the Internet, the second high-speed 10 Mbps optic fiber channel is to be implemented in the near future. Modernization of network security and the electronic customer service systems software is continuing.

"The IAS leave no place for financial reporting garbling; we need them to be able to become part of the civilized world," believes Sergey Eremin, Deputy Chairman of the Managing Board of the CentroCredit Bank.

11 October 2001.

"Commerçant" newspaper

section **4**



Financial Statements

Consolidated Financial
Statements for the Year 2001
(GAAP)

Financial Statements
for the Year 2001
(Russian Accounting Standards)

Contact Information

**CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR 2001 (GAAP)**



Elena P. Kotsubinskaya
Head, Accounting Department –
Chief Accountant

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 2001, and the related statements of income, changes in equity and cash flows for the year then ended. The consolidated financial statements, as set out on the pages 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 2001, and the results of its operations, changes in equity and cash flows for the year then ended in accordance with International Accounting Standards as adopted by the International Accounting Standards Board.

*KPMG Limited
Moscow, Russian Federation
29 March 2002*

Consolidated statement of income for the year ended 31 December 2001

	2001 RUR' 000	2000 RUR' 000
Interest income	335,818	129,767
Interest expense	(214,147)	(114,734)
Net interest income before provisions for loan impairment	121,671	15,033
Provisions for loan impairment	(79,951)	(103,730)
Net interest income (loss) after provisions for loan impairment	41,720	(88,697)
Fees and commissions income	137,140	99,376
Fees and commissions expense	(433)	(19,112)
Net trading income	28,371	-
Net gain on non-trading financial instruments	1,295,335	668,024
Net foreign exchange income	(10,013)	20,371
Other income	31,361	8,015
Non-interest income	1,481,761	776,674
General administrative expenses	(173,866)	(141,965)
Income before loss on net monetary position, taxes and minority interest	1,349,615	546,012
Loss on net monetary position	(195,216)	(80,308)
Income before taxes and minority interest	1,154,399	465,704
Income tax expense	(114,119)	(114,238)
Net income before minority interest	1,040,280	351,466
Minority interest	-	(82,410)
Net income	1,040,280	269,056

The financial statements were approved by the Board of Management of the Bank on 29 March 2002.

Chairman of the Board
Tarasov A. I.

Chief Accountant
Kotsyubinskaya E. P.

Consolidated balance sheet as of 31 December 2001

	2001 RUR' 000	2000 RUR' 000
ASSETS		
Cash	39,464	23,428
Due from the Central Bank of the Russian Federation	292,318	193,726
Placements with banks and other financial institutions	418,245	379,306
Loans to customers	2,123,638	539,136
Amounts receivable under reverse repurchase agreements	1,625,568	-
Investments available-for-sale	2,908,488	1,247,832
Financial instruments held for trading	5,744	-
Other assets	86,572	20,018
Property and equipment	<u>23,759</u>	<u>16,589</u>
Total assets	<u>7,523,796</u>	<u>2,420,035</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits and balances from banks and other financial institutions	1,147,618	797,325
Amounts payable under repurchase agreements	2,381,415	-
Current accounts and deposits from customers	999,820	584,220
Promissory notes	609,754	171,330
Borrowings	563,000	-
Deferred tax liability	173,534	120,984
Other liabilities	<u>53,757</u>	<u>41,672</u>
Total liabilities	<u>5,928,898</u>	<u>1,715,531</u>
Minority interest	-	82,410
SHAREHOLDER'S EQUITY		
Share capital issued	820,000	219,700
Unpaid capital	(358,942)	-
Treasury shares	(308,862)	-
Share capital inflation adjustment	234,695	234,667
Retained earnings	<u>1,208,007</u>	<u>167,727</u>
Total Shareholders' equity	<u>1,594,898</u>	<u>622,094</u>
Commitments and Contingent Liabilities		
Total Liabilities and Shareholders' equity	<u>7,523,796</u>	<u>2,420,035</u>

Consolidated statement of cash flows for the year 31 December 2001

	2001	2000
	RUR' 000	RUR' 000
Cash flows from operating activities:		
Interest and fee and commission receipts	465,583	223,199
Interest and fee and commission payments	(209,769)	(130,305)
Net receipts from foreign exchange	(10,013)	20,371
Net receipts from investments	1,337,839	673,215
Net receipts from financial instruments held for trading	28,371	-
Other receipts	31,361	5,017
Cash payments to employees and suppliers	(165,850)	(108,899)
<i>Operating cashflow before changes in operating assets and liabilities</i>	<u>1,477,522</u>	<u>682,598</u>
<i>(Increase) decrease in operating assets</i>		
Reserve deposit with Central Bank of the Russian Federation	4,688	(73,408)
Placements with banks and other financial institutions	(29,806)	(113,831)
Amounts receivable under reverse repurchase agreements	(1,625,568)	-
Investments available-for-sale	(1,785,568)	(850,971)
Loans to customers	(1,673,586)	(509,501)
Financial instruments held for trading	(5,744)	-
<i>Other operating assets</i>	<u>(59,180)</u>	<u>(7,207)</u>
<i>Increase (decrease) in operating liabilities</i>		
Deposits and balances from banks and other financial institutions	350,293	629,455
Amounts payable under repurchase agreements	2,381,415	-
Current accounts and deposits from customers	415,600	65,841
Promissory notes	438,424	63,308
Borrowings	563,000	-
Other operating liabilities	(31,828)	(557)
<i>Net cash (used in) provided by operating activities before taxes</i>	<u>419,662</u>	<u>(114,273)</u>
Taxes paid	(22,468)	(6,786)
Net cash provided by/(used in) operating activities	<u>397,194</u>	<u>(121,059)</u>
Cash flows from investing activities		
Purchase of property and equipment	(15,186)	(13,070)
Net cash used in investing activities	<u>(15,186)</u>	<u>(13,070)</u>
Cash flow from financing activities		
Own shares acquired	(308,862)	-
Proceeds from shareholders' contributions	241,386	201,832
Net cash (used in)/provided by financing activities	<u>(67,476)</u>	<u>201,832</u>
Effect of hyperinflation and exchange rates	(195,216)	(80,308)
Net increase/(decrease) in cash and cash equivalents	<u>119,316</u>	<u>(12,605)</u>
Cash and cash equivalents at beginning of year	<u>101,262</u>	<u>113,867</u>
Cash and cash equivalents at end of year	<u>220,578</u>	<u>101,262</u>

**Notes to, and forming a part of, the consolidated financial statements
for the year ended 31 December 2001**

	Share capital issued RUR' 000	Unpaid capital RUR' 000	Share capital inflation adjustment RUR' 000	Treasury shares RUR' 000	Retained earnings RUR' 000	Total RUR' 000
Balance as at 1 January 2000	50,000	-	202,535	-	(101,329)	151,206
Shares issued	169,700	-	32,132	-	-	201,832
Net income for the year	-	-	-	-	269,056	269,056
Balance as at 31 December 2000	219,700	-	234,667	-	167,727	622,094
Balance as at 1 January 2001	219,700	-	234,667	-	167,727	622,094
Shares issued	600,300	(358,942)	28	-	-	241,386
Own shares acquired	-	-	-	(308,862)	-	(308,862)
Net income for the year	-	-	-	-	1,040,280	1,040,280
Balance as at 31 December 2001	820,000	(358,942)	234,695	(308,862)	1,208,007	1,594,898

FINANCIAL STATEMENTS FOR THE YEAR 2001 (as per the Russian Accounting Standards)

As per Appendix 1 to the Central Bank of Russia Regulation No. 1051-U

«On the Credit Institutions Published Financial Reporting» of 15 November 2001

Balance sheet

as of 1 January 2002

The CentroCredit Joint Stock Commercial Bank

Registration No.: 121

BIC 044583514

Address: 31/2, Pyatnitskaya Ul., Block 1, Moscow, 109017

N n/n		RUR Ths.
1	2	3
ASSETS		
1.	Cash and accounts with the Central Bank of Russia	330913
2.	State debt instruments	237310
3.	Due from credit institutions	18925
4.	Dealing securities, net investments (item 4.1 less item 4.2)	342659
4.1.	Dealing securities (Balance sheet value)	350382
4.2.	Provision for possible securities depreciation	7723
5.	Loans, gross	3380847
6.	Interest charged (incl. Past due interest)	6070
7.	Leases	1617
8.	Loan loss provision	642344
9.	Loans, net (item 5 less item 8)	2738503
10.	Fixed assets and intangibles	28338
11.	Investment securities, net (item 11.1 less item 11.2)	3683
11.1.	Investment securities (Balance sheet value)	3758
11.2.	Provision for possible securities depreciation	75
12.	Accrued income	24984
13.	Other assets	886642
14.	TOTAL ASSETS (items 1+2+3+4+6+7+9+10+11+12+13)	4619644
LIABILITIES		
15.	Due to the Central Bank of Russia	0
16.	Due to credit institutions	1149165
17.	Customer Deposits	1158405
17.1.	incl. Individual customers' deposits	80756
18.	Accrued expense	0
19.	Debt instruments in issue	617953
20.	Other liabilities	685535
21.	Reserves for possible losses on the settlements with debtors, risks and liabilities	8393
22.	Total Liabilities (items 15+16+17+18+19+20+21)	3619451
HOLDERS' EQUITY		
23.	Share capital (items 23.1+23.2)	819987
23.1.	Registered common stock	819986
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	123761
27.	Fixed assets revaluation	995
28.	Net profit for the year	70369
29.	Dividends paid from the net profit	0
30.	Distributed profit (ex dividend)	14919
31.	Undistributed profit (item 28 less items 29 and 30)	55450
32.	Expenses and risks influencing the shareholders' equity	0
33.	Total Shareholders' Equity (item 23 less item 24 + items 25, 26, 27, 31 less item 32)	1000193
34.	TOTAL LIABILITIES and SHAREHOLDERS' EQUITY (items 22+33)	4619644
OFF-BALANCE ITEMS		
35.	Irrevocable LCs and other commitments	3651485
36.	Guarantees and acceptances	1024655

Trust accounts
as of 1 January 2002

N n/n		RUR Ths.
1	2	3
ASSETS		
1.	Cash	0
2.	Securities held in trust	12840
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	12840
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)

Profit and loss account

for the Year 2001

The CentroCredit Joint Stock Commercial Bank

Registration No.: 121

BIC 044583514

Address: 31/2, Pyatnitskaya Ul., Block 1, Moscow, 109017

N n/n		RUR Ths.
1	2	3
INTEREST INCOME		
1.	Interest from banks on loans, deposits and funds placed on accounts with other banks	109846
2.	Interest on loans to other customers	378653
3.	Interest on leases	335
4.	Interest on the fixed-income debt instruments	114437
5.	Other interest income	840
6.	Total Interest Income (items 1+2+3+4+5)	604111
INTEREST EXPENSE		
7.	Interest to credit institutions, incl. interest on loans and deposits	89933
8.	Interest on other customers' loans and deposits	8700
9.	Interest on debt instruments in issue	88639
10.	Interest on rent payments	10378
11.	Total Interest Expense (items 7+8+9+10)	197650
12.	Net Interest Income (item 6 less item 11)	406461
13.	Commission income	91060
14.	Commission expense	6740
15.	Net commission income (item 13 less item 14)	84320
OTHER OPERATING INCOME		
16.	Foreign exchange income	176205
17.	Gains on sales of precious metals, securities and other property and positive result of the revaluation thereof	314104
18.	Dividends on participations and shares	13787
19.	Other current income	8350
20.	Total Other Operating Income (items 16+17+18+19)	512446
21.	Total Current Income (items 12+15+20)	1003227
OTHER OPERATING EXPENSE		
22.	Wages and salaries	59768
23.	Maintenance and repair	37535
24.	Foreign exchange expense	161361
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	121629
26.	Other current revenue expenditure	26266
27.	Total Other Operating Expense (items 22+23+24+25+26)	406559
28.	Net Current Income before the loan loss provision disregarding extraordinary income (item 21 less item 27)	596668
29.	Movements in loan loss provision	514981
30.	Movements in provision for possible securities depreciation	-20884
31.	Movements in other provisions	8519
32.	Net Current Income disregarding extraordinary income (item 28 less items 29, 30 and 31)	94052
33.	Extraordinary income less extraordinary expense	-21916
34.	Net Profit before profit tax (items 32+33))	72136
35.	Profit tax*	1767
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))	72136

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

Performance of the basic ratios

ESTABLISHED BY THE CENTRAL BANK OF RUSSIA

as of 1 January 2002

N	n/n	Ration or Provisions Type	Percentage or Amount
1	2		3
1.		Capital adequacy ratio (H1, per cent)	19.4
2.		Individual customers' deposits to equity ratio (H11, per cent)	7.7
3.		Loan loss provision (100% of the standard amount, RUR Ths.)	642344
4.		Loan loss provision (actual amount, RUR Ths.)	642344
5.		Provision for possible securities depreciation (standard amount, RUR Ths.)	7798
6.		Provision for possible securities depreciation (actual amount, RUR Ths.)	7798

Chairman of the Managing Board
Chief Accountant

Andrey I. Tarasov
Elena P. Kotsiubinskaya

Corporate Seal

"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 the Russian Federation and the established accounting principles.

The credibility of the Balance Sheet, the Profit and Loss Account, the Cash Flow Statement and the Performance of the Basic Ratios Established by the Central Bank of Russia data 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 of 1 January, 2002.

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

Corporate Seal

Checking Totals:

— Balance Sheet	36086
— Trust Accounts	1530
— Profit and Loss Account	31044
— Performance of the Basic Ratios Established by the Central Bank of Russia	3772
— Reporting Composition Identifying Features	63954

**As per Appendix 3 to the Central Bank of Russia Regulation
No. 1051-U "On the Credit Institutions Published Financial Reporting"
of 15 November 2001**

**Cash flow statement
for the Year 2001**

The CentroCredit Joint Stock Commercial Bank

Registration No.: 121

BIC 044583514 KOD 45

Address: 31/2, Pyatnitskaya Ul., Block 1, Moscow, 109017

N n/n		2001	2000
		RUR, Ths	RUR, Ths
1	2	3	4
I. Operating activities			
1.	Interest Income	575828	0
2.	Interest Expense	187690	0
3.	Commission Income	91060	0
4.	Commission Expense	6740	0
5.	Foreign exchange income	62370	0
6.	Gains on sales of precious metals, securities and other property	105710	0
7.	Foreign exchange expense	17797	0
8.	Loss on sales of precious metals, securities and other property	120186	0
9.	Dividends on participations and shares	13787	0
10.	Other operating income	8350	0
11.	Other operating expense	120075	0
12.	Extraordinary expense after profit tax	0	0
13.	Net income/expense (items 13.1 + 13.2)	294413	0
13.1.	Income/expense (items 1 – 2 + 3 - 4 + 5 + 6 - 7 - 8 + + 9 + 10 - 11 - 12)	404617	0
13.2.	Movement in income/expense	-110204	0
14.	Budget payments from profit, payments for charitable and other purposes	-215	0
15.	Operating cash flow disregarding movement in the current assets/liabilities (items 13 + 14)	294198	0
	Movement in the current assets		
16.	State debt instruments	137200	0
17.	Due from credit institutions	-9873	0
18.	Dealing securities (Balance sheet value))	-124464	0
19.	Loans, gross	-2575589	0
20.	Leases	-1617	0
21.	Other assets	-880543	
	Movement in the current liabilities		
22.	Due to the Central Bank of Russia	0	0
23.	Due to credit institutions	490261	0
24.	Customer Deposits	584632	0
25.	Other liabilities	654340	0
26.	Net cash inflow/outflow from current operations (items 16 + 17 + 18 + 19 + 20 + 21 + 22 + 23 + 24 + 25)	-1725653	0
27.	Net cash inflow/outflow from operating activities (items 15 + 26)	-1431455	0

II. Investing activities			
28.	Fixed assets and intangibles	-10757	0
29.	Investment securities (Balance sheet value)	-20	0
30.	Net cash inflow/outflow from investing activities (items 28 + 29)	-10777	0
III. Financing activities			
31.	Share capital	600287	0
32.	Bank's own stock redeemed from shareholders	0	0
33.	Margin revenue	0	0
34.	Retained profit/loss	83562	0
35.	Dividends paid from the net profit	0	0
36.	Debt instruments in issue	451897	0
37.	Net cash inflow/outflow from financing activities (items 31+ 32 + 33 + 34 + 35 + 36)	1135746	0
38.	Positive/negative result of the foreign exchange, precious metals, securities and fixed assets revaluation	171594	0
39.	Net cash and cash equivalents inflow/outflow (items 27 + 30 + 37 + 38)	-134892	0
40.	Cash and cash equivalents balance as at the start of the year	362559	0
41.	Cash and cash equivalents balanc as at the year end (items 39 + 40)	227667	0

*Chairman of the Board
Tarasov A. I.*

*Chief Accountant
Kotsyubinskaya E. P.*

The CentroCredit Bank Contact Information

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

Head Office

31, Pyatnitskaya Ul., Moscow, 109017

Phone: (095) 956 8626, 959 0280

Fax: (095) 959 0285

E-mail: info@ccb.ru

Beside the Head Office located at 31, Pyatnitskaya Street, the CentroCredit Bank has the following offices:

Representative Office in the United Kingdom

Level 4, City Tower

40 Basinghall Street

London EC2 5DE, UK

Phone/Fax: (44 20) 7638 8652

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 on 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 "Orbita-Motors" Motor Salon
19A, Aviamotornaya Ul., Block 2

Phone: 726 5995

#4 Remote Cashier's Desk

Located at the premises of the OOO "AvtoGAZ-Lux" Motor Salon
6, Kotlyakovskaya Ul., Block 12

Phone: 311 4848

#5 Remote Cashier's Desk

Located at the premises of the "Mozer-Motors" Motor Salon
4, Simferopolskoye Shosse, Shcherbinka, Moscow Region

Phone: 940 6079

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 0974

Exchange Office

Located at the premises of the "Leningradskaya" Hotel

21/40, Kalanchevskaya Ul.

Phone: 975 1960

