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**Established in 1841**

**SBERBANK**

Annual Report  
2000



«Today with the reforms under way, there must be a banking institution the people could trust, where savings, even the modest ones, could be placed without constant fear of their loss.  
Sberbank is such a bank.»

**Victor V. Gerashchenko**

Chairman of the Central Bank of the Russian Federation  
Chairman of the Supervisory Board of Sberbank

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## Chairman's Statement



Sberbank has successfully achieved the targets of its Development Concept to the Year 2000 and became a universal commercial bank. For the past five years the Bank constantly demonstrated the best results among the Russian financial institutions.

One of the major events of the year 2000 was the adoption of the new Concept of Development to the Year 2005 by the General Shareholders Meeting. The targets set by the new Concept required significant reorganisation of the administration system of the Bank, widening of authority of the regional management structures with simultaneous strengthening of the centralised control of strategic development issues, structural policy and risk management. Large scale reorganisation of the entire administrative system has been accomplished in shortest time without any prejudice to the interests of the clients. Since January 1, 2001 seventeen newly-formed regional Head Offices have been operating, empowered by expanded authority, possessing significant funds and capable of meeting major needs of the economic regions development.

The correctness and good timing of the new Concept of Sberbank development and reorganisation measures have been confirmed by the performance of the Bank in the last year. Net profit for the last year increased 1.5-fold. Another convincing evidence is the growth of the share of corporate clients' accounts in the structure of liabilities of the Bank to 23 per cent.

Lending to the real economy is a strategic priority of Sberbank's policy. The Bank is one of the major driving forces of the economic growth in Russia. Its loan portfolio has made more than 300 billion roubles (more than 10 billion in US dollar equivalent) with investment loans exceeding 36 billion roubles. This is comparable to the total amount of foreign investments in Russian real sector for the past five years. In the year 2000, for the first time ever, the lending business of Sberbank generated more profit than other kinds of activities, including securities operations.

The Bank is approaching its 160<sup>th</sup> Anniversary with a strong record. On behalf of the Board I heartily congratulate our depositors, clients, business partners and shareholders with the forthcoming Jubilee and extend gratefulness for their invariable support, trust and cooperation to the mutual benefit. I would like to express my cordial gratitude to the employees of the Bank for their dedicated efforts.

With best regards,

A stylized, handwritten signature in dark ink, consisting of several fluid, overlapping strokes.

Andrei I. Kazmin  
Chairman of the Board and Chief Executive Officer

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# Supervisory Board of Sberbank

Elected by the Annual Shareholders Meeting of June 30, 2000.

## Chairman of the Supervisory Board of Sberbank

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- |                                  |   |
|----------------------------------|---|
| 1. Victor V. <b>Gerashchenko</b> | <i>Chairman of the Central Bank of the Russian Federation</i> |
|----------------------------------|---|

## Deputy Chairmen of the Board

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- |                                |   |
|--------------------------------|---|
| 2. Vladimir N. <b>Goryunov</b> | <i>Deputy Chairman of the Central Bank of the Russian Federation</i>  |
| 3. Alexei L. <b>Kudrin</b>     | <i>Deputy Chairman of the Government of the Russian Federation, Minister of Finance of the Russian Federation</i> |

## Members of the Supervisory Board of Sberbank

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- |                                  |   |
|----------------------------------|---|
| 4. Alla K. <b>Aleshkina</b>      | <i>First Deputy Chairman of Sberbank</i>  |
| 5. Boris G. <b>Fyodorov</b>      | <i>Doctor of Sciences, Economics</i>  |
| 6. Sergei M. <b>Ignatiev</b>     | <i>First Deputy Minister of Finance of the Russian Federation</i>   |
| 7. Andrei I. <b>Kazmin</b>       | <i>Chairman of the Board and CEO of Sberbank</i>  |
| 8. Vladimir P. <b>Kolbayev</b>   | <i>First Deputy Head of the Main Department of the Central Bank of the Russian Federation for Moscow</i>    |
| 9. Sergei I. <b>Kolotukhin</b>   | <i>Deputy Minister of Finance of the Russian Federation</i>   |
| 10. Georgy I. <b>Luntovski</b>   | <i>Deputy Chairman of the Central Bank of the Russian Federation</i>  |
| 11. Victor N. <b>Melnikov</b>    | <i>Deputy Chairman of the Central Bank of the Russian Federation</i>  |
| 12. Ilya V. <b>Shcherbovich</b>  | <i>General Director of Closed Joint-Stock Company «United Financial Group»</i>                              |
| 13. Vyacheslav I. <b>Solovov</b> | <i>Chief Auditor of the Central Bank of the Russian Federation</i>  |
| 14. Alexander K. <b>Solovyev</b> | <i>Deputy Chairman of the Board of Sberbank, Chairman of Tsentralno-Chernozemny Head Office of Sberbank</i> |
| 15. Arnold V. <b>Voilukov</b>    | <i>First Deputy Chairman of the Central Bank of the Russian Federation</i>                                  |
| 16. Mikhail Yu. <b>Zhivilo</b>   | <i>President of «Metallurgic Investment Company»</i>  |
| 17. Bella I. <b>Zlatkis</b>      | <i>Deputy Minister of Finance of the Russian Federation</i>   |

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*The positions of the Members of the Supervisory Board of Sberbank are given as of January 1, 2001.*

*The powers of the Members of the Supervisory Board of Sberbank were valid till June 27, 2001.*



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## Board of Sberbank

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|----------------------------------|--|
| 1. Andrei I. <b>KAZMIN</b>       | <i>Chairman of the Board<br/>and Chief Executive Officer</i>                                       |
| 2. Alla K. <b>ALESHKINA</b>      | <i>First Deputy Chairman<br/>of the Board</i>  |
| 3. Vladimir A. <b>NIKONOV</b>    | <i>Deputy Chairman of the Board,<br/>Chairman of Srednerussky Head Office</i>                      |
| 4. Gennady G. <b>MELIKYAN</b>    | <i>Deputy Chairman of the Board</i>  |
| 5. Andrei E. <b>POGODIN</b>      | <i>Deputy Chairman of the Board</i>  |
| 6. Gennady V. <b>SOLDATENKOV</b> | <i>Deputy Chairman of the Board</i>  |
| 7. Alexander K. <b>SOLOVYEV</b>  | <i>Deputy Chairman of the Board,<br/>Chairman of Tsentralno-Chernozemny<br/>Head Office</i>        |
| 8. Irina N. <b>BOKHAN</b>        | <i>Member of the Board,<br/>Director of Credit Department</i>                                      |
| 9. Viktor V. <b>GAVRILOV</b>     | <i>Member of the Board,<br/>Chairman of Severo-Kavkazsky Head Office</i>                           |
| 10. Yevgeni A. <b>KOROLEV</b>    | <i>Member of the Board,<br/>Chairman of Volgo-Vyatsky Head Office</i>                              |
| 11. Andrei V. <b>KRUZHALOV</b>   | <i>Member of the Board,<br/>Director of Accounting Department</i>                                  |
| 12. Nikolai I. <b>KULESHOV</b>   | <i>Member of the Board,<br/>Director of Money Market Operations<br/>Department of the Treasury</i> |
| 13. Andrei F. <b>MANOILO</b>     | <i>Member of the Board,<br/>Director of Financial Department</i>                                   |
| 14. Vladimir F. <b>PESOTSKI</b>  | <i>Member of the Board,<br/>Chairman of Altaisky Head Office</i>                                   |
| 15. Galina A. <b>RYBAKOVA</b>    | <i>Member of the Board,<br/>Director of Branch Management Department</i>                           |
| 16. Vladimir B. <b>SUNDEEV</b>   | <i>Member of the Board,<br/>Director of Operations Department</i>                                  |
| 17. Viktor V. <b>SHCHURENKOV</b> | <i>Member of the Board,<br/>Chairman of Povolzhsky Head Office</i>                                 |

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*The positions of the Members of the Board of Sberbank are given as of January 1, 2001.*

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## Chairman of the Board and CEO of Sberbank

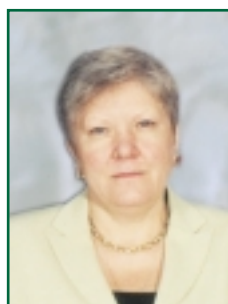


Andrei  
I. Kazmin

## Deputy Chairmen of the Board



Alla  
K. Aleshkina



Tatyana  
K. Artemova



Alexander  
N. Govorunov



Igor  
A. Komarov



Gennady  
G. Melikyan



Vladimir  
A. Nikonov



Andrei  
E. Pogodin



Alexander  
K. Solovyev

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## Members of the Board



Irina  
N. Bokhan



Viktor  
V. Gavrilov



Yevgeni  
A. Korolev



Andrei  
V. Kruzhalov



Nikolai  
I. Kuleshov



Andrei  
F. Manoilo



Vladimir  
F. Pesotski



Galina  
A. Rybakova



Victor  
V. Shchurenkov



Vladimir  
B. Sundeev

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## GENERAL INFORMATION

SBERBANK — Joint Stock Commercial Savings Bank of the Russian Federation — is the largest financial institution of Russia. Sberbank has 25% share in the assets and 15% share in the equity of the banking system of Russia. Its share of the loans market exceeds 30%.

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Sberbank is the leader among Russian banks by total assets, deposits from individuals and corporate funds raised, by its investments in the national economy and operations on stock and money markets.

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Sberbank services over 234 million private and about 1.5 million corporate accounts.

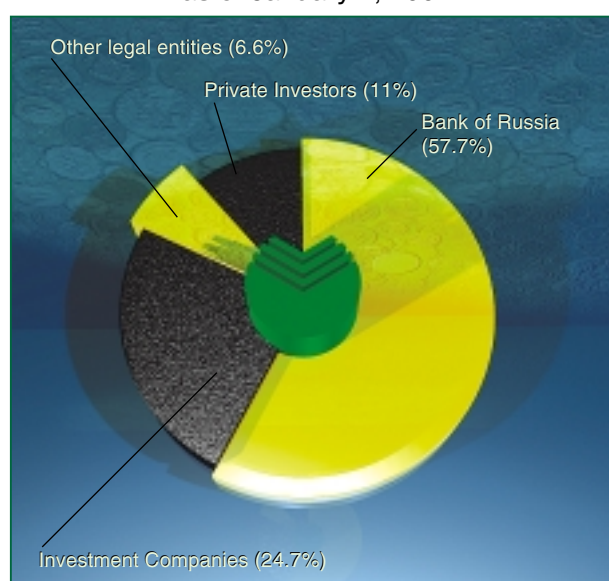
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Sberbank market share has increased in all major segments of banking services:

- deposits from individuals — to 75%;
  - servicing of corporate clients — to 16%;
  - lending to legal entities — to 33%;
  - lending to individuals — to 42%.
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The controlling stake in Sberbank is held by the Central Bank of the Russian Federation. Total number of the shareholders exceeds 233 thousand individuals and legal entities.

Ownership Structure of Sberbank  
as of January 1, 2001



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## Historical background

On November 12, 2001, Sberbank, the oldest and largest Russian bank, will celebrate its 160th Anniversary. This day Emperor Nikolai I approved the first Statutes of Savings Offices by his special decree, thus the development of the savings business in Russia was initiated.

In 1842 the first savings offices were opened in Moscow and St. Petersburg at the Savings Treasuries, and in Odessa at the Department for Public Care and Charity. Several years later, in 1846—1860, 45 more savings offices were opened in almost all regional centres of Russia.

Twenty years later, when all savings offices were transferred under the jurisdiction of Gosbank (the State Bank of Russia), established in 1860, the total balances in 140,000 deposit accounts made 8.5 million roubles.

It was evidently insufficient for the country with the population of 70 million, in spite of relatively quick development of the savings business. In the pre-reform serfdom-ridden Russia the social stratum of depositors was very thin. It consisted of urban population, such as small entrepreneurs, merchants etc. Prevailing rural population had no access to municipal savings offices and could not afford making savings.

The abolishment of serfdom radically changed the situation. The post-reform period was marked by a significant increase of the savings activity, especially in 1880—1890. Alongside with the savings offices at Gosbank, similar institutions were set up at regional and municipal treasuries, post and telegraph agencies and railway administrations. The network of savings offices rapidly expanded, with new ones being opened not only in urban, but in rural areas as well. During the period of 1882—1895, their number increased more than 40-fold to nearly four thousand. The number of savings books grew 15-fold and made about 2 million.

The key precondition for further progress of savings business was the currency reform of 1895—1897 carried out by Sergei Yu. Vitte, an outstanding statesman, Minister of Finance of Russia. The main result of the reform was introduction of the gold standard providing the country with a stable freely convertible currency. The notes of the State Bank were exchanged for gold without limitation, the ratio of bank notes and gold coins in circulation being 1:1. Even during the war with Japan (1904—1905) the stability of the currency was not affected being strongly backed by gold.



«1 rouble» coin of 1841 (reverse); State Credit Note issued in 1878; «1 rouble» coin of 1892 (face)



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Having strong currency Russia succeeded in raising foreign investments that were big enough by the standards of that time. Introduction of hard currency and successful development of the Russian economy contributed to the growth of public savings with the respective expansion of the savings offices network. By the year 1900, there were about 5.5 thousand savings offices with aggregate deposits worth 660 million roubles.

Under the currency reform, the entire credit and financial system of Russia was reorganised, including savings institutions. Pursuant to the new Statutes of Savings Offices adopted in 1895, the Department of State Saving Offices was set within the State Bank to be in charge of the savings offices. A. Nikolsky, Director of the State Bank of Russia, was the first head of the Department of State Saving Offices. Privy Councillor, Senator and Member of State Council, he belonged to the top ranking state officials of the Russian Empire. His appointment as the Governor of the savings offices manifested especial attention of the Russian government to the savings business.

Unlike the majority of European countries, where savings offices were mainly founded and managed by private entrepreneurs and their associations, historically the savings business in Russia was the full prerogative of the state. This significantly enhanced the potential for its development and helped to overcome constraints frequently resulting from funds deficit at the start-up stage of newly-opened savings institutions. Not less important advantage of the involvement of the state in the savings business was the state guarantee of savings safety which attracted depositors.

At the same time etatisation of the savings business had some negative implications, as a significant part of public savings was used to support the obsolescent land ownership system and finance military expenses. By using available public funds to finance internal state debt, the government diverted substantial resources from investments into industries where they could most efficiently contribute to.

In the early XX century the general trend of the savings business both in Russia and in other European countries was to transform savings offices into universal credit institutions. Starting from 1906 along with deposit and lending operations, savings offices were engaged in insuring capital, income and life of depositors.

During the war with Japan and particularly World War I, the state used household deposits almost entirely to cover war expenses. However printing money became the main source of covering costs of World War I. Money supply grew from 1.6 billion roubles on the eve of the war to 10 billion roubles before the Febru-

Order of St. Andrew  
Protokletos  
(XIX century);  
desk set (XIX century)



ary 1917 revolution, reaching 16 billion roubles by October 1917. The excessive money supply and inflation decreased the purchasing power of rouble 17-fold. Hyperinflation during the Revolution and Civil War completely devalued public savings.

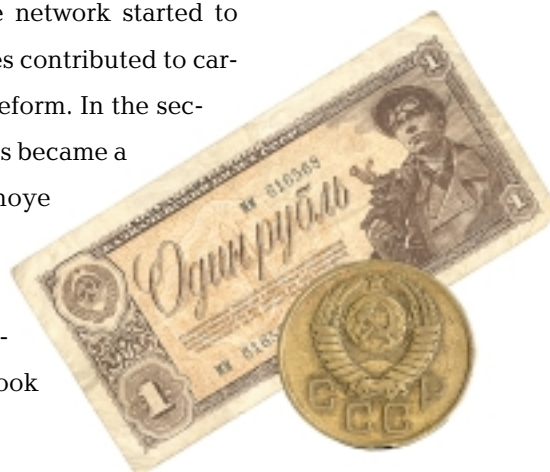
With the Bolsheviks coming to power, unlike commercial banks, savings banks were formally kept. At the beginning of 1918, immediately after the Soviet Government moved to Moscow, V. Menzhinsky, People's Commissar for Finance issued the order on re-establishment of the Department of Savings Offices within the Peoples' Commissariat for Finance he was the head of. However, all efforts of the Commissariat for Finance to organise the work of savings offices failed. Later on, during the period of «War Communism» from May 1918 to proclamation of the New Economic Policy (NEP) in 1921, all credit institutions were consecutively liquidated under the policy aimed at total withdrawal of money from the economy, naturalisation, requisitioning of agricultural products and rationing of foodstuffs and consumer goods.

With the introduction of the New Economic Policy, normal commodity-money relations regained priority. For that purpose the currency reform was carried out in 1922—1924 under the guidance of two brilliant economists — G. Sokolnikov, the then People's Commissar for Finance (NarComFin) of the USSR, and Professor L. Yurovsky, member of the NarComFin Board. This work which is still an unsurpassed example of economic reform was carried out at the time of total economic chaos. Parallel to banknotes issued during the early Soviet era and devalued through uncontrollable overprinting, another currency — «chervonets» banknote — was put into circulation, backed by gold (25%) and highly liquid goods (75%). Associated with the czar's gold-coin chervonets, the new currency was accepted by the economy and population. The chervonets ousted these banknotes from circulation, becoming by 1924 the only currency. Normalisation of currency circulation and accelerated economic growth facilitated improvement of well-being of the population and its striving to save. Since the year 1923 the savings office network started to recover and soon reached its pre-war level. Savings offices contributed to carrying out and successfully accomplishing the currency reform. In the second half of the 1920s, development of the savings business became a state priority. In 1925—1930, a popular «Sberegatelnoye Delo» («Savings business») Magazine was issued for country-wide circulation. N. Bryukhanov, I. Smilga, A. Svidersky, L. Yurovsky, M. Bogolepov, heads of Gosplan and MinFin, as well as other prominent economists took part in the publications.

Coins of the currency reform of 1922—1924 in the USSR



USSR State Treasury Note and a coin of the 1930s



At the end of the 1920s, the country's leaders proclaimed the policy of industrialisation based on accelerated development of heavy industry. Production of consumer goods and collectivised agriculture degraded. The rationing system was introduced in cities, state revenues from agricultural products and consumer goods sales declined. Having dishonored pre-revolutionary czar's debts, the Soviet government could not count on any significant foreign investments. Thus the state turned to the public savings as a major source of funds for industrialisation.



In 1929, according to a new Regulation State Savings Offices were transferred under the jurisdiction of Nar-ComFin and became actually the sole credit institution for public deposits and allocation of state securities.

This credit institution was responsible for intensively stimulating household deposits. The rationing system and low income of the majority of the employed practically made the solution of this issue impossible. The deposits fell short by 40 to 50% of the planned figures. The so-called «voluntarily-compulsory» state loan bonds fared better, but also fell short of expectations. Thus, in 1932, the program for the «Fourth Year of the First Five-year Plan» was implemented only by 85.5%.



The state made up for the shortage of the planned budget revenues by issuing money, which undermined low purchasing power of the rouble.

During the Second Five-year Plan period, when the system of rationing was cancelled in 1935, the activities of the savings offices revived. For the period of 1935—1940, the total volume of deposits grew 4.9 times from 1.5 to 7.3 billion roubles. The average size of a deposit increased almost four-fold from 101 to 388 roubles.

In the years of the World War II, savings offices contributed to mobilising funds of the people to cover war expenses, they actively participated in placing special state loans and cash- and prize- lotteries. Proceeds from state loans and lotteries covered nearly one sixth of war expenses. Besides, substantial public donations in cash and valuables to the defence fund were also made through the savings offices.

At the end of 1947 the ration card system was cancelled and currency reform of a confiscatory nature was carried out: 10 old roubles were exchanged for 1 new rouble. However, there were some privileges for savings offices depositors: the exchange rate applied to deposits of up to 3 thousand roubles was 1:1, it was 3:2 for deposits from 3 to 10 thousand and to those exceeding 10 thousand roubles the exchange ratio applied was 2:1.

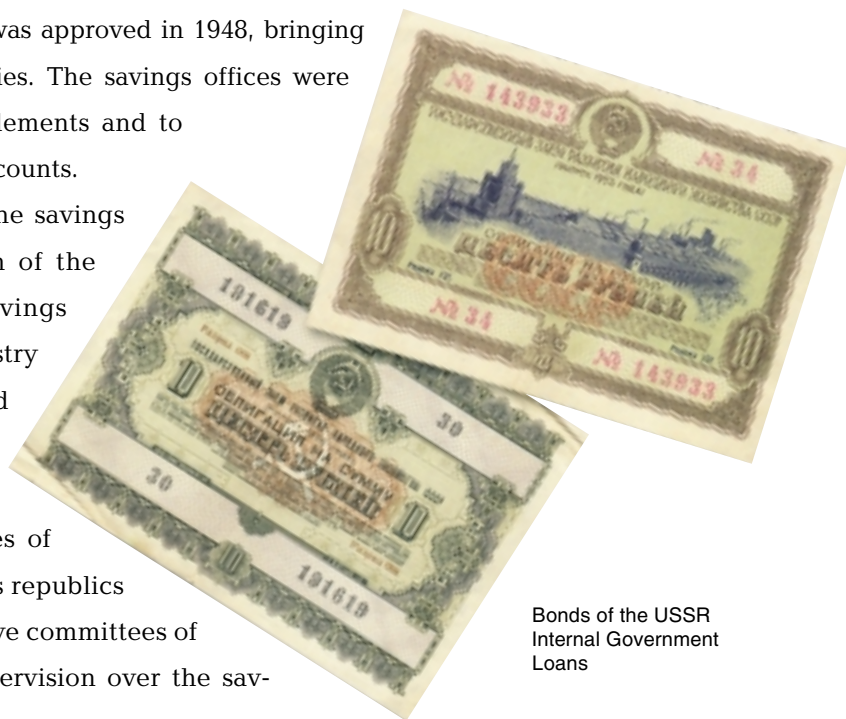
Coin box used in 1928-1931 for small-scale savings with savings offices; USSR medal «For Labour Merits» (the 1950s)



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A new Statute of Savings Offices was approved in 1948, bringing considerable changes to their activities. The savings offices were authorised to execute non-cash settlements and to transfer employees' salaries to their accounts.

According to the new Statutes, the savings offices remained under jurisdiction of the Administration of State Labour Savings Offices and State Credit at the Ministry of Finance, which elaborated and approved rules and instructions regulating their activities. According to the regulations, the ministries of finance in the union and autonomous republics and financial departments of executive committees of regional Soviets exercised local supervision over the savings offices.



Bonds of the USSR  
Internal Government  
Loans

By 1952, the network of the savings offices reached its pre-war level after being halved during the Great Patriotic War due to the occupation of the large territory of the USSR. As of the beginning of 1952, there were 42 thousand savings offices in the country. Their major tasks set forth in the documents of the regulatory bodies, were «providing the population with the possibility for safe depositing of their temporarily free funds and execution of settlements, promotion of savings and their use for development of the USSR economy».

In the 1950s the work on improving the savings business, interrupted by the war renewed (in particular, work on automation of settlement operations in large savings offices). In Moscow and Leningrad, as well as in the capitals of some union republics and regional administrative centres, computing and data processing centres were set up, equipped with punched card and keyboard computing devices.

At the beginning of 1961, rouble was denominated ten-fold, new banknotes were launched in circulation. But these measures failed to stop inflation and to have the expected stimulating effect on the economic development and on the savings business. The main reason for this was diversion of the national revenue to high-cost and non-efficient projects and for covering military expenses and rejection of structural transformations, initially planned to be carried out in line with the economic reform of 1965—1967.

In 1963, savings offices were again transferred under the regulatory power of Gosbank, and household deposits in savings offices were applied to replenish Gosbank's credit resources.

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The 1970s and the first half of the 1980s are considered to be the years of stagnation in the USSR economic development, which holds true of the savings business as well.

The second half of the 1980s became a period of reorganisation («perestroika»). The activities of credit and finance institutions significantly expanded. The number of depositors of the savings institutions increased. By the end of the 1980s, 142 million new accounts had been opened at savings offices.

In 1987 the existing national banking system was reorganised. Within the framework of the reorganisation, Sberbank of USSR, a specialised bank for labour savings and crediting individuals, which also began to provide services to legal entities, was set up. Its structure comprised 15 banks of union republics, among them the Russian Republican Savings Bank.

In 1990, the Supreme Soviet of the Russian Soviet Federative Republic (RSFSR) declared the Russian Republican Savings Bank to be the property of the RSFSR. By 1991 it had been transformed in a joint-stock commercial bank. Shortly after, Sberbank registered its Charter with the Central Bank of the Russian Federation and issued its first shares.

Since its incorporation as a joint-stock company, Sberbank has been dynamically changing from a system of state savings offices into a universal commercial bank.

In 1996 the Concept of Development to the Year 2000 was adopted with the main objective to transform Sberbank into a universal commercial bank by expanding services to corporate clients while maintaining specialisation and leadership in retail banking.

In 1997 despite the difficulty and novelty of problems and extremely unfavourable situation on the international financial market, Sberbank contributed to stable functioning of the national interbank and foreign currency markets. The same year Sberbank received, on the most favourable terms offered to the country, its first syndicated loan from Western banks, the largest ever granted to Russian banks. Sberbank was officially rated by Fitch-IBCA International Rating Agency. It was the only Russian commercial bank to be listed among the top two hundred world financial institutions and among the top 100 European banks. Being a member of the World Savings Bank Institute (WSBI) it received the status of observer in the European Savings Banks Group (ESBG).

The year 1998 was a dramatic year in the modern history of the national economy and finance. The financial crisis emerging in South-East Asia rapidly spread throughout the world harming the Russian economy. Foreign investors rushed to dump the not so long ago highly attractive Russian securi-



Sberbank's plastic cards issued in the year 2000

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ties and convert their rouble proceeds to hard currency for repatriation. The recently so promising market of short-term government bonds (GKO) — the market, which had been bringing fabulous dividends to the GKO holders — collapsed. This triggered an unprecedented peacetime devaluation of rouble, which exceeded the identical devaluation in the countries even more heavily affected by the financial crisis. The rouble fell four times against the dollar (as compared to two-fold devaluation of national currencies of South Korea, Malaysia and Brazil).

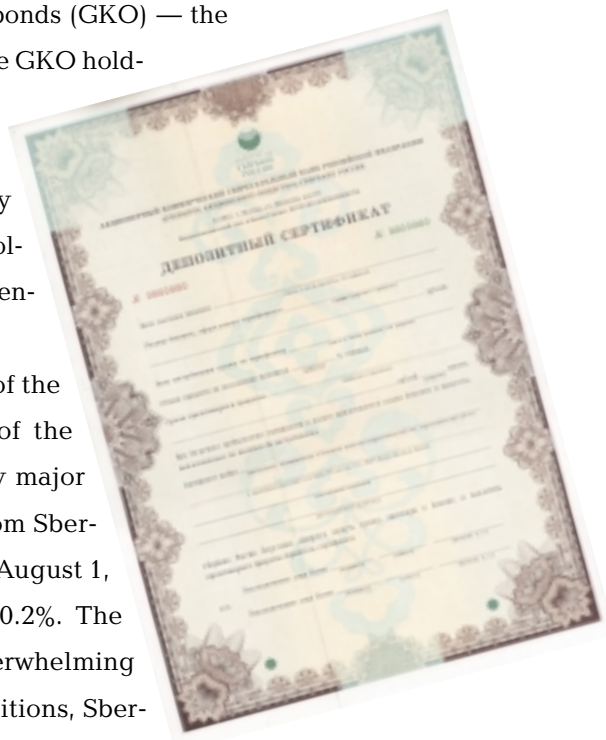
The global financial crisis resulted in a severe crisis of the Russian banking system, disbalancing all segments of the financial market and provoking the loss of liquidity by major banks in the country. Withdrawal of rouble deposits from Sberbank in August of 1998 made 7.7% of their volume as of August 1, 1998. The currency deposit balances decreased by 10.2%. The Russian Government suspended payments on the overwhelming part of its foreign and domestic debt. Under these conditions, Sberbank remained one of a few Russian banks that continued their steady operations faultlessly, meeting all obligations to depositors, clients and foreign counteragents.

Besides the challenging workload of meeting the needs of its own clients and depositors, Sberbank took up servicing deposit obligations of those largest Russian commercial banks, which became insolvent as a result of the crisis. Such action was proposed by the Central Bank of the Russian Federation for implementing special measures to protect individual depositors of the bankrupt banks. Sberbank repaid about 9 billion roubles to more than 440 thousand former customers of defaulted banks.

Sberbank's stable performance during the crisis increased trust of depositors and corporate clients towards the Bank and strengthened its positions in all segments of the financial market.

In 1988, alongside with the inflow of private depositors, the number of corporate clients largely increased. Sberbank's role in servicing local and federal budgets grew. The number of the Federal Treasury divisions serviced by Sberbank increased 1.6 times to make about 40% of their total number by the end of the year. The Bank expanded its participation in servicing export-import operations. Under general decline of the Russian foreign trade turnover in 1988, the volume, serviced by Sberbank, had a steady positive growth trend.

There were positive changes in the structure of placement of the Bank's funds. Sberbank radically refocused its activities from the GKO market to financing the real sector of economy, and at the beginning of 1999, loans to industry and construction made half of its credit portfolio.



Sberbank's Certificate  
of Deposit (1999)



The financial resources were allocated primarily to basic and high-tech production industries. Sberbank enhanced its presence in the market of precious metals. Purchase of bullion gold from the gold mining industry grew 1.5 times, and pre-seasonal financing of gold-mining enterprises expanded.

The Bank's performance in 1998 significantly contributed to overcoming consequences of the financial crisis, to social and economic stabilisation and determined the economic growth in 1999 — 2000.



The events of the past two years give an opportunity to evaluate the progress of reforms in Russian economy, its integration in the global economy and the potential of the market mechanisms already in place. Given the progress of transition to the market economy, the crisis of 1998 was not only a disaster for the national economy but also a powerful impetus for its strengthening. The decreased rouble exchange rate reduced the demand for imported goods that

Russian Federation  
State Savings 500 roubles  
Loan Bond (1998);  
Sberbank's Savings  
Certificate (2000)

became rather expensive. It contributed to competitiveness of Russian goods in both domestic and foreign markets. Attractiveness of the Russian economy for domestic and foreign investors, lenders and businessmen rose to contribute to the post-crisis upsurge of the economy. Alongside with a favourable situation on the world oil market — high oil prices — all the above factors resulted in the growth of GDP by 3.2% in 1999 and by 7.7% in 2000, for the first time during the last 15 years.

Production growth in 1999 — 2000 was evident almost in all branches of industry and in construction. Foreign trade turnover significantly increased, particularly in export. Growth of investment activity was also recorded.

In the post-crisis period, Sberbank substantially expanded financing of the real sector of economy. The share of loans granted to the real sector of economy in the loan portfolio of the Bank increased 1.7 times — from 55% to 90%. The amount of loans to enterprises of this sector in 1999—2000 increased 6.7 times from 38 billion to 255 billion roubles. By the beginning of 2001, the volume of the investment loans granted by the Bank reached 36.3 billion roubles.

The largest investment loans were granted to the enterprises of gas, oil-producing and oil-refining industry, chemistry and petrochemistry, ferrous and non-ferrous metallurgy, ship-building, aircraft, and food industry, telecommunication enterprises and export programs of defence industry.



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The dynamics in the credit portfolio is a convincing evidence of Sberbank's substantial contribution to the development of the Russian economy.

The General Shareholders' Meeting held in June of 2000 summed up the results of implementing the Concept of Development to the year 2000. Having implemented the Development Concept, the Bank has achieved the main strategic goal set in the Concept — it has become the largest universal financial institution in the country. By retaining and strengthening its leadership in retail banking, Sberbank has expanded its activities in other segments of the Russian financial market. According to the results of the year 2000, it has retained its leading position in all key banking spheres, primarily, in financing corporate borrowers, financing investment projects and in application of up-to-date banking technologies.

The Shareholders' Meeting adopted the Concept of Development for the next 5 years — up to the year 2005. The strategic goal of the Bank, set by the new Concept, is to improve services rendered to its clients while maintaining positions of the largest modern first-class competitive bank of the Eastern Europe. The Concept outlines the ways to achieve this goal. The increased capital, trust of depositors, clients and foreign counterparties, highly qualified personnel, substantial investment in material and technology base create the necessary preconditions for materialising the new Concept of Development.

At the initial stage of the Concept implementation, the Bank has already significantly and comprehensively optimised its branch network by consolidating 71 regional banks into 17 Regional Head Offices of Sberbank, providing banking services to large economic-geographical regions. This will ensure improved servicing of individual and corporate customers by enhancing, inter alia, lending opportunities and reducing execution time for settlements and payments through the branch network. The consolidated Head Offices will undoubtedly further increase their contribution to the social-economic development of respective regions of Russia.

Successful activities of the Bank in 2000 have been adequately assessed by domestic and foreign leading experts in banking business. Fitch IBCA International Rating Agency has rated Sberbank with long-term and short-term credit ratings at the sovereign ceiling. The status of Sberbank in the World Savings Banks Institute has also risen. The Chairman of the Board & CEO of Sberbank was elected Vice-President of the WSBI. Sberbank has come the winner in the All-Russian contest of the industrial and financial companies by the results of their activities in 2000. For «outstanding achievements and as the largest Russian economy investor» Sberbank was awarded an honorary title of the «Bank of the Year».



Sberbank's plastic cards (2000)

**НАДЕЖНО  
ВЫГОДНО  
УДОБНО**

**СБЕРЕГАТЕЛЬНАЯ  
КНИЖКА**



The 1955 poster calling for making savings with the savings offices

**ХРАНИТЬ ДЕНЬГИ  
В СБЕРЕГАТЕЛЬНОЙ КАССЕ !**

## KEY PERFORMANCE RESULTS

In 2000, Sberbank significantly advanced in implementing strategic tasks and achieving five-year goals set in the Concept of Development to the Year 2005 by strengthening its leading position in the key segments of the market.

The return on equity of 20% set by the Concept was considerably

exceeded and made 35.1%<sup>1</sup>. The demand for Sberbank's services increased. The Bank remains a recognised leader of the domestic banking system in cash and settlement services, plastic cards, state securities, foreign currency exchange and conversion operations.

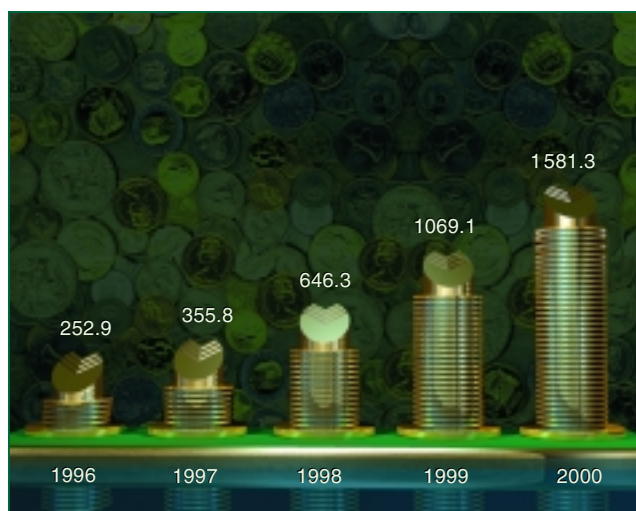
## FINANCIAL REVIEW

Notwithstanding reorganisation of its management system and restructuring implemented in the second half of 2000, the Bank achieved impressive financial results and radically improved the main components of its economic

growth. The balance-sheet total of the Bank increased 1.5 times and reached RUB 1.6 trillion, net assets<sup>2</sup> grew by 46%, making RUB 572 billion.

The structure of the Bank's income has considerably changed. Revenues

Balance Sheet  
Total (RUB billion)



<sup>1</sup> Based on the averaged capital of Sberbank for 2000

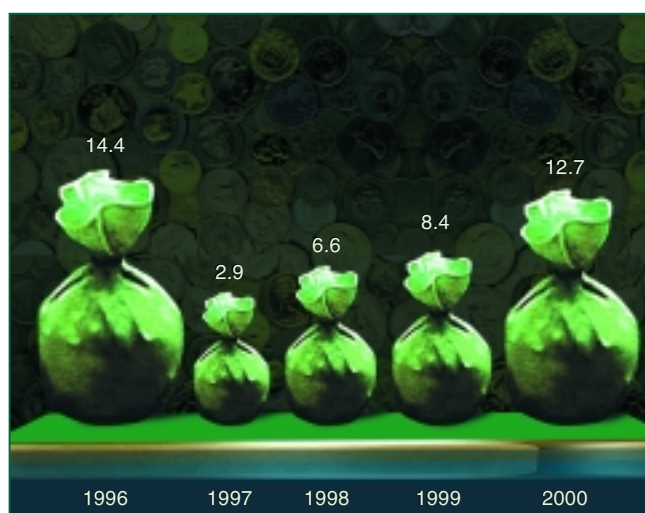
<sup>2</sup> Calculated according to CBR Instruction No. 17 without decreasing by the reserves for possible loans losses and diminution of securities.



from lending operations increased 1.7 times, and their share in the income structure grew from 27 to 48%<sup>1</sup>. Securities operations remain an important source of revenues, making 35% of the total income of the Bank. Commissions operations demonstrated advanced growth rate, which ensured an increased share of the respective revenues in the structure of the Bank's income up to 8.3% of the total income for the year 2000. The share of income from revaluation of foreign currency balances in the structure of the Bank's

revenues decreased to 4% (nearly six-fold, as compared to 1999), indicating a reduced sensitivity of the Bank's financial results to fluctuations in the foreign exchange market.

The main item of the Bank's expenses is interest paid on household deposits. In 2000, the aggregate payments for these purposes amounted to RUB 40.7 billion. Rigorous budget discipline and up-to-date banking technologies contributed to bringing down administrative and operational expenses in the structure of expenses from 12.0% to 9.7%.



Net Profit  
(RUB billion)

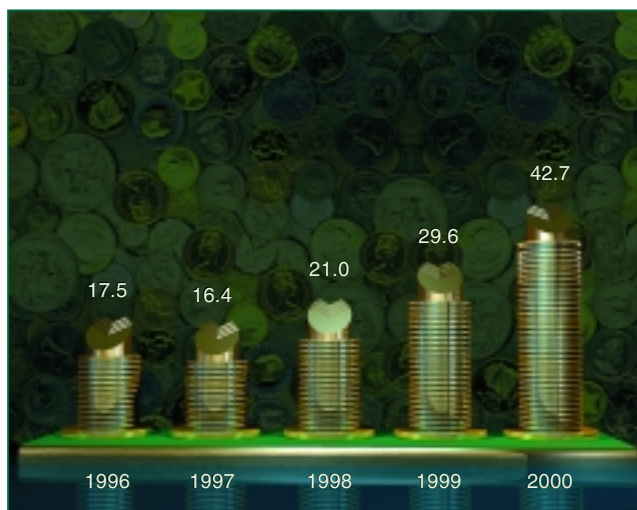
The annual profit was up by 18% on 1999 figure and made RUB 16.5 billion. Net profit after tax grew more than 1.5 times to make RUB 12.7 billion.

Shareholders equity of Sberbank increased by 44% and reached RUB 42.7 billion. Reinvested profit provided 97% of the Bank's capital growth, which allowed

<sup>1</sup> Net of income and expenses on interbranch operations. Gains and losses on revaluation of foreign currency account balances, state securities operations and making/replenishment of provisions netted.



Shareholders Equity  
(RUB billion)



the Bank to substantially decrease immobilisation of capital and improve its quality.

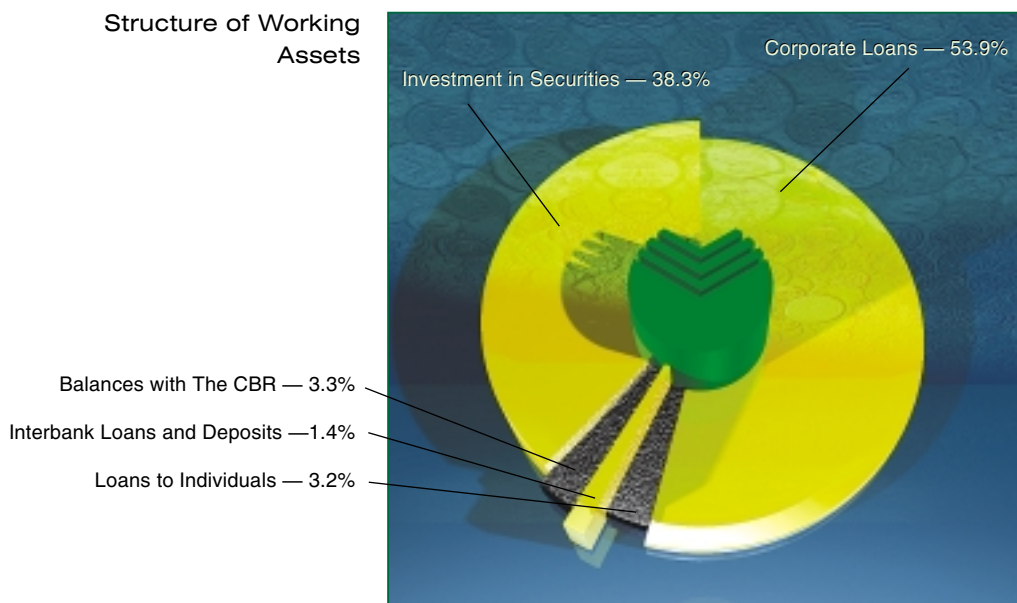
The financials of the Bank show an increase even when adjusted for inflation, with the capital growth of 20.2%, net profit increase of 26.4% and assets growth of 21.6%. The progress is also evident with the financials expressed in foreign currency equivalent: capital growth of 38.5%, net

profit increase of 45.6% and assets growth of 40.1%.

Return on assets made 2.64%. Profit per employee rose from RUB 69,900 to 83,500.

These results were ensured by qualitative changes in the Bank's balance sheet structure. The rate of working assets growth (50.3%) was higher than that of

Structure of Working Assets



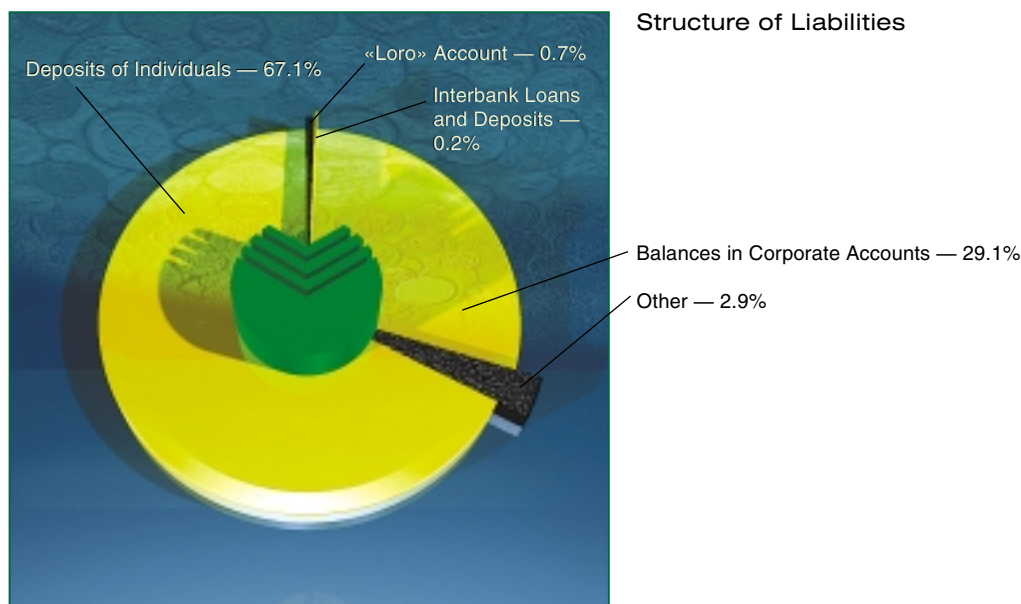
total assets (46.2%) or interest bearing liabilities (48.6%).

The prioritised development of lending operations stipulated by the Concept was shown by the growth of loans to 58.3% of all funds placed by the Bank. Lending to individuals increased 3.3 times for the last year.

The structure of the Bank's liabilities has also considerably changed. With the average 1.5 times growth of deposits, long-term deposits grew more than 4-

fold. Balances in the accounts of legal entities demonstrate advanced growth rate: the share of corporate balances in the liabilities of the Bank increased from 28.1% to 29.1%.

Improvement of the risk management system and optimization of the balance-sheet structure allowed the Bank to significantly reduce the level of major market risks. Decreased interest rate risk was ensured by increasing the share of long-term deposits and corporate



accounts balances in the structure of the Bank's liabilities.

These are the cheapest source of funding, least sensitive to fluctuations in the market interest rates. Low volume of the Bank's investments in corporate securities (less than 1% of net assets) and rigorous constraints on the structure of the state securities portfolio ensure the necessary

control of the interest rate risk. Conservative policy in managing currency risk was realised by decreasing the open balance-sheet currency position of the Bank from USD 3.5 billion to 2.8 billion (13.9% of net assets) and keeping insignificant open positions in other foreign currencies.

With the accelerated growth of its credit portfolio the Bank has strength-

ened its centralised system of establishing credit limits, control and management of credit risks. Additional measures were taken to: - control the risk of large credit exposures, their level and concentration; - enhance requirements to securitization quality; - diversify credit risks and introduce specialisation in lending by industries. As a result, the Bank has essentially improved its credit portfolio

quality: the share of standard grade loans increased to 91.7%, overdue loans decreased in absolute figures by RUB 482 million, and their share went down from 4.25% to 2.3% .

The Bank maintains sufficient safety margin in respect of all liquidity ratios established by the Bank of Russia and strictly follows the liquidity targets set forth in the Concept.

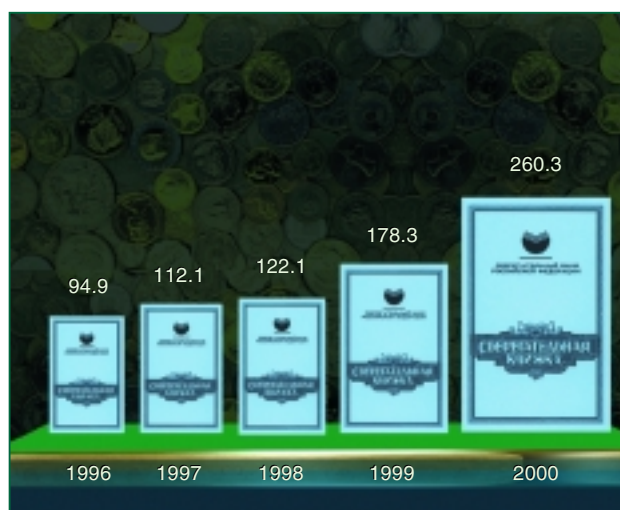
## Retail Banking

**S**tabilisation of political and economic situation in the country and growth of real income of the population, high level of its trust in Sberbank supported by the balanced interest rate policy allowed the Bank to achieve high rate of retail deposits inflow. The overall annual increase in private deposit balances made 114 billion in rouble equivalent. The distinctive feature of the past year was a higher rate of currency deposits inflow,

with USD 1.1 billion placed with the Bank by individuals. As of the beginning of 2001, the rouble and currency deposit balances made RUB 260 billion and USD 2.9 billion, respectively.

Taking advantage of favourable macroeconomic environment, Sberbank continued active market promotion of long-term deposit instruments for individuals. Three new rouble deposit products were launched,

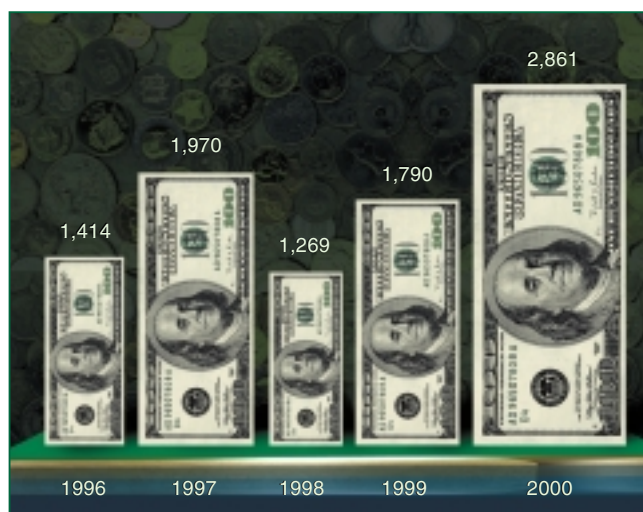
Ruble Deposit Balances  
(RUB billion)



including «SB-501» (term deposit for 501 days), «Term Pensioners' Deposit» and «Special Numbered Deposit» for the term of 1 year and 1 month, as well as hard currency deposit «Special Numbered Deposit in US Dollars» for the term of 1 year and 1 month. These products ensured an increased share of long-term deposits in the structure of the retail deposits from 2.6% to 12%. With the extension of the tenor of the Bank's liabilities, the share of «call»

deposits remained practically unchanged (27% of the total deposits), providing for an acceptable funding cost and allowing to offer favourable terms to its pension-age depositors.

Young people and the employed became more engaged in savings and investments. Clients under 50 hold 53% of accounts opened with the Bank. Last year savings products intended for high-income customers doubled and reached 12% of the total deposits.



Foreign Currency  
Deposit Balances  
(USD million)

Servicing of non-cash flows for individuals expanded. Last year the Bank processed 590 million retail payments in favour of legal entities and budgets of all levels, totalling RUB 57.5 billion, which is 1.4 times more than in 1999. The volume of non-cash transfers to the accounts of individuals increased 1.7 times and made RUB 297.2 billion, or 56.1% of total inflow of funds deposited.

The main sources of non-cash transfers to the deposits in the reporting year

were pension (33.9%) and salary transfers (33.6%). About 10 million pensioners receive their pensions through the Bank. Last year over 47 thousand enterprises and organisations transferred more than RUB 100 billion of wages to their employees' accounts opened with the Bank. Today every tenth employee in Russia receives wages through Sberbank. The volume of grants and royalties transfers, various types of social

allowances, insurance payments and dividends through the Bank is on the increase.

Transfers of funds of individuals abroad were carried out by all regional head offices and made USD 107 million. Payments from abroad totalled USD 287 million, which is 1.6 times higher than the previous year.

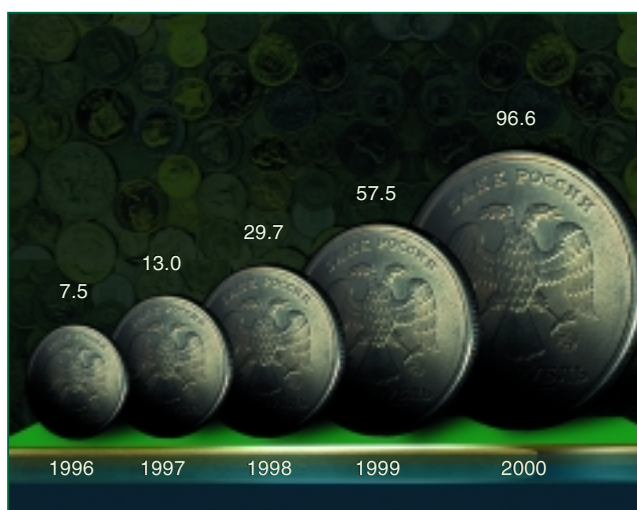
Currency exchange services were enhanced, and the buying/selling rates offered by the Bank became more competitive. In 2000, Sberbank's market share in foreign currency sales grew from 17.3% to 23.3%, in purchases, from 15.3% to 17.6%. The aggregate volume of currency exchange operations went up 1.2 times and made USD 3.3 billion.

## Corporate Services

Expanding the client base and improving the quality of services rendered to the clients are the top priorities in the new Concept of Development. Combining a comprehensive approach to the sale of high-quality banking products and individual work with each client on the basis of the competitive tariffs, the Bank has managed not only to retain its corporate customers that became the Bank's clients in the post-crisis period, but to attract new ones as well. Over the

past year, balances on the corporate accounts increased by RUB 39.1 billion and USD 150.9 million, and the total number of such accounts went up by more than 156 thousand. As of the beginning of 2001, Sberbank handled 23.3% of the total rouble funds and 10.1% of the total foreign currency funds of non-state enterprises on current and settlement accounts in the commercial banks of the country. Corporate account balances nearly doubled over the year in line with

Balances of Corporate Accounts (RUB billion)



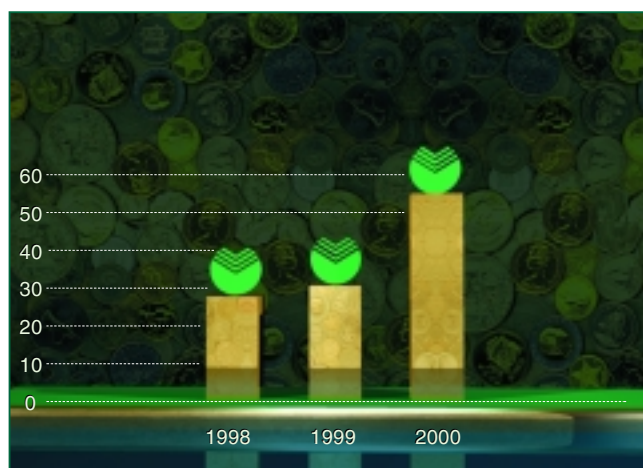


the Bank's policy aimed at improving its medium- and long-term liquidity.

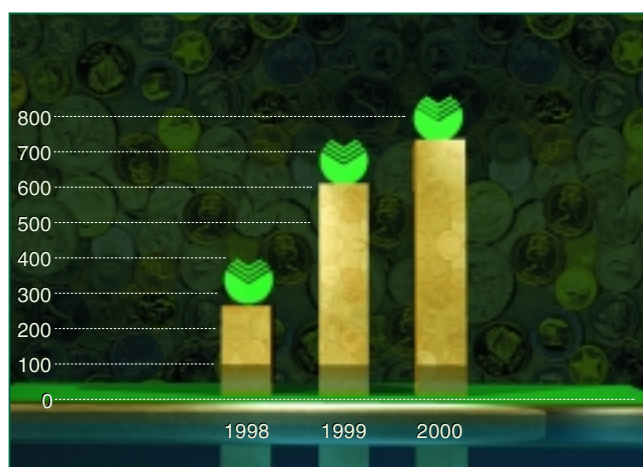
Most of the new accounts were opened to enterprises in industry (22%), transport (21%), construction (20%) and agriculture (29%). Enterprises of light and food industries serviced by Sberbank constitute 25% of its clients from the real sector of economy. The respective figures for machine-building and metallurgy are

14%, wood and wood-processing industry 14%, chemical and fuel-energy industry 10%.

Among the biggest clients of Sberbank there are: «Tyumen Oil Company», «Rostelecom», «OIL COMPANY LUKOIL», «Vimpelcom», «Krasny Ochyabr», «Baltic Brewery», «Petmol», «GAZ», «UAZ», «Zavod Krasnoye Sormovo», «Lebedinsky GOK», «Oskol Electrometallurgical Plant», ARCO and many others.



Number of Export/Import Deal Passports Executed by Sberbank (in thousands)



Total Value of Export LCs advised and Import LCs opened by Sberbank (in USD million)

Enhanced servicing of exporters and importers ensured 39% growth of trade finance operations under export-import contracts of the Bank's clients, bringing their total value to USD 10 billion, including the increase of commodity contracts total value up to USD 7.8 billion.

The number of executed deal passports grew by 35%. The total amount of advised Letters of Credit and guarantees was up by 41% and reached USD 723 million. The major foreign trade partners of Sberbank's clients are companies from the USA, Germany, China, Switzerland and Great Britain.

Extensively using documentary operations in their foreign trade activities, the Bank's clients significantly reduced their foreign trade risks. They have increased the number of import contracts on delivery of machinery and equipment for different industries using LCs. The number of documentary LCs

opened by Sberbank under the credit lines of foreign banks grows. Successful implementation of the agreement between Sberbank and the European Bank for Reconstruction and Development on foreign trade concluded in March of 2000 gave the Bank's clients an opportunity to import goods with a two-year grace period and best pricing.

The Bank's comprehensive approach to the improvement of cash services to the clients ensured 22% growth in their number. The number of outlets provided with the collection services reached 25,000. In 2000, the Bank collected over RUB 181 billion of clients' proceeds, which is 1.4 times more than in 1999.

The Promissory Note program of the Bank was also intensively developed: the Bank doubled the Promissory Notes payment turnover to RUB 409.6 billion. By the end of year the total amount of the Promissory Notes outstanding reached RUB 33.6 billion.

Cash Collection Services Provided by Sberbank (RUB billion)



Cash collection from the Bank's clients



Cash delivery to the Bank's clients



## Lending

In 2000, the Bank's top priority was to increase its loan portfolio by intensified crediting of the real economy, socially important regional programs, wider range of lending services offered to corporate clients, larger volumes of retail loans with simultaneous improvement of the loan portfolio quality. In 2000, Sberbank carried out all types of lending to

enterprises and institutions in all industries. The Bank is the leader in the banking system of the country by the maximum size of loans to a single borrower and by their tenor.

Last year the amount of credits extended by Sberbank to legal entities and individuals totalled RUB 612 billion and USD 15 billion. The Bank has increased the vol-



Loans outstanding  
(RUB billion)

ume of its loan portfolio 1.7 times and essentially changed the structure of the portfolio by increasing 2.2 times lending to real economy to RUB 243 billion.

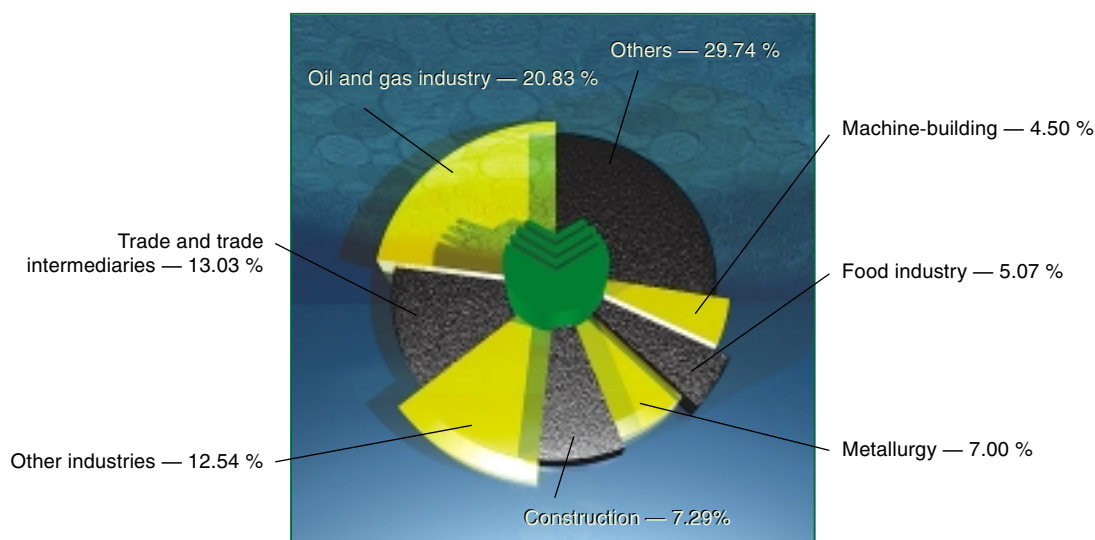
Investments in industry formed the biggest share of the loan portfolio — RUB 140 billion, which makes 49.9% (2.7 times growth for the year). Lending to the construction industry increased 1.3 times and

reached RUB 20.5 billion. Lending to enterprises of trade and trade intermediaries was up 2.3 times and exceeded RUB 36 billion.

Considerable volume of lending was provided to the largest companies of federal importance, such as Russian «United Energy System of Russia» and «Gazprom». Sberbank continued its busi-



### Structure of Sberbank's Loan Portfolio as of January 1, 2001



ness relationship with «Tyumen Oil Company, «OIL COMPANY LUKOIL», and «Nord Oil». Substantial credit resources were also directed for the development of aluminium production («Russian Aluminium», «Bratsk Aluminium Plant», «Krasnoyarsk Aluminium Plant»). Sberbank extends loans to the leaders of national non-ferrous metallurgical industry — «Norilsk Mining Company» and «Norilsk Mining and Metallurgical Industrial Complex». It also continues cooperation with «Acron» company, which is one of the biggest producers of fertilisers both in Russia and internationally. Large credits were granted to metallurgical enterprises, such as «Severstal», «URALELECTROMED», «Siberia-Ural Aluminium Company», «Taganrog Metallurgical Plant», and «Chelyabinsk Pipe-Rolling Plant»; enterprises of oil producing industry, such as

«Tatneft»; enterprises of paper industry — «Arkhbum» and «Solombala PPM»; machine-building and telecommunication companies, including «GAZ» and «Uralsviazinform», as well as State Enterprise «Crystal» in jewellery industry.

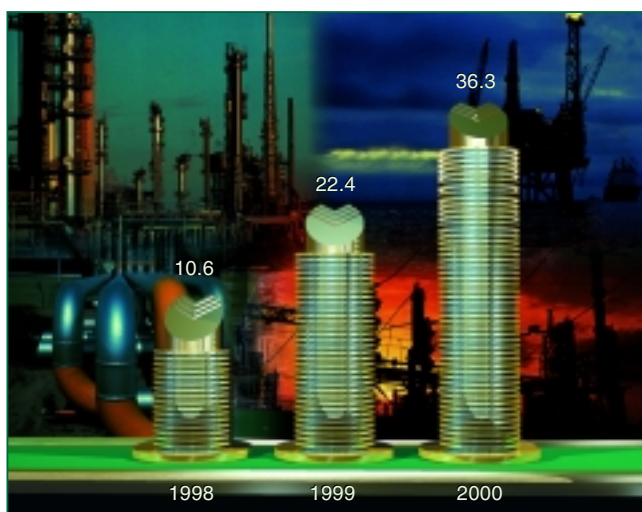
Lending to regional executive bodies was focused on important investment and social programmes. Loans outstanding under such type of operations totalled RUB 14.6 billion, or 5.2% of the overall lending by the Bank.

Taking into account the demand of the national economy in long-term investments, Sberbank increased the volume of long-term crediting, concentrating in the most investment-attractive industries. Improved investment climate in Russia facilitated further development of project financing. The Bank is current-

ly financing large projects in ferrous and non-ferrous metallurgy («Oskol Electrometallurgical Plant» and «Magnitogorsk Iron and Steel Works»), fuel and energy industry (ZAO «LUKOIL-PERM»). The Bank continues investment support of the telecommunication industry («Vypel Communications», «Rostelecom» Group, «Russian Satellite Communications Company»), large transport enterprises («North-Western Fleet» and «Siberia Airline» Company). Considerable resources were invested in the food

industry («Nizhni Novgorod Fat-and-Oil Plant», «Afanasy-Pivo» Brewery, «Rossiyskie Semena»).

Lending to housing and commercial construction industry was intensively developed. As of January 1, 2001 Sberbank has financed 187 construction projects totalling over 900,000 square meters, including 700,000 square meters of housing and 100,000 square meters of office premises. More than 250,000 square meters of housing (over 3,000 apartments) and 5,000 square



Investment and Project Financing Portfolio Growth (RUB billion)

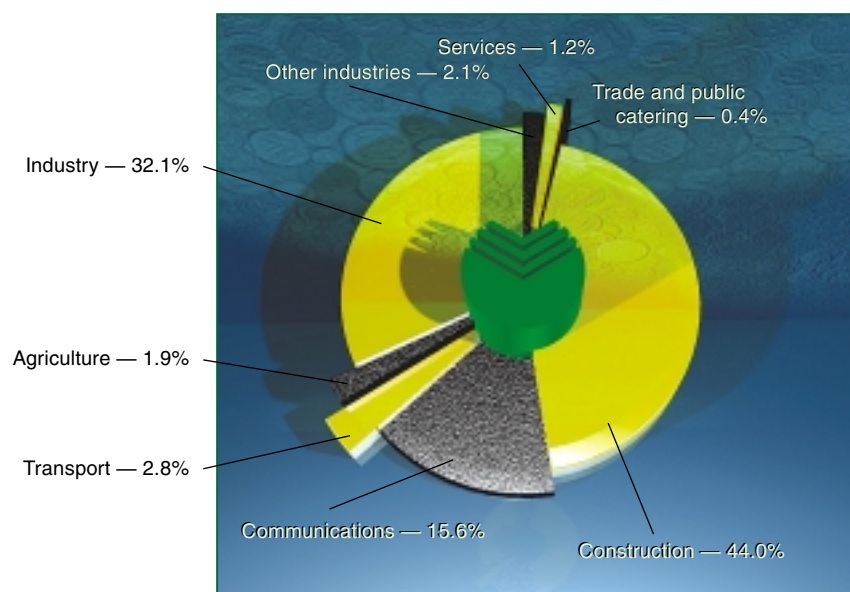
meters of office premises were sold under the construction projects financed by Sberbank in 2000.

One of the priorities defined by the Concept of Development to the Year 2005 is facilitating export-import operations.

The volume of financing of foreign trade operations has increased 1.84 times including 2.3 times growth of pre-export financing and 1.93 times growth of financing import operations using LCs.

In 2000, in cooperation with the European Bank for Reconstruction and Development

## Structure of Investment and Project Financing Portfolio as of January 1, 2001



opment (EBRD), Sberbank granted 8,211 loans within the framework of the Russia Small Business Program. High quality of credit operations and efficient use of

funds by Sberbank allowed EBRD to increase its limit for Sberbank under this Program from USD 20 million to USD 50 million.

Retail Loans Outstanding  
(RUB billion)



Sberbank intensively developed various lines of guarantee business, issuing all types of bank guarantees, including, among others, due execution of the contract, advance repayment and customs guarantees. The volume of such instruments issued during the year exceeded RUB 1 billion.

In 2000, rouble and foreign currency lending to individuals developed at the accelerated rate. The total amount of loans granted to individuals in 2000 made

RUB 25 billion and USD 36.3 million. Retail loans outstanding increased by RUB 13.0 billion (3.3-fold growth). A new lending product for youth «Loan for Education» was elaborated and launched. Within the framework of the Presidential Program «State Housing Certificates», Sberbank continued to extend credits to army officers to purchase housing; 13,115 special accounts were opened to holders of the State Housing Certificates with the total balance of RUB 2.7 billion.

## STOCK MARKET OPERATIONS

In spite of the decrease of the share of securities in the structure of Sberbank's assets, the volume of its securities portfolio grew by 18% and exceeded RUB 180 billion. State securities still make the bulk of the portfolio with 97.4%. Investment in GKO-OFZ bonds reached RUB 57.9 billion. Investment in state securities denominated in foreign currency remained at the level of 1999. By the end of 2000, Sberbank's investment in sub-federal debt decreased by more than a half to RUB 869.8 million.

Sberbank's investments in the equity of joint-stock companies and limited liability companies totalled RUB 2.4 billion, or less than 0.5% of net assets as of January 1, 2001. Taking into account high risk of this segment of the market, Sberbank does not consider such operations to be a

substantial source of income. Setting low limits on its trading portfolio, Sberbank simultaneously improves the techniques of conducting operations to ensure higher quality of customers' orders execution.

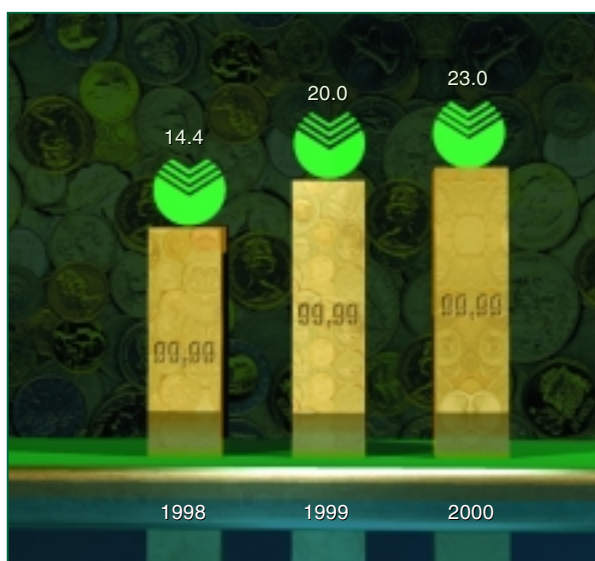
To provide comprehensive services to its customers in the securities market, Sberbank continued to develop its custody services. As of the end of 2000, the Depository of Sberbank opened 10,000 safe custody accounts to keep record of 5.5 trillion items of securities. Presently, it provides the full range of services and has correspondent relationships with the biggest depositories and registrars. In November, 2000 Sberbank received the licence to act as a specialised depository for servicing non-state pension and mutual investment funds.

## PRECIOUS METALS OPERATIONS

The Bank has consolidated its position in all segments of the domestic and international markets of precious metals. Complex servicing of gold mining enterprises, including pre-seasonal loans, allowed 15% growth in the purchases of bar gold from miners. To ensure the year-round deliveries of pre-

cious metals, Sberbank began long-term financing of enterprises producing gold ore and developing new gold-placer fields. In 2000, 23 tons of gold were delivered to the vaults of Sberbank under agreements on purchase and sale of precious metals. Introduction of unallocated precious metal accounts for

Purchasing Bar Gold from  
Gold Mining Enterprises (in tons)



interbranch settlements cut down the execution time of settlements with gold-miners.

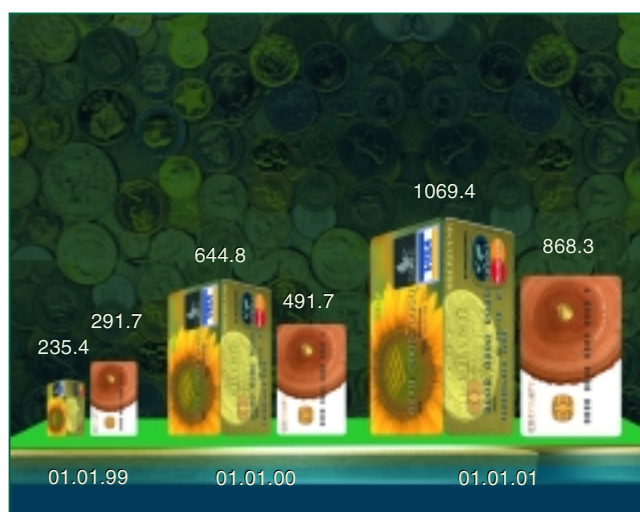
Operations on the international market of precious metals continue, with the turnover making one fifth of the total volume of the respective

Bank's operations. The retail market operations also grow: currently the Bank's branches sell gold in measured bars to individuals in 52 regions of Russia. The Bank sold 550 kg of gold and more than 141,000 precious metal coins to individuals.

## CARDS

The share of Sberbank in the Russian market of plastic cards makes about 25%. The Bank maintained high rate of issuing bank cards and significantly improved the respective servicing infrastructure. In 2000, the total number of cards issued increased 1.5 times and exceeded 2.2 million pieces. The rouble and foreign currency balances of plastic card accounts increased 2.9 and 1.8 times, respectively. Banking products designed for corporate clients (VISA Business, Eurocard/MasterCard Business interna-

tional cards) were actively promoted on the market. The Bank's proprietary program of issuing SBERCARD microchip cards successfully developed. These cards can be used independently of the local communications structure. Over the year, more than one thousand points of sale became clients of Sberbank, and the aggregate volume of business grew ten-fold against 1999. The Bank started rendering processing services to other commercial banks. Sberbank undertook the functions of a Settlement Agent under the



Issuance of Bank Cards by Sberbank (thousands)



Microchip SBERCARD

International Payment Systems

Agreement with Europay International S.A, which was an important event in the year 2000. Within the framework of the Agreement 29 special correspondent

accounts were opened to the member-banks of the domestic settlement system for servicing cards of the international payment system.



## OPERATIONS IN THE MONEY AND FX MARKETS

Sberbank has proved its status of market-maker both in the money and FX markets. In 2000, turnover on conversion operations of the Bank on the rouble/dollar market alone exceeded USD 20 billion. The Bank's experience on the domestic and international FX markets allows it to reduce clients' exchange rate risks and to quote most favourable rates when carrying out conversion operations for clients in actually all world currencies.

Sberbank remains one of the largest operators in the banknote business and carries out a full range of operations with more than 20 currencies. The share of

Sberbank in the import of banknotes to Russia is over 20%, the respective share for the export exceeds 50%. The list of currencies in which banknote operations can be carried out by the Bank has considerably expanded.

The Bank maintains its leading position in the Russian market in operations with the Ukrainian grivna, Belarussian rouble, Kazakh tenge, currencies of the Baltic states, Czech krone, Polish zloty, Indian (settlement) rupee, remaining the only bank in Russia that can offer its clients such a wide range of services for currencies of limited convertibility.

## SETTLEMENT SYSTEM

The key competitive advantage of the Bank is its country-wide branch network integrated by the unified settlement system, which allows to make payments, actually, to any region in Russia. The development of the proprietary settlement system, facilitating interregional real-time settlements, became the basis for growth in servicing non-cash flows of corporate clients. In 2000, about 200 million clients' payments in roubles and foreign currency were processed by the settlement system of Sberbank.

To service its clients focused on operations with foreign counterparties, the Bank maintains a wide network of correspondent relationships abroad, compris-

ing 51 accounts including two multicurrency ones, opened in the largest foreign institutions, 11 accounts in the banks of CIS and Baltic for cross-border settlements therewith, and 15 accounts in resident banks. The number of credit organisations (both resident and non-resident) that benefit from the Bank's settlement network and open «Loro» accounts with the Bank grows. As of January 1, 2001, the correspondent «Loro» account network comprised 995 accounts, including 616 in the currency of the Russian Federation and 379 in foreign currency.

Sberbank acts as a Clearing Bank for operations on the Moscow stock exchange (154 participants).

## PERSONNEL MANAGEMENT

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Considering the growth of its staff potential as the main condition for achieving its strategic goals, last year Sberbank focused on the qualitative improvement of its personnel, optimising its number and raising the efficiency of personnel recruiting and assignment. During the past year, 5,000 employees graduated from institutes and academies without interrupting their work at the Bank; 78,243 employees took full-time studies to

raise their qualification and 3,331 employees took individual on-the-job training courses in banking. Employees under 30 made over 30% of the Bank's staff. Certification of personnel has been continued. Over 21,000 people were attested. Branch network reorganisation allowed the Bank to optimise its human resource base: in 2000, the number of the Bank's employees was reduced by 4,028 (2.0 %), and as of January 1, 2001 made 199,857.

## ORGANISATIONAL STRUCTURE AND BRANCH NETWORK

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Consolidation of regional banks has allowed to strengthen their investment capacity, broaden opportunities for participation in important regional investment projects and economic development programs and to redistribute part of authority from the centre to the regions.

As a result of the merger of the Moscow city office of Sberbank with the Central Head Office the Bank is now represented in Moscow by a single banking institution. Reduction in the number of management layers creates the conditions for further improvement of servicing clients and cutting management costs.

The branch network optimisation continued. The branches with low cost-effectiveness and small volumes of operations were reorganised in supplementary

offices of effectively operating branches or regional banks. In 2000 the Board of the Bank, having considered applications of regional banks, made a decision on reorganisation of 288 branches. This decision was also approved by the Supervisory Board of Sberbank. Simultaneously with consolidation, more than 200 new branches of Sberbank were opened in the regions. They provide standard set of services, as well as specific or individual services to their clients.

Optimising its long-term investments, Sberbank decreased the number of the consolidated bank group members from 97 to 78 entities, including 41 subsidiaries and 7 affiliated companies. The volume of funds invested in the subsidiaries and affiliates is insignificant and makes less than 0.05% of the Bank's net assets.



## CHARITY AND SPONSORSHIP ACTIVITIES

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In 2000, developing long-time traditions, Sberbank continued its charity and sponsorship activities. Special attention was paid to rendering financial support to socially unprotected categories, including the disabled, orphans, children from poor families, members of the families of servicemen killed in action or when executing their duty, victims of natural disasters and terrorist acts.

Funds were allocated to support casualties of anti-terrorist actions in the North Caucasus and to the members of families of those killed in action. Substantial assistance was provided to the Military Clinical Hospital named after academician N.N. Burdenko at the Ministry of Defence of Russia for treatment of servicemen gravely wounded in the «hot» points of the country; to «Elvira» Society for Social Support of Blind and Deaf - for medical rehabilitation and social support of disabled; to interregional charitable public organisation «Association of Haemophilia Patients» and to

the regional public organisation «Children Oncology: Doctors and Parents Together» for treatment of children. As everywhere through Russia, employees of Sberbank took close to heart the tragedy of August, 2000 in the Barents Sea when «Kursk» nuclear submarine sank together with the crew.

Sponsorship activities were carried out to support Russian culture, art and science. Social support was rendered to a number of Moscow theatres. The Bank rendered financial assistance for preparation and staging of the Third World Theatrical Olympiad 2001 in Moscow. On applications of some foundations and public organisations, Sberbank branches and sub-branches collected free of charge voluntary donations and contributions of individuals and informed broad public of these charity actions. The Bank continued donating personal computers and other technical devices to Moscow educational organisations for children.



СБЕРБАНК  
РОССИИ

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# **Financial Statements and Auditor's Report 2000**

(in accordance with the Russian  
Accounting Standards)



## BANKING RATIOS OF SBERBANK AS OF JANUARY 1, 2001

| Standard № | Ratio   | Requirement | Actual |
|------------|---|-------------|--------|
| №1         | Capital adequacy  | min10%      | 10.5%  |
| №2         | Quick liquidity ratio   | min 20%     | 85.6%  |
| №3         | Current liquidity ratio   | min 70%     | 74.1%  |
| №4         | Long-term liquidity ratio   | max 120%    | 90.3%  |
| №5         | General liquidity ratio   | min 20%     | 42.9%  |
| №6         | Maximum exposure to a single borrower or a group of related borrowers                     | max 25%     | 81.4%* |
| №7         | Large exposure ratio  | max 800%    | 210.2% |
| №8         | Maximum exposure to a single creditor (depositor)   | max 25%     | 7.9%   |
| №9         | Maximum shareholder exposure  | max 20%     | 0.0%   |
| №9.1       | Total exposure to shareholders  | max 50%     | 0.0%   |
| №10        | Maximum exposure to related parties (loans, guarantees and sureties to insiders included) | max 2%      | 0.0%   |
| №10.1      | Total exposure to related parties (loans, guarantees and sureties to insiders included)   | max 3%      | 0.5%   |
| №11.1      | Commitments to non-resident banks and non-resident financial institutions                 | max 400%    | 4.0%   |
| №12        | Own equity (capital) used for investments in other entities                               | max 25%     | 0.6%   |
| №12.1      | Own equity (capital) used for investment into a single legal entity                       | max 5%      | 0.2%   |
| №13        | Promissory notes exposure   | max 100%    | 78.7%  |
| №14        | Liquidity of precious metals operations   | min10%      | —      |

\*As per letters of CBR (№016-15-3/3564 dd. 07.08.00; №016-15-3/324 dd. 17.01.01).



**Statutory Audit Report of the independent audit firm  
Closed joint-stock company «PricewaterhouseCoopers Audit»  
on the statutory accounting reports of  
Joint-Stock Commercial Savings Bank of the Russian Federation  
(open joint-stock company),  
prepared in conformity with Statutory requirements  
in respect of its business activity  
for the year ended 31 December 2000**

**FINAL PART**

**To the shareholders of Joint-Stock Commercial Savings bank of the Russian Federation (open joint-stock company):**

- 1 We have audited the accompanying 2000 statutory accounting reports of Joint-Stock Commercial Savings bank of the Russian Federation (open joint-stock company) (hereinafter — the Bank). These statutory accounting reports were prepared by the management of the Bank in accordance with the Chart of Accounts for credit institutions prescribed by the Bank of Russia and other regulatory documents. These statutory accounting reports differ significantly from financial statements prepared in accordance with International Accounting Standards mainly in areas of valuation of assets and capital, recognition of liabilities, and disclosure.
- 2 Preparation of the statutory accounting reports is the responsibility of the management of the Bank. Our responsibility as statutory auditors is to express an opinion on the trustworthiness in all material aspects of these statutory accounting reports based on our audit.
- 3 We conducted our statutory audit in accordance with:

The Temporary Rules of Audit Activity in the Russian Federation adopted by Decree of the President of the Russian Federation No 2263 of 22 December 1993;

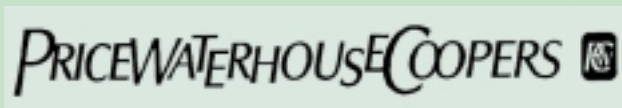
The Regulations of the Bank of Russia «On the order of compiling and presenting to the Bank of Russia the Audit report on the results of checking the credit institution's activity for the reporting year» No 10-P of 23 December 1997;

The rules and standards on Auditing approved by the Commission on Audit Activity under the President of the Russian Federation;

The firm is an authorized licensee of the tradename and logo of PricewaterhouseCoopers.







The Rule (Standard) of Banking Auditing approved by Expert Committee under the Bank of Russia;

International Standards on Auditing; and

Internal standards of the firm.

These standards require that we plan and perform the statutory audit to obtain reasonable assurance about whether the statutory accounting reports are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statutory accounting reports. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statutory accounting reports in order to assess compliance with laws and current regulations of the Russian Federation. We reviewed a sample of business transactions of the Bank for compliance with the effective legislation solely to obtain sufficient assurance that statutory accounting reports are free of material misstatements. We believe that our statutory audit provides a reasonable basis for our opinion.

- 4 In our opinion the audited annual statutory accounting reports are prepared in all material aspects in accordance with legislation and statutory requirements regulating the procedure for accounting and preparation of statutory accounting reports in the Russian Federation and the principles of accounting accepted in the Russian Federation. On this basis, the proper preparation of the balance sheet and of the profit and loss account is confirmed.

Director of the closed joint-stock company  
«PricewaterhouseCoopers Audit»

Statutory auditor

28 April 2000



Tam Basunia

O.A. Kucherova

**TRANSLATOR'S EXPLANATORY NOTE:**

The above translation of the auditor's report is provided as a free translation from Russian, which is the official and binding version. This English translation does not contain the English translation of the accounting and published reports, which are included in the official Russian version of the auditor's report.

**BALANCE SHEET**  
**as of January 1, 2001**

of Sberbank (Joint Stock Commercial Savings Bank of the Russian Federation).  
Registration number 1481 dated 12.08.1999  
Address: 19 Vavilova St., 117997 Moscow, Russia      BIC - 044525225

| <b>ASSETS</b>  | <b>(RUB/thb)</b>   |
|--|--------------------|
| 1. Cash and balances at the Central Bank   | 78,012,819         |
| 2. State securities  | 175,686,608        |
| 3. Due from lending institutions   | 1,139,960          |
| 4. Net investments in securities for resale (item 4.1 less item 4.2)                                     | 2,498,943          |
| 4.1. Securities for resale (book value)  | 2,932,700          |
| 4.2. Provision for possible diminution of securities value   | 433,757            |
| 5. Loans and other receivables   | 281,049,533        |
| 6. Accrued interest (including interest overdue)   | 4,933,583          |
| 7. Lease receivables   | 88,834             |
| 8. Provisions for possible loss  | 17,336,119         |
| 9. Net loans outstanding (item 5 less item 7)  | 263,713,434        |
| 10. Fixed and intangible assets, disposable materials, low value and short life items                    | 21,802,675         |
| 11. Net investment in securities held to maturity and equity participation (item 11.1 less item 11.2)    | 958,460            |
| 11.1. Long-term investment in securities held to maturity and equity participation (book value)          | 1,494,261          |
| 11.2. Provision for possible diminution in value of securities held to maturity and equity participation | 535,801            |
| 12. Prepaid expenses on other activities   | 473,968            |
| 13. Other assets   | 4,552,834          |
| <b>14. Total assets</b> (items 1 + 2 + 3 + 4 + 5a + 6 + 8 + 9 + 10 + 11 + 12 + 13)                       | <b>553,862,118</b> |
| <b>LIABILITIES</b>   |                    |
| 15. Due to the Central Bank of Russia  | 0                  |
| 16. Due to lending institutions  | 4,941,511          |
| 17. Claims of customers  | 462,730,371        |
| 17.1 Deposits from individual customers included   | 340,823,692        |
| 18. Deferred revenues from other operations  | 7,967              |
| 19. Debt instruments issued  | 34,999,114         |
| 20. Other liabilities  | 8,510,404          |
| 21. Reserves for possible loss on debtors' claims, risks and commitments                                 | 0                  |
| <b>22. Total liabilities</b> (items 15 + 16 + 17 + 18 + 19 + 20 + 21)                                    | <b>511,189,367</b> |

|  |                    |
|--|--------------------|
| <b>EQUITY</b>  |                    |
| 23. Share capital - Shareholders' funds, including:  | 750,100            |
| 23.1. Registered ordinary shares   | 700,100            |
| 23.2. Registered preference shares   | 50,000             |
| 23.3. Non-registered share capital of non-joint-stock banks  | 0                  |
| 24. Treasury stock   | 0                  |
| 25. Share premium  | 828,598            |
| 26. Retained earnings, other funds, capital surplus  | 38,258,137         |
| 27. Fixed assets revaluation   | 2,629,956          |
| 28. Profit (loss) for the accounting period  | 16,466,352         |
| 29. Dividends payable from the profit of the accounting period   | 0                  |
| 30. Allocated profit (net of dividends)  | 15,703,863         |
| 31. Undistributed profit (item 28 less item 29 less item 30)   | 762,489            |
| 32. Expenses and risks affecting equity  | 556,529            |
| 33. Total shareholders' equity<br>(item 23 less item 23.3 less item 24 + 25 + 26 + 27 + 31 less item 32) | 42,672,751         |
| <b>34. Total liabilities and shareholders' equity</b> (items 22 + 23.3 + 33)                             | <b>553,862,118</b> |
| <b>OFF-BALANCE COMMITMENTS</b>   |                    |
| 35. Irrevocable commitments  | 64,501,523         |
| 36. Guarantees issued  | 503,858            |

Trust account operations not carried out

**STATEMENT OF INCOME  
FOR THE YEAR 2000**

of Sberbank (Joint Stock Commercial Savings Bank of the Russian Federation).

Registration number 1481 dated 12.08.1999

Address: 19 Vavilova St., 117997 Moscow, Russia

BIC - 044525225

| ITEMS OF INCOME STATEMENT   | (RUB /ths)  |
|---|-------------|
| Interest and other income received from:  |             |
| 1. Loans to banks, deposits and accounts with banks   | 5,982,869   |
| 2. Loans to other customers   | 42,456,681  |
| 3. Funds in leasing   | 5,896       |
| 4. Fixed income securities  | 24,104,552  |
| 5. Other sources  | 154,628     |
| 6. Total interest and other income received<br>(sum of items from 1 to 5)   | 72,704,626  |
| Interest paid and other expenses on:  |             |
| 7. Funds of banks, including loans and deposits   | 385,619     |
| 8. Funds of other clients, including loans and deposits   | 42,851,933  |
| 9. Debt securities issued   | 565,611     |
| 10. Rent payable  | 782,168     |
| 11. Total interest paid and other expenses<br>(sum of items from 7 to 10)   | 44,585,331  |
| 12. Net interest and other income (item 6 less item 11)   | 28,119,295  |
| 13. Commission income   | 7,140,550   |
| 14. Commission expenses   | 220,771     |
| 15. Net commission income (item 13 less item 14)  | 6,919,779   |
| Other operating income:   |             |
| 16. Income on operations with foreign currency and other currency valuables,<br>including income from currency balances revaluation                                       | 186,591,257 |
| 17. Income from transactions of purchase/sale of precious<br>metals, securities and other assets, positive revaluation of<br>precious metals, securities and other assets | 13,524,652  |
| 18. Dividends received  | 15,828      |
| 19. Other current income  | 24,557,539  |
| 20. Total other operating income (sum of items from 16 to 19)   | 224,689,276 |
| 21. Current income (item 12 + item 15 + item 20)  | 259,728,350 |
| Other operating expenses:   |             |
| 22. Payroll   | 20,484,724  |

|  |             |
|--|-------------|
| 23. Maintenance expenses   | 28,928,933  |
| 24. Expenses on operations with foreign currency and other currency valuables, including currency balances revaluation   | 179,766,079 |
| 25. Expenses on transactions of purchase/sale of precious metals, securities and other assets, REPO transactions, negative revaluation of precious metals and securities | 3,485,240   |
| 26. Other current expenses   | 5,722,341   |
| 27. Total of other operating expenses (sum of items from 22 to 26)   | 238,387,317 |
| 28. Net current income before provisioning and sundry income (item 21 less item 27)  | 21,341,033  |
| 29. Change in loan loss provision  | 5,090,899   |
| 30. Change in provision for diminution of securities value   | -210,101    |
| 31. Change in other provisions   | -6,117      |
| 32. Net current income less sundry income (item 28 less items 29, 30 and 31)   | 16,466,352  |
| 33. Sundry income less sundry expenses   | 0           |
| 34. Net income (sundries included) before taxation (item 32 + item 33)   | 16,466,352  |
| 35. Income tax   | 3,758,190   |
| 36. Deferred income tax  | 0           |
| 36a Sundry expenses after taxation   | 0           |
| 37. Net profit (loss) for the accounting period (item 34 less items 36 and 36a)  | 16,466,352  |

Chairman of the Board and CEO  
of the Savings Bank of the Russian Federation



Andrei I. Kazmin

Chief Accountant  
Director of the Accounting Department  
of the Savings Bank of the Russian Federation



Andrei V. Kruzhalov

The analysed annual accounting statements in all material aspects have been prepared in accordance with legislation and rules, governing accounting procedure and preparation of accounting statements in the Russian Federation, as well as recognised principles of accounting.

Reliability of the balance sheet and the statement of income is certified.

The information concerning the above presented data is contained in the audit report on reliability of the financial statements of the credit institution as at 1 of January 2001.

- name of the company: Closed joint-stock company «PricewaterhouseCoopers Audit»
- license # 0067
- date of issue of the license: 08 September, 2000
- validity of the license: three years from 08 September 2000
- Managing Director:



T. Basunia.



# **Financial Statements and Auditor's Report 2000**

(in accordance with the International  
Accounting Standards)

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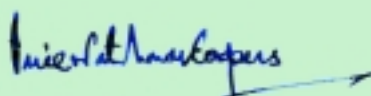
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## AUDITORS' REPORT

### To the Shareholders and Supervisory Council of the Savings Bank of the Russian Federation:

- 1 We have audited the accompanying balance sheet of the Savings Bank of the Russian Federation (the "Bank") as at 31 December 2000, and the related statements of income, of cash flows and of changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Bank's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.
- 3 In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2000 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.



Moscow, Russia  
20 June 2001

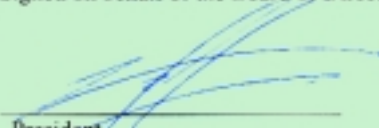
*Savings Bank of the Russian Federation*

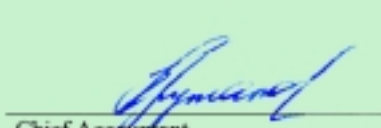
*Balance Sheet as at 31 December 2000*

*(in thousands of Russian Roubles in terms of the purchasing power of the Russian Rouble at 31 December 2000 – Note 3)*

|   | Note | 2000               | 1999<br>(restated) |
|---|------|--------------------|--------------------|
| <b>Assets</b>   |      |                    |                    |
| Cash and cash equivalents   | 5    | 22 813 065         | 25 565 415         |
| Mandatory cash balances with the Central Bank of the Russian Federation |      | 41 270 192         | 26 811 485         |
| Dealing securities  | 6    | 31 255 039         | 9 864 955          |
| Due from banks  | 7    | 20 767 883         | 19 956 421         |
| Loans and advances to customers   | 8    | 242 298 666        | 144 016 607        |
| Investment securities   | 9    | 135 380 903        | 154 364 304        |
| Other investments   | 10   | 318 831            | 435 228            |
| Other assets  | 11   | 13 093 975         | 15 964 789         |
| Premises and equipment  | 12   | 43 448 009         | 47 860 597         |
| <b>Total assets</b>   |      | <b>550 646 563</b> | <b>444 839 801</b> |
| <b>Liabilities</b>  |      |                    |                    |
| Due to banks  | 13   | 4 364 740          | 8 550 016          |
| Deposits from individuals   | 14   | 347 073 392        | 273 918 716        |
| Customer accounts   | 14   | 115 001 131        | 88 004 259         |
| Own securities issued   | 15   | 34 999 117         | 30 818 821         |
| Other borrowed funds  | 16   | 563 200            | 648 691            |
| Other liabilities   | 17   | 7 059 394          | 9 680 532          |
| <b>Total liabilities</b>  |      | <b>509 060 974</b> | <b>411 621 035</b> |
| <b>Shareholders' equity</b>   |      |                    |                    |
| Share capital   | 18   | 15 109 768         | 15 103 583         |
| Share premium   | 19   | 3 008 900          | 3 008 900          |
| Revaluation reserve for premises and equipment                          | 12   | 299 442            | 2 743 973          |
| Retained earnings and other reserves                                    | 20   | 23 167 479         | 12 362 310         |
| <b>Total shareholders' equity</b>                                       |      | <b>41 585 589</b>  | <b>33 218 766</b>  |
| <b>Total liabilities and shareholders' equity</b>                       |      | <b>550 646 563</b> | <b>444 839 801</b> |

Signed on behalf of the Board of Directors on 19 June 2001.

  
 President  
 Kazmin A.I.

  
 Chief Accountant  
 Kruzhalov A.V.

**Savings Bank of the Russian Federation**  
**Statement of Income for the Year Ended 31 December 2000**

(in thousands of Russian Roubles in terms of the purchasing power of the Russian Rouble at 31 December 2000 – Note 3)

|  | Note | 2000              | 1999<br>(restated) |
|--|------|-------------------|--------------------|
| Interest income on loans   | 21   | 53 251 567        | 38 212 267         |
| Interest income on securities  | 21   | 32 938 191        | 41 503 559         |
| Interest expense   | 21   | (49 170 247)      | (61 708 924)       |
| <b>Net interest income</b>   |      | <b>37 019 511</b> | <b>18 006 902</b>  |
| Provision for losses on loans and advances   | 7,8  | (6 969 417)       | (10 947 078)       |
| <b>Net interest income after provision for losses on loans and advances</b>                      |      | <b>30 050 094</b> | <b>7 059 824</b>   |
| Gains less losses arising from securities  |      | 6 673 406         | 4 060 585          |
| Gains less losses arising from dealing in foreign currencies                                     |      | 3 746 835         | 5 302 442          |
| Foreign exchange translation gains less losses   |      | 4 156 949         | 29 480 179         |
| Fee and commission income  | 22   | 7 771 765         | 5 894 507          |
| Fee and commission expense   | 22   | (241 986)         | (327 245)          |
| Other operating income   | 23   | 2 510 909         | 3 598 926          |
| <b>Net revenues</b>  |      | <b>54 667 972</b> | <b>55 069 218</b>  |
| Staff costs  |      | (23 083 816)      | (20 377 327)       |
| Operating expenses   | 25   | (17 209 462)      | (17 353 223)       |
| (Provision) / recovery on uncollectable gains on forward foreign exchange contracts              | 30   | (564 911)         | 219 708            |
| Recovery of provision for diminution in value of federal government securities                   | 9    | 694 059           | -                  |
| Recovery of / (provision) for diminution in value of investment securities and other investments | 9,10 | 597 438           | (179 280)          |
| Recovery of / (provision) for credit related commitments   | 30   | 53 745            | (39 940)           |
| Monetary gain  |      | 1 437 942         | 7 340 308          |
| <b>Profit before taxation</b>  |      | <b>16 592 967</b> | <b>24 679 464</b>  |
| Taxation   | 25   | (5 429 281)       | (4 947 226)        |
| <b>Net profit</b>  |      | <b>11 163 686</b> | <b>19 732 238</b>  |
| <b>Earnings per share (expressed in RR per share)</b>  | 26   | <b>794.43</b>     | <b>1 408.99</b>    |

The notes set out on pages 5 to 38 form an integral part of these financial statements.

2



**Savings Bank of the Russian Federation**

**Statement of Cash Flows for the Year Ended 31 December 2000**

(in thousands of Russian Roubles in terms of the purchasing power of the Russian Rouble at 31 December 2000 – Note 3)

|  | Note | 2000               | 1999<br>(restated)  |
|--|------|--------------------|---------------------|
| <b>Cash Flows From Operating Activities</b>                              |      |                    |                     |
| Interest received on loans   |      | 52 685 318         | 37 170 538          |
| Interest received on investment securities                               |      | 29 428 385         | 34 179 046          |
| Interest paid  |      | (49 431 117)       | (62 989 448)        |
| Realised gains less losses from dealing in securities                    |      | 6 997 109          | 4 552 754           |
| Realised gains less losses from dealing in foreign currency              |      | 3 050 074          | (56 195)            |
| Commissions received   |      | 7 771 765          | 5 943 856           |
| Commissions paid   |      | (241 986)          | (314 822)           |
| Other operating income received  |      | 2 189 436          | 3 156 083           |
| Staff costs paid   |      | (22 903 068)       | (19 540 337)        |
| General administrative and other operating expenses paid                 |      | (14 935 288)       | (13 873 001)        |
| Income tax paid  |      | (3 769 048)        | (3 507 644)         |
| <b>Operating profits/(losses) before changes in operating assets and</b> |      | <b>10 841 580</b>  | <b>(15 279 170)</b> |
| <b>Net cash (increase)/decrease from operating assets and</b>            |      |                    |                     |
| Net increase in mandatory cash balances with the CBRF                    |      | (14 458 707)       | (18 319 901)        |
| Net increase in dealing securities                                       |      | (22 140 758)       | (8 897 411)         |
| Net increase in due from banks   |      | (311 732)          | (11 621 971)        |
| Net increase in loans and advances to customers                          |      | (97 699 662)       | (119 680 556)       |
| Net decrease in investment securities                                    |      | 34 314 688         | 16 856 372          |
| Net decrease in other assets   |      | 1 080 238          | 805 127             |
| Net (decrease)/increase in deposits from banks                           |      | (4 252 208)        | 7 498 076           |
| Net increase in deposits from individuals                                |      | 70 457 171         | 91 654 981          |
| Net increase in customer accounts  |      | 26 216 640         | 41 133 107          |
| Net increase in own securities issued                                    |      | 4 079 033          | 25 411 641          |
| Net decrease in other liabilities  |      | (2 034 572)        | (4 455 840)         |
| <b>Net cash from operating activities</b>                                |      | <b>6 091 711</b>   | <b>5 104 455</b>    |
| <b>Cash Flows From Investing Activities</b>                              |      |                    |                     |
| Purchase of premises and equipment                                       |      | (3 583 633)        | (5 367 918)         |
| Proceeds from sale of premises and equipment                             |      | 752 355            | 898 558             |
| Proceeds from sale of other investments                                  |      | -                  | 241 165             |
| Dividends received from other investments                                |      | 17 364             | 4 910               |
| <b>Net cash used in investing activities</b>                             |      | <b>(2 813 914)</b> | <b>(4 223 285)</b>  |
| <b>Cash Flows From Financing Activities</b>                              |      |                    |                     |
| Sale of treasury shares, net   |      | 6 185              | 39 154              |
| Repayment of other borrowed funds  |      | -                  | (1 876 625)         |
| Dividends paid   |      | (559 969)          | (531 450)           |
| <b>Net cash used in financing activities</b>                             |      | <b>(553 784)</b>   | <b>(2 368 921)</b>  |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>      |      | <b>197 884</b>     | <b>4 099 348</b>    |
| <b>Effect of inflation on cash and cash equivalents</b>                  |      | <b>(5 674 247)</b> | <b>(8 683 102)</b>  |
| <b>Net increase in cash and cash equivalents</b>                         |      | <b>(2 752 350)</b> | <b>(6 071 505)</b>  |
| Cash and cash equivalents at beginning of the year                       |      | 25 565 415         | 31 636 920          |
| <b>Cash and cash equivalents at the end of the year</b>                  | 5    | <b>22 813 065</b>  | <b>25 565 415</b>   |

Note: The effect of the revaluation of foreign currency balances was eliminated from the above statement of cash flows.

*Savings Bank of the Russian Federation*

*Statement of Changes in Shareholders' Equity for the Year Ended 31 December 2000*

*(in thousands of Russian Roubles in terms of the purchasing power of the Russian Rouble at 31 December 2000 – Note 3)*

|   | Share capital     | Treasury shares | Share premium    | Revaluation reserve for premises | (Accumulated deficit)/ Retained earnings and other reserves | Total shareholders' equity |
|---|-------------------|-----------------|------------------|----------------------------------|---|----------------------------|
| <b>Balance at 1 January 1999 (as previously reported)</b>   | <b>750 100</b>    | <b>(34 859)</b> | <b>828 599</b>   | <b>6 537 787</b>                 | <b>(5 945 327)</b>  | <b>2 136 300</b>           |
| <b>Effect of adoption of IAS 29 (Note 33)</b>   | <b>14 361 165</b> | <b>(11 977)</b> | <b>2 180 301</b> | <b>(6 537 787)</b>               | <b>(879 219)</b>  | <b>9 112 483</b>           |
| <b>Balance at 1 January 1999 (restated)</b>   | <b>15 111 265</b> | <b>(46 836)</b> | <b>3 008 900</b> | <b>-</b>                         | <b>(6 824 546)</b>  | <b>11 248 783</b>          |
| Purchase and sale of treasury shares, net   | -                 | 39 154          | -                | -                                | -   | 39 154                     |
| Revaluation of premises, net  | -                 | -               | -                | 4 425 763                        | -   | 4 425 763                  |
| Recognition of deferred tax credit in respect of revaluation of premises (Note 25)                    | -                 | -               | -                | (1 681 790)                      | -   | (1 681 790)                |
| Net profit for the year   | -                 | -               | -                | -                                | 19 732 238  | 19 732 238                 |
| Dividends declared (Note 27)  | -                 | -               | -                | -                                | -   | -                          |
| - Ordinary shares   | -                 | -               | -                | -                                | (485 502)   | (485 502)                  |
| - Preference shares   | -                 | -               | -                | -                                | (59 880)  | (59 880)                   |
| <b>Balance at 31 December 1999 (restated)</b>   | <b>15 111 265</b> | <b>(7 682)</b>  | <b>3 008 900</b> | <b>2 743 973</b>                 | <b>12 362 310</b>   | <b>33 218 766</b>          |
| Purchase and sale of treasury shares, net   | -                 | 6 185           | -                | -                                | -   | 6 185                      |
| Impairment of premises, net (Note 12)   | -                 | -               | -                | (3 699 330)                      | -   | (3 699 330)                |
| Reduction of deferred tax credit in respect of revaluation of premises (Note 25)                      | -                 | -               | -                | 1 455 896                        | -   | 1 455 896                  |
| Reclassification of depreciation charged in the statement of income in respect of revaluation reserve | -                 | -               | -                | (201 097)                        | 201 097   | -                          |
| Net profit for the year   | -                 | -               | -                | -                                | 11 163 686  | 11 163 686                 |
| Dividends declared (Note 27)  | -                 | -               | -                | -                                | -   | -                          |
| - Ordinary shares   | -                 | -               | -                | -                                | (515 557)   | (515 557)                  |
| - Preference shares   | -                 | -               | -                | -                                | (44 057)  | (44 057)                   |
| <b>Balance at 31 December 2000</b>  | <b>15 111 265</b> | <b>(1 497)</b>  | <b>3 008 900</b> | <b>299 442</b>                   | <b>23 167 479</b>   | <b>41 585 589</b>          |

The notes set out on pages 5 to 38 form an integral part of these financial statements.

4

## **1 Principal Activities**

Savings Bank of the Russian Federation (the "Bank") is a joint stock commercial bank which was established in 1841 and has operated in various forms since then. The Bank's principal shareholder, the Central Bank of the Russian Federation, owns 57.65% of the issued shares at 31 December 2000. The Bank is registered in the Russian Federation to carry out banking activities and has operated under a full banking license issued by the Central Bank of the Russian Federation ("CBRF") since 1991. The Bank's principal business activity is retail and commercial banking operations within the Russian Federation. Deposits of individuals placed with the Bank are guaranteed by the State.

The Supervisory Council of the Bank is headed by the Chairman of the CBRF and co-chaired by the Minister of Finance of the Russian Federation and the Deputy Chairman of the CBRF. The Supervisory Council also includes representatives from the Bank's other shareholders.

The Bank has 21 778 branches within the Russian Federation. The main office of the Bank is located at 117997, Moscow, Vavilova St. 19. The average number of the Bank's employees during 2000 was 197 122 (1999: 199 491).

## **2 Operating Environment of the Bank**

The economy of the Russian Federation continues to display characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country; a low level of liquidity in the public and private debt and equity markets; and high inflation.

Additionally, the banking sector in the Russian Federation is particularly impacted by adverse currency fluctuations and economic conditions. Furthermore, the need for further developments in the bankruptcy laws, the absence of formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the difficulties experienced by banks currently operating in the Russian Federation.

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

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

## **3 Basis of Presentation**

**Basis of Presentation.** The financial statements of the Bank are prepared in accordance with International Accounting Standards. The Bank maintains its accounting records in accordance with Russian banking regulations. These financial statements have been prepared from those accounting records and adjusted as necessary in order to comply with International Accounting Standards ("IAS") issued by the International Accounting Standards Committee.

During 2000, the Bank retrospectively adopted IAS 29 "Financial Reporting in Hyperinflationary Economies" which is described in more detail in Note 33. IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. Accordingly, adjustments and reclassifications made to the statutory records for the purpose of IAS presentation include the restatement for the changes in the general purchasing power of the Russian Rouble in accordance with IAS 29. Corresponding information was revised retrospectively to reflect the effect of the adoption of this standard.

The financial statements are presented in the national currency of the Russian Federation, the Russian Rouble ("RR"), expressed in terms of the purchasing power of the Russian Rouble as at 31 December 2000.

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



#### **4 Significant Accounting Policies**

**Cash and cash equivalents.** Cash and cash equivalents are items which can be converted into cash within a day. All short term interbank placements, beyond overnight deposits and correspondent accounts denominated in precious metals, are included in loans and advances to banks.

**Mandatory balances with the CBRF.** Mandatory balances with the Central Bank of the Russian Federation represent mandatory reserve deposits which are not available to finance the Bank's day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the cash flow statement.

**Precious metals.** Precious metals are represented primarily by gold, and are recorded at current CBRF purchase prices which are quoted at a discount to London metal exchange prices.

**Loans and advances and provisions for losses on loans and advances.** Loans and advances are stated at the principal amounts outstanding net of provisions for losses on loans and advances.

Provisions for losses on loans and advances are based on the evaluation by Management of their collectability. Specific provisions are raised against debts whose recovery has been identified as doubtful. Additional provisions are raised against the latent bad and doubtful loans and advances which are inherent in the loan and advances portfolio but which at the date of preparing the financial statements have not been specifically identified. Recoveries of amounts previously written off are treated as income by reducing the provision for losses on loans and advances for the year. The net aggregate provisions raised during the year are recognised in the statement of income.

Estimates of losses on loans and advances require the exercise of judgement and the use of assumptions. The principal factors considered in determining the loan loss provision are the growth, composition and quality of the loan portfolio, ability of the individual borrowers to repay the loans, past performance history of the individual loans, level of past due loans and advances, current economic conditions and value and adequacy of collateral.

Loans and advances that cannot be recovered are written off and charged against the balance sheet provision for losses on loans. Such loans and advances are written off after all the necessary legal procedures have been completed and the amount of the loss has been determined.

**Other credit related commitments.** In the normal course of business, the Bank enters into other credit related commitments including loan commitments, letters of credit and guarantees. The accounting policy and provisioning methodology is similar to that for loans noted above.

**Securities.** The Bank generally allocates its securities between dealing and investment portfolios based on Management's intention to hold such securities either for the short or long term. Transfers of securities between the two portfolios are made at fair market value. The Bank's accounting policies for dealing and investment securities are as follows:

**Dealing securities.** Dealing securities, which are held for trading purposes, are stated at market value. All interest income and gains/losses realised and unrealised from trading in dealing securities are reported in gains less losses arising from dealing securities.

**Investment securities.** Investment securities are those which Management intends, and is able, to hold until maturity, and are stated at cost as adjusted for the amortization of discounts on purchase over the period to maturity. The amortised discount and coupons earned on investment securities are reflected in the statement of income as interest income on securities. A provision for diminution in the value of investments is made where the value of an investment security has declined, and Management believes that the decline is not temporary in nature (see Note 9).

Because of inherent settlement risk within the securities market, security purchases and sales are recorded when the security transaction is settled.

#### **4 Significant Accounting Policies (Continued)**

**Other investments.** Other investments include the Bank's investments in subsidiaries and associated companies, which have not been accounted for on a consolidation basis or on an equity accounting basis, and trade investments held for the long-term purposes. These investments are carried at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2000 less any provision for permanent diminution in value, created in cases where the value of an investment has declined, and Management believes that such decline is not temporary in nature. Income derived from these investments is accounted for on a cash basis.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to income.

**Sale and repurchase agreements.** Sale and repurchase agreements ("repo") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are included in dealing securities. The corresponding liability is included in due to banks. Securities purchased under agreements to resell ("reverse repo") are recorded as loans and advances to banks or customers as appropriate. The differences between the sale and repurchase prices are treated as interest and accrued evenly over the life of the repo agreement.

**Premises and equipment.** Premises and equipment are stated at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2000, or revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the difference is charged to the consolidated statement of income. The estimated recoverable amount is the higher of an asset's net selling price and its value in use.

Revaluation surplus represents the difference between restated book amount of premises and their market value. The proportion of revaluation surplus, representing the amount depreciated, is transferred annually to retained earnings based on the estimated average useful life of the underlying premises.

Premises have been revalued to market value as of 31 December 2000. The revaluation was performed on the basis of an appraisal performed by a professional, internationally recognised real estate appraisal company which has an office in Russia. The basis used for the appraisal was market value.

Construction in progress is carried at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2000, less provision for any impairment in value. Upon completion, assets are transferred to premises and equipment at its carrying value. Construction in progress is not depreciated until the asset is available for use.

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

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

Premises 2.5% per annum (remaining average useful life of 25 years); and

Equipment 10-25% per annum.

**Bills of exchange.** Bills of exchange, more commonly known as "veksels", are instruments issued by the Bank to its customers which carry a fixed date of repayment. These may be issued against cash deposits or as a payment instrument, which the customer can discount in the over-the-counter secondary market. Bills of exchange issued by the Bank are recorded at nominal value with the corresponding discount recorded to other assets and amortised to the statement of income over the period of maturity of the veksel.

The Bank also purchases bills of exchange from its customers or in the market. These bills are carried at cost and the discount against the nominal value is accrued over the period to maturity. Provision is made, based on Management's assessment, for bills of exchange that are considered uncollectable. Purchased bills of exchange are included within the balance sheet in loans to customers or to banks, depending on their issuers.

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



#### **4 Significant Accounting Policies (Continued)**

**Preferred shares.** Preferred shares that are not redeemable and upon which dividends are declared at the discretion of Management, are classified as equity. Mandatorily redeemable preferred shares are classified as liabilities.

**Treasury shares.** Shares of the Bank owned by the Bank, and held at the balance sheet date, are designated as treasury shares. The Bank accounts for such shares under the "cost method" and the cost of such shares is shown as a reduction in shareholders' equity.

**Dividends.** Dividends payable are not accounted for until they have been ratified at the Bank's Annual Shareholders' Meeting. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the current year net profit.

**Income taxes.** Taxation has been provided for in the financial statements in accordance with Russian legislation currently in force. Taxation on the profit or loss for the year comprises current tax and changes in deferred tax. Current tax is calculated on the basis of the expected taxable profit for the year, using the tax rates enacted at the balance sheet date. Taxes, other than on income, are recorded within operating expenses.

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

The deferred tax liability arising on the revaluation of premises is charged through the statement of shareholders equity. Any tax effect of subsequent impairment of the revaluation surplus is also taken through the statement of shareholders equity; any deferred tax credit beyond the revaluation surplus is reflected through the statement of income.

**Income and expense.** Interest income and expense are recognised in the statement of income on an accrual basis. Interest income is suspended when overdue and is excluded from interest income in the statement of income until received. Interest income on investment securities includes coupons earned on fixed income investment securities and accrued discounts on federal government securities. Commissions and other income are credited to income when the related service is provided or received. Non-interest expenses are recognised at the time products are received or the service is provided.

**Foreign currency translation.** Transactions denominated in foreign currency are recorded at the exchange rate ruling at the transaction date. Exchange differences resulting from the settlement of transactions denominated in foreign currency are included in the statement of income using the exchange rate ruling on that date.

Monetary assets and liabilities denominated in foreign currency are translated into Russian Roubles at the official exchange rate of the CBRF at the balance sheet date. Foreign currency gains and losses arising from the translation of assets and liabilities are reflected in the statement of income as foreign exchange translation gains less losses. As at 31 December 2000 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 28.16 (1999: USD 1 = RR 27.00). Exchange restrictions and controls exist relating to converting Russian Roubles into other currencies. At present, the Russian Rouble is not a convertible currency outside of the Russian Federation.

**Derivative financial instruments.** Derivative financial instruments include forward and spot transactions and option contracts in foreign exchange markets. The Bank's normal policy is to measure these instruments at their fair value, using quoted market prices, discounted cash flow models, spot and forward rates at the year end as the basis for the fair value measurement with resultant gains or losses being reported within gains less losses arising from dealing in foreign currency within the statement of income. The August 1998 economic crisis and the subsequent legal uncertainty over derivatives' contracts have necessitated the Bank to adopt specific accounting methods as described hereunder:

#### **4 Significant Accounting Policies (Continued)**

##### Index Forwards

The Bank has either paid the amount due under index contracts, and realised a loss or gain, or negotiated a settlement for a lesser amount and has recognised a loss or gain based on the agreed terms, or has not settled with the counterparty. Where no settlements or agreements have been reached the loss or gain on the index contracts has been recognised applying the exchange rates ruling on the contractual maturity dates, for domestic counterparties, and the respective year end exchange rate, for foreign counterparties. This difference in the application of exchange rates is due to the fact that settlements with domestic counterparties in the normal course of business have been performed in Russian Roubles, and with foreign counterparties – in foreign currency. For contracts settled in foreign currency, the portion of the resultant gain or loss that arises between the contract maturity date and the respective year end exchange rate is recorded within foreign exchange translation gains less losses.

Gains and losses recognised on the index contracts have been offset within each counterparty since existing legal practice provides that there is a legally enforceable right to offset these amounts, and management intends to settle all the contracts with the same counterparty on a net basis.

##### Deliverable Forwards

The Bank has either paid the amount due under deliverable contracts and recognised a loss/gain, or negotiated a settlement for a lesser amount and has recognised a loss or gain based on the agreed terms, or has not settled with the counterparty. Where no settlements or agreements have been reached, the loss or gain on the deliverable contracts has been recognised based on the respective year end exchange rate, plus interest and penalties where applicable. Gains and losses on the deliverable contracts have not been offset within each counterparty.

##### Options

Where conditions of an option agreement include the actual delivery of currency, the Bank has recognised a loss or gain in the same way as for the deliverable forward contracts, otherwise the Bank has used the approach for index forwards noted above.

Where applicable, Management has made provisions against the gains recognised on the above instruments where it is likely that collectability of the receivable from the counterparty is doubtful.

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

**Pension costs.** The Bank contributes to the Russian Federation state pension schemes, social insurance and employment funds in respect of its employees. The Bank's pension scheme contributions amount to 28% of employees' gross salaries, and are expensed as incurred. The contributions are included into staff costs.

**Operating leases.** Payments made under operating leases are charged against income in equal instalments over the period of the lease.

**Accounting for the effects of hyperinflation.** Russia continues to experience relatively high levels of inflation and is considered to be hyperinflationary as defined by IAS 29. Accordingly, adjustments and reclassifications made for the purposes of IAS presentation include the restatement, in accordance with IAS 29, for changes in the general purchasing power of the Russian Rouble. IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. IAS indicates that reporting operating results and financial position in the local currency without restatement is not useful because money loses purchasing power at such a rate that the comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.



**4 Significant Accounting Policies (Continued)**

The application of IAS 29 results in an adjustment to the statement of income for the loss of purchasing power of the Russian Rouble. Gain or loss on net monetary position is calculated as the difference resulting from the restatement of non-monetary assets, shareholders' equity and profit and loss account items. Corresponding figures for the year ended 31 December 1999 have also been restated for the changes in the general purchasing power of the Russian Rouble at 31 December 2000.

The restatement was calculated using the conversion factors derived from the Russian Federation Consumer Price Index ("CPI"), published by the Russian Statistics Agency, and from indices obtained from other sources for years prior to 1992. The indices used to restate the financial statements are based on 1988 prices using 100 as the base index. The inflation indices for the five years ended 31 December 2000 and the respective conversion factors are the following:

|      | Index     | Conversion Factor |
|------|-----------|-------------------|
| 1996 | 594 110   | 3.4               |
| 1997 | 659 403   | 3.0               |
| 1998 | 1 216 400 | 1.7               |
| 1999 | 1 661 481 | 1.2               |
| 2000 | 1 995 937 | 1.0               |

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at 31 December 2000. Non-monetary assets and liabilities (items which are not expressed in terms of the monetary unit current at 31 December 2000) are restated by applying the relevant conversion factor. The effect of inflation on the Bank's net monetary position is included in the statement of income as a monetary gain or loss.

Equipment has been indexed by the change in the general price index from the date of purchase, and premises have been revalued using an independent appraiser at the balance sheet date. Where indexation is applied, an assessment has been made of the potential impairment and diminution in the carrying value of these assets, and where applicable such assets have been reduced to their recoverable amounts.

Components of equity have been indexed by the change in the general price index from the approximate date of transactions resulting in movement in equity.

Amounts included in the statement of income have been indexed by the change in the general price index based on the following assumptions:

- Inflation has occurred evenly over the year; and
- Income and expenditures have accrued evenly over the year except for charges against profit for aggregate movements in:
  - provisions for losses on loans and advances;
  - provision for diminution in value of federal government securities;
  - provision for diminution in value of investment securities and other investments;
  - provision for uncollectable gains on forward foreign exchange contracts;
  - provision for credit related commitments and
  - provision for impairment in value of non-monetary assets.

All such movements have been treated, for the purposes of this calculation, as occurring at the period end.

**4 Significant Accounting Policies (Continued)**

**Segment reporting.** A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Information on segment reporting is presented in Note 28 within these financial statements.

**5 Cash and Cash Equivalents**

|  | 2000              | 1999              |
|--|-------------------|-------------------|
| Cash on hand   | 9 199 875         | 12 360 017        |
| Cash balances with the CBRF (other than mandatory reserve deposits)<br>(Note 32) | 12 136 251        | 6 793 105         |
| Correspondent accounts and placements with other banks                           |                   |                   |
| - Russian Federation   | 115 240           | 247 111           |
| - Other countries  | 1 044 622         | 3 431 118         |
| Precious metals  | 317 077           | 2 734 064         |
| <b>Total cash and cash equivalents</b>   | <b>22 813 065</b> | <b>25 565 415</b> |

**6 Dealing Securities**

|  | 2000              | 1999             |
|--|-------------------|------------------|
| <b>Federal government securities</b>       |                   |                  |
| <b>RR denominated</b>                      |                   |                  |
| Federal loan bonds (OFZ)                   | 23 210 036        | 5 087 445        |
| Federal loan bonds (non-market) (OGNZ)     | 3 050 584         | 121 531          |
| <b>USD denominated</b>                     |                   |                  |
| Russian Federation Eurobonds               | 2 115 457         | 1 392 721        |
| Vnesheconombank 3% coupon bonds (VEB)      | 1 666 290         | 1 561 349        |
| <b>Total federal government securities</b> | <b>30 042 367</b> | <b>8 163 046</b> |
| <b>Other RR denominated securities</b>     |                   |                  |
| Local government bonds                     | 473 832           | 870 272          |
| Corporate shares                           | 725 709           | 818 087          |
| Other                                      | 13 131            | 13 550           |
| <b>Total dealing securities</b>            | <b>31 255 039</b> | <b>9 864 955</b> |

Federal government securities held for dealing purposes are reflected at year end market value. For a detailed description of federal government securities in the Bank's portfolio refer to Note 9.

Federal non-market loan bonds are securities issued by the Ministry of Finance of the Russian Federation. These securities are purchased and redeemed at nominal value and bear a coupon interest rate of 12% and 18%.

Local government bonds in the Bank's dealing portfolio are represented by the municipal bonds of the city of St. Petersburg which are reflected at year end market value.

**6 Dealing Securities (Continued)**

Corporate shares are shares of Russian companies. They are reflected at year-end market value, which has been estimated by the Management using last traded prices or bid prices obtained from the Russian Trade System (RTS) and over-the-counter market. The purchase price of the shares was RR 1 511 984 thousand resulting in a write-down of RR 786 275 thousand. The above write-down to the market value of corporate shares have been reflected within gains less losses arising from securities in the statement of income.

The geographical and currency analysis of dealing securities is disclosed in Note 28. The maturity structure of dealing securities is detailed in Note 29.

**7 Due from Banks**

|  | 2000              | 1999              |
|--|-------------------|-------------------|
| Current interbank loans                      | 21 257 325        | 20 651 436        |
| Overdue interbank loans                      | 569 504           | 531 254           |
| Less: Provision for losses on due from banks | (1 058 946)       | (1 226 269)       |
| <b>Total due from banks</b>                  | <b>20 767 883</b> | <b>19 956 421</b> |

Movements in the provision for losses on due from banks are as follows:

|   | 2000             | 1999             |
|---|------------------|------------------|
| <b>Provision for losses on due from banks at 1 January</b>          | <b>1 226 269</b> | <b>1 408 449</b> |
| Charge against profits for losses on due from banks during the year | 50 407           | 410 328          |
| Due from banks written off during the year as uncollectable         | (12 263)         | (215 211)        |
| Effect of inflation   | (205 467)        | (377 297)        |
| <b>Provision for losses on due from banks at 31 December</b>        | <b>1 058 946</b> | <b>1 226 269</b> |

The general average interest rates on due from banks during 2000 was 11.3% on loans granted in Russian Roubles (1999: 21.4%) and 6.3% on loans in foreign currency (1999: 5.0%).

A further breakdown of loans and advances to banks is set out as follows:

|   | 2000              | 1999              |
|---|-------------------|-------------------|
| Russian Federation, except for loans to the CBRF            | 2 516 205         | 6 899 290         |
| CBRF (Note 32)  | 15 400 000        | -                 |
| Other countries   | 3 910 624         | 14 283 400        |
| <b>Total loans and advances to banks (aggregate amount)</b> | <b>21 826 829</b> | <b>21 182 690</b> |

The geographical and currency analysis of due from banks is disclosed in Note 28. The maturity structure of the loan portfolio is detailed in Note 29.



*Savings Bank of the Russian Federation*

*Notes to the Financial Statements - 31 December 2000*

*(in thousands of Russian Roubles in terms of the purchasing power of the Russian Rouble at 31 December 2000 - Note 3)*

**8 Loans and Advances to Customers**

|   | 2000               | 1999               |
|---|--------------------|--------------------|
| Current loans   | 269 283 391        | 168 683 441        |
| Overdue loans   | 5 915 794          | 7 838 092          |
| Less: Provision for losses on loans and advances to customers | (32 900 519)       | (32 504 926)       |
| <b>Total loans and advances to customers</b>                  | <b>242 298 666</b> | <b>144 016 607</b> |

Movements in the provision for losses on loans and advances to customers are as follows:

|  | 2000              | 1999              |
|--|-------------------|-------------------|
| <b>Provision for losses on loans and advances to customers at 1 January</b>          | <b>32 504 926</b> | <b>30 850 541</b> |
| Charge against profits for losses on loans and advances to customers during the year | 6 919 010         | 10 536 750        |
| Loans and advances to customers written off during the year as uncollectable         | (1 077 066)       | (618 061)         |
| Effect of inflation  | (5 446 351)       | (8 264 304)       |
| <b>Provision for losses on loans and advances to customers at 31 December</b>        | <b>32 900 519</b> | <b>32 504 926</b> |

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

|   | 2000               |              | 1999               |              |
|---|--------------------|--------------|--------------------|--------------|
|   | Amount             | %            | Amount             | %            |
| Oil, gas and chemical   | 70 348 628         | 25.6         | 39 463 837         | 22.4         |
| Trade   | 36 576 383         | 13.3         | 18 827 657         | 10.7         |
| Food and agriculture  | 21 093 676         | 7.7          | 12 691 869         | 7.2          |
| Machine-building  | 21 089 732         | 7.7          | 8 982 129          | 5.1          |
| Construction  | 20 471 548         | 7.4          | 18 920 489         | 10.7         |
| Metallurgy  | 19 651 587         | 7.1          | 5 051 788          | 2.9          |
| Individuals   | 18 687 498         | 6.8          | 6 803 116          | 3.9          |
| Government and municipal bodies                                 | 12 292 763         | 4.5          | 37 594 414         | 21.3         |
| Telecommunications  | 9 024 879          | 3.3          | 7 312 821          | 4.1          |
| Transport, aviation and space                                   | 5 866 585          | 2.1          | 3 137 623          | 1.8          |
| Timber industry   | 5 339 450          | 1.9          | 3 545 595          | 2.0          |
| Media   | 4 204 288          | 1.5          | 4 842 480          | 2.7          |
| Energy  | 3 094 667          | 1.1          | 4 290 653          | 2.4          |
| Services  | 2 511 332          | 0.9          | 11 740             | 0.0          |
| Other   | 24 946 169         | 9.1          | 5 045 322          | 2.8          |
| <b>Total loans and advances to customers (aggregate amount)</b> | <b>275 199 185</b> | <b>100.0</b> | <b>176 521 533</b> | <b>100.0</b> |

The Bank has 16 borrowers with aggregated loan amounts above RR 2 200 000 thousand. The aggregate amount of these loans is RR 89 731 787 thousand or 32.6% of the loan portfolio. Loans to the two largest borrowers, represented by large industrial companies, amounted to RR 43 168 090 thousand (1999: RR 34 716 992 thousand) or 15.7% of the gross loan portfolio (1999: 20.3%).

The general average interest rates on loans and advances during 2000 was 26.2 % on loans and advances denominated in Russian Roubles (1999: 40.2%) and 12.7% on loans and advances denominated in foreign currencies (1999: 12.9%).

The geographical and currency analysis of loans and advances to customers is disclosed in Note 28. The maturity structure of the loan portfolio is detailed in Note 29. The Bank has several loans to related parties. The relevant information on related party loans is disclosed in Note 32.

**9 Investment Securities**

|  | 2000               | 1999               |
|--|--------------------|--------------------|
| <b>Federal government securities</b>                                     |                    |                    |
| <b>RR denominated</b>  |                    |                    |
| Federal loan bonds (OFZ)   | 34 365 357         | 39 511 938         |
| Federal savings loan bonds (OGSZ)  | 2 405 629          | 5 245 232          |
| <b>USD denominated</b>   |                    |                    |
| Russian Federation Eurobonds   | 77 482 625         | 87 032 519         |
| Vnesheconombank 3% coupon bonds (VEB)                                    | 39 483 860         | 44 536 223         |
| <b>Total federal government securities before provision</b>              | <b>153 737 471</b> | <b>176 325 912</b> |
| Less: Provision for diminution in value of federal government securities | (19 305 941)       | (24 025 600)       |
| <b>Total federal government securities</b>                               | <b>134 431 530</b> | <b>152 300 312</b> |
| <b>Other RR denominated securities</b>                                   |                    |                    |
| Local government bonds   | 297 796            | 1 473 277          |
| <b>Other USD denominated securities</b>                                  |                    |                    |
| Ukraine government bonds   | 651 577            | 590 715            |
| <b>Total investment securities</b>                                       | <b>135 380 903</b> | <b>154 364 304</b> |

OFZ and OGSZ bonds are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation.

OFZ bonds are issued at a discount to face value, have a medium to long-term maturity period with a coupon rate of approximately 5.0-30.0% in 2000, depending on the type of bond issue. As at 31 December 2000 weighted average yield to maturity (YTM) on OFZ bonds in the Bank's portfolio equalled 22.6%. The market value of the OFZ bond portfolio at 31 December 2000 is RR 35 293 485 thousand (RR 38 176 902 thousand at 16 May 2001).

OGSZ are savings bonds sold by the Ministry of Finance to banks for resale to the general public. During 2000, the coupon rate varied for different tranches of OGSZ in the range of 9.2-11.0%. OGSZ have maturity dates from 20 July 2001 to 20 December 2001. The market value of the Bank's OGSZ portfolio at 31 December 2000 was RR 2 439 829 thousand (RR 2 489 900 thousand at 16 May 2001).

Eurobonds are securities issued by the Ministry of Finance of the Russian Federation, which are freely tradable internationally. The major part of the Bank's portfolio of Eurobonds consists of two tranches with maturity dates in July 2005 and July 2018. The annual coupon rates on these bonds are 8.8% and 11.0%, respectively, and interest is payable semi-annually. These Eurobonds were obtained by the Bank from the Ministry of Finance in July 1998 in exchange for part of the Bank's GKO portfolio in an open auction following a securities restructuring offer from the Ministry of Finance. As at 31 December 2000 weighted average YTM on Eurobonds in the Bank's portfolio equalled 16.3%. The market value of the Bank's Eurobond portfolio at 31 December 2000 is RR 73 722 668 thousand (RR 85 985 553 thousand at 16 May 2001).

VEB bonds are bearer securities commonly referred to as "MinFin bonds" and are freely tradable internationally. All bonds are purchased at a discount to nominal value and carry an annual coupon interest of 3%. The bonds have maturity dates ranging from 2003 till 2011. As at 31 December 2000 weighted average YTM on VEB bonds in the Bank's portfolio was equal to 22.5%. The market value of the Bank's VEB bond portfolio at 31 December 2000 is RR 22 975 548 thousand (RR 30 623 261 thousand at 16 May 2001).

**9 Investment Securities (Continued)**

In 1998 the Bank recorded a provision of RR 32 816 567 thousand in respect of the carrying value, including amortised discount, of federal government securities based on its assessment that the decline in value of these securities is other than temporary. The provision was created taking into consideration factors such as the subsequent improvement in market value of government securities, the Bank's ability to hold these securities to their maturity, down-grading of Russian Government credit risk rating by international rating agencies and other macroeconomic factors.

For the year ended 31 December 2000 Management adjusted the amount of provision for diminution in value of federal government securities to bring the net carrying amount of these securities to their year end market value. This resulted in a recovery of RR 694 059 thousand of the provision which is reflected in a separate line in the statement of income. The above adjustment of the provision was made by the Management in anticipation of changes in the accounting policy in respect of securities upon the adoption of IAS 39 "Financial Instruments: Recognition and Measurement" which is effective from 1 January 2001.

A summary of the movements in the provision for diminution in value of federal government securities is as follows:

|   | 2000              | 1999              |
|---|-------------------|-------------------|
| <b>Provision for diminution in value of federal government securities as at 1 January</b>   | <b>24 025 600</b> | <b>32 816 567</b> |
| Recovery of amounts previously provided against   | (694 059)         | -                 |
| Effect of inflation   | (4 025 600)       | (8 790 967)       |
| <b>Provision for diminution in value of federal government securities as at 31 December</b> | <b>19 305 941</b> | <b>24 025 600</b> |

Local government bonds are bonds issued by municipal and regional governments. Most of these bonds are not freely tradable in the Russian markets and are stated at cost less provision of RR 113 938 thousand for diminution in value of these bonds (1999: RR 516 761 thousand).

Ukrainian Ministry of Finance bonds, ratified by the Ukrainian government on 16 December 1995, were issued as a settlement of Ukraine's debt to RAO Gazprom for the supply of natural gas. In May 2000, the Bank participated in the restructuring program for these bonds under which it has received cash settlement and new bonds. The new bonds carry a coupon of 11% per annum and are redeemable in instalments with final repayment due on 15 March 2007. As at 31 December 2000 weighted average YTM on Ukrainian bonds equalled 19.3%. These bonds are reflected at cost less provision for diminution in value of RR 270 945 thousand (1999: RR 588 514 thousand).

The provision for diminution in value of local government bonds and Ukraine government bonds is reflected within provision for diminution in value of investment securities and other investments in the statement of income.

A summary of the movements in the provision for diminution in value of investment securities is as follows:

|   | 2000             | 1999             |
|---|------------------|------------------|
| <b>Provision for diminution in value of investment securities as at 1 January</b>         | <b>1 105 275</b> | <b>1 235 166</b> |
| (Recovery of amounts previously provided against)/ charge against profits during the year | (584 853)        | 125 325          |
| Effect of inflation   | (135 539)        | (255 216)        |
| <b>Provision for diminution in value of investment securities as at 31 December</b>       | <b>384 883</b>   | <b>1 105 275</b> |



**9 Investment Securities (Continued)**

The geographical and currency analysis of investment securities is disclosed in Note 28. The maturity structure of investment securities is detailed in Note 29.

**10 Other Investments**

|  | 2000           | 1999<br>(restated) |
|--|----------------|--------------------|
| Trade investments  | 74 443         | 74 443             |
| Investment in non-consolidated subsidiary companies          | 333 070        | 421 248            |
| Investment in associated companies                           | 27 715         | 68 519             |
| Less: Provision for diminution in value of other investments | (116 397)      | (128 982)          |
| <b>Total other investments</b>                               | <b>318 831</b> | <b>435 228</b>     |

A summary of the movements in the provision for diminution in value of other investments are as follows:

|  | 2000           | 1999<br>(restated) |
|--|----------------|--------------------|
| Provision for diminution in value of other investments at 1 January          | 128 982        | 75 027             |
| Charge against profits for diminution in value of other investments          | (12 585)       | 53 955             |
| <b>Provision for diminution in value of other investments at 31 December</b> | <b>116 397</b> | <b>128 982</b>     |

The principal non-consolidated subsidiary companies are:

| Name                      | Nature of business   | Country of registration | Percentage of equity controlled | Cost of investment (restated) | Loans granted to company | Deposits taken from company |
|---------------------------|----------------------|-------------------------|---------------------------------|-------------------------------|--------------------------|-----------------------------|
| ZAO "RG Leasing"          | Leasing              | Russia                  | 55.00%                          | 311 470                       | 178 741                  | 156 032                     |
| ZAO Trade House "Rosprod" | Trading with sugar   | Russia                  | 51.00%                          | 9 529                         | 414 741                  | 180                         |
| ZAO "Maleyevka"           | Recreation services  | Russia                  | 65.00%                          | 9 080                         | -                        | -                           |
| OOO "Group Tema"          | Housing construction | Russia                  | 80.00%                          | 147                           | 2 390 685                | -                           |
| Other                     |                      |                         |                                 | 2 844                         |                          |                             |
| <b>Total</b>              |                      |                         |                                 | <b>333 070</b>                | <b>2 984 167</b>         | <b>156 212</b>              |

*Savings Bank of the Russian Federation**Notes to the Financial Statements - 31 December 2000**(in thousands of Russian Roubles in terms of the purchasing power of the Russian Rouble at 31 December 2000 – Note 3)***10 Other Investments (Continued)**

For the year ended 31 December 2000, the majority of the subsidiary and associated companies have not prepared financial statements in accordance with IAS. These investments have not been consolidated with the results of the Bank nor accounted for under the equity method, as the effect of consolidation or equity accounting would not materially alter the financial position of the Bank at 31 December 2000 or the results of its operations or cash flows for the year then ended.

The principal associated companies are:

| Name  | Nature of business | Country of registration | Percentage of equity controlled | Cost of investment (restated) | Loans granted to company | Deposits taken from company |
|---|--------------------|-------------------------|---------------------------------|-------------------------------|--------------------------|-----------------------------|
| ОАО "Research and development centre NIIES" | Research institute | Russia                  | 37.40%                          | 27 715                        | -                        | -                           |
| <b>Total</b>                                |                    |                         |                                 | <b>27 715</b>                 | <b>-</b>                 | <b>-</b>                    |

**11 Other Assets**

|   | 2000              | 1999              |
|---|-------------------|-------------------|
| Accrued interest income   | 9 010 251         | 10 063 591        |
| Prepaid taxes   | 1 496 157         | 2 069 104         |
| Trade debtors and prepayments                                       | 1 388 303         | 1 569 066         |
| Deferred charges  | 682 639           | 881 782           |
| Plastic card debtors  | 459 298           | 447 477           |
| Settlements on conversion operations                                | 33 033            | 174 706           |
| Amounts receivable under derivative financial instruments (Note 30) | -                 | 737 540           |
| Other   | 24 294            | 21 523            |
| <b>Total other assets</b>   | <b>13 093 975</b> | <b>15 964 789</b> |



**Savings Bank of the Russian Federation**

**Notes to the Financial Statements - 31 December 2000**

(in thousands of Russian Roubles in terms of the purchasing power of the Russian Rouble at 31 December 2000 – Note 3)

**12 Premises and Equipment**

|   | Premises           | Office and computer equipment | Construction in progress | Total              |
|---|--------------------|-------------------------------|--------------------------|--------------------|
| <b>Net book amount at 31 December 1999 (restated)</b> | <b>38 928 913</b>  | <b>6 135 195</b>              | <b>2 796 489</b>         | <b>47 860 597</b>  |
| <b>Cost or valuation</b>                              |                    |                               |                          |                    |
| Opening balance (restated)                            | 38 928 913         | 7 517 182                     | 2 796 489                | 49 242 584         |
| Additions   | -                  | 2 314 030                     | 1 269 603                | 3 583 633          |
| Transfers   | 1 420 933          | -                             | (1 420 933)              | -                  |
| Disposals   | (365 238)          | (153 304)                     | (341 078)                | (859 620)          |
| <b>Closing balance</b>                                | <b>39 984 608</b>  | <b>9 677 908</b>              | <b>2 304 081</b>         | <b>51 966 597</b>  |
| <b>Accumulated depreciation</b>                       |                    |                               |                          |                    |
| Opening balance (restated)                            | -                  | (1 381 987)                   | -                        | (1 381 987)        |
| Depreciation charge                                   | (1 844 705)        | (1 635 150)                   | -                        | (3 479 855)        |
| Disposals   | 14 023             | 28 561                        | -                        | 42 584             |
| <b>Closing balance</b>                                | <b>(1 830 682)</b> | <b>(2 988 576)</b>            | <b>-</b>                 | <b>(4 819 258)</b> |
| <b>Net closing balance at 31 December 2000</b>        | <b>38 153 926</b>  | <b>6 689 332</b>              | <b>2 304 081</b>         | <b>47 147 339</b>  |
| Impairment of premises as at 31 December 2000         | (3 699 330)        | -                             | -                        | (3 699 330)        |
| <b>Net book amount at 31 December 2000</b>            | <b>34 454 596</b>  | <b>6 689 332</b>              | <b>2 304 081</b>         | <b>43 448 009</b>  |

Construction in progress consists mainly of construction and refurbishment of branch premises and equipment. Upon completion, assets are transferred to premises and equipment. The transfers to premises and equipment amounted to RR 1 420 933 thousand during 2000 (1999: RR 2 520 824 thousand).

Premises were independently valued at 31 December 2000. The valuation was carried out by an independent international firm of valuers. The basis used for the appraisal was the sales comparison approach. Included in the above net book value of premises is RR 299 442 thousand representing revaluation surplus relating to premises of the Bank.

As a result of changes in the accounting policy and the resulting restatement of premises and equipment, and the adoption of IAS 29, the Management assessed premises and equipment, and construction in progress for possible impairment in accordance with IAS 36 "Impairment of assets". As a result a net impairment loss of RR 3 699 330 thousand was recognized in respect of the Bank's premises as at 31 December 2000 in the amount by which restated value of premises exceeded their fair value as determined by an independent international valuer.

**13 Due to Banks**

|  | 2000             | 1999             |
|--|------------------|------------------|
| <b>Amounts on "Vostro" accounts of other banks</b> |                  |                  |
| - Russian Federation                               | 2 677 653        | 2 375 253        |
| - Other countries                                  | 1 125 366        | 576 828          |
| <b>Short term deposits from other banks</b>        |                  |                  |
| - Russian Federation                               | 561 721          | 5 557 731        |
| - Other countries                                  | -                | 40 204           |
| <b>Total due to banks</b>                          | <b>4 364 740</b> | <b>8 550 016</b> |

**13 Due to Banks (Continued)**

The general average interest rate on amounts due to banks during 2000 was 5.7% for term deposits in Russian Roubles (1999: 10.4%) and 6.3% in foreign currency (1999: 4.6%). The geographical and currency analysis of deposits from banks is disclosed in Note 28 and maturity analysis is provided in Note 29.

**14 Deposits from Individuals and Customer Accounts**

|  | 2000               | 1999               |
|--|--------------------|--------------------|
| <b>Individuals</b>   |                    |                    |
| - Current/demand accounts                                    | 99 125 793         | 74 636 436         |
| - Term deposits  | 247 947 599        | 199 282 280        |
| <b>Total deposits from individuals</b>                       | <b>347 073 392</b> | <b>273 918 716</b> |
| <b>State and public organisations</b>                        |                    |                    |
| - Current/settlement accounts                                | 32 136 402         | 23 766 399         |
| - Term deposits  | 998 476            | 1 582 276          |
| <b>Other legal entities</b>                                  |                    |                    |
| - Current/settlement accounts                                | 69 562 252         | 56 423 363         |
| - Term deposits  | 12 304 001         | 6 232 221          |
| <b>Total customer accounts</b>                               | <b>115 001 131</b> | <b>88 004 259</b>  |
| <b>Total deposits from individuals and customer accounts</b> | <b>462 074 523</b> | <b>361 922 975</b> |

The general weighted average interest rate on customer accounts outstanding during 2000 was: for current and settlement accounts of legal entities in Russian Roubles 1.6% (1999: 2.3%); for current and settlement accounts of legal entities in foreign currency - 1.4% (1999: 1.4%); for term deposits of legal entities in Russian Roubles - 8.8% (1999: 25.7%); for term deposits of legal entities in foreign currency - 7.0% (1999: 5.3%); for deposits of individuals in Russian Roubles - 14.4% (1999: 26.2%); for deposits of individuals in foreign currency - 4.3% (1999: 5.3%).

The geographical and currency analysis of customer accounts is disclosed in Note 28 and maturity analysis is provided in Note 29. The Bank has several deposits with related parties. The relevant information on related party deposits is disclosed in Note 32.

#### 14 Deposits from Individuals and Customer Accounts (Continued)

Economic sector concentrations within customer accounts are as follows:

|  | 2000               |              | 1999               |              |
|--|--------------------|--------------|--------------------|--------------|
|  | Amount             | %            | Amount             | %            |
| Individuals  | 347 073 392        | 75.1         | 273 918 716        | 75.7         |
| State organisations  | 23 007 404         | 5.0          | 17 087 542         | 4.7          |
| Trade  | 19 288 648         | 4.2          | 17 188 175         | 4.8          |
| Construction   | 7 392 013          | 1.6          | 5 593 515          | 1.5          |
| Oil and gas  | 6 461 774          | 1.4          | 6 626 323          | 1.8          |
| Telecommunications   | 5 397 006          | 1.2          | 479 478            | 0.1          |
| Food and agriculture   | 5 130 723          | 1.1          | 4 392 390          | 1.2          |
| Municipal bodies   | 4 587 514          | 1.0          | 8 261 132          | 2.3          |
| Equipment manufacturing                                      | 3 568 447          | 0.8          | 3 056 483          | 0.9          |
| Transport, aviation and space                                | 3 253 453          | 0.7          | 2 979 204          | 0.8          |
| Energy   | 1 948 843          | 0.4          | 1 180 796          | 0.3          |
| Metallurgy   | 1 825 498          | 0.4          | 1 207 107          | 0.3          |
| Other  | 33 139 808         | 7.1          | 19 952 114         | 5.6          |
| <b>Total deposits from individuals and customer accounts</b> | <b>462 074 523</b> | <b>100.0</b> | <b>361 922 975</b> | <b>100.0</b> |

Included in customer accounts are deposits of RR 1 073 090 thousand (1999: RR 1 255 735 thousand) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 30.

#### 15 Own Securities Issued

|                                    | 2000              | 1999              |
|------------------------------------|-------------------|-------------------|
| Bills of exchange                  | 33 670 133        | 30 684 798        |
| Deposit certificates               | 1 160 034         | 3 864             |
| Savings certificates               | 168 950           | 130 159           |
| <b>Total own securities issued</b> | <b>34 999 117</b> | <b>30 818 821</b> |

The general average interest rate on own securities issued outstanding during 2000 was: for own securities issued in Russian Roubles - 2.3% (1999: 2.5%) and in foreign currency - 2.7% (1999: 2.9%).

#### 16 Other Borrowed Funds

|                                      | 2000           | 1999           |
|--------------------------------------|----------------|----------------|
| Term borrowings from other countries | 563 200        | 648 691        |
| <b>Total other borrowed funds</b>    | <b>563 200</b> | <b>648 691</b> |

The Bank has borrowings of USD 20 000 thousand (1999: USD 20 000 thousand) in the form of special purpose lines of credit from international banking institutions. The contractual maturity of the borrowings varies from 10 to 17 months (1999: from 22 to 29 months) and the annual interest rate is LIBOR+1.95% (1999: LIBOR+1.95%).

**17 Other Liabilities**

|  | 2000             | 1999             |
|--|------------------|------------------|
| Accrued interest expense   | 4 494 740        | 4 755 609        |
| Balances arising from derivative financial instruments (Note 30) | 478 595          | 1 502 133        |
| Taxation payable   | 693 539          | 1 299 912        |
| Settlements on conversion operations                             | 512 383          | 275 132          |
| Trade creditors  | 449 351          | 1 512 251        |
| Accrued compensation expenses                                    | 213 028          | 32 280           |
| Provision for credit related commitments (Note 30)               | 50 655           | 125 414          |
| Plastic card creditors   | 39 738           | 15 177           |
| Dividends payable (Note 27)                                      | 16 668           | 17 023           |
| Other accruals and deferred income                               | 14 889           | 53 276           |
| Other  | 95 808           | 92 325           |
| <b>Total other liabilities</b>                                   | <b>7 059 394</b> | <b>9 680 532</b> |

**18 Share Capital**

As at 31 December 2000 the authorised share capital of the Bank amounted to RR 1 000 000 thousand, which included 19 000 000 ordinary shares and 50 000 000 preference shares. Share capital issued and fully paid comprised:

|                            | 2000              |                |                           |                | 1999 (restated)   |                |                           |                |
|----------------------------|-------------------|----------------|---------------------------|----------------|-------------------|----------------|---------------------------|----------------|
|                            | Number of shares  | Nominal amount | Inflation adjusted amount | Nominal value  | Number of shares  | Nominal amount | Inflation adjusted amount | Nominal value  |
| Ordinary shares            | 14 002 000        | 0.05           | 14 047 602                | 700 100        | 14 002 000        | 0.05           | 14 047 602                | 700 100        |
| Preference shares          | 50 000 000        | 0.001          | 1 063 663                 | 50 000         | 50 000 000        | 0.001          | 1 063 663                 | 50 000         |
| <b>Total share capital</b> | <b>64 002 000</b> |                | <b>15 111 265</b>         | <b>750 100</b> | <b>64 002 000</b> |                | <b>15 111 265</b>         | <b>750 100</b> |

All ordinary shares have a nominal value of RR 50 per share, rank equally and carry one vote.

The preferred shares have a nominal value of RR 1 carry no voting rights but rank ahead of the ordinary shares in the event of liquidation of the Bank. They carry a minimum annual dividend of 15 percent. These shares are not redeemable.

As at 31 December 2000, 3 147 ordinary shares (1999: 7 832 shares) and 7 244 preference shares (1999: 85 448 shares) at a total cost of RR 1 497 thousand (1999: RR 7 682 thousand) were owned by the Bank and accordingly are reflected as treasury shares in the balance sheet.

On 25 April 2001, the Bank performed an additional share issue in an open market. The Bank issued 4 998 000 ordinary shares with the nominal value of RR 50 per share at a price of RR 1000 per share.

**19 Share Premium**

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



**Savings Bank of the Russian Federation**  
**Notes to the Financial Statements - 31 December 2000**

(in thousands of Russian Rubles in terms of the purchasing power of the Russian Ruble at 31 December 2000 - Note 3)

**20 Accumulated Retained Earnings and Other Reserves**

In accordance with Russian Law on Banks and Banking Activity, the Bank must distribute all profits as dividends or transfer them to reserves (fund accounts) on the basis of financial statements prepared in accordance with Russian Accounting Rules. The Bank's reserves under Russian Accounting Rules as at 31 December 2000 are RR 40 584 641 thousand (1999: RR 29 581 990 thousand).

**21 Interest Income and Expense**

|                                 | 2000                | 1999<br>(restated)  |
|---------------------------------|---------------------|---------------------|
| <b>Interest income</b>          |                     |                     |
| Loans and advances to customers | 46 916 826          | 33 700 298          |
| Securities                      | 32 938 191          | 41 503 559          |
| Due from banks                  | 6 334 741           | 4 511 969           |
| <b>Total interest income</b>    | <b>86 189 758</b>   | <b>79 715 826</b>   |
| <b>Interest expense</b>         |                     |                     |
| Term deposits of individuals    | (45 748 948)        | (58 105 123)        |
| Current/settlement accounts     | (1 773 258)         | (1 326 742)         |
| Term deposits of legal entities | (765 036)           | (882 438)           |
| Own securities issued           | (628 698)           | (1 067 564)         |
| Term deposits of banks          | (198 966)           | (215 981)           |
| Other borrowed funds            | (50 956)            | (92 563)            |
| Other                           | (4 385)             | (18 513)            |
| <b>Total interest expense</b>   | <b>(49 170 247)</b> | <b>(61 708 924)</b> |
| <b>Net interest income</b>      | <b>37 019 511</b>   | <b>18 006 902</b>   |

**22 Fee and Commission Income and Expense**

|   | 2000             | 1999<br>(restated) |
|---|------------------|--------------------|
| Commission on cash transactions         | 3 463 730        | 2 376 604          |
| Commission on settlement transactions   | 3 033 365        | 2 551 562          |
| Commission on cash collection           | 447 725          | 379 403            |
| Commission transactions with securities | 307 518          | 324 144            |
| Commission on guarantees issued         | 14 561           | 17 525             |
| Other                                   | 504 866          | 245 269            |
| <b>Total fee and commission income</b>  | <b>7 771 765</b> | <b>5 894 507</b>   |
| Commission transactions with securities | (110 209)        | (141 821)          |
| Commission on cash collection           | (65 356)         | (116 661)          |
| Commission on settlement transactions   | (57 366)         | (49 320)           |
| Commission on guarantees received       | (1 549)          | -                  |
| Commission on cash transactions         | (976)            | (6 723)            |
| Other                                   | (6 530)          | (12 720)           |
| <b>Total fee and commission expense</b> | <b>(241 986)</b> | <b>(327 245)</b>   |
| <b>Net fee and commission income</b>    | <b>7 529 779</b> | <b>5 567 262</b>   |



*Savings Bank of the Russian Federation**Notes to the Financial Statements - 31 December 2000**(in thousands of Russian Rubles in terms of the purchasing power of the Russian Ruble at 31 December 2000 - Note 3)***23 Other Operating Income**

|  | <b>2000</b>      | <b>1999<br/>(restated)</b> |
|--|------------------|----------------------------|
| Recoveries of amounts previously charged-off       | 1 038 603        | 807 003                    |
| Late charges on loans and other penalties          | 500 234          | 1 679 318                  |
| Income on operations with precious metals          | 405 118          | 458 071                    |
| Leasing and other income on premises and equipment | 256 934          | 266 414                    |
| Dividends received                                 | 17 364           | 4 910                      |
| Other  | 292 656          | 383 210                    |
| <b>Total other operating income</b>                | <b>2 510 909</b> | <b>3 598 926</b>           |

**24 Operating Expenses**

|   | <b>2000</b>       | <b>1999<br/>(restated)</b> |
|---|-------------------|----------------------------|
| Depreciation and other expenses related to premises and equipment | 8 505 325         | 7 860 761                  |
| Taxes other than on income  | 5 172 026         | 5 742 999                  |
| Administrative expenses   | 1 825 576         | 1 870 359                  |
| Advertising and marketing   | 377 160           | 318 846                    |
| Court expenses and related charges                                | 69 424            | 244 521                    |
| Other   | 1 259 951         | 1 315 737                  |
| <b>Total operating expenses</b>                                   | <b>17 209 462</b> | <b>17 353 223</b>          |

**25 Income Taxes**

Income tax expense was comprised of the following:

|  | <b>2000</b>      | <b>1999<br/>(restated)</b> |
|--|------------------|----------------------------|
| Current tax charge                     | 3 973 385        | 6 629 016                  |
| Effect of change in the tax rate       | 537 111          | (103 715)                  |
| Movement in deferred taxation          | (537 111)        | 103 715                    |
| Amounts recorded directly to equity    | 1 455 896        | (1 681 790)                |
| <b>Income tax expense for the year</b> | <b>5 429 281</b> | <b>4 947 226</b>           |

The income tax rate applicable to the majority of the Bank's income is 38 percent (1999: 38 percent). The tax rate decreased from 43 percent to 38 percent as of 1 April 1999. Effective 1 January 2001, the tax rate has been increased to 43 percent. A reconciliation between the expected and the actual taxation charge is provided below.

**25 Income Taxes (Continued)**

|   | 2000              | 1999<br>(restated) |
|---|-------------------|--------------------|
| <b>IAS profit before taxation</b>   | <b>16 592 967</b> | <b>24 679 464</b>  |
| Theoretical tax charge at the applicable statutory rate                           | 6 305 327         | 9 378 196          |
| Tax effect of items which are not deductible or assessable for taxation purposes: |                   |                    |
| - Income exempt from taxation   | (12 543 642)      | (8 108 765)        |
| - Additional provisions   | 161 557           | (9 129 880)        |
| - Income on government securities taxed at different rates                        | (3 011 893)       | (9 572 119)        |
| - Non-deductible expenses posted via retained earnings                            | 404 404           | 3 290 468          |
| - Other non-deductible expenses   | 13 725 203        | 9 943 978          |
| - Non deductible provisions for forwards and credit related commitments           | (59 997)          | (2 413 269)        |
| - Reversal of provisions for diminution on value of investments                   | (382 335)         | 398 409            |
| - Non temporary elements of monetary gains and losses                             | 1 972 810         | 851 695            |
| - Losses of branches, not offset against the Bank's profit                        | -                 | 4 867 728          |
| - Effect of negative taxable base   | 1 557 168         | -                  |
| - Other non temporary differences   | (115 177)         | 224 089            |
| Effect of the change in tax rate  | 537 111           | (103 715)          |
| Inflation effect on deferred tax balance at the beginning of the year             | 1 193 201         | 658 483            |
| Non-recognised net deferred tax asset movement                                    | (4 314 456)       | 4 661 928          |
| <b>Income tax expense for the year</b>  | <b>5 429 281</b>  | <b>4 947 226</b>   |

Differences between IAS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profits tax purposes. The tax effect of the movement on these temporary differences is recorded at the rate of 43%, except for income on state securities that is taxed at 15%.

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**Notes to the Financial Statements - 31 December 2000**

(in thousands of Russian Rubles in terms of the purchasing power of the Russian Rubble at 31 December 2000 – Note 3)

**25 Income Taxes (Continued)**

|   | 1999<br>(restated)  | Movement           | 2000                |
|---|---------------------|--------------------|---------------------|
| <b>Tax effect of deductible temporary differences</b> |                     |                    |                     |
| Provision for losses on loans to customers            | 6 886 248           | (659 225)          | 6 227 023           |
| Depreciation of premises and equipment                | 1 758 497           | 1 061 772          | 2 820 269           |
| State securities                                      | 7 908 911           | (2 285 616)        | 5 623 295           |
| Accruals  | 1 807 162           | 125 577            | 1 932 739           |
| Other   | 309 678             | (448 085)          | (138 407)           |
| <b>Gross deferred tax asset</b>                       | <b>18 670 496</b>   | <b>(2 205 577)</b> | <b>16 464 919</b>   |
| Less: non-recognised deferred tax asset               | (7 120 675)         | 4 314 456          | (2 806 219)         |
| <b>Net deferred tax asset</b>                         | <b>11 549 821</b>   | <b>2 108 879</b>   | <b>13 658 700</b>   |
| <b>Tax effect of taxable temporary differences</b>    |                     |                    |                     |
| Accruals  | (636 554)           | (206 543)          | (843 097)           |
| Premises and equipment                                | (10 786 063)        | (1 410 531)        | (12 196 594)        |
| Provision for losses on loans to banks                | (127 204)           | 12 808             | (114 396)           |
| Other   | -                   | (504 613)          | (504 613)           |
| <b>Gross deferred tax liability</b>                   | <b>(11 549 821)</b> | <b>(2 108 879)</b> | <b>(13 658 700)</b> |
| <b>Total net deferred tax balance</b>                 | <b>-</b>            | <b>-</b>           | <b>-</b>            |

As at 31 December 2000, a net deferred tax asset in the amount of RR 2 806 219 thousand (1999: RR 7 120 675 thousand) has not been recorded for the net deductible temporary differences as it is not probable that sufficient taxable profit will be available in the foreseeable future to allow the benefit of that deferred tax asset to be utilised.

**26 Earnings per Share**

Basic earnings per share are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares.

The Bank has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal basic earnings per share.

|   | 2000          | 1999            |
|---|---------------|-----------------|
| Net profit attributable to shareholders                                 | 11 163 686    | 19 732 238      |
| Less: preference dividends (Note 27)                                    | (44 057)      | (59 880)        |
| Net profit attributable to ordinary shareholders                        | 11 119 629    | 19 672 358      |
| Weighted average number of ordinary shares in issue (thousands)         | 13 997        | 13 962          |
| <b>Basic and diluted earnings per share (expressed in RR per share)</b> | <b>794.43</b> | <b>1 408.99</b> |

## 27 Dividends

|   | 2000           | 1999           |
|---|----------------|----------------|
| <b>Ordinary dividends</b>                   |                |                |
| Declared and paid during the year           | 500 241        | 470 703        |
| Declared and not paid at year end (Note 17) | 15 316         | 14 799         |
| <b>Preference dividends</b>                 |                |                |
| Declared and paid during the year           | 42 705         | 57 656         |
| Declared and not paid at year end (Note 17) | 1 352          | 2 224          |
| <b>Total dividends</b>                      | <b>559 614</b> | <b>545 382</b> |
|   | <b>2000</b>    | <b>1999</b>    |
| <b>Ordinary dividends</b>                   |                |                |
| Dividends per share                         | 36.83          | 34.69          |
| <b>Preference dividends</b>                 |                |                |
| Dividends per share                         | 0.88           | 1.20           |

All dividends are declared and paid in Russian Roubles.

## 28 Analysis by Segment, Geographical Analysis and Currency Risk

**Analysis by segment.** The Bank has operations primarily in the Russian Federation in one industry segment of providing general banking services to private and corporate customers. In 2000 the Bank was organised on the basis of branches which reflected administrative regions within Russia. The Bank Management evaluates performance and makes investment and strategic decisions based upon a review of profitability for the Bank as a whole. Reliable information on assets or profit and loss by product type is not available to the Bank's Management for evaluation of resource allocation decisions, and is therefore not presented. The performance measurement systems employed by the Bank to review overall profitability are based on the results of the Bank determined using Russian Statutory Accounting books and records. Russian Statutory Accounting differs in many significant respects from IAS.

**Geographical analysis.** At 31 December 2000, loans and advances to banks and customers are placed primarily in Russia and customer deposits are taken primarily from companies in Russia and citizens of Russia. Deposits from banks and other borrowings attracted from banks outside the Russian Federation are reflected in the notes to the respective components.

*Savings Bank of the Russian Federation**Notes to the Financial Statements - 31 December 2000**(in thousands of Russian Roubles in terms of the purchasing power of the Russian Rouble at 31 December 2000 – Note 3)***28 Analysis by Segment, Geographical Analysis and Currency Risk (Continued)**

The geographical analysis of the Bank's assets and liabilities as at 31 December 2000 is set out below:

|  | Russia             | Non-Russia        | Total              |
|--|--------------------|-------------------|--------------------|
| <b>Assets</b>  |                    |                   |                    |
| Cash and cash equivalents  | 21 768 443         | 1 044 622         | 22 813 065         |
| Mandatory cash balances with the CBRF                            | 41 270 192         | -                 | 41 270 192         |
| Dealing securities   | 31 255 039         | -                 | 31 255 039         |
| Due from banks   | 16 588 321         | 4 179 562         | 20 767 883         |
| Loans and advances to customers                                  | 241 292 622        | 1 006 044         | 242 298 666        |
| Investment securities  | 134 729 326        | 651 577           | 135 380 903        |
| Other investments  | 318 831            | -                 | 318 831            |
| Other assets   | 13 026 314         | 67 661            | 13 093 975         |
| Premises and equipment   | 43 448 009         | -                 | 43 448 009         |
| <b>Total assets</b>  | <b>543 697 097</b> | <b>6 949 466</b>  | <b>550 646 563</b> |
| <b>Liabilities</b>   |                    |                   |                    |
| Due to banks   | 3 239 375          | 1 125 365         | 4 364 740          |
| Deposits from individuals  | 346 537 091        | 536 301           | 347 073 392        |
| Customer accounts  | 114 526 106        | 475 025           | 115 001 131        |
| Own securities issued  | 34 999 117         | -                 | 34 999 117         |
| Other borrowed funds   | -                  | 563 200           | 563 200            |
| Other liabilities  | 6 927 790          | 131 604           | 7 059 394          |
| <b>Total liabilities</b>   | <b>506 229 479</b> | <b>2 831 495</b>  | <b>509 060 974</b> |
| <b>Net balance sheet position at 31 December 2000</b>            | <b>37 467 618</b>  | <b>4 117 971</b>  | <b>41 585 589</b>  |
| <b>Net balance sheet position at 31 December 1999 (restated)</b> | <b>13 295 271</b>  | <b>19 923 495</b> | <b>33 218 766</b>  |

Primarily balances with OECD countries and Ukraine represent the Bank's operations in countries other than Russia.

**Currency analysis.** Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. At year end, the Bank had balances in Russian Roubles, US dollars and other currencies. Other currencies represent mainly amounts in Deutsche marks and Euro.



## 28 Analysis by Segment, Geographical Analysis and Currency Risk (Continued)

At 31 December 2000, the Bank has the following positions in currencies:

|  | RR                  | USD                | Other currencies | Total              |
|--|---------------------|--------------------|------------------|--------------------|
| <b>Assets</b>                              |                     |                    |                  |                    |
| Cash and cash equivalents                  | 18 008 299          | 3 701 514          | 1 103 252        | 22 813 065         |
| Mandatory cash balances with the CBRF      | 41 270 192          | -                  | -                | 41 270 192         |
| Dealing securities                         | 27 473 292          | 3 781 747          | -                | 31 255 039         |
| Due from banks                             | 16 507 263          | 3 580 790          | 679 830          | 20 767 883         |
| Loans and advances to customers            | 187 852 562         | 53 708 734         | 737 370          | 242 298 666        |
| Investment securities                      | 37 068 781          | 98 312 122         | -                | 135 380 903        |
| Other investments                          | 277 144             | 41 687             | -                | 318 831            |
| Other assets                               | 7 044 998           | 5 996 081          | 52 896           | 13 093 975         |
| Premises and equipment                     | 43 448 009          | -                  | -                | 43 448 009         |
| <b>Total assets</b>                        | <b>378 950 540</b>  | <b>169 122 675</b> | <b>2 573 348</b> | <b>550 646 563</b> |
| <b>Liabilities</b>                         |                     |                    |                  |                    |
| Due to banks                               | 3 265 593           | 1 085 257          | 13 890           | 4 364 740          |
| Deposits from individuals                  | 266 351 598         | 80 158 835         | 562 959          | 347 073 392        |
| Customer accounts                          | 93 644 298          | 20 152 138         | 1 204 695        | 115 001 131        |
| Bills of exchange                          | 33 083 598          | 1 913 944          | 1 575            | 34 999 117         |
| Other borrowed funds                       | -                   | 563 200            | -                | 563 200            |
| Other liabilities                          | 5 974 446           | 1 067 594          | 17 354           | 7 059 394          |
| <b>Total liabilities</b>                   | <b>402 319 533</b>  | <b>104 940 968</b> | <b>1 800 473</b> | <b>509 060 974</b> |
| <b>Net balance sheet position</b>          | <b>(23 368 993)</b> | <b>64 181 707</b>  | <b>772 875</b>   | <b>41 585 589</b>  |
| <b>Off-balance sheet notional position</b> | <b>(11 274)</b>     | <b>11 274</b>      | <b>-</b>         | <b>-</b>           |
| <b>Credit commitments</b>                  | <b>49 661 153</b>   | <b>15 878 627</b>  | <b>978 028</b>   | <b>66 517 808</b>  |

At 31 December 1999, the Bank had the following positions in currency:

|   | RR                  | USD               | Other currencies | Total             |
|---|---------------------|-------------------|------------------|-------------------|
| <b>Net balance sheet position (restated)</b>          | <b>(67 592 990)</b> | <b>99 775 148</b> | <b>1 036 608</b> | <b>33 218 766</b> |
| <b>Off-balance sheet notional position (restated)</b> | <b>(74 599)</b>     | <b>74 599</b>     | <b>-</b>         | <b>-</b>          |
| <b>Credit commitments (restated)</b>                  | <b>20 897 153</b>   | <b>15 268 952</b> | <b>279 888</b>   | <b>36 445 993</b> |

The off-balance sheet position represents spot and forward exchange positions on foreign exchange deliverable forward and option contracts entered into during the year; it excludes outstanding index forward contracts entered into prior to August 1998.

The Bank has extended loans and advances denominated in foreign currencies. Depending on the revenue stream of the borrower, the appreciation of the currencies against the Russian Rouble may adversely affect the borrowers' repayment ability and therefore increases the likelihood of future loan losses.

**29 Interest Rate, Liquidity and Credit Risk**

**Interest rate risk.** A Bank is exposed to interest rate price risk, principally as a result of lending and advances to customers and other banks, at fixed interest rates, in amounts and for periods which differ from those of term deposits and other borrowed funds at fixed interest rates.

In practice, interest rates are generally fixed on a short term basis, normally at three months intervals. Also, interest rates that are contractually fixed on both assets and liabilities are often renegotiated to reflect current market conditions.

The table below summarises the effective average interest rate, by major currencies, for monetary financial instruments outstanding as at 31 December 2000. The analysis has been prepared on the basis of weighted average interest rates for the various financial instruments using year end contractual rates.

|                                   | RR<br>(%) | Other currencies<br>(%) |
|-----------------------------------|-----------|-------------------------|
| <b>Assets</b>                     |           |                         |
| Cash and cash equivalents         | -         | 0.90                    |
| Dealing and Investment securities | 22.60     | 18.00                   |
| Due from banks                    | 8.13      | 1.22                    |
| Loans and advances to customers   | 21.54     | 11.96                   |
| <b>Liabilities</b>                |           |                         |
| Due to banks                      | 1.73      | 0.89                    |
| Deposits from individuals         | 10.70     | 5.60                    |
| Customer accounts                 | 2.45      | 1.70                    |
| Own securities issued             | 2.30      | 2.70                    |
| Other borrowed funds              | -         | 8.01                    |

**Liquidity risk.** Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The liquidity risk is managed by Committee on Interest rates and Limits of the Bank. The table below shows assets and liabilities as at 31 December 2000 by their remaining contractual maturity. Some of the assets, however, may be of a longer term nature; for example, loans may be renewed and accordingly short term loans may have a longer term duration.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the Management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

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**29 Interest Rate and Liquidity and Credit Risk (Continued)**

The liquidity position of the Bank as at 31 December 2000 is set out below:

|  | Demand<br>and less<br>than 1<br>month | From 1 to 6<br>months | From 6 to 12<br>months | More than 1<br>year | Overdue/<br>no stated<br>maturity/<br>provisions | Total              |
|--|---------------------------------------|-----------------------|------------------------|---------------------|--|--------------------|
| <b>Assets</b>  |                                       |                       |                        |                     |  |                    |
| Cash and cash equivalents                                      | 22 813 065                            | -                     | -                      | -                   | -  | 22 813 065         |
| Mandatory cash balances with the CBRF                          | 41 270 192                            | -                     | -                      | -                   | -  | 41 270 192         |
| Dealing securities   | 6 364 510                             | 252 615               | 3 632 223              | 20 266 851          | 738 840  | 31 255 039         |
| Due from banks   | 17 364 255                            | 2 717 900             | 1 000 000              | -                   | 744 674  | 21 826 829         |
| Provision for bad and doubtful debts                           | -                                     | -                     | -                      | -                   | (1 058 946)                                      | (1 058 946)        |
| Loans and advances to customers                                | 42 652 101                            | 100 505 169           | 79 339 734             | 46 768 041          | 5 934 140  | 275 199 185        |
| Provision for bad and doubtful debts                           | -                                     | -                     | -                      | -                   | (32 900 519)                                     | (32 900 519)       |
| Investment securities  | -                                     | -                     | 14 853 466             | 120 527 437         | -  | 135 380 903        |
| Other investments  | -                                     | -                     | -                      | -                   | 318 831  | 318 831            |
| Other assets   | 7 036 167                             | 3 679 680             | 542 531                | 959 817             | 875 780  | 13 093 975         |
| Premises and equipment   | -                                     | -                     | -                      | -                   | 43 448 009                                       | 43 448 009         |
| <b>Total assets</b>  | <b>137 500 290</b>                    | <b>107 155 364</b>    | <b>99 367 954</b>      | <b>188 522 146</b>  | <b>18 100 809</b>                                | <b>550 646 563</b> |
| <b>Liabilities</b>   |                                       |                       |                        |                     |  |                    |
| Due to banks   | 4 345 670                             | 19 070                | -                      | -                   | -  | 4 364 740          |
| Deposits from individuals                                      | 170 704 244                           | 140 196 490           | 26 996 377             | 9 176 281           | -  | 347 073 392        |
| Customer accounts  | 99 767 659                            | 8 585 623             | 4 926 672              | 1 721 177           | -  | 115 001 131        |
| Bills of exchange  | 30 183 991                            | 4 153 633             | 624 959                | 36 534              | -  | 34 999 117         |
| Other borrowed funds   | -                                     | -                     | -                      | 563 200             | -  | 563 200            |
| Other liabilities  | 5 420 233                             | 809 914               | 361 216                | 324 699             | 143 332  | 7 059 394          |
| <b>Total liabilities</b>                                       | <b>310 421 797</b>                    | <b>153 764 730</b>    | <b>32 909 224</b>      | <b>11 821 891</b>   | <b>143 332</b>                                   | <b>509 060 974</b> |
| <b>Net liquidity gap</b>                                       | <b>(172 921 507)</b>                  | <b>(46 609 366)</b>   | <b>66 458 730</b>      | <b>176 700 255</b>  | <b>17 957 477</b>                                | <b>41 585 589</b>  |
| <b>Cumulative liquidity gap at 31 December 2000</b>            | <b>(172 921 507)</b>                  | <b>(219 530 873)</b>  | <b>(153 072 143)</b>   | <b>23 628 112</b>   | <b>41 585 589</b>                                | <b>-</b>           |
| <b>Cumulative liquidity gap at 31 December 1999 (restated)</b> | <b>(136 761 785)</b>                  | <b>(211 736 996)</b>  | <b>(171 371 107)</b>   | <b>5 822 090</b>    | <b>33 218 766</b>                                | <b>-</b>           |

Overdue assets are fully provided against, and thus, have no impact on the above table. Mandatory cash balances with the CBRF are included within demand and less than one month as the majority of liabilities to which this balance relates to are also included within this category.



## **29 Interest Rate and Liquidity and Credit Risk (Continued)**

Management believes that in spite of the fact that the majority of the Bank's dealing securities portfolio matures after one year, these securities are freely traded on the market and as such they represent a hedge against potential liquidity risks. However, should the Bank be required to liquidate some or all of its portfolio at once to meet liquidity demands, the Bank may not be able to realise this carrying value. Therefore, these securities are disclosed in the above table in accordance with their maturities.

Management believes that in spite of a substantial portion of deposits from individuals being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these deposits provide a long-term and stable source of funding for the Bank.

The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position, cash flows and interest margin. The Bank's interest rate sensitivity analysis based on the contractual repricing of the Bank's assets and liabilities does not differ significantly from the maturity analysis disclosed in the table above.

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

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

The Bank's maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

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

## **30 Contingencies, Commitments and Derivative Financial Instruments**

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

**Tax legislation.** Due to the presence in Russian commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgement of business activities, Management's judgement of the Bank's business activities may not coincide with the interpretation of the same activities by tax authorities. If a particular treatment was to be challenged by the tax authorities, the Bank may be assessed additional taxes, penalties and interest, which can be significant. Tax years remain open to review by the tax authorities for three years.

**Capital commitments.** As at 31 December 2000 the Bank had capital commitments in respect of construction and computer system totalling RR 740 921 thousand (1999: RR 770 972 thousand). The Bank's Management believes that future net revenues and funding will be sufficient to cover this and any similar commitments.

**30 Contingencies, Commitments and Derivative Financial Instruments (Continued)**

**Operating lease commitments.** In the course of its business the Bank enters into a number of lease agreements. The majority of these lease agreements are cancellable. Where the Bank is the lessee, the future minimum lease payments under non cancellable operating leases are as follows:

|  | 2000          | 1999          |
|--|---------------|---------------|
| Not later than 1 year                        | 34 469        | 24 840        |
| Later than 1 year and not later than 5 years | 53 200        | 4 697         |
| Later than 5 years                           | 8 962         | -             |
| <b>Total operating lease commitments</b>     | <b>96 631</b> | <b>29 537</b> |

**Credit related commitments.** The credit related commitments comprise loan commitments, letters of credit and guarantees. The contractual amount of these commitments represents the value at risk should the contract be fully drawn upon, the client defaults, and the value of any existing collateral becomes worthless. In general, the majority the Bank's import letters of credit are collateralised with cash deposits or collateral pledged to the Bank and accordingly the Bank normally assumes minimal risk. Outstanding credit related commitments are as follows:

|  | 2000              | 1999              |
|--|-------------------|-------------------|
| Undrawn credit lines                                     | 62 373 520        | 30 017 895        |
| Export letters of credit                                 | 2 403 824         | 3 007 230         |
| Import letters of credit (Note 14)                       | 1 169 150         | 2 634 304         |
| Letters of credit for domestic settlements               | 118 111           | 73 055            |
| Guarantees issued  | 503 858           | 838 923           |
| Less: provision for losses on credit related commitments | (50 655)          | (125 414)         |
| <b>Total credit related commitments (Note 28)</b>        | <b>66 517 808</b> | <b>36 445 993</b> |

The amount of undrawn credit lines issued by the Bank as at 31 December 2000 was RR 62 373 520 thousand (1999: RR 30 017 895 thousand). The Bank however has the right to renegotiate the terms of credit line agreements. At 31 December 2000, the probability of losses arising in connection with these undrawn credit lines is considered remote and accordingly no provision has been established.

Management evaluated the likelihood of possible losses arising from guarantees and other credit related commitments and concluded that a provision of RR 50 655 thousand was necessary as at 31 December 2000 (1999: RR 125 414 thousand). This provision is disclosed under other liabilities. Refer to Note 17. The total outstanding contractual amount of guarantees, letters of credit, and undrawn credit lines does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

**Other commitments.** The Bank has entered into commitments to purchase precious metals in the amount of RR 4 034 789 thousand. The price the Bank will pay is the CBRF rate on the date of the transaction less a discount of 0.5% to 1%. The Bank has accrued gains or losses on these deals based on the year end CBRF rates as there is not a reliable futures market for precious metals in Russia and the difference in actual prices is deemed immaterial.

**Derivatives.** As at 31 December 2000, the Bank has outstanding forward foreign exchange contracts with Russian and foreign banks whereby it had agreed to buy or sell Russian Roubles in exchange for another currency at an exchange rate agreed to at the date of the contract. A majority of these contracts were entered into prior to 17 August 1998 and matured during 1998 and early 1999 but have not yet been settled. The Bank has been able to settle outstanding contracts with several counterparties and any resultant gains or losses have been recorded in the statement of income.



**30 Contingencies, Commitments and Derivative Financial Instruments (Continued)**

At present there is uncertainty in Russia with respect as to how, and on which basis, certain derivative contracts will be settled; only a small proportion of outstanding domestic index forward contracts have been settled in the market. Such settlements have been made at rates substantially below the contractual rates.

Management believes that it is possible that contracts between Russian banks may become void or other remedial measures may be available. In the event the outstanding contracts are declared void or settled at an amount different than the amount called for in the contract, the losses and gains would be adjusted and the difference would be recognised in the statement of income accordingly.

The Bank also engages in transactions with other off-balance sheet financial instruments.

Foreign exchange off-balance sheet financial instruments are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. The nominal amounts for off-balance sheet financial instruments are not reflected in the balance sheet.

The following two tables provide an analysis of the principal or agreed amounts of contracts outstanding at the year end and loss or gain arising. These tables reflect gross positions, before the netting of any counterparty position, by type of instrument.

The table below includes contracts with a maturity date subsequent to 31 December 2000. These contracts were entered into in December 2000 and are short term in nature.

|                                    | Domestic                         |             |          | Foreign                          |          |          |
|------------------------------------|----------------------------------|-------------|----------|----------------------------------|----------|----------|
|                                    | Principal<br>or agreed<br>amount | Loss        | Gain     | Principal<br>or agreed<br>amount | Loss     | Gain     |
| <i>Deals entered into in 2000:</i> |                                  |             |          |                                  |          |          |
| <b>Spot</b>                        |                                  |             |          |                                  |          |          |
| - sale of foreign currency         | -                                | -           | -        | (26 130)                         | -        | -        |
| - purchase of foreign currency     | 11 264                           | (17)        | -        | 26 140                           | -        | -        |
| <b>Total</b>                       | <b>11 264</b>                    | <b>(17)</b> | <b>-</b> | <b>10</b>                        | <b>-</b> | <b>-</b> |

For these deals the Bank has recorded a net loss of RR 17 thousand which is included within gains less losses arising from dealing in foreign currency.

**30 Contingencies, Commitments and Derivative Financial Instruments (Continued)**

The following table includes contracts for which the date of maturity is past due, no settlement has been completed as of 31 December 2000 and relates to contracts entered into before August 1998.

|                                    | Domestic                         |                    |                  | Foreign                          |                  |          |
|------------------------------------|----------------------------------|--------------------|------------------|----------------------------------|------------------|----------|
|                                    | Principal<br>or agreed<br>amount | Loss               | Gain             | Principal<br>or agreed<br>amount | Loss             | Gain     |
| <i>Deals entered into in 1998:</i> |                                  |                    |                  |                                  |                  |          |
| <b>Deliverable forwards</b>        |                                  |                    |                  |                                  |                  |          |
| - sale of foreign currency         | (540 000)                        | (439 670)          | -                | -                                | -                | -        |
| - purchase of foreign currency     | -                                | -                  | -                | -                                | -                | -        |
| <b>Index forwards</b>              |                                  |                    |                  |                                  |                  |          |
| - sale of foreign currency         | (3 402 000)                      | (655 980)          | -                | (144 783)                        | (105 879)        | -        |
| - purchase of foreign currency     | 12 652 200                       | -                  | 3 257 299        | -                                | -                | -        |
| <b>Options</b>                     |                                  |                    |                  |                                  |                  |          |
| - sale of foreign currency         | (4 455 000)                      | (350 000)          | -                | -                                | -                | -        |
| - purchase of foreign currency     | 8 572 500                        | -                  | 1 804 299        | -                                | -                | -        |
| <b>Total at 31 December 2000</b>   | <b>12 827 700</b>                | <b>(1 445 650)</b> | <b>5 061 598</b> | <b>(144 783)</b>                 | <b>(105 879)</b> | <b>-</b> |
| <b>Total at 31 December 1999</b>   | <b>24 770 273</b>                | <b>(2 421 406)</b> | <b>8 961 936</b> | <b>(173 925)</b>                 | <b>(121 950)</b> | <b>-</b> |

A summary of the Bank's net obligations as at 31 December 2000 with respect to contracts entered into during 1998 is set out below.

|   | Loss             | Gain             |
|---|------------------|------------------|
| Domestic counterparty losses and gains on contracts entered into in 1998                      | (1 445 650)      | 5 061 598        |
| Losses offset by counterparty gains   | 727 272          | -                |
| Gains offset by counterparty losses   | -                | (727 272)        |
| Domestic counterparty losses and gains after netting by counterparty position                 | (718 378)        | 4 334 326        |
| Foreign counterparty losses   | (105 879)        | -                |
| <b>Subtotal before provision for uncollectable gains</b>                                      | <b>(824 257)</b> | <b>4 334 326</b> |
| Less: provision for uncollectable gains   | -                | (4 334 326)      |
| Accrual for losses on contracts entered into in 2000  | (17)             | -                |
| Domestic counterparty contracts settled at no cost to the Bank subsequent to 31 December 2000 | 266 280          | -                |
| Foreign counterparty contracts settled at no cost to the Bank subsequent to 31 December 2000  | 79 399           | -                |
| <b>Obligations on forward foreign exchange contracts at 31 December 2000</b>                  | <b>(478 595)</b> | <b>-</b>         |

During 2000 the Bank settled certain outstanding forward and option contracts entered into in 1998 with counterparties with a nominal value of RR 5 265 000 thousand for sale of foreign currency (1999: RR 7 667 642 thousand); and RR 13 057 200 thousand for purchase of foreign currency (1999: RR 3 481 778 thousand). The calculated net gain on these transactions based on contractual rates was RR 1 805 485 thousand (1999: calculated net loss of RR 6 087 781 thousand). The Bank paid consideration of RR 76 170 thousand and received consideration of RR 49 051 thousand with respect to the settlement of these deals.

**30 Contingencies, Commitments and Derivative Financial Instruments (Continued)**

The table below summarises the change in the Bank's obligations with respect to the forward foreign exchange contracts during 2000.

|   | <b>2000</b>      |
|---|------------------|
| <b>Obligations on unsettled contracts at 1 January</b>                            | <b>1 502 133</b> |
| Settlements during the year   | (844 709)        |
| Accrual for losses on contracts entered into in the year                          | 17               |
| Effect of exchange rate changes   | 27 562           |
| Effect of inflation   | (206 408)        |
| <b>Obligations on forward foreign exchange contracts at 31 December (Note 17)</b> | <b>478 595</b>   |

A summary of movements in provision for uncollectable gains on forward foreign exchange contracts is as follows:

|  | <b>2000</b>      |
|--|------------------|
| <b>Provision at 1 January</b>                  | <b>7 182 062</b> |
| Additional charge to provision during the year | 613 962          |
| Recovery of amounts previously provided for    | (49 051)         |
| Use of provision for settlements               | (2 209 260)      |
| Effect of inflation                            | (1 203 387)      |
| <b>Provision at 31 December</b>                | <b>4 334 326</b> |

The additional net charge to provision during 2000 has been recorded within the provision for uncollectable gains on forward foreign exchange contracts in the statement of income.

Subsequent to 31 December 2000, the Bank settled obligations on forward foreign exchange contracts to sell foreign currency with domestic and foreign counterparties. The principal amount of obligations on forward foreign exchange contracts with domestic counterparties at 31 December 2000 amounted to RR 810 000 thousand and the calculated loss amounted to RR 266 280. The principal amount of obligations on forward foreign exchange contracts with foreign counterparties at 31 December 2000 amounted to RR 144 783 thousand and the calculated loss amounted to RR 105 879 thousand. The Bank paid a consideration of RR 26 480 thousand with respect to these settlements.

**Fiduciary assets.** These assets are not included in the Bank's balance sheet as they are not assets of the Bank. The fiduciary assets fall into the following categories:

|  | <b>2000</b>          | <b>1999</b>          |
|--|----------------------|----------------------|
|  | <b>Nominal value</b> | <b>Nominal value</b> |
| Client GKO and OFZ securities held on an account with the National Depository Centre | 3 779 603            | 20 743 594           |
| Client VEB bonds held in custody   | 10 493 345           | 905 694              |
| Shares in companies held in custody  | 97 773               | 712 849              |
| Client OGSZ securities held in custody   | 77 293               | 568 103              |
| Client local government bonds held in custody  | 455 485              | 208 296              |
| Other  | 32 211               | 47 900               |



### **31 Fair Value of Financial Instruments**

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

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

Management considers that it is difficult to estimate the fair value of loans and advances to customers and term deposits. These instruments are not currently traded in the Russian financial markets, and an objective estimate of their fair value is not available. The instability of the interest rate and exchange rate environment significantly affects the fair value of these financial instruments. Some financial institutions have been unwilling to lend to or invest in Russian companies, thus limiting information which might otherwise be available to Management to assist in estimating fair values. Because of these factors, Management does not believe that an objective basis for the fair value of loans and advances to customers and term deposits can be obtained with sufficient reliability to provide meaningful information to users.

The following methods and assumptions were used to estimate the fair value of the Bank's other financial instruments.

#### Financial assets

For monetary assets, customer loans and amounts due from other banks, fair value approximates the carrying value; balances denominated in foreign currencies have been translated at appropriate year-end exchange rates.

Investment in non-consolidated subsidiaries and associates and other trade investments are accounted for at restated cost less provision as Management believes this carrying value approximates fair value of their share of equity.

#### Financial liabilities

For monetary liabilities, excluding the liabilities described above, fair value approximates the carrying value; balances denominated in foreign currencies have been translated at appropriate year-end exchange rates.

The fair value of deposit liabilities without a stated maturity is assumed to be the carrying amount (nominal amount).

### **32 Related Party Transactions**

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



**32 Related Party Transactions (Continued)**

Banking transactions are entered into in the normal course of business with significant shareholders, directors, subsidiaries and companies with which the Bank has significant shareholders in common. These transactions include settlements, loans, deposit taking, trade finance and foreign currency transactions. These transactions are priced predominantly at market rates. The outstanding balances at the year end and interest expense and income for the year with related parties are as follows:

|   | 2000        | 1999        |
|---|-------------|-------------|
| <b>Loans</b>                                  |             |             |
| Loans outstanding as at year end              | 4 536 740   | 9 320 340   |
| Provision for losses on loans at the year end | (1 050 185) | (2 367 570) |
| Interest income                               | 696 210     | 861 508     |
| <b>Deposits</b>                               |             |             |
| Outstanding balance as at year end            | 207 802     | 615 385     |
| Interest expense                              | 55 171      | 1 624 037   |
| <b>Guarantees issued by the Bank</b>          | -           | 3 271       |
| <b>Debtors balances as at year end</b>        | 109 692     | 95 825      |
| <b>Creditors balances as at year end</b>      | 6 184       | -           |

The Central Bank of the Russian Federation is the majority shareholder of the Bank and is the regulatory body for all credit institutions in Russia. As noted in the financial statements, the Bank maintains a number of balances, and carries out a range of transactions with the CBRF, which are not included in the above analysis. These transactions included settlements, deposit placement and deposit taking, transfer of funds to the mandatory cash balances in accordance with the Russian banking regulations. These transactions were priced predominantly at market rates, where applicable.

The outstanding balances at the year end and interest income and expense as well as other transactions for the year with the CBRF are stated in the table below:

|  | 2000       | 1999       |
|--|------------|------------|
| Mandatory cash balances with the CBRF as at year end | 41 270 192 | 26 811 485 |
| Nostro account with the CBRF as at year end (Note 5) | 12 136 251 | 6 793 105  |
| Loans and advances with CBRF as at year end (Note 7) | 15 400 000 | -          |
| Interest income                                      | 4 316 680  | 1 765 658  |
| Interest expense                                     | 1 250      | 1 255      |

**Transactions with State Organisations**

State organisations represent a significant element of the Bank's customer base. These organisations perform settlements through accounts opened with the Bank, and are granted significant loans by the Bank as described in Notes 7, 8 and 14. Additionally, the Russian Federation guarantees the funds of all individual depositors at the Bank.

As detailed in Note 9, the Bank has a significant portfolio of state securities of Russian Federation. The Bank is considered a major market maker in respect of the government debt securities. Thus, the Bank's ability to liquidate its portfolio of state securities is influenced by the Bank's position in the securities market, by the condition of this market and to a certain extent by government policy.

### **33 Adoption of IAS 29**

As at 1 January 2000, the Bank adopted IAS 29 "Financial Reporting in Hyperinflationary Economies" for the first time. In accordance with IAS 29, the financial statements should be adjusted to reflect the effects of the change in purchasing power of the Russian Rouble based on general price indices in Russia. Previously, these adjustments had not been made and accordingly the amounts in the financial statements of the Bank were stated at historical cost.

This adoption of IAS 29 has been accounted for retrospectively. Corresponding information has been restated to conform to this change in accounting policy. The effect of the change in accounting policy on the financial statements for the year ended 31 December 1999, as compared to the 1999 historical financial statements, is as follows:

Increase in shareholders' equity by RR 15 368 114 thousand;

Increase of profit by RR 11 516 136 thousand.

The amounts disclosed in the statement of changes in shareholders' equity at 1 January 1999 (as previously reported) represent the non inflation adjusted amounts taken directly from the previous year's financial statements. All cumulative restatements up until 1 January 1999 have been reflected in the "Effect of adoption of IAS 29" line in the statement of changes in shareholders' equity.







Established in 1841

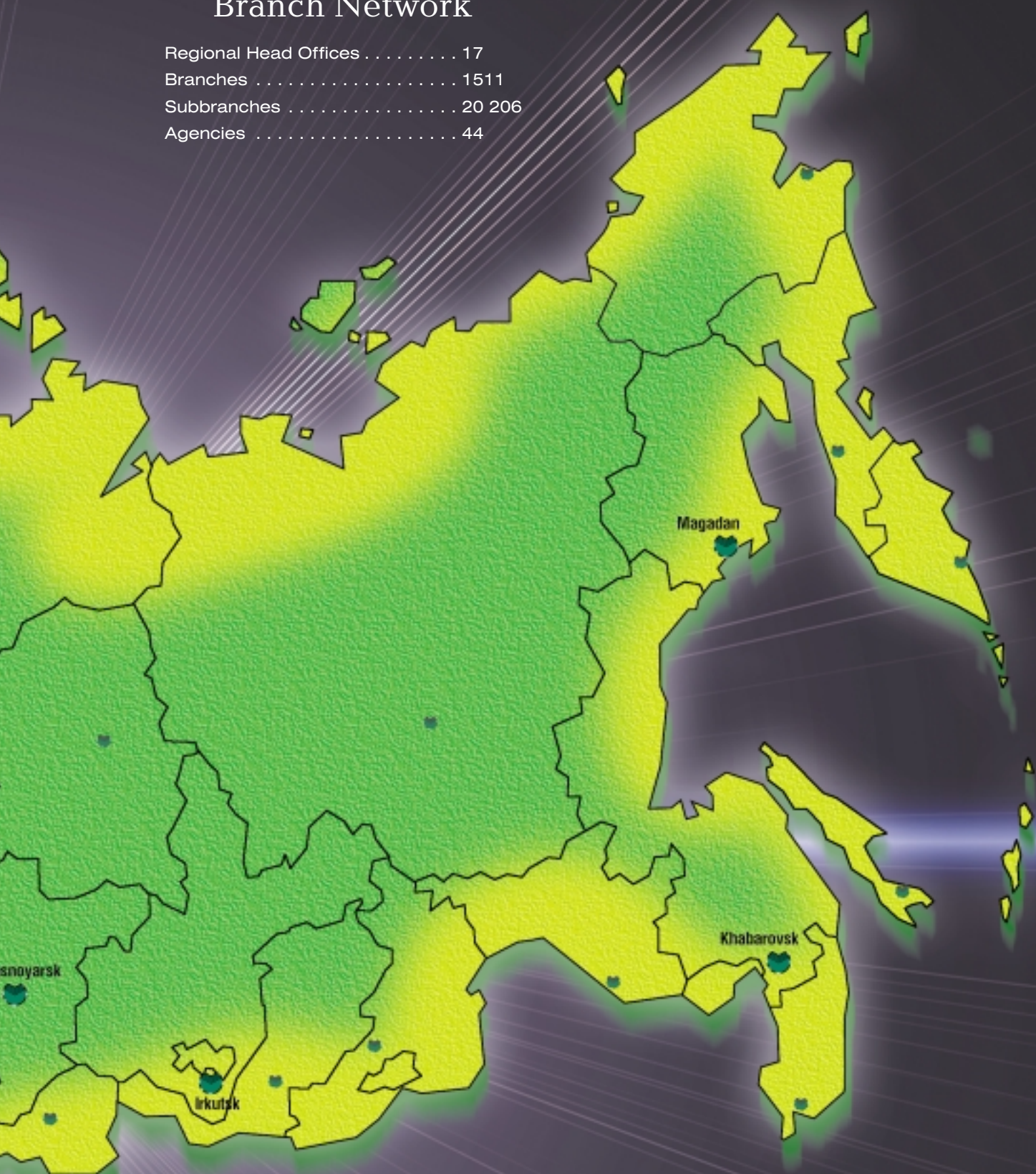
SBERBANK





# Branch Network

|                                 |        |
|---------------------------------|--------|
| Regional Head Offices . . . . . | 17     |
| Branches . . . . .              | 1511   |
| Subbranches . . . . .           | 20 206 |
| Agencies . . . . .              | 44     |



## Branch Network of Sberbank

### Regional Head Offices

| Head Offices  | Address, Telephone   | Chairperson  | Number of |              |          |
|---|--|--|-----------|--------------|----------|
|   |  |  | branches  | sub-branches | agencies |
| <p>Altaysky Head Office</p>              | <p>106-a Komsomolski Prospekt,<br/>656038 Barnaul, Russia<br/>tel.: (385-2) 39-92-11</p>   |  <p>Vladimir F. Pesotski</p>             | 26        | 747          | 2        |
| <p>Baikalsky Head Office</p>             | <p>32 Deputatskaya St.,<br/>664047 Irkutsk, Russia<br/>tel.: (395-2) 33-95-55</p>          |  <p>Anatoli A. Sizykh</p>                | 62        | 702          | 1        |
| <p>Volgo-Vyatsky Head Office</p>        | <p>35 Oktyabrskaya St.,<br/>603005 Nizhniy Novgorod, Russia<br/>tel.: (831-2) 78-86-00</p> |  <p>Yevgeni A. Korolev</p>              | 182       | 2370         | 22       |
| <p>Vostochno-Sibirsky Head Office</p>  | <p>46 Svobodny Prospekt,<br/>660028 Krasnoyarsk, Russia<br/>tel.: (391-2) 59-80-03</p>     |  <p>Valeri I. Aralkin</p>              | 54        | 440          | 0        |
| <p>Dalnevostochny Head Office</p>      | <p>4 Brestskaya St.,<br/>680011 Khabarovsk, Russia<br/>tel.: (421-2) 34-21-16</p>          |  <p>Boris Z. Gvozdev</p>               | 65        | 438          | 0        |
| <p>Zapadno-Sibirsky Head Office</p>    | <p>61 Rizhskaya St.,<br/>625023 Tyumen, Russia<br/>tel.: (345-2) 41-21-53</p>              |  <p>Nina Ya. Bragina</p>               | 69        | 954          | 6        |
| <p>Zapadno-Uralsky Head Office</p>     | <p>4 Ordzhonikidze St.,<br/>614000 Perm, Russia<br/>tel.: (342-2) 10-26-00</p>             |  <p>Vladimir<br/>A. Verkholyantsev</p> | 74        | 889          | 3        |
| <p>Povolzhsky Head Office</p>          | <p>305 Novo-Sadovaya St.,<br/>443011 Samara, Russia<br/>tel.: (846-2) 98-11-04</p>         |  <p>Viktor<br/>V. Shchurenkov</p>      | 177       | 2919         | 2        |



| Head offices  | Address, telephone   | Chairperson   | Number of |              |          |
|---|--|---|-----------|--------------|----------|
|   |  |   | branches  | sub-branches | agencies |
| Severny Head Office<br>                  | 8 Prospekt Oktyabrya,<br>150028 Yaroslavl, Russia<br>tel. (085-2) 72-88-51               |  Vladimir P. Rybin        | 70        | 824          | 0        |
| Severo-Vostochny Head Office<br>         | 11/11 Pushkina St.,<br>685000 Magadan, Russia<br>tel.: (413-22) 2-26-32                  |  Galina D. Kozub          | 48        | 315          | 0        |
| Severo-Zapadny Head Office<br>           | 2 Krasnykh Tekstilshchikov St.,<br>193124 St. Petersburg, Russia<br>tel. (812) 329-96-00 |  Vladimir A. Shorin       | 79        | 985          | 1        |
| Severo-Kavkazsky Head Office<br>        | 361 Lenina St.,<br>355035 Stavropol, Russia<br>tel.: (865-2) 24-39-76                    |  Viktor V. Gavrilov      | 79        | 531          | 2        |
| Sibirsky Head Office<br>               | 46 Krasny Prospekt,<br>630091 Novosibirsk, Russia<br>tel.: (383-2) 22-18-81              |  Alexander A. Mikhin    | 45        | 759          | 0        |
| Srednerussky Head Office<br>           | 19 Vavilova St.,<br>117312 Moscow, Russia<br>tel.: (095) 957-58-79                       |  Vladimir A. Nikonov    | 137       | 1753         | 1        |
| Uralsky Head Office<br>                | 31-v Malysheva St.,<br>620014 Ekaterinburg, Russia<br>tel.: (343-2) 51-17-44             |  Vladimir A. Cherkashin | 131       | 1745         | 2        |
| Tsentralno-Chernozemny Head Office<br> | 28 Devyatogo Yanvarya St.,<br>394006 Voronezh, Russia<br>tel.: (073-2) 55-05-83          |  Alexander K. Solovyev  | 100       | 1699         | 2        |
| Yugo-Zapadny Head Office<br>           | 116 Pushkinskaya St.,<br>344006 Rostov-on-Don, Russia<br>tel.: (863-2) 64-39-20          |  Sergei V. Kugaev       | 79        | 1405         | 0        |

*A list of Regional Head Offices is given as of January 1, 2001*

*A list of Regional Head Offices Chairpersons is given as of April 1, 2001*

## Main Correspondents of Sberbank for Settlements in Freely Convertible and Partially Convertible Currencies

| <b>CURR.</b> | <b>CORRESPONDENT BANK</b>                                     |
|--------------|---|
| ATS .....    | Donau Bank AG, Vienna   |
| CAD .....    | Canadian Imperial Bank of Commerce, Toronto                   |
| CHF .....    | UBS AG, Zurich  |
| CZK .....    | Komerční Banka a.s., Prague                                   |
| DKK .....    | Danske Bank A/S, Copenhagen                                   |
| EUR/DEM..... | Deutsche Bank AG, Frankfurt am Main <sup>1</sup>              |
| EUR .....    | Chase Manhattan Bank AG, Frankfurt am Main <sup>2</sup>       |
| EUR .....    | Westdeutsche Landesbank Girozentrale, Düsseldorf <sup>3</sup> |
| FIM .....    | Merita Bank Plc, Helsinki                                     |
| FRF.....     | Banque Commerciale pour l'Europe du Nord - Eurobank, Paris    |
| GBP.....     | HSBC Bank Plc, London   |
| JPY.....     | The Bank of Tokyo-Mitsubishi Ltd., Tokyo                      |
| NOK .....    | Den Norske Bank ASA, Oslo                                     |
| PLN .....    | Bank Handlowy w Warszawie SA, Warsaw                          |
| SEK .....    | Nordbanken AB (publ), Stockholm                               |
| USD .....    | The Bank of New York, New York                                |
| MULTI.....   | Centro Internationale Handelsbank AG, Vienna                  |
| UAH .....    | Privatbank, Dnepropetrovsk                                    |
| BYR .....    | Belvnesheconombank, Minsk                                     |
| KGS .....    | International Moscow Bank, Moscow                             |
| TJR.....     | International Moscow Bank, Moscow                             |
| KZT .....    | Kazkommertsbank, Almaty                                       |
| EEK .....    | Hansapank, Tallinn  |
| LVL .....    | Hansapank, Tallinn  |
| LTL .....    | Hansapank, Tallinn  |
| MDL .....    | Mobiasbanca SA, Chisinau                                      |

<sup>1</sup> For commercial payments

<sup>2</sup> For bank-to-bank payments

<sup>3</sup> For low-value payments



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## Details of Sberbank

**Registered with the Central Bank of the Russian Federation on June 20, 1991**  
**General Licence of the Central Bank of the Russian Federation renewed August 12, 1999**  
**Registration number: 1481**

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**SWIFT Code:** .....SABR RU MM

**Reuters Dealing Codes:**.....SBRF, SBRR, SBRO

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