



Established in 1841

SBERBANK

ANNUAL REPORT
2002



History of Savings in Russia

A birch-bark container with silver coins found in 1841 by a peasant under a wind-uprooted tree near Ladoga Lake at the mouth of the Volkhov River, Novgorod Region.

**STATEMENT
OF THE CHAIRMAN OF THE BOARD & CEO OF SBERBANK**



On behalf of the Board of Sberbank I have the honour to present this Annual Report of Sberbank for 2002.

The year 2002 was a year of remarkable achievements for Sberbank, and its performance figures may be well considered record-high. Sberbank's IFRS profit from core banking activities increased by 1.53 times within one year making 37.3 billion rubles (net profit for 2002 made up 30.5 billion rubles). Sberbank's shareholders equity rose to 123.1 billion rubles and net assets for the first time exceeded 1,000 billion rubles.

These figures demonstrate that the Bank has gained more ground, now offering higher value to its customers and shareholders. The results of this year prove that the Bank keeps on the right track. This comes as a result of well-balanced management decisions of the Bank's Board and professional, responsible and efficient effort of the staff.

With such excellent performance in the passed year the Bank paid record dividends to its individual and corporate shareholders.

Sberbank has been successful in implementing a strategy of extensive lending to national economy. Today loans to the real sector are the major source

of such high profits of the Bank. Sberbank extended credits to finance development of key industries including high-tech sectors, to set up new and upgrade existing operations and to support development of Russia's agribusiness. The Bank's loans and advances to customers (net of allowance for loan impairment) made up 517 billion rubles, where about 50 billion rubles are credits for over three years. It is worth noting that Sberbank has invested in the real economy of Russia more than Germany, which has been the largest lender to Russia over the last five years.

Lending to SMEs continued to grow. Sberbank has shown impressive performance in this priority sector with growth rate 1.5 times higher than in the overall loan portfolio. Last year Sberbank extended the equivalent of 211 billion rubles in loans to SMEs, maintaining exceptionally high quality of the loan portfolio.

The Bank's market share of retail loans grew to a substantial 46.1%. Retail loans outstanding at 2002 year-end made 65.9 billion rubles, showing a 3.5-fold growth since the approval of Sberbank's five-year Concept of Development in 2000.

The year in review was made memorable for Sberbank by achievements in other fields as well.

Guided by Concept of Development to Year 2005 Sberbank focused on further development of customer relations and worked to expand sales of banking products through improvement of retail and corporate services. Sberbank has developed and launched a number of products and services, some of which are unique on the Russian market. Every third exporter and every fourth importer in Russia receive a full range of internationally accepted trade finance services from Sberbank. The nation-wide branch network and global banking relations make Sberbank with its profound experience an exceptional financial centre for linking Russian enterprises with the rest of the world.

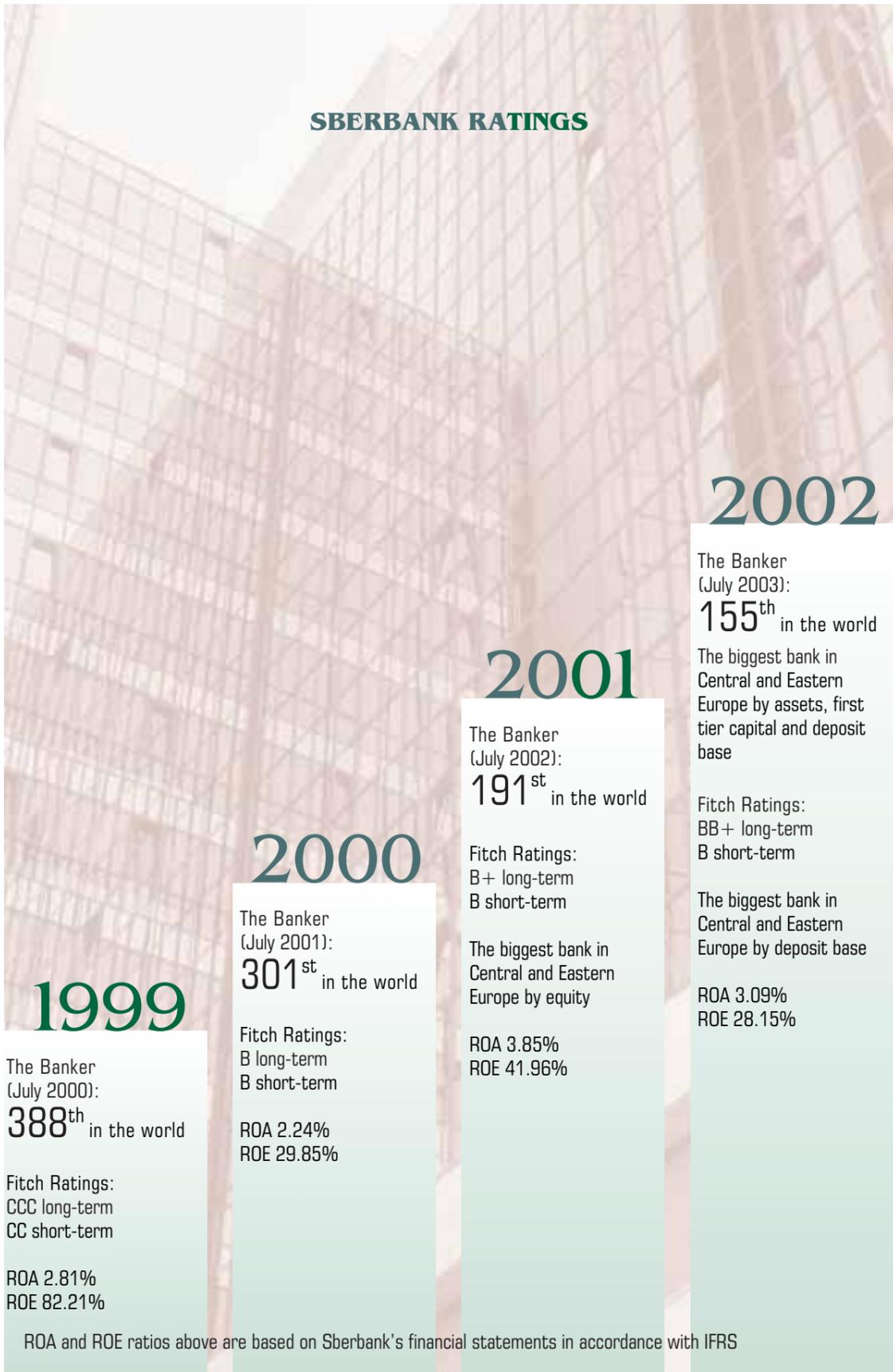
Sberbank was amongst the first banks in Russia to provide Euro cash to the market and to offer a variety of deposit products in the new European currency. In the retail deposit sector Sberbank retains leadership with 67% market share.

In conclusion I wish to express my sincere appreciation of our customers' and shareholders' trust and understanding and thank all our staff for their professional and reliable performance.

Andrei I. Kazmin

A handwritten signature in blue ink, appearing to be 'A. Kazmin', written in a cursive style.

SBERBANK RATINGS



SUPERVISORY BOARD OF SBERBANK

Elected by the Annual General Shareholders Meeting on 21 June 2002

Chairman of the Supervisory Board:

- | | |
|-----------------------|--|
| 1. Sergei M. IGNATIEV | Chairman of the Central Bank of the Russian Federation |
|-----------------------|--|

Deputy Chairmen of the Supervisory Board:

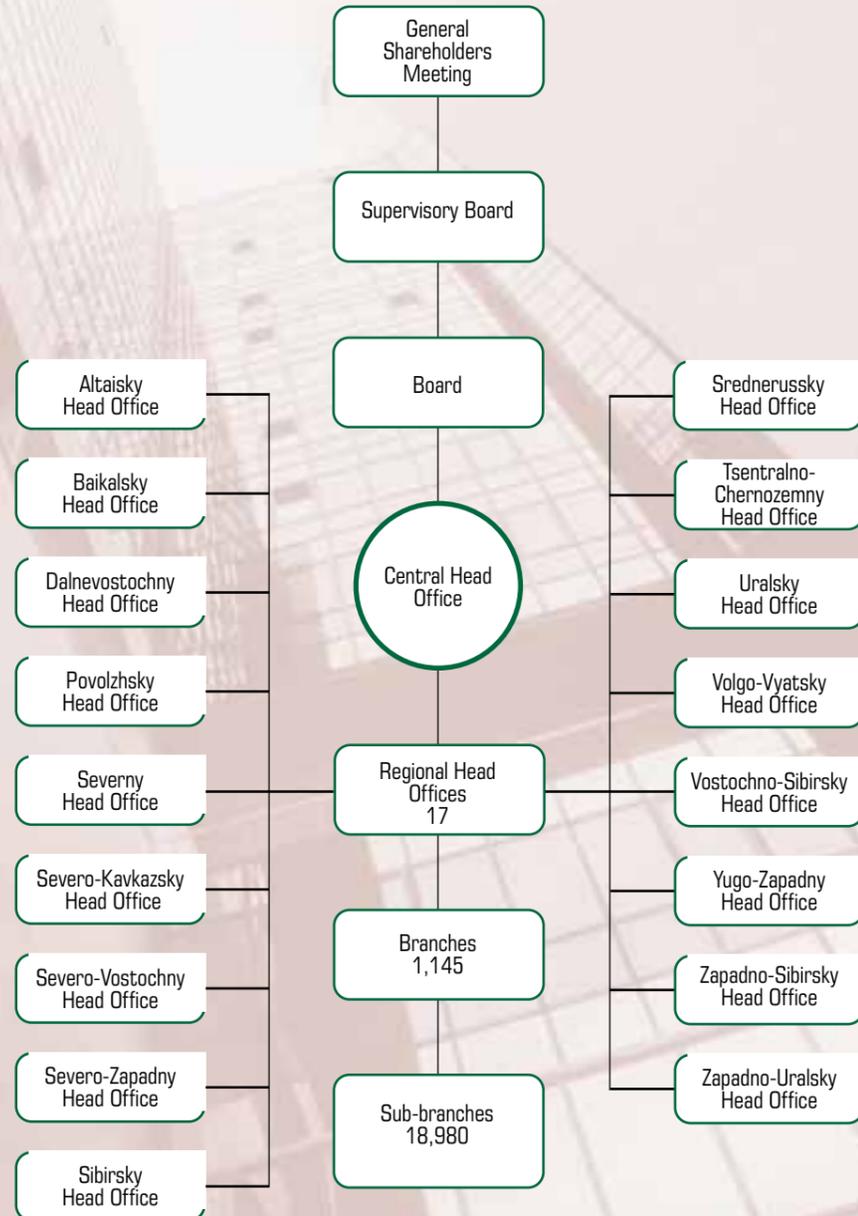
- | | |
|------------------------|--|
| 2. Georgy I. LUNTOVSKY | Deputy Chairman of the Central Bank of the Russian Federation |
| 3. Alexei L. KUDRIN | Deputy Chairman of the Government of the Russian Federation, Minister of Finance of the Russian Federation |

Members of the Supervisory Board:

- | | |
|---------------------------|---|
| 4. Alla K. ALESHKINA | First Deputy Chairman of the Board of Sberbank |
| 5. Boris G. FYODOROV | Doctor of Science, Economics |
| 6. Nadezhda Yu. IVANOVA | Director of Consolidated Economic Department of the Central Bank of the Russian Federation |
| 7. Andrei I. KAZMIN | Chairman of the Board and CEO of Sberbank |
| 8. Vadim G. KLEINER | Head of Analytical Department of "Hermitage Capital Management" |
| 9. Vladimir P. KOLBAYEV | First Deputy Head of the Main Department of the Central Bank of the Russian Federation for Moscow |
| 10. Evgeny A. KOROLEV | Deputy Chairman of the Board of Sberbank |
| 11. Victor N. MELNIKOV | Deputy Chairman of the Central Bank of the Russian Federation |
| 12. Oleg V. MOZHAISKOV | Deputy Chairman of the Central Bank of the Russian Federation |
| 13. Tatyana V. PARAMONOVA | First Deputy Chairman of the Central Bank of the Russian Federation |
| 14. Galina A. RYBAKOVA | Director of Branch Network Management Department of Sberbank |
| 15. Vyacheslav I. SOLOVOV | Counsellor to the Chairman of the Central Bank of the Russian Federation |
| 16. Alexei V. ULYUKAEV | First Deputy Minister of Finance of the Russian Federation |
| 17. Bella I. ZLATKIS | Deputy Minister of Finance of the Russian Federation |

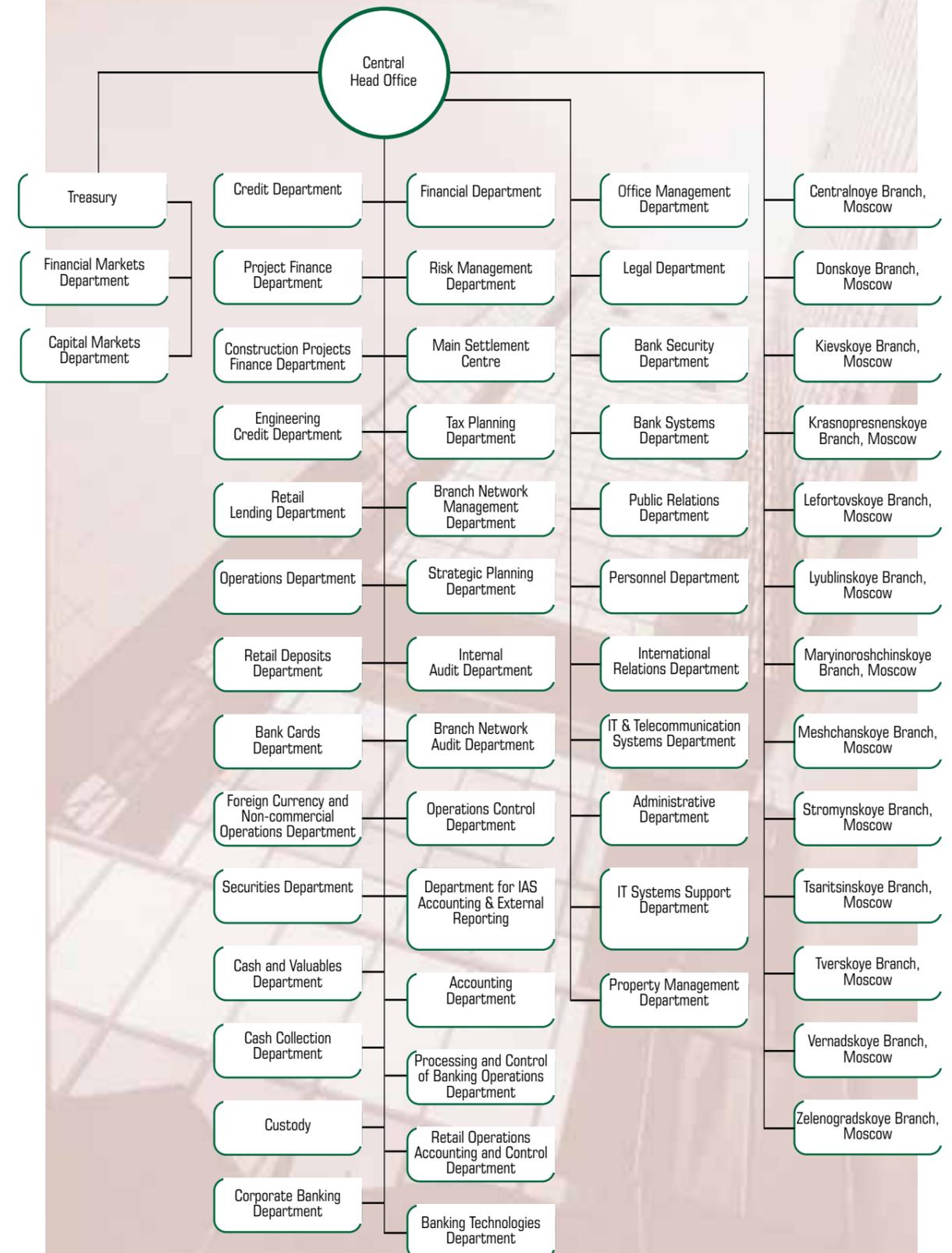
ORGANISATION CHART OF SBERBANK

(as of 1 January 2003)



ORGANISATION CHART OF SBERBANK CENTRAL HEAD OFFICE

(as of 1 June 2003)



BOARD OF SBERBANK

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



Alla K. ALESHKINA
First Deputy
Chairman
of the Board



Tatyana K.
ARTEMOVA
Deputy Chairman
of the Board



Alexander N.
GOVORUNOV
Deputy
Chairman
of the Board



Evgeny A. KOROLEV
Deputy Chairman
of the Board
(since 11 March 2003)



Vladimir A.
NIKONOV
Deputy Chairman
of the Board,
Chairman of
Srednerussky
Head Office



Andrei E.
POGODIN
Deputy Chairman
of the Board



Alexander K.
SOLOVYEV
Deputy Chairman
of the Board,
Chairman
of Tsentralno-
Chernozemny
Head Office



Alexander V.
ZAKHAROV
Deputy Chairman
of the Board
(since 25 April 2003)



Gennady G.
MELIKYAN
Deputy Chairman
of the Board
(till 1 April 2003)



Irina N. BOKHAN
Member of the Board,
Director of Credit
Department



Viktor V. GAVRILOV
Member of the Board,
Chairman of Severo-
Kavkazsky Head Office



Andrei V. KRUZHALOV
Member of the Board,
Chief Accountant,
Director of Accounting
Department



Nikolai I. KULESHOV
Member of the Board,
Director of Corporate
Banking Department



Andrei F. MANILOLO
Member of the Board,
Director of Financial
Department



Vladimir F. PESOTSKI
Member of the Board,
Chairman of Altaysky
Head Office



Galina A. RYBAKOVA
Member of the Board,
Director of Branch
Network Management
Department



Viktor V.
SHCHURENKOV
Member of the Board,
Chairman of Povolzhsky
Head Office



Vladimir B. SUNDEEV
Member of the Board,
Director of Operations
Department

SBERBANK TODAY

- 

● The biggest bank in Central and Eastern Europe, recording market capitalisation growth from **USD 1.4bn to USD 3.7bn** over the year.
- 

● The leader in the Russian banking sector, with the following market shares:

 - 67%** (deposits);
 - 46%** (retail lending);
 - 15%** (corporate banking);
 - 31%** (commercial lending);
 - 27%** (aggregate assets of the Russian banking sector).
- 

● **20,142** branches and offices across the country servicing **1.3 million** corporate customers and maintaining **243.8 million** retail deposit accounts.
- 

● The major lender to the Russian economy. Loans granted to companies of various legal forms in different economy sectors exceed **RUB 495bn**.
- 

● Over **RUB 94.6bn** of long-term loans issued for investment projects.
- 

● A lender to over **60,000** small and medium businesses. More than **RUB 12.8bn** in loans to non-incorporated individual entrepreneurs.

- 

● Over **RUB 53bn** granted in loans to more than **2.5 million** retail customers.
- 

● Over **2.5 million** payments from individuals to corporates processed on a daily basis.
- 

● Every eighth salary and every fourth pension payment in the country is made through Sberbank.
- 

● An issuer of over **4.6 million** bank cards serviced at **1,958** ATMs, **5,300** outlets and **15,300** terminals.
- 

● One of the biggest tax payers that paid **RUB 19.7bn** in taxes to budget and off-budget state funds in 2002.
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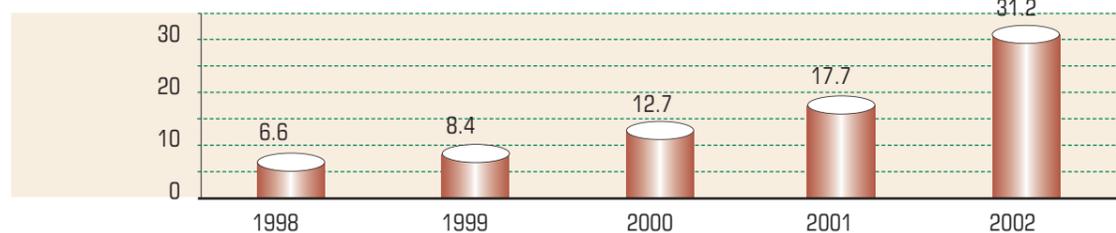
● An investor-attractive establishment boasting a **7.9-fold** rise in market share price over two years.

I. 2002 KEY PERFORMANCE RESULTS

Regarding customer relationship as a priority the Bank raises the sales of banking products through improvement of retail and corporate service quality. Sberbank has made good progress towards the goals set in its Concept of Development to Year 2005 (the Concept) and scored the best results in the last five-year period:

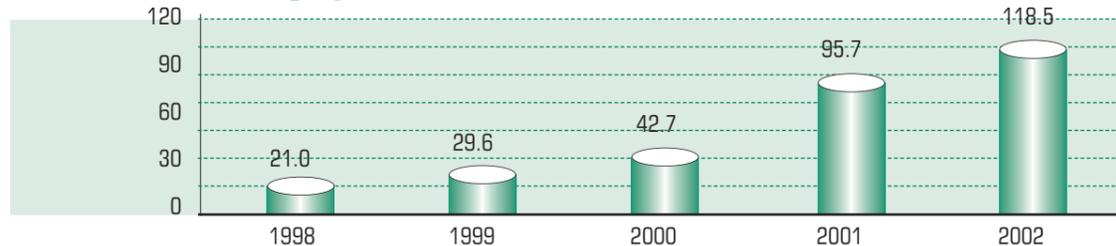
- The Bank's net profit reaches RUB 31.2bn (up 1.8-fold from last year) and exceeds the aggregate for the last two years.

Net Profit, billion RUB



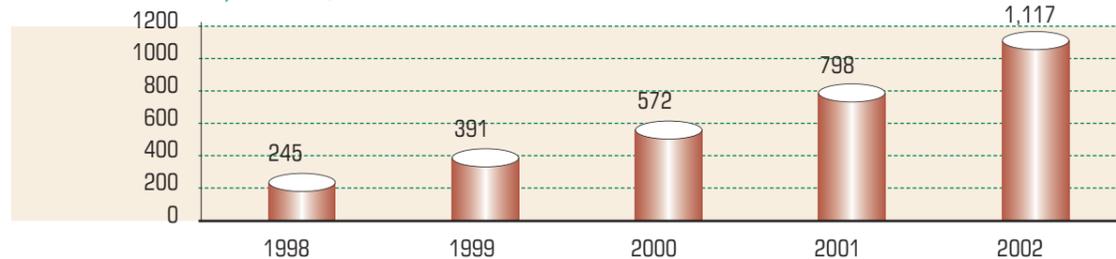
- Shareholders equity makes RUB 118.5bn showing a 23.9% growth over the year. Net profit is the single source of shareholders equity growth.

Shareholders Equity, billion RUB



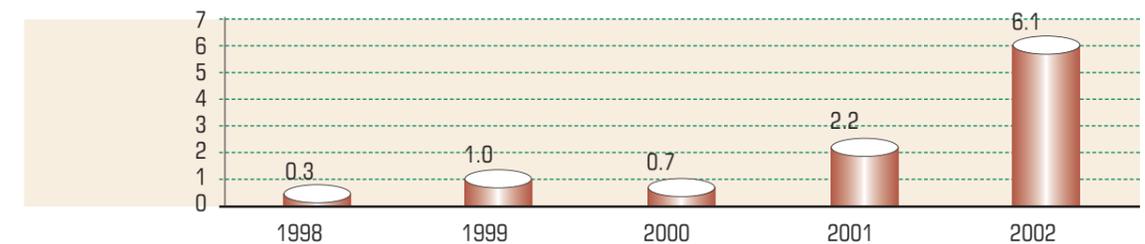
- The Bank's net assets* grew by RUB 319.8bn (40.1%), up 1.4-fold from 2001 growth rate. Net balance sheet total exceeds RUB 1,100bn.
- Growth in assets was accompanied by growth in efficiency indicators. Profit per employee goes up 1.6-fold to RUB 175,300. Return on working assets increases from 3.1% to 4.0% over the year placing Sberbank far above other major retail multi-branch banks of the world.

Net Assets, billion RUB



*Unless otherwise stated, all figures herein are calculated in compliance with balance sheet items, income / expense items grouping and the methodology of economic indices calculation adopted by Sberbank.

Ordinaries Price Growth, thousand RUB per share



- The Bank meets all targets set by the Concept and in some areas has already made good progress towards 2005 target figures.

Implementation of Development Concept in 2002

| Item | Concept Target | 2002 Performance |
|---|---------------------------------|----------------------------|
| ROAE by RAS | 20% min. | 29.5% |
| Long-term retail deposits / total retail deposits | Increase | Growth from 28.5% to 44.7% |
| Bank card accounts balances / funds of retail customers | 3-5% | Growth from 2.3% to 2.7% |
| Share of corporate funds market | Retain and if possible increase | Growth from 12.9% to 15.2% |
| Share of retail lending market | 30% min. | Growth from 39.7% to 46.1% |
| Corporate loans outstanding / net assets | 45% min. | 45.8% |
| Corporate funds / attracted funds | 25% | Growth from 23.4% to 25.1% |
| Fee income / net operating income | 15% min. | 15.8% |

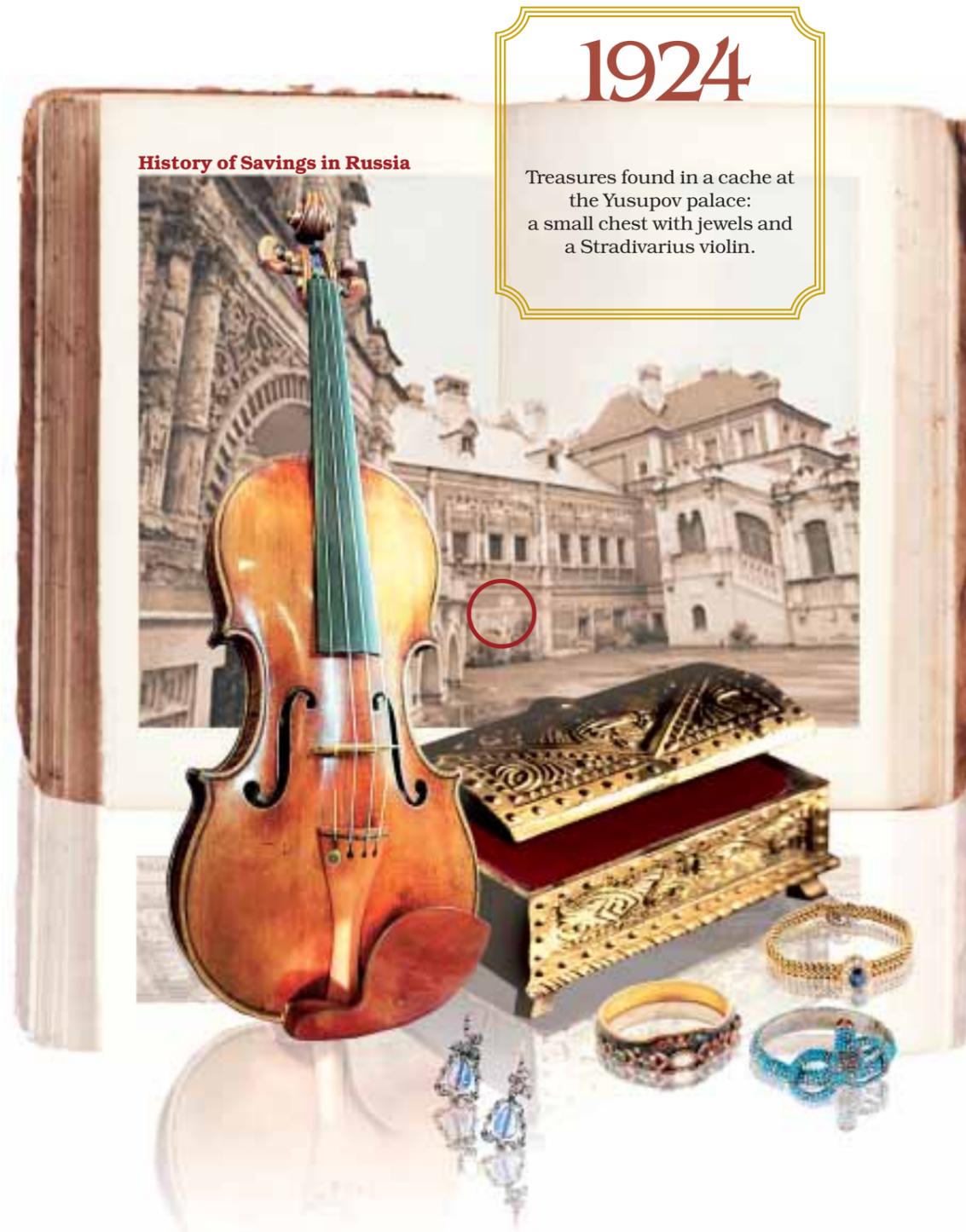
Good financial performance boosted growth of Sberbank share price (251.6%) far above the Russian stock market (cf. 138.1% RTS index growth in 2002).

II. FUNDING BASE GROWTH DRIVERS

Retail deposits remain the core of Sberbank's funding base. In 2002 they grew 1.4-fold to over RUB 693bn.

After the Bank of Russia brought down the refinancing rate in August 2002, Sberbank reduced its retail deposit rates following the prevailing trend on the market. However, this did not hamper further growth of its funding base. Deposits inflow was 37.7% higher than in 2001, and their share in total customer funds reached 71.7% by year-end.

To expand its funding base for long-term investment lending and project financing, in August 2002 Sberbank offered a number of new long-term deposit products (Sberbank 13-Month Deposit with additional lodgements option, Sberbank 13-Month Jubilee Rent, Sberbank Special 13-Month Deposit, Sberbank Special 2-Year Deposit, Sberbank Universal 5-Year Deposit, Sberbank New European 13-Month Deposit, Sberbank New European 2-Year Deposit), raising RUB 36bn.

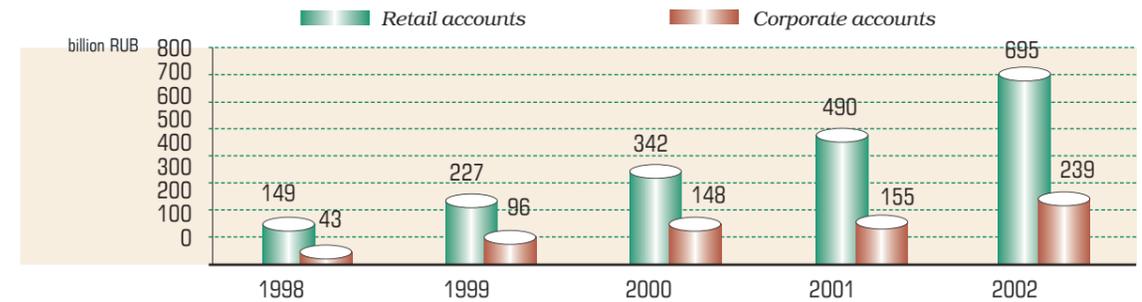


1924

History of Savings in Russia

Treasures found in a cache at the Yusupov palace: a small chest with jewels and a Stradivarius violin.

Growth in Balances of Retail and Corporate Accounts



Retail Deposits Growth



As depositors made more savings in foreign currencies, specifically in Euro, Sberbank came out with a variety of Euro deposit products, including call and term deposits up to five years. With these new products, Euro deposits in the total of foreign currency deposits made with Sberbank rose from 2.7% to 5.3%.

In 2002 Sberbank reversed the downward trend in positioning on corporate funds market and has been building up its presence since March 2002 with more emphasis made on its corporate services. Over the year, funds raised from corporates went up by 54.1% to RUB 238.6bn, by far exceeding the 2001 rate of growth. Increased balances of settlement, current and budget accounts make over a half of increment in corporate funds.

Growth in Corporate Funds

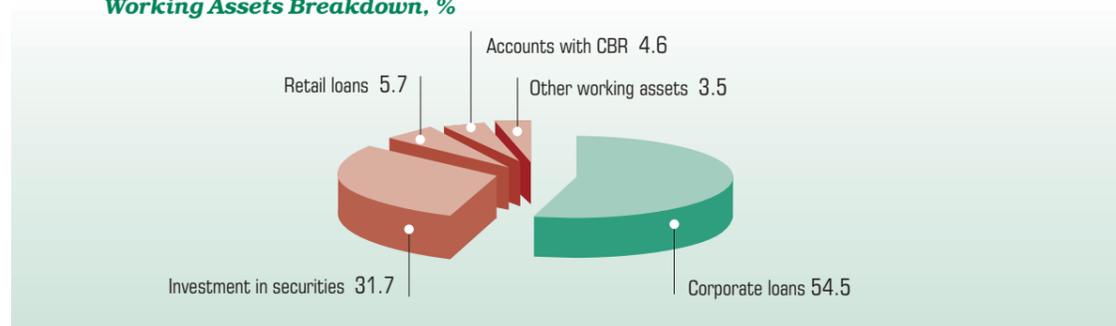


In 2002 the market showed more interest in Sberbank's securities. Their share in attracted funds of the Bank rose from 4.3% to 5.7%; attracted funds totalled RUB 54.8bn.

III. FUNDS PLACEMENT

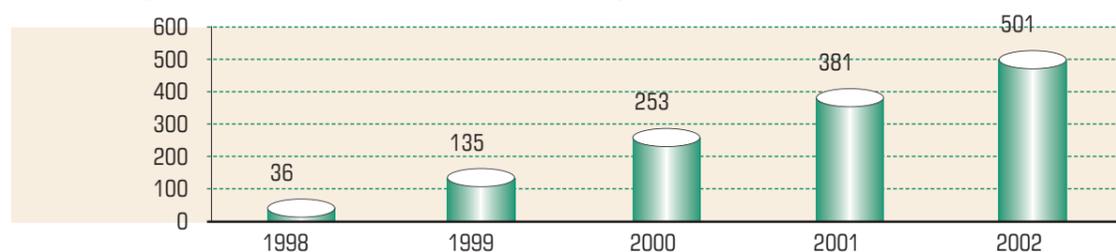
In 2002 Sberbank continued placing most of its financial resources on the loan market. Sberbank's loan portfolio grew 1.4-fold in 2002 to RUB 596.3bn. Loans outstanding in Sberbank's working assets reached 63.6% by year-end.

Working Assets Breakdown, %



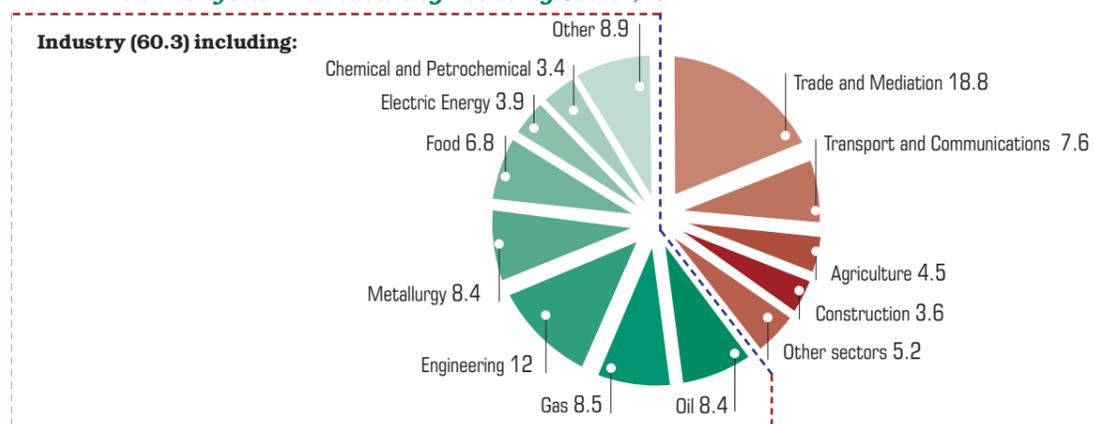
The majority of loans in the portfolio (83%) are granted to the real sector (growth from RUB 380.2bn to RUB 495bn over the year).

Corporate Lending Growth (Loans outstanding, billion RUB)



Long-term corporate loans outstanding (for a term over three years) went up by 79.5% making 11.2% of the Bank's total loans. Over a third of all loans (34.3%) were extended for more than twelve months.

Loan Portfolio Breakdown by Economy Sector, %



As a universal commercial bank Sberbank grants corporate loans to customers from all sectors of national economy.

Loans to industrial companies make over a half of all corporate loans (60.3%). Loans were mainly granted to engineering (12%), gas (8.5%), ferrous and non-ferrous metallurgy (8.4%), oil production and refining (8.4%), food (6.8%) and electric power (3.9%) sectors.

Particularly high rates of growth in lending operations were recorded in construction materials production (growth: 2.6-fold, loans outstanding: RUB 5.5bn), shipbuilding (3.7-fold; RUB 10.1bn), coal industry (5.4-fold; RUB 4.1bn), food sector (1.5-fold; RUB 34.6bn).

Lending to energy sector did not grow very much over the year, and lending to gas companies went down. Loans to transport and communications sector grew 1.6-fold to RUB 39.1bn (7.6% of loan portfolio).

Lending to construction sector remains extensive (RUB 18.4bn, 3.6% of loan portfolio). Trading, distribution and vendor companies received 50% more loans in 2002 (18.8% of loan portfolio).

The Bank pays special attention to lending to agro-business and has recorded a 1.8-fold rise in lending to this sector (to RUB 22.8bn). The share of these loans in Sberbank's loan portfolio went up from 3.3% to 4.5%. In the total of loans that the agricultural sector received from Russian banks, Sberbank's share has been about 60% over a number of years.

In 2002 Sberbank started financing the federal grain intervention programme (RUB 5.6bn) to mitigate fluctuations on the grain market in Russia. Over and above, in 2002 Sberbank extended over 6,200 loans worth RUB 16bn under the federal programme to support agricultural producers.

Under the federal target programme *Russian South*, Sberbank made loan agreements with agricultural producers for RUB 400m. Loans granted under regional agriculture support programmes in Samara, Nizhny Novgorod Regions and Republic of Chuvashia exceeded RUB 1.3bn.

In its lending operations Sberbank seeks to serve the interests of all customer groups, irrespective of customer's business volume and legal status.

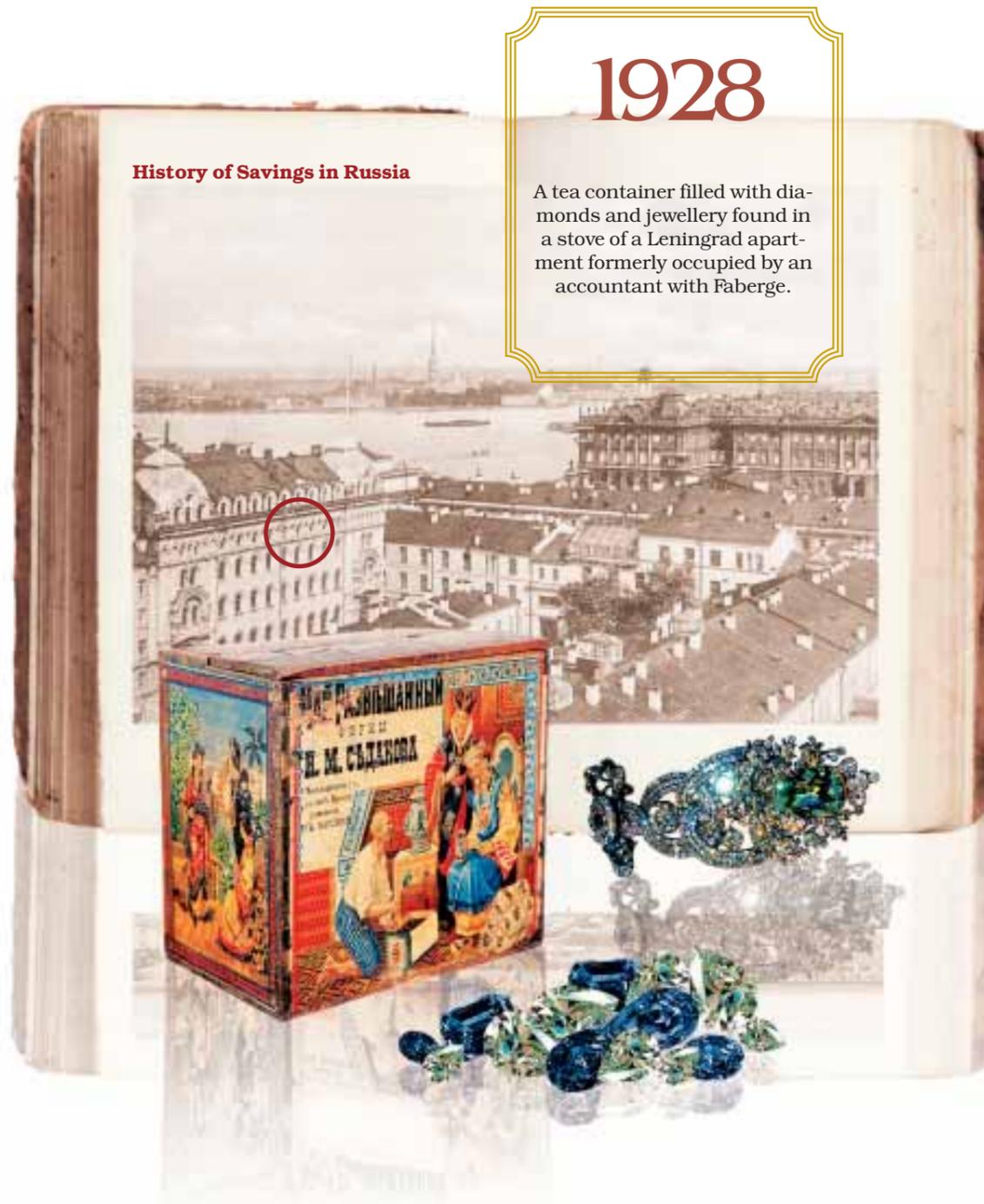
Priority is given to companies that have a credit record and conduct their main business through accounts with Sberbank. Sberbank has traditionally been a lender to RAO UES and Gazprom, major borrowers on a federal scale.

Among regular borrowers are the largest companies in the economy including Rosneft, Russian Aluminium Group of Companies, Akron, ALROSA, Siberian Coal Energy Company, Norilsk Nickel, IRKUT, Aeroflot – Russian Airlines, RUSAGRO, Wimm-Bill-Dann Group, TVEL, Eurocement etc.

Substantial loans are annually provided to major enterprises in the defence sector working under export contracts with federal corporation Rosoboronexport.

Small businesses have traditionally been among Sberbank's customers. Loans below 1 million rubles make 52% of all loans provided by the Bank. Non-incorporated individual entrepreneurs received RUB 12.8bn in loans.

- Under its own programme of lending to small businesses, in 2002 Sberbank extended RUB 210.3bn and USD 31.1m worth of loans to small businesses and non-incorporated individual entrepreneurs (respectively up by 100.5% and 40.7% over the year). Loans outstanding in this customer group rose over 1.7-fold to RUB 48.9bn and USD 25.5m respectively.
- Under the co-operation programme with EBRD Sberbank granted 12,600 loans (loans outstanding RUB 1.4bn).
- Financing is adjusted to the simplified reporting format and taxation treatment for small businesses. The same applies to mortgage and collateral documentation.
- Jointly with Belgorod Region administration Sberbank launched a pilot project to support small business, which will be rolled out in other regions if it proves successful.
- Sberbank is a regular participant in federal and regional programmes aimed to support Russian small business financially, and actively co-operates with OPORA (Non-profit partnership *All-Russian*

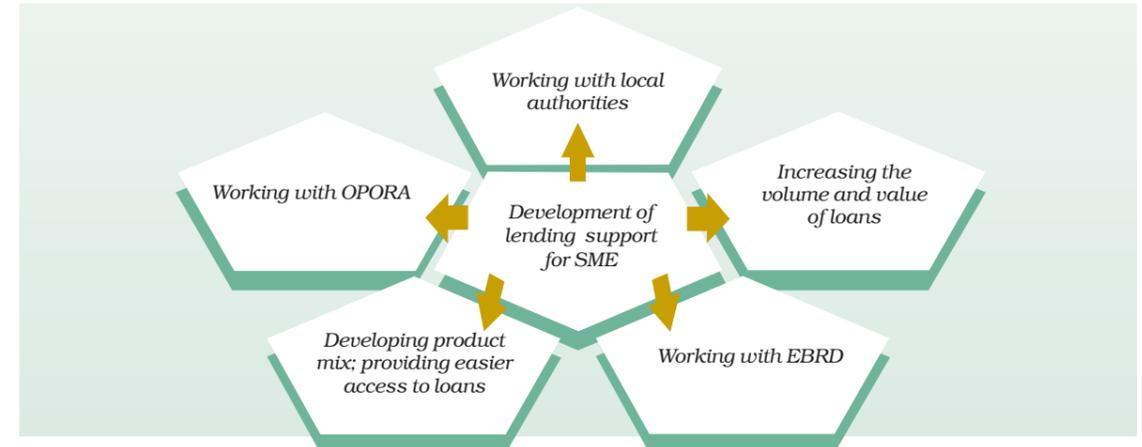


1928

History of Savings in Russia

A tea container filled with diamonds and jewellery found in a stove of a Leningrad apartment formerly occupied by an accountant with Faberge.

Developments in Lending to Small Businesses



Union of Business Associations) and its regional branches.

Aiming to broaden the range and raise the quality of lending operations, Sberbank keeps on working to improve its product mix which includes universal and customised lending products.

Universal lending products

- Financing commercial and manufacturing programmes;
- Financing foreign trade operations, including settlements under L/Cs;
- Financing through Sberbank promissory notes;
- Overdraft facility on customer accounts, including export overdrafts;
- Full range of bank guarantees.

Customised lending products

- Financing mining companies against precious metal purchases;
- Pre-export financing for companies engaged in foreign trade;
- Loans to federal and sub-federal authorities;
- Customised loans to small businesses on special terms under special programmes, including loans under EBRD programme.

Volumes and rates of growth recorded in 2002 demonstrate that there is a good demand for all products offered by Sberbank.

Special attention is given to development of long-term lending. Sberbank's portfolio of investment credits, construction and project financing grew 1.6-fold in 2002 to over RUB 94.6bn (RUB 53.4bn and USD 1.3bn).

In 2002 Sberbank accomplished several projects it had been financing since 1998. These projects included construction and commissioning of a continuous hot-galvanising unit at Magnitogorsk Metallurgical Plant; upgrade of an ethylene complex at Nizhnekamskneftekhim; construction and commissioning of the 2nd, 3rd lines and the first unit of the 4th line to expand capacity of the Petersburg Oil Terminal. A vegetable oil plant Russian Seeds in Veneva, Tula Region, reached its design capacity. Borsky Glass Factory accomplished reconstruction of a polished glass production line and upgraded operations to manufacture glass for the motor industry.

Sberbank continues financing a number of major projects for construction of small gas-turbine heat-and-power generators by Energomash Corporation; an operations streamlining programme at Severstal.

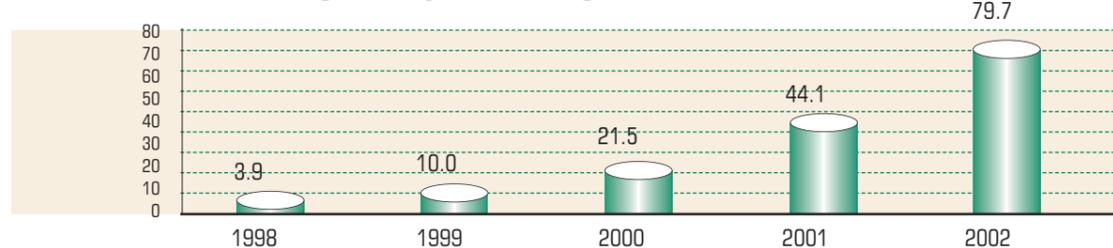
New large-scale investment projects approved for financing in 2002 include upgrade and technical

Development of Lending Products

| Item | Volume | Growth Rate |
|--------------------------------------|------------------------------|----------------|
| ● Export financing | RUB 106bn | 136.9% |
| ● Trade finance | RUB 68.9bn and USD 1.95bn | 116% 165.8% |
| ● Financing through promissory notes | RUB 10bn and USD 1.6m | x 2.6 |
| ● Overdraft facilities | RUB 14.1bn | 118.5% |
| ● Bank guarantees | RUB 712.5m | x 2.4 |
| | USD 19.7m | x 8.2 |
| | EUR 6.6m | x 2.6 |
| ● Loans to mining companies | RUB 2.7bn | 119.5% |

refurbishment of existing operations of the Russian Aluminium Group; a Rostar project to set up aluminium cans production at Vsevolozhsk with an annual capacity of 1.7 billion cans; construction of electric transformers workshop and upgrade of energy facilities at Uralelectrotyazhmash; renovation of Ryazan Oil Refinery of TNK Oil Company; development of regional telecom system of Vypelcom Region

Investment Lending and Project Financing Growth, billion RUB



Company in Russia. Sberbank opened credit lines for the purchase of telecom equipment by Svyazinvest. With this equipment Svyazinvest would be able to offer 1.6 million more telephone connections. Financing was made available under a project to upgrade the aircraft fleet of Siberia Airlines; a programme for renovation of wood chipboard production at Shatura Furniture Company and a project for production of instant coffee by Moscow Joint Stock Coffee House.

The Bank is actively involved in financing construction projects which include construction of housing and shopping centres, development of distribution systems, construction of multi-function and office facilities. The total area of construction sites financed with Sberbank's loans is 1,601,800 m², including 683,300 m² of housing of which 220,500 m² were sold last year. Last year two major construction projects were completed in Moscow alone, namely, Camelot housing complex in Komsomolsky Prospect and a chain of eleven food stores of Bin Company.

Sberbank extends major loans to finance the Russian government's first-priority investment programmes. In addition to agriculture development programmes mentioned above, Sberbank opened USD 267m credit lines to finance production and launch of modern satellites under the federal space programme. Also, Sberbank opened a USD 49m credit line under the government's programme for river transport.

Working with regional and local administrations, Sberbank finances regional investment programmes for development of regional and local economies, establishment of modern infrastructure, enhancement of investment attractiveness and stabilisation of social environment. In 2002 Sberbank was lending to 41

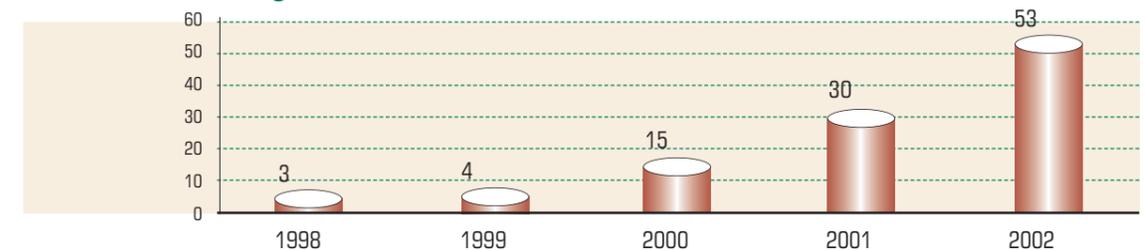
Subjects of Federation. Loans outstanding to executive authorities grew more than 2.6-fold to RUB 11.4bn.

A priority area in Sberbank's lending policy is proactive development of **retail lending**. In 2002 retail term loans outstanding went up by RUB 22.7bn to RUB 52.8bn. Sberbank's growth rate of 75.2% was far above working assets growth rate of 44.5%. The percentage of retail loans in Sberbank's loan portfolio grew from 7.1% to 8.9% over the last year.

Long-term retail loans for buying, building and renovating real estate is a traditional loan product that has a good market in Russia. Outstanding long-term loans in this category grew from RUB 2.5bn to 3.4bn over the last year, but delivery of this service was hampered by ineffective mortgage laws. In this environment Sberbank came out with the 'corporate loan', a new long-term lending product that could be made available to an employee to buy housing against guarantee from his/her employer. Simplified procedures and lower interest rates made corporate loans a very popular product which is widely used by a lot of companies in social programmes for their staff. Among them are Aeroflot – Russian Airlines, Salut, Tsaritsyno, Moscow City Telephone Network. In 2002 Sberbank extended over RUB 900m worth of such loans.

Sberbank is also developing consumer lending. There is a good market in Russia for special purpose

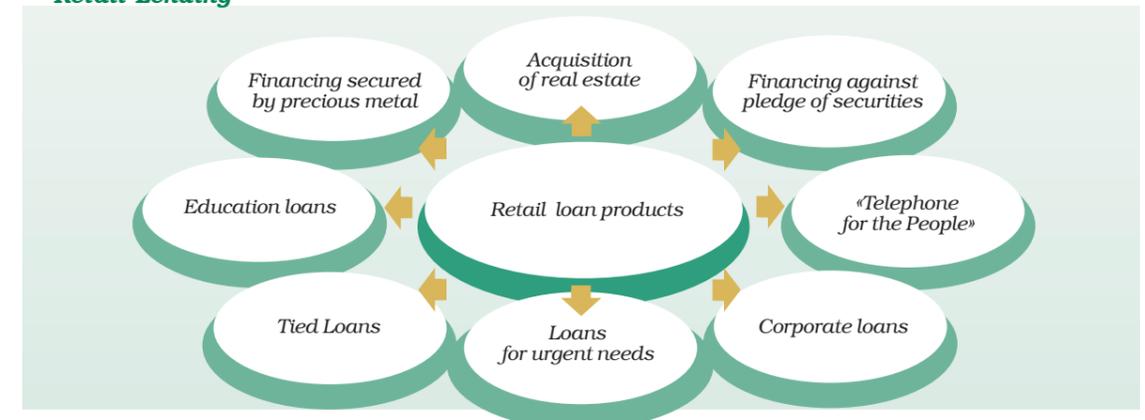
Retail Lending Growth, billion RUB

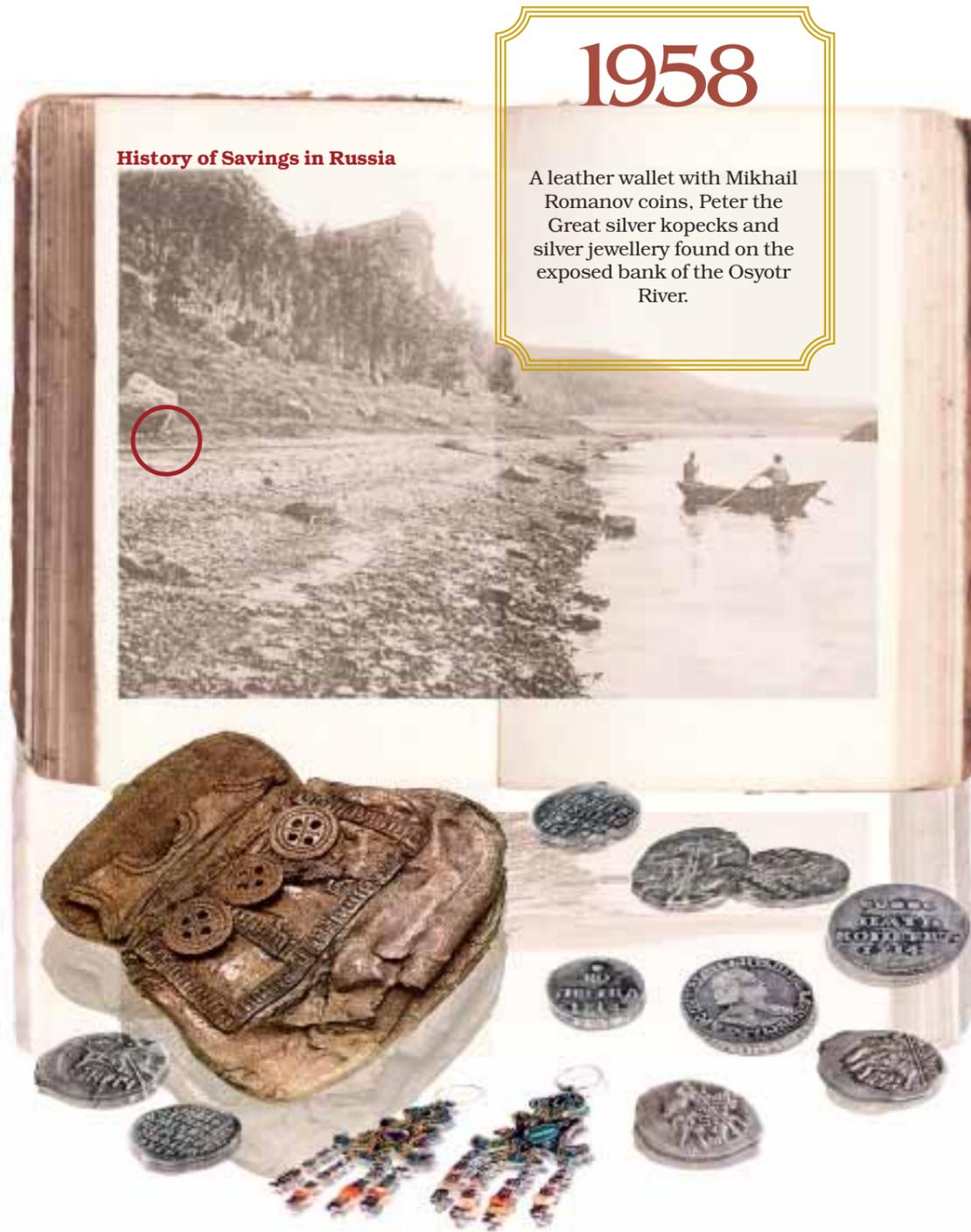


credits where expensive appliances, furniture, cars etc. serve as items of both purchase and collateral. In 2002 Sberbank extended RUB 883.1m worth of such loans, up from RUB 79.7m in 2001.

Sberbank is building up co-operation with Subjects of Federation under regional social programmes for improvement of housing (Nizhny Novgorod Region, Republics of Mordovia, Chuvashia, Udmurtia, Bashkortostan, Komi, Taimyr Autonomy etc.). A borrower may take a loan to buy or build housing and lay gas communications. In 2002 Sberbank issued in these regions RUB 281.4m in such preferential loans; loans outstanding reached RUB 415.2m by year-end.

Retail Lending





1958

History of Savings in Russia

A leather wallet with Mikhail Romanov coins, Peter the Great silver kopecks and silver jewellery found on the exposed bank of the Osyotr River.

Bank-to-bank lending was mainly limited to short-term placements for liquidity management purposes.

Large portions of borrowed funds are placed on state securities markets. Continuing as a market maker on the government bonds market, in 2002 Sberbank increased investments in rouble and foreign currency denominated government securities by 32.2% to RUB 280.6bn. The share of securities portfolio in working assets went down from 34% to 31.7%. The Bank restructured its portfolio of foreign currency denominated securities by replacing 46% of investments in MinFin bonds with investments in Russian Eurobonds.

Sberbank's investments in sub-federal loans in 2002 rose 3.4-fold to RUB 7.5bn. The aggregate investment in corporate shares reached RUB 3.1bn.

IV. DEVELOPMENT OF BANKING SERVICES

Sberbank regards fee-based operations as a priority for providing comprehensive customer service and a critical factor in raising competitiveness of banking services. Fee-based operations are a considerable source of non-interest income ensuring a good rate of return in the environment of narrowing spreads. In 2002 Sberbank was successful in promoting its products and broadening their range, and recorded high rates of fee-based income growth (135%). The Bank achieved good results in the most critical areas of banking business:

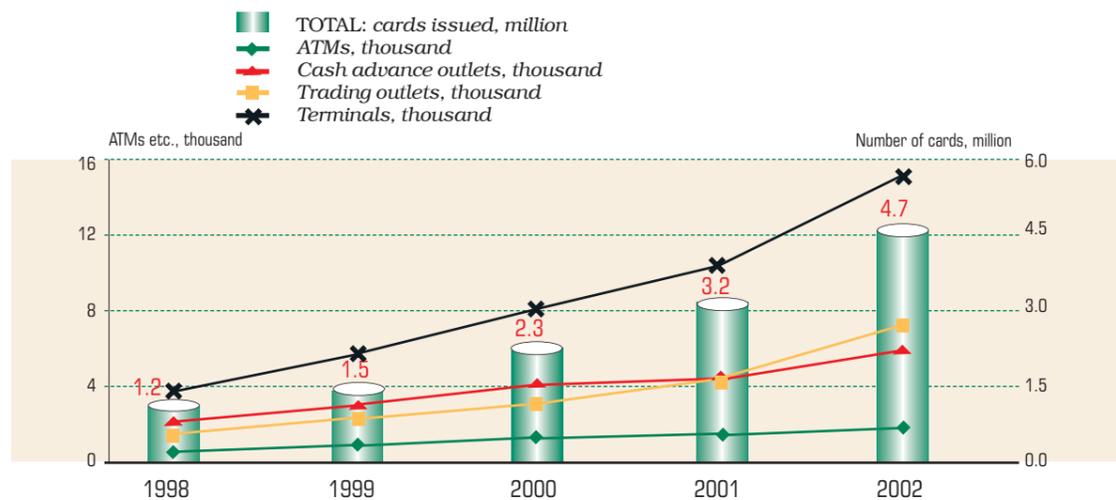
Bank Services Growth

| Service | Volume | Growth Rate |
|---|------------------------------|----------------|
| 760 million retail payments accepted | RUB 212bn | 120% |
| Retail customer transfers | RUB 46.3bn | 143% |
| 58,600 Sberbank settlement cheques issued | RUB 989.3m | 143% |
| Wire transfers to retail accounts, total: | RUB 706.8bn | 150% |
| including: | | |
| * salaries for 7.4 million employees | RUB 246.8bn | 146% |
| * allowances for 579,000 students | RUB 1.8bn | |
| * pensions for 10.7 million pensioners | RUB 213.2bn | 148% |
| Cash collection services for 25,000 customers | | |
| * cash proceeds collected | RUB 364.8bn | 139% |
| * cash delivered | RUB 109.9bn | 141% |
| Servicing customer foreign trade | USD 17.9bn | 149% |
| Commercial payments for export / import of goods | USD 13.6bn | 138% |
| Export proceeds in customer accounts | USD 9.8bn | 145% |
| Documentary operations | USD 1.3bn | 120% |
| Bullion gold bought from mining companies | 21 MT | + 700 kg |
| Silver deliveries | 32 MT | 9.4 times |
| Export operations and precious metal trading on foreign markets | USD 3bn | over 100 times |
| Retail sales of bullion coins | 330,000 coins | 165% |
| Banknote operations | USD 7.5bn | 142% |
| Foreign cash bought / sold | USD 4.5bn | 123% |
| Custody's customer base | 18,000 safe custody accounts | 149% |

The bank cards business is amongst the most promising and rapidly developing segments of Russia's banking sector. Sberbank's efforts to raise issuance volumes and develop card servicing facilities measure well against general growth of the Russian market.

To improve quality of customer services, in 2002 Sberbank implemented several new projects including cash advances on American Express cards, participation in Aeroflot Bonus programme, Mobile Bank services etc.

Bank Cards Issuance and Development of Card Servicing Infrastructure



V. PROFITABILITY GROWTH DRIVERS

The key drivers of Sberbank's high profitability in 2002 include:

- efficient operations on loan and securities markets;
- continuous growth in fee-based income (growth rate of 135%);
- high rates of utilisation of financial resources (up from 95.9% to 97% over the year);
- reduction in cost of funds through a 39% increase in balances of corporate settlement and current accounts.
- low rate of non-interest expenses growth (25.2%) far below the growth rate of working assets and net profit (44.5% and 76.7% respectively).

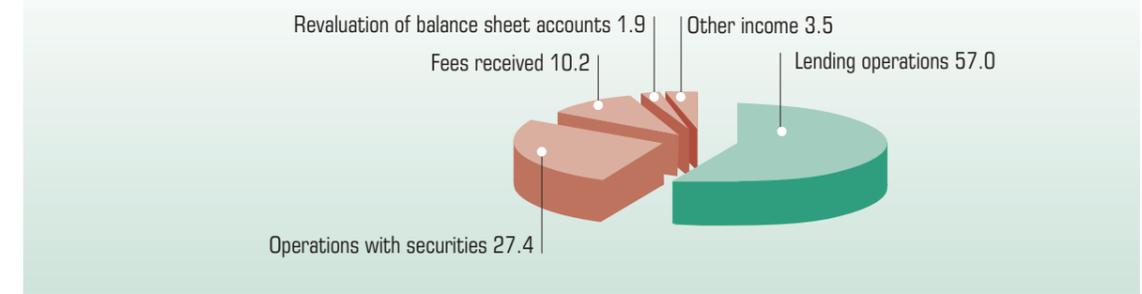
Sberbank's income grew by 37.2% over the year to RUB 157.1bn. Income is largely generated by lending operations that now account for 57% of total income, up from 52.6%.

Income from retail lending grew at a rate far above the growth rate of interest income in the loan portfolio (78.4 and 48.5% respectively). The second biggest generator of income are trading operations (27.4% of total income). With stabilisation of the rouble, income from revaluation of foreign currency accounts went down, and its share in the income structure dropped from 4.6% to 1.9%.

Sberbank keeps on working to increase the volume of its fee-based income. In 2002 it grew by RUB 4.1bn to RUB 16bn.

The major expense item for the Bank is the interest it pays on retail deposits, which has grown by RUB

Income Breakdown, %

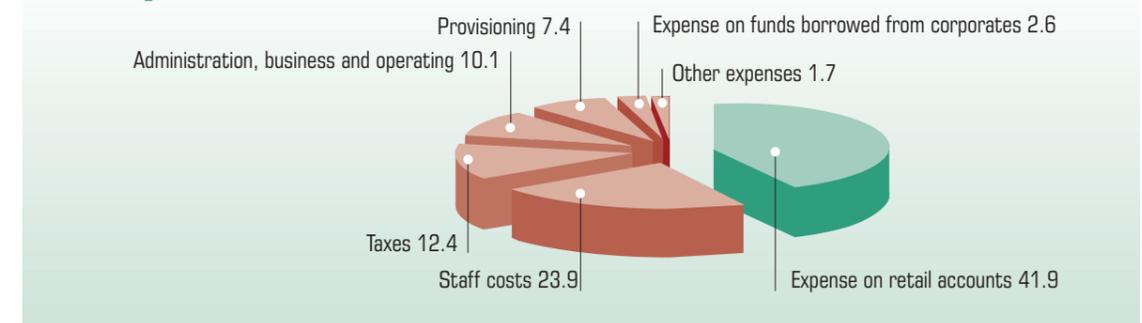


14.4bn (i.e. by 39.4%) to RUB 50.8bn. The share of interest payments in Sberbank's aggregate expenses went up by 2.7 percentage points to 41.9% compared with 2001.

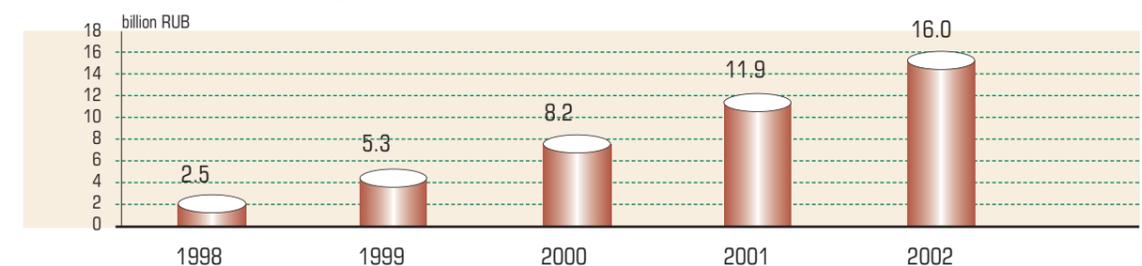
Internal cost of banking services went down by 0.6 percentage points. The share of staff costs in total expenses fell by 1.4 percentage points. Average monthly salary for staff stands at 95.3% of the average in the finance sector.¹

Maintenance costs went up from RUB 7.8bn to 10.5bn, largely with the increase in depreciation payments on fixed assets that went up by 57%.² Sberbank was spending more on renovation (up by 44.4%) and maintenance (up by 27%) of buildings, and also on maintenance of technical facilities, information systems and on contractual security services (up by 25.9%).

Expenses Breakdown, %

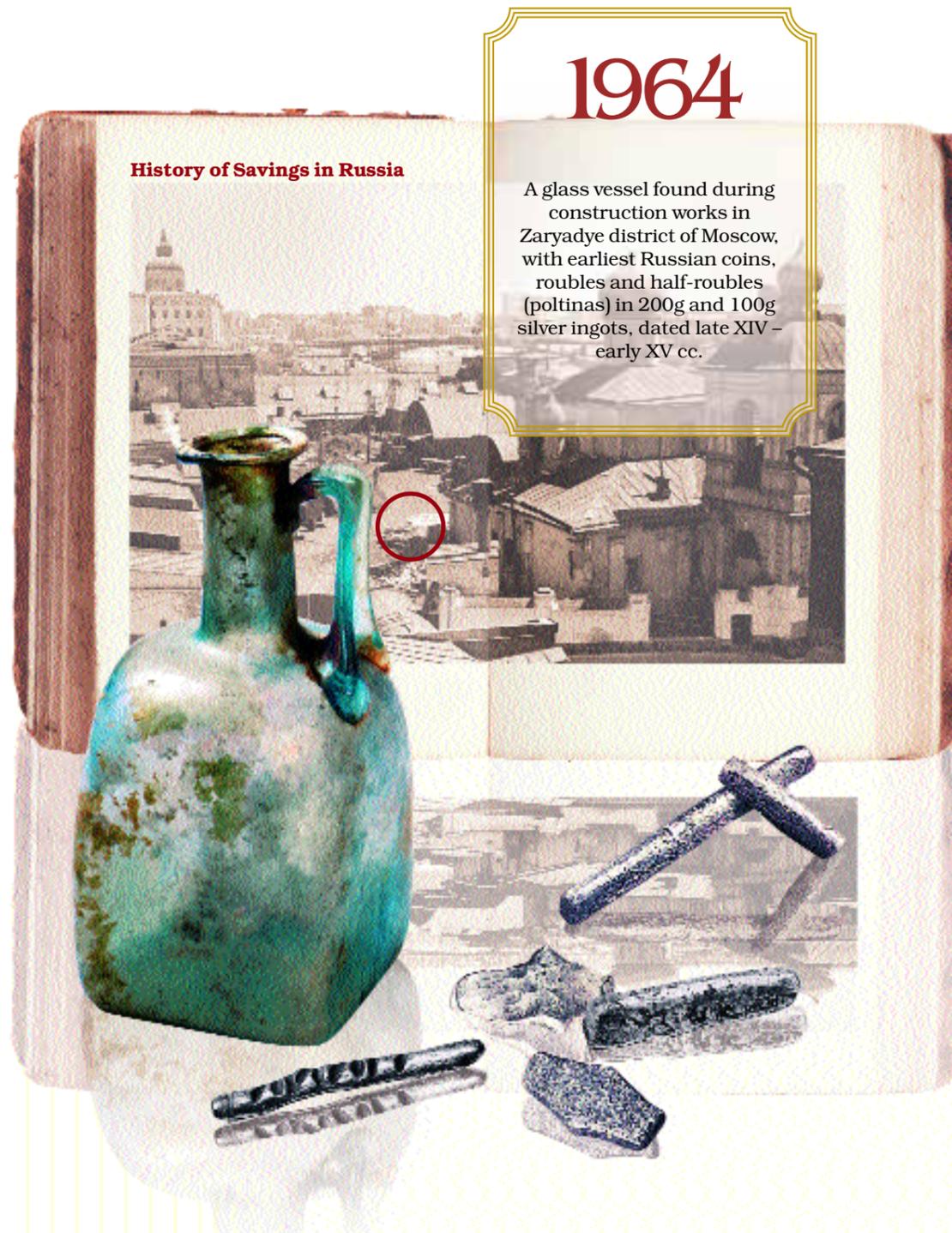


Fee & Commission Income



¹ Average monthly salary in the finance sector for 2002: data from the National Statistics Committee.

² After revaluation of fixed assets at 2001 year-end their book cost went up by more than 50%.



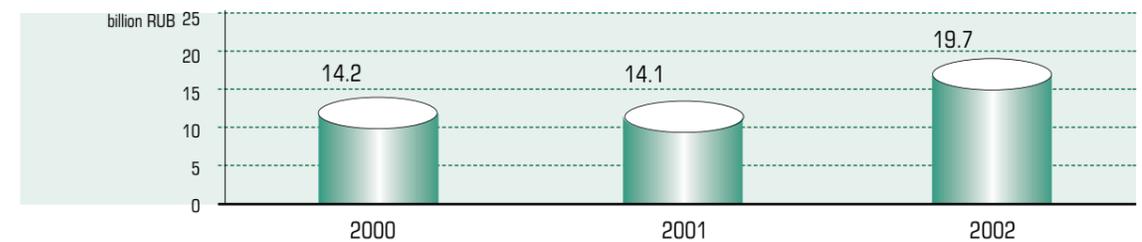
History of Savings in Russia

1964

A glass vessel found during construction works in Zaryadye district of Moscow, with earliest Russian coins, roubles and half-roubles (poltinas) in 200g and 100g silver ingots, dated late XIV – early XV cc.

In 2002 Sberbank paid 1.4-fold more taxes than in 2001. The share of tax payments in Sberbank's expenses went up from 10.9% to 12.4% over the year.

Tax Payments Dynamics



VI. RISK MANAGEMENT

In 2002 Sberbank continued to operate a comprehensive system of controlling, monitoring and managing risk, following the guidelines of the Concept. This system is updated on an annual basis with new approaches and techniques for risk evaluation and analysis. Sberbank uses the existing risk management strategy to maintain a reasonable level of liquidity and assets / liabilities match by maturity and currency, and diversify its business by region, sector, customer and exposure.

Successful maintaining of a high quality loan portfolio is an evidence of efficiency of credit risk management system in place at Sberbank. The share of overdue loans in the aggregate loan portfolio stood at 1.8% at 2002 year-end. The share of loans in the first (lowest) risk category was 93%. Over the year in review the credit risk level went down from 5.5% to 5.1%. Overdue retail loans share fell from low to very low (0.58% to 0.39%).

The Bank regards the existing level of major credit risk concentration as acceptable. Actual exposure ratio within CBR Standard N7 (aggregate major credit risk exposure) was 128.8%, but it is still much lower than the permissible maximum of 800%.

The efficiency of the existing liquidity risk management system is attested by sound liquidity ratios that Sberbank was successfully maintaining throughout 2002:

Prudential Liquidity Ratios (2002)

| Standard | Required (%) | Actual (%) |
|------------------------------|--------------|--------------|
| №2 Quick liquidity ratio | min 20 | 96.4 – 112.6 |
| №3 Current liquidity ratio | min 70 | 85.5 – 105.8 |
| №4 Long-term liquidity ratio | max 120 | 45.9 – 58.2 |

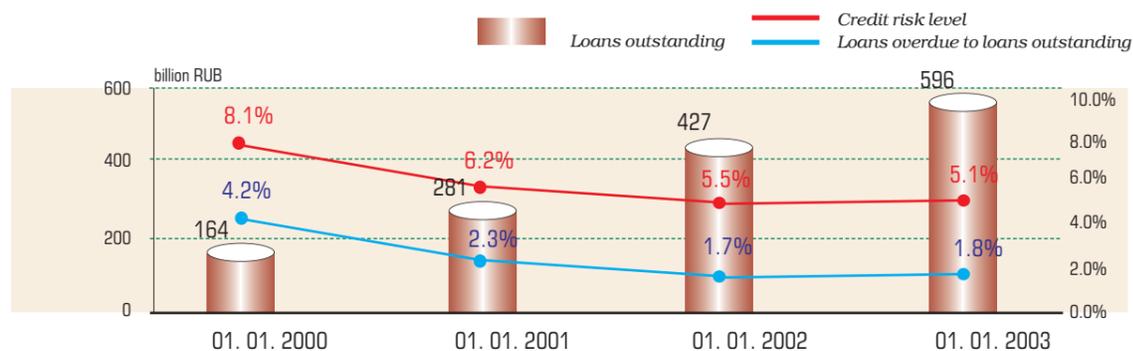
This indicates that the Bank has sufficient assets of high liquidity and assets with maximum 30 days maturity to meet all of its current obligations and that the liquidity risk is low for maturities exceeding one year.

The analysis of interest rate change risk in 2002 demonstrates that sensitivity of the Bank's financial performance to interest rates increase (3 months time horizon) went down, owing to considerable growth of long-term deposits in funds raised from individuals.

The level of currency risk did not change much in 2002: Sberbank reduced its balance sheet open currency position from 5.7% to 4% of net assets.

Sberbank's exchange rate risk related to price volatility of the stock market is determined by changes in price for GKO-OFZ and Eurobonds and is regarded as acceptable. Since the share of corporate stock in

Loan Portfolio Quality



net assets is low (0.3%), potential negative fluctuations in this market segment cannot be of much consequence for the Bank's financial results.

VII. BRANCH NETWORK: CURRENT STATUS AND DEVELOPMENT

On 1 January 2003 the Bank had 20,142 business units, including 17 regional head offices, 1,145 branches and 18,980 sub-branches (16,039 stand-alone operational cash offices and 2,941 additional offices; 60.8% of them universal, 5.2% specialising in corporate and 34% in retail services).

The Branch Development Programme approved by Sberbank's Board sets the following priorities:

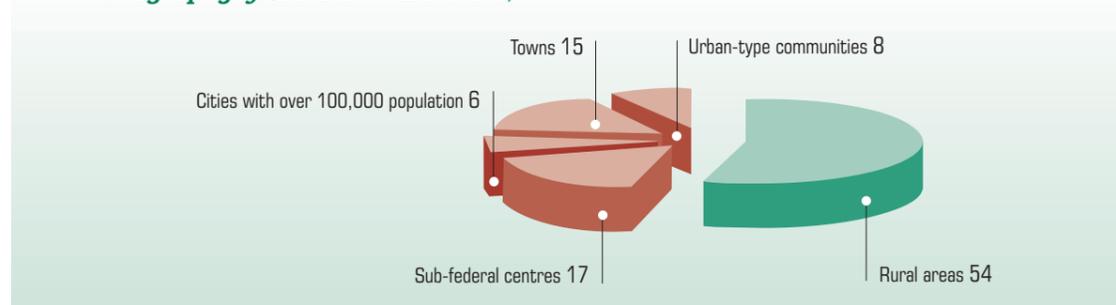
- maintaining the existing branch network in view of the Bank's social mission and demand for quality banking services in every Russian region;
- building up presence in highly competitive areas (large cities, regional and republican centres with dense population and extensive flows of corporate finance).

In 2002 the Bank was building up its branch system and increasing the number of profit-making units.

Over the year in review the Bank opened 138 new outlets, of which 117 (84.8%) are located in cities, including 58 (42%) in administrative centres of Subjects of Federation.

To optimise geography of the existing units and bring them closer to key points of the city infrastructure and to customers, Sberbank relocated 84 banking service units.

Geography of Sberbank's Business, %



Concurrently, the Bank worked to increase the number of additional offices potentially capable of expanding the range of operations, in the total number of its sub-branches. In subfederal centres the percentage of additional offices went up by 4.5 percentage points (except Moscow where only additional offices operate); in other cities, by 2.3 percentage points.

To improve customer service, in 2002 the Bank optimised the business hours of its sub-branches. About 1,200 of them now work longer hours on weekdays and 800 work longer hours on Saturdays.

VIII. SOCIAL MISSION

With high operational efficiency the Bank was able to achieve a good financial result notwithstanding costs related to fulfilment of social mission. Establishing interest rates on retail deposits the Bank traditionally fixes slightly higher deposit interest rates for socially exposed individuals and maintains remote units which in their locations are the only institutions that can provide banking services. 62.5% of Sberbank's units are located in rural areas and urban-type communities where market for banking services and funding potential are scarce. Additionally, Sberbank offers special rates on banking services for various social programmes.

For example, in 2002 it acted as an agent to pay over RUB 1.5bn compensation to 500,000 individuals engaged in the All-Russian Census. In compliance with a government decree, Sberbank is paying out over RUB 1.5bn in subsidies, one-time relief payments and government aids to individuals.

The Bank is involved in programmes for relief aid payments to Russian citizens. They include payments that are made under agreements with German Foundation *Remembrance, Responsibility and Future* and Austrian Foundation *Reconciliation, Peace and Co-operation* under international Programmes for Relief Aid Payments to Russian citizens who were victimised by nazis and used for forced and slave labour during World War II. In 2002 relief aid was routed through over 6,700 branches and business units of the seventeen regional head offices and thirteen Moscow branches of Sberbank, that paid out EUR 74.8m to 89,000 beneficiaries.

IX. INTERNATIONAL RELATIONS

Sberbank continued its active participation in the World Savings Banks Institute (WSBI) and the European Savings Banks Group (ESBG) as the only Russian bank in these two international organisations that bring together over a hundred of savings institutions from 91 countries.

In May 2003 the World Congress of Savings Banks in Madrid re-elected Sberbank's Chairman of the Board and CEO Andrei I. Kazmin Vice President of WSBI which came as an evidence of trust that the international banking community places in Sberbank.

Since April 2001 Sberbank has been regularly participating in The Petersburg Dialogue, a Russian-German Forum established on the initiative of Russian President Vladimir Putin and German Chancellor Gerhard Schroeder, by public figures and businessmen from Russia and Germany.

In 2001 Sberbank joined the U.S.-Russia Business Council (USRBC) established in 1993. This non-profit organisation aims at promoting trade and economic relations between Russia and the US and advises the leaders of both countries of various issues that create barriers to real improvement of business co-operation.

Sberbank has been a member of the Russian-American Business Council (RABC), USRBC's Russian partner, since its establishment in January 2001.

History of Savings in Russia

1999

Prince Vladimir's srebrenik, an earliest Russian silver coin dated X century, found in a jug in Ratskoe settlement, Kursk Region. A find of great value for numismatists and historians as an evidence of Baptism of Rus. In 2002 Sberbank donated the srebrenik to the National History Museum.



Prince Vladimir's srebrenik

Sberbank is actively involved in international forums and conferences on economic development, banking reform and improvement of financial sector in Russia. Sberbank lays special emphasis on developing and building up relations with major investment companies working on the Russian market.

Sberbank has been actively participating in the International Banking Security Association (IBSA) as a voting member since 1994. IBSA is one of the most authoritative international non-profit organisations in the banking security sector. As an IBSA member Sberbank counters attempted crime and assault against credit and financial institutions including cross-border offences.

In May 2003 Sberbank, the only member bank from Russia, hosted the annual meeting of the Association, the first ever to take place in Russia. According to foreign observers, Sberbank has in place a security system that fully complies with international standards and in certain aspects even excels similar systems run by European banks.

Since 1994 Sberbank has been working closely with the European Bank for Reconstruction and Development (EBRD). This work is conducted in two major fields: small business development and trade facilitation.

On 14 May 2003 Sberbank and EBRD signed a new Agreement providing for EBRD guarantees to cover risks of Sberbank as confirming bank.

Sberbank develops co-operation with foreign export credit agencies and foreign banks that finance foreign trade operations through export agencies. Sberbank signed co-operation agreements with US Eximbank, Hungarian Eximbank and the Israel Foreign Trade Risks Insurance Corporation (IFTRIC).

The Bank has established relations with the following export credit agencies: OeKB (Austria), ECGD

9 April 2002, Weimar, Germany. The Petersburg Dialogue Russian-German Forum. Sberbank enters into agreement with AKA Ausfuhrkredit-Gesellschaft m.b.H., uniting 28 leading German banks. Photo showing Andrei I. Kazmin, Sberbank's Chairman of the Board and CEO, and Hans-Joerg Todt, AKA's Managing Director, exchanging signed copies of documents. On the platform (left to right): Russia's Minister of Economic Development and Trade German Gref, Russian President Vladimir Putin, German Chancellor Gerhard Schroeder.



23 - 24 May 2002, Beijing, China. 9th Session of the General Assembly, supreme governing authority of the World Savings Banks Institute (WSBI), in which Sberbank has full membership since 1992. Russian banking community was represented by Sberbank's Chairman of the Board and CEO and WSBI Vice President Andrei I. Kazmin.



3 - 4 October 2002, Washington, DC. 10th Annual Members and Directors Meeting of the U.S.-Russia Business Council (USRBC). Sberbank's Chairman of the Board and CEO and USRBC Board Member Andrei I. Kazmin made a speech at the Board Meeting and the 10th Annual Meeting.

(UK), Hermes (Germany), SACE (Italy), CESCE (Spain), EDC (Canada), NCM (Netherlands), KUKE (Poland), COFACE (France), Finnvera (Finland), EGAP (Czech Republic), EKN (Sweden), ERG (Switzerland), NEXI (Japan), Japan Bank for International Cooperation (JBIC).

On 9 April 2002 Sberbank and the consortium of German banks AKA Ausfuhrkredit-Gesellschaft m.b.H. signed the Frame Agreement to finance, through several export agencies, projects undertaken by Sberbank customers to import foreign equipment and products to Russia, for a total of EUR 250m for 5-8 years.

X. CHARITY AND SPONSORSHIP

To support the poor, disabled and senior citizens, Sberbank made sizeable donations. Some of them were transferred to the Inter-regional Non-profit Organisation for Support of the Blind and Deaf — *Elvira* for social adaptation programmes; the All-Russia Social Movement of Veterans of Local Wars and Regional Conflicts — *The Battle Brotherhood* for social aid to veterans of the Afghan War; the Russian Association of Victims of Political Repression.

Sberbank's charity donations for orphaned, disabled and handicapped children and children from low-income and problem families, orphanages and boarding schools for disadvantaged children were transferred to a regional charity foundation *Illustrated Books for Blind Children*, the regional charity organisation for support of children with Musculo-Skeletal Disorders — *Healing* to buy corrective medical equipment; orphanages and boarding schools in Moscow; Pulmonology Sanatorium for children, a boarding school in Pushkinskie Gory in Pskov Region and a number of other institutions.

On invitation from the Russian Ministry of Health Care, Sberbank joined all-national action for providing doctors in Russia with a book they require in their everyday work, *Clinical Recommendations for General Practitioners*. The book was written by the leading Russian and foreign experts with the use of up-to-date databases in diagnostics and treatment. Sizeable donations were transferred to the National Medical Centre of the Russian Ministry of Health Care; Moscow Cancer Clinic; the National Hematology Research Centre of the Russian Academy of Medical Sciences; a sports school for the young; the Russian Foundation for Charity and Health.

Sberbank supports culture and education establishments. It is the general sponsor of The *Golden Mask Festival* and National Theatre Award. It financed tours of the Bolshoi Theatre to St Petersburg and



The Golden Mask Festival opening ceremony. Photo showing Sberbank's Chairman of the Board and CEO Andrei I. Kazmin; Chairman of the Golden Mask Association, Georgy Taratorkin; famous Russian actress Alisa Freundlich on the stage of the Alexandrinsky Theatre.

Sberbank presented a Sberbank-issued Golden Mask Visa Classic card to every winner of the National Theatre Golden Mask Award. Photo showing N. V. Nikolaeva, Public Relations Director of The Golden Mask Festival; actors Alexander Kalyagin and Andrei Panin.



Summer Garden, St Petersburg. Unveiling the Glory Statue renovated with Sberbank's financial aid for the 300th Anniversary of St Petersburg. Photo showing, left to right: Director of the Russian Museum P. A. Gusev; President's Plenipotentiary in Northwest Federal District Valentina I. Matvienko; Sberbank's Chairman of the Board and CEO Andrei I. Kazmin; Chairman of Sberbank's Severo-Zapadny Head Office Vladimir A. Shorin.

Maryinsky Theatre to Moscow, and the All-Russian Golden Mask Festival. Sberbank made donations to restore the Kazan Kremlin. Aid was extended to the Tovstonogov Bolshoi Drama Theatre for staging new shows and to the Tarussa Sviatoslav Richter Foundation for holding regular music festivals in Tarussa, Kaluga Region, to Yu. Norstein's cartoon studio. Sberbank donated an earliest Russian coin, Prince Vladimir's srebrenik, to the National History Museum.

For the 300th anniversary of St Petersburg Sberbank extended financial support to renovate the fence and the Statue of Glory in the Summer Garden. Sberbank took part in charity actions to aid the victims of flood in the North Caucasus and Southwest Russia and of natural disasters in Kemerovo Region and Novorossiysk.

XI. CORPORATE CULTURE AND TEAM SPIRIT AT SBERBANK

Following the guidelines of its Concept of Development to year 2005 Sberbank lays special emphasis on building up corporate culture, developing a sense of personal involvement in the Bank's general performance with each and every employee and creating team spirit.

Special importance is attached to the annual «Best in Business» contests among regional head offices of Sberbank. Severo-Kavkazsky Head Office, the best in 2002, received The Challenge Banner of Sberbank. Tsentralno-Chernozemny Head Office ran second, and Severny Head Office, third. Severo-Kavkazsky Head Office also won the *Will to Win Prize* in recognition of the greatest annual progress.

Twice a year, the best employees are given corporate awards: Sberbank Gold and Silver Medals and Medals for Loyal Service.



Winners of the 2002 Best in Business Contest of Sberbank's regional head offices. Photo showing (right to left): Deputy Chairman of the Board of Sberbank, Chairman of Tsentralno-Chernozemny Head Office Alexander K. Solovyev (2nd place); Chairman of Severny Head Office Vladimir P. Rybin (3rd place); managers of Severo-Kavkazsky Head office (1st place and The Will to Win Prize): Chairman Victor V. Gavrillov, Head of Severo-Ossetinskoe Branch B.T. Morgoev, Head of Ingushskoe Branch T.M. Malsagov, Head of Daghestanskoe Branch S.O. Umahanov, Head of Kabardino-Balkarskoe Branch H.H. Urusbiev.



Chairman of Russia's Olympic Committee Leonid Tyagachev, 'Russia's Olympic Committee is a reliable partner of Sberbank. We will work together for the Athens Olympic Games and we will succeed!' Photo showing Leonid Tyagachev, Andrei I. Kazmin, and Deputy Chairman of Sberbank's Board Alexander N. Govorunov.

Sberbank regards development of human resource potential as a pre-condition for achieving strategic goals and establishing corporate culture.

Sberbank works to recruit the best graduates from Russian education establishments. In 2002 the Bank selected 195 students from 39 establishments for Sberbank scholarship. Over 500 students from higher and secondary educational institutions were paid grants for field training at Sberbank's branches. In 2002 Sberbank recruited 2,400 full-time course graduates from higher education establishments (cf. 1,643 in 2001). As of 1 January 2003 Sberbank had 23,920 employees involved in on-the-job training (12.2% of staff).

Sberbank gives priority to training front-line staff who work with corporate and retail customers. In 2002 over 36,000 such employees attended training courses, with a special focus on professional ethics and customer servicing culture.

Last year Sberbank continued implementing a comprehensive socially-focused internal policy. The Bank adopted a general approach towards social programmes of Sberbank. Sberbank has options in place for payment of financial and social aid, emergency allowances, retirement remunerations, additional pensions to retired staff. Special attention is given to health care.

Annual veteran reunion days (1 October) at regional head offices and the Central Head Office are growing into a tradition. Sberbank welcomes veterans by arranging shows and concerts where they can meet with the younger generations of Sberbank staff.

Many regional offices keep local history museums of savings business. The best and most comprehensive exhibition may be seen at the Central Head Office, showing both past and current activities of Sberbank and its branches.

Corporate traditions uniting the Bank country-wide are gaining more and more importance for its staff.

Sberbank is actively involved in promoting sports activities. It is an official bank partner of the National Olympic Committee of Russia and supports the national Olympic team. Active sports promotion and regular regional games gave a new impetus to bank-wide sport events. Sberbank traditionally holds its sports games (Sberbankiades) in Sochi. The first Winter Sberbankiade in Ust-Kachka (Perm Region) became a real event in Sberbank's sport life. Sport events are accompanied with Sberbank amateur festivals and art events for which regional head offices carefully select the best amateur dancers, musicians, singers and actors.

The tradition of theatrical performances continues at the Central Head Office where nominees and prize-winners of the Gold Mask national award appear as guest-performers.



In February 2002 about 1,000 Sberbank amateurs from all Russia came to Ust-Kachka, Perm Region, for a winter sports contest.

Cheering for the team. First Deputy Chairman of Sberbank's Board Alla K. Aleshkina



SBERBANK'S MILESTONES

- 1841** — 12 November (30 October old style): Russian Emperor Nicholas I issues a decree to establish savings offices in Russia «for the purpose of providing for all people of common rank and origin the means of making savings in a reliable and profitable manner»
- 1842** — First savings offices open in Moscow and St Petersburg
- 1862** — The State Bank under supervision of the Ministry of Finance is charged with general management of savings offices
- 1895** — Savings offices receive a new Charter on initiative of the Russian Minister of Finance Sergei Witte. Savings offices receive the title of «state savings offices»
- 1918** — 21 January: The Soviet government issues a decree on immunity of deposits made with savings offices
- 1919** — 10 April: The Soviet government issues a decree to merge savings offices with the People's Bank of the Russian Federation
- 1922** — 26 December: The Soviet government issues an enactment «On the Establishment of State Savings Offices»
- 1948** — State savings offices receive a new Charter
- 1964** — The USSR State Bank replaces the USSR Ministry of Finance as supervisor of state savings offices
- 1987** — State savings offices are reorganised into the USSR Bank of Savings and Lending (Sberbank of the USSR)
- 1990** — The Russian Republican Bank of Sberbank of the USSR is declared the property of the Russian Federation. The Savings Bank of the Russian Federation is reorganised into a joint stock commercial bank
- 1991** — General Shareholders Meeting establishes the Joint Stock Commercial Savings bank of the Russian Federation (Sberbank)
- 1992** — Sberbank becomes a member of the World Savings Banks Institute (WSBI)
- 1996** — Sberbank adopts the Development Concept to Year 2000 aimed at making Sberbank a universal commercial bank by expanding corporate services and retaining traditional leadership on retail market
- 1997** — Sberbank is officially rated by the international Fitch IBCA rating agency. Sberbank becomes the only commercial bank from Russia in the Top 200 lending institutions of the world and the Top 100 European banks
- 1998** — Sberbank issues the first million of bank cards
- 2000** — Sberbank's General Shareholders Meeting reviews implementation of the Development Concept adopted in 1996 and approves a new Development Concept to Year 2005 with focus on improvement of bank services quality
- 2001** — Sberbank celebrates its 160th Anniversary. Russian President Vladimir Putin addresses Sberbank staff with a congratulatory telegram. Some of the staff are awarded government awards. President Putin visits one of Sberbank branches in Moscow
- 2002** — Sberbank is ranked the biggest bank in Central and Eastern Europe by assets, first tier capital and deposit base.

2002 FINANCIAL STATEMENTS

(In accordance with the Russian
Accounting Standards)

BALANCE SHEET
as at January 1, 2003

RUB '000

| No. | Item | As at the reporting date |
|-----------------------------|---|--------------------------|
| 1 | 2 | 3 |
| ASSETS | | |
| 1 | Cash and balances with the Central Bank of the Russian Federation | 73 124 811 |
| 2 | Mandatory reserves with the Central Bank of the Russian Federation | 74 808 587 |
| 3 | Due from credit institutions | 967 049 |
| 3.1 | Due from credit institutions | 967 522 |
| 3.2 | Allowance for loan impairment | 477 |
| 4 | Trading securities, net (item 4.1 less item 4.2) | 125 244 118 |
| 4.1 | Trading securities | 125 244 118 |
| 4.2 | Allowance for securities impairment | 0 |
| 5 | Loans and other advances | 196 272 996 |
| 6 | Allowance for loan impairment | 30 328 927 |
| 7 | Loans and other advances, net (item 5 less item 6) | 165 944 069 |
| 8 | Accrued interest (including interest overdue) | 4 410 003 |
| 9 | Securities held to maturity, net (item 9.1 less item 9.2) | 26 673 400 |
| 9.1 | Securities held to maturity | 26 769 328 |
| 9.2 | Allowance for securities impairment | 94 119 |
| 10 | Fixed and intangible assets, disposable materials, low value and short life items | 65 917 949 |
| 11 | Securities available for sale, net (item 11.1 less item 11.2) | 139 340 109 |
| 11.1 | Securities available for sale | 139 714 648 |
| 11.2 | Allowance for securities impairment | 374 539 |
| 12 | Prepaid expenses on other operations adjusted for accrued interest income | 856 209 |
| 13 | Other assets, net (item 13.1 less item 13.2) | 5 827 413 |
| 13.1 | Other assets | 6 442 954 |
| 13.2 | Allowance for other assets impairment | 615 541 |
| 14 | Total assets (1 + 2 + 3 + 4 + 5 + 7 + 8 + 9 + 10 + 11 + 12 + 13) | 1 083 311 809 |
| LIABILITIES | | |
| 15 | Due to the Central Bank of the Russian Federation | 0 |
| 16 | Due to credit institutions | 5 520 727 |
| 17 | Due to customers | 881 113 979 |
| 17.1 | including deposits from individuals | 683 033 951 |
| 18 | Deferred revenues from other operations | 7 321 |
| 19 | Debt securities issued | 23 131 372 |
| 20 | Other liabilities | 15 453 969 |
| 21 | Allowance for possible losses on derivatives, commitments and receivables from offshore residents | 84 205 |
| 22 | Total liabilities (sum 15+16+17+18+19+20+21) | 967 870 764 |
| SHAREHOLDERS' EQUITY | | |
| 23 | Charter capital (shareholders' equity) (item 23.1 + 23.2 + 23.3) including: | 1 000 000 |
| 23.1 | Registered ordinary shares | 950 000 |
| 23.2 | Registered preference shares | 30 000 |
| 23.3 | Non-registered charter capital of banks other than joint stock banks | 0 |
| 24 | Treasury stock | 0 |
| 25 | Share premium | 3 379 498 |
| 26 | Funds and retained earnings | 77 199 457 |
| 27 | Revaluation of fixed assets | 37 146 154 |

| | | |
|--------------------------------|---|----------------------|
| 28 | Profit (loss) for the reporting period | 36 015 987 |
| 29 | Current year dividends | 0 |
| 30 | Distribution profit (net of dividends) | 33 828 136 |
| 31 | Contribution profit (item 28 less item 29 less item 30) | 2 187 609 |
| 32 | Expenses and risks affecting shareholders' equity | 7 608 844 |
| 33 | Total shareholders' equity (23 + 23.1 + 24 + 25 + 26 + 27 + 31 + 32) | 112 201 154 |
| 34 | Total liabilities and shareholders' equity (sum 22 + 23.1 + 33) | 1 083 311 809 |
| OFF-BALANCE COMMITMENTS | | |
| 35 | Irrevocable commitments | 42 028 178 |
| 36 | Guarantees issued | 1 083 671 |

TRUST OPERATIONS' ACCOUNTS
as at January 1, 2003

RUB '000

| No. | Balance sheet account | As at the reporting date |
|--------------------|---|--------------------------|
| 1 | 2 | 3 |
| ASSETS | | |
| 1 | Cash | 0 |
| 2 | Securities held in trust | 6 900 |
| 3 | Previous metals | 0 |
| 4 | Loans to customers | 0 |
| 5 | Funds advanced for other purposes | 0 |
| 6 | Trust operations settlements | 54 |
| 7 | Accrued interest (coupon) expenses on interest (coupon) bearing debt securities | 90 |
| 8 | Current accounts | 2 012 |
| 9 | Expenses on trust operations | 0 |
| 10 | Loans from trust operations | 0 |
| LIABILITIES | | |
| 11 | Capital held in trust | 6 900 |
| 12 | Trust operations settlements | 0 |
| 13 | Accrued interest (coupon) income on interest (coupon) bearing debt securities | 0 |
| 14 | Expenses on trust operations | 0 |
| 15 | Claims on trust operations | 345 |

INCOME STATEMENT
for the year ending December 31, 2002

| RUB '000 | | |
|----------|--|----------------|
| No. | Item | For the period |
| 1 | 2 | 3 |
| | Interest and similar income from: | |
| 1. | Loans to banks, placements and accounts with banks | 5 354 888 |
| 2. | Loans to other customers | 84 436 811 |
| 3. | Funds in leasing | 2 558 |
| 4. | Fixed income securities | 28 958 005 |
| 5. | Other sources | 303 481 |
| 6. | Total interest and similar income (sum of items from 1 to 5) | 119 258 332 |
| | Interest and similar expense on: | |
| 7. | Accounts due to other banks including loans and deposits | 334 805 |
| 8. | Accounts due to other customers including loans and deposits | 52 577 906 |
| 9. | Debt securities issued | 839 135 |
| 10. | Rent expense | 1 172 985 |
| 11. | Total interest and similar expense (sum of items from 7 to 10) | 55 924 391 |
| 12. | Net interest and similar income (Item 6 less Item 11) | 63 333 941 |
| 13. | Commission income | 14 190 223 |
| 14. | Commission expense | 169 301 |
| 15. | Net commission income (Item 13 less Item 14) | 14 020 922 |
| | Other operating income: | |
| 16. | Income on operations with foreign currency and other currency denominated instruments, including translation gain | 132 037 404 |
| 17. | Income from operations with precious metals, securities and other assets, revaluation gain of precious metals, securities and other assets | 20 797 445 |
| 18. | Dividends received | 28 178 |
| 19. | Other current income | 34 817 213 |
| 20. | Total other operating income (sum of items from 16 to 19) | 187 800 238 |
| 21. | Current income (Item 12 + Item 13 + Item 20) | 264 755 101 |
| | Other operating expenses: | |
| 22. | Staff expenses | 27 383 246 |
| 23. | Maintenance expenses | 10 501 799 |
| 24. | Losses on operations with foreign currency and other currency denominated instruments including translation loss | 124 983 905 |
| 25. | Losses on operations with precious metals, securities and other assets, revaluation loss of precious metals and securities | 6 434 266 |
| 26. | Other current expenses | 40 467 505 |
| 27. | Total other operating expenses (22+23+24+25+26) | 219 770 721 |
| 28. | Net current income before provisions and extraordinary gain (Item 21 less Item 27) | 44 984 380 |
| 29. | Loan loss provision | 7 975 366 |
| 30. | Securities impairment provision | 31 557 |
| 31. | Other provisions | 961 472 |
| 32. | Net current income before extraordinary gain/loss (Item 28 less Items 29, 30 and 31) | 36 015 985 |
| 33. | Net extraordinary gain/loss | 0 |
| 34. | Net current income (including net extraordinary gain/loss) (Item 32 + Item 33) | 36 015 985 |
| 35. | Profit tax | 4 771 867 |
| 36. | Deferred profit tax | 0 |
| 37. | Extraordinary loss, net of tax | 0 |
| 38. | Net profit (loss) for the reporting period (Item 34 less Items 35 and 36) | 36 015 985 |

CASH FLOW STATEMENT
for the year ending December 31, 2002

| RUB '000 | | |
|--|---|---------------------------|
| No. | Item | Cash flows for the period |
| 1 | 2 | 3 |
| I Cash flow from operating activities | | |
| 1. | Interest income | 119 258 332 |
| 2. | Interest expense | (55 924 391) |
| 3. | Commission income | 14 190 223 |
| 4. | Commission expense | (169 301) |
| 5. | Income on operations with foreign currencies and other currency denominated instruments | 8 624 579 |
| 6. | Income on operations with precious metals, securities and other assets | 12 962 978 |
| 7. | Losses on operations with foreign currencies and other currency denominated instruments | (2 339 994) |
| 8. | Losses on operations with precious metals, securities and other assets | (4 144 278) |
| 9. | Dividends received | 28 178 |
| 10. | Other operating income | 34 817 213 |
| 11. | Other operating expense | (88 352 550) |
| 12. | Extraordinary loss, net of tax | 0 |
| 13. | Total income/expense (Items 1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9 + 10 + 11 + 12) | 2 345 372 |
| 13.1. | Income/expense (Items 1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9 + 10 + 11 + 12) | (36 671 026) |
| 13.2. | Change in income/expense | (34 325 654) |
| 14. | Taxes paid from profit, expenses for charity or other purposes | (554 582) |
| 15. | Cash flow from operating activities before changes in current assets/liabilities (13 + 14) | 1 790 850 |
| Change in current assets | | |
| 16. | Mandatory reserves with the Central Bank of the Russian Federation | (21 299 284) |
| 17. | Due from credit institutions | (1 442) |
| 18. | Trading securities | 73 572 628 |
| 19. | Loans and other advances | (143 882 177) |
| 20. | Other assets | 5 181 277 |
| Change in current liabilities | | |
| 21. | Due to the Central Bank | 0 |
| 22. | Due to credit institutions | (2 804 432) |
| 23. | Due to customers | 264 958 795 |
| 24. | Other liabilities | (660 111) |
| 25. | Net cash flow from changes in operating assets and liabilities (16 + 17 + 18 + 19 + 20 + 21 + 22 + 23 + 24) | 174 035 234 |
| 26. | Net cash flow from operating activities (15 + 25) | 176 226 084 |
| II Cash flows from investing activities | | |
| 27. | Fixed and intangible assets, disposable materials, low value and short life items | (8 179 878) |
| 28. | Investment securities | (10 737 556) |
| 29. | Securities available-for-sale | (137 871 002) |
| 30. | Net cash flow from investing activities (Items 27 + 28 + 29) | (154 788 436) |
| III Cash flows from financing activities | | |
| 31. | Charter capital (shareholders' equity) | 0 |
| 32. | Treasury stock | 0 |
| 33. | Share premium | 0 |
| 34. | Funds and retained earnings | 28 109 988 |
| 35. | Current year dividends | 0 |
| 36. | Debt securities issued | 26 274 425 |

| | | |
|----|--|------------|
| 37 | Net cash flow from financial activities (31 + 32 + 33 + 34 + 35 + 36) | 51 384 365 |
| 38 | Gains/losses from transition of foreign currencies and other currency-denominated instruments, precious metals, and securities; revaluation of fixed assets; accruals and other amounts not included in the financial results; other items | 2 583 227 |
| 39 | Net increase/decrease in cash and cash equivalents (items 20 + 30 + 37 + 38) | 75 905 200 |
| 40 | Cash and cash equivalents at the beginning of the year | 24 000 073 |
| 41 | Cash and equivalents at the end of the year (items 39 + 40) | 99 905 273 |

INFORMATION

on compliance with the key prudential requirements established by the Central Bank of the Russian Federation as of January 1, 2003

| No. | Prudential ratios and provisions | Amount or percentage as of the reporting date |
|-----|--|---|
| 1 | 2 | 3 |
| 1 | Actual capital adequacy (Ratio «H1», %) | 15.5 |
| 2 | Estimated loan loss allowance according to the Central Bank requirements (RUB '000) | 30 528 937 |
| 3 | Actual allowance for loan loss (RUB '000) | 30 528 937 |
| 4 | Allowance for securities impairment and other losses according to the Central Bank requirements (RUB '000) | 1 867 881 |
| 5 | Actual allowance for securities impairment and other losses (RUB '000) | 1 867 881 |

**2002 FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**
(In accordance with the International
Financial Reporting Standards)

SBERBANK
(SAVINGS BANK OF THE RUSSIAN FEDERATION)
 Financial Statements and Independent Auditors' Report
 For the year ended 31 December 2002

Sberbank (Savings Bank of the Russian Federation)
Financial Statements and Independent Auditors' Report

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Independent Auditors' Report

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Sberbank (Savings Bank of the Russian Federation)
Statement of Income for the Year Ended 31 December 2002
 (thousands of Russian Rubles - purchasing power as at 31 December 2002, unless otherwise indicated)

| | Note | 2002 | 2001 | Pro-forma Restated | |
|--|--------|--------------------|--------------------|--------------------|--------------------|
| | | | | 2002 | 2001 |
| Interest income on loans | 22 | 94 794 887 | 37 355 423 | 94 794 887 | 37 355 423 |
| Interest income on securities | 22 | 36 785 303 | 38 108 603 | 36 785 303 | 38 108 603 |
| Interest expense | 22 | (38 729 018) | (53 012 628) | (38 729 018) | (53 012 628) |
| Net interest income | | 72 851 372 | 62 451 398 | 72 851 372 | 62 451 398 |
| Impairment of interest-earning assets | 8, 11 | (13 651 554) | (10 375 130) | (13 651 554) | (10 375 130) |
| Net interest income after impairment for interest-earning assets | | 59 199 818 | 52 076 268 | 59 199 818 | 52 076 268 |
| Gains less losses arising from securities and derivatives | 23, 33 | 19 344 898 | 26 704 625 | 19 344 898 | 26 704 625 |
| Gains less losses arising from dealing in foreign currencies | | 2 886 561 | 3 005 166 | 2 886 561 | 3 005 166 |
| Foreign exchange translation gains less losses | | 2 579 901 | 7 130 314 | 2 579 901 | 7 130 314 |
| Fees and commission income | 24 | 16 929 637 | 14 319 373 | 16 929 637 | 14 319 373 |
| Fees and commission expense | 24 | (480 229) | (580 831) | (480 229) | (580 831) |
| Other operating income | 25 | 2 220 310 | 2 316 369 | 2 220 310 | 2 316 369 |
| Net operating income | | 103 680 896 | 104 991 478 | 103 680 896 | 104 991 478 |
| Payroll and other staff costs | 26 | (43 462 154) | (40 731 105) | (43 462 154) | (40 731 105) |
| Operating expenses | 27 | (24 380 268) | (21 964 587) | (24 380 268) | (21 964 587) |
| Reversal of allowance for impairment of securities (Additional charge)/reversal of provisions for credit-related commitments | | (16 659) | 47 286 | (16 659) | 47 286 |
| Monetary loss | | (7 922 164) | (3 400 889) | (7 922 164) | (3 400 889) |
| Profit before taxation | | 27 899 681 | 43 902 487 | 27 899 681 | 43 902 487 |
| Income tax benefit/(expense) | 28 | 2 621 664 | (12 305 611) | (7 641 373) | (2 042 534) |
| Net profit | | 30 521 345 | 31 596 876 | 20 258 308 | 41 859 913 |
| Earnings per share (expressed in Russian Rubles per share) | 29 | 1 403 | 1 820 | 1 063 | 2 412 |

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

2

Sberbank (Savings Bank of the Russian Federation)
Statement of Cash Flows for the Year Ended 31 December 2002
 (thousands of Russian Rubles - purchasing power as at 31 December 2002, unless otherwise indicated)

| | Notes | 2002 | 2001 |
|---|-------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Interest received on loans | | 94 743 783 | 79 188 543 |
| Interest received on securities | | 32 767 828 | 35 136 418 |
| Interest paid | | (56 817 883) | (48 236 572) |
| Income received from dealing in securities and derivatives | | 11 713 236 | 6 232 553 |
| Income received from dealing in foreign currencies | | 2 886 561 | 3 088 083 |
| Fees and commissions received | | 16 929 637 | 14 319 373 |
| Fees and commissions paid | | (480 229) | (580 831) |
| Other operating income received | | 2 190 166 | 2 488 899 |
| Staff costs paid | | (40 731 100) | (38 434 989) |
| Operating expenses | | (24 000 002) | (13 366 883) |
| Income tax paid | | (6 267 197) | (4 744 266) |
| Operating profits before changes in operating assets and liabilities | | 32 834 798 | 29 109 530 |
| Cash flows from operating assets and liabilities | | | |
| Net (increase)/decrease in: | | | |
| Mandatory cash balances with the Central Bank of the Russian Federation | | (22 855 002) | (15 130 986) |
| Trading securities | | (55 783 548) | (37 089 926) |
| Due from banks | | (41 378 278) | 25 990 294 |
| Loans and advances to customers | | (153 640 094) | (174 693 105) |
| Securities available for sale | | (8 141 134) | (7 120 202) |
| Securities acquired at original issuance | | 4 985 996 | (1 091 418) |
| Other assets | | 1 584 261 | (2 070 845) |
| Net increase/(decrease) in: | | | |
| Due to banks | | (12 347 011) | 13 232 351 |
| Deposits from individuals | | 212 790 671 | 173 109 097 |
| Customer accounts | | 60 019 812 | 16 533 896 |
| Own securities issued | | 26 469 892 | (7 804 122) |
| Other liabilities | | 1 007 387 | 1 193 205 |
| Net cash from operating activities | | 45 626 558 | 44 353 713 |
| Cash flows from investing activities | | | |
| Purchase of premises and equipment | 17 | (9 661 646) | (5 345 230) |
| Proceeds from sale of premises and equipment | | 448 660 | 387 248 |
| Sales of other investments | | - | 130 155 |
| Dividend income received | 25 | 30 144 | 15 139 |
| Net cash used in investing activities | | (9 182 842) | (4 812 789) |
| Cash flows from financing activities | | | |
| Issue of ordinary shares | | - | 6 210 999 |
| Sale of treasury shares | | 800 | 827 |
| Other borrowed funds (repaid)/received | | (93 897) | 1 063 593 |
| Dividends paid | 30 | (1 115 484) | (925 617) |
| Net cash (used in) provided by financing activities | | (1 230 881) | 6 349 814 |
| Effect of exchange rate changes on cash and cash equivalents | | 370 723 | 608 673 |
| Effect of inflation on cash and cash equivalents | | (8 066 210) | (7 890 876) |
| Net increase in cash and cash equivalents | | 27 537 640 | 8 609 465 |
| Cash and cash equivalents at beginning of the year | | 40 070 871 | 31 461 406 |
| Cash and cash equivalents at the end of the year | 7 | 67 608 513 | 40 070 871 |

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

3

Sberbank (Savings Bank of the Russian Federation)
Statement of Changes in Shareholders' Equity for the Year Ended 31 December 2002
 (thousands of Russian Rubles - purchasing power as at 31 December 2002, unless otherwise indicated)

| | Share capital | Treasury shares | Share premium | Revaluation reserve for premises | Retained earnings and other reserves | Total shareholders' equity |
|---|---------------|-----------------|---------------|----------------------------------|--------------------------------------|----------------------------|
| Balance at 1 January 2001 | 20 670 833 | (2 048) | 4 115 741 | 409 893 | 31 482 013 | 56 675 332 |
| Net profit | - | - | - | - | 31 596 876 | 31 596 876 |
| Share issue | | | | | | |
| - Nominal value | 310 550 | - | - | - | - | 310 550 |
| - Share premium | - | - | 3 900 449 | - | - | 3 900 449 |
| Sale of treasury shares, net | - | 837 | - | - | - | 837 |
| Reduction of deferred tax in respect of revaluation of premises | - | - | - | (144 370) | - | 144 370 |
| Reclassification of depreciation charged in respect of revaluation reserve for premises | - | - | - | (32 663) | 32 663 | - |
| Dividends declared | - | - | - | - | (874 031) | (874 031) |
| - Ordinary shares | - | - | - | - | (49 019) | (49 019) |
| - Preference shares | - | - | - | - | - | - |
| Balance at 31 December 2001 | 20 980 583 | (1 211) | 10 016 190 | 521 300 | 62 188 502 | 93 705 364 |
| Net profit | - | - | - | - | 30 321 315 | 30 321 315 |
| Sale of treasury shares, net | - | 800 | - | - | - | 800 |
| Reduction of deferred tax in respect of revaluation of premises | - | - | - | 7 483 | - | 7 483 |
| Reclassification of depreciation charged in respect of premises revaluation | - | - | - | (31 178) | 31 178 | - |
| Dividends declared | - | - | - | - | (1 055 688) | (1 055 688) |
| - Ordinary shares | - | - | - | - | (59 778) | (59 778) |
| - Preference shares | - | - | - | - | - | - |
| Balance at 31 December 2002 | 20 980 583 | (411) | 10 016 190 | 497 605 | 91 628 529 | 123 119 496 |

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

4

Sberbank (Savings Bank of the Russian Federation)
Statement of Changes in Shareholders' Equity for the Year Ended 31 December 2002
 (thousands of Russian Rubles - purchasing power as at 31 December 2002, unless otherwise indicated)

| | Pro-forma (Restated) | | | | | |
|---|----------------------|-----------------|---------------|----------------------------------|--------------------------------------|----------------------------|
| | Share capital | Treasury shares | Share premium | Revaluation reserve for premises | Retained earnings and other reserves | Total shareholders' equity |
| Balance at 1 January 2001 | 20 670 833 | (2 048) | 4 115 741 | 409 893 | 31 482 013 | 56 675 332 |
| Net profit | - | - | - | - | 31 596 876 | 31 596 876 |
| Share issue | | | | | | |
| - Nominal value | 310 550 | - | - | - | - | 310 550 |
| - Share premium | - | - | 3 900 449 | - | - | 3 900 449 |
| Sale of treasury shares, net | - | 837 | - | - | - | 837 |
| Reduction of deferred tax in respect of revaluation of premises | - | - | - | 144 370 | - | 144 370 |
| Reclassification of depreciation charged in respect of premises revaluation | - | - | - | (32 663) | 32 663 | - |
| Dividends declared | - | - | - | - | (874 031) | (874 031) |
| - Ordinary shares | - | - | - | - | (49 019) | (49 019) |
| - Preference shares | - | - | - | - | - | - |
| Balance at 31 December 2001 as previously reported | 20 980 583 | (1 211) | 10 016 190 | 521 300 | 62 188 502 | 93 705 364 |
| Restatement of deferred tax liability (Note 4) | - | - | - | - | 10 263 037 | 10 263 037 |
| Balance at 31 December 2001 as restated | 20 980 583 | (1 211) | 10 016 190 | 521 300 | 72 451 539 | 103 968 401 |
| Net profit | - | - | - | - | 30 238 278 | 30 238 278 |
| Sale of treasury shares, net | - | 800 | - | - | - | 800 |
| Reduction of deferred tax in respect of revaluation of premises | - | - | - | 7 483 | - | 7 483 |
| Reclassification of depreciation charged in respect of premises revaluation | - | - | - | (31 178) | 31 178 | - |
| Dividends declared | - | - | - | - | (1 055 688) | (1 055 688) |
| - Ordinary shares | - | - | - | - | (59 778) | (59 778) |
| - Preference shares | - | - | - | - | - | - |
| Balance at 31 December 2002 | 20 980 583 | (411) | 10 016 190 | 497 605 | 91 628 529 | 123 119 496 |

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

5

*Sberbank (Savings Bank of the Russian Federation)
Notes to the Financial Statements – 31 December 2002
(Thousands of Russian Roubles - purchasing power as at 31 December 2002, unless otherwise indicated)*

1 Principal Activities

Sberbank (Savings Bank of the Russian Federation) (the "Bank") is a joint stock commercial bank, which was established in 1841 and operated in various forms since then. The Bank's principal shareholder, the Central Bank of the Russian Federation, owns 69.57% of the issued and outstanding shares at 31 December 2002. 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 (the "Bank of Russia" or CBR) 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 Board of the Bank is headed by the Chairman of the Bank of Russia and co-chaired by the Minister of Finance of the Russian Federation and the Deputy Chairman of the Bank of Russia. The Supervisory Board also includes representatives of the Bank's other shareholders.

The Bank has 17 regional head offices, 1 145 branches and 18 980 sub-branches within the Russian Federation. The main office of the Bank is located at 19 Vavilova St., 117 997 Moscow. The average number of the Bank's employees in 2002 was 205 477 (2001: 197 036).

2 Operating Environment

The Bank's financial position and results of operations are significantly influenced by the economic and social policies of the Russian Federation. The Bank has a significant level of lending operations with companies that are controlled by the state or where the state holds more than 25% of the voting shares. As at 31 December 2002, loans granted to such companies with individual exposures over 1% of the Bank's loan portfolio represented 10.4% of the total loan portfolio (2001: 16.4%).

During 2002, Russia was officially recognized as a market economy (in June 2002 by the USA Department of Commerce and in November 2002 by the EU Eurocommission). Nevertheless, the Russian economy continues to display certain features consistent with that of a transitional economy. These attributes have in the past included higher than normal inflation rates, lack of liquidity in capital markets, and the existence of currency controls that cause the national currency to be illiquid outside of Russia. The continued success and stability of the Russian economy will be significantly impacted by the Government's continued actions with regard to supervisory, legal, and economic reforms.

Those uncertainties including potential changes in these areas, may affect the ability of the banking sector to conduct operations. The Bank could be affected, in the foreseeable future, by these risks and their consequences. As a result, these uncertainties may affect the Bank's future operations, the recoverability of its assets, and the ability to maintain or pay its obligations as they mature. The Bank's risk management processes give consideration to these uncertainties (please refer to Note 22).

3 Basis of Presentation

The financial statements of the Bank are prepared in accordance with International Financial Reporting Standards ("IFRS") published by International Accounting Standards Board. The Bank maintains its accounting records in accordance with Russian banking regulations. These financial statements have been prepared from these accounting records and adjusted as necessary in order to comply with IFRS in all material aspects.

The financial statements are prepared under the historical cost convention modified for the measurement at fair value of available for sale securities, financial assets and financial liabilities held for trading and derivative contracts, as well as the required hyperinflation adjustments and revaluation of premises.

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as at the date of the financial statements. Actual results, therefore, could differ from these estimates.

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 thousands of Russian Roubles as at 31 December 2002, unless otherwise indicated.

*Sberbank (Savings Bank of the Russian Federation)
Notes to the Financial Statements – 31 December 2002
(Thousands of Russian Roubles - purchasing power as at 31 December 2002, unless otherwise indicated)*

4 Restatement and Presentation of Pro-forma Amounts

The deferred tax liability as at 31 December 2001 was calculated without considering the effect of the Bank's premises revaluation for statutory tax purposes as at 1 January 2001. The correction of this fundamental error totals RR 10 263 037 and affects the deferred tax liability, income tax expense, net profit, and retained earnings as at 31 December 2001. The 2001 statement of income impact has been reflected in income tax expense for 2002 as allowed under the alternative treatment in accordance with IAS 8. The accompanying pro-forma financial information for 2001 has been presented as if the correction was made in 2001.

| Financial statement caption | 2002 | 2001 | Pro-forma Restated | |
|--|--------------|--------------|--------------------|-------------|
| | | | 2002 | 2001 |
| Statement of income | | | | |
| Income tax benefit/expense | 2 821 664 | (12 305 611) | (7 641 373) | (2 042 574) |
| Net profit | 30 521 315 | 31 566 870 | 20 258 278 | 41 838 913 |
| Balance sheet | | | | |
| Tax asset | 217 330 | - | 217 330 | 2 150 228 |
| Tax liability | - | 8 112 809 | - | - |
| Accumulated retained earnings and other reserves | (23 119 496) | 93 708 364 | 123 119 496 | 103 968 401 |

5 Significant Accounting Policies

Cash and cash equivalents. Cash and cash equivalents are items, which can be converted into cash within a day. They include correspondent accounts (including accounts in precious metals) with the CBR, banks and non-banking institutions, as well as deposits, that mature not later than the first working day after the reporting date, and cash balances. All other interbank placements are included in due from banks. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents.

Mandatory balances with the Central Bank of the Russian Federation. Mandatory balances with the Bank of Russia represent mandatory reserve deposits, which are not available to finance the Bank's day-to-day operations.

Precious metals. Gold and other precious metals are recorded at the balance sheet date at the current bid price of the Bank of Russia. Precious metals are included in cash and cash equivalents.

Trading securities. Trading securities are securities, which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or securities included in a portfolio in which a pattern of short-term profit taking exists. The Bank classifies securities into trading securities if it has an intention to sell them within 180 days after purchase.

Trading securities are initially recognised at cost (which includes transaction costs) and are subsequently re-measured at fair value based on their market value or after the application of various valuation methodologies, including assumptions as to the future ability to realize these securities. In determining market value, all trading securities are valued at the last bid price if quoted on an exchange or, if traded over-the-counter, at the last bid price.

Changes in fair values are recorded within gains less losses arising from securities in the statement of income in the period in which the change occurs. Coupon and interest earned on trading securities are reflected in the statement of income as interest income on securities. Dividends received are included in other operating income.

Sale and repurchase agreements. Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are included into trading securities, securities available for sale or securities acquired at original issuance as appropriate. The corresponding liability is presented within due to banks.

Securities purchased under agreements to resell ("reverse repo") are recorded as loans and advances to banks or customers as appropriate. The difference between the sale and repurchase price is treated as interest income or expense and accrued over the life of the agreements using the effective interest rate method.

5 Significant Accounting Policies (continued)

Securities purchased by the Bank under reverse repo agreements are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded within gains less losses arising from securities and derivatives in the statement of income. The obligation to return them is recorded at fair value as a trading liability.

Originated loans and advances and allowance for loan impairment. Loans originated by the Bank by providing money directly to the borrower or to a sub-participation agent at draw down are categorised as loans originated by the Bank and are carried at amortised cost in accordance with IAS 39 less allowance for loan impairment.

All loans and advances are recognised when cash is advanced to borrowers.

The allowance for loan impairment is established if there is objective evidence that the Bank will not be able to collect the amounts due. The amount of the allowance is the difference between the carrying amount and estimated recoverable amount.

The allowance for loan impairment also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings assigned to the borrowers, and reflecting the current economic environment in which the borrowers operate.

When a loan cannot be collected, it is written off against the related allowance for loan impairment. Such loans are written off after all necessary legal procedures have been completed and the amount of the loss has been determined. Recoveries of amounts previously written off are credited to the allowance account in the statement of income.

The Bank does not enter into transactions for purchases of loans from third parties.

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 allowance methodology is similar to that for originated loans noted above. Specific allowances are raised against other credit related commitments when losses are considered probable.

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

Securities available for sale include other investments, which are represented by equity investments in non-consolidated subsidiary companies, associated companies and investments held for resale.

Securities available for sale are initially recognised at cost (which includes transaction costs) and subsequently re-measured to fair value based on quoted bid prices. Certain securities available for sale, for which there is no available external independent quotation have been fair valued by the Bank. Fair value has been determined after the application of various valuation methodologies, including assumptions as to amounts to be realised on settlement. Realised and unrealised gains and losses arising from changes in the fair value of securities available for sale are included in the statement of income under gains less losses from securities in the period, in which they arise. Coupon and interest earned on securities available for sale are reflected in the statement of income as interest income on securities. Dividends received are included in other operating income.

Securities acquired at original issuance. At 1 January 2001, the Bank adopted IAS 39 and classified its investment securities acquired at original issuance directly from a debtor, other than those that are purchased with the intent to be sold in the short-term, as "securities acquired at original issuance." Such securities fall under the definition of "originated loans" in accordance with IAS 39 and are carried at amortised cost. Gains arising from the amortisation of cost of these securities are recognized in the statement of income as interest income from securities using the effective interest rate method.

Premises and equipment. Premises and equipment are stated at revalued amounts, restated to the equivalent purchasing power of the Russian Ruble at 31 December 2002, less accumulated depreciation and allowance for impairment, where required. Where the carrying amount of an asset is greater than its estimated recoverable amount, an allowance is provided to reduce it to the recoverable amount and the related provision is charged to the statement of income. The estimated recoverable amount is the higher of an asset's net selling price and its value in use.

5 Significant Accounting Policies (continued)

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

Construction in progress is carried at cost, restated to the equivalent purchasing power of the Russian Ruble at 31 December 2002. Upon completion, assets are transferred to premises at their carrying value. Construction in progress is not depreciated until the asset is available for use.

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

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

Premises 2.5% -4.5% per annum;
Equipment 18-25% per annum;
Intangible assets 25% per annum.

Depreciation and amortisation for the reporting period are recorded in the statement of income under operating expenses.

Due to banks and customers. Amounts due to banks and to customers are initially recognized at cost, which amounts to the issue proceeds less transaction costs incurred. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the statement of income over the maturity period of the borrowings using the effective interest rate method.

Bills of exchange. Bills of exchange are issued by the Bank to its customers and 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 recognized initially at cost, being their issue proceeds, net of transaction costs incurred. Subsequently, bills of exchange issued are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the statement of income over the period of the security issue using the effective interest rate method.

The Bank also purchases bills of exchange from its customers or on the market. These bills of exchange are included in trading securities, securities available for sale, loans and advances to customers, or in due from banks, depending on their substance and subsequently re-measured and accounted in accordance with the accounting policies described above for those categories of assets.

Share capital. Share capital is recognized at restated hyperinflated cost. Share capital contributions made in the form of assets other than cash are stated at their fair value at the date of contribution.

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

Preference shares. Preference shares are not redeemable, they guarantee payment of annual dividends of not less than 15% of their nominal value. Dividend payments in excess of that minimum are determined at the Bank's Annual General Meeting. Preference shares are classified as a part of equity.

Treasury shares. Shares of the Bank owned by the Bank and held at the balance sheet date, are defined as treasury shares. The cost of such shares is shown as a reduction in shareholders' equity. Gains and losses arising on disposal of such shares are shown as adjustments to share premium.

Dividends. Dividends payable are not accounted for until they have been ratified at the Bank's Annual General 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 determined in accordance with statutory requirements.

5 Significant Accounting Policies (continued)

Taxes. Taxation has been provided for in the financial statements in accordance with Russian legislation currently in force. The charge for taxation in the statement of income for the year comprises current tax and changes in deferred tax liability/asset. 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.

Deferred income tax is provided, using the balance sheet liability method, for temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply in 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 directly to the revaluation reserve. Any tax effect of subsequent impairment of the revaluation reserve is taken through the statement of changes in shareholders' equity; any deferred tax credit beyond the revaluation reserve is reflected through the statement of income.

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

Income and expense recognition. Interest income and expense are recognised in the statement of income on an accrual basis. Interest income on loans is accrued only if delays of interest and principal payments are less than 90 days. Interest income is not recognised where the Bank believes it is not collectible. Interest income on securities includes coupons earned on fixed income securities and accrued discount on government securities.

Commissions and other income are credited to income when the related transactions are completed. Non-interest expenses are recognised at the time the products are received or the service is provided.

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

Monetary assets and liabilities denominated in foreign currency are translated into Russian Roubles at the official exchange rate of the Bank of Russia 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 2002, the CBR exchange rate used for translating foreign currency balances was USD 1 = RUB 31,7844 (2001: USD 1 = RUB 31,1403). 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 including forward foreign exchange contracts, currency swaps, currency options, forwards with securities and precious metals and other derivative financial instruments are initially recognized in the balance sheet at cost (including transaction costs) and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models, or using the spot rate at the year-end, as appropriate. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in the fair value of derivatives are included in gains less losses arising from securities and derivatives.

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

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.

5 Significant Accounting Policies (continued)

Accounting for the effects of hyperinflation. Russia continues to experience relatively high levels of inflation and is considered to be hyperinflationary as defined by International Accounting Standard (IAS) 29 "Financial Reporting in Hyperinflationary Economies". Accordingly, adjustments and reclassifications made for the purposes of IFRS 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 should be stated in terms of the measuring unit current at the balance sheet date.

The application of IAS 29 results in an adjustment to the statement of income for the loss of purchasing power of the Russian Rouble. This 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 2001 have also been restated for the changes in the general purchasing power of the Russian Rouble at 31 December 2002.

The restatement was calculated using the conversion factors derived from the Russian Federation Consumer Price Index, 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 2002 and the respective conversion factors are the following:

| Year | Index | Conversion Factor |
|------|-------|-------------------|
| 1998 | 84.4% | 2,240 |
| 1999 | 36.5% | 1,641 |
| 2000 | 20.2% | 1,365 |
| 2001 | 18.0% | 1,151 |
| 2002 | 15.1% | 1,000 |

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at 31 December 2002. Non-monetary assets and liabilities (items which are not expressed in terms of the monetary unit current at 31 December 2002) 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.

Premises and equipment are carried at their restated cost which is equal to their historical carrying value indexed by the change in the general price index from the date of purchase or from the date of the last revaluation. 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 date of transactions resulting in the movement in equity. This restated cost is the carrying value in the accompanying balance sheet.

Amounts included in the statement of income have been indexed by the change in the general price index based on 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:
 - allowance for loan impairment;
 - provision for credit related commitments;
 - allowance for impairment in value of non-monetary assets.

Such movements have been treated, for the purposes of this calculation, as occurring at the end of the reporting year.

5 Significant Accounting Policies (continued)

Effective 1 January 2003, international accounting and financial reporting bodies have determined that the Russian Federation no longer meets the criteria of IAS 29 for hyperinflation. Beginning in 2003 and for future periods, the Bank will cease applying IAS 29 to current periods and only recognize the cumulative impact of hyperinflation indexing through 31 December 2002, on non-monetary elements of the financial statements. Monetary items and results of operations will be reported at actual, nominal amounts in future periods.

Provisions. Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Social funds costs. The Bank contributes to the Russian Federation state pension, social insurance and obligatory medical insurance funds in respect of its employees. The Bank's funds contributions are expensed as incurred. The contributions are included in staff costs.

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

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. The Bank determined that the primary segments for its activities are business segments (corporate and retail), the secondary segments are the geographical areas of Russia.

6 Reclassification of Comparative Data

| Amount | Previously reported | As Reclassified | Comments |
|-----------|---|---|-------------------------------|
| 550 959 | Income Statement: Net financial result from term foreign exchange contracts | Income Statement: Gains less losses arising from securities and derivatives | Change in presentation format |
| 1 927 820 | Income statement: Operating expenses - Other expenses related to premises and equipment | Income statement: Operating expenses - Administrative expenses | Change in presentation format |
| 256 123 | Income statement: Operating expenses - Other expenses related to premises and equipment | Income statement: Operating expenses - Other expenses | Change in presentation format |

7 Cash and Cash Equivalents

| | 2002 | 2001 |
|---|-------------------|-------------------|
| Cash on hand | 17 970 344 | 17 323 317 |
| Cash balances with the Bank of Russia (other than mandatory reserve deposits) | 40 513 431 | 11 285 371 |
| Correspondent accounts and overnight deposits with other banks | | |
| - Russian Federation | 1 446 874 | 195 580 |
| - Other countries | 6 008 429 | 9 919 429 |
| Balances with non-banking settlement organizations | 1 | 1 071 628 |
| Prepaid debts | 1 007 444 | 274 948 |
| Total cash and cash equivalents | 67 608 513 | 40 670 873 |

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8 Trading Securities

| | 2002 | 2001 |
|--|--------------------|-------------------|
| RR denominated securities | | |
| Federal loan bonds (OFZ) and federal short term bonds (GKO) | 55 300 224 | 45 626 115 |
| Municipal bonds | 6 988 279 | 62 936 |
| Corporate shares | 1 151 468 | 380 163 |
| Foreign currency denominated securities | | |
| Russian Federation Eurobonds | 54 179 383 | 17 189 268 |
| Federal currency bonds (OVGVZ) | 8 534 482 | 3 438 651 |
| Foreign currency denominated securities sold under repo | | |
| Russian Federation Eurobonds | - | 2 703 243 |
| Federal currency bonds (OVGVZ) | - | 8 964 370 |
| Total trading securities | 125 854 430 | 78 204 745 |

OFZ 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 and have a medium to long-term maturity period. Coupon rate on these securities ranged from 10.00% to 15.00% in 2002. As at 31 December 2002, the yield to maturity ranged from 12.41% to 14.76%, depending on the type of a bond issue (2001: from 14.42% to 17.12%).

GKO bonds are short-term zero coupon government securities issued by the Ministry of Finance of the Russian Federation and denominated in Russian Roubles. As at 31 December 2002, yield to maturity ranged from 13.54% to 18.98% depending on the type of bond issue.

Corporate shares are shares of Russian companies, which are reflected at market value as at the year-end.

Municipal bonds are mainly represented by the municipal bonds of the city of St. Petersburg and Moscow, which are reflected at market value as at the year-end. As at 31 December 2002, yield to maturity ranged from 5.95% to 31.30% depending on the type of bond issue.

Russian Federation Eurobonds are securities issued by the Ministry of Finance of the Russian Federation and are freely tradable internationally. As at 31 December 2002, yield to maturity on these bonds varied from 4.28% to 9.60% (2001: from 6.89% to 12.52%). The annual coupon on these bonds ranged from 5.00% to 12.75% payable semi-annually for bonds denominated in US dollars, and annually for bonds denominated in Euro.

OVGVZ bonds are US dollar denominated state securities payable to the bearer, which are issued by the Ministry of Finance of the Russian Federation. The bonds are purchased at a discount to nominal value and carry an annual coupon of 3.00%. As at 31 December 2002, the yield to maturity ranged from 4.99% to 8.26% depending on the type of bond issue (2001: from 10.58% to 14.02%).

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9 Due from Banks

| | 2002 | 2001 |
|--------------------------------------|-------------------|------------------|
| Current loans to banks | 40 024 779 | 1 067 791 |
| Overdue loans to banks | 81 537 | 324 158 |
| Less: allowances for loan impairment | (81 537) | (324 158) |
| Total due from banks | 40 024 779 | 1 067 791 |

Movement in the allowances for loan impairment are as follows:

| | 2002 | 2001 |
|--|---------------|----------------|
| Allowances for loan impairment at 1 January | 324 158 | 1 448 486 |
| Adjustment on adoption of IAS 39 | - | (535 513) |
| Recovery of allowance for loan impairment | (85 261) | (420 290) |
| Due from banks written off as uncollectable | (114 785) | (23 915) |
| Effect of inflation | (42 575) | (144 608) |
| Allowances for loan impairment at 31 December | 81 537 | 324 158 |

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

| | 2002 | 2001 |
|--|-------------------|------------------|
| Russian Federation, except for loans to the Bank of Russia | 3 453 008 | 474 353 |
| The Bank of Russia | 15 226 822 | - |
| Other countries | 21 374 396 | 917 386 |
| Total loans and advances to banks, gross | 40 106 316 | 1 391 951 |

10 Securities Available for Sale

| | 2002 | 2001 |
|--|-------------------|-------------------|
| Debt securities | | |
| Federal loan bonds (OFZ) | 64 556 098 | 55 731 153 |
| Federal currency bonds (OVJQZ) | 11 893 779 | 30 921 702 |
| Russian Federation Eurobonds | 13 657 697 | 1 124 120 |
| Municipal bonds | 406 654 | 2 414 366 |
| Equity securities | | |
| Investments in non-consolidated subsidiary companies | 270 051 | 272 284 |
| Investments in associated companies | 32 915 | 45 535 |
| Investments held for sale | 206 094 | 501 777 |
| Total securities available for sale | 93 025 286 | 93 012 939 |

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10 Securities Available for Sale (continued)

For a description of federal government securities in the Bank's portfolio, please refer to Note 8.

For the year ended 31 December 2002, the majority of the subsidiary and associated companies have not prepared financial statements in accordance with IFRS. These investments have not been consolidated with the results of the Bank nor accounted for under equity method, as the effect of consolidation or equity accounting would not materially alter the financial position of the Bank at 31 December 2002 or the results of its operations or cash flows for the year then ended.

11 Loans and Advances to Customers

| | 2002 | 2001 |
|--|--------------------|--------------------|
| Current loans | 557 917 456 | 477 865 738 |
| Overdue loans | 10 622 427 | 8 311 229 |
| Less: allowance for loan impairment | (31 868 900) | (44 828 154) |
| Total loans and advances to customers | 516 671 183 | 441 348 823 |

Movements in the allowances for loan impairment are as follows:

| | 2002 | 2001 |
|--|-------------------|-------------------|
| Allowances for loan impairment at 1 January | 44 828 154 | 45 003 167 |
| Adjustment on adoption of IAS 39 | - | (1 045 730) |
| Charge for provision for loan impairment | 13 736 815 | 10 795 426 |
| Loans and advances to customers written off as uncollectable | (808 285) | (2 962 237) |
| Effect of inflation | (5 887 784) | (6 902 452) |
| Allowances for loan impairment at 31 December | 51 868 900 | 44 828 154 |

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

| | 2002 | | 2001 | |
|---|--------------------|----------------|--------------------|----------------|
| | Amount | % | Amount | % |
| Trade | 114 095 187 | 20.07% | 73 573 069 | 15.12% |
| Oil, gas and chemical | 108 467 924 | 18.37% | 105 202 927 | 21.70% |
| Individuals | 65 919 396 | 11.39% | 35 187 222 | 7.24% |
| Machinery-building | 61 463 368 | 10.81% | 79 257 632 | 16.30% |
| Food and agriculture | 57 392 389 | 10.09% | 42 024 339 | 8.64% |
| Metallurgy | 42 962 791 | 7.56% | 33 782 693 | 6.95% |
| Energy | 28 181 779 | 4.25% | 34 223 422 | 7.04% |
| Construction | 23 932 443 | 4.21% | 24 023 860 | 4.94% |
| Telecommunications | 21 251 092 | 3.74% | 11 284 873 | 2.32% |
| Transport, aviation, space | 17 877 327 | 3.14% | 15 019 652 | 3.09% |
| Timber industry | 11 573 543 | 2.04% | 8 296 527 | 1.71% |
| Government and municipal bodies | 11 421 453 | 2.01% | 5 180 451 | 1.15% |
| Services | 5 529 958 | 0.97% | 3 335 987 | 0.69% |
| Other | 4 470 833 | 0.81% | 13 113 301 | 2.71% |
| Total loans and advances to customers, gross | 568 548 083 | 100.00% | 486 176 877 | 100.00% |

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11 Loans and Advances to Customers (continued)

The Bank's loan portfolio has been extended to the following types of borrowers:

| | 2002 | 2001 |
|---|--------------------|--------------------|
| Limited liability and joint-stock companies | 444 427 027 | 402 729 473 |
| State-owned companies | 33 676 402 | 26 064 419 |
| Entities of the subjects of the RF | 11 429 816 | 4 990 798 |
| Municipal bodies | 2 468 543 | 2 262 466 |
| Others | 36 550 293 | 30 127 823 |
| Total loans and advances to customers, gross | 568 540 083 | 486 176 977 |

The Bank's largest loan borrowers constitute RR 117 743 903 or 20.7% of the total loan portfolio (2001: RR 128 968 744 or 26.5%). Loans to the two largest borrowers, represented by major Russian industrial companies, amount to RR 61 509 722 or 10.8% of the total loan portfolio (2001: RR 79 661 113 or 16.4%).

12 Securities Acquired at Original Issuance

| | 2002 | | 2001 | |
|---|--------------------|--------------------|-----------------------------------|--------------------|
| | Nominal value | Carrying value | Nominal value (in Russian rubles) | Carrying value |
| Russian Federation Eurobonds | 107 666 794 | 92 077 087 | 102 096 527 | 98 057 146 |
| Federal loan bonds (OFZ) | 10 407 025 | 9 950 328 | 10 407 025 | 9 961 269 |
| Total securities acquired at original issuance | 118 073 819 | 102 027 415 | 112 503 552 | 108 018 415 |

Securities acquired at original issuance include securities obtained directly from the issuer – the Ministry of Finance of the Russian Federation, and not designated for immediate or short-term sale.

The Bank's portfolio of Russian Federation Eurobonds consists of two issues with maturity dates of 24 July 2005 and 24 July 2018 and effective yield to maturity 15.45% and 15.76%, correspondingly. The annual coupon rate on these bonds ranges from 8.75% to 11.00%, and interest is payable semi-annually. Market value of these Eurobonds as at 31 December 2002 was RR 122 766 243 (2001: RR 115 235 118). These Eurobonds have been obtained by the Bank from the Ministry of Finance in July 1998 in exchange for part of the Bank's Russian Ruble denominated state securities portfolio.

OFZ are medium to long-term maturity bonds with quarterly coupon, which ranges from 10.00% to 13.00%. Yield to maturity varies from 16.58% to 42.69%, depending on the type of the bond issue. The bonds mature in 2003 through 2005. Market value of these OFZ bonds as at 31 December 2002, was RR 10 267 791 (2001: RR 11 411 298).

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13 Premises and Equipment

| | Premises | Office and computer equipment | Vehicle and other equipment | Intangible assets | Construction in progress | Total |
|--|--------------------|-------------------------------|-----------------------------|-------------------|--------------------------|---------------------|
| Net book amount at 1 January 2002 | 46 107 169 | 5 543 286 | 3 489 631 | 681 871 | 2 688 722 | 58 490 679 |
| Carrying amount at cost or revaluation | | | | | | |
| Balance at 31 December 2001 | 48 299 602 | 9 723 807 | 6 026 137 | 1 263 169 | 2 688 722 | 67 953 437 |
| Additions | - | 5 721 273 | 828 687 | 413 635 | 2 698 053 | 9 661 648 |
| Transfers | 2 261 887 | - | - | - | (2 261 887) | - |
| Disposals | (557 861) | (100 448) | (305 078) | (57 363) | (128 510) | (1 149 260) |
| Balance at 31 December 2002 | 49 983 328 | 15 344 632 | 6 549 746 | 1 621 441 | 2 996 678 | 76 465 825 |
| Accumulated depreciation and amortisation | | | | | | |
| Balance at 31 December 2001 | (2 142 433) | (4 180 521) | (2 586 506) | (373 298) | - | (9 462 758) |
| Depreciation and amortisation charge | (2 176 648) | (1 808 014) | (1 141 286) | (368 942) | - | (5 574 910) |
| Disposals | 37 509 | 56 743 | 121 058 | 32 577 | - | 247 887 |
| Balance at 31 December 2002 | (4 281 572) | (6 011 812) | (3 586 734) | (909 663) | - | (14 789 781) |
| Net book amount at 31 December 2002 | 45 671 756 | 9 332 820 | 2 963 012 | 711 776 | 2 996 678 | 61 675 644 |

Construction in progress consists mainly of construction and refurbishment of Bank premises. Upon completion, assets will be transferred to premises.

Premises were independently appraised at 31 December 2000. The valuation was performed by an internationally recognised independent appraisal firm. The basis used for the appraisal was the sales comparison approach. Included in the net book value of premises at 31 December 2002 is RR 497 603 representing revaluation reserve relating to premises of the Bank, net of deferred tax (2001: RR 521 300). The deferred tax liability with respect to this fair value adjustment was recorded directly to equity in accordance with the applicable accounting standards.

14 Other Assets

| | 2002 | 2001 |
|---|------------------|------------------|
| Prepaid income tax | 1 426 277 | 469 317 |
| Banking cards debtors | 1 152 080 | 874 517 |
| Deferred charges | 854 295 | 1 086 436 |
| Prepaid operating costs | 793 439 | 339 185 |
| Trade debtors and prepayments | 653 730 | 1 051 023 |
| Balances arising from derivative financial instruments | 45 026 | 29 033 |
| Settlements on operations with securities and conversion operations | 1 994 | 2 321 612 |
| Other | 189 256 | 22 609 |
| Total other assets | 5 100 097 | 6 395 724 |

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Sberbank (Savings Bank of the Russian Federation)
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15 Due to Banks

| | 2002 | 2001 |
|--|------------------|-------------------|
| Amounts on "LORO" accounts of other banks | | |
| - Russian Federation | 2 373 942 | 3 512 294 |
| - Other countries | 1 149 900 | 676 365 |
| Short term deposits due to banks | | |
| - Russian Federation | 529 776 | 11 542 087 |
| - Other countries | - | 2 086 223 |
| Total due to banks | 4 053 218 | 17 816 971 |

16 Deposits from Individuals and Customer Accounts

| | 2002 | 2001 |
|--|--------------------|--------------------|
| Individuals | | |
| - Current/demand accounts | 204 015 718 | 113 713 282 |
| - Term deposits | 603 979 420 | 464 095 847 |
| Total deposits from individuals | 708 015 138 | 577 809 129 |
| State and public organisations | | |
| - Current/settlement accounts | 36 129 493 | 27 669 323 |
| - Term deposits | 1 670 111 | 1 248 831 |
| Other legal entities | | |
| - Current/settlement accounts | 119 369 794 | 109 113 086 |
| - Term deposits | 50 545 657 | 21 201 194 |
| Total customer accounts | 187 745 057 | 150 222 634 |
| Total deposits from individuals and customer accounts | 895 760 195 | 728 041 797 |

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16 Deposits from Individuals and Customer Accounts (continued)

Economic sector concentrations within customer accounts are as follows:

| | 2002 | | 2001 | |
|--|--------------------|----------------|--------------------|----------------|
| | Amount | % | Amount | % |
| Individuals | 708 015 138 | 79.04% | 577 809 129 | 79.16% |
| Oil and gas | 34 726 001 | 4.10% | 9 569 279 | 1.31% |
| Trade | 28 401 492 | 3.17% | 27 104 800 | 3.72% |
| Municipal bodies and mass organisations | 27 656 439 | 3.09% | 13 622 387 | 1.87% |
| Construction | 15 284 822 | 1.68% | 12 620 030 | 1.70% |
| Food and agriculture | 12 158 487 | 1.36% | 7 076 711 | 0.97% |
| Telecommunications | 8 280 146 | 0.92% | 11 120 656 | 1.53% |
| Equipment manufacturing | 6 142 167 | 0.69% | 5 514 681 | 0.76% |
| Metallurgy | 5 164 900 | 0.58% | 1 450 129 | 0.20% |
| Transport, aviation and space | 5 041 506 | 0.56% | 3 969 536 | 0.54% |
| Energy | 3 007 185 | 0.33% | 2 493 611 | 0.34% |
| Other | 41 881 912 | 4.68% | 55 550 608 | 7.64% |
| Total deposits from individuals and customer accounts | 895 760 195 | 100.00% | 728 041 797 | 100.00% |

Included in customer accounts are deposits of RUB 4 139 811 (2001: RUB 2 721 174) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 33.

17 Own Securities Issued

| | 2002 | 2001 |
|------------------------------------|-------------------|-------------------|
| Bills of exchange | 46 782 791 | 29 263 988 |
| Deposit certificates | 6 244 271 | 3 248 409 |
| Savings certificates | 1 133 908 | 569 739 |
| Total own securities issued | 54 160 970 | 33 082 136 |

18 Other Borrowed Funds

As at 31 December 2002, the Bank had borrowings of USD 45 000 thousand carried at amortised cost of USD 46 171 thousand which is equivalent to RUB 1 467 509 (2001: borrowings of USD 50 000 thousand carried at amortised cost of USD 51 635 thousand or RUB 1 792 291). The borrowings are attracted in the form of a special purpose line of credit from an international banking institution. The contractual maturity of the borrowings varies from 1 to 38 months (2001: from 10 to 54 months), the annual interest rate is LIBOR + 1.95% (2001: LIBOR + 1.95%).

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19 Other Liabilities

| | 2002 | 2001 |
|---|------------------|------------------|
| Accrued compensation expenses | 4 461 267 | 2 801 687 |
| Operating taxes payable | 2 719 216 | 1 261 623 |
| Trade creditors | 196 200 | 709 632 |
| Settlements on conversion operations and operations with securities | 168 404 | 817 785 |
| Banking card creditors | 38 623 | 28 689 |
| Provision for credit related commitments | 26 229 | 11 028 |
| Dividends payable | 14 420 | 16 622 |
| Other accruals and deferred income | 7 633 | 174 098 |
| Balances arising from derivative financial instruments | 1 418 | 85 227 |
| Other | 798 200 | 11 656 |
| Total other liabilities | 8 451 980 | 5 718 646 |

20 Share Capital

As at 31 December 2002, authorised share capital of the Bank amounted to RR 1 000 000, which included 19 000 000 ordinary shares and 50 000 000 preference shares. Share capital issued and fully paid comprised:

| | 2002 | | | | 2001 | | | |
|----------------------------|-------------------|----------------|----------------|---------------------------|-------------------|----------------|----------------|---------------------------|
| | Number of shares | Nominal amount | Nominal value | Inflation adjusted amount | Number of shares | Nominal amount | Nominal value | Inflation adjusted amount |
| Ordinary shares | 19 000 000 | 0,05 | 950 000 | 19 525 646 | 19 000 000 | 0,05 | 950 000 | 19 525 646 |
| Preference shares | 50 000 000 | 0,001 | 50 000 | 1 454 937 | 50 000 000 | 0,001 | 50 000 | 1 434 937 |
| Less: Treasury shares | | | | | | | | |
| Ordinary shares | (1 772) | 0,05 | (89) | (272) | (2 797) | 0,05 | (140) | (1 189) |
| Preference shares | (1 145) | 0,001 | (1) | (116) | (1 009) | 0,001 | (1) | (22) |
| Total share capital | 68 995 683 | | 999 908 | 20 980 172 | 68 996 134 | | 999 859 | 20 979 272 |

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

The preference shares have a nominal value of 1 Russian Ruble and carry no voting rights but rank ahead of the ordinary shares in event of liquidation of the Bank. Preference shares are not subject to obligatory redemption. They carry a minimum annual dividend equal to 15% of their nominal value. The minimum preference dividend relating to 2002 is RR 7 500. The Bank will recognize this amount following ratification of 2002 dividends at the annual general shareholders' meeting.

As at 31 December 2002, 1 772 ordinary shares (2001: 2 797 shares) and 1 145 preference shares (2001: 1 009 shares) at stated cost of RR 411 (2001: RR 1 211) are held by the Bank as treasury shares and, accordingly, have been reflected as a reduction of share capital in the accompanying balance sheet.

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21 Shareholders' Equity

Shareholders' funds (equity) and profit are reconciled between Russian statutory books and IFRS as follows:

| | 2002 | | 2001 | |
|--|----------------------|-------------------|----------------------|-------------------|
| | Shareholders' equity | Profit | Shareholders' equity | Profit |
| Russian statutory books | 127 314 512 | 36 015 985 | 100 412 163 | 21 743 744 |
| Inflation impact on: | | | | |
| - share capital | - | (4 070 841) | - | (4 070 841) |
| - other non-monetary items | 38 576 676 | (1 405 248) | 44 924 068 | 8 294 065 |
| Provision revaluation reserve | (36 693 322) | - | (36 624 854) | - |
| Accrued interest income and expense, net | 12 376 228 | 2 244 802 | 10 131 426 | 1 978 003 |
| Accrued staff costs and administrative expenses | (3 652 094) | (3 072 762) | (2 579 332) | (2 313 784) |
| Depreciation and amortisation | (6 295 952) | (2 984 264) | (3 311 688) | (2 763 804) |
| Additional allowance for impairment | (20 915 384) | (5 108 306) | (15 807 078) | (221 007) |
| Fair value adjustment for securities | 11 765 225 | 7 631 562 | 4 133 663 | 21 242 036 |
| Deferred tax | 217 330 | 8 322 636 | (8 112 809) | (8 112 809) |
| Current tax | 1 426 277 | 872 816 | 553 461 | 888 156 |
| Expenses booked directly to shareholders' funds | - | (7 934 039) | - | (3 063 546) |
| Other | - | 8 954 | (13 656) | (3 337) |
| International Financial Reporting Standards | 123 119 496 | 30 521 315 | 93 705 364 | 31 596 876 |

| | Pre-Ifrs (Restated) | | | |
|--|----------------------|-------------------|----------------------|-------------------|
| | 2002 | | 2001 | |
| | Shareholders' equity | Profit | Shareholders' equity | Profit |
| Russian statutory books | 127 314 512 | 36 015 985 | 100 412 163 | 21 743 744 |
| Inflation impact on: | | | | |
| - share capital | - | (4 070 841) | - | (4 070 841) |
| - other non-monetary items | 38 576 676 | (1 405 248) | 44 924 068 | 8 294 065 |
| Provision revaluation reserve | (36 693 322) | - | (36 624 854) | - |
| Accrued interest income and expense, net | 12 376 228 | 2 244 802 | 10 131 426 | 1 978 003 |
| Accrued staff costs and administrative expenses | (3 652 094) | (3 072 762) | (2 579 332) | (2 313 784) |
| Depreciation and amortisation | (6 295 952) | (2 984 264) | (3 311 688) | (2 763 804) |
| Additional allowance for impairment | (20 915 384) | (5 108 306) | (15 807 078) | (221 007) |
| Fair value adjustment for securities | 11 765 225 | 7 631 562 | 4 133 663 | 21 242 036 |
| Deferred tax | 217 330 | (1 940 381) | 2 150 228 | 2 150 228 |
| Current tax | 1 426 277 | 872 816 | 553 461 | 888 156 |
| Expenses booked directly to shareholders' funds | - | (7 934 039) | - | (3 063 546) |
| Other | - | 8 954 | (13 656) | (3 337) |
| International Financial Reporting Standards | 123 119 496 | 20 258 270 | 103 968 401 | 41 889 913 |

In accordance with Russian banking regulations, 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 2002 are RR 81 504 412 (2001: RR 56 399 938) (non-inflated).

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22 Interest Income and Expense

| | 2002 | 2001 |
|---|---------------------|---------------------|
| Interest income | | |
| Loans and advances to customers | 88 939 592 | 72 248 344 |
| Interbank loans | 3 833 295 | 3 306 879 |
| Securities | 16 785 803 | 38 108 601 |
| Total interest income | 121 500 390 | 115 464 026 |
| Interest expense | | |
| Term deposits from individuals | (51 560 404) | (48 716 825) |
| Current/settlement accounts | (3 614 353) | (1 675 721) |
| Term deposits of legal entities | (2 098 599) | (1 386 613) |
| Own securities issued | (1 238 057) | (920 712) |
| Term placements of banks and other borrowed funds | (217 405) | (207 940) |
| Other | - | (4 777) |
| Total interest expense | (58 729 018) | (53 912 628) |
| Net interest income | 72 851 372 | 62 451 398 |

As at 31 December 2002, the Bank had RUB 14 223 680 of loans that have been placed on non-accruing status as to contractual interest in accordance with the Bank's accounting policy.

23 Gains Less Losses from Securities and Derivatives

| | 2002 | | | 2001 | | |
|--|-------------------------|--|-------------------|-------------------------|--|-------------------|
| | Adjusting to fair value | Realized revaluation income and income from redemption | Total | Adjusting to fair value | Realized revaluation income and income from redemption | Total |
| Derivative financial instruments | 112 229 | (19 819) | 92 410 | 548 777 | 2 582 | 556 959 |
| Trading securities and securities available for sale | 4 286 525 | 14 965 963 | 19 252 488 | 24 972 451 | 1 181 015 | 26 153 666 |
| Total gains less losses arising from securities and derivatives | 4 298 754 | 14 946 144 | 19 244 898 | 25 521 028 | 1 183 597 | 26 704 625 |

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24 Fee and Commission Income and Expense

| | 2002 | 2001 |
|--|-------------------|-------------------|
| Commission on cash transactions | 8 100 141 | 6 484 887 |
| Commission on settlement transactions | 3 764 356 | 3 659 939 |
| Commission for lending operations | 1 917 839 | 1 191 279 |
| Commission related to operations with foreign currency | 1 906 204 | 1 807 942 |
| Commission on cash collection | 766 098 | 766 422 |
| Commission on transactions with securities | 277 631 | 316 890 |
| Commission on guarantees issued | 28 252 | 19 128 |
| Other | 169 116 | 133 728 |
| Total fee and commission income | 16 929 627 | 14 319 313 |
| Commission related to operations with foreign currency | (251 832) | (322 892) |
| Commission on transactions with securities | (90 327) | (147 310) |
| Commission on cash collection | (33 000) | (61 877) |
| Commission on settlement transactions | (66 666) | (35 647) |
| Commission on cash transactions | (399) | (619) |
| Other | (15 602) | (12 257) |
| Total fee and commission expense | (480 229) | (580 831) |
| Net fee and commission income | 16 449 408 | 13 738 542 |

25 Other Operating Income

| | 2002 | 2001 |
|---|------------------|------------------|
| Late charges on loans and other penalties | 811 134 | 897 220 |
| Leasing and other income on premises and equipment | 495 079 | 433 667 |
| Gains less losses arising from trading in precious metals | 239 671 | 228 327 |
| Dividends received | 30 144 | 15 139 |
| Recoveries of amounts previously written off | 11 085 | 401 087 |
| Other | 633 217 | 541 129 |
| Total other operating income | 2 220 330 | 2 316 569 |

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26 Payroll and Other Staff Expenses

| | 2002 | 2001 |
|---|---------------------|---------------------|
| Payroll expenses | (33 997 979) | (31 522 581) |
| Unified social tax expenses | (9 464 175) | (9 208 324) |
| Total payroll and other staff expenses | (43 462 154) | (40 731 105) |

27 Operating Expenses

| | 2002 | 2001 |
|--|---------------------|---------------------|
| Taxes other than income tax | (7 159 688) | (3 829 827) |
| Depreciation and amortization | (3 374 910) | (5 368 860) |
| Administrative expenses | (4 720 085) | (5 551 989) |
| Other expenses related to premises and equipment | (2 968 070) | (3 075 508) |
| Advertising and marketing | (303 194) | (304 057) |
| Professional services | (97 076) | (27 427) |
| Expenses related to claims and court expenses | (87 417) | (785 133) |
| Other | (3 267 828) | (2 521 786) |
| Total operating expenses | (24 380 268) | (21,964 587) |

28 Income Taxes

Income tax expense was comprised of the following:

| | 2002 | | 2001 | |
|--|------------------|---------------------|--------------------|--------------------|
| | 2002 | 2001 | 2002 | 2001 |
| Current tax charge | (5 700 992) | (4 529 162) | (5 700 992) | (4 529 162) |
| Deferred taxation | 8 322 656 | (14 213 333) | (1 940 381) | 3 708 126 |
| Effect of change in tax rates | - | 3 956 332 | - | (1 702 264) |
| Adjustment of amortized cost of securities acquired at original issuance due to implementation of IAS 39 | - | 480 732 | - | 480 732 |
| Income tax benefit/(expense) | 2 621 664 | (12 305 611) | (7 641 373) | (2 042 574) |

Russian legal entities must individually report taxable income and profit taxes (Gross) to the appropriate tax authorities. The income tax rate for banks other than on state securities was 7.5% for Federal taxes and 16.5% for Regional and Local taxes. The tax rate for interest income on state securities was 15% for Federal taxes.

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28 Income Taxes (continued)

The effective profit tax rate differs from the statutory profit tax rates. A reconciliation of the profit tax expenses based on statutory rates with the actual profit tax provision follows.

| | 2002 | | 2001 | |
|---|--------------------|---------------------|--------------------|---------------------|
| | 2002 | 2001 | 2002 | 2001 |
| IFRS profit before taxation | 27 899 651 | 43 902 487 | 27 899 651 | 43 902 487 |
| Statutory income tax rate | 24% | 43% | 24% | 43% |
| Theoretical tax charge at the applicable statutory rate | (6 695 916) | (18 878 069) | (6 695 916) | (18 878 069) |
| Income exempt from taxation | 270 177 | 2 892 699 | 270 177 | 2 892 699 |
| Income on government securities taxed at different rates | 2 381 692 | 1 972 147 | 2 381 692 | 1 972 147 |
| Non-taxable decreases in allowances for impairment of securities available for sale | - | 2 132 931 | - | 2 132 931 |
| Non-temporary elements of monetary gains and losses | (2 886 961) | (4 247 975) | (2 886 961) | (4 247 975) |
| Other non-temporary differences | (294 632) | (470 707) | (294 632) | (470 707) |
| Non-deductible expenses | (416 633) | (3 967 781) | (416 633) | (3 967 781) |
| Effect of the change in tax rate | - | 6 422 640 | - | (3 702 264) |
| Correction of fundamental error | 10 263 017 | - | - | - |
| Revaluation of property, plant and equipment for tax purposes | - | - | - | (8 187 941) |
| Change in non-recognized deferred tax asset | - | 3 838 304 | - | 3 838 304 |
| Income tax benefit/(expense) | 2 621 664 | (12 305 611) | (7 641 373) | (2 042 574) |

Differences between IFRS 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 profit tax purposes. The tax effect of the movement on these temporary differences is recorded at the rate of 24%, except for income on state securities that is taxed at 15%.

| | 2001 | | Change | | 2002 | |
|---|---------------------|------------------|--------------------|--------------------|--------------------|--------------------|
| | 2001 | Change | 2001 | Change | 2002 | Change |
| Tax effect of deductible temporary differences | | | | | | |
| Impairment of interest earning assets | 3 622 740 | 1 463 146 | 3 085 886 | 3 622 740 | 1 463 146 | 3 085 886 |
| Premises and equipment | 2 912 093 | (2 724 410) | 187 683 | 2 992 677 | (2 804 954) | 187 683 |
| Accruals | 261 365 | 2 617 964 | 2 879 067 | 261 365 | 2 617 964 | 2 879 067 |
| Other | 734 517 | (631 147) | 103 370 | 734 517 | (631 147) | 103 370 |
| Deferred tax asset | 7 530 453 | 725 553 | 8 256 006 | 7 611 037 | 644 969 | 8 256 006 |
| Tax effect of taxable temporary differences | | | | | | |
| State securities income | (327 347) | (127 645) | (713 382) | (527 747) | (127 645) | (713 382) |
| Fair valuation of securities | (4 264 643) | (2 520 839) | (7 315 482) | (4 264 643) | (2 250 839) | (7 315 482) |
| Premises and equipment revaluation | (10 182 453) | 10 182 453 | - | - | - | - |
| Other | (138 419) | 130 617 | (7 802) | (138 419) | 130 617 | (7 802) |
| Deferred tax liability | (15 643 262) | 7 664 586 | (8 038 676) | (5 460 809) | (2 277 867) | (8 038 676) |
| Net deferred tax asset/(liability) | (8 112 809) | 8 330 139 | 217 330 | 2 150 228 | (1 632 898) | 217 330 |

The tax effect of the movement in temporary differences for premises and equipment includes deferred tax reductions in respect of the revaluation of premises of RR 7 483 (2001); RR 144 370). These amounts are recorded directly to shareholders' equity.

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29 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 potentially diluted ordinary shares; therefore, the diluted earnings per share equal basic earnings per share.

| | | | Pro-forma | |
|--|--------------|--------------|--------------|--------------|
| | 2002 | 2001 | 2002 | 2001 |
| | | | Restated | |
| Net profit attributable to shareholders | 30 521 315 | 31 096 876 | 30 258 278 | 41 859 913 |
| Less: dividends on preference shares | (39 778) | (49 019) | (39 778) | (49 019) |
| Net profit attributable to ordinary shareholders | 30 481 537 | 31 047 857 | 29 918 500 | 41 810 894 |
| Weighted average number of ordinary shares outstanding (thousands) | 18 998 | 17 331 | 18 998 | 17 331 |
| Basic and diluted earnings per share (expressed in Russian Rubles per share) | 1 603 | 1 820 | 1 603 | 2 412 |

30 Dividends

| | 2002 | | 2001 | |
|--|---------------|-------------|---------------|-------------|
| | Ordinary | Preference | Ordinary | Preference |
| Dividends payable at 1 January | 15 749 | 873 | 20 550 | 1 849 |
| Dividends declared during the year | 1 085 688 | 59 778 | 874 011 | 40 019 |
| Dividends paid during the year | (1 053 721) | (19 763) | (873 014) | (40 302) |
| Effect of inflation | (2 069) | (1 13) | (1 318) | (292) |
| Dividends payable at 31 December | 13 647 | 773 | 15 749 | 873 |
| Dividends per share declared during the year (expressed in Russian Rubles per share) | 55.56 | 4.50 | 50.43 | 0.98 |

All dividends are declared and paid in Russian Rubles.

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31 Analysis by Segment, Geography and Currency

Geographical analysis. The geographical analysis of the Bank's assets and liabilities as at 31 December 2002 is presented below:

| | Russia | Other countries | Total |
|---|----------------------|-------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | 61 540 094 | 6 068 419 | 67 608 513 |
| Mandatory cash balances with the Central Bank of the Russian Federation | 74 808 687 | - | 74 808 687 |
| Trading securities | 125 854 436 | - | 125 854 436 |
| Due from banks, net | 18 650 383 | 21 374 396 | 40 024 779 |
| Loans and advances to customers, net | 316 212 132 | 459 051 | 516 671 183 |
| Securities available for sale | 93 025 286 | - | 93 025 286 |
| Securities acquired at original issuance | 102 027 411 | - | 102 027 411 |
| Tax asset | 217 330 | - | 217 330 |
| Premises and equipment | 61 675 642 | - | 61 675 642 |
| Other assets | 3 100 007 | - | 3 100 007 |
| Total assets | 1 059 111 502 | 27 901 866 | 1 087 013 368 |
| Liabilities | | | |
| Due to banks | 2 903 318 | 1 149 900 | 4 053 218 |
| Deposits from individuals | 796 511 977 | 1 703 161 | 798 215 138 |
| Customer accounts | 187 002 286 | 742 771 | 187 745 057 |
| Own securities issued | 54 160 970 | - | 54 160 970 |
| Other borrowed funds | - | 1 467 509 | 1 467 509 |
| Other liabilities | 8 451 980 | - | 8 451 980 |
| Total liabilities | 958 830 521 | 5 063 341 | 963 893 862 |
| Net balance sheet position at 31 December 2002 | 100 280 971 | 22 838 525 | 123 119 496 |
| Net balance sheet position at 31 December 2001 | 88 508 413 | 5 196 951 | 93 705 364 |
| Pro-forma (Restated) | | | |
| Net balance sheet position at 31 December 2001 | 88 771 450 | 5 196 951 | 93 968 401 |

Other countries consist primarily of OECD member countries.

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31 Analysis by Segment, Geography and Currency (continued)

Segment reporting. In accordance with requirements of IAS 14 "Segment reporting", the Bank defined that its primary segments are business (corporate and retail). The secondary segments are geographical based on Russia regions where the Bank operates. Segment reporting per business segments as at 31 December 2002 follows:

| | Corporate Sector | Retail Sector | Unallocated | Total |
|--|--------------------|--------------------|--------------------|----------------------|
| Assets | | | | |
| Trading securities | 125 834 436 | - | - | 125 834 436 |
| Due from banks, net | 40 024 779 | - | - | 40 024 779 |
| Loans and advances to customers, net | 452 755 399 | 83 915 784 | - | 536 671 183 |
| Securities available for sale | 93 025 286 | - | - | 93 025 286 |
| Securities acquired at original issuance | 102 027 411 | - | - | 102 027 411 |
| Unallocated assets | - | - | 209 410 209 | 209 410 209 |
| Total Assets | 813 687 315 | 83 915 784 | 209 410 209 | 1 087 013 308 |
| Liabilities | | | | |
| Due to banks | 4 053 218 | - | - | 4 053 218 |
| Deposits from individuals | - | 708 015 138 | - | 708 015 138 |
| Customer accounts | 187 745 057 | - | - | 187 745 057 |
| Own securities issued | 52 117 479 | 2 043 491 | - | 54 160 970 |
| Other borrowed funds | 1 467 509 | - | - | 1 467 509 |
| Unallocated liabilities | - | - | 8 451 980 | 8 451 980 |
| Total Liabilities | 245 385 263 | 710 058 629 | 8 451 980 | 963 895 872 |
| Income Statement | | | | |
| Interest income on loans | 83 493 800 | 11 301 078 | - | 94 794 878 |
| Interest income on securities | 36 785 303 | - | - | 36 785 303 |
| Fees and commission income | 16 183 357 | 746 280 | - | 16 929 637 |
| Fees and commission expense | (480 229) | - | - | (480 229) |

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31 Analysis by Segment, Geography and Currency (continued)

Geographical segment reporting is based on the Bank's activity among its central head office and 17 regional head offices. The Bank has defined five geographical segments:

| Geographical segment | Name of territorial bank | Location of the regional head office |
|------------------------------|--------------------------|--------------------------------------|
| Moscow | Central head office | Moscow |
| European Russia | Severny | Yaroslavl |
| | Severo-Zapadny | Saint-Petersburg |
| | Tsentralno-Chernozemny | Vologda |
| | Volgo-Vyazny | Nizhny Novgorod |
| | Povolzhsky | Saratov |
| | Industriyskiy | Moscow |
| Ural | Severo-Kavkazskiy | Stavropol |
| | Yugo-Zapadny | Rostov-on-Don |
| | Zapadno-Ural'skiy | Perm |
| Western Siberia | Ural'skiy | Ekaterinburg |
| | Sibirskiy | Novosibirsk |
| | Altayskiy | Barnaul |
| Eastern Siberia and Far East | Zapadno-Sibirskiy | Tumen |
| | Severo-Vostochniy | Magnitogorsk |
| | Dalnerechniy | Khabarovsk |
| | Vostochno-Sibirskiy | Krasnoyarsk |
| | Khanty-Mansiyskiy | Khanty-Mansiysk |

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Sberbank (Savings Bank of the Russian Federation)
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31 Analysis by Segment, Geography and Currency (continued)

The Bank's reporting by geographical segments as at 31 December 2002 follows:

| | Moscow | European Russia | Ural | Western Siberia | Eastern Siberia and Far East | Unallocated | Total |
|--|--------------------|--------------------|-------------------|-------------------|------------------------------|-------------------|----------------------|
| Assets: | | | | | | | |
| Cash and cash equivalents | 49 808 571 | 12 810 220 | 1 637 823 | 1 283 261 | 1 829 631 | - | 67 358 511 |
| Trading securities | 84 873 348 | 54 966 206 | 10 670 047 | 8 344 268 | 4 998 347 | - | 125 854 436 |
| Due from banks, net | 39 906 805 | - | 8 818 | 8 700 | 10 344 | - | 40 024 729 |
| Loans and advances to customers, net | 208 018 951 | 186 944 213 | 43 636 137 | 42 817 964 | 33 251 896 | - | 516 671 161 |
| Securities available for sale | 17 985 914 | 57 771 663 | 3 684 630 | 7 366 193 | 4 296 864 | - | 93 025 264 |
| Securities acquired at original issuance | 36 367 631 | 47 244 292 | 7 615 942 | 4 407 826 | 6 702 394 | - | 102 027 415 |
| Premises and equipment | 18 406 080 | 28 615 309 | 4 234 636 | 1 687 113 | 4 732 344 | - | 61 675 642 |
| Unallocated assets | - | - | - | - | - | 80 126 114 | 80 126 114 |
| Total assets | 415 239 348 | 388 488 968 | 78 499 235 | 69 925 425 | 87 732 184 | 80 126 114 | 1 087 813 368 |
| Liabilities: | | | | | | | |
| Due to banks | 2 486 537 | 888 004 | 588 537 | 291 304 | 125 910 | - | 4 053 218 |
| Deposits from individuals | 176 214 824 | 130 957 363 | 61 402 880 | 36 865 437 | 28 370 824 | - | 708 015 138 |
| Customer accounts | 81 521 431 | 69 485 133 | 13 623 120 | 9 989 296 | 13 207 077 | - | 187 745 057 |
| Own securities issued | 18 352 766 | 18 604 836 | 9 543 091 | 3 176 988 | 2 383 289 | - | 54 160 970 |
| Other borrowed funds | 1 467 509 | - | - | - | - | - | 1 467 509 |
| Unallocated liabilities | - | - | - | - | - | 8 451 980 | 8 451 980 |
| Total liabilities | 280 224 667 | 409 616 896 | 85 167 628 | 72 243 425 | 74 187 096 | 8 451 980 | 963 893 872 |

| | Moscow | European Russia | Ural | Western Siberia | Eastern Siberia and Far East | Total |
|--|--------------|-----------------|-------------|-----------------|------------------------------|--------------|
| Interest income on loans | 38 620 018 | 24 305 133 | 7 939 280 | 7 947 482 | 1 963 931 | 94 796 887 |
| Interest income on securities | 13 141 451 | 16 312 962 | 2 929 191 | 3 071 327 | 2 338 872 | 36 783 703 |
| Interest expenses | (14 018 187) | (28 308 414) | (3 284 494) | (4 520 494) | (4 276 429) | (18 739 018) |
| Gains less losses arising from securities and derivatives | 14 341 172 | 3 610 012 | 712 808 | 476 007 | 410 388 | 19 344 898 |
| Gains less losses arising from dealing in foreign currency | 708 762 | 1 351 522 | 209 680 | 185 612 | 537 185 | 2 896 361 |
| Foreign exchange translation gains less losses | 832 623 | 2 034 402 | 481 914 | 338 252 | 240 670 | 3 879 961 |
| Fees and commission income | 2 732 395 | 8 161 076 | 1 830 382 | 1 854 225 | 2 259 719 | 16 929 617 |
| Fees and commission expense | (244 276) | (87 891) | (24 111) | (29 942) | (34 409) | (400 229) |
| Other operating income | 310 861 | 983 017 | 343 248 | 112 908 | 217 675 | 2 229 333 |
| Additionally acquired property, plant and equipment | 2 881 239 | 4 482 679 | 483 362 | 890 932 | 541 234 | 9 860 446 |

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Sberbank (Savings Bank of the Russian Federation)
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31 Analysis by Segment, Geography and Currency (continued)

The Bank did not prepare segment reporting as at 31 December 2001 as it was impracticable to do so.

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 RUR and other currencies. Other currencies represent mainly amounts in US dollars and Euro.

At 31 December 2002, the Bank has the following positions in currencies:

| | RUR | USD | Other currencies | Total |
|---|--------------------|--------------------|-------------------|----------------------|
| Assets | | | | |
| Cash and cash equivalents | 53 327 358 | 6 342 934 | 8 038 041 | 67 608 313 |
| Mandatory cash balances with the Central Bank of the Russian Federation | 74 808 687 | - | - | 74 808 687 |
| Trading securities | 63 185 172 | 60 068 043 | 2 640 221 | 125 854 436 |
| Due from banks, net | 17 922 823 | 21 078 058 | 523 898 | 40 024 729 |
| Loans and advances to customers, net | 422 424 900 | 89 495 396 | 4 730 997 | 516 671 161 |
| Securities available for sale | 65 471 810 | 27 553 476 | - | 93 025 286 |
| Securities acquired at original issuance | 9 950 329 | 92 077 086 | - | 102 027 415 |
| Tax asset | 217 330 | - | - | 217 330 |
| Premises and equipment | 61 675 642 | - | - | 61 675 642 |
| Other assets | 4 944 378 | 155 318 | - | 5 100 097 |
| Total assets | 773 983 500 | 287 270 711 | 15 950 157 | 1 087 813 368 |
| Liabilities | | | | |
| Due to banks | 2 981 841 | 818 796 | 254 581 | 4 053 218 |
| Deposits from individuals | 515 209 130 | 182 294 172 | 10 431 815 | 708 015 138 |
| Customer accounts | 138 418 675 | 47 203 481 | 4 122 901 | 187 745 057 |
| Own securities issued | 47 365 980 | 6 707 240 | 87 741 | 54 160 970 |
| Other borrowed funds | - | 1 467 509 | - | 1 467 509 |
| Other liabilities | 7 866 879 | 585 121 | - | 8 451 980 |
| Total liabilities | 709 902 514 | 239 074 320 | 14 917 038 | 963 893 872 |
| Net balance sheet position | 63 880 986 | 58 196 391 | 1 042 119 | 123 119 496 |
| Credit related commitments | 62 489 857 | 21 067 600 | 4 486 232 | 88 013 389 |

At 31 December 2001, the Bank had the following positions in currency:

| | RUR | USD | Other currencies | Total |
|--|-------------------|-------------------|------------------|--------------------|
| Net balance sheet position (restated) | 41 809 918 | 49 619 341 | 2 276 105 | 93 705 364 |
| Pro-forma (Restated) | | | | |
| Net balance sheet position | 52 672 955 | 49 619 341 | 2 276 105 | 103 968 401 |
| Credit related commitments | 41 189 099 | 18 255 890 | 1 951 149 | 61 375 338 |

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Sberbank (Savings Bank of the Russian Federation)
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32 Interest Rate, Liquidity, Market and Credit Risks

The Bank's risk management processes give consideration to various uncertainties. The evaluation of these risks is based on balance sheet modelling and analysis of various scenarios. The results of such testing are measured by the exposure of the Bank's equity capital to loss based upon the scenarios modelled.

Interest rate risk. The Bank is exposed to interest rate pricing risk, principally as a result of lending 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. 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 year-end interest rate, by major currencies, for monetary financial instruments outstanding as at 31 December 2002. The analysis has been prepared on the basis of weighted average interest rates for the various financial instruments using year-end effective rates.

| | 2002 | | 2001 | |
|--|--------|------------------|--------|------------------|
| | RUB | Other currencies | RUB | Other currencies |
| Assets | | | | |
| Cash and cash equivalents | 0.30% | 0.90% | 0.00% | 1.64% |
| Due from banks | 12.10% | 1.80% | 20.30% | 1.42% |
| Trading securities | 13.52% | 8.24% | 15.73% | 11.04% |
| Loans and advances to customers | 19.05% | 9.56% | 22.10% | 13.30% |
| Securities available for sale | 13.64% | 8.47% | 15.87% | 13.01% |
| Securities acquired at original issuance | 11.87% | 15.00% | 11.30% | 13.60% |
| Liabilities | | | | |
| Due to banks | 2.90% | 5.50% | 11.45% | 1.11% |
| Customer accounts and deposits of legal entities | 2.28% | 3.04% | 2.92% | 4.15% |
| Term deposits from individuals | 9.80% | 4.30% | 10.84% | 5.00% |
| Own securities issued | 5.33% | 3.70% | 1.80% | 1.71% |
| Other borrowed funds | - | 5.27% | - | 6.82% |

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

Liquidity risk. Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. Liquidity risk management at the Bank is performed on the basis of measuring liquidity surplus/deficit and liquidity ratios that are calculated using scenario analysis. Liquidity ratios limits are approved by the Committee on Interest Rates and Limits of the Bank at least once a year. The Bank has also developed an action plan to deal with liquidity issues in the event of an economic crisis. The table below shows assets and liabilities as at 31 December 2002 by their remaining contractual maturity. Some of the assets, however, may be of a longer-term nature, for example, loans are frequently renewed and accordingly short term loans can have a longer-term duration.

The matching and/or counselled 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 transactions are 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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32 Interest Rate, Liquidity, Market and Credit Risks (continued)

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

| | Demand and less than 1 month | From 1 to 6 months | From 6 to 12 months | From 1 to 3 years | More than 3 years | Overdue / no stated maturity | Total |
|---|------------------------------|----------------------|----------------------|----------------------|---------------------|------------------------------|----------------------|
| Assets | | | | | | | |
| Cash and cash equivalents | 67 608 513 | - | - | - | - | - | 67 608 513 |
| Mandatory cash balances with the Central Bank of the Russian Federation | - | - | - | - | - | 74 808 687 | 74 808 687 |
| Trading securities | 123 834 436 | - | - | - | - | - | 123 834 436 |
| Due from banks, net | 24 675 131 | 13 349 628 | - | - | - | - | 40 024 779 |
| Loans and advances to customers, net | 43 942 354 | 166 929 425 | 138 100 756 | 117 105 971 | 48 561 677 | - | 116 671 183 |
| Securities available for sale | 117 874 | 161 979 | 19 842 570 | 44 387 748 | 27 923 930 | 701 185 | 93 025 286 |
| Securities acquired at original issuance | 1 043 336 | 5 831 952 | 1 907 269 | 49 871 843 | 43 211 014 | - | 102 027 415 |
| Tax asset | - | - | - | - | - | 217 330 | 217 330 |
| Premises and equipment | - | - | - | - | - | 61 675 642 | 61 675 642 |
| Other assets | 2 024 086 | 3 976 011 | - | - | - | - | 5 100 097 |
| Total assets | 265 466 780 | 191 480 996 | 160 910 595 | 211 565 562 | 120 696 421 | 136 892 844 | 1 087 013 268 |
| Liabilities | | | | | | | |
| Due to banks | 4 053 218 | - | - | - | - | - | 4 053 218 |
| Deposits from individuals | 217 830 575 | 211 096 837 | 69 037 487 | 179 731 004 | 10 279 283 | - | 708 015 138 |
| Customer accounts | 172 001 136 | 11 657 302 | 1 774 439 | 1 987 733 | 324 447 | - | 187 745 057 |
| Own securities issued | 32 388 260 | 12 451 607 | 7 902 086 | 1 413 601 | 3 416 | - | 54 160 970 |
| Other borrowed funds | 37 211 | 470 766 | - | - | 853 332 | - | 1 467 509 |
| Other liabilities | 479 014 | 4 483 308 | 2 717 902 | 2 113 | - | 709 643 | 8 451 980 |
| Total liabilities | 426 789 414 | 260 165 820 | 81 431 884 | 183 154 451 | 11 562 660 | 709 643 | 963 893 872 |
| Net liquidity gap | (161 322 664) | (68 684 824) | 79 458 711 | 28 411 111 | 109 133 761 | 136 123 201 | 123 119 496 |
| Cumulative liquidity gap at 31 December 2002 | (161 322 664) | (230 007 488) | (150 548 777) | (122 137 666) | (13 003 705) | 123 119 496 | |
| Cumulative liquidity gap at 31 December 2001 | (217 306 956) | (307 500 562) | (215 120 252) | (6 292 373) | 43 368 377 | 103 968 401 | |
| Pro-forma (Estimated) | | | | | | | |
| Cumulative liquidity gap at 31 December 2001 | (217 306 956) | (307 500 562) | (215 120 252) | (6 292 373) | 43 368 377 | 93 785 364 | |

The entire portfolio of trading securities is classified within demand and less than one month as the portfolio is of a dealing nature and the Bank believes this is the proper presentation of its liquidity position.

The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Bank's interest rate sensitivity analysis based on the re-pricing of the Bank's assets and liabilities does not differ significantly from the maturity analysis disclosed in the table above. For certain interest sensitive instruments the Bank establishes limits of their respective maturities. The Bank evaluates its risk exposure under negative market conditions and considers these results in interest rate risk and asset and liability management. Interest rate limits and decisions in respect of interest rate policy are made by the Bank's Committee on Interest Rates and Limits.

32 Interest Rate, Liquidity, Market and Credit Risks (continued)

The Bank 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.

Market risk. The Bank takes an exposure to market risk due to price fluctuations in financial, currency and precious metals markets. The Bank sets limits on the value at risk that may be accepted in respect of the open positions in various financial products, which is monitored on a daily basis. Market risk limits are approved by the Committee on Interest Rates and Limits of the Bank. However, the use of this approach does not fully prevent losses outside of these limits in the event of more significant market movements. The stop-loss limits are set by the Bank to prevent excessive losses when market conditions change significantly.

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 has implemented an internal risk rating system in respect of its largest borrowers that is used to assess probability of default on loans to these borrowers. The Bank manages 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. Credit risk limits are approved by the Credit Committee of the Bank. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review. 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.

33 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. The Bank is of the opinion that no material losses will be incurred and accordingly no provision has been made in these financial statements.

Tax legislation. Due to the presence in Russian tax legislation 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, the Bank's judgement of its business activities may not coincide with the interpretation of the same activities by tax authorities.

Transfer pricing legislation, which was introduced from 1 January 1999, provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect to all controlled transactions, provided that the transaction price differs from the market price by more than 20%. Controlled transactions include transactions with related parties, and transactions with unrelated parties if the price differs on similar transactions with different counterparties by more than 20%. There is no formal guidance as to how these rules should be applied in practice.

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.

33 Contingencies, Commitments and Derivative Financial Instruments (continued)

Capital commitments. As at 31 December 2002, the Bank had capital commitments in respect of construction and computer equipment totalling RR 1 347 947 (2001: RR 1 480 126). The Bank has already allocated the necessary resources in respect of this commitment. The Bank believes that future net revenues and funding will be sufficient to cover this and any similar commitments.

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:

| | 2002 | 2001 |
|--|---------------|----------------|
| Not later than 1 year | 10 164 | 48 712 |
| Later than 1 year and not later than 5 years | 4 218 | 74 739 |
| Later than 5 years | 23 425 | 40 930 |
| Total operating lease commitments | 37 807 | 173 381 |

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, most of 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:

| | 2002 | 2001 |
|--|-------------------|-------------------|
| Undrawn credit lines and commitments to extend credit | 70 671 021 | 55 044 138 |
| Import letters of credit | 3 178 953 | 3 222 152 |
| Export letters of credit | 4 119 624 | 2 068 696 |
| Guarantees issued | 1 311 960 | 519 583 |
| Letters of credit for domestic settlements | 758 070 | 331 797 |
| Less: provision for losses on credit related commitments | (26 239) | (11 028) |
| Total credit related commitments | 80 013 389 | 61 375 356 |

The Bank evaluated the likelihood of possible losses arising from other credit related commitments and concluded that a provision of RR 26 239 was necessary as at 31 December 2002 (2001: RR 11 028). This provision is accounted under other liabilities. 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.

Derivatives. The Bank enters into derivative agreements that include forward, option and swap agreements with foreign currency, forward agreements with securities and precious metals and other derivatives. Currency-based and other derivatives are usually traded on the over-the-counter market on the basis of the standard contracts.

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33 Contingencies, Commitments and Derivative Financial Instruments (continued)

The table below summarises the change in the Bank's obligations with respect to the forward contracts during 2002.

| | 2002 | 2001 |
|--|--------------|---------------|
| Obligations on unsettled contracts at 1 January | 85 227 | 654 648 |
| Settlements during the year | (74 033) | (30 507) |
| Write off of 1998 contracts | - | (329 451) |
| Accrued losses on contracts entered into during the year | 1 618 | 80 327 |
| Effect of inflation | (11 194) | (103 891) |
| Obligations on unsettled contracts at 31 December | 1 618 | 85 227 |

The table below includes contracts with a maturity date subsequent to 31 December 2002. These contracts were entered into in 2002 and are short term in nature.

| | Domestic | | | | Foreign | | | |
|-------------------------------|--|---|-----------------|-----------------|--|---|-----------------|-----------------|
| | Principal or agreed amount of currency purchased | Principal or agreed amount of currency sold | Unrealised Loss | Unrealised Gain | Principal or agreed amount of currency purchased | Principal or agreed amount of currency sold | Unrealised Loss | Unrealised Gain |
| Spot transactions | | | | | | | | |
| Foreign currency | | | | | | | | |
| - purchase of currency | 3 178 | 3 184 | (6) | - | 443 671 | 444 671 | (1 000) | - |
| - sale of currency | - | - | - | - | 3 598 858 | 2 595 713 | - | 3 145 |
| Term deals | | | | | | | | |
| Foreign currency | | | | | | | | |
| - purchase of currency | - | - | - | - | 3 807 627 | 3 808 238 | (612) | - |
| - sale of currency | - | - | - | - | - | - | - | - |
| Precious metals | | | | | | | | |
| - purchase of precious metals | 6 498 891 | 6 458 873 | - | 40 018 | - | - | - | - |
| - sale of precious metals | - | - | - | - | 1 712 807 | 1 690 744 | - | 21 863 |
| Total | 6 502 069 | 6 462 057 | (6) | 40 018 | 9 562 763 | 8 539 367 | (1 612) | 25 008 |

Unrealised gains or losses in the table above reflect the fair value adjustment of outstanding derivatives as at the year end. The Bank has recorded a net gain of RR 63 408, which is included in gains less losses arising from securities and derivatives.

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33 Contingencies, Commitments and Derivative Financial Instruments (continued)

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

| | 2002 Nominal value | 2001 Nominal value |
|--|-----------------------|-----------------------|
| Shares in companies held in other custodies | 4 458 183 | 134 239 |
| OVDNZ | 2 484 173 | 30 143 847 |
| GKO and OFZ | 2 147 232 | 2 932 872 |
| Debt securities of municipal authorities of RF | 1 569 918 | 932 808 |
| Bills of exchange | 1 467 552 | 999 278 |
| RF Eurobonds | 3 178 | 180 840 |
| OGIZ | - | - |
| Other securities | 113 964 | 46 309 |

Assets pledged. As at 31 December 2002, the Bank has pledged securities with fair value of RR 4 965 348 as collateral against overnight interbank borrowings, which the Bank takes on a regular basis from the Bank of Russia (2001: RR 2 683 790). As at 31 December 2002, the Bank had no overnight borrowings from the Bank of Russia (2001: nil).

34 Fair Value of Financial Instruments

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

The estimated fair values of financial instruments have been determined by the Bank using available market information, where it exists, and appropriate valuation methodologies. 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 taking into account the existing volume of operations on the Russian financial markets.

The Bank has estimated that the fair value of certain balance sheet instruments is not materially different than their recorded values. These balance sheet instruments include cash, nostros and term deposits, placements with banks and other financial institutions, securities held for trading or available for sale purposes, loans and advances to customers, deposits from banks and other financial institutions, current accounts and deposits from customers, certificates of deposit and bills of exchange and other short-term assets and liabilities which are of a contractual nature. The Bank believes that the carrying amount of these particular financial assets and liabilities approximates their fair value, partially due to the fact that it is practice to renegotiate interest rates to reflect current market conditions (refer to Note 32). Fair values of securities acquired at original issuance have been disclosed in Note 12.

As set out in Note 5, external independent market quotations were not available for certain securities available for sale. These were fair valued by the Bank using relevant factors such as discounted cash flows and financial information of the underlying investments.

The fair values of equity securities in associated and subsidiary companies, share capital, premises and equipment, and other assets and liabilities which are not of a contractual nature are not calculated as they are not considered financial instruments under IAS 32, "Financial Instruments: Disclosure and Presentation".

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*Sberbank (Savings Bank of the Russian Federation)
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35 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.

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 as well as other transactions for the year with related parties other than the Central Bank of the Russian Federation are as follows:

| | 2002 | 2001 |
|---|-------------|-------------|
| Correspondent accounts and overnight deposits with other banks | 46 877 | 44 771 |
| Due from banks | | |
| Placements with the banks | 726 766 | - |
| Interest income | 17 600 | 32 498 |
| Loans and advances to customers | | |
| Loans outstanding | 3 293 258 | 4 981 401 |
| Allowance for loan impairment | (1 668 467) | (1 525 411) |
| Interest income | 109 072 | 255 403 |
| Due to banks | | |
| Correspondent accounts and overnight deposits of other banks | 23 251 | 57 423 |
| Short-term placements outstanding | - | 2 810 471 |
| Interest expense | 4 272 | 37 648 |
| Customer deposits | | |
| Current/settlement accounts | 178 890 | 330 951 |
| Interest expense | 16 747 | 17 488 |

The Bank of Russia is the majority shareholder of the Bank. As noted in the financial statements, the Bank maintains a number of balances, and carries out a range of transactions with the Bank of Russia, 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 Bank of Russia are stated in the table below:

| | 2002 | 2001 |
|---|------------|------------|
| Mandatory cash balances with the Bank of Russia as at year end | 14 808 687 | 61 600 025 |
| Accrual with the Bank of Russia as at year end (other than mandatory cash balances) | 40 513 431 | 13 283 371 |
| Loans and advances to the Bank of Russia as at year end | 15 276 822 | - |
| Interest income | 4 627 708 | 3 511 186 |
| Interest expense | (5 503) | (5 276) |

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36 Capital Adequacy

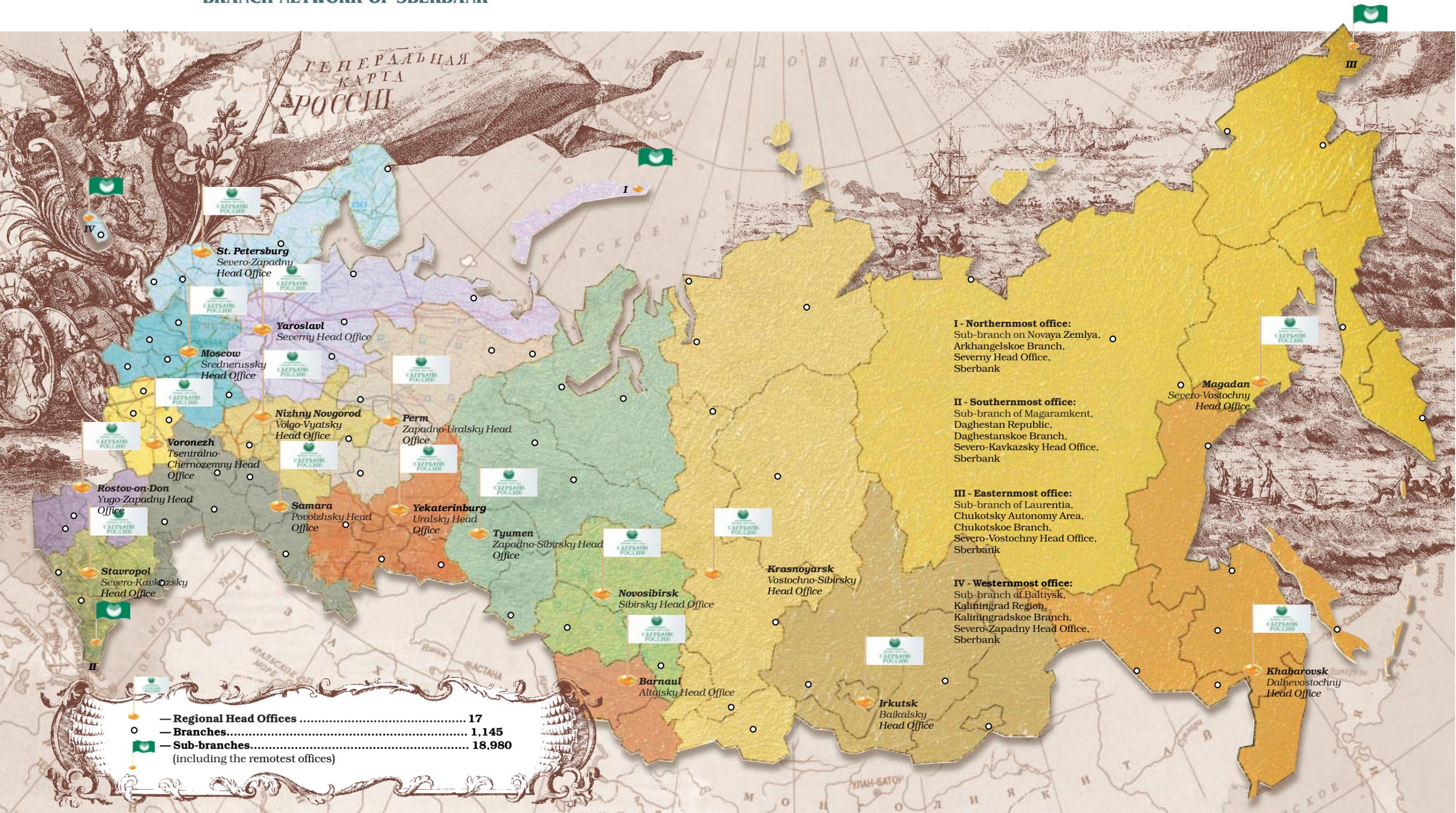
The Central Bank of the Russian Federation requires banks to maintain a capital adequacy ratio of 10% (2001: 11%) of risk weighted assets, computed based on statutory rules for Banks with equity capital more than five million EUR. As at 31 December 2002 and 2001, the Bank's capital adequacy ratio on this basis exceeded the statutory minimum.

As at 31 December 2002 and 2001 the Bank's international risk based capital adequacy ratio exceeded the minimum ratio of 8% recommended by the Basel Accord:

| | 2002 | 2001 | Pro-forma | |
|--|-------|-------|-----------|-------|
| | | | 2002 | 2001 |
| Core capital adequacy ratio (Tier 1) | 14.7% | 12.9% | 14.7% | 14.3% |
| Total capital adequacy ratio (Tier 1 and Tier 2) | 16.0% | 14.3% | 16.0% | 15.6% |

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BRANCH NETWORK OF SBERBANK



REGIONAL HEAD OFFICES OF SBERBANK (as of 1 January 2003)

Chairpersons of Regional Head Offices are given as of 15 June 2003

| ALTAISKY HEAD OFFICE | | 25 Branches | 736 Sub-branches |
|--|---|---|----------------------------------|
| 106-a Komsomolski Prospekt, 656038 Barnaul, Russia |  |  | Vladimir F. PESOTSKI Chairman |
| tel.: (385-2) 39 92 11 | | | |

| BAIKALSKY HEAD OFFICE | | 57 Branches | 558 Sub-branches |
|---|--|--|-------------------------------|
| 32 Deputatskaya St., 664047 Irkutsk, Russia |  |  | Maxim V. POLETAEV Chairman |
| tel.: (395-2) 25 41 11 | | | |

| DALNEVOSTOCHNY HEAD OFFICE | | 23 Branches | 421 Sub-branches |
|---|---|---|--|
| 4 Brestskaya St., 680011 Khabarovsk, Russia |  |  | Valeri V. PYTNEV Chairman of Dalnevostochny Head Office (since 8 September 2003) |
| tel.: (421-2) 34 21 16 | | | |

| POVOLZHISKY HEAD OFFICE | | 129 Branches | 2877 Sub-branches |
|--|---|---|-----------------------------------|
| 305 Novo-Sadovaya St., 443011 Samara, Russia |  |  | Viktor V. SHCHURENKOV Chairman |
| tel.: (846-2) 98 11 04 | | | |

| SEVERNY HEAD OFFICE | | 37 Branches | 778 Sub-branches |
|--|---|---|-------------------------------|
| 8 Prospekt Oktyabrya, 150028 Yaroslavl, Russia |  |  | Vladimir P. RYBIN Chairman |
| tel. (085-2) 72 88 51 | | | |

| SEVERO-KAVKAZSKY HEAD OFFICE | | 35 Branches | 484 Sub-branches |
|--|---|---|--------------------------------|
| 361 Lenina St., 355035 Stavropol, Russia |  |  | Viktor V. GAVRILOV Chairman |
| tel.: (865-2) 24 39 76 | | | |

| SEVERO-VOSTOCHNY HEAD OFFICE | | 45 Branches | 230 Sub-branches |
|--|--|--|--------------------------------|
| 11/11 Pushkina St., 685000 Magadan, Russia |  |  | Galina D. KOZUB Chairperson |
| tel.: (413-22) 2 26 32 | | | |

| SEVERO-ZAPADNY HEAD OFFICE | | 70 Branches | 936 Sub-branches |
|---|---|---|--------------------------------|
| 2 Krasnykh Tekstilshchikov St., 193124 St. Petersburg, Russia |  |  | Vladimir A. SHORIN Chairman |
| tel. (812) 329 96 00 | | | |

| SIBIRSKY HEAD OFFICE | | 35 Branches | 689 Sub-branches |
|--|---|---|---------------------------------------|
| 46 Krasny Prospekt, 630091 Novosibirsk, Russia |  |  | Elena S. MORINA Acting Chairperson |
| tel.: (383-2) 22 18 81 | | | |

SREDNERUSSKY HEAD OFFICE **113** Branches **1563** Sub-branches

8 Bolshaya Andronyevskaya St.,
109544 Moscow,
Russia




tel.: (095) 974 72 00

Vladimir A. NIKONOV
Deputy Chairman of the Board
of Sberbank, Chairman of
Srednerussky Head Office

TSENTRALNO-CHERNOZEMNY HEAD OFFICE **67** Branches **1410** Sub-branches

28 Devyatogo Yanvarya St.,
394006 Voronezh,
Russia




tel.: (073-2) 55 05 83

Alexander K. SOLOVYEV
Deputy Chairman of the Board
of Sberbank, Chairman of Tsen-
tralno-Chernozemny Head Office

URALSKY HEAD OFFICE **125** Branches **1620** Sub-branches

31-v Malysheva St., 620014
Ekaterinburg,
Russia




tel.: (343-2) 51 17 44

Vladimir A. CHERKASHIN
Chairman

VOLGO-VYATSKY HEAD OFFICE **151** Branches **2339** Sub-branches

35 Oktyabrskaya St.,
603005 Nizhniy Novgorod,
Russia




tel.: (831-2) 78 86 00

Dmitri Yu. DAVYDOV
Chairman

VOSTOCHNO-SIBIRSKY HEAD OFFICE **46** Branches **447** Sub-branches

46 Svobodny Prospekt,
660028 Krasnoyarsk,
Russia




tel.: (391-2) 59 80 03

Valeri I. ARALKIN
Chairman

YUGO-ZAPADNY HEAD OFFICE **59** Branches **1356** Sub-branches

116 Pushkinskaya St.,
344006 Rostov-on-Don,
Russia




tel.: (863-2) 64 39 20

Sergei V. KUGAEV
Chairman

ZAPADNO-SIBIRSKY HEAD OFFICE **63** Branches **948** Sub-branches

61 Rizhskaya St., 625023
Tyumen,
Russia




tel.: (345-2) 41 21 53

Tatyana N. KISELEVA
Chairperson of Zapadno-
Sibirsky Head Office
(since 1 August 2003)

ZAPADNO-URALSKY HEAD OFFICE **52** Branches **846** Sub-branches

4 Ordzhonikidze St.,
614990 Perm,
Russia




tel.: (342-2) 10 26 00

Vladimir A.
VERKHOLANTSEV
Chairman

SBERBANK'S CORRESPONDENTS WORLDWIDE

Total number of correspondent banks worldwide — **206**, including:

Europe

Total number of correspondent banks — **141**
among them Nostro correspondents in foreign currencies — **20**
including main clearing banks:

| | |
|---------------|---|
| CHF | UBS AG, Zurich |
| CZK | Komerčni banka as, Prague |
| DKK | Danske Bank Aktieselskab, Copenhagen |
| EUR | Deutsche Bank AG, Frankfurt/Main ¹ |
| EUR | J.P. Morgan AG, Frankfurt/Main ² |
| GBP | HSBC Bank plc, London |
| MULTI | Raiffeisen Centrobank AG, Vienna |
| NOK | Den norske Bank ASA, Oslo |
| PLN | Bank Handlowy w Warszawie SA, Warsaw |
| SEK | Nordea Bank Sweden AB (publ), Stockholm |
| UAH | AVAL Bank, Kiev |
| BYR | Belvnesheconombank, Minsk |
| EEK, LVL, LTL | Hansapank, Tallinn |

North America

Total number of correspondent banks — **20**
among them Nostro correspondents in foreign currencies — **5**
including main clearing banks:

| | |
|-----|---|
| USD | The Bank of New York, New York |
| CAD | Canadian Imperial Bank of Commerce, Toronto |

South America

Total number of correspondent banks — **1**

Asia

Total number of correspondent banks — **37**
among them Nostro correspondents in foreign currencies — **2**
including main clearing banks:

| | |
|-----|--|
| JPY | The Bank of Tokyo-Mitsubishi Ltd., Tokyo |
| KZT | Kazkommertsbank, Almaty |

Australia and Oceania

Total number of correspondent banks — **2**

Africa

Total number of correspondent banks — **5**

¹ For commercial payments

² For bank-to-bank payments

SBERBANK (Savings Bank of the Russian Federation)

BANK DETAILS

General Licence of the Central Bank of the Russian Federation renewed 3 October 2002

Registration number: 1481

| | |
|-------------------------------|--|
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| Telex | 414733 SBRF RU |
| Teletype | 114569 SBRF RU |
| E-mail | sbrf@sbrf.ru |
| Internet | http://www.sbrf.ru |
| SWIFT Code | SABR RU MM |
| Reuters Dealing Codes | SBRF, SBRR, SBRO |

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