

Development Prospects: Planning the Future

Vozrozhdeniye Bank's most important priorities for the year 2004 are: the further implementation of client-oriented policies, the development and offer of new competitive bank products, the expansion of our sales efforts, the further development of our branch system, the implementation of new technology delivery channels to increase business effectiveness, and the enhancement of corporate management and governance.

We will pay particular attention to the expansion of our customers' deposit base, which is the main source of funds for our lending operations. The Bank expects the volume of funds from our customers to continue to grow at a steady rate. In 2004, our plan is to increase the volume of funds on corporate accounts by 30 per cent and on private accounts by 60 per cent.

This will allow the further growth of our assets. Credit operations will continue to provide the greatest part of our assets and the most important source of interest revenues. We forecast our loan portfolio to grow by 50 per cent this year. The Bank will continue to finance the most productive sectors of the economy, particularly industry and agriculture.

Participation in government programs and co-operation with city administrations and regional governments continues to be important. Vozrozhdeniye Bank will continue to participate in capital areas municipal programs as an authorized bank of the Moscow City government.

As in previous years, the Bank plans to expand our business and strengthen our position in the Moscow Region and other parts of Russia. One of our priorities is to support effective regional investment projects.

Our client service policies will continue to be directed toward widening our customer base, improving the availability of our network, offering both individualized and standard bank products more effectively to selected target client groups.

The Bank will pay special attention to the continuing development of our retail business programs. We will widen the spectrum of deposits we offer. We intend to be among the first banks accepted into the national deposit insurance program that will guarantee savings deposits of individual customers. In 2004, interna-

tional and home money transfers are to be widely implemented for individuals through the Bank's payment system. Customers will have access to payments services for a much broader range of telecommunication companies.

Customers will be offered special packages of lending and saving plans, such as AutoProject and Housing Project.

Our bank card program serves as the basis for the expanding range of hi-tech services and bank products demanded by our clients. We will make it possible for people to broaden the types of payments and transactions with their deposits accounts through cash machines. VISA Gold and VISA Classic credit cards, issued by the Bank, will allow our clients to access loans and make repayments by installments. Visa Electron Instant Issue card will become available in 2004. This card will be issued instantly upon a client's request to the Bank. Our first self-service terminals are planned for individual customers use. These terminals will accept cash and allow payments or transfer to customers' card and deposit accounts.

The development of card-based bank products will be paralleled by the expansion of our service infrastructure, including the number of cash machines in the Bank's ATM network in Moscow Region and across Russia.

Vozrozhdeniye's broad network of branches makes bank services more accessible and closer to each customer. This year the Bank will continue to expand the branch network as our most important strategic resource. We are planning to open new offices and access points in Volgograd, Volgogradsk, Novorossiysk, Rostov-on-Don, Stavropol, Saransk, and Zhukovsky in Moscow region. Along with this network expansion, we also plan to review and optimize its maintenance cost. We intend to fully integrate our geographic network of branches and outlets into a single technology-based, multi-channel delivery network for our products.

To increase the Bank's effectiveness and strengthen our market position, we will be improving our information technology. A major focus of this will be to relieve our branches and offices of excessive paperwork and reporting and to integrate the operational processing. Better technology will allow new solutions for the customers in the retail business. We particularly want to improve the technology that supports our retail lending operations, including credit risk control and risk optimization measures.

The Bank intends to increase its equity capital to maintain our financial stability while we continue our dynamic growth. This will ensure a strong base from which we can expand the scope of our operations.

We are planning to extend our co-operation with foreign financial institutions in the field of both short-term and medium-term financing of foreign trade operations. This includes expansion of trade finance limits provided to Vozrozhdeniye Bank, as well as looking for long-term financial resources, perhaps through loan

agreements with foreign banks under guaranties of national export agencies or syndicated loans. The Bank will continue to improve our corporate governance in accordance with the Russian laws, security regulations and international standards. We will keep working to increase transparency, developing the Bank's internal control system, perfecting internal banking procedures to control risk.

Soundness, Integrity, Stability

In 2003, the Bank continued to strengthen its market position. For many years, Vozrozhdeniye Bank has been included by the Bank of Russia in the list of the 30 largest credit organizations.

The international accounting firm PricewaterhouseCoopers, which has been the official auditor of Vozrozhdeniye Bank since its founding, confirmed the Bank's reporting at year-end according to both Russian and international financial accounting standards.

The Bank belongs to the group of stable and reliable credit organizations according to the reliability classification provided by Rating.

Vozrozhdeniye is rated among the 200 largest organizations of Russia by market capitalization level.

During 2003, Interfax Rating Agency, Moody's strategic partner in Russia, assigned and confirmed the Bank's Long-term Baa3 (rus) and Short-term RUS-3 credit ratings.

The leading rating agencies of Russia reported Vozrozhdeniye Bank maintained its positions among the top 30 Russian commercial banks by assets, loans, number of customers and volume of deposits. The Bank is among the top 10 largest banks by volume of individual saving deposits. In the card business, Vozrozhdeniye Bank occupies the 7th position among Russian banks. According to VISA International, the Bank was the biggest issuer of smart "chip" cards in Eastern Europe.

Our branch network has over 100 full service outlets, which makes the Bank in this respect one of the three leaders among all credit institutions.