



## Dear shareholders! Dear friends and colleagues!

I am very pleased to inform you of our satisfactory results for the year 2003. This Annual Report will provide detailed data on the performance of Vozrozhdeniye Bank. I would like to comment here, therefore, on only some of the key figures and achievements of last year. There is no need to remind you that a well-run business has no final outcome – all past achievements provide a new starting point and the basis for future developments.

The encouraging results of the past financial year confirm the soundness of our chosen strategy and provide evidence of resources available for new developmental prospects. During the past year our net assets increased by half and reached 26.6 billion rubles, the Bank's capital doubled to 3,031 million rubles, while profits in 2003 exceeded 100 million rubles. Although this is less than the profit of 2002, we are pleased that we have been able to build our reserves against credit risk and expand our business using the revenue generated by our business. Our network of regional offices widened, and business activity at our branches increased significantly.

In 2003, the number of our corporate customers expanded as well as the business of existing clients. Within the previous year our corporate clients' deposits and other funds with the Bank increased by 50 per cent to more than 11 billion rubles. Lending is one of the Bank's basic activities and last year the volume of new loans granted increased significantly. By the beginning of 2004 our credit portfolio reached 18.3 billion rubles.

The retail banking success of Vozrozhdeniye Bank comes from a good understanding of our individual customers' financial needs and our strong focus on meeting these needs. With over 600 thousand individual clients by the end of last year, we have won a firm position among Russia's leaders in retail banking. As individual customers' needs evolve, our Bank is evolving with them. We continue to increase the diverse and flexible range of individual saving plans and we continue to see that individuals welcome this – the volume of customers' savings with our Bank doubled in 2003 to more than 10 billion rubles. The Bank has reached the top ten by volume of individual deposits among Russian banks. We have also developed new products designed to meet other needs of our customers. We have several new programs of consumer loans. At the Bank's offices and access points customers can effect payments to 700 institutions, agencies and companies. They also can make money transfers in rubles or currency inside Russia and abroad.

During last year the Bank issued 105 thousand cards totaling 414 thousand by the year end and this year we are maintaining the same pace of growth. By the end of current year we expect to have issued another 150 thousand cards. We have also developed an effective infrastructure for servicing cardholders. At the year end our network in Russia consisted of almost 250 ATMs. Card owners can also use our branches and other access points for withdrawals and other card services. We have added new ATM functionality by enabling customers to make various payments to telecommunication, utility and other companies and transfers to their saving accounts. We recognize and support an increase in the use of the financial system by individuals through cards, ATM use, payroll card accounts and increasing consumer credit. Electronic sys-

tems for corporate clients, including use of payroll services, offer convenience, security and efficient delivery of services. Promoting non-cash operations helps to make the financial system more efficient and transparent.

We aim to maintain this dynamic rate of progress. We have introduced new working methods to improve efficiency and speed of service for customers through state-of-the-art delivery methods and efficiency-oriented standardization. However, at the same time, we pay a great attention to the qualitative dimension of development. Client orientation will always be fundamental to the values of Vozrozhdeniye Bank. The Bank has a widening range of better quality products and can provide sophisticated financial advice to meet the changing needs of clients. Our new technologies are complemented by individually tailored solutions.

Our Bank is represented in nineteen regions of Russia. Branches and offices are transforming into sales centers where customers can receive convenient, consistent and cost-effective everyday banking. To manage our broad branch network we have introduced new inter-regional branch clusters. One example of this is the establishment of the North-Western Inter-Regional Center which will run the operations of our branches in St. Petersburg, Murmansk, Kaliningrad and other cities in the northwestern part of Russia. The Center will focus on better service of customers in the Northwest and on better and more coordinated performance of branches and offices in this area. We continue to upgrade the Bank's internal operational and management systems that ensure efficient functioning of the Bank in the changing and increasingly complex environment.

The Bank continues its tradition of actively participating in many governmental social and economic programs at the federal, regional and municipal levels. This generally complements our priority of orienting financial support towards the productive sectors of national economy and to domestic manufacturers.

These priorities will remain important for us in the future. They determine basic parameters and directions of our strategy to keep diversifying our product and service range for both corporate and individual clients. In order to retain the Bank's financial standing we need to ensure a sound and growing base of equity capital. We will continue to maximize shareholder value through clear performance measures and strong focus on managing risks and cost.

I think that our past achievements allow me to say that I am confident that our future plans and prospective goals can be achieved.

Dear shareholders, dear partners, dear colleagues! From the bottom of my heart I thank you all. I thank our shareholders for their support and participation in determining our policies. I thank our clients and partners for their contribution to our mutually profitable business cooperation. I am grateful to all my colleagues and staff members for their effective performance and creative approaches. I hope that our efforts and our cooperation every day and every year will contribute to the economic progress of Russia.



**Dmitry ORLOV,**  
President of Vozrozhdeniye Bank