

FINANCIAL STATEMENTS AND MANAGEMENT QUALITY ANALYSIS

Key Financial Data

	RUR, thousands	
	01.01.2004	01.01.2003
Total assets		
At the end of the year (net)	26,554,308	17,288,216
Average for the year (net)	21,319,312	14,423,007
Interest-earning assets		
At the end of the year (net)	18,627,985	13,994,256
Average for the year (net)	16,200,090	11,806,326
Net lending to customers and banks		
At the end of the year	17,634,919	10,758,798
Average for the year	14,236,661	9,632,457
Current investments		
At the end of the year	372,458	2,918,557
Average for the year	691,755	1,888,503
Provisions for possible losses, including loan losses	637,614	324,126
Capital		
At the end of the year	3,036,346	1,532,872
Average for the year	2,214,411	1,414,676
Customer accounts and deposits		
At the end of the year	22,612,071	15,695,119
Average for the year	18,203,810	13,280,672
Gross operating profit	422,991	411,967
Profit / loss	100,140	308,177

Revenue structure, %



In calculations and financing information we used the data from the Balance Sheets and the Income and Expense Statement of the Public Joint-Stock Company Bank Vozrozhdeniye confirmed by the Non-Public Joint-Stock Company PricewaterhouseCoopers Audit, apart from the factors connected with the delay in accordance with the approved provisioning schedule on the loan to Moskvitch Public Joint-Stock Company.

Comments to the Balance Sheets and Income and Expense Statement of Vozrozhdeniye Bank

The financial statements of the Bank are in accordance with the relevant laws of the Russian Federation.

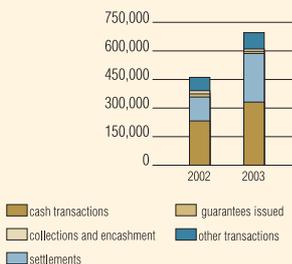
The financial statements are presented up in Russian rubles.

Assets and debts denominated in foreign currencies are translated into rubles at the official exchange rates on the transaction date.

At December 31, 2002, the RUR/USD exchange rate was 31.7844, and the RUR/EUR exchange rate 33.1098.

At December 31, 2003, the RUR/USD exchange rate was 29.4545, and the RUR/EUR exchange rate 36.8240.

Commission fees, RUR in thousands



Premises, equipment and intangible assets are carried out at cost less accumulated depreciation. According to the Regulation No. 205-П of the Bank of Russia (in operation since December 25, 2002) the accounting of fixed and intangible assets has been altered since January 1, 2003.

The Bank's profits and losses on foreign currency transactions are included in the accounting at the exchange rate for the day of the profit / loss registration. Profits and losses resulted from adjustment of the foreign exchange assets are included in the profits and losses of the currency transactions.

As used in this Annual Report, the abbreviations "RUR" refers to Russian rubles, "USD" to US dollars and "EUR" to euros.

The Income and Expense Statement contains financial results of the Bank's activity in the accounting year.

The Bank's activity in 2003 was focused on the efficient use of its own and borrowed funds.

Lending and similar operations remain the main business of the Bank. As a result, the Bank reported net interest income of RUR 1,001,173,000 in 2003.

One of the Bank's priorities is increasing the quality and expanding the spectrum of services delivering non-interest income. In 2003 the net commission revenues were 633,962,000 rubles – almost 50% more than in 2002.

The Bank's financial results for 2003 are positive, income exceeded expenses, and there was a sufficient level of profitability of all operations. The Bank's profit in 2003 reached 100,140,000 rubles.

Interest earning assets, deposits, and average balances were calculated on the basis of the methodology developed by the Bank. Equity capital and reserves were calculated in accordance with the Central Bank of Russia's Instruction Letter No. 1.

Summary of 2003 Results

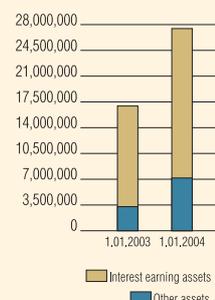
The Key Financial Data table reflects changes of the principal figures of 2003 in comparison to 2002.

The successful activity of Vozrozhdeniye Bank led to a significant improvement in results at the end of 2003. The Bank's equity capital calculated in conformity with Russian Accounting Standards doubled, reaching 3,036,346,000 rubles. The essential capital expansion was the result of the seventeenth issuance of the Bank's shares, which increased the authorized capital by 55,000 rubles, plus a share premium of 935,000 rubles. The Bank's net assets continued to expand in 2003, increasing by 50%, and totaled 26,554,308,000 rubles at year end.

Within the Bank's assets structure, interest income yielding assets grew by 33% in 2003, with performing assets being 70% of total assets. Asset growth was mainly generated by rapid expansion of the lending portfolio, 64% above the previous year. In the year under review, the Bank reduced investments in securities through sales of the Treasury foreign currency bonds sales (OVGVZ). On January 1, 2004 the amount of current investments in securities was 372,458,000 rubles.

In 2003, the net current income calculated prior to deduction of provisions for asset losses increased slightly and reached 422,991,000 rubles. The growth of assets and the Bank's conservative policy ensured a high level of reserve funds. Total provisions for possible losses were almost two times higher than in 2002 (637,614,000 rubles on January 1, 2004, and 324,126,000 on January 1, 2003), reducing profits in comparison to the previous year. However, net profit was 100,140,000 thousand rubles, compared with 308,177,000 rubles profit in 2002.

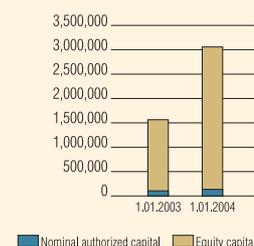
Assets, RUR in thousands



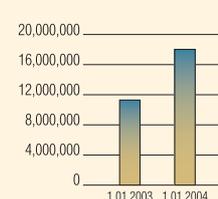
Asset Quality and Credit Risk Management

	01.01.2004		01.01.2003	
	RUR in thsnd.	share, %	RUR in thsnd.	share, %
Interest-earning Assets				
Lending to corporate customers				
Short-term loans, including discounted bills and notes	15,411,111	82.7	6,851,553	49.0
RUR	12,580,871	67.5	4,825,821	34.5
Foreign currency	2,830,240	15.2	2,025,732	14.5
Long-term loans	2,007,103	10.8	1,759,838	12.5
RUR	1,069,422	5.8	661,760	4.7
Foreign currency	937,681	5.0	1,098,078	7.8
Past due loans	118,649	0.6	11,104	0.1
RUR	118,649	0.6	11,104	0.1
Foreign currency	0	0	0	0
Total lending to corporate customers	17,536,863	94.1	8,622,495	61.6
Lending to private customers				
RUR	246,591	1.3	907,196	6.5
Foreign currency	115,015	0.6	69,624	0.5
Past due loans in RUR	480	0	3	0
Past due loans in foreign currency	30	0	10	0
Total lending to private customers	362,116	1.9	976,833	7.0
Lending to banks				
RUR	47,690	0.3	1,195,098	8.5
Foreign currency	308,858	1.7	281,273	2.0
Past due loans in RUR	0	0	0	0
Total lending to banks	356,548	2.0	1,476,371	10.5
Short-term securities investments				
RUR	302,643	1.6	0	0
Foreign currency	69,815	0.4	2,918,557	21.2
Total short-term securities investments	372,458	2.0	2,918,557	20.9
Total interest-earning assets	18,627,985	100.0	13,994,256	100.0
RUR	14,366,346	77.1	7,600,982	54.3
Foreign currency	4,261,639	22.9	6,393,274	45.7

Equity capital, RUR in thousands



Net credits, RUR in thousands



The Bank's operating assets support all banking services for all market sectors. The major part of operating assets, 77.1%, are aremade denominated in Russian ruble.

Loans comprise 98% of interest-earning assets, including 94% which are loans to corporate customers. As of January 1, 2004 the total volume of loans to corporate customers was 17, 536, 863,000 rubles, twice previous year, (8, 622, 495,000 rubles as of January 1, 2003.).

Since credit accounts for the biggest share of the Bank's assets, risks primarily depend on the quality of the lending portfolio..

The Bank's lending policy focuses on providing credits to the enterprises of value generating sectors and to that companies, which have a good, well-established financial standing. Diversification of credit risks is achieved by extending loans to borrowers independent of each other.

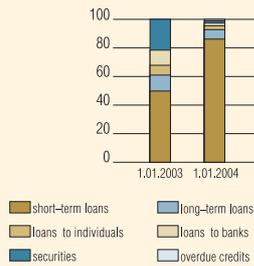
The Bank maintains a tight control of the credit process, this being a major factor in reducing credit risk. The Assets and Liabilities Management Committee, which meets regularly, reviews all types of risks. The Committee controls both balance sheet and, off-balance sheet as well as the maturity profile of operations. This Committee ensures the appropriate measure of profitability related to risks, develops policies to control each type of risks; agrees on the methodology for determining and calculating these risks. The Committee sets limits for various types of risks; approves measures to optimize assets and liabilities structure; and elaborates pricing policy for loans and investments.

The Credit and Investment Committee is responsible for formulating and implementing the Bank's lending policy and for credit transactions.

The Bank has adopted the "Guidelines for the Management of the Bank's Funds Denominated in Rubles and Foreign Currencies" and strictly follows these regulations. The document sets forth our the Banks lending principles, respective procedures and due process of loan resources allocation.

The Bank pays serious attention to the management and minimization of all possible credit risks, especially for large loans. On January 1, 2004, the ratio of total of large loans, provided by the Bank, to its capital was 250,6%, significantly less than the norm established by the Bank of Russia (maximum 800%). This ratio decreased from 386,0% on January 1, 2003, to 250,6% on January 1, 2004.

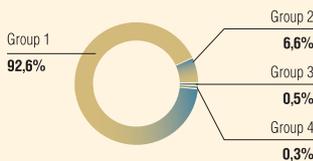
Interest-earning assets, %



	Required ratio (Central Bank of RF)	Actual ratio, %
	01.01.2004	01.01.2003
Aggregate amount of large credit exposures / Capital and reserves (N7 Ratio)	max. 800%	386.0
Aggregate amount of exposures to insiders (including the off-balance sheet positions) / Capital and reserves (N10 Ratio)	max. 2%	0.1

Provision for Credit Losses

Loans by risk groups
as of Jan. 1, 2004, %



	RUR, thousands	
	2003	2002
Provisions for credit losses at the beginning of the year	316,901	322,754
Provisions for credit losses at the end of the year	620,608	316,901
Loans to customers and banks at the end of the year	18,255,527	11,075,699
Of which past due loans	119,159	11,117
Past due loans as a percentage of gross lending at year-end, %	0.6	0.1
Provisions for credit losses as a percentage of gross lending at year-end, %	3.40	2.86
Provisions for credit losses as a percentage of past due loans at year-end, %	5.2 times	28 times

USD exchange rate trends
in 2003, RUR/USD



One of the factors demonstrating high quality of the loan portfolio is the prevalence of group 1 loans – the highest level of reliability and the lowest level of risks according to the Bank of Russia classification.

Parallel to lending portfolio growth, the total amount of provisions in the accounting year has increased 1.6 times, greatly exceeding level of 2002. The share of loans of groups 1 and 2 made up 99.2% of the loan portfolio. The share of overdue credits is insignificant – 0.6% of all loans issued. This illustrates the Bank's increased margin of safety.

Currency risk

The Bank's foreign currency assets are predominantly nominated in US dollars. As dollar was gradually devaluating, the Bank preferred a short USD position. In measuring currency risk, the Bank takes into account the quality of assets denominated in each of the currencies, especially the quality of lending portfolio.

The existing currency risk is managed under centralized control for all branches and other divisions with appropriate limits. The strict adherence to established limits is closely controlled.

Liabilities and Liquidity Risk Management

Deposits	01.01.2004		01.01.2003	
	RUR in thsnd	share, %	RUR in thsnd	share, %
Customers' accounts and deposits				
Corporate customers	11,325,860	50.1	7,450,860	47.5
RUR	7,685,579	34.0	6,044,909	38.5
Foreign currency	3,640,281	16.1	1,405,951	9.0
Individual deposits	10,275,082	45.4	5,364,739	34.2
RUR	6,247,113	27.6	2,581,166	16.4
Foreign currency	4,027,969	17.8	2,783,573	17.8
Total customer accounts and deposits	21,600,942	95.5	12,815,599	81.7
Deposits of financial institutions				
Correspondent accounts of banks	94,005	0.4	103,368	0.6
RUR	5,022	0	4,000	0
Foreign currency	88,983	0.4	99,368	0.6
Time deposits of financial institutions	0		1,456,119	9.3
RUR	0		1,045,834	6.7
Foreign currency	0		410,285	2.6
Total deposits by financial institutions	94,005	0.4	1,559,487	9.9
Other deposits				
Depositary certificates	140,761	0.6	716,854	4.6
RUR	140,761	0.6	716,854	4.6
Bills	776,363	3.5	603,179	3.8
RUR	659,212	3.0	328,881	2.1
Foreign currency	117,151	0.5	274,298	1.7
Total other deposits	917,124	4.1	1,320,033	8.4
Total deposits	22,612,071	100.0	15,695,119	100.0
RUR	14,737,687	65.2	10,721,644	68.3
Foreign currency	7,874,384	34.8	4,973,475	31.7

The Bank's liabilities are characterized by the high level of diversification and, during 2003, included the Bank's equity capital, private individual savings and corporate customers' deposits, balances on their current accounts, and bills and certificates. The amount of the borrowings and deposits are the main source of active operations' finance. These funds increased during 2003 by 44% and reached 22,612,071,000 (15,695,119,000 as of January 1, 2003). The growth of the borrowed funds in rubles and foreign currency resulted in general from the expansion of the client base and service spectrum, as well as from increasing quality of services and delivery.

The growth of raised funds was mostly the result of the 90% growth of the individual deposits' volume, with their share in the total amount of deposits increasing from 34.2% to 45.4% (rising from 5,364,739,000 rubles as of January 1, 2003 to 10,275,082,000 rubles as of January 1, 2004). Corporate customers' accounts, increased by 50% in comparison to previous year, their share increasing marginally from 47.5% to 50.1% (7,450,860,000 rubles as of January 1, 2003 up to 11,325,860,000, as of January 1, 2004).

In 2003 volume of the funds raised in bills increased by 28.7%.

The "Liquidity Management and Evaluation Policy" of the Bank sets out the basic terms, purposes, procedures and methods of evaluation for liquidity management, and also assigns responsibilities in this sphere.

Structure of deposits, %



	Required ratio	Actual Ratio, %	
		01.01.2004	01.01.2003
Highly liquid assets / Liabilities repayable (N2 Ratio)	min. 20 %	57.0	52.7
Liquid assets / Aggregate amount of liabilities repayable on demand and liabilities with a remaining term to maturity of less than 30 days (N3 Ratio)	min. 70 %	90.5	73.5
Loans and guarantees with a remaining term to maturity of more than one year / Aggregate amount of capital and liabilities with a remaining term to maturity of more than one year (N4 Ratio)	max. 120 %	57.9	29.6
Liquid assets / Total assets (N5 Ratio)	min. 20 %	40.8	36.0

Liquidity of the Bank is always maintained at levels sufficient to fulfill all the liquidity requirements imposed ofset byup by the Central Bank of Russia. The "Quick liquidity ratio" (N2), "Current liquidity ratio" (N3), "Long-term ratio" (N4), and "Overall liquidity ratio" (N5). The performances of the Bank according to the "Quick liquidity ratio" (N2), "Current liquidity ratio" (N3), "Long-term liquidity ratio" (N4), and "Overall liquidity ratio" (N5) are wellareis all within the limits specified in the Central Bank of Russia's Instruction Letter No. 1 "On Regulation of Commercial Bank's Activity" as of October 1997" (consolidated text).

Liquidity risk management ensures the appropriate matching of asset and liability maturity structures. The Bank's Asset and Liability Committee is responsible for supervising all liquidity management activities.

Central Bank basic rate in 2003,
% per annum



Interest Rate Risk

With the inflation rate declining from 15% in 2002 to 12% in 2003, combined with the lower Central Bank basic rate and decreased market interest rates, the Bank pays serious attention to interest rate risk management to preserve interest margins at levels sufficient to cover operational costs and to generate profit.

The exposure to interest rate risk is reduced because the most part of commercial lending and business customer deposit agreements allows the Bank to change interest rates in line with market changes.

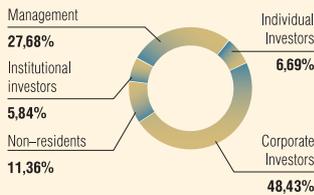
The Bank can thus react adequately to the shifting interest rate environment, protecting interest earnings.

Standard reference costs for borrowed funds are determined by the "General Principles for Management of the Bank's Funds" and approved by the Bank's Managing Board.

The Bank's Capital

Capital and Shares	01.01.2004	01.01.2003
Capital, RUR, thousands	3,036,346	1,532,872
Capital per ordinary share, RUR	181.3	136.3
Market price / capital per share ratio	0.99	0.10
Market capitalization, RUR, thousands	3,014,776	146,571
Equity capital, RUR, thousands	200,432	145,432

Equity capital structure



According to the decision of the extraordinary shareholders meeting (Report No. 2 of February 21, 2003) the Bank has issued the seventeenth series of the Bank's shares: 5,500,000 of ordinary non-documentary registered shares of nominal value of 10 rubles each. The shares were distributed by public subscription. Issuing market price per share was 180 rubles, paid in RUR.

The issuance of new share series resulted into the authorised capital increase by 55,000,000 rubles, while the aggregate share premium made up 935,000,000 rubles.

As of January 1, 2004, the Bank had 8,213 shareholders of record.

The Bank's ordinary shares in the form of 550,000 American Depositary Receipts (ADRs) were listed on the stock exchanges in Berlin, Frankfurt and Stuttgart. The aggregate number of Vozrozhdeniye's ADRs, traded on these exchanges in 2003, was 516,000, with an average price of USD 1.92 per one ADR. During 2003 and at the beginning of 2004 the average price of an ADR rose from 1.53 USD to 10.77 USD. Holders of ADRs owned 2.74% of the Bank's share capital as of January 1, 2004.

Following the results of the Bank's activities in 2003, dividends were paid on all classes of shares:

- on common non-documentary registered shares and preferred convertible shares
 - at the rate of 5% of share face value,
- on preference non-documentary registered shares with fixed dividend
 - at the rate of 20% of share face value.

ADR Statistics – German Stock Exchanges, 2003 - 2004

