



Financial Information

KEY FINANCIAL FIGURES

RUR in thousands	1999	2000
Total assets		
At the end of the year	8,723,555	10,343,493
Average for the year	8,432,650	9,831,290
Interest-earning assets		
At the end of the year	7,024,912	8,281,544
Average for the year	6,536,372	7,835,300
Net lending to customers and banks		
At the end of the year	6,492,332	7,066,982
Average for the year	5,231,259	6,882,830
Capital		
At the end of the year	545,637	1,450,089
Average for the year	554,094	1,303,960
Gross revenues	3,158,803	4,911,704
Net profit	23,714	25,082
Capital per Ordinary share (RUR)	55.5	128.9
Financial ratios, %		
Net lending to customers and banks as a percentage of total assets at year-end	74.4	68.3
Gross revenues as a percentage of average total assets	37.5	50.0
Capital as a percentage of total liabilities at year-end	6.9	16.0
Regulatory ratios, %		
Capital as a percentage of risk-weighted assets at year-end (N1 Ratio, min. 8%)	8.0	17.1
Highly liquid assets as a percentage of liabilities repayable on demand at year-end (N2 Ratio, min. 20%)	25.9	51.4

Notes:

(a) Average balances were computed using the methodology developed by the Bank.

(b) Interest-earning assets consist of lending to customers and banks, RF Government and other debt securities held for trading purposes.

(c) Capital was calculated in accordance with the Central Bank of Russia Instruction No. 1 and consists of share capital, earnings reserves, share premium, revaluation reserves, subordinated liabilities and general provisions for credit losses less intangible assets and other supervisory deductions.

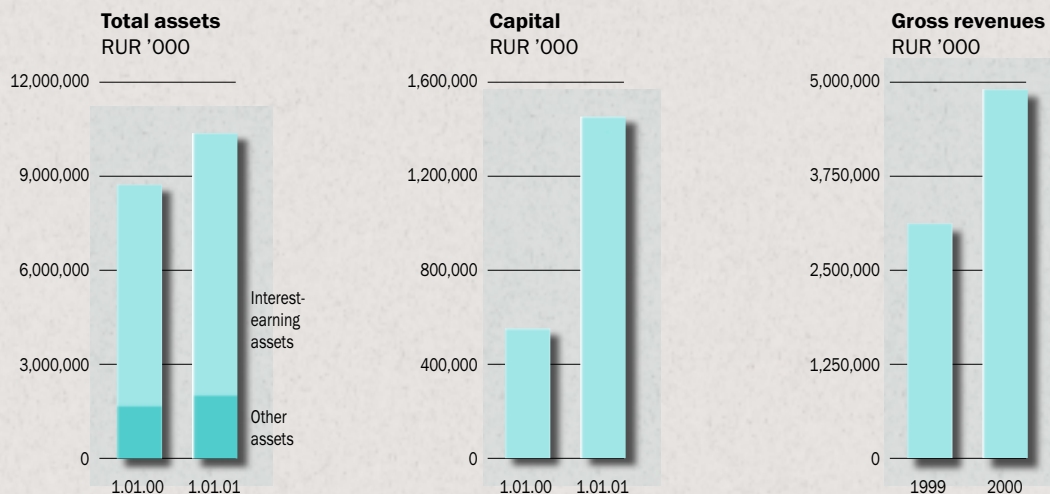
(d) Gross revenues include total interest and similar income, fee and commission income, total other operating income and reversal of provisions for credit losses and write-backs of securities' revaluation reserves.

FINANCIAL SUMMARY

Vozrozhdeniye Bank's balance sheet-total continued to expand last year. Total assets increased by 19 % from RUR 8,723,555 thousand at 1999 year-end to RUR 10,343,493 thousand at the end of 2000. Average total assets rose by 17 % to RUR 9,831,290 thousand. Average interest-earning assets grew by 20 % from RUR 6,536,372 thousand to RUR 7,835,300 thousand in 2000. The principal reason for this improvement was the further expansion of lending to customers and banks, the average volume of which increased by 32 % over the previous year.

Gross revenues rose from RUR 3,158,803 thousand in 1999 to RUR 4,911,704 thousand in the reporting year. The increase in revenues resulted primarily from the higher net fee and commission income and foreign exchange revenue.

The Bank's total capital, calculated in accordance with the Central Bank of Russia Instruction No. 1 amounted to RUR 1,450,089 thousand at the end of 2000, up RUR 904,452, or by 165.8 %, on the previous year. The Bank's capital base strengthened by the new share issue completed in the first quarter of 2000 and through raising subordinated debt in the form of long-term deposits. These deposits qualify for regulatory capital calculation under the Central Bank of Russia Circular Letter No. 31-P, dated 31.06.1998. With a capital ratio of 17.1 % at year-end 2000, the Bank comfortably meets the capital adequacy standards set by the Central Bank of Russia.



**BALANCE SHEET**

RUR in thousands

31 Dec. 1999

31 Dec. 2000

ASSETS

1.	Cash and balances with the Central Bank of Russia	760,247	959,364
2.	RF Government debt securities	321,660	924,362
3.	Due from banks on current accounts	129,282	327,521
4.	Securities available for sale, net of allowance	11,212	29,666
4.1.	Securities available for sale, at cost	14,713	39,162
4.2.	Valuation allowance	3,501	9,496
5.	Lending to customers and banks	6,688,539	7,318,020
6.	Accrued interest	174,401	224,273
7.	Leased assets	0	0
8.	Allowance for credit losses	196,207	251,038
9.	Lending to customers and banks, net of allowance	6,492,332	7,066,982
10.	Premises, equipment, intangible and other fixed assets	618,198	607,211
11.	Investment securities and participating interests, net of allowance	94,559	87,674
11.1.	Investment securities and participating interests, at cost	110,249	102,584
11.2.	Valuation allowance	15,690	14,910
12.	Prepaid expenses	72,367	66,673
13.	Other assets	49,297	49,767
	TOTAL ASSETS	8,723,555	10,343,493

LIABILITIES AND SHAREHOLDERS' EQUITY

1.	Loans from the Central Bank of Russia	1,233,706	1,231,680
2.	Liabilities to banks	505,139	476,352
3.	Liabilities to customers	5,337,173	6,923,601
3.1.	of which private customer deposits	742,107	1,425,910
4.	Deferred income	34	38
5.	Certificated liabilities	641,057	394,482
6.	Other liabilities	239,962	50,977
7.	Provisions for contingent liabilities and other banking risks	0	0
8.	Total liabilities	7,957,071	9,077,130
9.	Share capital	111,251	145,432
9.1.	of which Ordinary shares	98,306	112,487
9.2.	of which Preference shares	12,945	32,945
10.	Treasury shares	0	0
11.	Share premium account	9,020	483,691
12.	Statutory reserves and retained earnings	205,576	210,378
13.	Fixed assets revaluation reserve	298,109	296,858
14.	Profit for the year	43,883	25,246
15.	Dividends paid from current year profit	0	0
16.	Appropriation of profit (excluding dividends)	33,184	22,511
17.	Profit attributable to shareholders	10,699	2,735
18.	Deferred items - lending and securities business, net	131,829	127,269
19.	Total shareholders' equity	766,484	1,266,363
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	8,723,555	10,343,493

**PROFIT AND LOSS ACCOUNT**

RUR in thousands

1999

2000

Interest and similar income

1.	Interest income on loans and advances to banks	753,143	371,243
2.	Interest income on loans and advances to customers	1,012,470	789,661
3.	Interest income from leasing	0	0
4.	Interest income from securities	66,632	53,196
5.	Other interest and similar income	1,660	2,556
6.	Total interest and similar income	1,833,905	1,216,656

Interest and similar expenses

7.	Interest expenses on liabilities to banks	974,801	514,183
8.	Interest expenses on liabilities to customers	706,995	667,125
9.	Interest expenses on certificated liabilities	97,962	55,041
10.	Rental costs	22,743	27,506
11.	Total interest and similar expenses	1,802,501	1,263,855
12.	Net interest and similar income (loss) [line 6-line 11]	31,404	(47,199)
13.	Fee and commission income	157,973	242,351
14.	Fee and commission expenses	14,512	16,648
15.	Net fee and commission income [line 13-line 14]	143,461	225,703

Other operating income

16.	Income from foreign exchange, including currency translation gains	472,069	2,581,149
17.	Income from securities and precious metals, gains on disposal of fixed assets, positive mark-to-market adjustments to securities and precious metals	687,094	299,261
18.	Dividends	75	50
19.	Sundry operating income	7,687	6,635
20.	Total other operating income	1,166,925	2,887,095
21.	Net operating income [line 12+line 15+line 20]	1,341,790	3,065,599

Operating expenses

22.	Personnel expenses	44,225	72,889
23.	Occupancy and maintenance, depreciation of fixed assets and other administrative expenses	165,548	196,786
24.	Expenses on foreign exchange, including currency translation losses	365,924	2,534,038
25.	Expenses on securities and precious metals, losses on disposal of fixed assets, negative mark-to-market adjustments to securities and precious metals	406,587	42,954
26.	Other operating expenses	162,844	127,752
27.	Total operating expenses [sum of lines 22 to 26]	1,145,128	2,974,419
28.	Net operating income before provisions and extraordinary items [line 21-line 27]	196,662	91,180
29.	Provision for credit losses, net	144,156	60,718
30.	Value adjustments to securities, net	8,623	5,216
31.	Other provisions, net	0	0
32.	Net operating income before extraordinary items [line 28-line 29-line 30-line 31]	43,883	25,246
33.	Extraordinary items, net	0	0
34.	Gross operating profit [line 32+line 33]	43,883	25,246
35.	Tax on profit	20,169	164
36.	Deferred tax on profit	0	0
36a.	Extraordinary expenses, net of tax	0	0
37.	Profit for the year [line 34-line 35-line 36-line 36a]	43,883	25,246
38.	Net profit for the year	23,714	25,082



COMMENTS ON THE FINANCIAL STATEMENTS

Accounting and valuation principles. The Bank's accounting and valuation principles are in compliance with Russian Federation legislation. The Bank prepares and publishes its financial statements in roubles. As used in this Annual Report, "RUR" refers to roubles, "USD" refers to US Dollars and "DEM" refers to Deutsche Marks.

Foreign currency translation. Assets and liabilities denominated in foreign currencies are translated into roubles at the official exchange rates fixed by the Central Bank of Russia at respective year-ends. Translation differences are taken into Profit and Loss Account under "Income from foreign exchange" or "Expenses on foreign exchange". Income and expense items denominated in foreign currencies are translated into roubles on the basis of the exchange rate as of the transaction date. The key foreign exchange rates were:

	31 Dec. 1999	31 Dec. 2000
RUR/USD	27.00	28.16
RUR/DEM	13.92	13.37

Fixed assets. Premises, equipment and intangible assets are stated at cost less accumulated depreciation. Depreciation of these assets is provided on a straight-line basis at the rates which are permissible for tax purposes. All other fixed assets (construction-in-progress, stationery, etc.) are carried at cost.

Profit and Loss Account overview. The year 2000 was successful for the Bank: ending up with a profit of RUR 25,246 thousand before taxes. Net profit improved from RUR 23,714 thousand in 1999 to RUR 25,082 thousand in 2000.

Both interest revenues and interest expenses decreased following the decline in the Central Bank of Russia's refinancing rate. This rate averaged 33.1% in 2000, which was below the 1999 level of 57.2%.

A strong increase in other operating income and operating expenses is due primarily to the results from foreign exchange following the implementation of the new accounting rules for recording foreign currency translation differences.

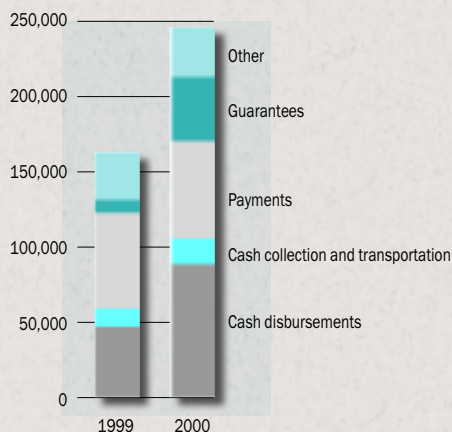
At RUR 225,703 thousand net fee and commission income reached a record level. The expansion of the Bank's customer base and the extension of its products and services range contributed to this remarkable result.

In 2000 the Bank continued to address various risks by establishing appropriate allowances. RUR 60,718 thousand of net provisions for credit losses and RUR 5,216 thousand of net value adjustments to securities were charged to the Profit and Loss Account in 2000.

CBR's refinancing rate % per annum



Fee and commission income
RUR '000





ASSET QUALITY AND CREDIT RISK MANAGEMENT

The management of the Bank's assets is aimed to provide sufficient returns, while maintaining high solvency and liquidity ratios. The asset composition is also determined by current market conditions. As these conditions change, the Bank strives to adjust basic parameters of its assets' portfolio to the changing market environment.

Representing 71 % of the balance-sheet total at year-end 2000, the loan portfolio is the largest asset of V.Bank. Therefore, management of risks inherent in this portfolio is crucial for the Bank. Credit risks also exist in a number of its non-lending activities of and financial instruments other than loans. The Bank has established a set of comprehensive guidelines for measuring, monitoring and controlling credit risk. These guidelines cover the policies and procedures for conducting credit granting activities, loan approval authorities and exposure limits for all areas of those operations that involve credit risks.

Credit and Investment Committee is responsible for the formulation and implementation of the Bank's credit policy and for the management of credit risks. All credit risk-related issues are subject to detailed analysis and approval by the Committee.

The Bank's asset management policy is determined by the composition and cost of its funding base, financial strength of the borrower, amount, tenor and structure of transaction, purpose of the loan, type and amount of collateral provided by the borrower.

V.Bank consistently applies the principles of safe and sound lending to its credit granting process: all loans are extended on a compensated basis for a specified purpose and for a specified period of time. It is also the Bank's policy to grant loans secured by realizable and liquid collateral, which provides additional guarantee for the repayment of principal and interest.

In order to minimize credit risk, priority is given by the Bank to the customers with a stable financial position, sufficient cash flows, positive repayment history and sound business reputation. The significance of the borrower's activity in the economic development of its local business area is also taken into consideration. Foreign currency loans are extended in US Dollars and other currencies primarily to finance foreign trade business. These loans are matched with the funding available in the respective currency and maturity.

As part of its lending activities, the Bank provides project financing. Project finance deals are tailored to each project specifics.

To avoid excessive concentration of credit risks, the Bank limits its exposures to a single borrower and/or a group of interconnected borrowers. At 2000 year-end the aggregate amount of large credit exposures represented 285 % of the Bank's capital, which was significantly lower the minimum 800 % limit set by the Central Bank of Russia. The "large credit exposures" ratio set by the Central Bank of Russia is also applied by Vozrozhdeniye to its credit granting process.

Credit risk ratios

	Required Ratio	Actual Ratio	
		at 31 December 1999	at 31 December 2000
Aggregate amount of large credit exposures as a percentage of capital (N7 Ratio)	max. 800.0	745.2 %	285.0 %
Aggregate amount of exposures to insiders (including 50 % of off-balance sheet positions) as a percentage of capital (N10 Ratio)	min. 2.0	0.2 %	0.3 %

**Interest-earning assets**

RUR in thousands at 31 December	1999		2000	
	Amount	% of total	Amount	% of total
Lending to corporate customers				
Short-term loans, including discounted bills and notes	3,806,962	54.2	3,808,891	46.0
RUR	1,881,517	26.8	2,403,931	29.0
Foreign currency	1,925,445	27.4	1,404,960	17.0
Long-term loans	2,211,663	31.5	2,065,183	24.9
RUR	302,333	4.3	281,448	3.4
Foreign currency	1,909,330	27.2	1,783,735	21.5
Past due loans	73,104	1.0	83,994	1.0
RUR	73,104	1.0	83,994	1.0
Foreign currency	0	0.0	0	0.0
Total lending to corporate customers	6,091,729	86.7	5,958,068	71.9
Lending to private customers				
RUR	435,153	6.2	872,302	10.5
Foreign currency	16,785	0.2	45,442	0.6
Past due loans in RUR	130	—	235	—
Total lending to private customers	452,068	6.4	917,979	11.1
Lending to banks				
RUR	103,789	1.5	131,985	1.6
Foreign currency	40,953	0.6	309,988	3.7
Past due loans in RUR	0	0.0	0	0.0
Total lending to banks	144,742	2.1	441,973	5.3
Debt securities				
RUR	59,639	0.8	73,388	0.9
Foreign currency	276,734	4.0	890,136	10.8
Total debt securities	336,373	4.8	963,524	11.7
Total interest-earning assets	7,024,912	100.0	8,281,544	100.0
RUR	2,855,665	40.6	3,847,283	46.5
Foreign currency	4,169,247	59.4	4,434,261	53.5

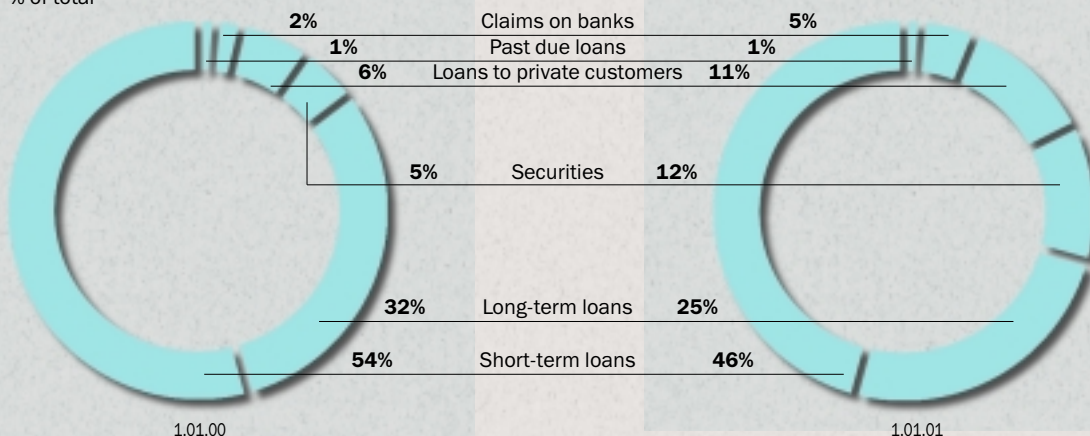
The Bank strives to diversify and improve the structure of its interest-earning assets. Their composition was changed in the course of the last year. Debt securities increased by 186.5 %, lending to private customers and banks rose by 103.1 % and 205.1 %, respectively, while lending to corporate customers decreased slightly from RUR 6,091,729 thousand at year-end 1999 to RUR 5,958,068 thousand at the end of 2000, or by 2.2 %. The decrease in corporate lending was attributable primarily to the lower volumes of both short-term and long-term foreign currency lending.

As in previous years, long-term loans were financed principally from the funds provided under various projects of the World Bank.

The currency composition of the Bank's earning assets was changed in 2000. At the end of 2000 rouble denominated assets represented 46.5 % of the Bank's total earning assets as compared with 40.6 % at the beginning of the year, thus improving its currency risk profile.

Interest-earning assets

% of total



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