

Financial Reports

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Independent Auditor's Report

On the published annual report forms of the Open Joint-Stock Company Bank "Vozrozhdeniye".
For the attention of the shareholders of the Open Joint-Stock Company Bank "Vozrozhdeniye":

1. We have audited the accompanying published annual report forms of the Open Joint-Stock Company Bank "Vozrozhdeniye" (hereinafter referred to as the Bank) for the period of the Bank's activity starting January 1 and ending December 31, 2002. In accordance with the Directive of the Bank of Russia No. 1051-Y dated November 15, 2001 "On credit organizations' and banking groups' published reports", the Bank's published annual report forms comprise the balance sheet, including off-balance accounts and trust management accounts sections, the profit and loss statement, the cash flow data, the information on compliance with the main requirements established by the normative acts of the Bank of Russia (hereinafter all reports are collectively referred to as "the published annual report forms"). The published annual report forms have been prepared by the management of the Bank on the basis of the accounting reports drawn up in accordance with the legislation and normative acts of the Bank of Russia. The published annual report forms prepared on the said basis essentially differ from financial reports prepared in accordance with the International financial reports standards, in particular in respect of valuation of assets and capital, recognition of obligations and disclosure of information.

2. Preparation and submission of the published annual report forms is the responsibility of the management of the Bank. Our responsibility is to express an opinion, based on our audit, on proper preparation of data contained in the published annual report forms, in all material respects, and on compliance of the book-keeping, in all material respects, with the legislation of the Russian Federation and with normative acts regulating activity of credit organizations in the Russian Federation for the purposes of drawing up published annual report forms.

3. We conducted our audit in accordance with:

- the Federal law No. 119-ФЗ dated August 7, 2001 "On Auditing Activity";
- the Federal Law No. 395-1 dated December 2, 1990 "On Banks and Banking Activity";
- the Federal Rules (Standards) of Auditing Activity, approved by the Resolution of the Government of the Russian Federation No. 696 dated September 23, 2002;
- the Rules (Standards) of Auditing Activity, approved by the Presidential Audit Committee;
- normative acts of the Bank of Russia regarding credit organizations activity;
- normative acts of the Bank of Russia regarding audit of credit organizations, in the part that does not contradict the legislation on auditing activity regulation;
- International Standards on Auditing;
- internal auditor's standards.

In accordance with requirements of the Russian legislation our audit has been planned and conducted so as to obtain reasonable assurance that the published annual report forms do not contain material misstatements. In accordance with requirements of the Russian legislation our audit was conducted on a selective basis and included examining, on a test basis, evidence supporting the amounts and disclosures in the published annual report forms of the information on financial-economic activity, evaluating principles and methods of book-keeping and rules of preparation of published annual report forms, defining the main assessed values received by the management of the Bank, as well as evaluating the overall published annual report forms presentation, the management quality and the status of the Bank's internal control, in the part that is related to the accompanying published annual report forms preparation. We believe that our audit conducted in accordance with requirements of the Russian legislation provides a reasonable basis for our opinion on proper preparation of the published annual report forms in all material respects and on compliance of the book-keeping with the legislation of the Russian Federation for the purposes of drawing up published annual report forms.

4. In our opinion, the published annual report forms of the Open Joint-Stock Company Vozrozhdeniye Bank accompanying this Auditor's Report present fairly, in all material respects, the financial position of the Bank as of January 1, 2003 and results of its financial-economic activity for the period starting January 1 and ending December 31 2002, in conformity with the normative acts of the Russian Federation applicable to the credit organizations activity.

March 27, 2003

Director of the Closed Joint-Stock Company PricewaterhouseCoopers Audit, **E.V. Filippova**

Auditor (the certificate of competence No. 012783, issued November 28, 2000, valid until November 27, 2003)

V.A. Demushkin

VOZROZHDENIYE BANK BALANCE SHEET

RUR in thousand

N	Name of item	on 31.01. 2002	on 31.01. 2001
1	2	3	4
Assets			
1.	Cash and balances with the Central Bank of Russia	1 235 887	800 351
2.	Mandatory cash balances with the Central Bank of Russia	986 554	748 227
3.	Due from banks on settlement accounts less allowance for credit losses (item 3.1 minus item 3.2)	213 326	1 452 213
3.1.	Due from banks on settlement accounts	216 139	1 452 371
3.2.	Allowance for credit losses	2 813	158
4.	Securities held for trading, net of allowance (item 4.1 minus item 4.2)	1 250 322	924 036
4.1.	Securities held for trading	1 250 322	924 036
4.2.	Valuation allowance and allowance for credit losses	0	0
5.	Lending to customers and banks	11 075 699	8 807 902
6.	Allowance for credit losses	316 901	322 754
7.	Lending to customers and banks, net of allowance (item 5 minus item 6)	10 758 798	8 485 148
8.	Accrued interest receivable	76 461	137 178
9.	Securities held for investment, net of allowance (item 9.1 minus item 9.2)	31 306	8 131
9.1.	Securities held for investment	34 506	8 131
9.2.	Allowance for credit losses	3 200	0
10.	Premises, equipment, intangible and other fixed assets	865 876	659 421
11.	Securities for sale, net of allowance (item 11.1 minus item 11.2)	1 668 235	84 550
11.1.	Securities for sale	1 668 235	100 868
11.2.	Valuation allowance and allowance for credit losses	0	16 318
12.	Prepaid expenses – non-banking activities corrected for accrued interest expense	65 004	68 682
13.	Other assets less allowance for credit losses (item 13.1 minus 13.2)	136 447	134 439
13.1.	Other assets	137 659	134 439
13.2.	Allowance for credit losses	1 212	0
14.	Total assets (item 1 plus 2 plus 3 plus 4 plus 7 plus 8 plus 9 plus 10 plus 11 plus 12 plus 13)	17 288 216	13 502 376
Liabilities and shareholders' equity			
15.	Loans from the Central Bank of Russia	450 518	801 095
16.	Liabilities to banks	1 108 969	437 502
17.	Liabilities to customers	12 815 599	9 524 144
17.1.	of which private customers deposits	5 364 739	2 847 078
18.	Deferred income – non-banking activities	944	4 234
19.	Certificated liabilities	1 320 033	749 666
20.	Other liabilities	178 723	974 588
21.	Provisions for contingent liabilities and other banking risks	0	0
22.	Total liabilities (item 15 plus 16 plus 17 plus 18 plus 19 plus 20 plus 21)	15 874 786	12 491 229
Shareholders' equity			
23.	Share capital (item 23.1 plus 23.2 plus 23.3)	145 432	145 432
23.1.	of which ordinary shares	112 488	112 487
23.2.	of which preference shares	32 944	32 945
23.3.	Unregistered share capital of private bankers	0	0
24.	Treasury shares	0	0
25.	Share premium account	483 691	483 691
26.	Statutory reserves and loss carried forward	121 530	208 856
27.	Fixed assets revaluation reserve	477 529	292 338
28.	Profit (loss) for the year	308 177	-87 733
29.	Dividends declared from current year profit	2 589	0
30.	Other appropriations and taxes	3 575	0
31.	Profit attributable to shareholders (item 28 minus item 29 minus item 30) <*>	302 013	0
32.	Deferred items – lending and securities business, net	116 765	31 437
33.	Total shareholders' equity (item 23 minus 23.3 minus 24 plus 25 plus 26 plus 27 plus 31 minus 32 – to profitable lending agencies), (item 23 minus 23.3 minus 24 plus 25 plus 26 plus 27 plus 28 minus 32 – to unprofitable lending agencies)	1 413 430	1 011 147
34.	Total liabilities and shareholders' equity (item 22 plus item 23.3 plus item 33)	17 288 216	13 502 376
Memorandum items			
35.	Irrevocable commitments	901 721	602 763
36.	Guarantees issued	1 098 656	737 825

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<*> Profitable lending agencies only fill in items 29, 30, 31

No trust management operations were conducted.

VOZROZHDENIYE BANK INCOME STATEMENT			
RUR in thousand			
N	Name of items	During 2002	During 2001
1	2	3	4
Interest and similar income			
1.	Interest income on loans and advances to banks	45 342	74 565
2.	Interest income on loans and advances to customers	1 463 688	1 240 525
3.	Current income from leasing operations	0	0
4.	Interest income from securities	117 783	101 667
5.	Other interest and similar income	9 013	4 347
6.	Total interest and similar income (item 1 plus item 2 plus item 3 plus item 4 plus item 5)	1 635 826	1 421 104
Interest and similar expenses			
7.	Interest expenses on liabilities to banks	103 542	111 746
8.	Interest expenses on liabilities to customers	1 205 152	888 512
9.	Interest expenses on certificated liabilities	72 076	41 109
10.	Rental costs	48 535	34 516
11.	Total interest and similar expenses (item 7 plus item 8 plus item 9 plus item 10)	1 429 305	1 075 883
12.	Net interest and similar income (loss) (item 6 minus item 11)	206 521	345 221
13.	Fee and commission income	462 839	301 711
14.	Fee and commission expenses	28 109	17 842
15.	Net fee and commission income (item 13 minus item 14)	434 730	283 869
Other ordinary income			
16.	Income from foreign exchange, including currency translation gains	1 278 610	1 539 401
17.	Income from securities and precious metals, gains on disposal of fixed assets, positive mark-to-market adjustments to securities and precious metals	1 172 338	362 055
18.	Dividend income	2 645	1 607
19.	Sundry ordinary income	10 667	12 792
20.	Total other ordinary income (item 16 plus item 17 plus item 18 plus item 19)	2 464 260	1 915 855
21.	Net operating income (item 12 plus item 15 plus item 20)	3 105 511	2 544 945
Other ordinary expenses			
22.	Personnel expenses	649 005	247 883
23.	Occupancy and maintenance, depreciation of fixed assets and other administrative expenses	360 030	268 223
24.	Expenses on foreign exchange, including currency translation losses	1 162 188	1 422 282
25.	Expenses on securities and precious metals, losses on disposal of fixed assets, negative mark-to-market adjustments to securities and precious metals	278 062	254 748
26.	Sundry ordinary expenses	244 259	169 405
27.	Total other ordinary expenses (item 22 plus item 23 plus item 24 plus item 25 plus item 26)	2 693 544	2 362 541
28.	Gross operating profit (item 21 minus item 27)	411 967	182 404
29.	Provision for credit losses, net	113 043	275 278
30.	Provision for securities depreciation and for credit losses, net	-16 322	-8 070
31.	Other provisions, net	7 069	390
32.	Profit (loss) before extraordinary items and taxes (item 28 minus item 29 minus item 30 minus item 31)	308 177	-85 194
33.	Extraordinary income/(expenses), net	0	0
34.	Profit (loss) before taxation (item 32 plus item 33)	308 177	-85 194
35.	Tax on profit <*>	0	1 249
36.	Deferred tax on profit	0	0
36a.	Exceptional expenses, net of tax	0	2 539
37.	Profit (loss) for the year (item 34 minus item 36 minus item 36a)	308 177	-87 733

<*> The amount of taxes paid from the profit (art. 35) is reflected in the profit and loss statement for reference purposes and is not excluded from calculation of the accounting period profit (loss) that is reflected in art. 37.

STATEMENT OF FUNDS FLOW

RUR in thousand

N	Name of item	Bank funds flow	
		in 2002	in 2001
1	2	3	4
I. Bank funds flow as a result of operating activities			
1.	Interest income	2 425 514	1 421 104
2.	Interest expense	2 218 993	1 075 883
3.	Fee and commission income	462 839	301 711
4.	Fee and commission expense	26 942	17 842
5.	Income from foreign exchange	126 286	92 925
6.	Income from securities and precious metals, gains on disposal of fixed assets	1 058 923	357 176
7.	Expenses on foreign exchange	45 892	41 931
8.	Expenses on securities and precious metals, losses on disposal of fixed assets	275 620	253 815
9.	Dividend income	2 645	1 607
10.	Other operating income	10 667	12 792
11.	Other ordinary expenses	1 253 294	685 511
12.	Exceptional expenses, net of tax	0	2 539
13.	Total income / expenses (item 13.1 plus item 13.2) including	351 327	87 087
13.1.	Income / expenses (item 1 minus item 2 plus item 3 minus item 4 plus item 5 plus item 6 minus item 7 minus item 8 plus item 9 plus item 10 minus item 11 minus item 12)	266 133	109 794
13.2.	Change in Income / expenses	85 194	-22 707
14.	Outgoing of profit in a budget, for a charitable and others purposes	-1 036	19 972
15.	Bank funds flow as a result of operating activities before without taking change of quick assets and liability into account (item 13 plus item 14)	350 291	107 059
Change of quick assets			
16.	Mandatory cash balances with the Central Bank of Russia	-238 327	-340 699
17.	Due from banks on settlement accounts	12 240	-7 782
18.	Securities held for trading	-326 286	-40 952
19.	Lending to customers and banks	-2 267 797	-1 552 876
20.	Other assets	-3 220	-84 672
Change of liability			
21.	Loans from the Central Bank of Russia	-350 577	-430 585
22.	Liabilities to banks	671 467	-38 850
23.	Customer accounts	3 291 455	2 600 543
24.	Other liabilities	-795 865	923 611
25.	Bank funds inflow / flow-out as a result of day-to-day operating activities, net (item 16 plus item 17 plus item 18 plus item 19 plus item 20 plus item 21 plus item 22 plus item 23 plus item 24))	-6 910	1 027 738
26.	Bank funds inflow / flow-out as a result of operating activities, net (item 15 plus item 25)	343 381	1 134 797
II. Bank funds flow as a result of investment activity			
27.	Premises, equipment, intangible and other fixed assets	-206 455	-52 210
28.	Securities held for investment	-26 375	72 291
29.	Securities held for trading	-1 567 367	1 716
30.	Bank funds inflow / flow-out as a result of investment activity, net (item 27 plus item 28 plus item 29)	-1 800 197	21 797
III. Bank funds flow as a result of financing activities			
31.	Share capital	-663	-663
32.	Treasury shares	0	0
33.	Share premium	663	663
34.	Statutory reserves and loss carried forward	-87 326	-1 522
35.	Dividends declared from current year profit	-2 589	0
36.	Certificated liabilities	570 367	355 184
37.	Bank funds inflow / flow-out as a result of financing activities, net (item 31 plus item 32 plus item 33 plus item 34 plus item 35 plus item 36)	480 452	353 662

38.	positive / negative mark-to market adjustments to securities and precious metals; fixed assets revaluation reserve; accrued and others funds	187 908	-3 873
39.	Bank funds and their equivalents inflow / flow-out, net (item 26 plus item 30 plus item 37 plus item 38)	-788 456	1 506 383
40.	Total funds at the beginning of accounting period	2 228 447	722 064
41.	Total funds at the end of accounting period (item 39 plus item 40)	1 439 991	2 228 447

INFORMATION ON CARRYING OUT OF MAIN REQUIREMENT SET BY STANDARD ACTS OF THE CENTRAL BANK OF RUSSIA.			
N	Name of obligatory standard or rezerves	In sum or in percentage terms on 31.12.2002	In sum or in percentage terms on 31.12.2001
1	2	3	4
1.	Actual value of the equity capital adequacy index (H1 norm, in %).	10.6	10.2
2.	Size of contingent loan losses reserve calculated in accordance with the requirements established by the normative acts of the Bank of Russia (thousands of rubles)	397 341	322 745
3.	Size of the contingent loan losses reserves that have been actually formed (thousands of rubles)	316 901	322 754
4.	Size of securities depreciation reserves and contingent losses reserves calculated in accordance with the requirements established by the normative acts of the Bank of Russia (thousands of rubles)	7 225	16 476
5.	Size of the securities depreciation reserves and contingent losses reserves that have been actually formed (thousands of rubles)	7 225	16 476

Chairman of the Managing Board of the Vozrozhdeniye Bank,

D. L.Orlov

Chief Accountant of the Vozrozhdeniye Bank,

A. A. Novikova

In the opinion of the independent audit organization Closed Joint-Stock Company PricewaterhouseCoopers Audit, the balance sheet, the profit and loss statement, the cash flow data and the information on the capital adequacy level, on the size of reserves for covering doubtful loans and of other types of assets present fairly in all material respects the financial position of the Open Joint-Stock Company Bank "Vozrozhdeniye" as of January 1, 2003 in conformity with the Russian legislation requirements.

The detailed information on the audit results, including the above-mentioned data, is contained in the independent auditor's report on the credit organization's published annual report forms as of January 1, 2003.

PricewaterhouseCoopers Audit ZAO

Licence No:

E000376

Granted by the Ministry of Finance of Russian Federation on May 20, 2002 for 5 years

Richard Buski, Head of PricewaterhouseCoopers Audit ZAO

Elizaveta V. Filippova, Director

(authorized to sign the independent auditor's report on the basis of the Power of Attorney dated August 1, 2001)

March 27, 2003