

Corporate governance in the Bank

The principles of corporate governance

Vozrozhdeniye Bank's system of corporate governance is designed to increase of the efficiency of the bank's operations, strengthen the confidence of shareholders, investors, partners and clients, and increase the investment attractiveness of the Bank.

The basic principles of corporate governance of the Bank include:

- observance and protection of rights of the shareholders;
- control of the financial and economic operations of the Bank and evaluation of the quality of management
- information transparency and accountability.

The protection of the rights and legitimate interests of shareholders is guaranteed by the observance of the Corporate Governance Code adopted by the Supervisory Council of the Bank. The Bank has declared its intention to follow the standards and recommendations in the field of corporate governance outlined in the Corporate Performance Code adopted by the Federal Commission on the Securities Market of the Russian Federation.

The control and evaluation of business management in the Bank is executed by executive bodies, departments and divisions of the Bank, the Internal Control and Audit Service, the Bank's Revision Commission and by its independent auditor.

The transparency and accountability principle is realized by keeping shareholders, clients and investors informed about the results of the financial activity of the Bank. Relevant information about the Bank's activity is published on the corporate Internet web site of the Bank. The Bank guarantees equal rights of free access to appropriate information about its activities both for large and minor shareholders.

Report on the execution of the Corporate Governance Code

With the purposes of improving Bank's management and providing for the rights and legitimate interests of shareholders, Vozrozhdeniye Bank discloses information to investors in conformity with the Decree of the Financial Committee of the Central Bank of Russia of April, 4 2002 No.421/r, "On Recommendation on the Use of the Corporate Governance Code". In 2004, the Supervisory Council of the Bank adopted its own Governance Code, which conforms to the Central Bank recommendations.

The Bank's corporate governance practices provide shareholders with the ability to realize their rights deriving from their participation in the company. The Bank provides effective and reliable accounting for shareholders' property rights in the shares. In order to ensure maximum protection of the rights and property interests of shareholders in the management of the Bank and strict observance of decision making procedures on agenda items at the general meeting, the General Meeting of Shareholders has adopted an updated version of the "Regulation on preparing, convening and organizing the General Meeting of Shareholders".

Shareholders have the right to receive, regularly and promptly, complete and appropriate information about

the Bank's activity. Shareholders have the right to a share of the Bank's profits. The Supervisory Council of the Bank has therefore adopted a "Regulation on dividend policy" which determines the strategy of the Supervisory Council while planning the size of share dividends and guarantees the transparency of the decision making mechanism concerning dividend conditions and the method of their payment.

The Supervisory Council of the Bank takes strategic control of the Bank's activities and supervises the work of its executive bodies. The members of the Supervisory Council are accountable to the Bank's shareholders. The activity of the Bank's control bodies is regulated in conformity with "Regulation on the Supervisory Council" and "Regulation on the Executive Bodies". An updated version was adopted by the General Meeting of Shareholders in 2004.

To improve corporate governance, the Bank has planned the following measures: to establish an Audit Committee and a Human Resources and Compensation Committee within the Supervisory Council, to formalize contracts, evaluation and remuneration with the members of the Supervisory Council and to improve the policy of corporate governance risk evaluation.

In 2004 Vozrozhdeniye Bank, with the support of the International Financial Corporation (IFC), took a number of measures to improve the internal system of corporate governance. Giving its positive appraisal of the Bank's work in this area IFC states in its conclusion:

"The Bank is well informed on the principles of corporate governance and proves to be very much interested in the further improvement of the practice of corporate governance.

The Bank follows the basic requirements of legislation and statutory acts for corporate governance.

All the legislative norms of organization of the General Meeting of the Shareholders are observed.

The Annual General Meetings of Shareholders are well organized (system of voting, registration).

The Bank has adopted all the necessary internal regulations as per the Corporate Performance Code adopted by the Financial Committee of the Central Bank.

There is maximum disclosure of information within the limits required by the legislation.

The Internet web-site and the annual report of the Bank are impressive in terms of the amount of available information in comparison with other Russian banks".

The governing bodies of the Bank

The highest governing body of the Bank is the General Meeting of Shareholders. The General Meeting of Shareholders elects the Supervisory Council which is empowered with the general authority to pursue the Bank's policies and control its activities.

The management of the operations of the Bank is executed by a single executive – the Chairman of the Management Board, who is the President of the Bank elected by the General Meeting of the Shareholders. For operational management, the Supervisory Council elects a corporate executive body – the Management Board of the Bank which runs operative management of the Bank's activities and controls its current performance.

The General Meeting of Shareholders

The General Meeting of Shareholders is the highest governing body of the Bank. The organization of the General Meeting of Shareholders is regulated by “The Regulation on the preparing, convening and organizing of the General Meeting of Shareholders of Vozrozhdeniye Bank, which was adopted by the annual General Meeting of Shareholders on June 25, 2004.

The Bank provides for equal participation of all shareholders in the meeting, their timely notification on the calling of a meeting and also provides information and materials necessary for decision making on the items on the agenda.

Notification and basic information about the General Meeting of Shareholders, including time, place and form of the meeting and its agenda are published in the newspaper Ezhdnevnye Novosti: Podmoskovie and on the Bank’s Internet website at least 30 calendar days prior to the scheduled day of the meeting. The Minutes of the General Meetings of the Shareholders are published on the Bank’s Internet website.

The Supervisory Council

The Supervisory Council of the Bank is responsible for the general management of the Bank’s activity, except for questions reserved to the exclusive competence of the General Meeting of the Shareholders.

The Supervisory Council is empowered to determine the strategic policy of the Bank, to control its financial and economic activity, establish and maintain an effective system of internal control, secure shareholders’ rights, and supervise the activity of the executive bodies.

The Supervisory Council includes 12 members elected by cumulative voting during the annual General Meeting of the Bank’s Shareholders with a term of office until the next scheduled annual General Meeting of the Shareholders or a special General Meeting of the Shareholders with election of new members of the Supervisory Council on its agenda.

On June 25, 2004, the General Meeting of the Shareholders elected a Supervisory Council of the Bank consisting of 12 members.

As per the requirements of the Corporate Governance Code of the Bank, in order to secure objective decision making and to maintain a balance between interests of different groups of shareholders, the Supervisory Council shall include at least three independent members. Criteria of independence of the members of the Supervisory Council are based on “The Regulation on the Organization of the Trading Activity on the Securities Market” adopted by The Federal Financial Market Service.

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Members of the Supervisory Council: Personal Information

Name, year of birth, citizenship	The positions on Bank and other organizations	The percentage of the Bank's shares in possession	Education
Yury M. Marinichev, 1937, Russian Federation	Chairman of the Supervisory Council of the Bank; Chairman of the Moscow Regional Union of the Consumers' Cooperation	0,28	Higher, Moscow Transport Institute, Moscow S. Ordzhonikidze Institute of Economics
Dmitry L. Orlov, 1943, Russian Federation	Deputy Chairman of the Supervisory Council of the Bank; Chairman of the Management Board of the Bank	32,82	Higher, Moscow Finance Institute
Lyudmila A. Goncharova, 1958, Russian Federation	Member of the Supervisory Council of the Bank; Deputy Chairperson of the Management Board of the Bank; Member of the Board of Directors of the Moscow Reinsurance Company Moskva-Re, LLC; Member of the Board of Non-state Pension Fund Garmoniya; Member of the Board of Directors of Baltiysky Kurort, LLC	1,76	Ternopol School of Finance and Economics
Aleksandr V. Dolgopopov, 1961, Russian Federation	Deputy Chairman of the Management Board of the Bank; Member of the Supervisory Council of the Bank; Member of the Board of Directors of Moscow Reinsurance Company Moskva-Re, LLC; Chairman of the Board of Non-state Pension Fund Garmoniya; Member of the Board of Directors of AVISTA, PJSC	0,56	Higher, Moscow G. V. Plekhanov Institute of National Economy
Boris F. Borin 1939, Russian Federation	Member of the Supervisory Council of the Bank; The General Manager of Elektrostal Metallurgical Plant, PJSC	0,000002	Higher, Moscow Institute of Metallurgy, The Academy of National Economy
Alexander I. Goyev, 1947, Russian Federation	Member of the Supervisory Council of the Bank; General Director of Krasnogorsk S. A. Zverev Mechanic Industries, POJSC	0,002	Higher, Mogilev Engineering Institute, G. V. Plekhanov Academy of National Economy
Nikolai S. Zatsepin, 1951, Russian Federation	Member of the Supervisory Council of the Bank; CEO of Mozhaisk Wholesale and Retail Trade Company, NPJSC; The General Director of Edelveys, LLC	0,20	Higher, Moscow Institute of Civil Aviation Engineers



<p>Sergey A. Vybornov, 1958, Russian Federation</p>	<p>Member of the Supervisory Council of the Bank; General Director and Member of the Board of Directors of the Investment Group ALROSA, PJSC; Chairman of the Supervisory Council of Severalmaz, PJSC; Member of the Board of Directors of Yakutia Mining Company, PJSC; Member of the Board of Directors of Aldanzoloto Mining Company, PJSC; Member of the Board of Directors of Yuzhno-Verhoyanskaya Mining Company, PJSC; Member of the Board of Directors of Yakutnafta, NPJSC; Chairman of the Company's Council (Board of Directors) of the Republican register institution Yakutia Fund Center, PJSC</p>	<p>—</p>	<p>Higher, Moscow State Institute of International Relations (MGIMO)</p>
<p>Nikolai Y. Demin, 1936, Russian Federation</p>	<p>Member of the Supervisory Council of the Bank; The General Director of Exim Trade Company, NPJSC; General Director and Member of the Management Board of Mikoyan Meat Processing Plant, NPJSC; Member of the Supervisory Council of Directors of Makeyeyo, NPJSC; Member of the Supervisory Council of Optprodrynok Trade Company, PJSC</p>	<p>—</p>	<p>Higher, Moscow K. A. Timiryazev Academy of Agriculture</p>
<p>Valentina V. Kabanova 1937, Russian Federation</p>	<p>Member of the Supervisory Council of the Bank; Head of Volokolamsk branch of the Bank</p>	<p>0,01</p>	<p>Higher, The All-Union Financial and Economic Institute</p>
<p>Otari L. Margania, 1959, Russian Federation</p>	<p>Member of the Supervisory Council of the Bank; Senior Vice-President of Vneshtorgbank, PJSC</p>	<p>—</p>	<p>Higher, Leningrad State University</p>
<p>Rustem M. Usmanov, 1949, Russian Federation</p>	<p>Member of the Supervisory Council of the Bank; General Director of Almazylirexport, state owned foreign trade company; Member of the Board of Directors of Archangelsk Diamonds Company, NPJSC; Member of the Board of Directors of the Russian Diamond Club Inc. (USA); the Member of the Board of Directors of Almacom, NPJSC</p>	<p>—</p>	<p>Higher, Moscow State Institute of International Relations (MGIMO)</p>

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Supervisory Council Report

In accordance with the current laws of Russia and the Charter of the Bank, the Supervisory Council carried out general management and ensured control over proper performance by the Management Board of its duties during the reporting period between the Annual General Meetings.

The Supervisory Council held five meetings where the following essential issues of the Bank's activities were debated:

- Determination of strategic directions;
- Approval of decision to convert preferred convertible registered shares into newly issued book common shares and registration of the results of the issue;
- Examination of the results of the Bank's inspections conducted by the Bank of Russia in 2004;
- Preparation of Annual General Meeting of Shareholders;
- Allocation of profits and declaration of dividends;
- Approval of transactions if there is a potential conflict of interest in their implementation;
- Amendments to the Branch Regulations relating to the requirements of the Regulation No. 242-II of the Bank of Russia "On the Organization of Internal Control in Credit Institutions and Banking Groups" of December 16, 2003;
- Approval of the amount of payment for services provided by the firm ZAO PricewaterhouseCoopers Audit;
- Approval of Business Report of the Internal Control and Audit Service of the Bank in 2004;
- Approval of Auditing Plan to be implemented by the Internal Control and Audit Service of the Bank in 2005 in respect of branches and offices of the Bank;
- Opening a Representative Office in Kaluga,
- Opening a branch in Balashikha,
- Closing of the branch in Yekaterinburg.

Within the reporting period the Supervisory Council adopted the following internal documents of the Bank:

- A revision to the Regulations on the Internal Control and Audit Service of Vozrozhdeniye Bank.

The regulations concerning activities of the Internal Audit Service were modified to comply with Regulation No. 242-II of the Bank of Russia of December 16, 2003;

- Internal Control Organization Rules of Vozrozhdeniye Bank .

The rules follow the requirements of the same Regulation No. 242-II of the Bank of Russia of December 16, 2003, and determine the organizational principles, functions, and structure of the internal control system in the Bank;

- Amendments to the Regulations on procedure for large transactions, transactions with conflict of interest, and related-party credit transactions.

These amendments are of a clarifying nature;

- Procedures for monitoring the internal control system by the Supervisory Council and executive bodies of the Bank.

These procedures were drawn up by the Bank to enhance the monitoring of internal audits in line with bank-

ing practices, current laws and the requirements of the Bank of Russia.

- Regulations concerning meetings held by the Supervisory Council of Vozrozhdeniye Bank .

This document establishes the procedure for convening and holding meetings of the Supervisory Council and for taking decisions on the agenda of meetings.

The primary objectives of the Supervisory Council for 2005 include achievement of the financial plan and targets; increasing capital to a level commensurate to the Bank development plans; maintaining the Bank's position among Russian banks 30 largest banks and dominant position in the Moscow Region; continuing development of the branch network mainly in Central European Russia, and optimization of branch expenses; and enhancement of the Bank's reputation as a reliable, professional and technologically sophisticated business partner.

Executive Bodies

The executive bodies of the Bank are:

- President and Chairman of the Management Board as an individual executive;
- Management Board as a collective executive body.

The President and Chairman of the Management Board of the Bank is elected at the Annual General Meeting of Shareholders every five years from among the Bank's officers who meet the professional requirements of the Bank of Russia in respect of heads of commercial banks. As the individual executive of the Bank, the Chairman of the Management Board simultaneously exercises the functions of the head of the Bank's collective executive body.

The Chairman of the Management Board runs the Bank on a day-to-day basis pursuant to the Bank Charter and powers delegated by the General Meeting of Shareholders, bears personal responsibility to the General Meeting of Shareholders for the fulfillment of tasks conferred on the Chairman, acts without proxy on behalf of the Bank for the purpose of representing its interests, making transactions of behalf of the Bank, approving the staff list, issuing orders, and for giving instructions binding upon all personnel of the Bank.

The Management Board is a standing collective executive body of the Bank.

Within the competence of the Management Board is the solution of the most complicated issues relating to the Bank's daily administration and requiring collective approval.

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Members of the Management Board: Personal information

Name, year of birth, citizenship	The positions on Bank and other organizations	The percentage of the Bank's shares in possession	Education
Dmitry L. Orlov, 1943, Russian Federation	Russian Federation Chairman of the Management Board of the Bank; Deputy Chairman of the Supervisory Council of the Bank	32,82	Higher, Moscow Finance Institute
Lyudmila A. Goncharova, 1958, Russian Federation	Deputy Chairperson of the Management Board of the Bank; Member of the Supervisory Council of the Bank; Member of the Board of Directors of the Moscow Reinsurance Company Moskva-Re, LLC ; Member of the Board of the Non-state Pension Fund Garmoniya; Member of the Board of Directors of the Baltiysky Kurort, LLC	1,76	Higher, Ternopol Institute of Finance and Economics
Aleksandr V. Dolgoplov, 1961, Russian Federation	Deputy Chairman of the Management Board of the Bank; Member of the Supervisory Council of the Bank; Member of the Board of Directors of the Moscow Reinsurance Company Moskva-Re, LLC; Chairman of the Board of the Non-state Pension Fund Garmoniya; Member of the Board of Directors of the AVISTA, PJSC	0,56	Moscow G. V. Plekhanov Institute of National Economy
Mark M. Nakhmanovitch, 1957, Russian Federation	Deputy Chairman of the Management Board of the Bank	0,56	Higher, Moscow K. A. Timiryazev Academy of Agriculture
Yury I. Novikov, 1962, Russian Federation	Deputy Chairman of the Management Board of the Bank; Head of the Bank's North-Western Inter-Regional Centre (representative office of the Bank in the North-Western federal district and economic area); Member of the Board of the National Stock Trade Association	—	Higher, Leningrad State University
Nikolai D. Orlov, 1971, Russian Federation	Deputy Chairman of the Management Board of the Bank; Member of the Board of Directors of the Cherkizovsky Meat Processing Factory ; Member of the Board of Directors of the AVISTA, PJSC; Member of the Board of Directors of the Web-Invest Bank, NPJSC	2,44	Higher, Finance Academy

Dmitry A. Strashok, 1951, Russian Federation	Deputy Chairman of the Management Board of the Bank; Chairman of the Board of Directors of the Baltiysky Kurort, LLC	0,30	Higher, All-Union Institute of Agriculture
Alexander A. Bolvinov, 1962, Russian Federation	Head of HR Department; Member of the Board of the Non-state Pension Fund Garmoniya	—	Higher, Moscow State Institute of International Relations (MGIMO)
Tatyana F. Gavrilkina, 1959, Russian Federation	Deputy Chairman of the Board of Directors of the Bank; Head of Finance Department	0,28	Higher, Moscow Finance Institute
Tamara I. Luzhina, 1950, Russian Federation	Deputy Head of Finance Department; Member of the Board of the Non-state Pension Fund Garmoniya	0,29	Higher, All-Union Institute of Finance and Economics
Oleg V. Kharlamov, 1938, Russian Federation	Member of the Management Board of the Bank; Head of Administrative Department	0,01	Higher, All-Union Polytechnic Institute

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Remuneration for members of the Bank's managerial bodies

There was no compensation expense fixed for members of the Supervisory Council, and no payment was made.

The remuneration for members of the executive bodies (salary, bonuses, and dividends on shares) totaled 68,038,000 rubles as a result of the Bank's activities in 2004.

Disclosure

The Bank seeks to provide maximum transparency to its activities, within the framework of the current Legislation, in particular by the laws on state secrets and business competition. The Bank's information policy is based on the principles of veracity, completeness, regularity, efficiency, and accessibility, and is aimed at allowing Shareholders to exercise their right to obtain information necessary for investment and managerial decisions, while protecting the confidentiality of information of the Bank.

The Bank discloses information in accordance with legal requirements and the Bank's own regulations as approved by the Supervisory Council of the Bank in 2004.

During 2004, the Bank published 17 announcements about important facts and events which could substantially influence the value of the Bank's securities. Such significant facts were made public within the required

time-limits through authorized news agencies AK&M and Interfax, the Bank's internet website, the newspaper *Ezhednevnye Novosti: Podmoskovye* and the supplement to the *Vestnik FSFR*. Relevant notices were sent to securities exchanges; Stock Exchange Market of the Russian Trading System and Moscow Interbank Foreign Currency Exchange. All published announcements as well as quarterly reports of the Bank on securities and internal documents are available at any time on the Bank's Internet website.

Financial reporting data prepared under Russian Accounting Standards (RAS) and International Financial Reporting Standards (IFRS) are available on the Bank's Russian and English Internet pages. As well, financial reports of the Bank are published every quarter. The Bank's Annual Reports are freely accessible on the Bank's website. Through the same website a subscription service is available to receive updated information on the Bank by email.

With a view to maintaining a dialogue with all interested people through the website a special communication process was established allowing questions regarding the Bank's activities and assuring prompt answers from experts of the Bank.

Shareholders and potential investors, clients and professional securities market participants may obtain data on the Bank's development from information reports published at the end of each financial year and distributed through offices of the Bank.

The Bank regularly publishes its plans and new services in mass media.

Comprehensive internal control system

In order to protect the rights and legitimate interests of investors, the Bank has created an effective system of internal control over its financial and economic activities. The internal control system of the Bank allows the timely detection, prevention or limitation of financial and operational risks. It is also designed to uncover any mistakes and abuses, or any neglect of duty by offices or individual employees of the Bank relative to legal requirements. The internal control system of the Bank also makes recommendations or changes in procedures aimed at preventing possible violations or abuses by the Bank's personnel in discharge of their functions.

The Bank's internal control system is appropriate for the nature and scale of transactions conducted by the Bank and ensures the achievement of defined goals and fulfillment of relevant tasks. The main guidelines of internal control are as follows:

- Control by managerial bodies over the Bank's activities pursuant to the Law on Joint-Stock Companies and Charter of the Bank;
- Control over the functioning of the system of credit risks and risk rating management functions;
- Control over distribution of powers as applied to banking operations;

- Control over data flows and information security management;
- Control over Anti-Money Laundering systems and financial terrorism functions;

● Compliance measures of the Bank as a professional securities market participant relative to legislation and regulations of the Federal Securities Market Regulator.

The internal control systems are continually monitored.

With a view to improving the internal control system the Supervisory Council and the Management Board approved the following measures in 2004:

- Regulations on monitoring the internal control system by the Supervisory Council and managerial bodies of the Bank;
- Rules of procedure for documenting, submitting reports and providing information on the internal control system monitoring results, and for considering those results;
- Regulations on control over correction of detected violations and defects in the internal control system;
- Regulations on organization of the internal control system in the Bank;
- Regulations on the internal control and audit service of the Bank;
- Rules of interaction between the internal control and audit service and subdivisions of the Bank;
- Regulations on internal control measures against money laundering and financing of terrorism

Audit Commission

The Audit Commission consists of four members and was elected at the General Meeting of Shareholders on June 25, 2004.

The Audit Commission held three meetings and considered the following issues: election of the Chairman of the Audit Commission of the Bank, commencement of auditing the Bank for 2004; approval of the Audit Commission's report on Bank auditing results for 2004.

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Members of the Internal Audit Commission: Personal information

Name, year of birth, citizenship	Positions in the Bank and other organizations	Percentage ownership of the Bank's shares	Education
Viktor A. Afonin, 1956, Russian Federation	Chairman of the Audit Commission; Deputy Director General of Almazylirexport (GUPVO)	—	Higher, Moscow Finance Institute
Tamara N. Lapinskaya, 1954, Russian Federation	Deputy Head of Business Planning and Analysis Division of the Finance Department of Vozrozhdeniye Bank	0,005	Higher, Moscow Finance Institute
Svetlana A. Markina, 1952, Russian Federation	Head of Internal Operations Recording Division of the Accounting and Financial Reporting Department of Vozrozhdeniye Bank	0,001	Specialized Secondary, All-Union School of Accounting and Credit
Natalya A. Romanenko, 1963, Russian Federation	Head of Monitoring Division of the Corporate Development Directorate of Vozrozhdeniye Bank	—	Higher, Moscow G. V. Plekhanov Institute of National Economy

The Bank's financial and economic activities for 2004 were audited and a report confirming the veracity of data contained in reports and other financial documents of the Bank was made on the basis of the audit undertaken by the Audit Commission. The Report of the Audit Commission on the Bank's financial and economic activities in 2004 was submitted to the members of the Supervisory Council and Management Board of the Bank.

CONCLUSIONS OF THE AUDIT REPORT on the activities of the Vozrozhdeniye Bank in 2004

The Management Board has operated the Bank in compliance with Russian laws, the Charter of the Bank, and resolutions and recommendations of the General Meeting of Shareholders and the Supervisory Council.

The Bank's lending policy corresponds to the actual conditions of the credit market and is pursued in accordance with provisions of the current Legislation, regulations of the Bank of Russia and internal guidelines.

The Bank's operations are conducted only by duly authorized persons and in complete agreement with powers defined by the Bank and its approved procedures for taking decisions to carry out transactions.

All operations conducted by the Bank are appropriately recorded in the Bank's accounting and reporting documents.

The internal control is in compliance with provisions of the current Legislation, regulations of the Bank of Russia and provisions of the Bank's Charter.

The inventory of property in the Head Office of Vozrozhdeniye Bank was made as of December 1, 2004, pursuant to the Bank's Instruction No. 298 of November 19, 2004. No lack or excess of property was established as a result of the inventory.

The accounting and operational work in the Bank are organized in conformity with relevant regulations.

The balance sheet shows the real value of assets and liabilities of the Bank as of 01 January of 2004.

Data contained in the profit and loss statement correspond to the accounting for 2004.

The balance sheet and profit and loss statements were prepared by the Bank's executives on the basis of bookkeeping reports drawn up in compliance with the Russian laws and regulations of the Bank of Russia.

Under regulatory acts the Russian Federation applicable to credit institutions, the balance-sheet and profit and loss statements show the true financial standing of the Bank in all material respects as of 01 January of 2005 and the results of its financial and economic activities for the period from 01 January to 31 December 2004 inclusive.

Chairman of the Audit Commission, V. A. Afonin

Members of the Audit Commission:

T. N. Lapinskaya, S. A. Markina, N. A. Romanenko

Auditor of the Bank

Since the establishment of the Bank, there has been an independent audit of its activities every year. The Bank is audited under both the Russian Accounting Standards (RAS) and International Financial Reporting Standards (IFRS).

Vozrozhdeniye Bank was among the first Russian credit institutions to have an audit by an internationally recognized firm and has been audited under international standards annually since 1992. Audited reports under IFRS are available on the Bank's Internet website. The official Auditor of the Bank is the ZAO PricewaterhouseCoopers Audit.

Dividend Policy

Dividend policy is based on the balance of interests of the Bank and its Shareholders. When the amount of dividend payments is to be determined, the Bank's capitalization and attractiveness for investors is considered, as well as respect for the rights of Shareholders. Balanced by the need to ensure adequate capitalization, the payment of dividends to Shareholders is based on the amount of net profit for the previous financial year.

The dividend recommendation by the Supervisory Council to the General Meeting of Shareholders is based on

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policy that dividends should not exceed 10 percent of the net profit in the previous financial year. Pursuant to the Charter the size of dividend on preferred shares is 20 percent of their nominal value.

Final decision on the declaration of dividends for each category of shares is to be taken at the General Meeting of Shareholders. The size of dividend may not be more than the recommendation by the Supervisory Council.

The payment date of dividends may not be more than 60 days from the respective decision at the General Meeting of Shareholders.

Principles of dividend policy and measures to provide transparency to the mechanism of dividend rate determination, conditions and procedure for paying dividends are stated in the Bank's Regulation on dividend policy.

Report on Declared Dividend Payments on Shares of the Bank

Thousands of Rubles

Year	Ordinary book-entry registered shares	Preferred convertible book-entry registered shares	Preferred book-entry registered shares with determined dividend to be paid	Total
2001	—	—	2 589	2 589
2002	5 624,38	999,97	2 589	9 213,35
2003	8 374,38	999,97	2 589	11 963,35

In compliance with the resolution adopted at the General Meeting of Shareholders (Protocol of 25 June 2004 No. 1) annual dividends for 2003 were declared on shares of all classes in the amount of 11,963,350 Rubles. Dividends were paid from 16 August 2004 by transfer to the settlement accounts of corporate shareholders and to the personal accounts of individual shareholders, corresponding to the data contained in the Shareholders Register. Dividends for individual shareholders were paid through cash desks of the Bank's branches if banking details were not available in the Register.

In 2004, the dividends paid to Shareholders totaled 11,511,000 rubles and 143,260 rubles were withheld and transferred to the budget as taxes. Dividends of 452,000 rubles remained unpaid in cases when shareholders did not provide payment documents.

Report on large deals

In accordance with the Bank's Regulation on procedures for large transactions, transactions with conflict of interest, and related-party loan transactions approved by the Supervisory Council in 2004, any transaction shall be considered "large" if the value of property in the transaction exceeds 20 percent of the book value of the Bank's assets at the latest reporting date. Within the reporting period the Bank had no large transactions under this Regulation.

Information on transactions with potential conflict of interest

During 2004, the Bank entered into certain transactions in which members of the Supervisory Council or of other managerial bodies had an interest.

Shareholders at the Annual General Meeting approved transactions, which were recognized under the current Legislation as transactions with potential conflict of interest, but which were to be made on standard terms and conditions in the course of the Bank's usual business activities in compliance with its banking license, until the next Annual General Meeting of Shareholders. Prices under these transactions with interested persons are to be determined pursuant to the Regulation on main principles of management in respect of resources of Vozrozhdeniye Bank in Russian rubles and foreign currency.

Total size of transactions with interested parties concluded by the Bank in 2004 was 3,321,747 rubles, 251,111 US Dollars and 1,020 Euros.

Terms and conditions of transactions with interested parties were not materially different from those of analogous transactions by the Bank in the course of its usual business activities.

The size of any of the Bank's transactions with interested parties did not exceed 5 percent of the book-value of the Bank's assets as of the last date of report preceding the Annual General Meeting of Shareholders in 2004.

All transactions concluded in the course of the Bank's usual business activities in 2004 between interested legal and natural persons and the Bank were made under these terms and conditions.

Structure of the Authorized Capital

As of 01 January 2005 the Authorized Capital amounted to 200,431,990.00 Rubles.

Placed shares

Class of Shares	Government Registration Number	Nominal Value (Roubles)	Number of Issued Shares (pieces)
Ordinary book-entry registered shares	10101439B	10	16 748 753
Preferred book-entry registered shares with determined dividend to be paid	20201439B	10	1 294 505
Preferred convertible book-entry registered shares*	20101439B	10	1 999 941

* In accordance with the share issue report registered by the Central Bank of the Russian Federation on 13 May 2005 preferred convertible shares were converted into ordinary shares in the ratio 1:1.

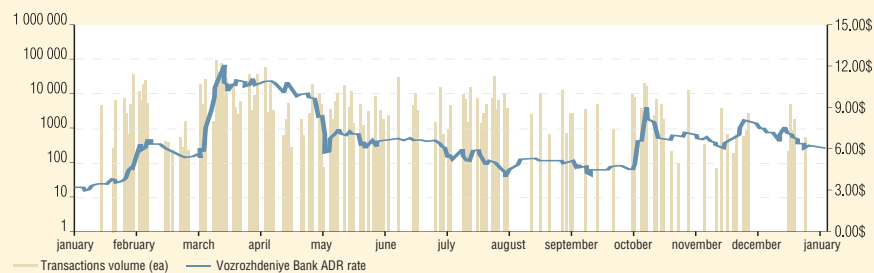
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Trading floor

Name	Class of Securities	Date of Listins
Non-profit Partnership "Stock Exchange Market RTS"	Ordinary book-entry registered shares (VZRZ)	May 1997
Closed Joint-Stock Company "Moscow Interbank Foreign Currency Exchange" (MIFCE)	Ordinary book-entry registered shares RU0009084214 Preferred book-entry registered shares with determined dividend to be paid [RU14VOZR1115]	February 1998 February 1998
Berlin Stock Exchange	ADR of First level for ordinary registered shares (U.S.ISIN: US0654531021)	July 1997
Frankfurt Stock Exchange	ADR of First level for ordinary registered shares (U.S.ISIN: US0654531021)	August 1997
Stuttgart Stock Exchange	ADR of First level for ordinary registered shares (U.S.ISIN: US0654531021)	November 2000

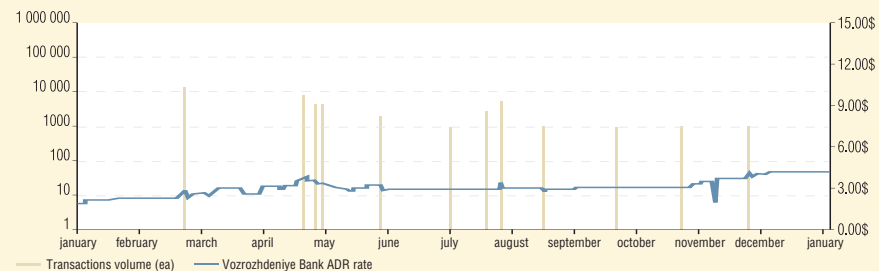
ADR price for Vozrozhdeniye Bank ordinary shares on Germany stock exchanges in 2004



The auction volume on Germany stock exchanges was \$9,320.1 Thousand USD.

Vozrozhdeniye Bank ordinary share price on Russian market in 2004

ADR rate for Vozrozhdeniye Bank ordinary shares on Germany stock exchanges in 2004



RTS Stock Exchange data

The auction volume on RTS Stock Exchange was \$139.1 Thousand USD.

Registration of Title to Shares of the Bank

The owners' title to shares of the Bank is certified through a register maintenance system by entries into personal accounts kept by the Registrar or, if title to securities is registered by the Depository, into DEPO accounts kept by the Depository. Transfer of title to the Bank's shares is to be accompanied by notice to the Bank's Registrar or the nominal holder of securities and by producing all instruments which are required by current Law for registering the transfer of share title.

Composition of Shareholders

As of 01 January of 2005, 8,163 shareholders are entered in the register of Shareholders of Vozrozhdeniye Bank, including 963 legal persons and 7,201 natural persons.

Composition of the Bank's Shareholders as of 01 January of 2005

	Share in the Authorized Capital (%)
Russian Federation	0,28
Total of Non-residents in the Russian Federation	11,36
including Holders of American Depository Receipts for Ordinary Shares of the Bank	2,74
Other Legal Persons	42,37
Total of Legal Persons	54,01
Natural Persons	45,99

Persons with a holding of the Bank's Authorized Capital of 5 percent or more as of 01 January of 2005

Name of Registered Person	Share in the Authorized Capital (%)
Orlov, Dmitry L'vovich	32,82
Limited Liability Company (LLC) "Web-Invest. ru"*	20,9
Canadian Imperial Bank of Commerce	5,87

* Nominal holder.

79



80

Capital of the Bank

	01 January 2005
Capital of the Bank (Thousands of Rubles)	3 272 764
Number of Ordinary Shares	16 748 753
Balance-sheet Value of one Share* (Rubles)	150,7
Ratio of Price ** to Balance-sheet Value of Ordinary Share	0,58

* Without taking subordinated deposit into consideration.

** Average price for transactions concluded in NP "Stock Exchange Market RTS" in 2004.