VOZROZHDENIE BANK

THE BANK THAT IS ALWAYS WITH YOU

H1 2010 IFRS Results
Drought season... Not in the banking business

Conference Call
August 18, 2010

Market background

Delivering growth of business supported by improvements in macro landscape:

Results as planned: NI of 218, up ***25%*** QoQ.

We kept growing & gaining market share in the core markets…

- ***15,0%*** QoQ growth of loans b.p. to customers in Moscow Oblast
- ***7,8%*** QoQ corporate lending growth vs ***4,9%*** in the banking sector
- ***5,1%*** QoQ retail lending growth vs ***3,8%*** in the banking sector

Well-positioned for further growth…

- Strong capital base maintained (CAR: ***17.2%,*** core Tier 1: ***14,1%)***
- Sound liquidity with overall loan/deposit ratio ***87%***
- Cost of funds reduced by 330 bps to ***6.4%*** on the back of solid retail funds ***7.8%*** QoQ growth
- Reduction of tax risks

Economy is on mend but still there is a downside risk…

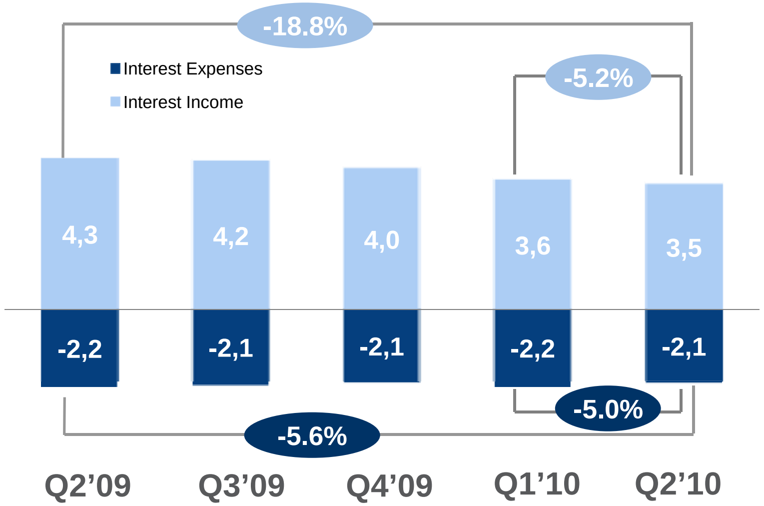
- Expansion of domestic demand, growing investments (***7,4%*** YoY) and improvements on the labor market - unemployment fell to ***6,8%***
- Inflation of ***5,7%*** YoY with risk of acceleration in H2 2010 due to rise in monetary base as well as drought in Russia followed by grain export ban
- Record low refinancing CBR rate of ***7.75%*** with insignificant downside risk
- Severe drought and forest fires may have adverse effect on the pace of recovery

H1 2010 Financial highlights

	Q2 2010	Q1 2010	Change Q-o-Q
Total Deposits, of them	118,075	119,256	-1.0%
Retail deposits	77,339	71,717	+7.8%
Net Loans	91,780	85,387	+7.5%
Loans to Deposits ratio	86.8%	80.0%	+6.8 p.p.
NPLs ratio	10.6%	11.1%	- 0.5 p.p.
Net Profit	121	97	+25%
Total Operating Income b.p.	2,467	2,344	+5.2%
Total Operating Costs, of them	-1,679	- 1,531	+9.7%
Personnel expenses	-893	-871	+2.5%
Cost to Income ratio	68.1%	65.3%	+2.8 p.p.
Capital Adequacy	17.2%	18.2%	

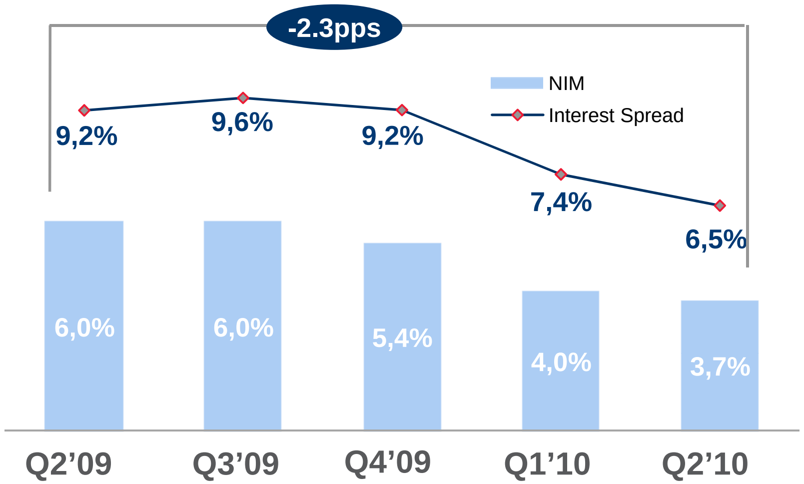
Stabilized NIM on the back of loan growth and reduction of funding costs

Interest Income and Interest Expenses, RUB bln



- Continued drop in yields due to loans re-pricing to the current market level was partially offset by interests received from new lending which significantly accelerated in the second quarter. As a result interest income fell only by 5.2% QoQ.
- First results of efforts on funding costs optimization were delivered in the second quarter. Interest expenses were down 5% QoQ resulting from re-pricing of retail deposit book on the back of continued inflow of individual deposits as well as growing share of current accounts (32% of customer funds as of the end of the quarter).

NIM and Spread evolution



- Despite contraction of interest spread, growth of business volumes allowed us to stabilize NIM in the second quarter at 3.7% versus 4.0% in the previous quarter. Only 26 bps QoQ reduction resulted from robust growth of loan portfolio and lower interest expenses.

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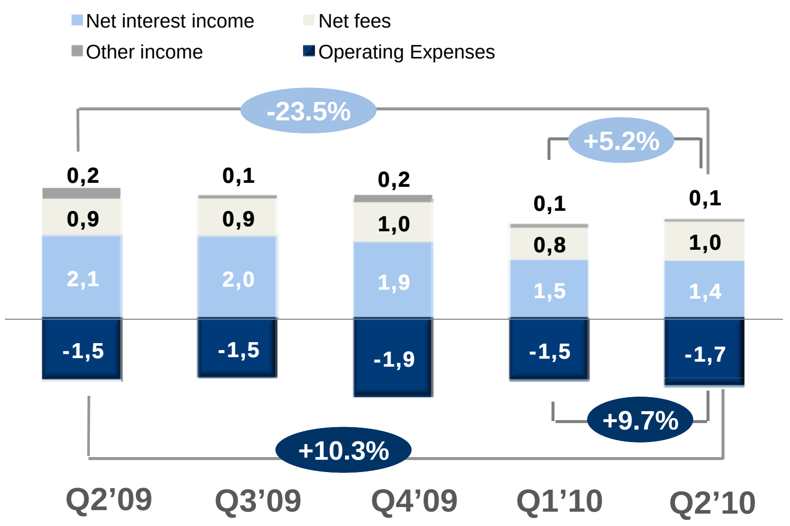
Revenue improvements driven by stronger fees & commissions

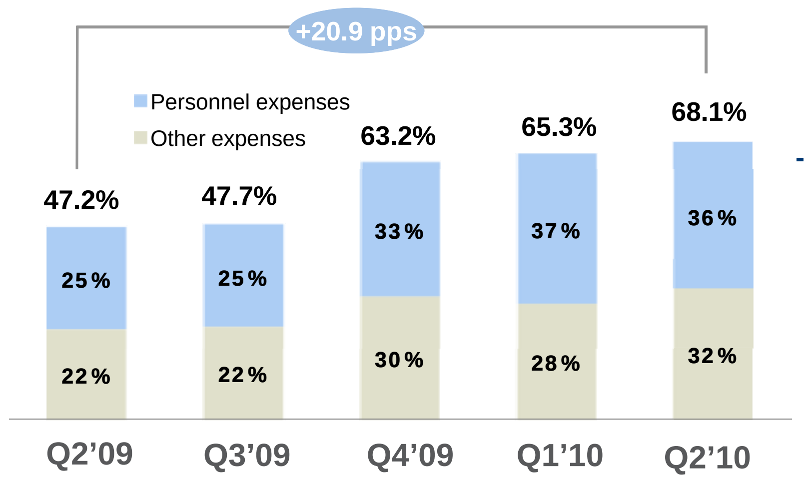
Operating Income and Expenses, RUB bln



- In the environment of low rates we focused on fee-generating products and managed to increase non-interest income by 22.8% QoQ. This resulted in solid 44% share of non-interest income in total operating income before provisions. Total revenue was up 5.2% QoQ driven by stronger fees from settlements and payrolls coupled with healthy loan growth.

- Operating expenses increased by 9.7% QoQ primarily due to the conducted advertisement campaign and growth in expenses related to IT investments in banking technologies. Personnel expenses were under strict control and grew only by 2,5% QoQ.

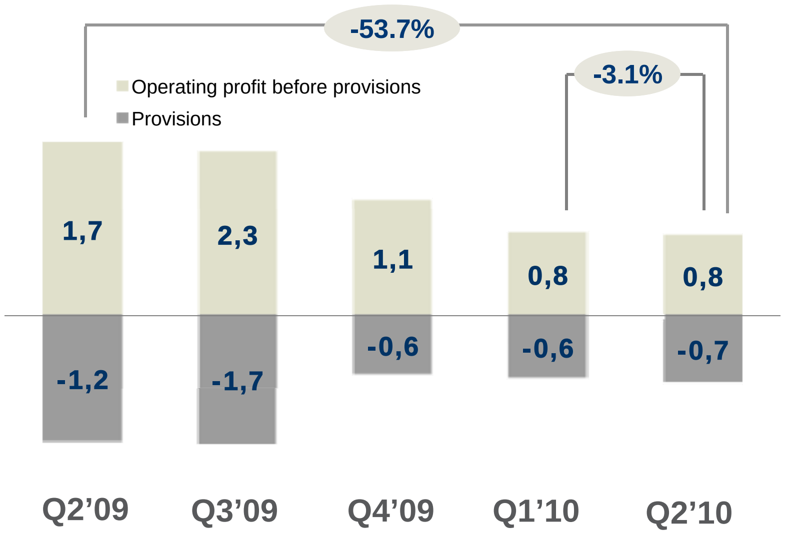
Cost to Income before provisions,%



- Cost to income ratio increased by 2.8 pps QoQ due to faster growth of expenses in second quarter and reached 66.7% for H1 2010.

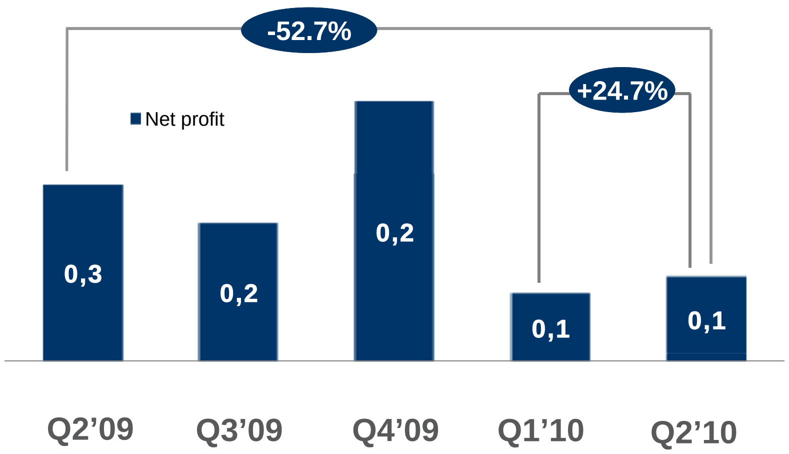
Consecutive policy of conservative provisioning

Operating profit and provisions, RUB bln



- Cost of risk accounted for 2.7% in the second quarter compared to 2.6% in Q1 due to additional charges to provisions for loan losses on restructured loans expired in Q2. Allowances to provisions amounted to Rub 667 mln in Q2 and this allowed to improve total NPL coverage ratio to 99%. For the NPLs with overdue more than 90 days coverage ratio was at the level of 135%.

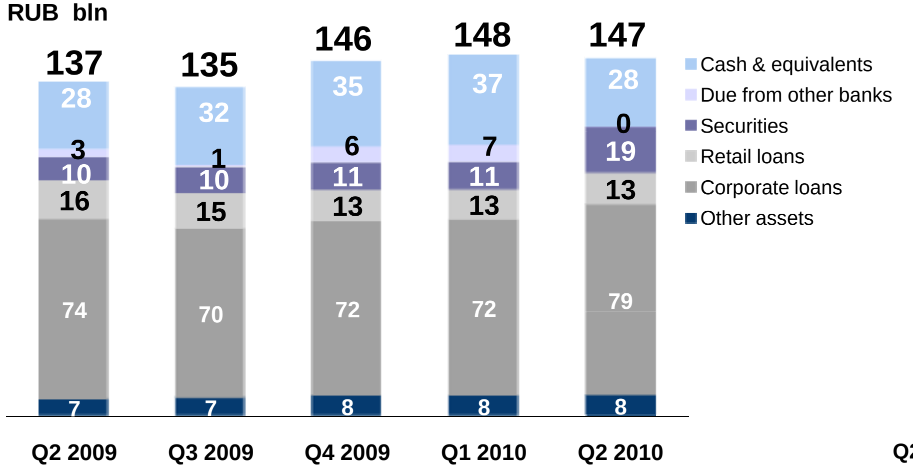
Net profit, RUB bln



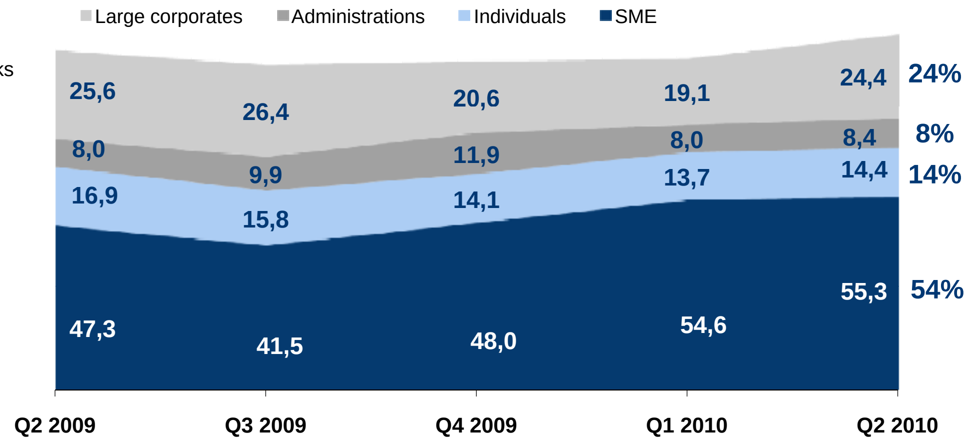
- Having consulted with auditors we slightly changed the approach to accounting for deferred tax assets which was the ground for reduction of effective tax rate to the 29% level for H1 in comparison with 48% in Q1. Thus net income grew by 25% QoQ.

Assets: IEA increase supported by loans and securities

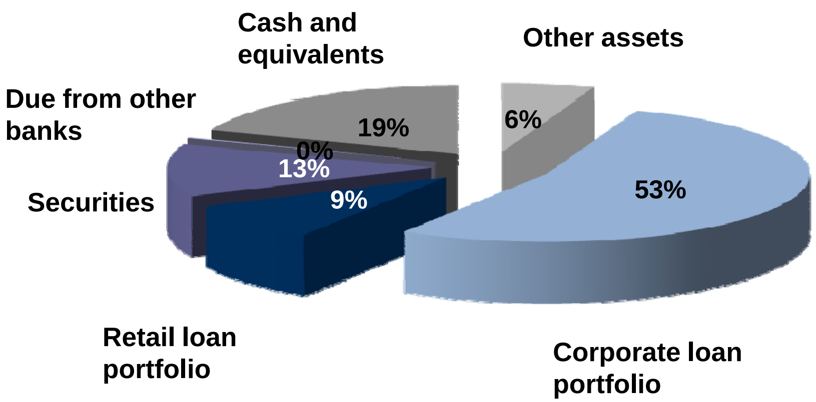
Loan portfolio growth accelerated…



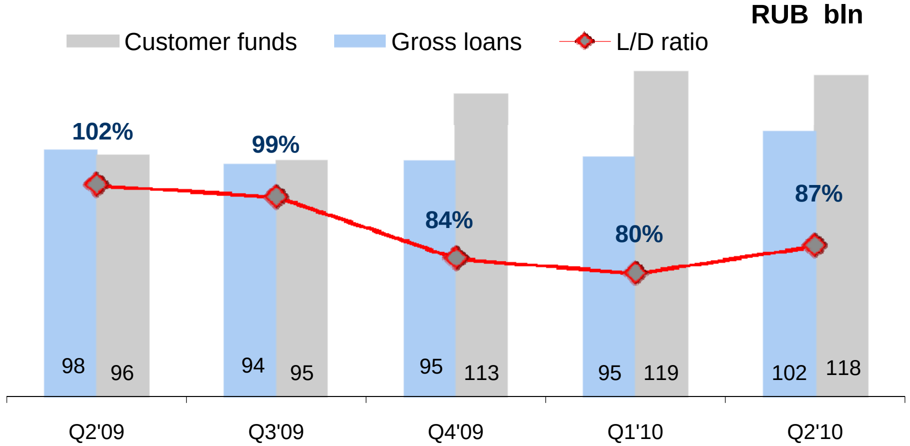
…driven by corporate lending programs



The share of IEA increased to 75% of total assets



Strong liquidity supports further growth



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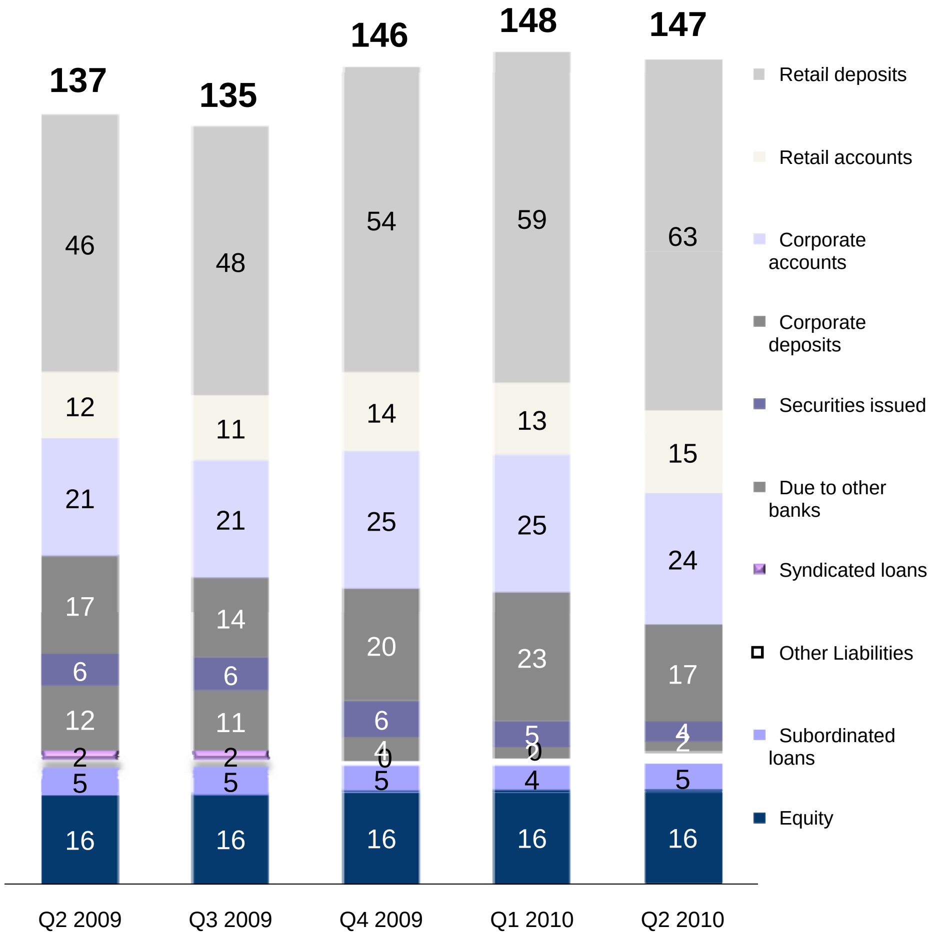
Liabilities: Ongoing efforts on optimizing funding costs

Client's funds remains the main funding source…

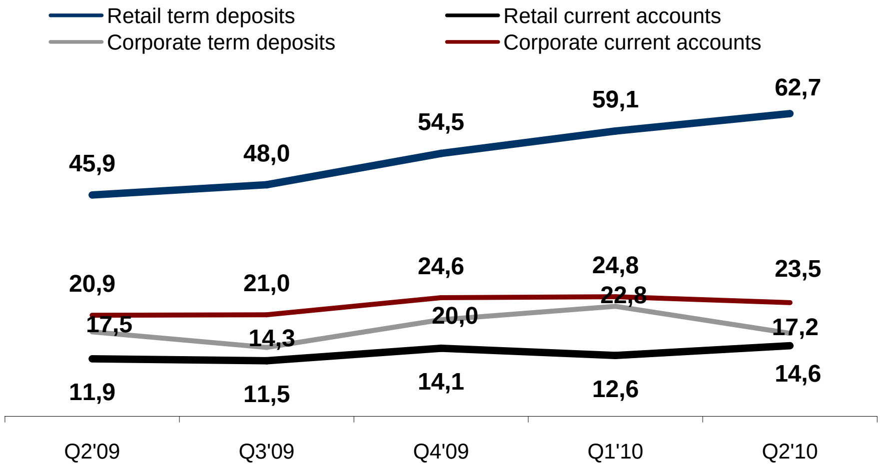
RUB bln



…with growing share of interest - free sources

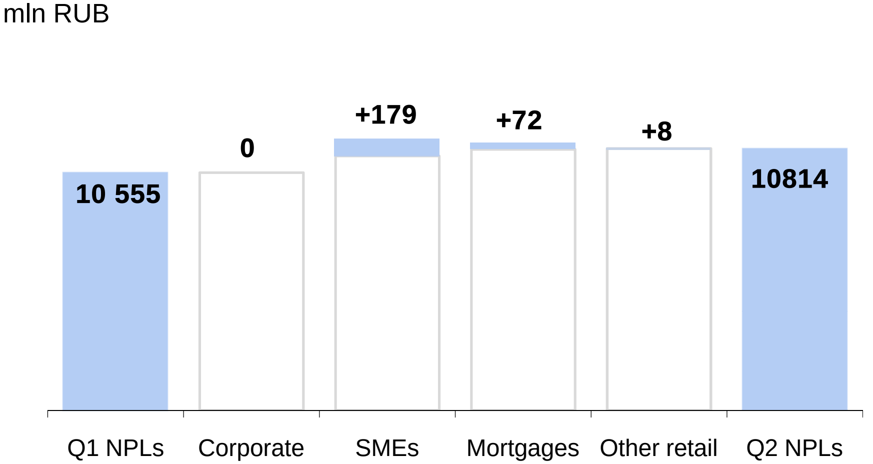
	Q2 2010	Q1 2010	Q2 2009
Customer accounts to liabilities	90.5%	90.5%	79.2%
- Customer deposits	*61.3%*	*62.1%*	*52.2%*
- Current accounts	*29.2%*	*28.4%*	*27.0%*
Equity to total assets	11%	11%	11%
Liabilities to equity	7.9	8.0	7.7

Deposit inflow supports liabilities re-pricing

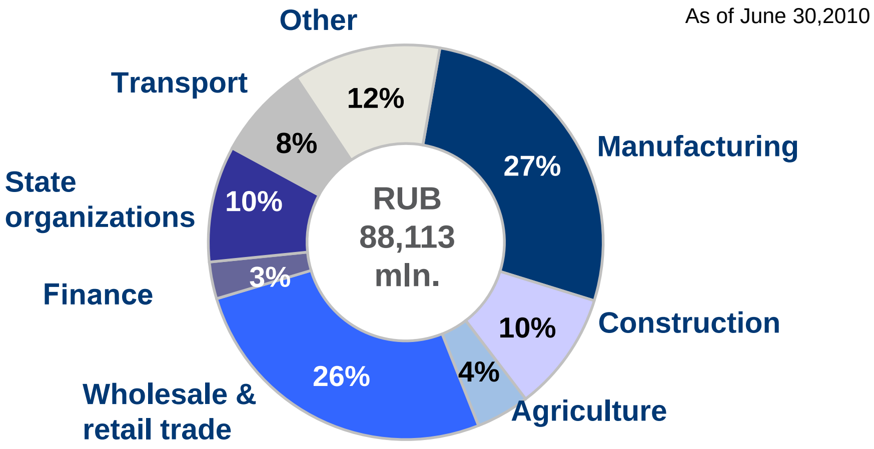


Credit quality management

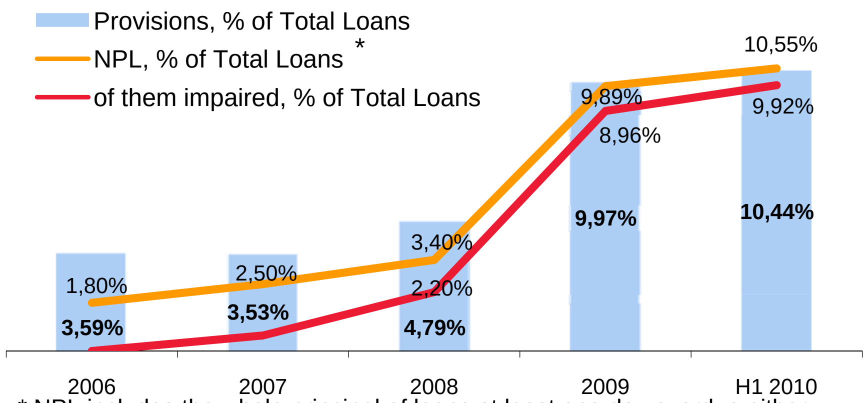
NPLs development



Diversification by industry

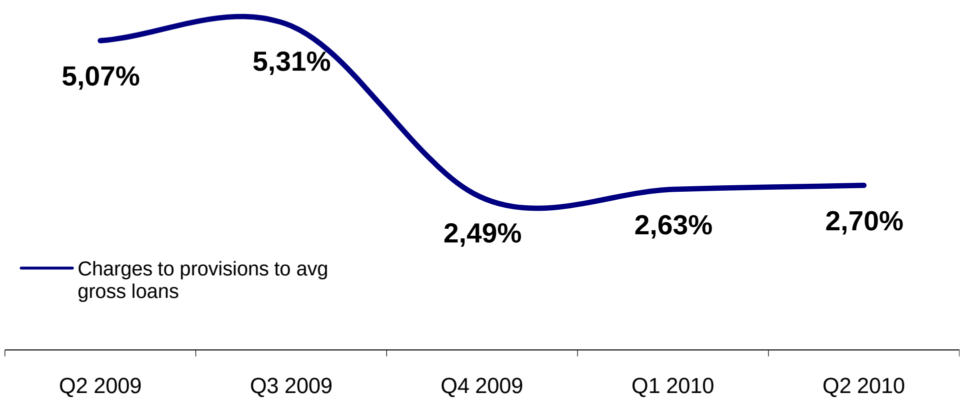


NPL Coverage ratio



* NPL includes the whole principal of loans at least one day overdue either on principal or interest

Annualized cost of risk



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Credit quality

as of 30.06.2010	Large corporate	SMEs	Mortgages	Other retail	Total	% of total loans
Gross loans, including	26,341	61,772	7,877	6,484	102,474	100.0%
Current loans	25,491	53,167	7,153	5,849	91,660	89.45%
Past-due but not impaired, of them	0	16	505	128	649	0.63%
Less than 90 days	-	16	411	128	555	0.54%
Over 90 days	-	-	94	-	94	0.09%
Impaired, of them	850	8,589	219	507	10,165	9.92%
Less than 90 days	-	2,345	-	15	2,360	2.30%
Over 90 days	850	6,244	219	492	7,805	7.62%
Total NPLs	850	8,605	724	635	10,814	10.55%
Provisions	- 1,675	- 7,979	- 443	- 597	-10,694	10.44%
Net Loans	24,666	53,793	7,434	5,887	91,780	-

Provisions to NPLs Ratio

99%

Provisions to 90+ days NPLs

135%

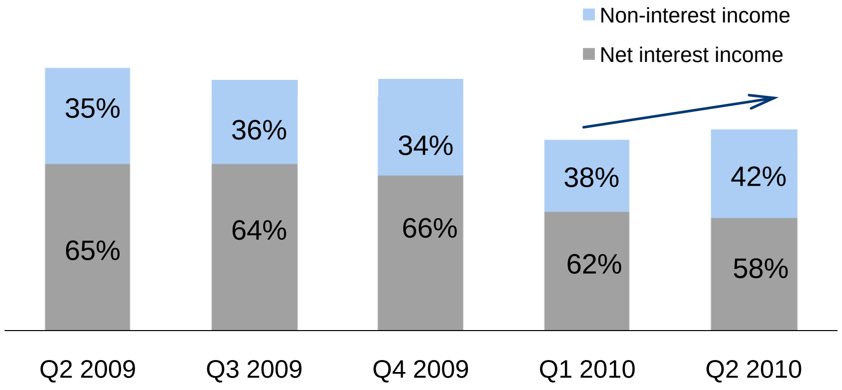
Rescheduled Loans

3.4%

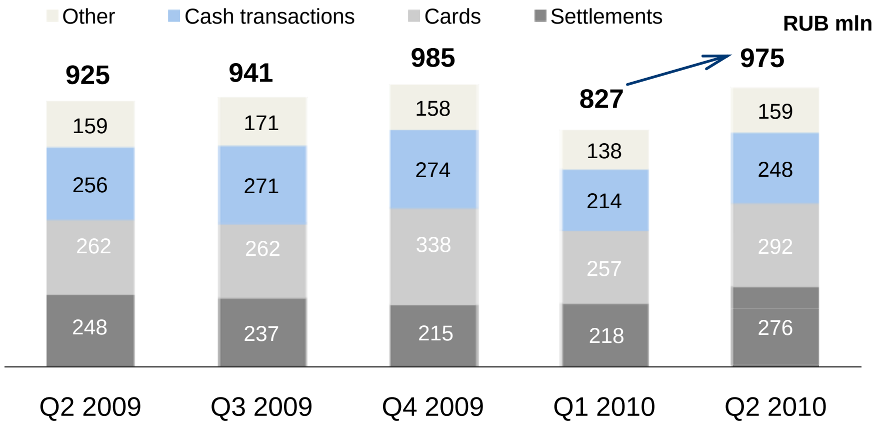
NPL - the whole amount of loans with principal overdue for more than 1 day as well as loans with any delay in interest payments.

Fee income generation

Strong non-interest income based on long-term relations with customers

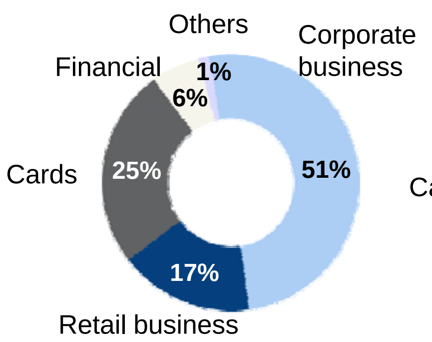


Net fee income distribution

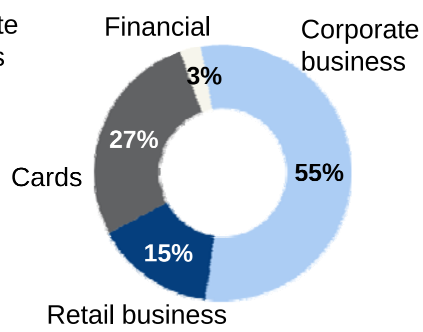


Fee income breakdown by segments

Q1 2010



Q2 2010



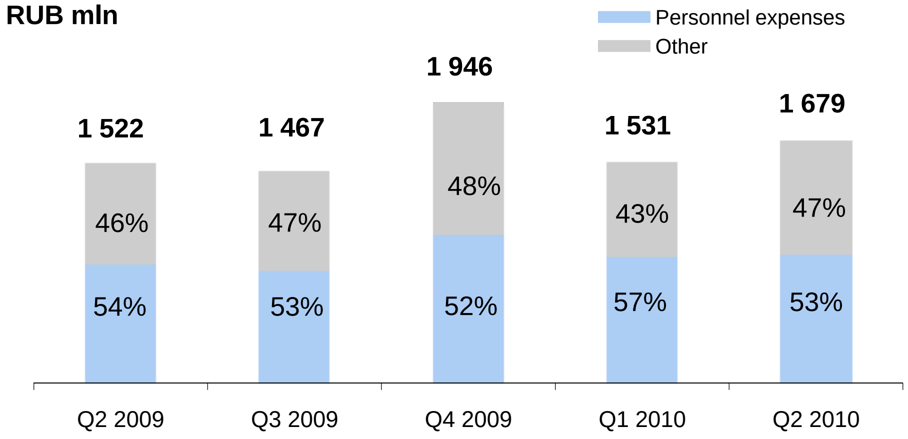
Key points

Due to falling interest rates environment we focused on enhancing fee-generating banking products and managed to grew the share of non-interest income in total operating income to 44%. 18% fee growth QoQ was mainly driven by payrolls and servicing the settlements of the customers

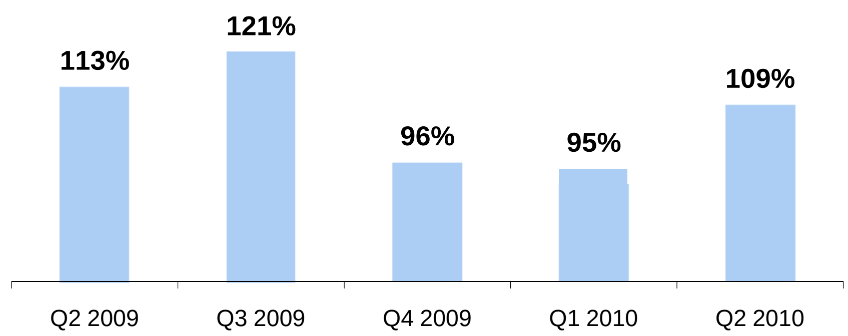
Servicing daily client’s transaction like settlements, money transfer, payments, cash collections is the base for long-term relations with customers. Fee generating products are well diversified across internal businesses and type of banking products

Strategic approach to cost management

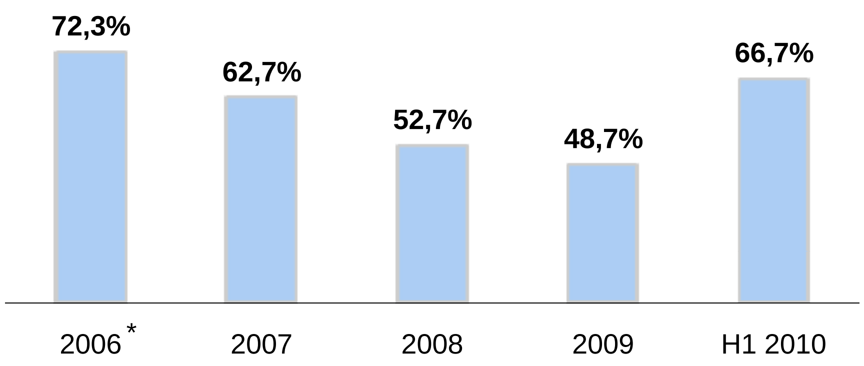
Operating expenses breakdown



Personnel expenses are fully covered by fees & commissions earned



C/I ratio



*2006 - less extraordinary items

Costs summary

Due to the increase in fees and commissions in Q2 the bank returned to 100%+ coverage of personnel expenses. Personnel expenses grew only by 2,5% in Q2 and were 109% covered by earned fees and commissions.

Operating expenses grew by 10% q-o-q partially resulted from conducted advertisement campaign and growth in IT investments in banking technologies.

Thus cost to income ratio increased by 270 bps q-o-q due to faster expenses growth.

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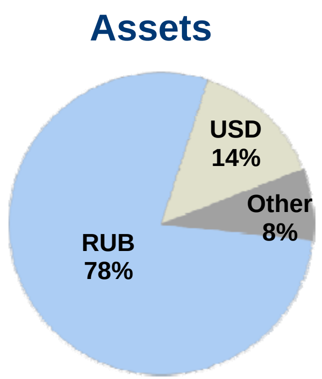
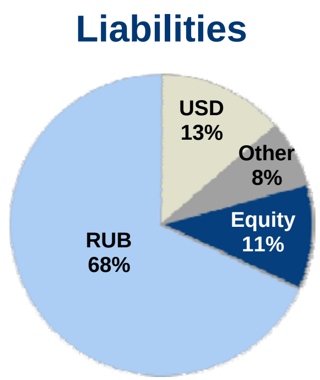
Currency and gap management, capital adequacy

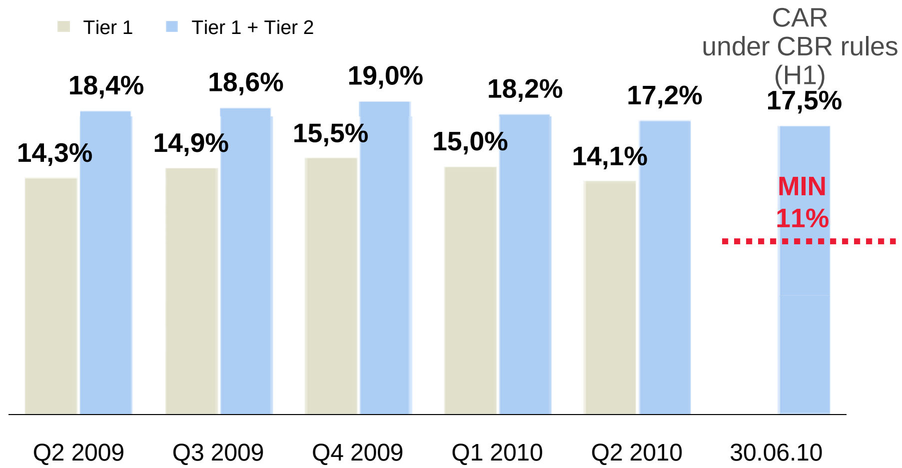
No mismatches on the balance-sheet*



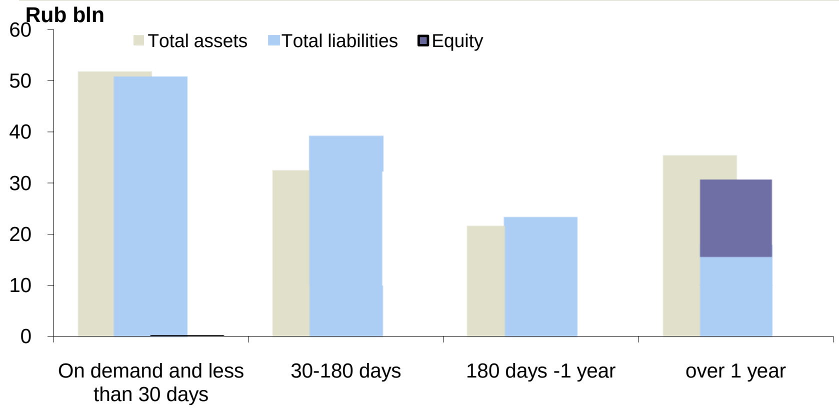


* Only monetary assets and liabilities are accounted

Strong capital position



Maturity gap**



** Based on discounted cash flows

Key points

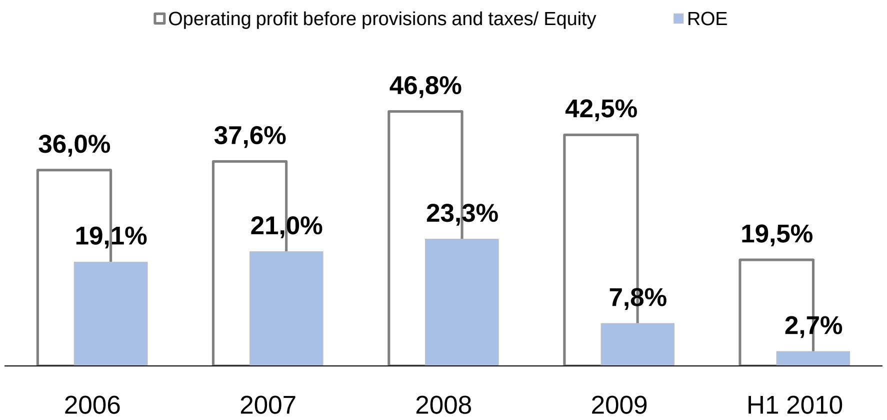
The bank's capital position of 14.1% Tier 1 and CAR of 17.2% remains comfortable anticipating future growth

The Bank adheres to policy of having no mismatches on the balance sheet in terms of currency risk with particular focus on ruble-nominated assets

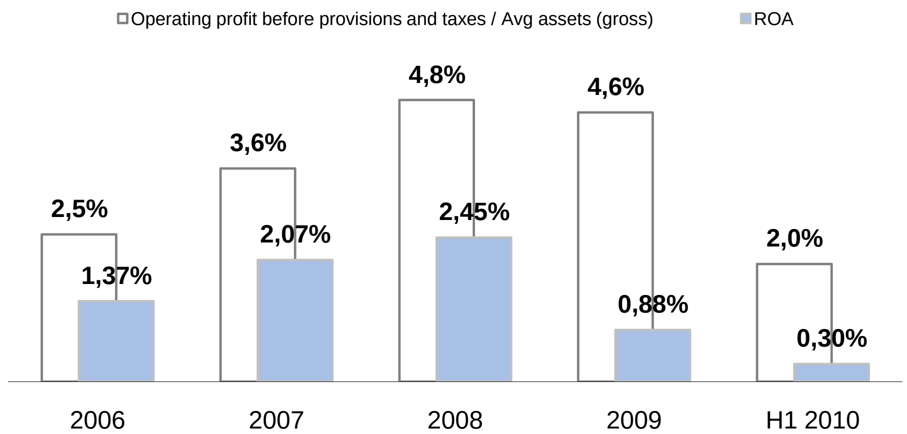
Ongoing re-pricing of liabilities leads to balanced maturity structure with the largest gap of RUB 6.9 bln (30-180 days)

Earnings generation capability

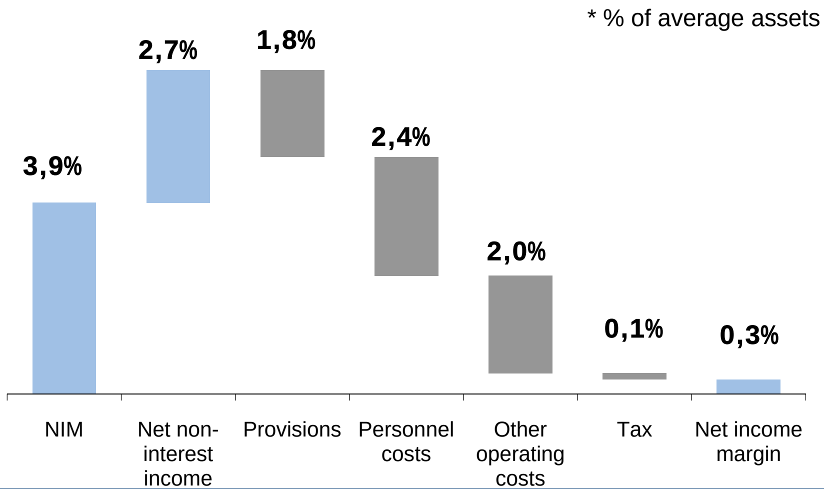
ROE, %



ROA, %



Value generation



Key points

We providing sustainable business model which allowed generating value for shareholders despite pressure on profitability.

As of the middle of the year the bank's revenue is supported by improving trends in fees-generating products, revival of demand for loans and strengthened market position in the key market - Moscow oblast.

Questions and answers

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- the Bank's anticipated capital expenditures and plans relating to expansion of the Bank's network and development of the new services;
- the Bank's expectations as to its position on the financial market and plans on development of the market segments within which the Bank operates;
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- risks related to Russian legislation, regulation and taxation;
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