

Vozrozhdenie Bank reports 6 months Net Income of RUR 342 million, under International Financial Reporting Standards.

Moscow, 7 August 2006. Vozrozhdenie Bank (VZRZ) today reported first half 2006 IFRS financial results:

- **Net income in the six months 342 million rubles (\$12.3 million), up 139% to the 1H 2005**
- **Return On Equity (ROE) at 19.9%, above 2005 average of 18.5%**
- **Six month earnings per share increased to 17 rubles from 8 rubles in 1H 2005**
- **Equity grew by 28%, assets by 47%, compared to July 1, 2005**
- **Common Share issue raises 1.5 billion rubles (\$54 million) new equity**

The financial and business results of Vozrozhdenie Bank continue to be strong. Net income in the first six months was 342 million rubles (\$12.3 million) more than double the first six months of last year. Return on equity at 19.9% increased from the last year's average of 18.5%. Margins on lending business remained strong and non-interest income increased by 44% compared to the same period of the last year.

Although the bank's operating expenses are also growing strongly as the volume of business and services is expanding, the 40% increase in operating expenses is less than the growth in net interest or non-interest revenue. The bank's efficiency has increased, measured by a drop in the cost to income ratio to 70% from an average last year of 76%. Deposit and debit card balances from individuals have grown to two-thirds of the bank's funding, supported by the strong branch presence and retail strength.

Vozrozhdenie Bank had celebrated its 15th anniversary in April, 2006 and launched a new branding and marketing program focused on its relationship based strategy. "Building a successful Russian bank over the last fifteen years has been based on our understanding of our customers and helping them to understand banking services. This partnership based on a trusting relationship creates the solid foundation and the strength of our bank. The financial results are important, but our relationships with clients are more important as we help our individual customers improve their lives and our business customers improve their businesses," commented Vozrozhdenie Bank's Chairman, Dmitry Orlov.

Net Interest Income grew 68% comparing to the 1H 2005 and its growth rate exceeded that of average assets being 53%. From the beginning of the year provisions for potential loan losses decreased to 4.4% of total loans. The level of problem loans in both the retail and commercial portfolios remained very low, 1.3% of total loans.

Operating income grew 59% to RUR 2,327 million (\$84 million). Non-interest income provided 48% of operating revenue in the first half of 2006. Net commissions comprised 88% of non-interest revenue for 6 months of 2006 up from 79% in the same period of last year.

Operating expenses grew 40% as volumes increased and the branch network expanded. The ratio of cost to operating income before loan loss provision has dropped from 76% for the full year 2005 to 70% in the first half of 2006.

Pre-tax income in the first half of 2006 increased 156% to 466 million rubles. After tax net profit of 342 million rubles compares to 143 million rubles in the same period of 2005.

Assets increased at an annual rate of 36% to reach RUR 57,262 million. For the first time the assets of the bank, in dollar terms, exceeded \$2 billion. Loans to individuals continue to grow rapidly, particularly mortgages. More than 1,8 billion rubles of new mortgages were issued in the first half of 2006, that is almost 40% more than during the whole period of 2005.

Equity rose to RUR 3,615 million (\$130 million) at the end of June 2006 due to retention of earnings, up 28% from a year ago.

In July Vozrozhdenie Bank issued 2 million new common shares at a price of 729 rubles (\$27) to raise 1.5 billion rubles of new equity (\$54 million) in total. This will be added to the balance sheet equity after the Central Bank of Russia has approved the registration of the shares, which is expected before the end of August.

Vozrozhdenie Bank opened 7 new branches within the first half of 2006. 141 sales outlets and 417 ATMs operate by the end of the first half of 2006. Vozrozhdenie Bank is the 10th largest Russian bank by the volume of deposits from individuals and the 9th largest issuer of new mortgages for purchasing residences.

Vozrozhdenie Bank provides personal banking and business services to clients throughout the Russian Federation. Vozrozhdenie Bank serves more than 40,000 corporate clients, and over 900,000 individuals. We are successful because we focus on the needs of our clients totally.

The bank's full IFRS reports are available at: www.vbank.ru

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Vozrozhdenie Bank
Balance Sheet as at July 01, 2006

(in million of Russian Rubles)

1 USD = 28.79 Russian Ruble as at January 01, 2006

1 USD = 27.08 Russian Ruble as at July 01, 2006

	July 01, 2006	Jan 01, 2006
Assets		
Cash and cash equivalents	8 550	8 478
Mandatory cash balances with the Central Bank of the Russian Federation	1 112	923
Trading securities	3 600	2 342
Due from banks	1 262	3 078
Loans and advances to customers	39 314	30 774
Premises, equipment and intangible assets	2 160	1 972
Other assets	1 264	1 542
Total assets	57 262	49 109
Liabilities		
Due to banks	193	113
Customer accounts	46 668	40 112
Debt securities in issue	4 693	4 131
Long-term subordinated loans	1 505	1 223
Other liabilities	588	257
Total liabilities	53 647	45 836
Shareholders' equity		
Share capital	4 377	4 377
Share premium	1 735	1 735
Accumulated deficit	(2 497)	(2 839)
Revaluation reserve for investment securities available for sale	-	-
Total shareholders' equity	3 615	3 273
Total liabilities and shareholders' equity	57 262	49 109

Vozrozhdenie Bank
Statement of Income as at July 01, 2006

(in million of Russian Rubles)

1 USD = 28.67 Russian Ruble as at July 01, 2005

1 USD = 27.08 Russian Ruble as at July 01, 2006

	6 months 2006	6 months 2005
Interest income	2 746	1 738
Interest expense	(1 309)	(885)
Net interest income	1 437	853
Provision/Recovery of provision for loan impairment	(229)	(170)
Net interest income after provision for loan impairment	1 208	683
Gains less losses arising from trading securities	(2)	69
Gains less losses arising from trading in foreign currencies	(12)	51
Foreign exchange translation gains less losses	104	(1)
Fee and commission income	1 046	649
Fee and commission expense	(60)	(36)
Dividend income	12	10
Other operating income	31	35
Operating income	2 327	1 460
Operating expenses	(1 785)	(1 278)
Losses from disposal of loans and advances to customers	(76)	-
Profit before taxation	466	182
Income tax expense	(124)	(39)
Net profit	342	143
Basic earnings per share (expressed in RR per share)	17	8
Diluted earnings per share (expressed in RR per share)	17	8