9M 2008 Results Call

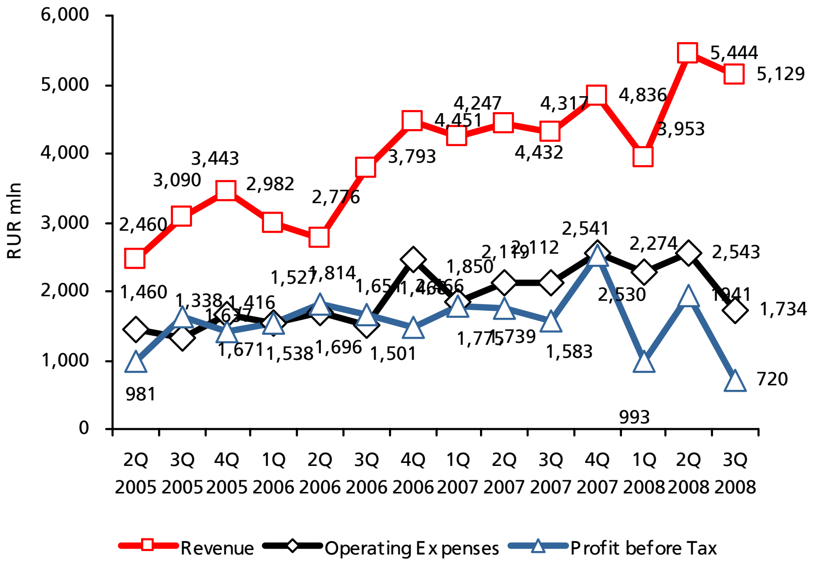
12 December 2008

9 months 2008 : Financial highlights

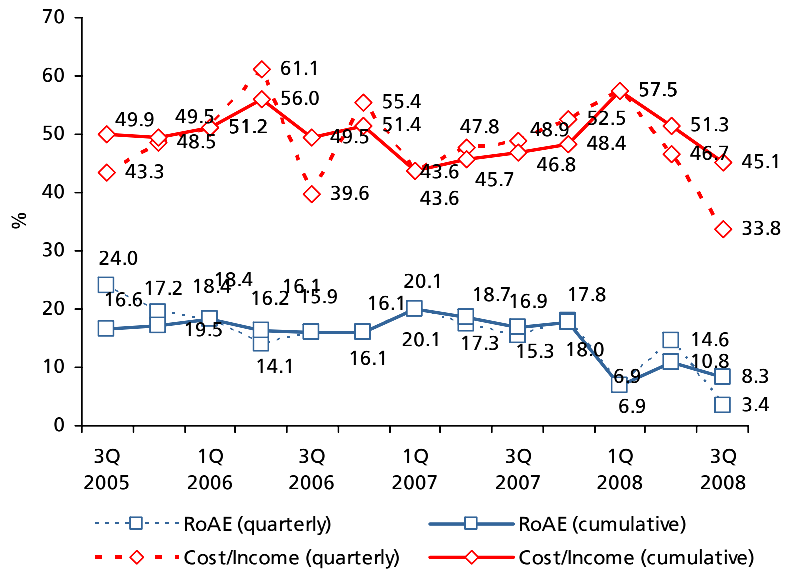
- Net profit after tax for 9M08 reached RUR 2,502 mln, down 35.1% vs. 9M07 (RUR 3,855 mln);
  - Revenue stood at RUR 14,526 mln, an increase of 11.8% y-o-y;
  - The cost-to-income ratio improved to 45.1% from 46.8%; operating expenses improved by 31.8% q-o-q due to measures implemented to enhance cost-efficiency;
  - Provision coverage of non-performing loans increased from 131.7% as of 1H08 to 145.6% as of 9M08 (166.8% for the corporate and investment banking book and 120.6% for the retail book). The bank will continue to record adequate provisions based on its assessment of the of the loan portfolio's risk profile.
- Total assets increased by 3.8%, totaling RUR 333,858 mln (YE 2007: RUR 321,482 mln);
  - The main driver for asset increases was loan portfolio growth of 23.3%, reaching RUR 230,008 mln (YE 2007: RUR 186,505 mln). Starting in 3Q08, MDM Bank has been adjusting its loan policy to tighten underwriting criteria, while loan portfolio growth has been suspended;
  - Excess liquidity is approximately USD 1.7 bln;
  - Overall, the deposit base (ex. LTB) was stable during 3Q08;
  - Total equity grew by 5.7% as compared to YE 2007, and totaled RUR 41,128 mln (YE 2007: RUR 38,898 mln);
  - Exposure to the real estate and construction sectors declined from 25% as of YE 2007 to 17.7% as of 3Q08;
  - The bank's proprietary trading securities portfolio declined by 97.1%, reaching RUR 314 mln (USD 12.4 mln).

Profitability & Efficiency

Income Statement



Quarterly ROAE & Cost / Income

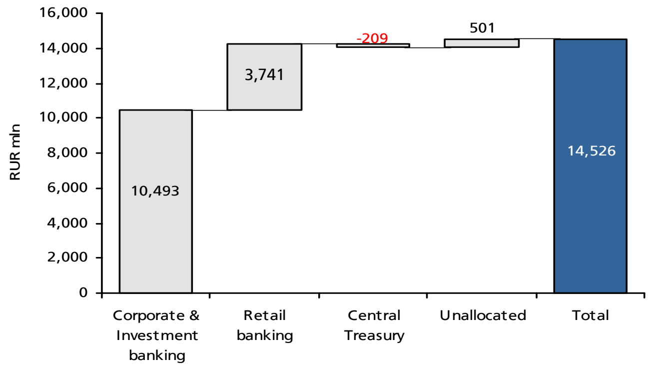


Cost / Income decreased in 3Q08, while revenues declined only slightly as compared to 2Q08. Cost reductions are expected to continue in 4Q08.

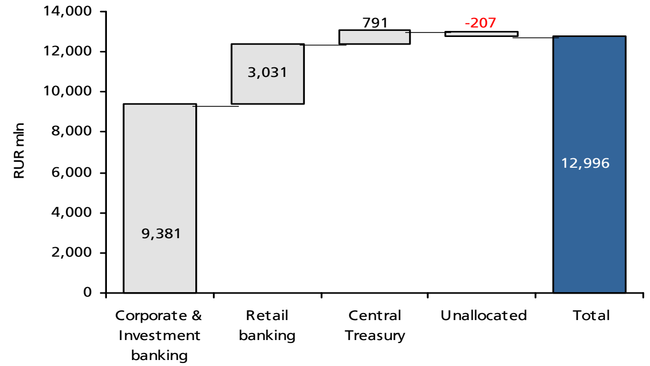
Note: 2007 and 2008 numbers: MDM Bank IFRS financial statements; prior periods: MDM Financial Group IFRS financial statements

Revenue Structure by Business Lines

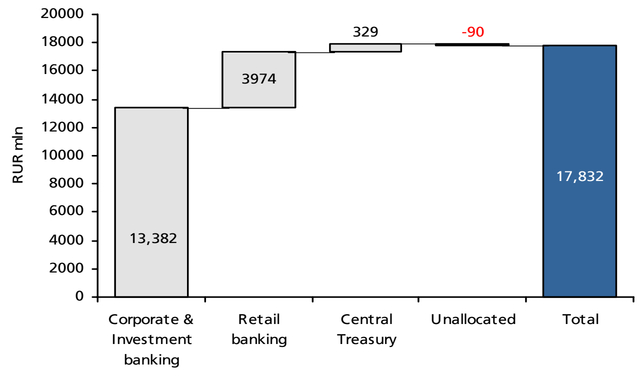
9M08



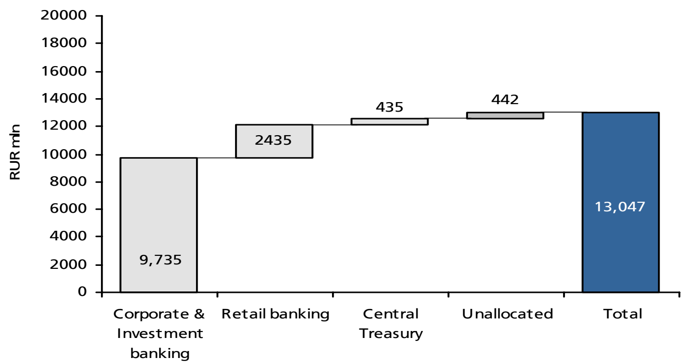
9M07



YE 2007



YE 2006

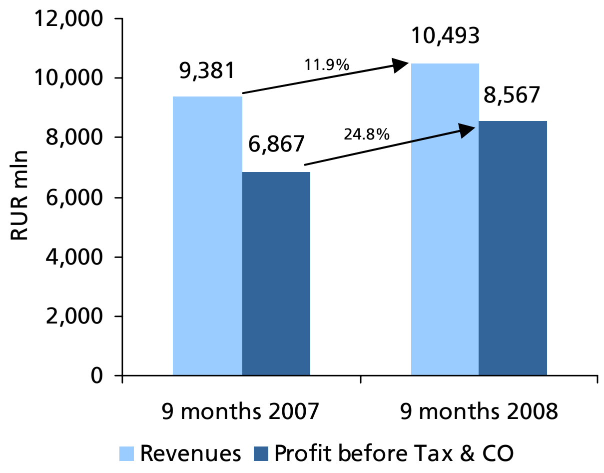


Retail revenues (includes both small business and consumer banking) increased by 23.4% in 9M08. CIB revenues increased by 11.9%. The share of retail revenues in 9M08 increased to 25.8% from 23.3% during 9M07.

Corporate & Investment Banking (CIB)

- CIB includes corporate banking, investment banking and financial markets, private banking, asset management, and leasing;
- CIB accounts for 72.2% of the bank's revenues;
- This segment benefits from the strong expansion of its customer base, which currently stands at approximately 11,000. Customer deposits, excluding LTB (RUR 23,936 mln), totaled RUR 95,339 mln;
- Strong growth in assets over 9 months (20.4%, to RUR 246,609 mln). Growth rates in liabilities slowed but are still positive compared to YE (up by 7.2%, over 9M08 to RUR 186,660 mln);
- Lending volumes peaked in September (CIB portfolio amounted to RUR173,534 mln); further portfolio build-up has been ceased to focus on quality of the existing portfolio. The focus remains on strengthening the deposit base (up by 17.3% from year-end level);
- Maintained leading position in financial markets (foreign exchange, money markets, bullion).

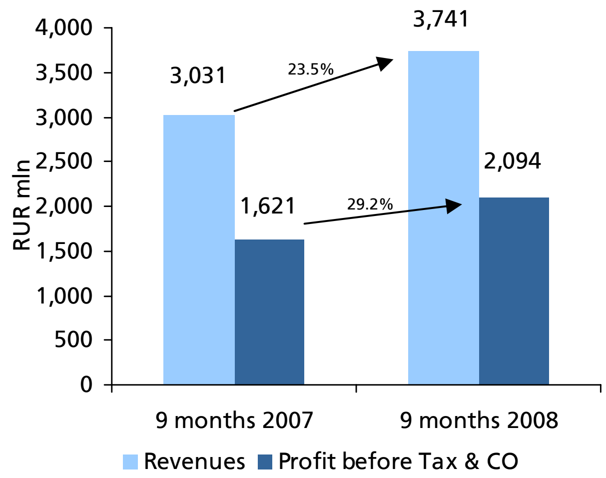
Revenues before provisions and profit before tax and central overheads



Retail Banking

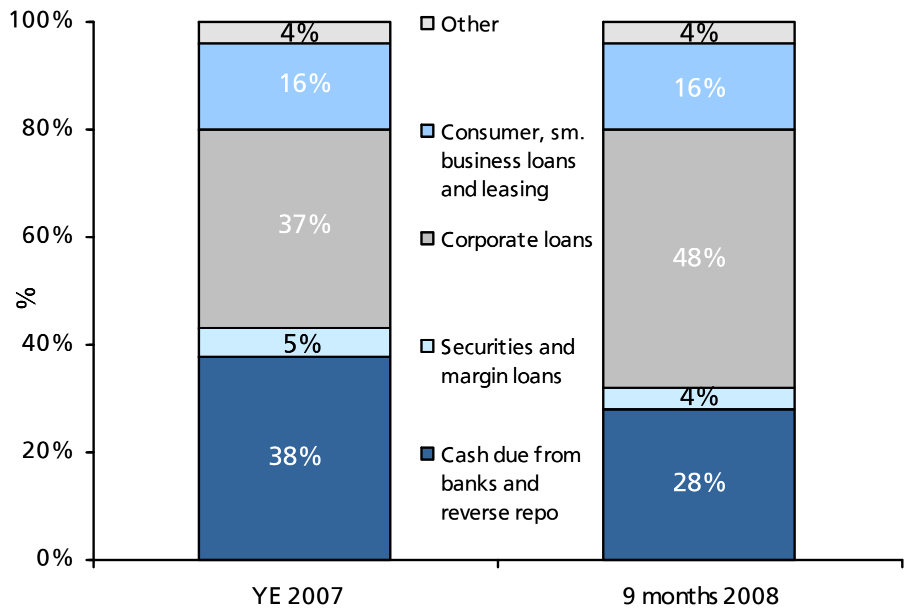
- In 2Q08, the retail and network development units were combined to increase efficiency, as well as to focus on business development and customer service;
- 9M08 retail revenues totaled RUR3,741 mln, an increase of 23.4% y-o-y (9M07: RUR 3,031 mln);
- A significant expansion of the bank's ATM network was undertaken: over 520 ATMs were installed in Moscow and regions during the period;
- Retail and SME deposits grew from RUR14,669 mln to RUR17,347 mln;
- The bank's small business loan portfolio increased from RUR 8,214 mln to RUR 14,107 mln (growth of 71.7% over YE 2007). The share of non-performing loans remained unchanged over 3Q08.

Revenues before provisions & profit before tax and central overheads

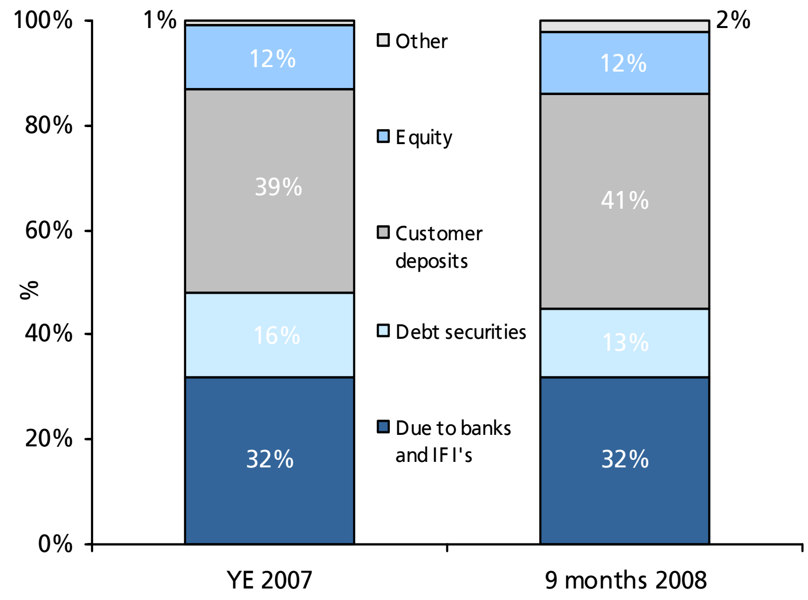


Structure of Assets & Liabilities

Assets



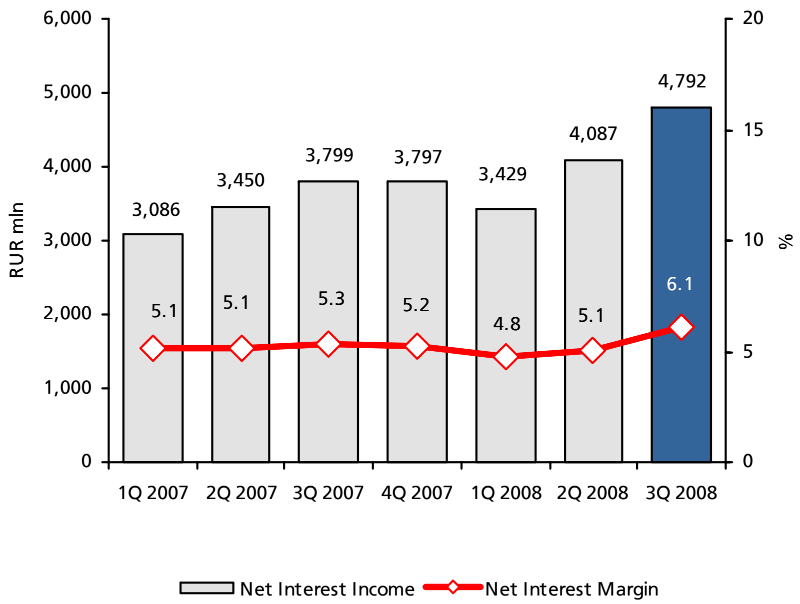
Liabilities



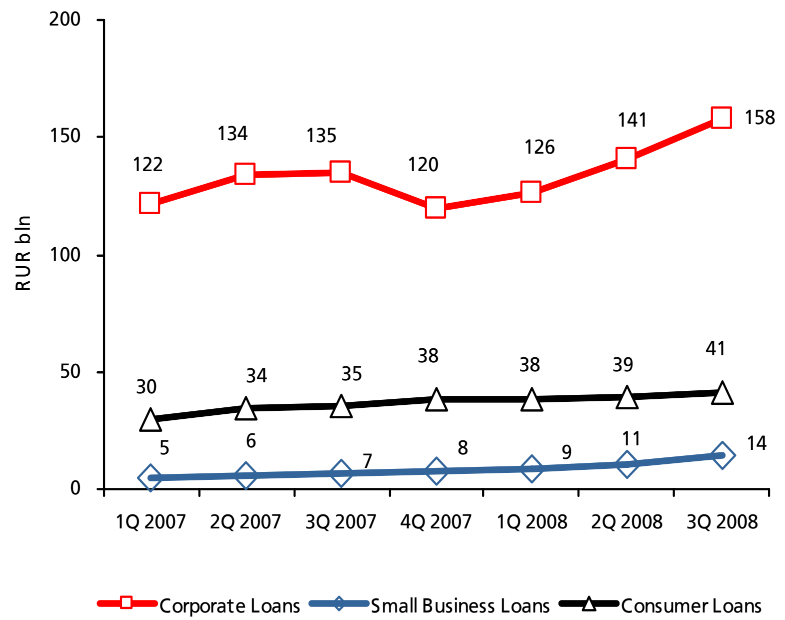
The focus on increasing customer deposits has helped to increase their share in the liabilities structure, while on the assets side the share of loans to customers remained unchanged.

Net Interest Income & Loan Growth

Net interest income & net interest margin



Gross loans (small business, retail, corporate)

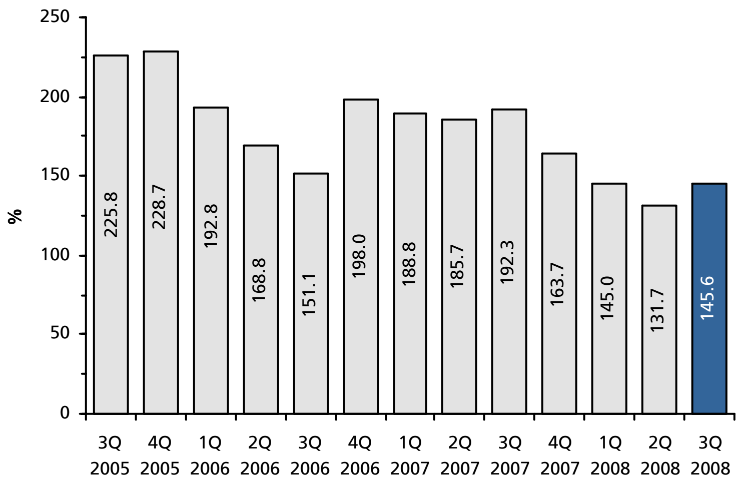


The net interest margin increased in 3Q08 on growth in lending rates. The margin is expected to stay over 5.0% for 2008.

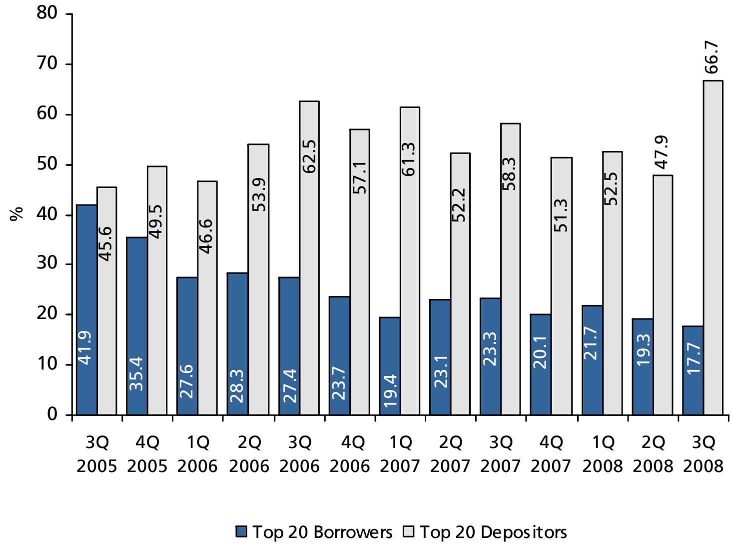
Note: 2007 and 2008 numbers: MDM Bank IFRS financial statements; prior periods: MDM Financial Group IFRS financial statements

Concentration & NPL Coverage

Coverage of NPLs by Provision



Top 20 Borrowers / Depositors

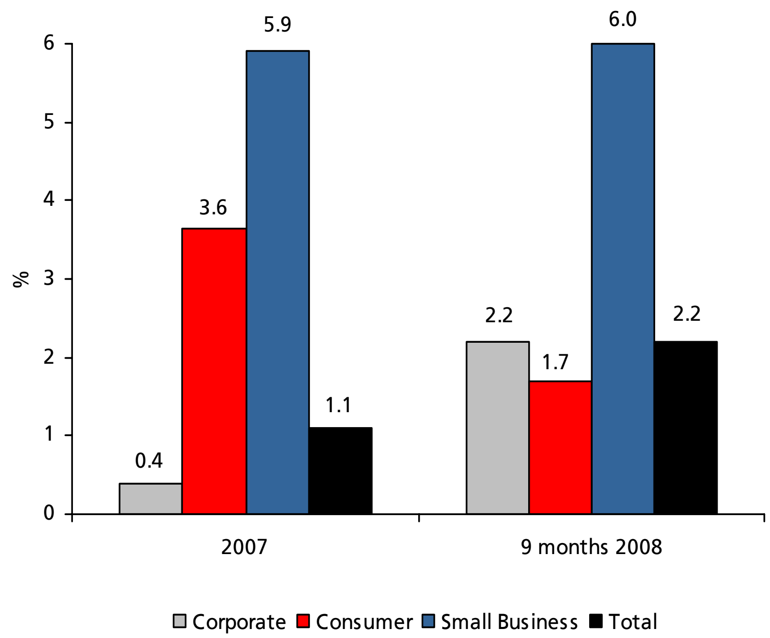


Note: as a % of gross loans / customers accounts, including off-balance sheet items and excluding claims under reverse repurchase agreements fully secured by traded securities and margin loans

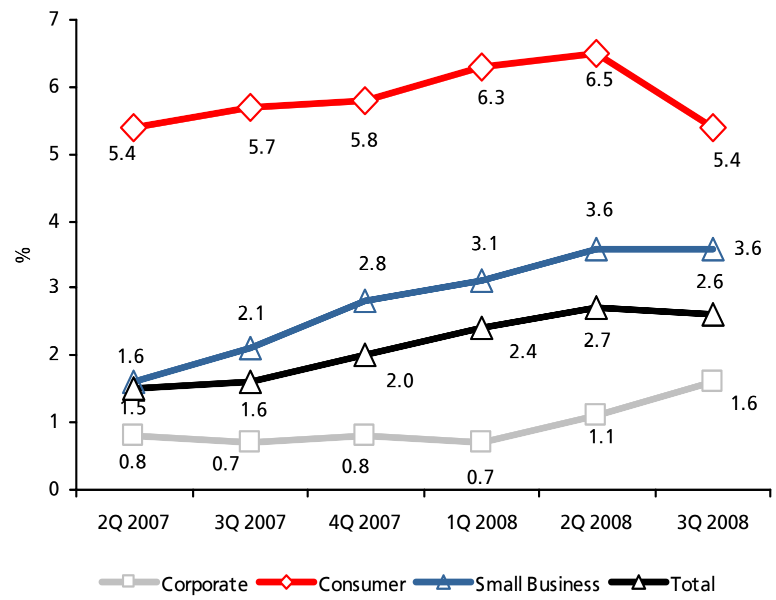
Provision coverage increased to 145.6% and is expected to stay around the current level, or somewhat higher, throughout 2008 and 2009. Total exposure to the top 20 borrowers further decreased to 17.7% of the total portfolio (including off-balance sheet items, but excluding reverse repurchase agreements and margin loans). Depositor concentration increased since overall deposit base decreased by 22.1% q-o-q due to outflow of volatile LTB deposits.

Asset Quality Trends (1/2)

Cost of Risk (annualized)*



NPLs as % of Retail, Corporate & Total Loans



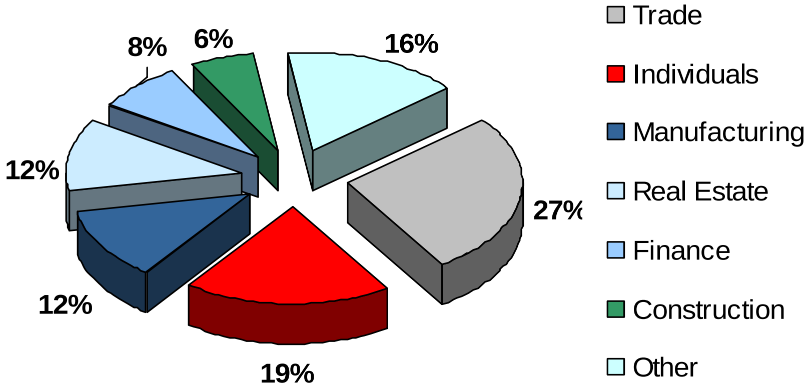
The cost of risk, or the provisioning expense over average risk exposure, increased from 1.1% to 2.2%, however improved significantly on consumer loans as a result of tightened underwriting criteria and due to a partial sale of NPLs on the consumer book. NPLs on the small business book stabilized.

* - provisioning expense over average risk exposure

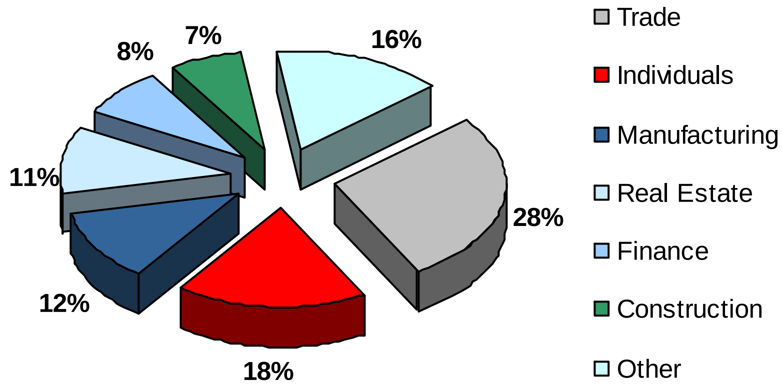
Note: Data for MDM Bank according to IFRS

Asset Quality Trends (2/2)

Loan Industry Breakdown (1H08)



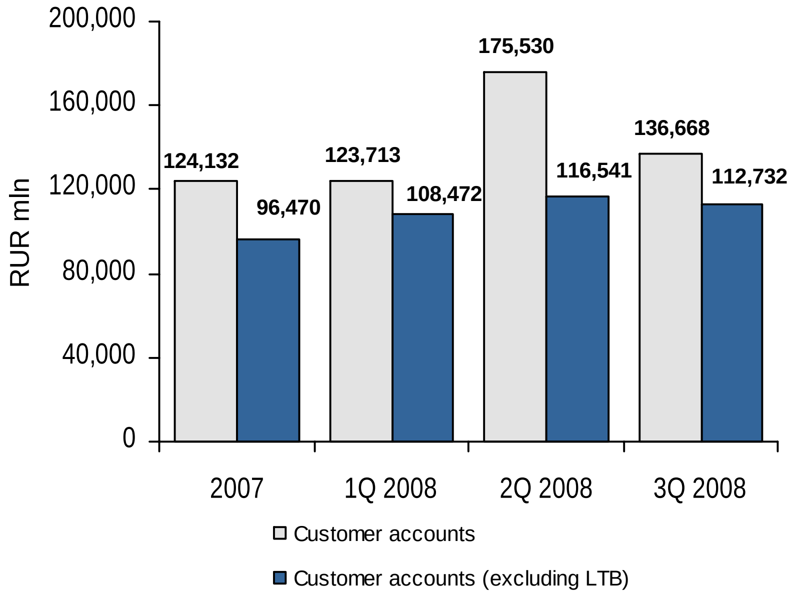
Loan Industry Breakdown (9M08)



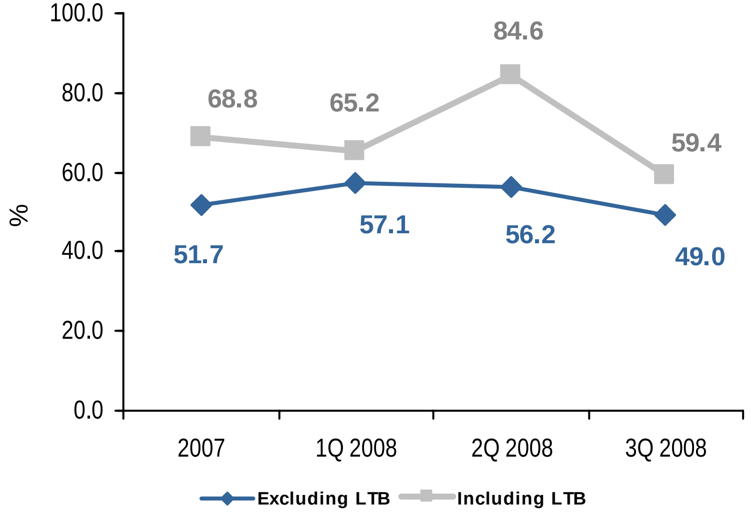
Note: MDM Bank IFRS financial statements

Funding Base: Customer Funding

Customer Accounts



Customer Accounts / Gross Loans Ratio

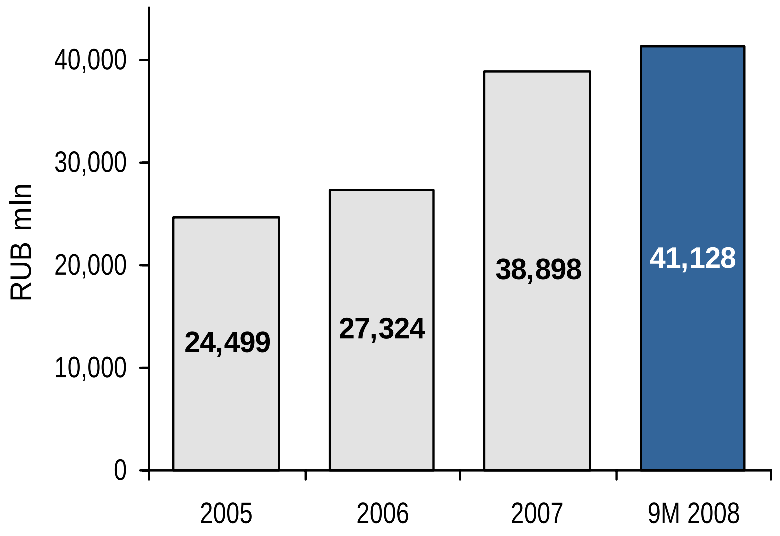


The deposits to loans ratio remained stable during 3Q08. The bank witnessed an outflow of customer deposits during September-October 2008, which has been significantly recovered in November 2008.

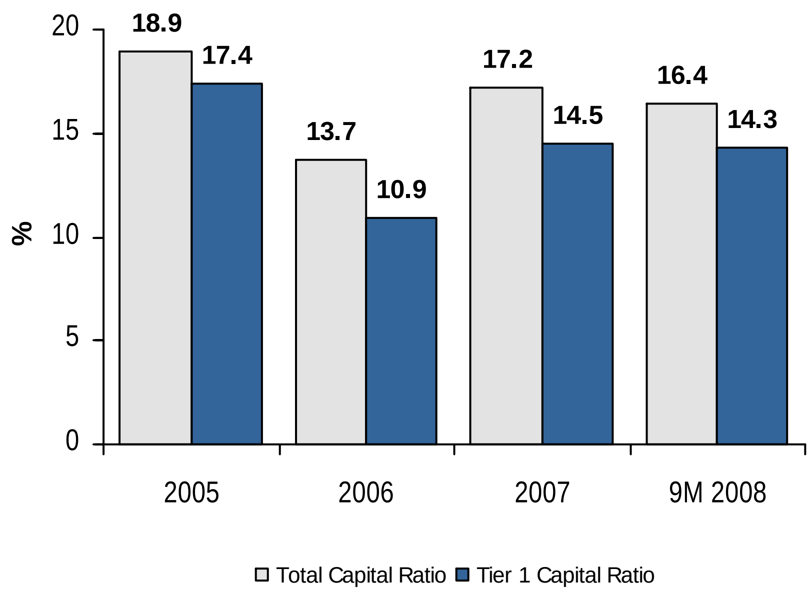
Note: 2007 numbers: MDM Bank IFRS financial statements; prior periods: MDM Financial Group IFRS financial statements

Capitalization

Total Equity



Capitalization

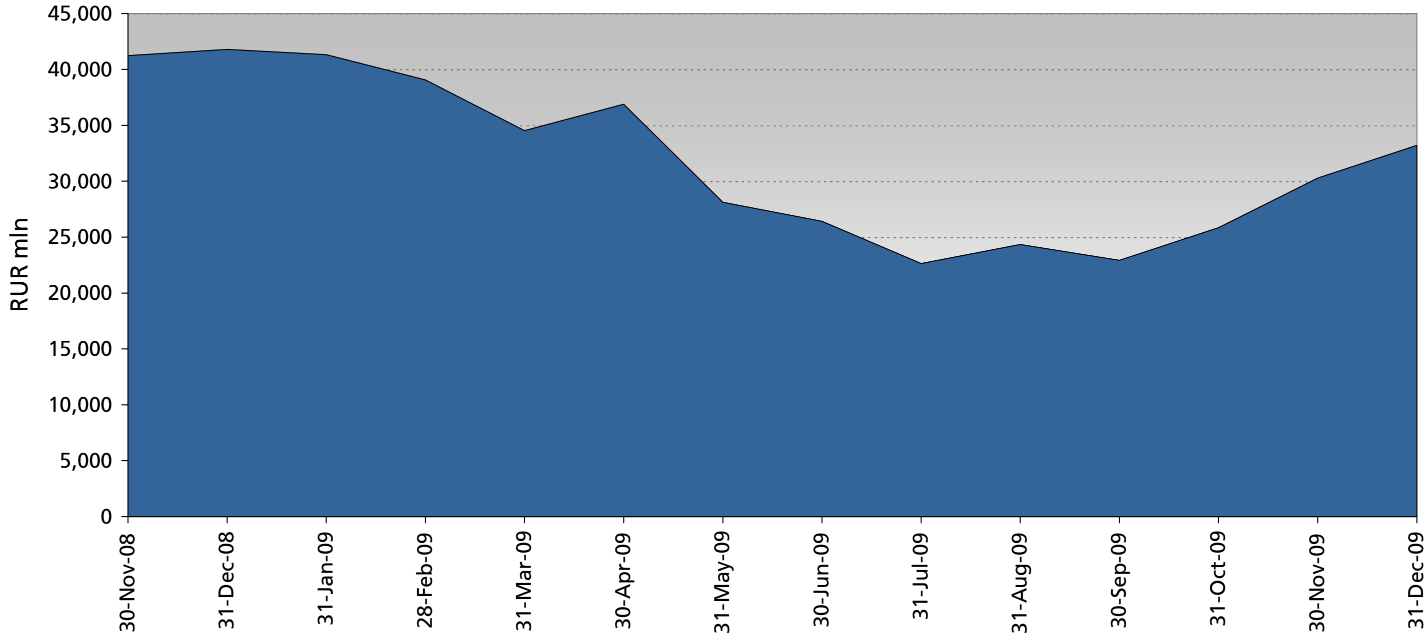


Note: Data for MDM Bank according to IFRS

Liquidity Update

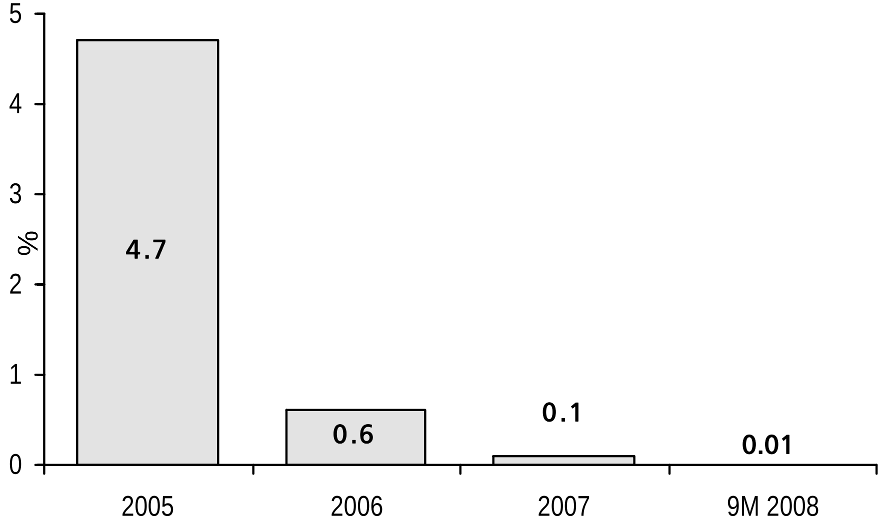
- Since August 2007 the bank has maintained excess liquidity;
- The cumulative liquidity gap remained extremely strong in 3Q08.
- The bank's liquidity cushion currently stands at approximately USD1.7 bln;
- The current liquidity plan assumes no wholesale international borrowing throughout 2009;
- Total liabilities maturing up to year-end 2008: approximately USD 250 mln (up to year-end 2009 – approx. USD700 mln).

Cumulative liquidity gap as of 30 November 2008

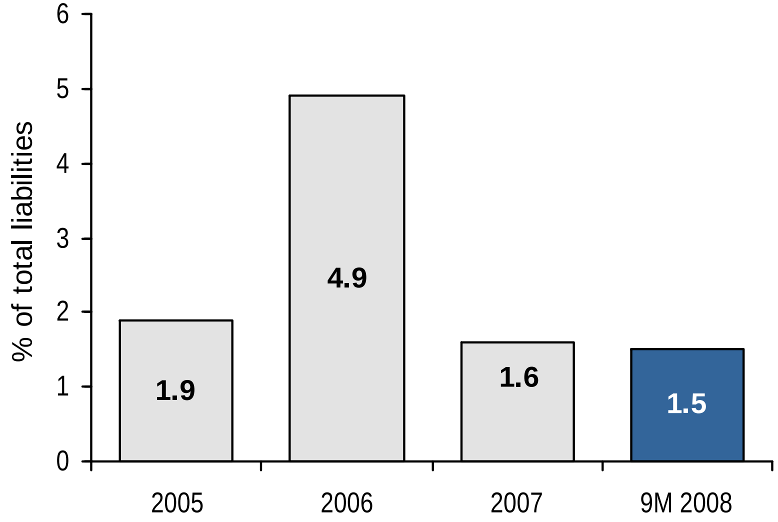


Related Party Business

Related Party Exposure / Total Assets



Related Party Customer Accounts



Note: 2007 data – MDM Bank IFRS financial statements; prior periods – MDM Financial Group IFRS financial statements

Key Targets for Next 6-12 Months

Last year, MDM Bank was one of the first Russian banks to address the early warning signs of a potential economic slowdown. The decisive, early actions taken by the management and the board of directors have allowed the bank to meet the current crisis better prepared than most. In line with the changing economic situation, MDM Bank's strategic targets for the next 6-12 months have been updated:

- Deposit base growth. Customer accounts currently stand at approximately USD 4.5 bln (including current accounts; excluding Latvian Trade Bank (LTB), Central Bank (CBR) and Ministry of Finance (MinFin) accounts). The bank aims to expand this by 50% to USD 6 bln.
  - *Customer accounts (excluding LTB, CBR and MinFin) have increased by 16.9% since January 1. MDM Bank has introduced new and innovative deposit products to keep existing corporate and retail clients and to attract new ones. The training, KPIs and bonus system for front-office managers have been updated to stimulate deposit growth.*
- Excess liquidity on the bank's balance sheet should be maintained at a level not less than USD 1.6 bln.
  - *MDM bank currently holds approximately USD 1.7 bln in excess liquidity on its balance sheet. The management believes this level would, if necessary, allow the bank to operate in an acute crisis for at least six months.*
- ROAE no less than 10%. This figure assumes 2009 net profit at around USD 190 mln
  - *In 9M08, the cost/income ratio was reduced to 45.1%, and costs are continuing to fall in 4Q08. Cost cutting measures in the third and fourth quarters of this year will improve this rate for the foreseeable future.*
- Market share expansion (by profits) relative to peers in the SME segment.
  - *The bank's small business credit portfolio continues to grow, and recently surpassed USD 570 mln. Asset quality is stable. Underwriting criteria has been tightened.*
- Maintain statutory capital adequacy ratio above 12%
  - *The bank's statutory capital adequacy ratio currently stands at 12.7%*

Outlook for YE 2008 and Beyond…

- Lending growth halted to year end, expected to gradually re-start in 2009;
- Excess liquidity will be maintained at level more than adequate to cover all international financing through YE 2009;
- Network expansion will continue to YE – further development will be dependent on merger plans;
- Bank's budget assuming no international financing at least to YE 2009;
- Net profit expected to reach RUR 2.7 bln on higher provisioning charges;
- Provision coverage of NPLs to remain around 150%;
- Outlook and budget (base scenario) for 2009 based on crisis "bottoming out" not earlier than YE 2009.

Appendix: MDM Bank + URSA Bank Planned Merger

Executive Summary

- The current environment is challenging, but also offers unique opportunities like the proposed transaction;
- This merger out of strength creates a leading universal bank with systemic importance consistent with the strategy to develop a balanced franchise;
- Improved geographical, product and business (funding and lending) diversification with a strong footprint in retail and corporate banking;
- In-market, friendly and mutual merger with full shareholder support and without financing needs limits execution risks – further mitigated by a credible M&A track record;
- The transaction structure links the two banks and also allows enough time to address any outstanding issues, while it complies with legislation;
- Material revenue and cost synergies from complementary business models and better leverage of existing infrastructure;
- Stronger position to attract and retain retail deposits, while wholesale funding should get cheaper over time.

Transaction Overview: Structure

Structure

Stage 1: Russian-based holding company (CJSC “Bank Holding MDM”, currently the majority shareholder of MDM) consolidates controlling stakes at MDM and URSA

- URSA shareholders and MDM minority shareholders exchange their shares for shares in Holding Company (by way of contribution to charter capital of the Holding Company), thus making Holding Company the controlling shareholder of both banks.
- Two banks continue to operate separately

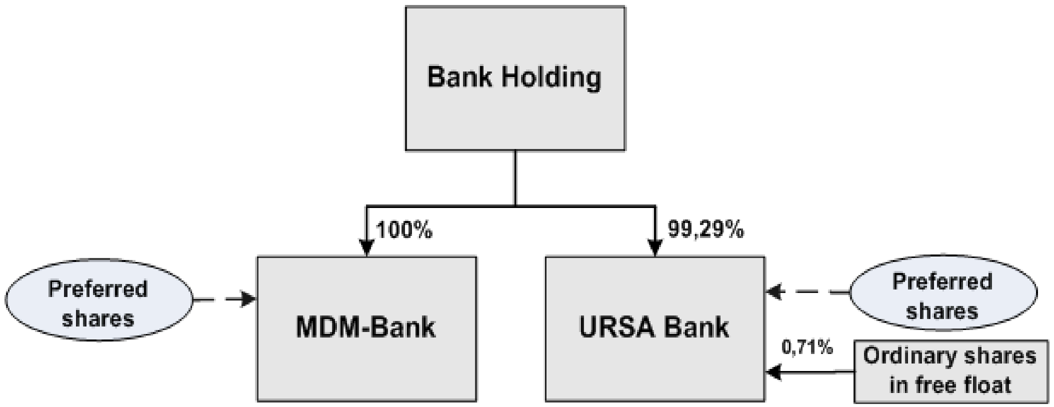
Stage 2: MDM and URSA Bank undergo a legal merger

- Shares of URSA Bank and MDM Bank converted into shares of the Merged Bank.
- Holding Company becomes the controlling shareholder of the Merged Bank

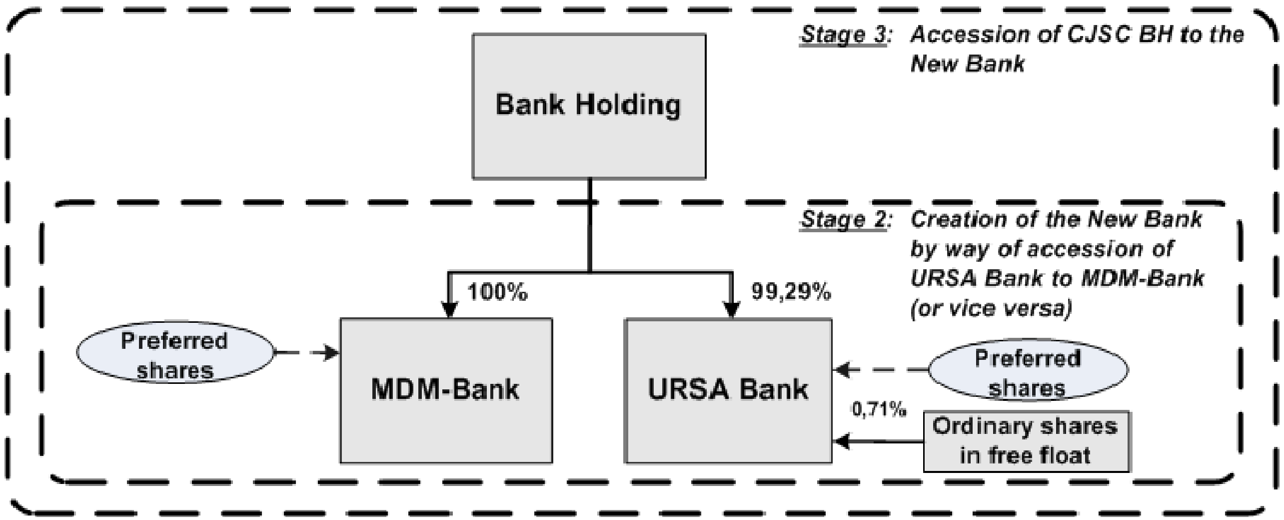
Stage 3: Transition to direct ownership in the Merged Bank

- Holding Company will be merged into the Merged Bank

Transaction Overview: Legal Structure



Step 1: Shareholders of URSA Bank contribute URSA Bank shares to the charter capital of Bank Holding.

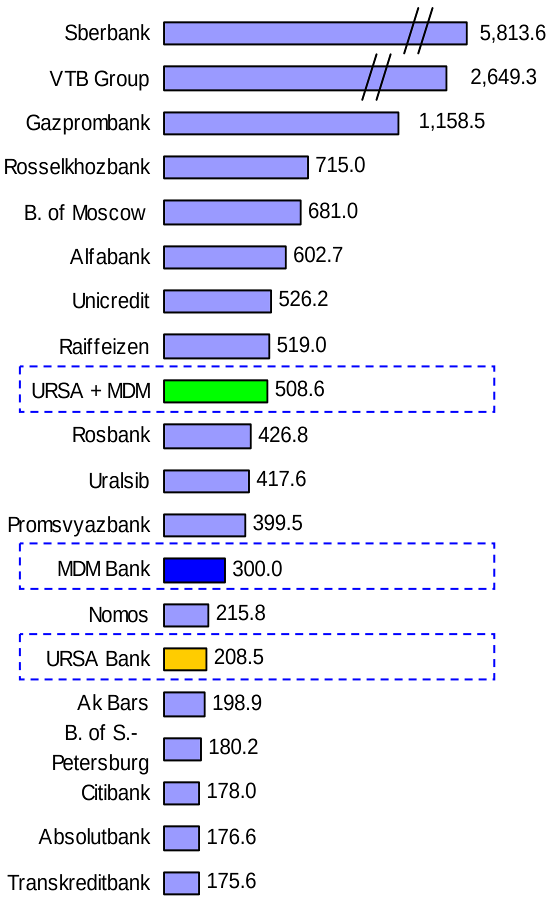


Transaction Overview: Structure

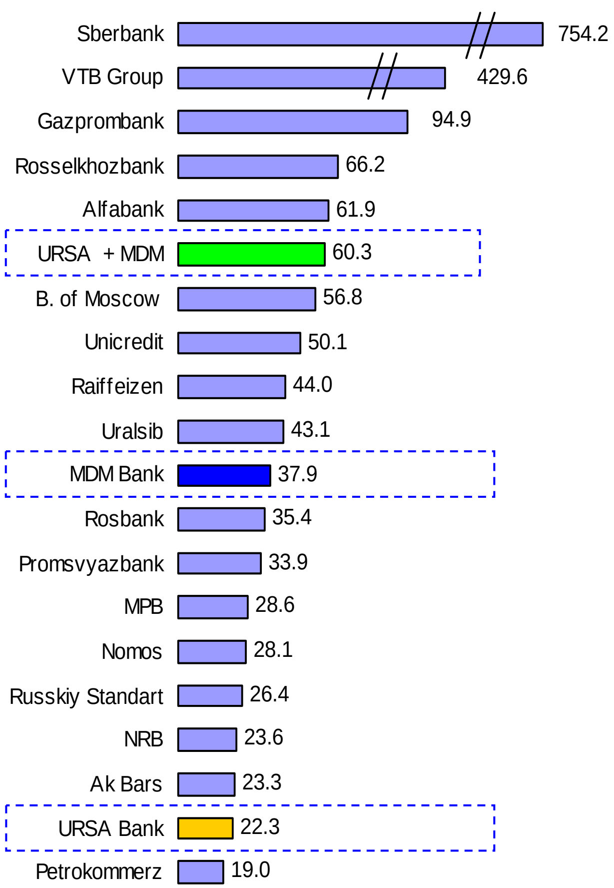
Rationale Structure	The structure of the transaction addresses key issues • Links the banks and at the same time allows enough time to address any outstanding issues; • Complies with current legislation; • Minimal timing; • Optimal tax burden;
Shareholders	• Conversion factor will be determined based on book value of adjusted net assets; • Mr. Popov and Mr. Kim will jointly maintain controlling stake in the Merged Bank; • Preferred shares of both banks will not be contributed to the Holding Company at stage 1. They will then be converted into preference shares of the Merged Bank at stage 2.

Key Synergies: Creating a Market Leader

Assets, RUR mln



Equity, RUR mln



The Merged Bank becomes a **leading private bank** in Russia with assets over RUR 500 bln and equity over RUR 60 bln

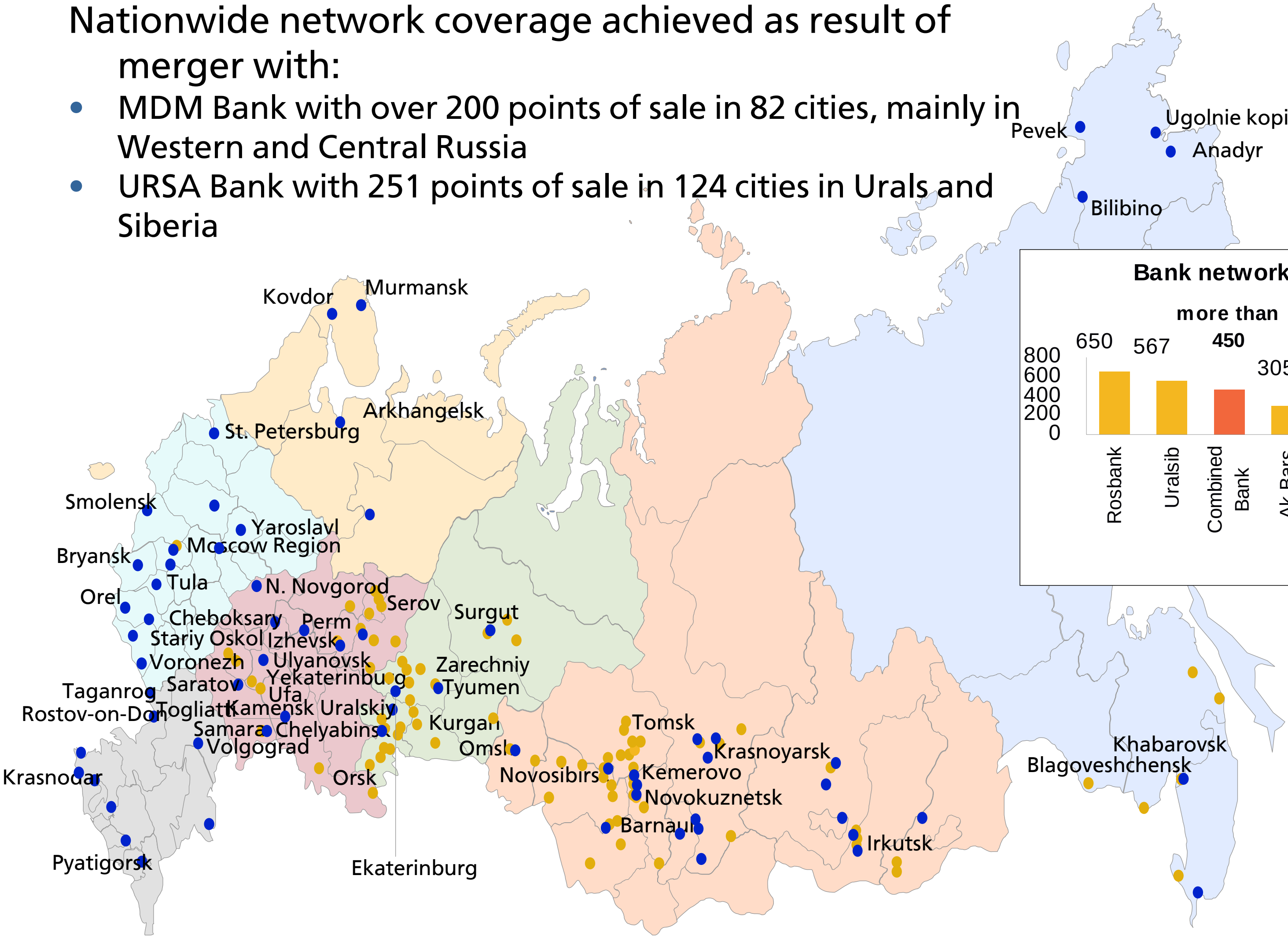
- 2nd largest by capital among private banks
- 2nd largest private bank by total assets
- 6th and 9th largest bank in Russia by equity and assets, respectively

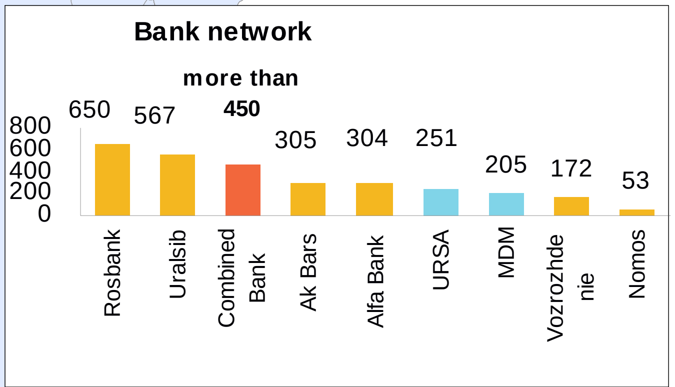
Data is based on Interfax data as at 30 September 2008.

Strategic Rationale: Complementary Regional Presence

Nationwide network coverage achieved as result of merger with:

- MDM Bank with over 200 points of sale in 82 cities, mainly in Western and Central Russia
- URSA Bank with 251 points of sale in 124 cities in Urals and Siberia





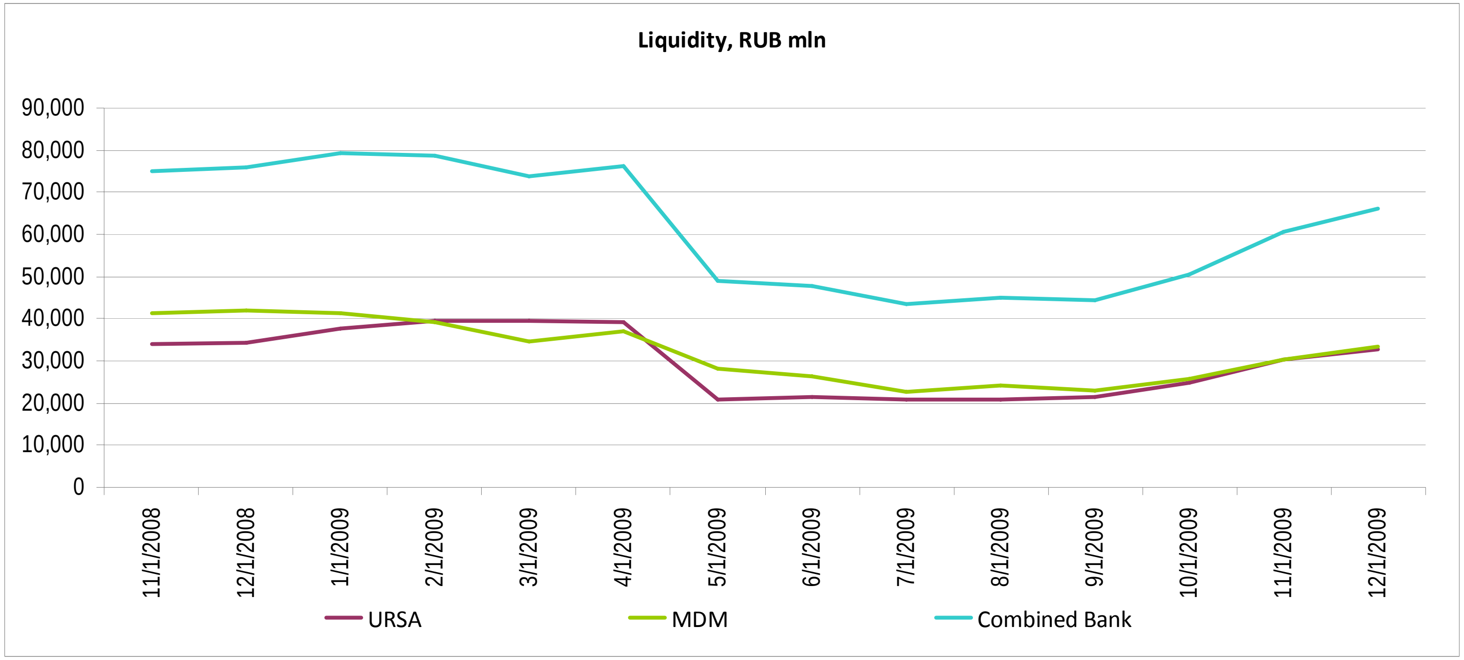
Strategic Rationale: Enhanced Distribution Capabilities

Significant market penetration as a result of merger:

	MDM Bank	URSA Bank	Merged Bank
Points of sale	over 200	251	**over 450**
Corporate customers	11,500	1,000	**12,500**
SME customers	19,600	16,000	**35,600**
Retail customers	763,000	1,305,900	**2,068,900**
No. of plastic cards in issue	647,112	2,223,178	**ca. 2,800,000**
No. of ATMs	1,250	780	**over 2,000**

Strategic Rationale : **Strong Combined Liquidity Cushion**

Strengthened liquidity profile of the Merged Bank:



Source: management information of MDM and URSA

Improved liquidity due to:

- Centralised liquidity management
- Diversified cash receipts from borrowers
- Better access of the Merged Bank both to long- and short-term funding

What Others are Saying….

"A merger would be a major strategic positive for both banks in our view."

Alex Kantarovich, CFA
Head of Russian Equity Research
JPMorgan Bank

"We also believe that there will be operating synergies in the proposed merger as the franchises of the two banks are complimentary."

Dmitry Vinogradov and Natalia Pushkina,
UBS

"The current architecture of the deal…confirms the high degree of agreement between the major shareholders, which is very important." Maxim Raskosnov, Credit analyst, Renaissance Capital

"We view the merger as strongly positive for the Russian banking industry"

Rustam Botashev, CFA
Equity Analyst
UniCredit Aton

"We agree with the management teams of both banks that this transaction is a positive event for URSA and MDM on a number of fronts."

Roman Luchkovsky
Standard Bank

"We see the businesses as complementary in operations and geographical reach"

Hugo Swann, Research Analyst
Credit Suisse

"We welcome this deal as it bodes well for… the creation of a number of strong, private domestic institutions"

Dmitry Dmitriev and Mikhail Shlemov, VTB Capital

The two banks make a good fit: there is little regional overlap… their combined scale will enable better access to both larger clients and funding

Andrew Keeley and Olga Veselova,
Troika Dialog

Thank You !

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