

# FINANCIAL STATEMENTS



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## INDEPENDENT AUDITORS' REPORT

To the Council of OAO "Promsvyazbank"

We have audited the consolidated financial statements of OAO "Promsvyazbank" (the "Bank") and its subsidiaries (the "Group") as at and for the year ended 31 December 2008, from which the accompanying summarized consolidated financial information was derived, in accordance with International Standards on Auditing. In our report dated 6 April 2009 we expressed an unqualified opinion on the consolidated financial statements from which this summarised consolidated financial information was derived.

In our opinion, the summarised consolidated financial information is consistent, in all material respects, with the consolidated financial statements from which it was derived.

For a better understanding of the Group's consolidated financial position as at 31 December 2008 and its consolidated financial performance and its consolidated cash flows for the year then ended and the scope of our audit, the summarised consolidated financial information should be read in conjunction with the consolidated financial statements from which the summarised consolidated financial information was derived, and our audit report thereon.

*ZAO KPMG*

ZAO KPMG

6 April 2009

ZAO KPMG, a company incorporated under the Laws of the Russian Federation and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

**PROMSVYAZBANK**  
**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008**  
**(EXPRESSED IN THOUSANDS OF RUSSIAN ROUBLES)**

ASSETS	2008	2007
Cash and cash equivalents	105 723 210	38 088 343
Obligatory reserves with central banks	992 510	3 319 898
Placements with banks and other financial institutions	2 426 852	1 518 651
Financial assets at fair value through profit or loss	14 408 817	25 749 506
• Unpledged	13 524 941	23 555 428
• Pledged under sale and repurchase agreements	883 876	2 194 078
Amounts receivable under reverse repurchase agreements	4 574 084	3 362 081
Loans to customers	300 413 049	208 425 336
Investments available for sale	158 714	187 112
Investments held to maturity	8 880 051	-
Current income tax prepayments	1 292 982	243 793
Other assets	1 517 540	1 128 464
Property and equipment	21 413 219	11 222 215
<b>TOTAL ASSETS</b>	<b>461 801 028</b>	<b>293 245 399</b>
<b>LIABILITIES</b>		
Financial liabilities at fair value through profit or loss	614 859	156 148
Deposits and balances from banks and other financial institutions	111 275 357	50 667 904
Amounts payable under repurchase agreements	855 837	2 175 112
Current accounts and deposits from customers	229 610 958	141 000 963
Own securities issued	48 322 327	45 038 656
Other borrowed funds	27 649 974	24 299 108
Other liabilities	2 672 979	993 490
Current income tax payable	48 002	38 737
Deferred tax liability	776 151	1 193 032
<b>TOTAL LIABILITIES</b>	<b>421 826 444</b>	<b>265 563 150</b>
<b>SHAREHOLDERS` EQUITY</b>		
Share capital	10 062 544	7 468 794
Share premium	13 319 695	7 613 445
Additional paid-in-capital	1 167 515	30 496
Revaluation reserve for property and equipment	3 192 346	2 357 758
Revaluation reserve for investments available for sale	(66 641)	-
Retained earnings	11 773 411	10 211 756
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	<b>39 448 870</b>	<b>27 682 249</b>
Minority interest	525 714	-
<b>TOTAL SHAREHOLDERS` EQUITY</b>	<b>39 974 584</b>	<b>27 682 249</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS` EQUITY</b>	<b>461 801 028</b>	<b>293 245 399</b>



Levkovskiy A.A.  
President

Volchenko A.U.  
Senior Vice-president, CFO

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008 (EXPRESSED IN THOUSANDS OF RUSSIAN ROUBLES)

	2008	2007
Interest income	42 781 988	23 691 779
Interest expense	(20 812 220)	(11 558 806)
<b>NET INTEREST INCOME</b>	<b>21 969 768</b>	<b>12 132 973</b>
Fee and commission income	5 780 146	2 959 104
Fee and commission expense	(1 055 809)	(586 033)
<b>NET FEE AND COMMISSION INCOME</b>	<b>4 724 337</b>	<b>2 373 071</b>
Net loss on financial instruments at fair value through profit or loss	(1 842 840)	(123 911)
Net foreign exchange gain	2 142 569	915 449
Net loss on sale of subsidiaries	(21 942)	-
Gain on acquisition of subsidiaries	456 625	-
Other income	820 903	319 334
<b>OPERATING INCOME</b>	<b>28 249 420</b>	<b>15 616 916</b>
Impairment losses	(13 266 161)	(2 586 888)
Loss on revaluation of fixed assets recognized in income statement	(456 100)	-
Administrative expenses	(11 952 858)	(7 623 484)
General expenses	(431 997)	(386 590)
	<b>(26 107 116)</b>	<b>(10 596 962)</b>
<b>PROFIT BEFORE TAX</b>	<b>2 142 304</b>	<b>5 019 954</b>
Income tax expense	(580 649)	(1 315 431)
<b>PROFIT FOR THE YEAR</b>	<b>1 561 655</b>	<b>3 704 523</b>
<b>ATTRIBUTABLE TO:</b>		
Shareholders of the parent	1 561 655	3 704 523
Minority interest	-	-

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2008 (EXPRESSED IN THOUSANDS OF RUSSIAN ROUBLES)

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest and fee and commission receipts	46 337 270	26 680 159
Interest and fee and commission payments	(19 337 376)	(11 529 255)
Net (payments)/receipts from financial instruments at fair value through profit or loss	(840 816)	72 698
Net receipts from foreign exchange transactions	861 540	512 414
Other income received	800 112	277 454
General and administrative expenses paid	(11 413 160)	(7 349 277)
	<b>16 407 570</b>	<b>8 664 193</b>
<b>(Increase)/decrease in operating assets</b>		
Obligatory reserves with central banks	2 450 860	560 813
Placements with banks and other financial institutions with original maturity of over one month	(3 162 995)	751 378
Financial assets at fair value through profit or loss	3 922 129	(324 400)
Amounts receivable under reverse repurchase agreements	(1 294 669)	(2 342 566)
Loans to customers	(65 571 667)	(98 458 415)
Other assets	(93 537)	(463 130)
<b>Increase/(decrease) in operating liabilities</b>		
Deposits and balances from banks and other financial institutions	50 864 167	15 200 474
Amounts payable under repurchase agreements	(1 320 304)	2 141 008
Current accounts and deposits from customers	65 395 352	56 458 017
Promissory notes and certificates of deposit	(11 134 034)	12 743 870
Other liabilities	232 858	188 416
<b>Net cash from/(used in) operating activities before taxes paid</b>	<b>56 695 730</b>	<b>(4 880 342)</b>
Taxes paid	(2 249 633)	(1 123 877)
<b>Cash flows from/(used in) operations</b>	<b>54 446 097</b>	<b>(6 004 219)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Disposal of investments available for sale	5 560	-
Disposal of subsidiaries	12 976	-
Acquisition of subsidiaries	3 799 193	(136 906)
Purchases of investments available for sale	(59 804)	(178 845)
Purchases of investments held to maturity	(1 884 722)	-
Purchases of property and equipment	(7 896 050)	(5 811 800)
Disposals of property and equipment	72 481	11 729
<b>Cash flows used in investing activities</b>	<b>(5 950 366)</b>	<b>(6 115 822)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of loan participation notes and domestic bonds	9 039 065	9 049 321
Repayment of other borrowed funds	(13 807 539)	(10 455 112)
Proceeds from other borrowed funds	13 987 871	21 452 757
Proceeds from issuance of share capital	6 370 000	4 096 000
<b>Cash flows from financing activities</b>	<b>15 589 397</b>	<b>24 142 966</b>
<b>Net increase in cash and cash equivalents</b>	<b>64 085 128</b>	<b>12 022 925</b>
Effect of changes in exchange rates on cash and cash equivalents	3 549 739	(419 550)
Cash and cash equivalents at the beginning of the year	38 088 343	26 484 968
<b>Cash and cash equivalents at the end of the year</b>	<b>105 723 210</b>	<b>38 088 343</b>

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2008  
(EXPRESSED IN THOUSANDS OF RUSSIAN ROUBLES)**

	Attributable to equity holders of the parent		
	Share capital	Share premium	Additional paid-in-capital
<b>Balance at 1 January 2007</b>	<b>6 188 794</b>	<b>4 797 445</b>	<b>52 402</b>
Profit for the year ended 31 December 2007	-	-	-
Revaluation of property and equipment	-	-	-
Deferred tax related to revaluation of property and equipment	-	-	-
<b>Total income</b>			
Share issue	1 280 000	2 816 000	-
Increase of amount payable under option agreement	-	-	(21 906)
<b>Balance at 31 December 2007</b>	<b>7 468 794</b>	<b>7 613 445</b>	<b>30 496</b>
Profit for the year ended 31 December 2008	-	-	-
Revaluation of property and equipment	-	-	-
Deferred tax related to revaluation of property and equipment	-	-	-
Disposal of property and equipment	-	-	-
Deferred tax related to disposal of property and equipment	-	-	-
Revaluation of investments available for sale	-	-	-
Deferred tax related to revaluation of investments available for sale	-	-	-
Effect of change in income tax rates	-	-	-
<b>Total income</b>			
Share issue	2 593 750	5 706 250	-
Acquisition of subsidiaries	-	-	1 085 596
Disposal of subsidiaries	-	-	51 423
<b>Balance at 31 December 2008</b>	<b>10 062 544</b>	<b>13 319 695</b>	<b>1 167 515</b>

Attributable to equity holders of the parent				Minority interest	Total equity
Revaluation reserve for property and equipment	Revaluation reserve for investments available for sale	Retained earnings	Total		
<b>830 002</b>	-	<b>6 507 233</b>	<b>18 375 876</b>	-	<b>18 375 876</b>
-	-	3 704 523	3 704 523	-	3 704 523
2 010 205	-	-	2 010 205	-	2 010 205
(482 449)	-	-	(482 449)	-	(482 449)
			<b>5 232 279</b>	-	<b>5 232 279</b>
-	-	-	4 096 000	-	4 096 000
-	-	-	(21 906)	-	(21 906)
<b>2 357 758</b>	-	<b>10 211 756</b>	<b>27 682 249</b>	-	<b>27 682 249</b>
-	-	1 561 655	1 561 655	-	1 561 655
989 281	-	-	989 281	6 530	995 811
(197 856)	-	-	(197 856)	(1 306)	(199 162)
(101 165)	-	-	(101 165)	-	(101 165)
24 280	-	-	24 280	-	24 280
-	(83 301)	-	(83 301)	-	(83 301)
-	16 660	-	16 660	-	16 660
120 048	-	-	120 048	-	120 048
			<b>2 329 602</b>	<b>5 224</b>	<b>2 334 826</b>
-	-	-	8 300 000	-	8 300 000
-	-	-	1 085 596	520 490	1 606 086
-	-	-	51 423	-	51 423
<b>3 192 346</b>	<b>(66 641)</b>	<b>11 773 411</b>	<b>39 448 870</b>	<b>525 714</b>	<b>39 974 584</b>