

IT DEVELOPMENT



CRAFTSMAN LAZAR
SERBIN MOUNTS
THE TOWER CLOCK
IN THE KREMLIN,
1404
*Miniature from
The Illuminated
Chronicles,
16th century*

PSB IS AMONG RECOGNIZED LEADERS IN TECHNOLOGY AND IT SUPPORT OF ITS BANKING OPERATIONS.

PSB has always strived to use the latest banking technologies and IT-solutions and considers itself one of the most technology-intensive banks in Russia. In 2008, despite financial crisis, PSB not only pursued implementation of its ongoing projects but also launched a number of new sophisticated IT projects, which were unique for Russia.

IT BUSINESS SUPPORT

In 2008, PSB began transition toward world-class IT-platforms: Misys Summit, a consolidated front-office system for financial markets, and Kamakura Risk Manager, a risk management system. The launch of Misys Summit is expected in early 2010. The platform is designed to ensure full automation of securities transactions and their accounting. Kamakura Risk Manager is a combination of portfolio management, market risk management and other valuation and funds allocation technologies.

In addition, in 2008, PSB launched middle-office automation program in its Retail and SME lending segments. The program will enable PSB to replace a number of existing systems with one centralized solution based on the documentation management system Documentum developed by EMC.

Implementation of mySAP ERP system is underway. In 2008, PSB launched Accounting

and Cost Control sub-systems in all its branches, as well as Payroll and HR in the head office and two branches (implementation in all branches is expected in Q3 2009). In addition, PSB launched Fixed Assets Accounting project. A set of reports on market risks was developed using the corporate data repository SAP BW. In addition, in 2008 PSB determined the standards for the Bank system integration: SAP NetWeaver (PI) for business processes, and Informatica PowerCenter for data.

PSB continued expanding Oracle-developed Siebel CRM system. In the framework of debt collection program in Retail Banking and SME, PSB automated its overdue debt management and introduced Avaya Proactive Contact 4.0 call system, which was later integrated with Siebel CRM for the first time in the Russian market.

CLIENT-FRIENDLY SOLUTIONS

The number of corporate clients connected to PSB On-Line internet banking, PSB's main remote access platform for corporate clients, exceeded 33,000 in 2008, reflecting a 150% year-on-year growth. In addition, a traditional «client – bank» system is in place for clients with no Internet access (currently more than 1.5 thousand clients).

In 2008, PSB completed implementation of PSB-Retail, the online banking system for

retail clients. The system has been successfully introduced in all outlets across Russia. The number of retail clients registered with the system exceeded 61 000 in 2008, doubling from a previous year. PSB-Retail continued to expand by including new products and services.

In particular, a lending segment of PSB-Retail was introduced in the Moscow region's points of sale, with expansion throughout the entire network planned for Q1 2009. The module streamlined and shortened the time of lending procedures at PSB offices.



CORPORATE GOVERNANCE



LAYING A GARDEN
IN SADOVNICHES-
KAYA SLOBODA
ABOVE THE MOS-
COW RIVER, 1495
*Miniature from
The Illuminated
Chronicles,
16th century*

ACCORDING TO EUROMONEY ANNUAL SURVEY, IN 2008, FOR THE FOURTH YEAR RUNNING PSB RANKED AMONG EMERGING EUROPE BANKS WITH THE BEST CORPORATE GOVERNANCE. THE SURVEY CRITERIA INCLUDED TRANSPARENCY, STABILITY OF OWNERSHIP STRUCTURE, FINANCIAL DISCLOSURE, GOVERNANCE STRUCTURE, AND SHAREHOLDER RELATIONS.

KEY PRINCIPLES

PSB corporate governance system is underpinned by efficient cooperation between governing bodies at all levels: the General Shareholders' Meeting, the Board of Directors, the President and the Management Board.

Compliance with the Russian legislation and regulations on corporate governance, protection of shareholders' and stakeholders' rights, supervision of financial and economic operations, and timely disclosure of operating results are the key principles of PSB corporate governance. In addition, PSB follows the Bank of Russia's and the Federal Service for Financial Markets' recommendations, as well as corporate governance principles adopted by the Organization for Economic Cooperation and Development and the Basel Committee on Banking Supervision.

2008 CHANGES

In 2008, PSB significantly enhanced its corporate governance system.

BOARD COMPOSITION

PSB reviewed the size and composition of the Board of Directors and carried out independent directors' selection and invitation process. To this end, PSB had developed independent director criteria based on the strictest requirements of both Russian and international regulators and stock exchanges. In 2008, three independent directors joined the PSB Board of Directors. Remuneration of the independent directors is resolved by the General Shareholders' Meeting.

ADOPTION OF NEW AND REVIEW OF EXISTING INTERNAL DOCUMENTS

In 2008, PSB developed and adopted the Information Disclosure Policy and Insider Trading Policy.

In addition, the General Shareholders' Meeting approved amendments to PSB's Charter and adopted the updated regulations on the Bank's governing bodies and Internal Audit Commission.

The Bank's internal documents are available in Russian on PSB website, section: About Promsvyazbank – General Information (<http://www.psbank.ru/about/3/>).

DISCLOSURE

In keeping with the Information Disclosure Policy, PSB set up a Disclosure group responsible for the supervision of information disclosure by the Bank's divisions, with a view to pursue a coordinated communications policy.

GENERAL SHAREHOLDERS' MEETING

In addition to the Annual General Shareholders' Meeting on 2007 financial results, PSB held two Extraordinary General Shareholders' Meetings in 2008 (on 9 April and 30 June), to approve PSB's capital increase through additional share issues.

BOARD OF DIRECTORS

In 2008, the Board of Directors was expanded to 9 members and as at 31 December 2008 was composed as follows:

ALEXEY ANANIEV (1964) – *Chairman of PSB Board since 2006 (member of the Board since 2001) and Chairman of Tekhnoserv Advisory Council.*

ALEXANDER LEVKOVSKIY (1972) – *President and Chairman of the Management Board since 2001.*

MAXIM LITVINOV (1970) – *Deputy Chairman of the Board since September 2008 (member of the Board since June 2007), Director for Investments of PromSvyazCapital.*

VLADISLAV ZABELIN (1975) – *Member of the Board since 2008, President of PromSvyazCapital since December 2008.*

SERGEY KHARITONOV (1966) – *Member of the Board since November 2006, First Deputy Chairman of Tekhnoserv Advisory Council.*

PAVEL KHOKHRYAKOV (1972) – *Member of the Board since June 2007, PromSvyazCapital President in 2004 – 2008.*

SERGEY SHCHEBETOV (1966) – *Independent member of the Board since June 2008, Managing Partner of Trifecta Capital Partners.*

PAUL OSTLING (1948) – *Independent member of the Board since June 2008, President of Kungur Oilfields Equipment & Services. Mr. Ostling has 20+ years of experience with Ernst&Young.*

TAM BASUNIA (1945) – *Independent member of the Board since June 2008, Chairman of Spice Factory and Voice Connections. Mr. Basunia has 20+ years of experience with PriceWaterhouseCoopers.*

BOARD COMMITTEES

To ensure in-depth analysis of issues pertaining to the competences of the Board of Directors, PSB established the following Board Committees:

AUDIT COMMITTEE analyzes and develops recommendations to the Board in respect of vital financial and economic issues, as well as monitors the accuracy and completeness of the Bank's financial reports. Only independent directors serve on the Audit Committee:

P. Ostling, S. Shchebetov and T. Basunia, Head of the Committee.

COMPENSATION AND REMUNERATION COMMITTEE ensures awareness of the Board members of the Bank's HR policy and supports their practical involvement in the policy control. Only independent directors serve on the Compensation and Remuneration Committee: T. Basunia, S. Shchebetov and P. Ostling, Head of the Committee.

STRATEGY COMMITTEE assesses PSB strategic development concepts, programs and plans, monitors implementation of the Bank's development strategy based on key indicators and proposals for strategy amendments with a view to improve efficiency of PSB operations, taking into account trends in the global capital markets, results of PSB operations and situation in the Russian banking sector. To ensure a proper balance of interests, the Committee is composed as follows: executive member of the Board, PSB President A. Levkovskiy; Chairman of the Board A. Ananyev; independent director S. Shchebetov; and two members of the Management Board – A. Volchenko and A. Konstantin. The Committee is headed by the non-executive director M. Litvinov.

MANAGEMENT BOARD

PSB Management Board, as at 31 December 2008:

ALEXANDER LEVKOVSKIY (1972) – *PSB President and Chairman of the Management Board since 2001 (member of the Management Board since 1996).*

DMITRY SENNIKOV (1957) – *Member of the Management Board since 1995, PSB First Vice-President.*

ARTEM KONSTANDIAN (1974) – *Member of the Management Board since August 2005, PSB First Vice-President.*

IRINA MOROZOVA (1963) – *Member of the Management Board since 2000, PSB Chief Accountant.*

ALEXANDRA VOLCHENKO (1976) – *Member of the Management Board since August 2007, Senior Vice-President, CFO.*

ALEXEY FEDOTKIN (1976) – *Member of the Management Board since October 2007, Senior Vice-President, Head of Corporate Banking.*

TATIANA KUZMINA (1968) – *Member of the Management Board since August 2008, Vice-President, Head of Legal Department.*

NATALIA NEVERKEVICH (1974) – *Member of the Management Board since October 2007, Head of Internal Audit and Control Department.*

In January 2009, the Management Board was expanded to 9 members and joined by:
KONSTANTIN BASMANOV (1974) – *Member of the Management Board, Senior Vice-President, Head of Sales Network.*

MANAGEMENT BOARD COMMITTEES

To address issues of PSB day-to-day operations, PSB has established several Management Board Committees:

- Credit Committee;
- Small Credit Committee;
- SME Credit Committee;
- Assets and Liabilities Committee;
- Problem Assets Committee;
- Small Problem Assets Committee;
- Retail Problem Assets Committee;

- Tariff Committee;
- Budget Committee;
- Technology Committee;
- Business Development Committee.

Overview of the Committees and their functions is available in Russian on PSB website: About Promsvyazbank – Board & Management – Committees (<http://www.psbank.ru/about/322/1087/>).

CORPORATE GOVERNANCE AWARDS

Financial market participants have recognized high standards of PSB corporate governance. According to Euromoney annual survey, in 2008, for the fourth year running PSB ranked among emerging Europe banks with the best corporate governance. The survey was based on the annual polling of financial institutions, which were asked to name the most successful and promising banks in corporate governance.

TRANSPARENCY

PSB has been consistently improving its information transparency level. PSB regularly publishes financial statements under RAS and IFRS, organizes quarterly investor and analyst conference calls and issues Russian- and English-language press releases on important corporate events. PSB bilingual website provides information about the broad range of services PSB offers, as well as information about the Bank, its shareholders, management and organizational structure. PSB also regularly provides analytical information, including daily and weekly stock market reviews, and publishes a quarterly Investor Bulletin.

BRAND

TEACHING BOYS
«BOOK KNOWLEDGE» AT THE
TRANSFIGURATION
CHURCH COLLEGE
IN MOSCOW, 16TH
CENTURY
*Miniature from
The Illuminated
Chronicles,
16th century*



MARKETING AND PUBLICITY EFFORTS IMPROVED PSB BRAND RECOGNITION BY ONE AND A HALF TIMES IN 2008.

In 2008, PSB completed corporate restyling. New PSB logo is a graphic representation of the image of an open, dynamic and reliable bank. PSB logo has two components: the trademark and the corporate font. The trademark reflects the Bank's attitude toward its clients:

- The arrows represent hands reaching out for each other;
- The resulting square stands for robustness and trustworthiness;
- The upper arrow represents the future and progress.

The trademark also contains three Latin letters «PSB» – the abbreviated Promsvyazbank name.



In line with its new corporate style, PSB updated its publicity materials, replaced signage and revamped both interior and exterior design at its offices and branches.

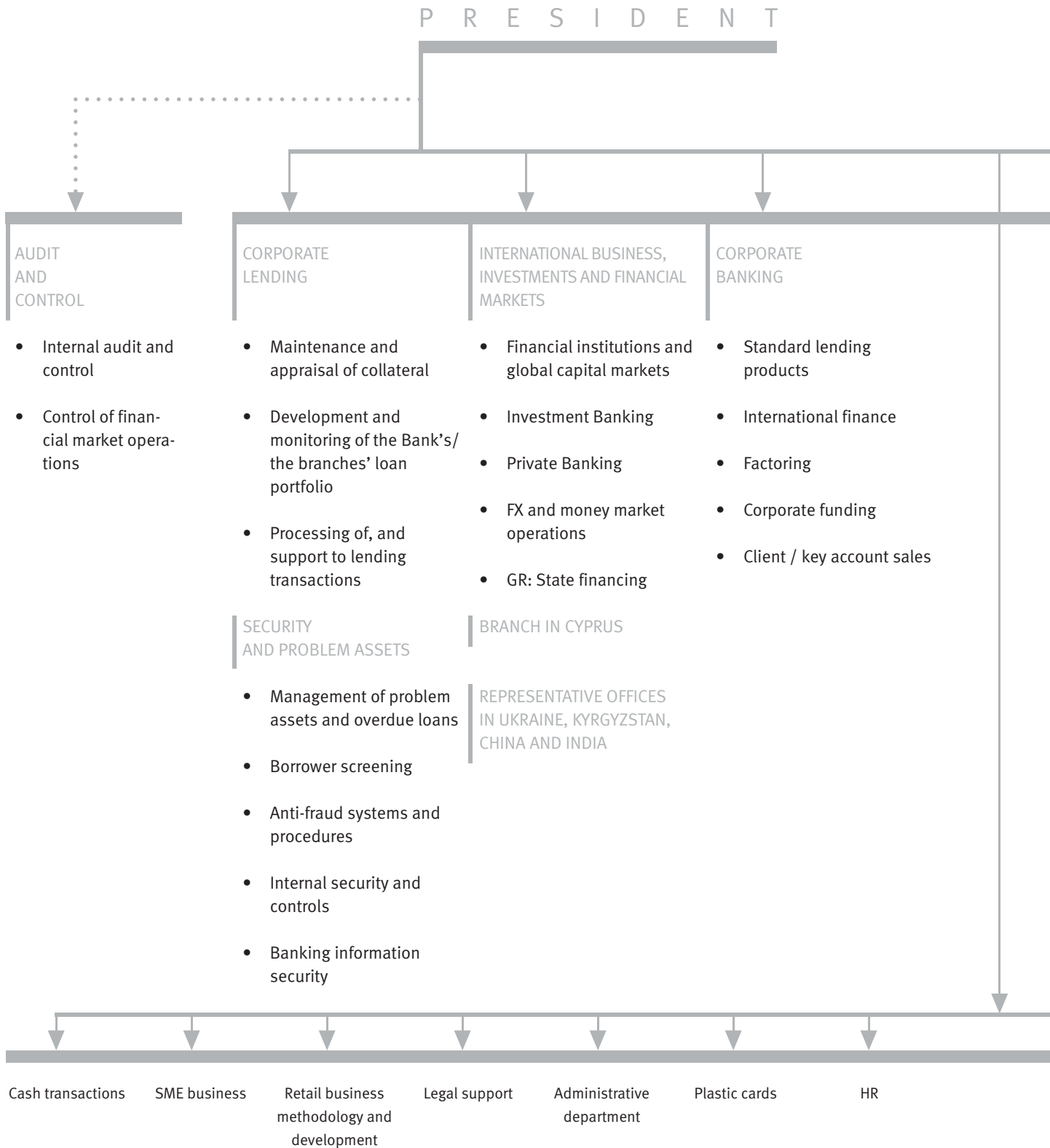
The new corporate style and its individual components were also reflected in the logos of subsidiary banks – members of the PSB Banking Group.

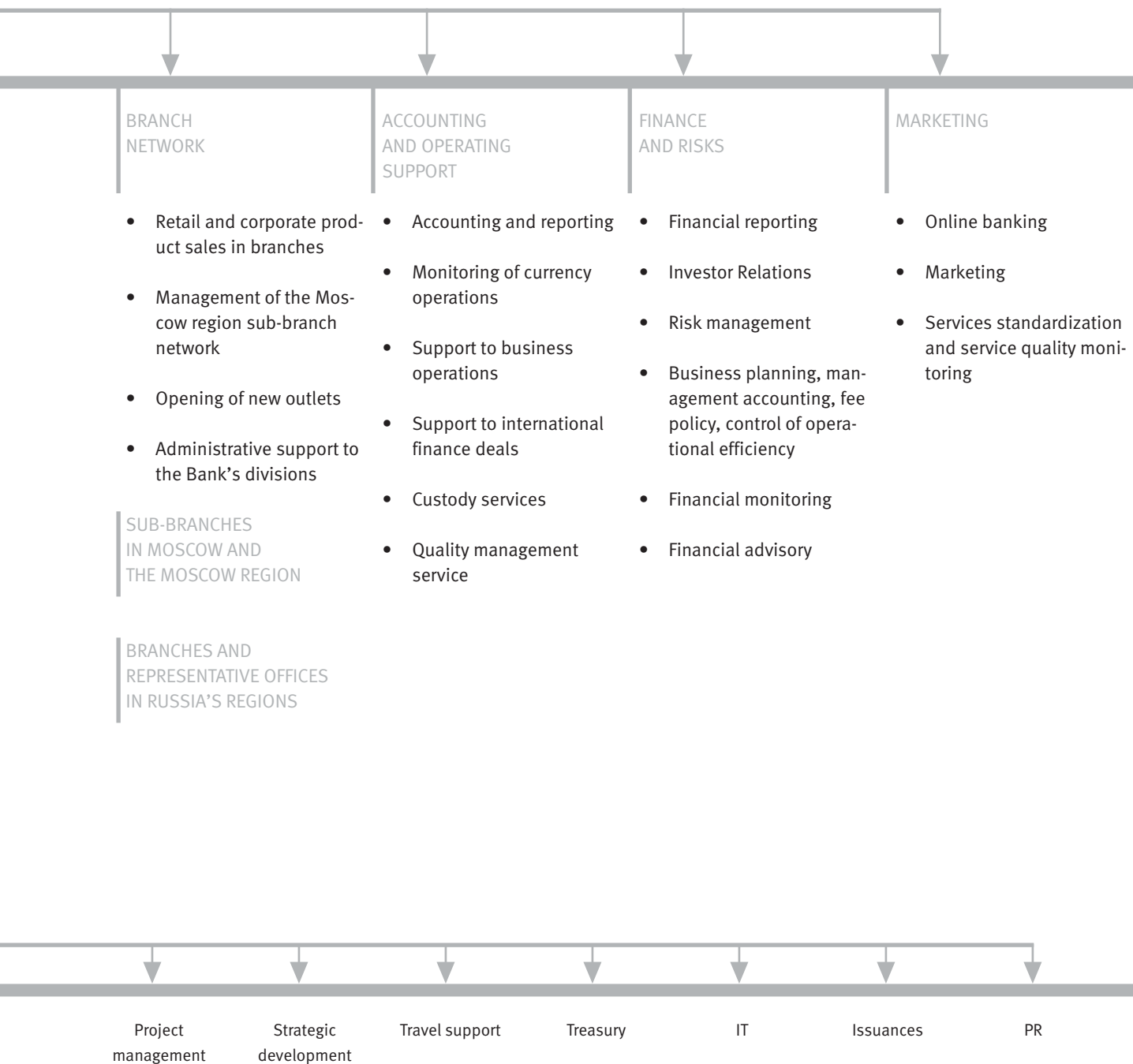


With a view to promote its brand, PSB became the general sponsor of CSKA basketball team and placed corporate advertisements in all cities of its presence. The efforts resulted in a significantly stronger PSB brand recognition in 2008, which according to TNS Gallup Media Marketing Index was up 6 percentage points (from 11% to 17%).

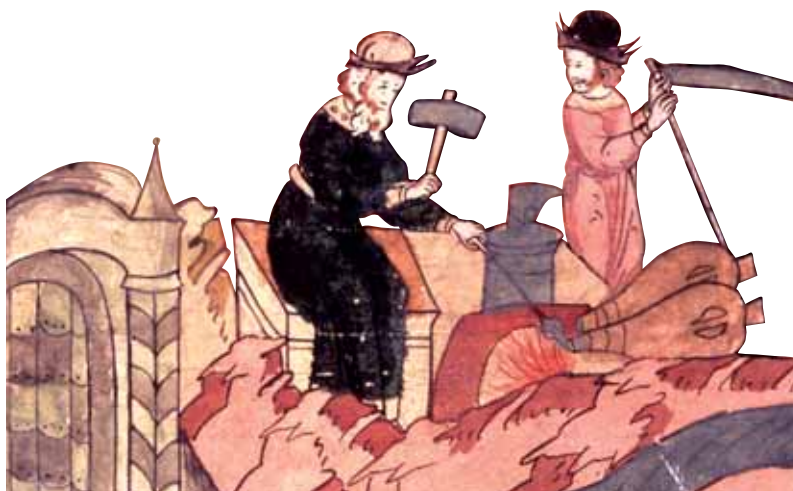
In 2008, PSB developed a segmentation model for the Bank's existing and potential clients. Client surveys based on social and demographic metrics provide only a general idea about their needs and incentives, whereas PSB analyzed clients' lifestyle, family size, interests and hobbies. This allowed the Bank to better comprehend the clients' needs at different stages of their lives, and offer them the most appropriate banking services.

PSB ORGANIZATIONAL STRUCTURE





ORGANIZATIONAL DEVELOPMENT AND HUMAN RESOURCES



**BLACKSMITHS AT
WORK**
*Miniature from
The Illuminated
Chronicles,
16th century*

IN ITS HR POLICY AND SPONSORSHIP AND CHARITY WORK, PSB ADHERES TO THE PRINCIPLES OF SOCIALLY RESPONSIBLE BUSINESS. WE BELIEVE THAT RUSSIA'S SOCIAL STABILITY AND PROSPERITY DEPEND ON BUSINESSES RECOGNIZING THE IMPORTANCE OF SUCH PRINCIPLES AND HOPE THAT SOCIAL INITIATIVE TRADITIONS IN RUSSIA WILL BE REVIVED AND STRENGTHENED.

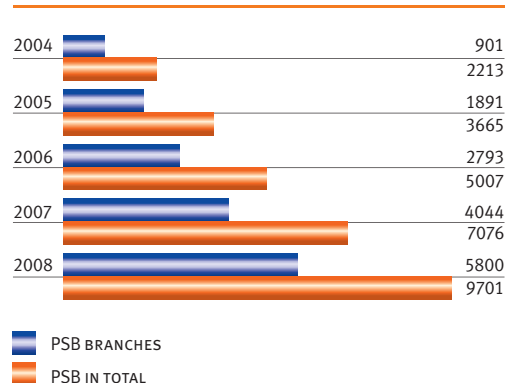
People are one of the Bank's fundamental strengths. In order to achieve ambitious strategic goals PSB needs to hire and retain the best available people in the market, create career growth opportunities and build a corporate culture, which helps to unlock the full potential of each employee.

Ongoing changes in both domestic and global economies drive PSB's efforts to continuously improve its organization and develop human resources. PSB HR strategy is currently under review due to the new market conditions.

In 2008, PSB adopted Fundamentals of Our Business, which apply to every employee and the Bank as a whole. The document is a set of ideas and rules underlying the development of PSB business, organization and corporate culture. It allows the Bank's employees to better understand their organization and helps newcomers to adapt

to the new environment and become full-fledged members of the PSB team.

PSB STAFFING NUMBERS



In recent years the number of staff was rapidly increasing, in 2008 alone by 150%. Such growth rate is unsustainable in the times of crisis; and the current focus has shifted towards optimization through restructuring of the

network and reassessment of processes and employee contribution in areas with decreasing business volumes. As a result, PSB has retained the most efficient and laid off inefficient staff.

A highly qualified, professional team is one of PSB competitive advantages allowing it to maintain leadership in the market. PSB puts a lot of efforts in organizing both internal and external trainings for its employees. In 2008, 70% of PSB staff participated in various training programs.

PSB has been offering basic professional training to employees in sub-branches and outlets of other types. In 2008, all new hires went through the basic training, and learnt about the specifics of PSB products, sales methods and client service standards. The program has been helping PSB to maintain high client service standards regardless of the staff turnover.

In September 2008, PSB introduced a mentoring program with a view to improve professional competences of staff in sub-branches. As many as 25 sub-branches in Moscow and the Moscow region got involved in the program during the first months of its existence.

PSB maintains broad-based cooperation with foreign partners and peers. In order to develop language skills of its employees, PSB launched a corporate English program in 2006.

Following Volgoprombank integration into the Banking Group Promsvyazbank in June 2008, the bank's product portfolio was expanded to include retail lending products similar to those offered by PSB. To educate Volgoprombank staff about PSB products and client service standards, PSB developed a special training course.

Further to integration of Yarsotsbank and Nizhny Novgorod Bank into the Banking Group in 2008, PSB management held a number of meetings with the regional banks' staff and clients. In addition, PSB issued special publications to explain the merger rationale and process to the employees of these banks.

The Bank is a big family and it pays particular attention to promoting informal communications between employees. To strengthen corporate spirit, PSB holds team-building events and corporate celebrations. Each summer PSB celebrates PSB birthday, while The Stars of PSB New Year party is organized annually for the Moscow and Moscow region employees. PSB has a lot of talented staff, and corporate events offer them a unique opportunity to share their talents.

In 2008, PSB participated, for the first time, in Russia's Top 2008 Employers Survey. As part of the project, PSB employees were questioned about the Bank's business processes, procedures, working conditions and corporate life. About 40% of the staff participated in the survey, which reflects strong employee involvement in corporate life and their interest in ongoing improvements. According to the survey results announced at a ceremony held in October, 2008, PSB ranked 26th among the survey participants, including international companies. The result is quite an impressive achievement for a Russian corporate.

The Bank is creating an up-to-date incentive program and remuneration policy based on the best international practice. To reflect changes in the market environment, PSB is reviewing its variable remuneration system. The revamped system will allow PSB to retain the best people and offer them strong incentives for professional growth.

The bank is a dedicated team of professionals focused on different tasks, yet putting cooperation as their priority. The unfolding crisis is a resilience test for the PSB team. Only through the consistent and diligent efforts of every employee will PSB be able to overcome the challenges. It was the strong team spirit, operating efficiency and professionalism that drove PSB positive 2008 results.

SPONSORSHIP AND CHARITY

In its core operations PSB firmly adheres to the principles of a socially responsible business through extending financing to the real sector of the Russian economy and its strategic companies, contributing to the development of small and medium businesses, and thereby creating jobs. Amid the financial crisis, PSB has been supporting socially significant regional financial institutions and competitive modern enterprises. The Bank has established cooperation with the Russian Pension Fund under the State Program for Pension Co-financing, offering additional opportunities for boosting retirement savings.

PSB is engaged in various sponsorship and charity activities, including arts patronage, sponsorship of sport organizations and sport events, financing of social projects and support of major economic initiatives. Importantly, PSB charitable work targets clearly designated recipients.

Commemorating those perished while defending Russia's freedom and independence, PSB supports veterans of World War II, with a number of branches providing targeted assistance to the war veterans. PSB also recognizes the need to support the disadvantaged, particularly children. For a number of years, the St. Petersburg branch has been supporting the city's Children's Hospice. The Bank also provided humanitarian aid to victims of the military actions in South Ossetia.

Sports and healthy lifestyle promotion has traditionally been high on PSB agenda. In 2008, the Bank became the general sponsor of CSKA basketball team, an unflinching champion of the Russian basketball for many years, and the champion of Euroleague in 2006 and 2008. PSB also acted as a general partner to the Russian national women's football team and official partner to the Russian Football Union. In January, PSB sponsored IIHF European Champions Cup, which took place in St. Petersburg.

Support to the Russian Orthodox Church has traditionally been one of the key areas of PSB

charitable work. The Bank has provided support to churches, monasteries and divinity schools, notably through financing construction and book purchases. In 2008, PSB provided financial assistance, among others, to the Holy Trinity-St. Sergius Lavra, Pskovo-Pechersky Monastery, the Valaam Monastery, Borisoglebsky Na Ustye Monastery, Savvino-Storozhevsky Monastery in Zvenigorod, Svyato-Kazansky Church, the Church of the Life-Giving Trinity in Serebryaniki, and others. In addition, PSB provided financing to Chita and Zabaikalsk eparchy to finish construction of a seminary in the city of Chita.

Arts patronage is an important component of PSB charitable work. The St. Petersburg branch once again was a general sponsor of Dedication to Maestro International Music Festival held in the State Hermitage Museum, in which well-known Russian and international performing artists participated. PSB also supports theaters; for example, it provided financial resources for the renovation of the Ermolovsky Hall of the Mikhail Shchepkin Higher Theatre College.

PSB has traditionally organized and supported events promoting development of the Russian banking sector. In July, jointly with the Association of Russian Banks, the Bank of Russia St. Petersburg Division and other institutions, PSB held the 13th Northwestern Banking Conference in St. Petersburg, attended by participants from Russia, CIS and other countries. In August, PSB sponsored a conference on the government policy in SME development held in Vladivostok.

In 2008, together with the All-Russian Non-governmental Organization of Small and Medium Business (OPORA), PSB held a competition for entrepreneurs Money to the Young. Aged 18-27, the participants competed in two nominations: Startup Business and Young Enterprise. The competition was aimed at raising awareness of the government, the Russian business community and society about the challenges faced by small and medium enterprises, notably in the area of startup financing.

ENVIRONMENTAL POLICY

FESTIVITIES AT
THE COURT OF THE
GRAND PRINCE
VASILY III
*Miniature from
The Illuminated
Chronicles,
16th century*



Throughout its history, PSB has been paying particular attention to environmental protection. In 2008, the Bank became a Corporate Partner of the World Wildlife Fund (WWF), one of the world's biggest non-governmental organizations working on nature conservation since 1961, which has more than 5 million members in more than 100 countries. Partnership with the WWF allows Corporate Partners of the club to be fully involved in WWF nature conservation work, and to provide financial support to the Fund's projects.

PSB operations are compliant with the existing environmental protection standards. In accordance with the EBRD recommendations, the Bank has adopted corporate borrower environmental compliance assessment standards.

As part of credit risk management PSB assesses environmental risks associated with business operations of all of its corporate borrowers. The Bank has an environmental protection policy and the necessary environmental risk management procedures in place. PSB is particularly vigilant with regard to borrowers operating in sectors with high- and critical level environmental risk (such as those included in the EBRD Environmental Exclusion and Referral List). Since 2008, PSB has been breaking down the loan portfolio as to the level of environmental risk.

When applying for a loan, borrowers submit a questionnaire with information that allows for the assessment of borrower primary environmental risk. If a high level of environmental risk is established, the Bank requests more detailed information about potential environmental risks

and accidents, as well as environmental certificates and permits. Some of the key parameters for borrower environmental risk assessment are: the borrower's industry and nature of business, purposes of the loan and type of collateral.

At the stage of application review, the credit units staff assesses borrower environmental risks. Information about any environmental risks of the borrower is included in the credit opinion to be submitted to the Credit Committee. Throughout PSB operations under the EBRD program, borrowers have never contested the Bank's environmental protection policy.

PSB Risk Management and Control Department drafts an annual environmental report under the EBRD lending program. The report contains analysis of environmental risks associated with the loan portfolio, including loans to SME participating in the program.