

2010 IFRS Results

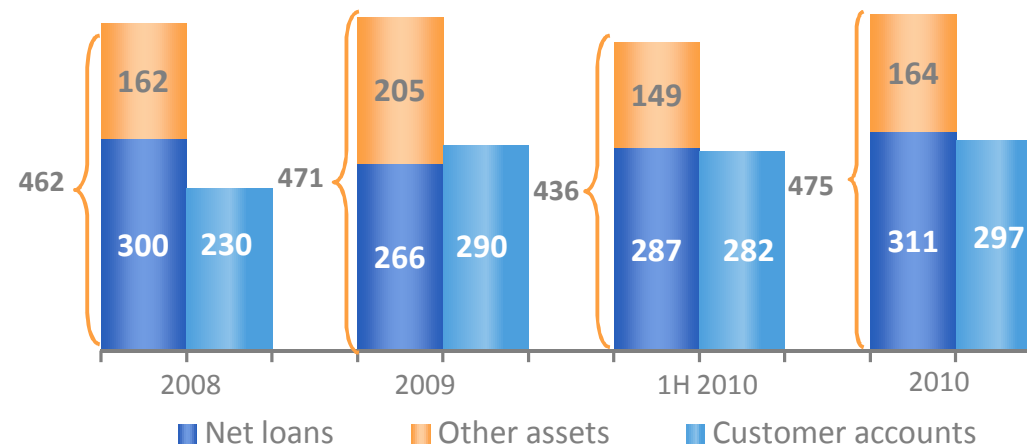
Mrs. Alexandra Volchenko, First vice-president

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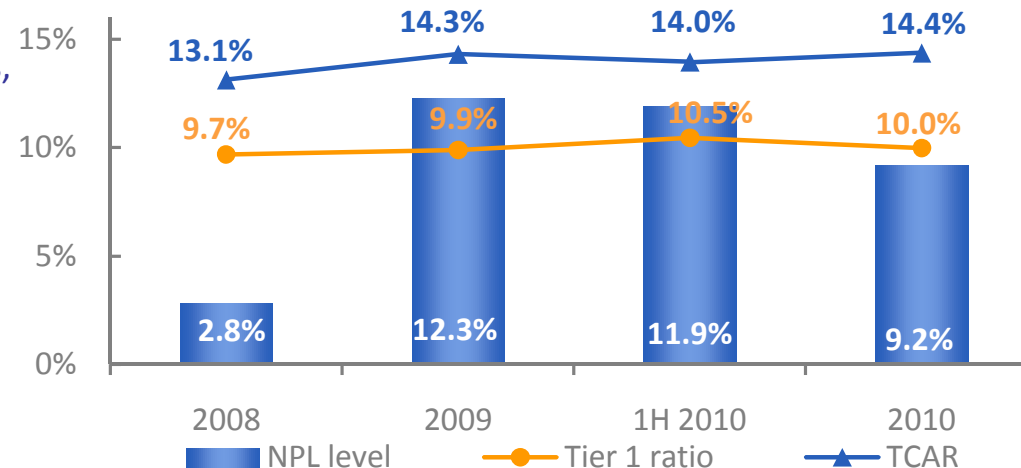
Key events 2010

- In Feb 2010 EBRD became an 11.75% stakeholder of PSB
- PSB's gross loan portfolio demonstrated 14.2% growth in 2010, exceeding the market average indicator of 11.5%
- PSB returned to profitability and showed strong operating efficiency results. Net profit reached RUB 2.5 bn in 2010 with RUB 1.9 bn earned in 2H'10
- NPL level declined to 9.2% in 2010 vs. 12.3% a year before (having reached a peak of 13.0% in 1Q'10)
- PSB resumed mass retail lending
- In July 2010 PSB successfully placed US\$200 mln of subordinated Eurobonds due in 2016 strengthening the bank's CAR
- In November Moody's changed the outlook on all ratings assigned to PSB from "Negative" to "Stable"
- In December Fitch upgraded PSB's ratings to BB- with stable outlook from B+. The subordinated debt rating was upgraded by two notches, to B+ from B-

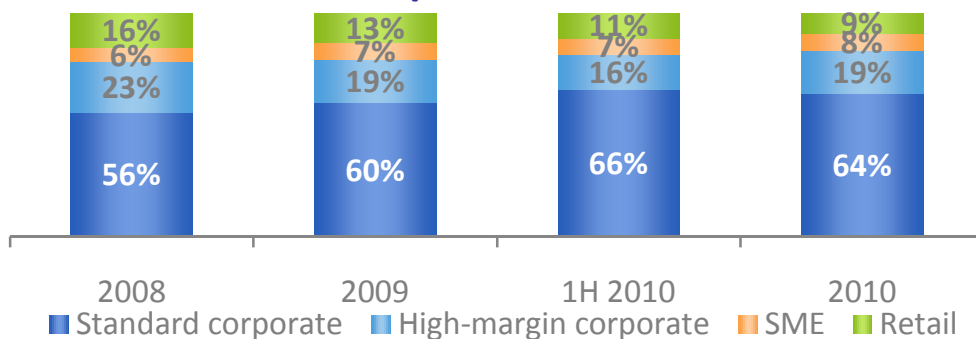
Key balance sheet items (RUB bn)



Capital adequacy and NPL level



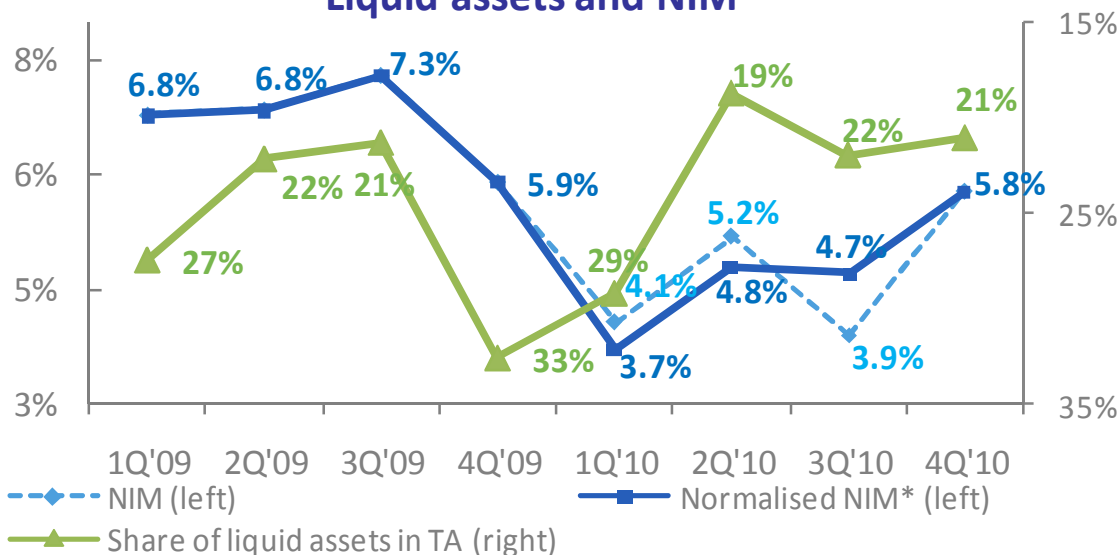
Loan portfolio structure



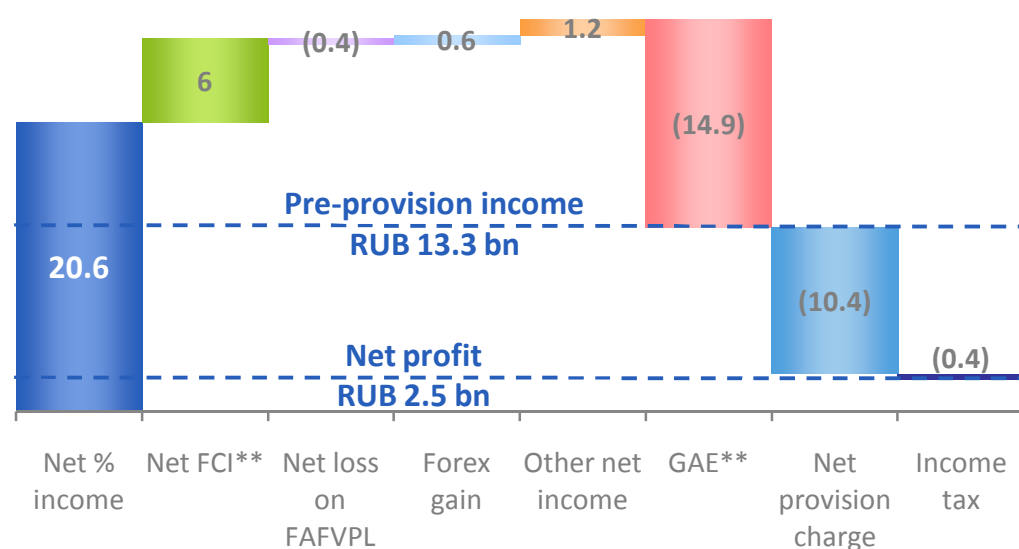
2010 Financial Highlights

- Strong financial results in 2010: net profit of RUB 2.5 bn vs. net loss a year before, largely due to ongoing moderation of NPL growth and considerably lower provisioning charges (50% down vs. 2009)
- Significant growth of operating income in 2H'10 (+30%* vs. 1H'10)
- Further strengthening of fee and commission income in 2H'10 (+22% vs. 1H'10)
- Moderate improvement of the cost-to-income ratio in 2H'10 – to 52.3% (vs. 53.1% in 1H'10)
- Reduction in NPL level (9.2% vs. 12.3% as at YE 2009) is mainly driven by the sale and write-offs of non-performing loans in 2010, together with loan book growth
- SME business returned to net profit in 2H'10
- Significant improvement in net interest margin in 4Q'10

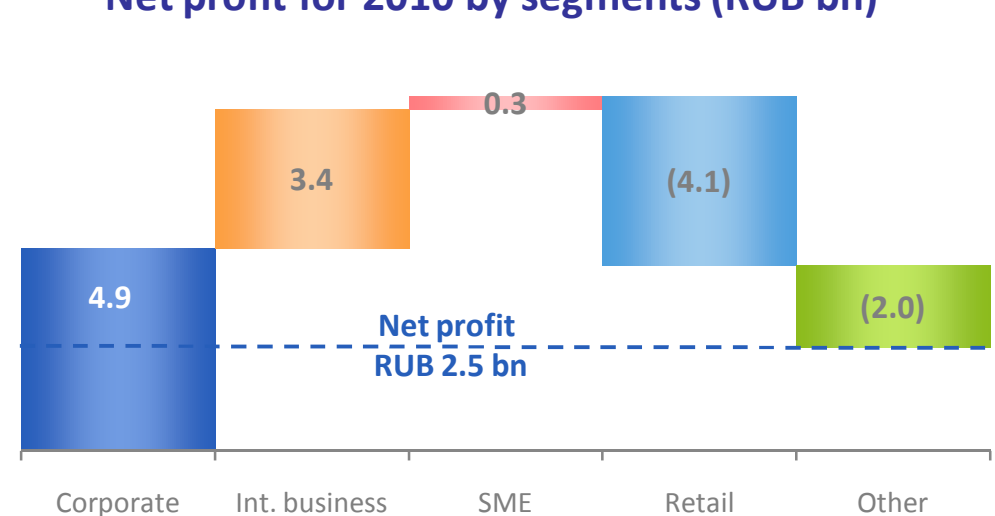
Liquid assets and NIM



Income statement for 2010 (RUB bn)



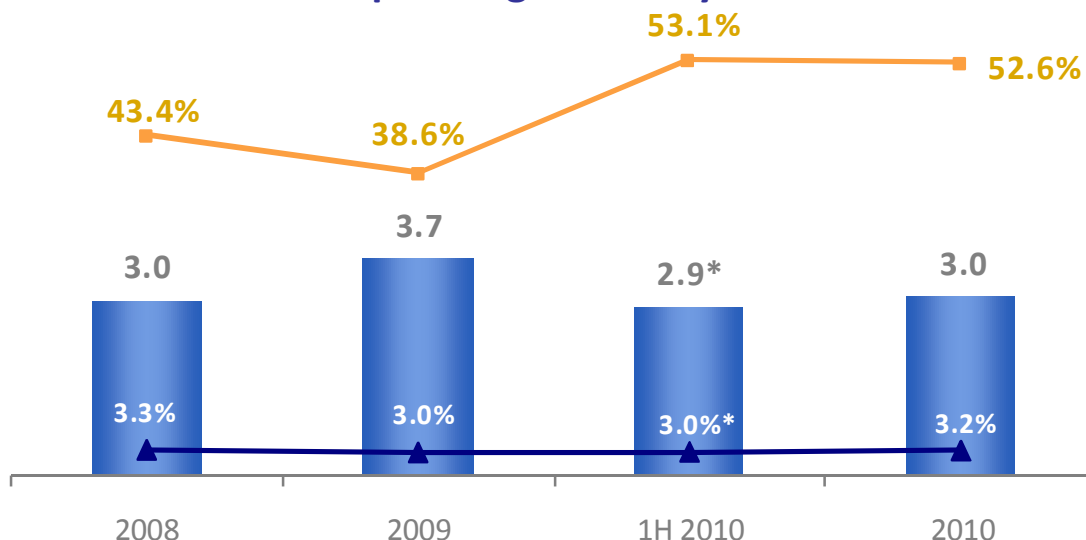
Net profit for 2010 by segments (RUB bn)



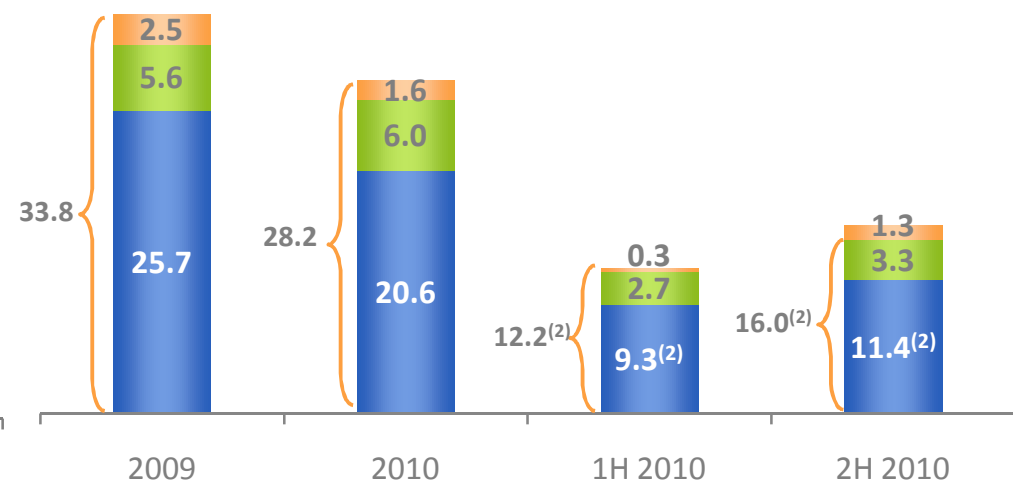
* Where a one-off effect is spread evenly over the whole reporting period. Started 1 July'10 interest income accrued on substantially provisioned loans is recognized in the P&L account net of provision

**FCI– fee and commission income, GAE –general & administrative expenses

Operating efficiency ⁽¹⁾



Operating income (RUB bn)



■ Operating income/employees, RUB mln **Note: annualized*
— Cost-to-income ratio, %
▲ GAE/avg assets, %

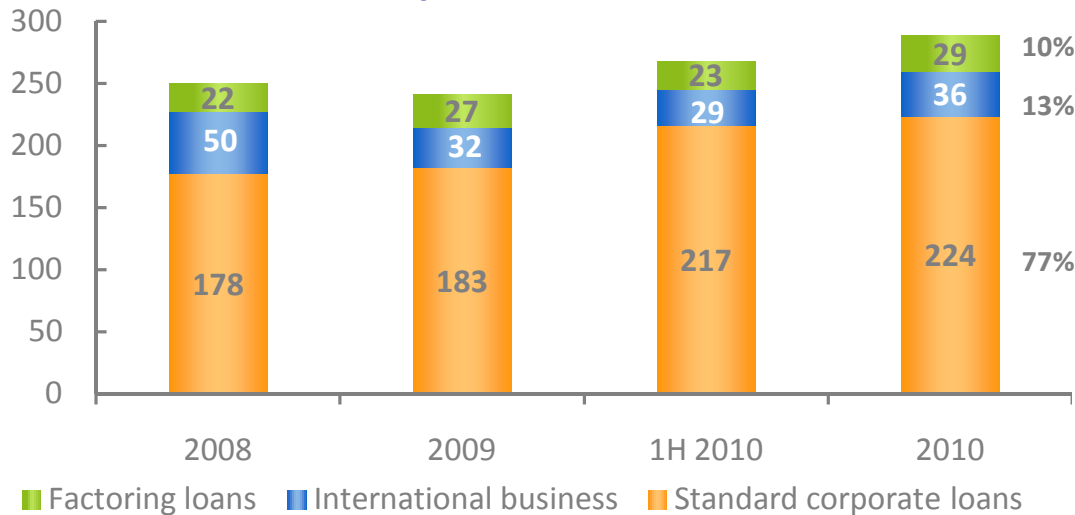
■ Net interest income ■ Net F&C income ■ Other net income

- § Positive trend in net interest income in 2H'10 due to significant growth of interest income (+23% vs. 1H'10) and the reduction of interest expenses (-19% vs. 1H'10)
- § Continuing strengthening of net fee and commission income: RUB 3.3 bn in 2H'10 vs. RUB 2.7 bn in 1H'10. The share of net F&C income in operating income increased from 16.6% in 2009 to 21.4% in 2010
- § Operating costs in relation to average assets remained stable in 2010 with a minor increase in 4Q'10, mainly due to accrual of employee bonuses
- § Slight improvement in the cost-to-income ratio is observed after a sharp rise in 1Q'10 (1H'10: 53.1%; 2H'10: 52.3%)
- § Ongoing cost optimization: (i) shifting full-scale branches to operating offices; (ii) SAP implementation; (iii) outsourcing

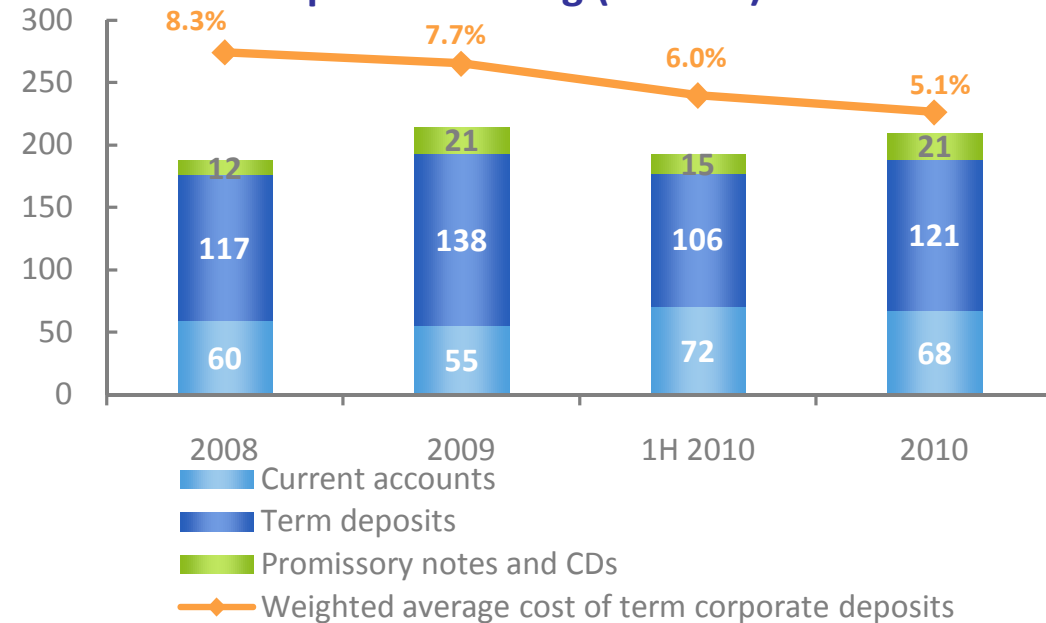
(1) Contributions under obligatory deposit insurance are excluded from operating expenses and are a part of operating income. All rates are recalculated.

(2) Where a one-off effect is spread evenly over the whole reporting period. Started 1 July'10 interest income accrued on substantially provisioned loans is recognized in the P&L account net of provision

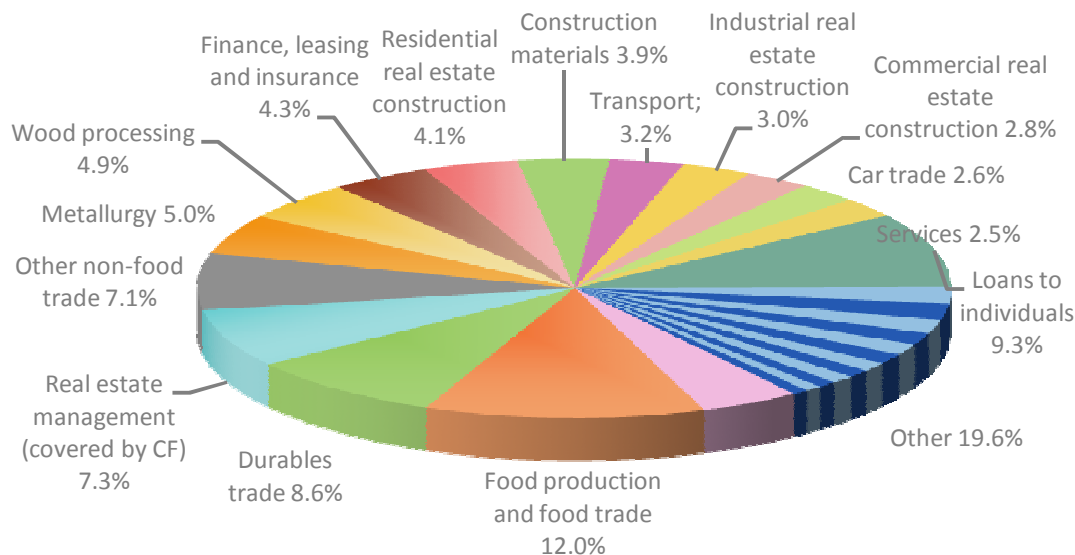
Corporate loans (RUB bn)



Corporate funding (RUB bn)

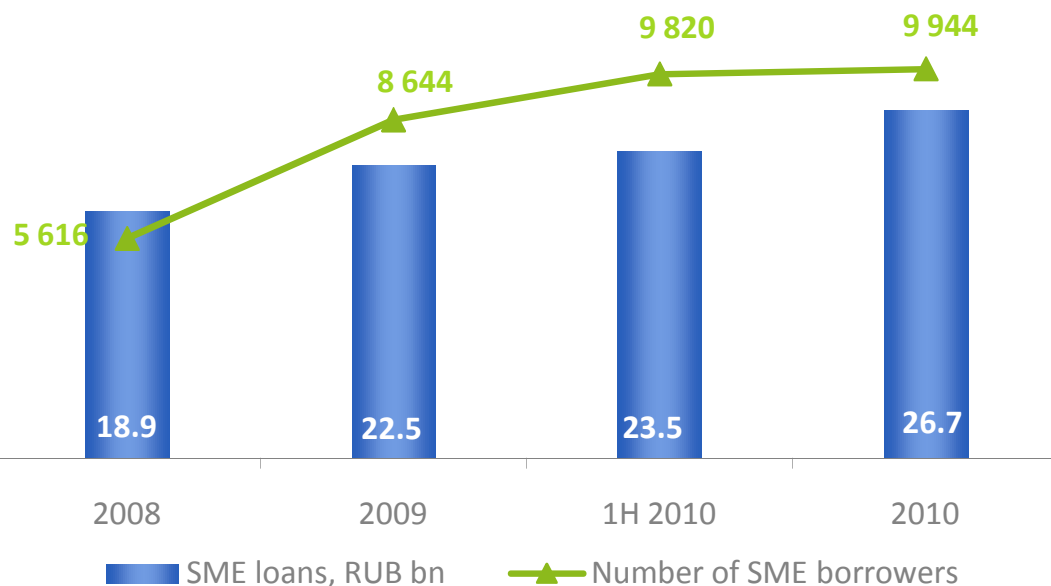


Diversification by industry (% of gross loans)

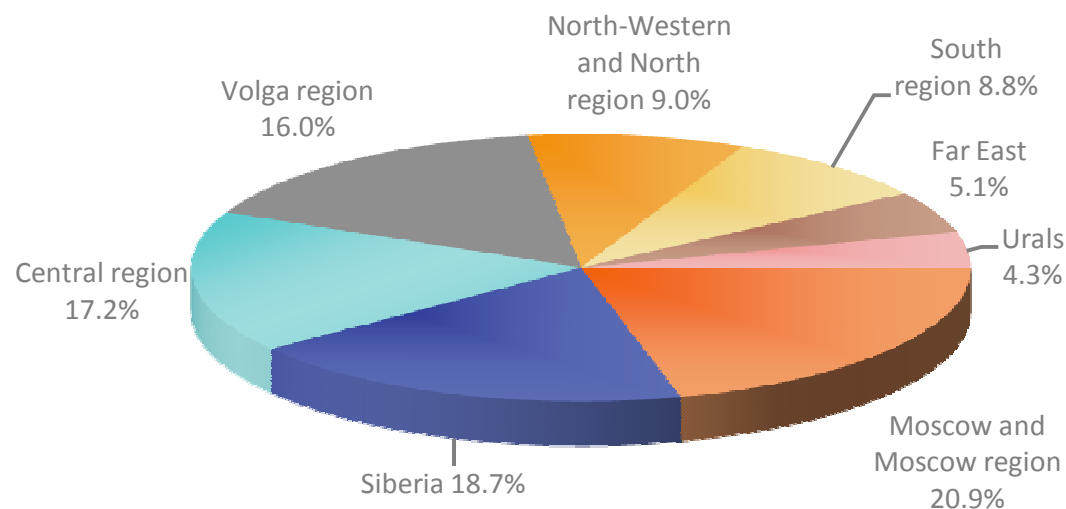


- § Underpinned by PSB's sound competitive positions, corporate loans showed a strong 20% growth in 2010 (above the market average) driven by loans to both existing and new customers
- § PSB is a leader on Russia's factoring market with 27% market share (*Russian Factoring Companies Association*) and also accounts for 10% of the trade finance market (*SWIFT data*)
- § Strong portfolio diversification by sector (no particular industry exposure exceeds 12% of the book) reflects the bank's focus on mid-sized corporates
- § Net interest margin (NIM) increased considerably throughout 2H'10 in spite of the intensified competition: NIM for 2010 was 4.2% vs. 3.6% in 1H'10 (4Q'10 NIM stood at 4.9%)

SME loans (RUB bn)



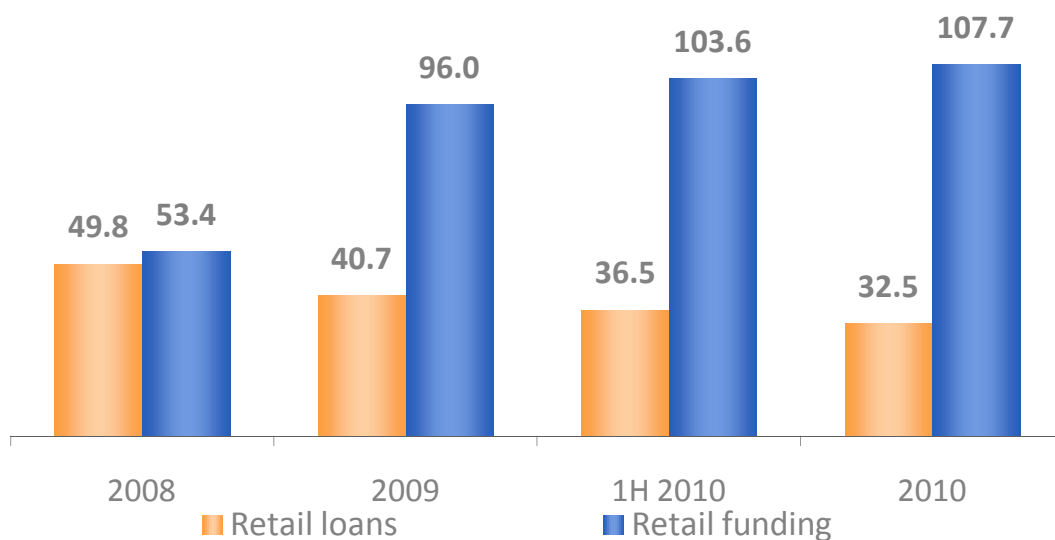
Diversification by geographic region



Higher-margin business with strong growth potential

- § PSB's competitive position in SME market is underpinned by high level of automatization of underwriting and risk processes, which results in faster decision-making
- § Around 80% of the portfolio is outside Moscow reflecting PSB's strong regional diversification
- § 19% increase in the SME loan book vs. YE 2009 (RUB 26.6 bn of new loans extended in 2010)
- § Continuing decrease in interest rates is compensated by growing portfolio
- § The NIM in SME business significantly improved in 2H'10: NIM for 2010 was 10.9% vs. 9.3% in 1H'10 (in 4Q'10 NIM was 12.9%)

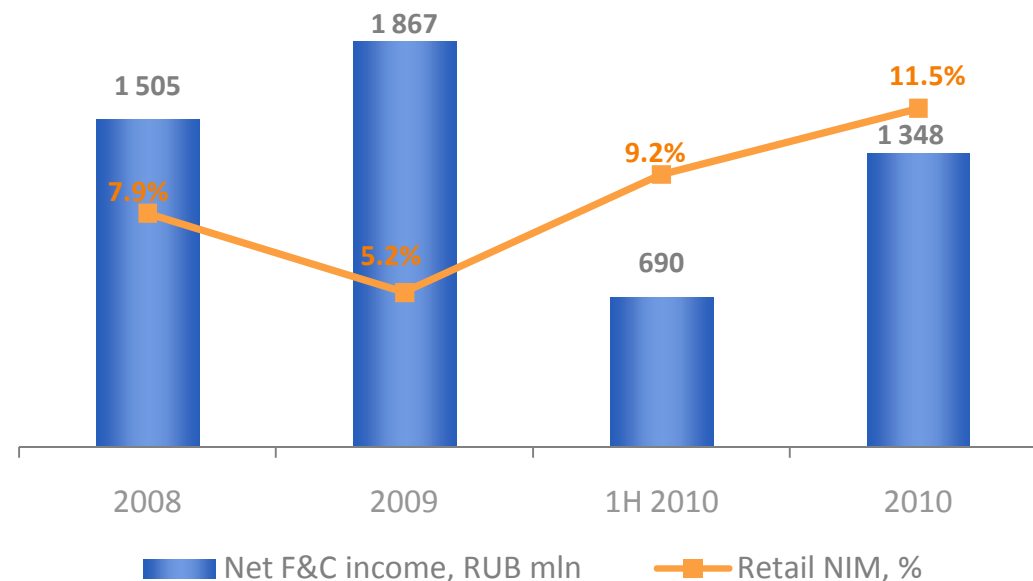
Retail loans & funding (RUB mln)



Retail funding – an important funding source

- § 12% growth in retail deposits in 2010 despite falling interest rates
- § The share of retail current accounts and deposits to customer accounts increased to 36% vs. 33% as at YE 2009
- § Around 1.5 mln retail accounts – 28% increase in 2010 (9% growth for 4Q'10)
- § PSB-Retail is ranked 2nd among top “e-banks” (according to Finance magazine) with c.a. 0.5bn subscribers (doubled in 2010)
- § Bancassurance & retail sales of mutual funds add strengths to fee&commission income

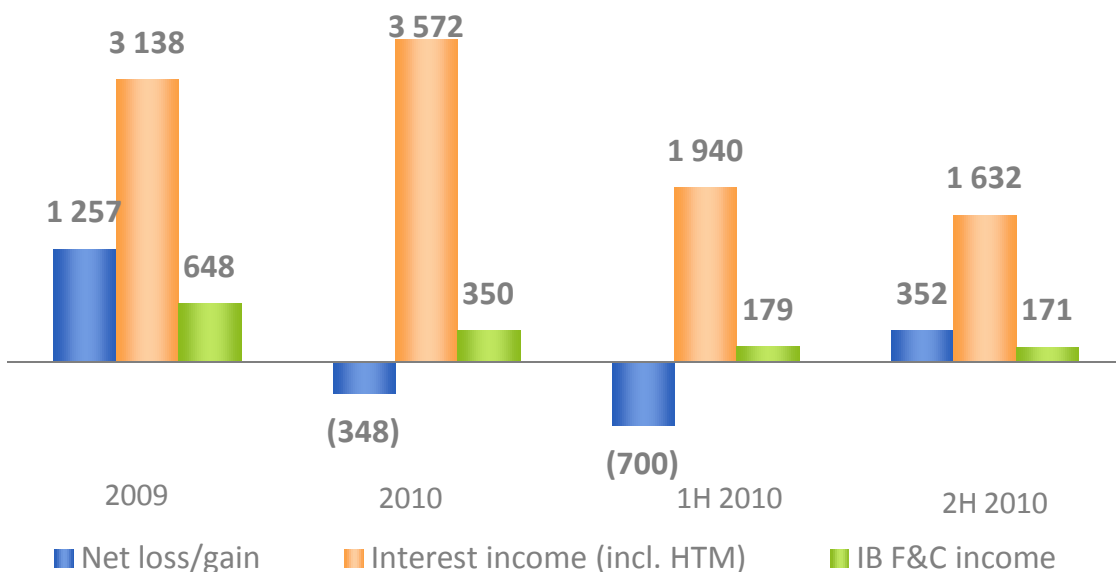
Net F&C income and NIM of retail business



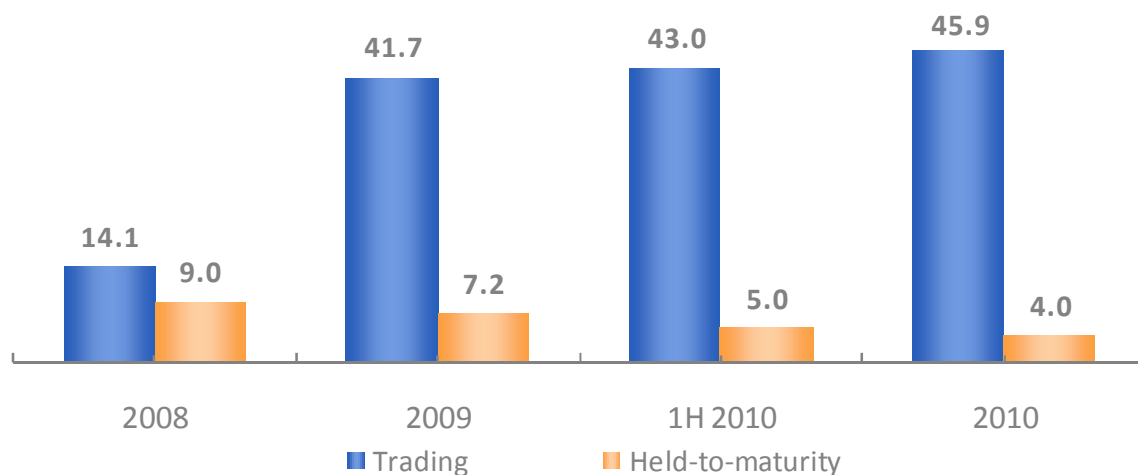
Retail lending

- § Retail lending re-launched in July 2010 - RUB 4.3 bn of new retail loans issued in 2010
- § Portfolio growth is expected to intensify in 2011 due to widening product mix and further recovery of public confidence in the economy
- § Wide branch network (253 points of sale) is supportive of further retail lending development – another 50 points of sale to be opened by 2013
- § Risk-based pricing approach is fully implemented and is expected to facilitate portfolio growth

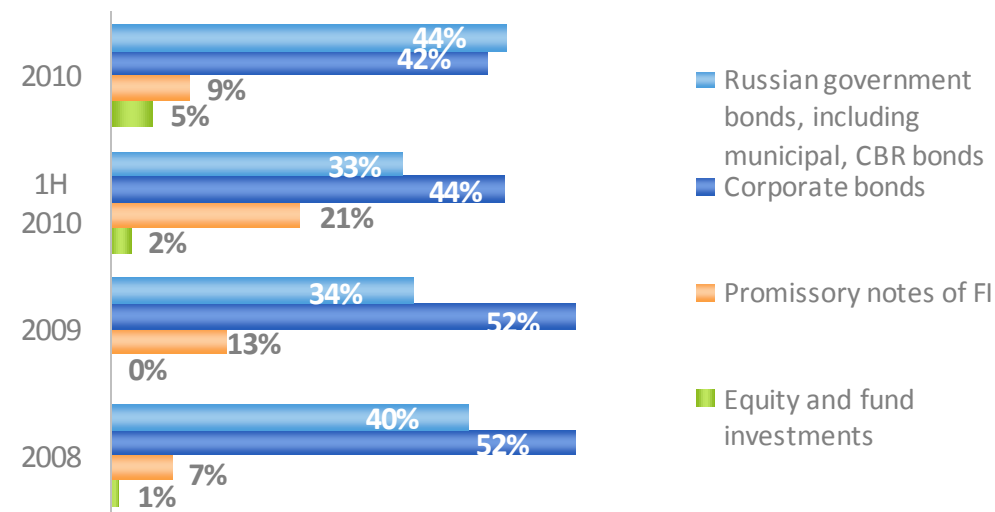
Securities portfolio performance (RUB mln)



Trading and HTM securities portfolio (RUB bn)

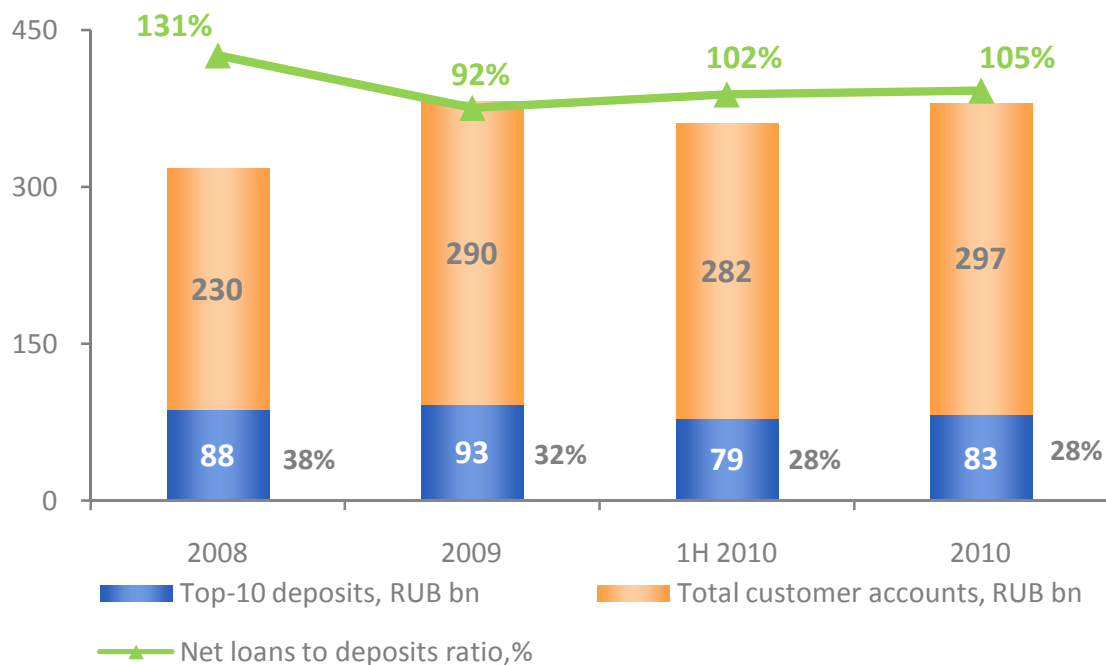


Securities portfolio breakdown

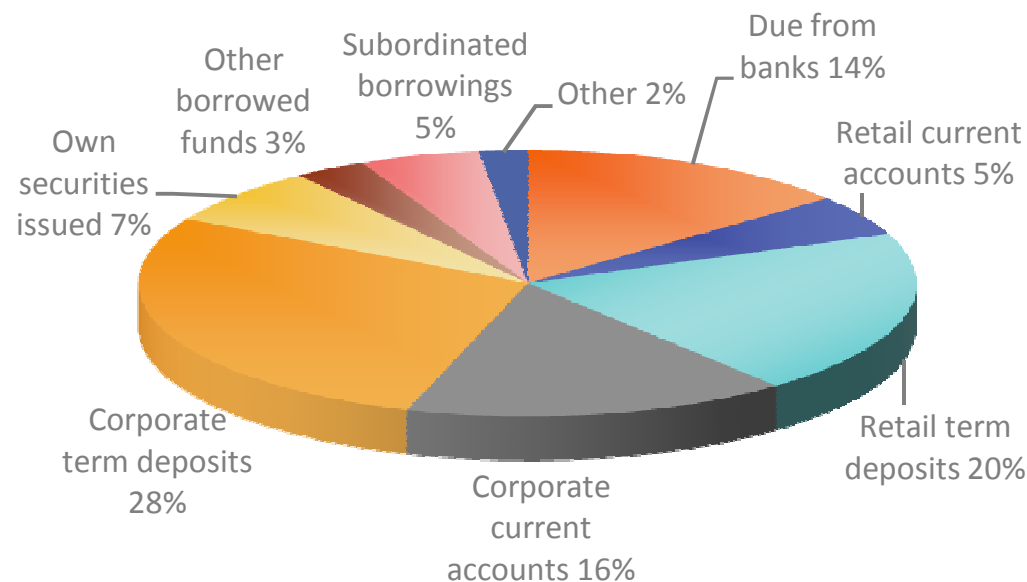


- § Stable share of securities to total assets at 11.0% vs. 10.4% at YE 2009
- § Weak trading results in 2010 were mainly driven by losses incurred in 2Q'10 due to volatility of the global financial markets
- § Conservative portfolio structure: almost 70% of debt securities are eligible for REPO transactions with the CBR (Lombard list)
- § Over 95% of promissory notes held are issued by state-owned banks with investment-grade ratings and by top-tier private banks
- § PSB ranked among the top-15 arrangers of RUB bond issues and among the top-5 largest repo operators for sovereign RUB bonds in 2010 on MICEX

Declining deposits concentration

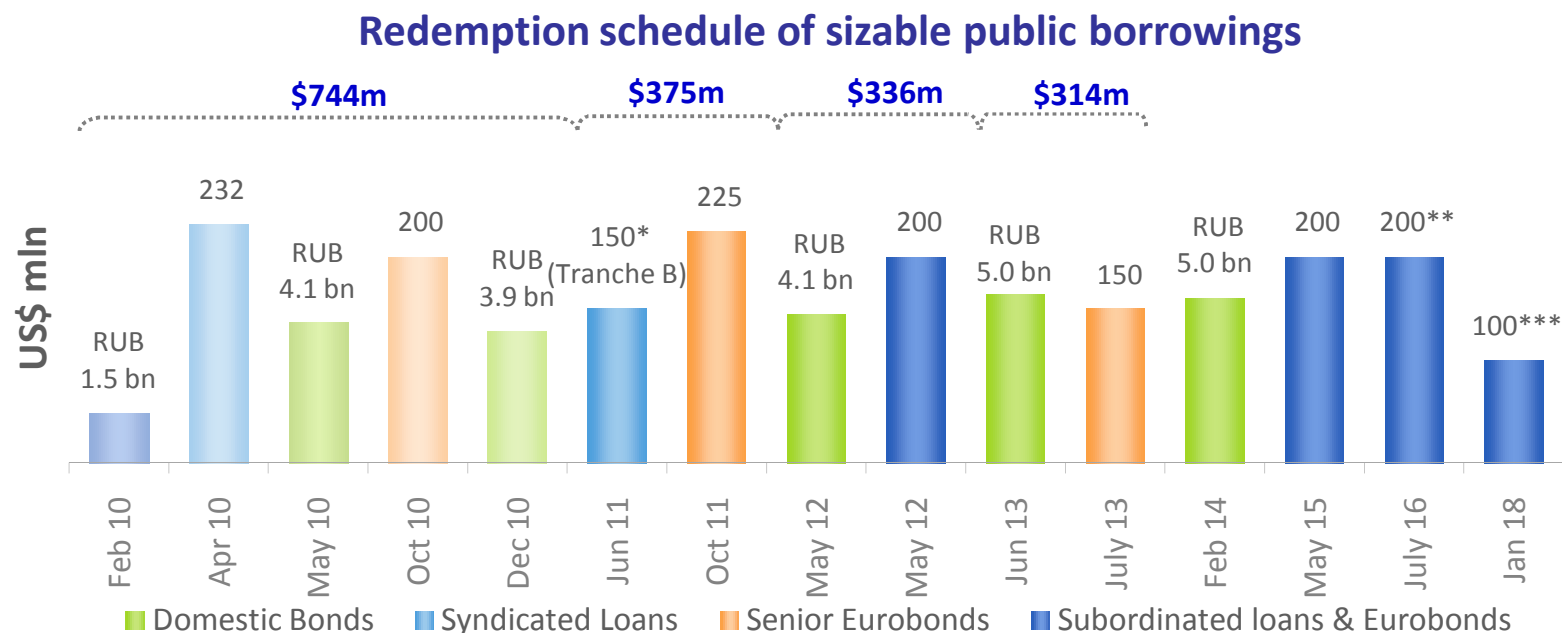


Strong funding mix (2010)



- § Stable share of customer deposits in total liabilities – 69% (vs. 67% at YE 2009)
- § The net loans-to-deposits ratio grew moderately, from 92% at YE 2009 to 105% at YE 2010, nearing the optimal range
- § The share of 10 largest depositors decreased during the past 3 years, to 28% at YE 2010 from 38% in 2008
- § The average effective cost of funding stood at 5.0% at the end of 2010, down from 7.4% a year before
- § Interest expense in relation to average interest bearing liabilities declined in 2010 to 6.2% from 7.3%

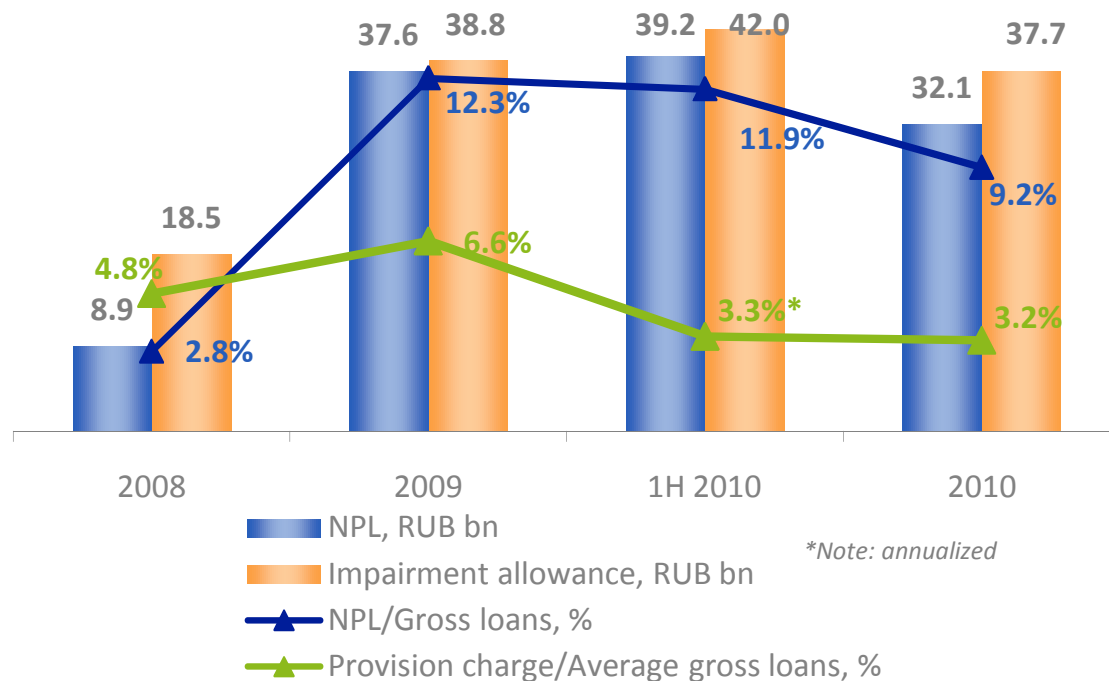
Capital Markets: Reduced Dependence on Market Funding



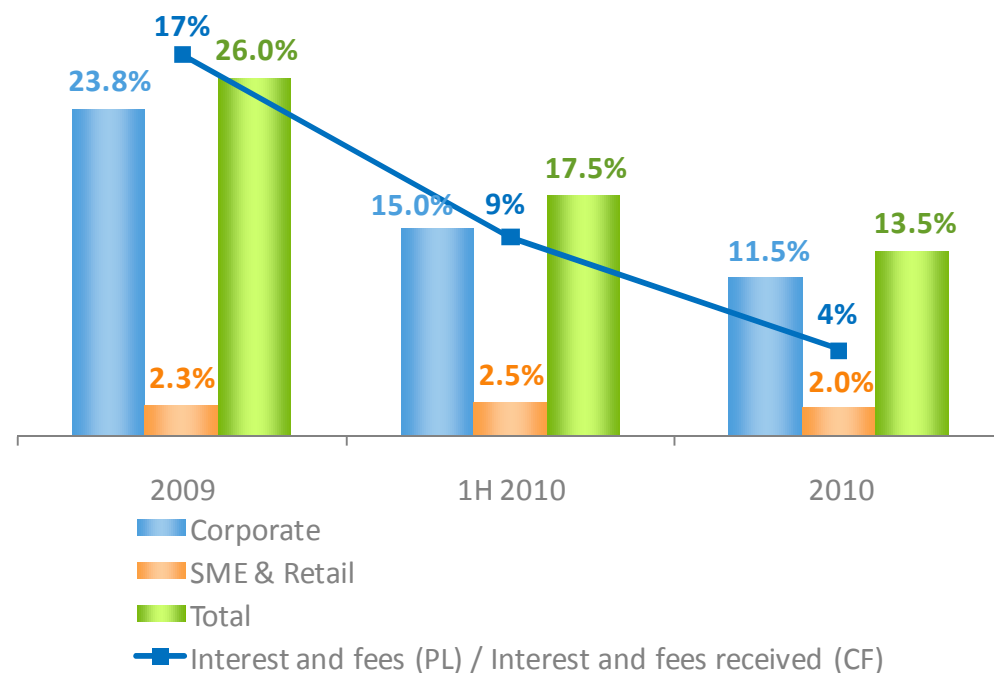
* The remaining part of US\$ 100 mln amortizes in 4 equal tranches until mid 2013 ** Bondholders put option 07/2011 ***PSB call option 01/2013

- § In June 2010 PSB raised a US\$250 mln syndicated loan - due to substantial oversubscription the deal was closed as a club deal involving the EBRD and 11 international banks
- § In June, PSB and IFC (a member of the World Bank Group) signed a US\$50 mln trade finance guarantee facility agreement
- § In July 2010, PSB successfully placed US\$200 mln of subordinated Eurobonds due in 2016
- § In October 2010, PSB fully repaid US\$200 mln Senior Eurobonds without refinancing
- § In February 2011, PSB successfully placed RUB 5 bn of domestic bonds due in 2014
- § **55% of the current liquidity cushion is sufficient to repay all of PSB's public debt till 2018 (12% for 2011)**

Decreasing NPL and provisioning



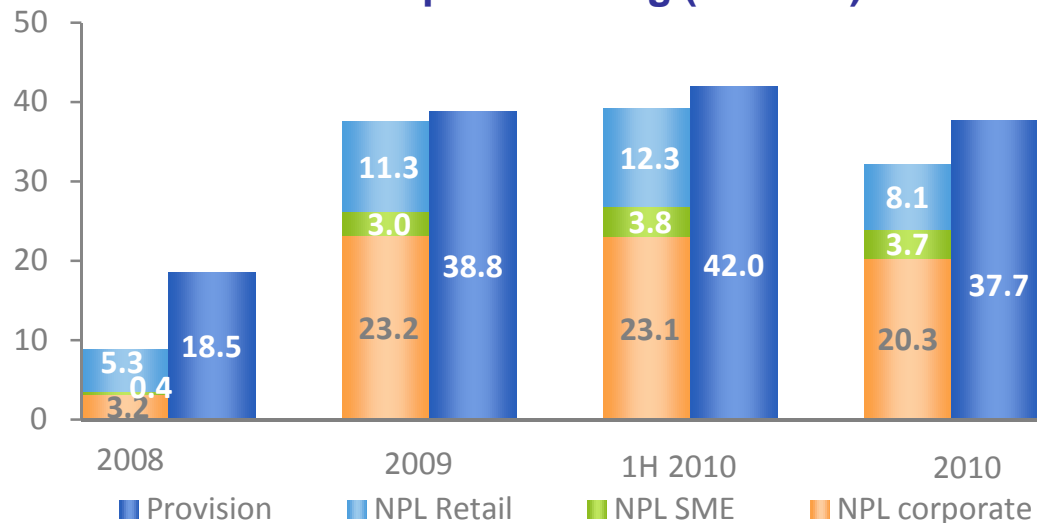
Loans with revised original terms to gross loans, %



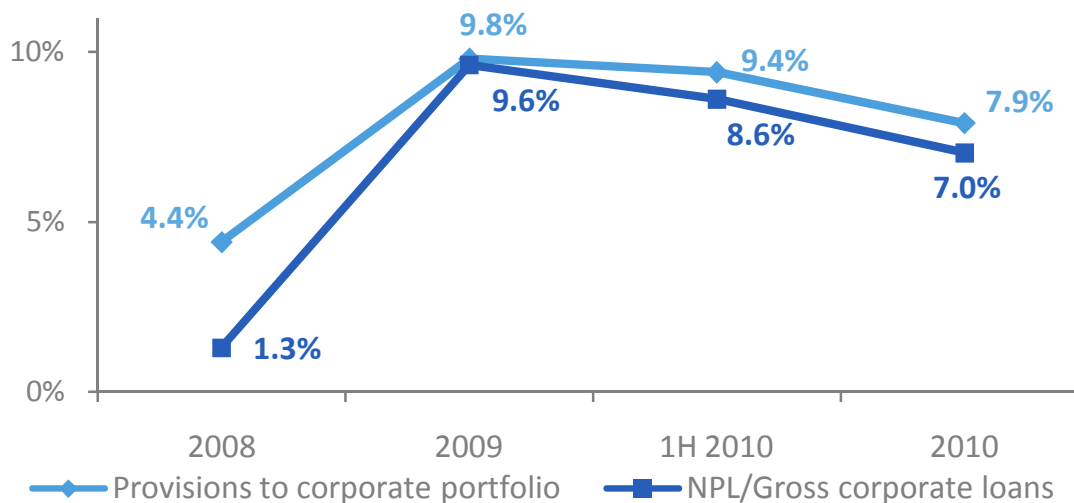
- § Share of non-performing loans (NPLs) continues to decrease
- § In absolute figures NPLs reduced mainly due to sales and write-offs
- § The peak NPLs level was passed in 1Q'10 – earlier than previously expected by management
- § PSB remains committed to maintaining its NPL coverage ratio at a level exceeding 100% (117% at YE 2010)
- § The share of loans with revised original terms almost halved in 2010 standing at 13.5% at YE 2010, down from 26.0% a year before
- § The gap between interest and fee income accrued through the P&L, and that actually received, showed a further improving trend: 4% for 2010 vs. 9% for 1H'10 and 17% for 2009

Loan Portfolio Quality (2/2)

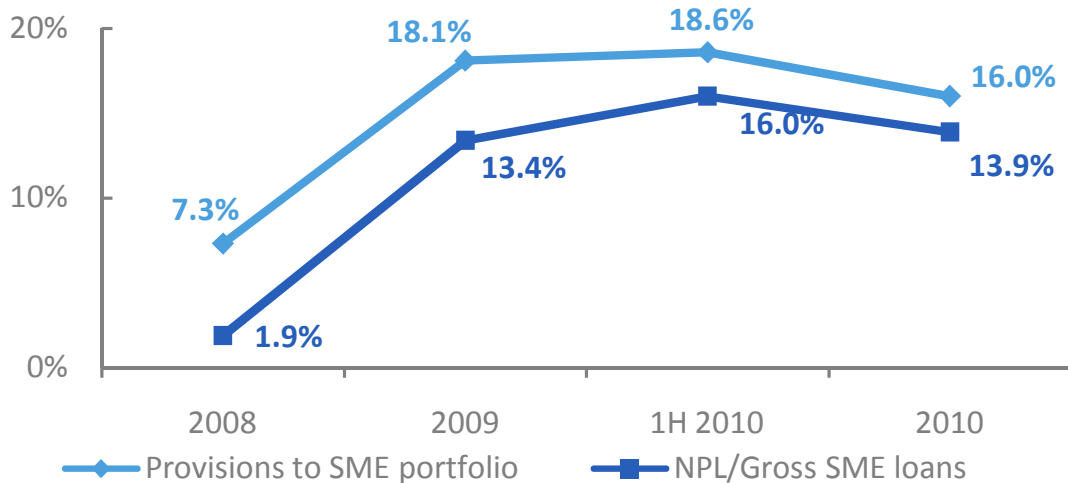
NPL and provisioning (RUB bn)



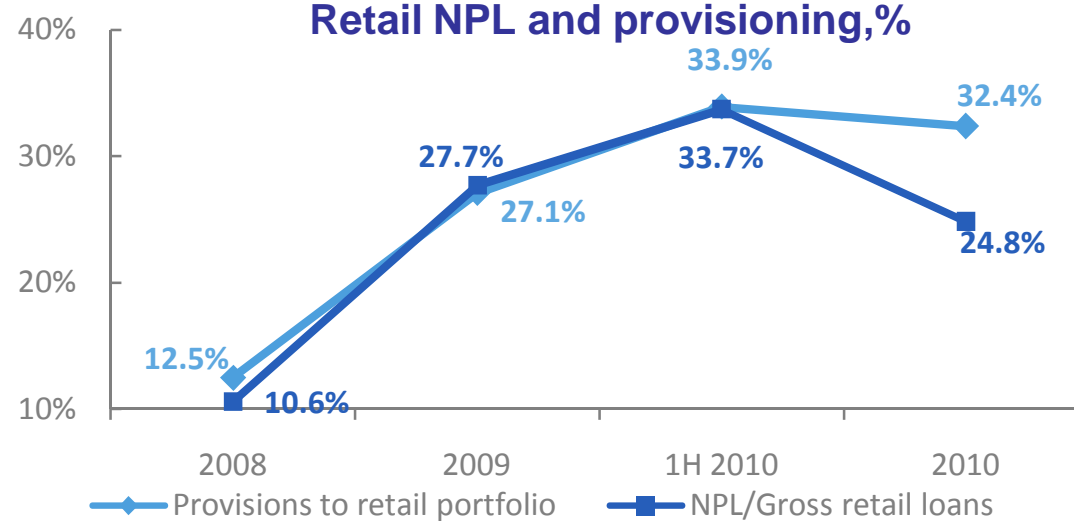
Corporate NPL and provisioning, %



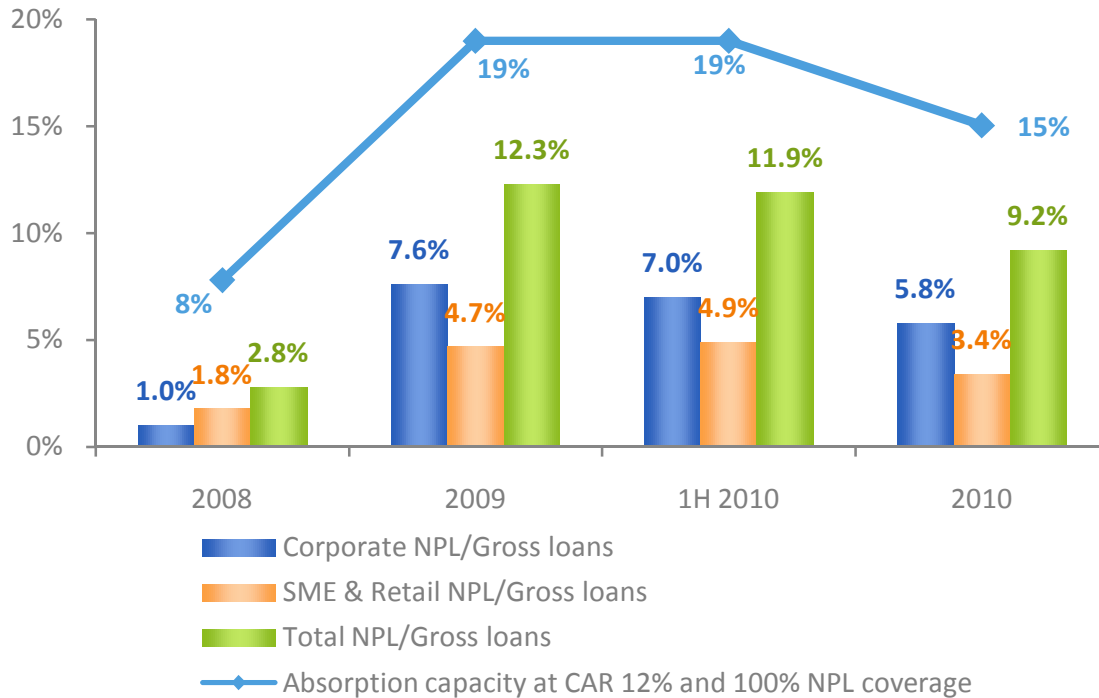
SME NPL and provisioning, %



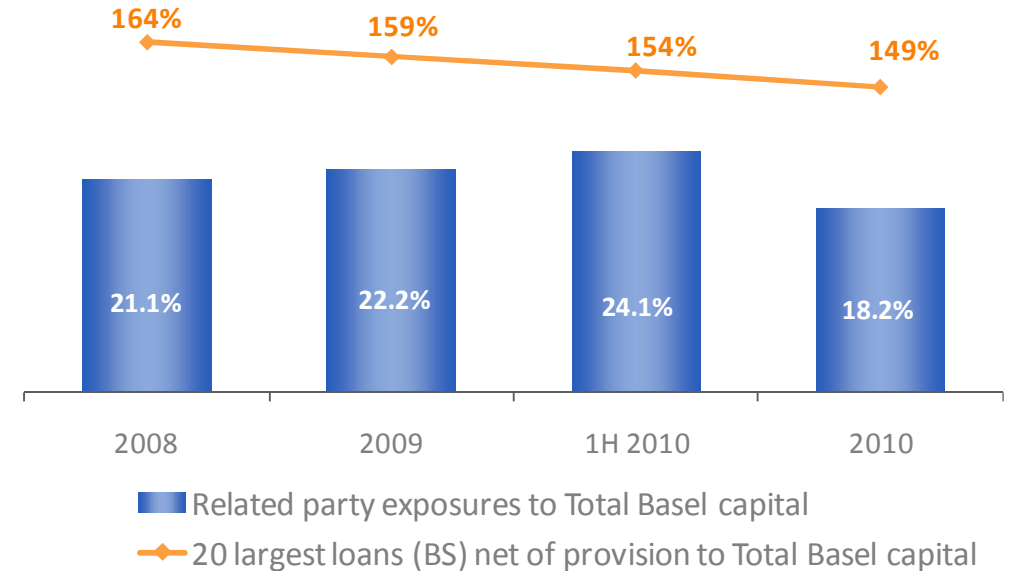
Retail NPL and provisioning, %



Loss absorption capacity at CAR 12%



Related-party exposure and largest party concentration



- § US\$200mln subordinated Eurobonds issued in July strengthened PSB's CAR
- § Total capital adequacy level was in excess of 14% throughout 2010 (covenanted min is 12%)
- § At YE 2010 PSB was in a position to absorb a theoretical level of NPLs up to 15% of gross loans whilst keeping the TCAR in excess of 12% (i.e. another RUB 20.4 bn of NPLs at 100% provisioning rate could have been absorbed)
- § The share of RP lending decreased in 4Q'10 to 18% of total capital, which is a one-off result driven by a considerable repayment of Tehnoserve's loans at the end of 2010

Thank you for your attention

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