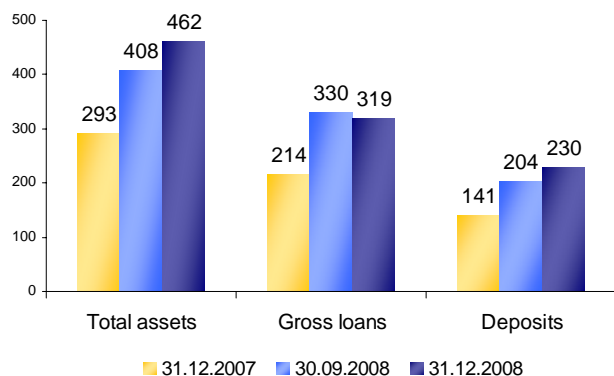


Key Balance Sheet Items

(RUB bn, IFRS consolidated accounts, preliminary unaudited for YE 2008)



Key P&L Items

(RUB bn, IFRS consolidated accounts, preliminary unaudited for YE 2008)

	2007	9M 2008	2008
Net interest income	12.2	15.5	22.0
Net fee & commission income	2.4	3.3	4.7
Operating income	15.6	20.0	28.5
G&A expenses	8.0	8.7	12.3
Net profit	3.7	3.1	1.9

Key financial ratios

(preliminary unaudited for YE 2008)

	2007	9M 2008	2008
ROAA	1.6%	1.2%	0.5%
ROAE	17.4%	12.9%	5.6%
Net interest margin (NIM)	6.2%	6.5%	6.6%
Cost to income ratio (CTI)	51.3%	43.5%	43.2%
LLP/Gross loans	2.4%	3.7%	5.8%
Capital adequacy ratio (CAR under Basel II)	13.5%	12.2%	13.1%

Note of caution: all YE 2008 figures in this Bulletin are preliminary and unaudited and may be subject to change, pending the completion of the external audit

2008 Preliminary Financials

Despite difficult market conditions in Q4 2008, PSB is quite satisfied with its 2008 financial results. According to preliminary unaudited results under IFRS^{*}:

- As at 1 January 2009, PSB level of liquid assets was more than sufficient, with liquid assets estimated at RUB 127 billion, reflecting a management decision to maintain the sound liquidity position in a volatile market environment. The instant liquidity ratio (N2) reached 75% (with the minimum required by the Central Bank of Russia at 15%);
- Net interest margin slightly increased to 6.6% due to the significant growth of net interest income by 81% to RUB 22 billion in 2008 (in Q4 2008 net interest income increased by 67% over the same period in 2007);
- Net fee and commission income doubled to RUB 4.7 billion compared to 2007;
- The share of fee and commission income in operating income increased to 16.6% from 15.2% during 2008;
- CTI ratio stayed at a reasonable level of 43.2%. PSB effectively managed its overheads: despite 37% growth in the number of personnel during 2008, in Q4 2008 G&A expenses increased only by 16% compared with same period in 2007;
- In Q4 2008 CAR ratio increased to 13.1% from 12.2% as a result of the increase in share capital and share premium by total amount RUB 4 billion following the additional share issue;
- Preliminary unaudited profit for the year is estimated at RUB 1.9 billion;

Other important highlights include:

- In 2008, PSB total assets increased by 58% to RUB 462 billion, whereof a 13% growth was recorded in Q4 2008;
- During 2008, gross loans went up by 49% to RUB 319 billion, while in Q4 2008 gross loans dropped by 3%;
- Corporate accounts and deposits (including funds from state companies) are estimated at RUB 176 billion at YE2008, reflecting a 67% and 14% growth in 2008 and Q4 2008, respectively;
- Retail accounts and deposits rose by 52% to RUB 54 billion in 2008, including a 10% growth in Q4 2008;

Worsened economic conditions in Q4 2008 impacted PSB profitability for the following reasons:

^{*} Yarsotsbank and Bank Nizhny Novgorod were included into 2008 IFRS consolidated financial statements

- The charge for potential credit losses on loans increased by RUB 6.2 billion, or by 88% to RUB 13.2 billion in 2008, representing the largest P&L negative driver in Q4 2008. The increased provisioning covers the actual increase of NPL and additionally reflects PSB's outlook on potential assets quality changes;
- In Q4 2008 NPL rose by RUB 2.5 billion and accounted for 2.68% of gross loans, up from the 1.84% level as at 1 October, 2008. Loan loss provision covered more than 200% of total NPL.

Review of 2008

- During 2008, PSB increased its market shares in corporate banking (to over 2% share in corporate loans and deposits), SME banking (to 1.5%) and maintained leading positions in factoring (20% market share) and trade finance (11%).
- The number of corporate clients increased to 70,000 from 55,500 at YE 2007, and of SME borrowers increased to 6,500 from 801. PSB attracted several new clients among the largest Russian companies, including state-owned ones. The number of retail clients (incl. cards) increased to 950,000 from 624,000, an increase of 50%, at YE 2007.
- PSB increased its regional presence by opening 5 new branches across Russia in 2008. With about 200 new ATMs installed, the total number reached almost 1,000 machines.
- PSB placed two additional share issues in the total amount of RUB 8.3 billion (at offering price), *pro-rata* distributed among existing shareholders, incl. Commerzbank Auslandsbanken Holding AG, and attracted two subordinated loans from controlling shareholders in the total amount of US\$ 110 million (during the share issue in December 2008 one of the subordinated loan in the amount of US\$ 70 million was converted into Tier I capital).
- PSB was one of the very few private Russian banks to accomplish 2 Eurobond issues in January and July 2008 (US\$ 100 million subordinated notes due 2018 with a call option in 2013, and US\$150 million Eurobond issue due 2013 with a put option in 2011) and 2 syndicated loans (1 year maturity) in April (US\$ 175 million) and August (US\$ 280 million).
- In Q4 2008 PSB acquired two small regional banks with the support of CBR and the Russian Deposit Insurance Agency: Yarsotsbank (total assets RUB 5.2 billion as of 01.01.09) and Nizhny Novgorod Bank (total assets RUB 4.5 billion as of 01.01.09). See more at: <http://eng.psbank.ru/news/1305.html> and <http://eng.psbank.ru/news/1385.html>). In December 2009, PSB completed the acquisition of controlling

stakes in both banks (see more at: <http://eng.psbank.ru/news/1485.html>).

Key Issues

The Bank's main objectives for the coming months include achieving higher operational efficiency and maintaining profitability in the tough markets. Priority for all business segments is sustaining sound asset quality over quick business expansion.

Asset quality

- To address the problem, which we believe is going to be the key for all Russian banks in the coming months, PSB has reviewed its product mix, tightened lending underwriting criteria for all types of borrowers, and increased the monitoring frequency of existing borrowers;
- Collateral assessment and borrowers' cash flow projections are based on most conservative estimates;
- Lending process has been centralized and all borrower limits are now set in the head office; loan terms have been reduced;
- Priority corporate clients are private companies from relatively low-risk economic sectors (such as food production, transport, chemical, and energy industries) and state-owned companies;
- In retail, the current focus is on employees of PSB corporate clients with a good credit history, as well as VIP clients;
- PSB has increased provisioning for losses.

Cost-cutting

- PSB has reduced promotion and office equipment expenses, optimized rent, transport and other G&A expenses;
- The network optimization resulted in some smaller outlets specialized in products PSB no longer considers consistent with its current strategy (e.g. auto loans) closed, which brought the total number of outlets to 257 from 297 as at 30 September 2008;
- PSB reduced the number of staff by approx. 5% in November 2008 – January 2009, with some employees transferred to growing business segments. While further optimization of staff numbers is probable, PSB strives to keep the best employees and continues to offer training and development programs.

Funding and Liquidity

Liquidity challenges the banking system faced during October and November were compensated by the

deposit inflow from state-owned corporations and additional liquidity provided by CBR (read more on state support for the banking system and the effect of state measures on PSB at <http://eng.psbank.ru/292/>).

Thanks to the stable inflow of customer deposits to PSB in recent months and the conservative liquidity management, PSB has been able to create an extra liquidity cushion. As indicated before, as at 1 January 2009, PSB had RUB 127 billion of liquid assets, including RUB 24 billion deposit with CBR, cash and equivalents, short-term placements with banks, and securities portfolio.

The accumulated liquidity allowed PSB to repay US\$ 200 million syndicated loan in December 2008 with no recourse to external financing (read more at <http://eng.psbank.ru/news/1465.html>). PSB feels confident about meeting the remaining obligations (US\$ 455 million of international borrowings) falling due in 2009. Thus, in March this year PSB plans to repay the US\$ 175 million syndicated loan before maturity.

In lieu of international capital markets, largely closed in the near future, PSB will increasingly fund its operations from sources: customer deposits, RUB bond issues, promissory notes, etc. PSB currently observes two trends – an inflow of deposits from new customers and a growth of settlement operations, on the one hand, and a decrease in lending volumes, on the other. Trade finance operations are continuously being targeted as a significant source of funding.

Risk Reduction

- Currency risks are related to the inflow of foreign currency deposits following the RUB devaluation. PSB abstains from speculative FX operations and artificial increase of FX assets, hedges risks and closely monitors its open currency position and compliance with the CBR required ratios; in other words, continues to apply standard procedures to minimize currency risks;
- In Q4 2008 PSB changed the product mix in both corporate and retail lending in favor of higher-margin and relatively low-risk products, including LCs, guarantees, factoring, promissory notes, RUB bonds arrangement, FX operations, and deposits;
- PSB has reviewed interest rate policy, and in the current “lender’s market” is able to differentiate lending rates based on individual borrower risk premium. This has helped PSB to preserve and even widen the interest margins despite more expensive funding;

- Securities portfolio has been increased through highly liquid securities only, and serves as an additional liquidity cushion.

Capitalization

- In December 2008, PSB completed a new share issue of RUB 4bn (US\$145mln) at offering price, with RUB 1.93 billion being a re-classification into Tier 1 capital from subordinated loan of US\$ 70 million received earlier from the controlling shareholders;
- The relatively low level of Tier-2 capital leaves scope for increases. PSB has applied for a subordinated loan from the state-owned Vneshekonombank (VEB) ;
- In 2009 PSB may also consider new share and subordinated debt issues.

Business operations

- Priority for all business segments is on sustaining sound asset quality over expanding operations;
- Focus on commission-based and higher-margin products;
- Cross sales between corporate, investment and retail businesses;
- Maintaining leading positions in factoring and international (trade) finance;
- SME and corporate business are priority segments;
- Tightened credit scoring system and loan decision-taking.

M&A Activity

A planned integration of the two acquired banks, Yarsotsbank and Nizhny Novgorod Bank within the Banking Group Promsvyazbank includes adaptation of credit and risk management policies; transfer to PSB IT platform; and introduction of PSB retail and corporate products.

Telephone conference on 2008 IFRS financial results is planned for the end of March. We will be sending out invitations around mid-March.

Investor Presentation is regularly updated and can be accessed at <http://eng.psbank.ru/292/411/>

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