Promsvyazbank
QUARTERLY INVESTOR BULLETIN

July 2007

Foreword

Promsvyazbank (PSB) received its first syndicated loan in September 2003 and issued its first Eurobond in October 2004. Since then, PSB strived to respond to all questions any investor may have had in an accurate and timely manner. In addition, PSB published various types of management and financial information on its website (please see www.psbank.ru/eng/tb.php?pid=2). Today, one of PSB strategic priorities is to enhance its corporate governance up to best international practice. That is to say, transparency and proactive endeavor to better inform our counterparts are now among our main concerns. That is the reason we are pleased to present you this first “PSB Quarterly Investor Bulletin”, hoping to give you the opportunity to learn about PSB beyond the lines of audited financial statements.

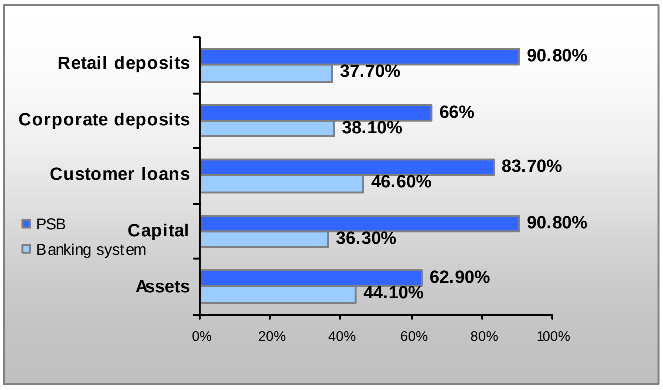
Some key figures

- Ranked **13th** bank by total assets and 6th privately owned Russian bank;
- Ranked **19th** bank by capital ($700 million);
- Ranked **3rd** largest branch/outlets network among privately owned Russian banks with **130** branches at YE2006. PSB targets **300** branches/outlets by YE2008;
- **17th** bank by deposits from individuals;
- **2nd** bank for factoring in Russia;
- A leading bank in trade finance with **$1.4bln** total amount in 2006;
- **$1,556mln** received from international capital markets since 2003 ($398mln already repaid);

Operational Performance

Moscow, 20 April 2007 – PSB issued its audited financial statements for the year 2006, prepared in accordance with IFRS.
(Please see www.psbank.ru/eng/docs/file_0013.pdf).
All PSB growth indicators based on financial statements show stable growth of the Bank and are above average market *(Table 1)*:

Table 1: PSB’s growth vs sector YE2006



Such strong expansion is a testimony of PSB exceptional dynamism, as well as its ***successful expansion in regions***. Borrowers from Regions (excl. Moscow and Moscow Region) represented 49% of the loan portfolio at YE2006 from 44% at YE2005. This trend will continue and the branch network’s contribution to PSB’s activity and profitability will proportionally increase further.

Last years clearly revealed several strategic priorities for the Bank, which proved to be a smart combination between universalism and leadership on some niches (Trade finance and factoring essentially). PSB current strategic goals are: (i) to maintain its position as one of the leaders of corporate banking, trade finance and factoring, and (ii) further strengthening its positions in SME lending, retail banking, and to some extent investment banking.

Corporate banking: The corporate loans’ increase by 68% in 2006 is not due to aggressive policy in terms of interest rates, which remained almost at the same level as in 2005, but is rather due to high quality of service and to PSB’s capacity to innovate and adapt its products to the specific needs of each its 40,000 corporate clients. Nevertheless, such stellar growth has not impaired the quality of the loan portfolio, as testified by the extremely low level of NPL at 0.27% of the corporate loan portfolio as of YE2006. The “lagging effect”, often argued by analysts as the reason of low NPL in a context of rapidly expanding portfolio, is mitigated by: (i) 63% of the portfolio’s growth represents increased exposure to “old” borrowers, with strong credit history and rapidly expanding business, and (ii) most "new" borrowers have already accumulated some credit history during the year due to relatively short-term and high turnover of loans (e.g. trade finance and factoring).

International Business: According to some sources, 9% of letters of credit issued in Russia in 2006 fall into PSB's portfolio. Uncovered trade finance credit limits, obtained from more than 100 international banks around the World, reached $1.1bln. By the end of 2007 PSB intends to increase trade finance volumes by 75% up to USD2.45bln. The priority is given (i) to structured products as letters of credit combined with financing and various guarantees, and (ii) to export finance related to acquisition of foreign equipment/machinery and back-to-back refinancing from ECAs'.

Factoring: Factoring's turnover in Russia increased, in 2006, by 102%. At the same time PSB's factoring portfolio grew by 180% and reached $330mln at YE2006. PSB's estimated market share (by turnover) stands at 18%.

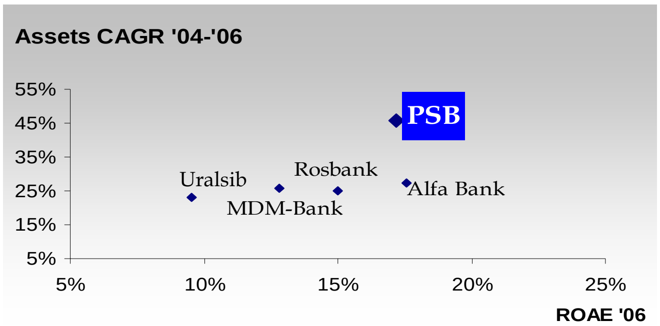
SME lending: The SME share in PSB's loan portfolio increased from 11% in 2004 up to 18% in 2006 and its market share is estimated now at 1.7%. Bearing in mind the strategic importance of this segment as (i) a source of higher interest margin, and (ii) as an "incubator" of future corporate customers, PSB has taken various organizational measures in order to better focus on and increase sales efficiency in this segment. PSB plans to reach 3% market share by YE2009.

Retail Banking: PSB recognizes that retail banking still offers promising growth opportunities in Russia. In 2006 the fourfold growth of the retail loan portfolio, which reached $446mln did not result in noticeable deterioration of credit quality for the following reasons: (i) the main source of growth was car lending, which reached one third of the portfolio, and which is a relatively safe type of credit, (ii) many personal loans are delivered to employees of corporate clients, which receive their salary on PSB bank account, and (iii) scoring models and debt collection process have been revised. PSB retail deposit base grew significantly above market's growth pace, while the number of depositors has more than tripled in 2006, reaching 96,000 clients. In the meantime PSB's range of retail products, from standard credit cards to custom-made wealth management, has largely increased.

Financial Performance

Benchmarking PSB with other big private banks :
PSB's capacity to grow rapidly while maintaining appreciable level of profitability is quite exceptional, and exceeds performance of most peer group banks as shown in Table 2:

Table 2: ROAE '06 and Assets CAGR '04 – '06



Such well performing indicators, which are above average peer group, are not limited to total assets growth and ROAE but cover also such elements as asset quality and capitalization. The table below compares some PSB indicators for 2006 with average indicators of the banks figuring in Table 2:

	PSB	**Peer group***
Activity		
Gross loans' growth	80.0%	55.0%
Deposits' growth	61.3%	46.7%
Profitability		
ROAA	1.8%	1.6%
ROAE	17.2%	13.7%
Cost-to-income	55.3%	55.3%
Asset quality		
Overdue loans/ Gross loans	0.33%	0.95%
Coverage ratio (NPL/LLP)	625.4%	312.7%
Top 10 borrower/ Gross loans	19.0%	14.8%
Top 5 sectors/ Gross loans	41.3%	52.4%
Capitalization		
Capital adequacy ratio	16.4%	14.0%
Tier I ratio	11.1%	11.1%

- *Average ratios of: Alfa Bank, MDM, Rosbank and Uralsib*

Concentration on single/groups of borrowers is the only underperforming indicator, but the downward trend commenced in 2004 (From 32.2% at YE2004 to 19.0% at YE2006) should be pursued in the future.

Latest Internal Developments

PSB pursues its network expansion: PSB has significantly increased its presence in the Ural, one of the most dynamic regions in Russia, through the opening of new branches among others in Yekaterinburg, Tyumen and Chelyabinsk.

A new SME Division: In April 2007 a new Division entirely dedicated to SME was formed. A new experienced team was hired from some of the leading banks in Russia. Before the creation of this entity, the SME unit was part of the corporate division. Bearing in mind PSB's current strategic focus on and specific approaches related to SME, it was important to proceed to these changes in the bank's organization.

A new layer of decision making: PSB's Board has extended to all regions (including Moscow's four regional business centers) its lending delegation powers through the creation of Regional/Business Center credit committees. This process, which started two years ago with pilot regions, was expanded gradually. Levels of delegations are multi-dimensional and customized in accordance with many factors as local needs, credit history, competences Etc… In parallel, procedures have been adapted and controls by Credit Risk Management Department and by Internal Audit have been reinforced.

***Risk management*:** The specific unit exclusively dedicated to implementing Advanced Measurement Approach (AMA) related to Operational Risk gave its first conclusions. These conclusions allowed PSB's ALCO to get more objective view on operational risks and take additional measures for their minimization. In the meantime, the unit dedicated to Credit Risk pursued its work on perfecting Internal Risk Based (IRB) system. In April, a new Head for Market Risks was hired. He previously filled a similar position with a leading foreign bank in Russia.

Investors' relations: PSB's Management decided to organize conference calls with investors on a semi-annual basis after the publication of annual and half-year financial statements. Two conference calls should take place in September in order to cover all time zones. Dates and timings will be published on our website www.psbank.ru/eng/

First Quarter 2007: Financial results

Balance Sheet

In RUR millions	31.03.07 (unaudited)	31.12.06 (audited)*	31.03.06 (reviewed)*
ASSETS			
Cash & equivalent	14,720	20,255	9,351
Placements with banks	11,149	13,427	15,569
Securities at fair value	25,996	25,403	21,695
Loans to customers	132,248	116,472	73,978
Other assets	1,204	1,301	728
Property & equipment	4,001	3,678	2,561
Total assets	**189,319**	**180,537**	**123,883**
LIABILITY			
Due to banks	36,756	37,529	20,331
Customer deposits	91,159	85,877	59,789
Own securities issued	27,239	24,197	17,192
Other borrowed funds	12,735	12,931	12,259
Other liability	2,085	1,628	1,690
Total Liability	**169,974**	**162,161**	**111,260**
Shareholders' equity	19,345	18,375	12,622
Total liability & equity	**189,319**	**180,537**	**123,883**

Profit & Loss

In RUR millions	31.03.07 (unaudited)	31.12.06 (audited)*	31.03.06 (reviewed)*
Interest income	4,572	13,554	2,655
Interest expense	2,244	6,633	1,248
Net interest income	**2,328**	**6,921**	**1,407**
Net fee income	437	1,496	235
Net gain on Fin. Instr.	-11	868	268
Net gain on Forex	43	358	246
Other	23	103	33
Operating income	**2,820**	**9,746**	**2,189**
Impairment expenses	159	900	95
Gen. admin. expenses	1,377	5,389	993
Income before tax	**1,285**	**3,457**	**1,101**
Income tax expense	316	862	255
Net income	**969**	**2,595**	**846**

** Some accounts are presented here in aggregated/reclassified form compared to original audited or review accounts.*

1st quarter results were in line with forecast. Profitability was boosted by banking book operations and well performing cost-to-income but was affected by trading operations due to unfavorable trends on financial markets and restructuring of the securities portfolio into more liquid securities. However this situation should be redressed during the 2nd quarter. 1st quarter slow progress of total asset is usual phenomenon due to long holidays and slow business during January in Russia.

Ratings

Fitch – On May 7th 2007 FitchRatings revised PSB outlook from positive to stable, while maintaining current ratings (Issuer Default Rating B+, Short-term Rating B, Support 5, Individual D) at the same level, due to "…the reduced likelihood that German-based Commerzbank Auslandsbanken Holding AG, a wholly owned subsidiary of Commerzbank AG (rated IDR 'A'/Stable Outlook) will acquire a majority stake in PSB". PSB Management does not exclude different strategies regarding the structure of ownership and capitalization of the bank including further negotiations with Commerzbank. The Bank may remind that the positive outlook established by Fitch in December 2006 and its today's revision to stable is only based on the perspective of Commerzbank to acquire a majority stake in PSB and not on the basis of PSB financial indicators.

Moody's – On May 4th 2007 Moody's Investor Service revised the D- Bank Financial Strength Rating (BFSR) of PSB from stable to positive, while the positive outlook of the Ba3 Issuer Rating remains unchanged. According to PSB's Management, such positive outlook better reflects the bank's performance during the last period, characterized by strong growth, high level of profitability and liquidity, excellent asset quality and capitalization. This also indicates PSB's potential rating upgrade without correlating it to the level of likelihood that German-based Commerzbank AG would acquire a majority stake in PSB.

These simultaneous announcements from two rating agencies in inverse directions are, we believe, unusual. From a discussion with Standard & Poor's it seems S&P has no intention for the time being to change current PSB ratings (B+/B) with positive outlook.

News in brief

London, 12 April 2007 - The European Bank for Reconstruction and Development, Calyon, HSBC Bank plc and Raiffeisen Zentralbank Osterreich AG have completed a $300 million syndicated loan, under an EBRD A/B loan structure, to PSB. This is the largest PSB's syndicated loan to date and the one with longest tenors. EBRD is the lender of record for the full amount and is providing a five-year A loan, using $85 million of its own funds. The remaining $215 million has been syndicated to 33 commercial banks, which advanced three-year loans under the B loan. The transaction was originally offered to the market as a $200 million loan but was increased after the B loan was oversubscribed by more than 100 percent. The B Loan was priced at LIBOR plus 100bp.

Kazan, 19 May 2007 - At its Russian annual meeting and business forum EBRD named PSB ***"The most active Issuing bank under Trade Facilitation Program in financing Russian imports in 2006".*** PSB's limit within EBRD Trade Facilitation Program amounts to USD80mln with tenors of up to 5 years.

Dubai 23 May, 2007. PSB entered into USD125Mln syndicated loan from a group of Middle East banks arranged for PSB by Emirates Bank, Fortis Bank S.A/N.V (Fortis) and Mashreq. The facility, which was signed on May 23rd 2007, has a tenor of 364 days and a margin of 0.70% p.a. over LIBOR. Launched at USD75Mln, the transaction achieved an impressive oversubscription, closing at a final amount of USD125Mln. The Arrangers successfully attracted some new investors from key targeted countries in the Middle East including Oman, Kuwait, UAE, Bahrain etc. This transaction has been the 1st exclusively Middle East focused syndicated loan for a Russian Bank.

Moscow, 24 May 2007 – PSB has issued bonds on the local market for RUR 4.5bln (approximately US$ 173mln). The bonds' 5 years tenor includes a revisable rate assorted with a put option for investors after 2 years. The bonds' yield at the offering was 7.99%, representing a spread of approximately 200bp above OFZ (Russian T-Bonds) with similar (2 years) duration.

Moscow, 27 June 2007 – was PSB's General Shareholders' Meeting. Two important decisions were taken: (1) The bank's legal status will be changed from ZAO (Closed joint stock company) to OAO (Open joint stock company); (2) Shareholders decided to launch PSB's 8th shares issue for RUR4,096mln (~$170mln). This new shares issue is aimed at financing the bank's development and sustaining high level of capital adequacy. All shareholders (incl. Commerzbank) will participate and will maintain their respective share of capital.