

Rankings and numbers

PSB country rankings as at **1 January 2008** under Russian Accounting Standards (RAS):

- **11th**-largest bank in terms of total assets¹
- **3rd**-largest private-sector Russian-owned bank¹
- **#1** among Russian banks by volume of factoring transactions² (RUB 77 billion in 2007, 77% YoY growth)
- **#1** among Russian banks by number of L/Cs³ (total value of trade finance US\$ 2.4 billion in 2007, up from US\$ 1.4 billion in 2006)
- **9th**-largest bank in terms of corporate loans⁴ (RUB 184 billion, 72% growth from YE06)⁵
- **15th**-largest bank in terms of retail loans⁴ (RUB 29 billion, 149% growth from YE06)⁵
- **9th**-largest bank by corporate deposits⁴ (RUB 106 billion, 68% growth from YE06)⁵
- **12th**-largest bank by deposits from individuals⁴ (RUB 35 billion, 59% growth from YE06)⁵

¹ Source: RBC-Rating as of 01.01.2008; PSB calculation. Note: VTB and its subsidiary banks considered one banking group.

² Source: ExpertRA Russian rating agency

³ Source: S.W.I.F.T.

⁴ Source: Finance magazine

⁵ PSB's preliminary YE07 IFRS financials which are pending external audit and subject to possible adjustments.

Environment

Economy

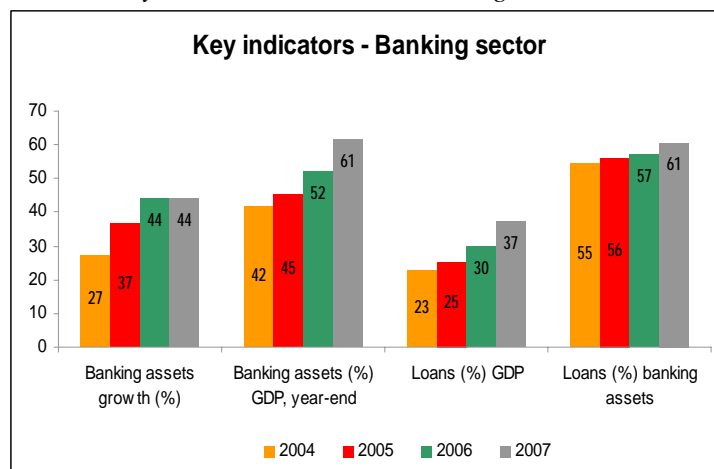
The state of the Russian economy remained good in 2007, backed by high world prices for the main Russian export commodities. Among the key macroeconomic indicators are the following:

- Ongoing real GDP growth (8.1% in 2007, up from 7.4% in 2006 – according to Bloomberg)
- Positive trade balance (US\$18 billion in January 2008 compared with US\$11 billion monthly average for 2007)
- FDI influx of US\$47 billion (2006: US\$28 billion)
- Federal budget surplus (over 8% of GDP in the first two months of 2008)

On the negative side, inflation accelerated in 2007, reaching nearly 12% p.a., and is expected to remain a major concern for the monetary authorities in 2008.

Banking sector

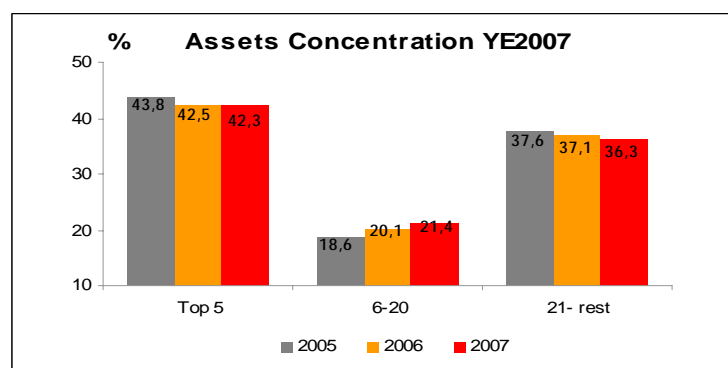
Chart 1: Key Indicators – Russian banking sector



Source: CBR data

- Consolidation in the banking system continues, supported by the regulator's policy.
- The group of banks ranking 6-20 by total assets (including PSB) increased their aggregated market share throughout 2005-2007 while the market share of the top 5 banks in the system declined.

Chart 2: Asset Concentration

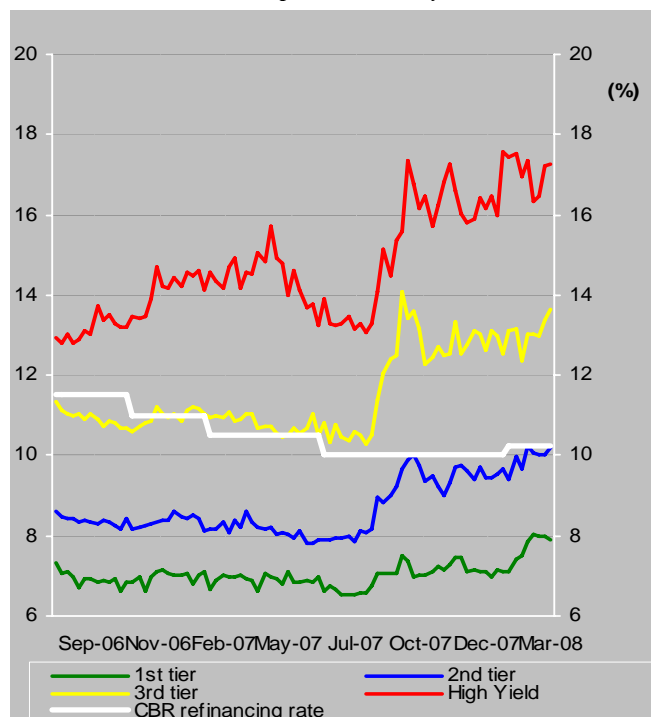


Source: CBR data

In H2 2007 the Russian banking sector faced deteriorating liquidity, followed by the outbreak of the sub-prime mortgage crisis in the US and the consequent spillover on the world's financial sector. Access to foreign debt markets has substantially tightened. Some Russian banks excessively reliant on foreign borrowings belatedly started collecting customer deposits.

Accordingly, competition intensified on the funding side, and funding costs significantly increased.

Chart 3: Short-term corporate bond yields

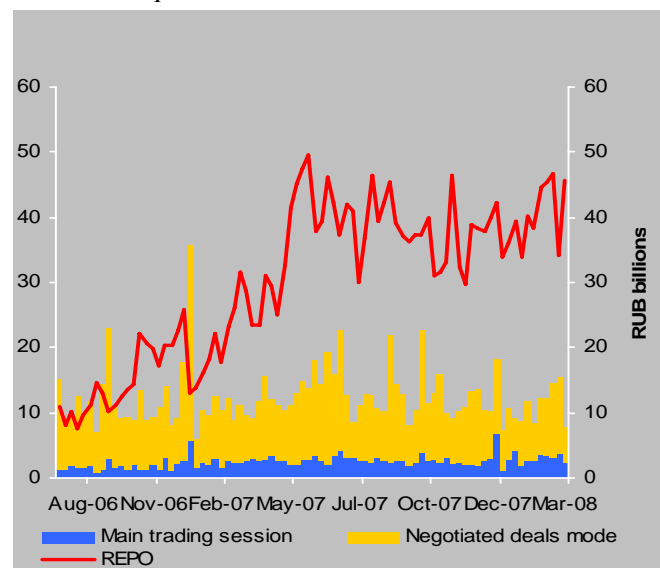


Source: MICEX data; PSB calculation

The good news for banks with a solid domestic deposit-taking power – including PSB – was influx of new corporate borrowers. Large Russian companies previously financed the bulk of their needs through market placements, either in international or domestic markets. When those sources dried up, companies increasingly turned to local banks for funding.

Financial markets: After a period of inactivity caused by a massive outflow of non-residents' funds in H2 2007, the Russian domestic bond market is coming back to life, e.g. in March 2008 PSB acted as underwriter for RUB bond issuances by prime Russian corporate issuers, Wimm-Bill-Dann Food Products" and JSFC Sistema; other corporate and municipal issuances are in the pipeline. Similar to other financial markets, in the RUB bond market the international credit crunch has also led to an increased cost of borrowing.

Chart 4: Corporate bond sales volumes



Source: MICEX data; PSB calculation

Regulatory support: The Central Bank of Russia (CBR) has voiced its willingness to support the liquidity of the banking sector in the event of need. The regulator's range of tools to manage banking sector liquidity has widened; in particular, the list of financial instruments eligible for refinancing with CBR has been substantially expanded: It now includes domestic and international bonds issued by Russian banks (incl. PSB), municipal and mortgage bonds. The efficacy of liquidity management tools was tested in October 2007, when CBR decreased the mandatory reserve requirements for banks to 3%-3.5% from previously 4%-4.5% (depending on the type of attracted funding), which led to injection of ca. RUB 100 billion additional liquidity into the banking system. This was a temporary measure (introduced for a set period of 3 months) which was later reverted, and reserve requirements have since increased, reflecting improved systemic liquidity.

The impact of international credit crunch on PSB

According to CBR data, during 9M 2007 Russian banks' liabilities due to non-residents increased by 46% to US\$148 billion. Following the deterioration of international market sentiment, the pace of foreign borrowings slowed down significantly in H2 2007 for

both financial and non-financial sectors. Nonetheless, according to preliminary unaudited YE07 IFRS financial data prepared by PSB, for which external audit is pending and which therefore is subject to change (“**Preliminary 2007 data**”) in 2007 PSB’s liabilities outside Russia rose by 90% to RUB123 billion (US\$5 billion) at YE07. More than half of this amount comprised the following relatively stable (i.e. non-volatile) funding sources:

- (i) trade finance and project finance from foreign banks (RUB 34 billion) and
- (ii) non-resident customer deposits (RUB 34 billion).

The stability of trade finance business has been proven through the past market turbulences (e.g. H2 2007 accounted for approximately 60% (US\$1.3 billion) of the US\$2.2 billion total volume of trade finance transactions conducted by PSB in 2007). The stability of non-resident customer deposits with PSB is underpinned by our observation that most of such deposits have Russian origins (attracted by PSB’s Cyprus branch) and therefore driven by different considerations than e.g. international fixed income funds.

As to the most affected sources of foreign funding, at YE07 according to Preliminary 2007 data we estimate that syndicated loan facilities (RUB 20.2 billion) represented 7.6% of PSB’s total liabilities and senior Eurobonds (RUB 10.5 billion) accounted for another 4%. While the maturity for Eurobonds is still remote (with the nearest redemption scheduled for October 2010), the Bank is confident about its ability to attract new syndicated loans (which in most cases do not require marking-to-market on the creditor’s books) and has already mandated (in March 2008) a number of banks to arrange a new trade-finance related US\$150 million syndication.

Strategy

PSB’s strategy is to continue its track record of strong growth and expand the scope of its business. This goal can be achieved through a combination of universalism and leadership in some niches (e.g. trade finance and factoring), complemented by targeted expansion in retail and SME sectors, and an increasing role for regional branches in lending and deposit-taking.

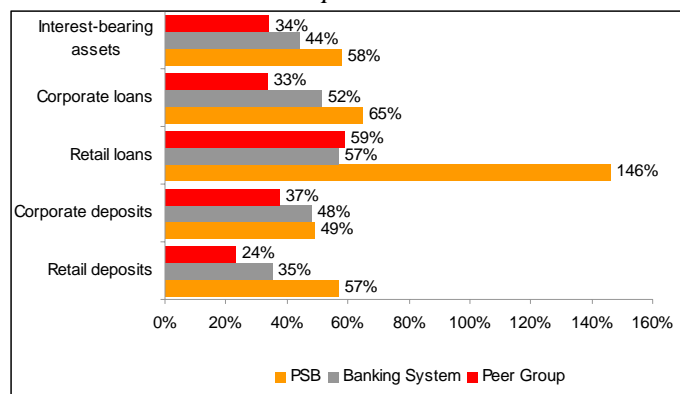
PSB continues to look to complement organic growth with M&A activity in selected regions of Russia.

Operational Performance

Audited annual IFRS financial statements for 2007 will be released in the first half of April 2008. Shortly thereafter PSB will cast an investor call on its 2007 financial performance. The YE2007 IFRS numbers used in this Bulletin are Preliminary 2007 data only. Interim IFRS financial statements for 9M 2007 are available at <http://eng.psbank.ru/292/8/>

The following comparison uses CBR statistics for the banking sector as calculated under RAS. The “peer group” includes other major Russian-owned private-sector banks: Alfa-Bank, Uralsib and MDM-Bank which are comparable with PSB in terms of size and diversity of operations.

Chart 5: Growth rates comparison 2007



Source: CBR data for YE07 (as prepared under RAS), Finance Magazine

Chart 5 shows that according to the YE07 data published by CBR, in 2007 PSB exceeded other comparable identified market participants in terms of growth in main asset and liability items. PSB’s growth was asset-driven, underpinned by its strong client acquisition power, branch network development and increasing business volumes of existing clients.

Network Development: In 2007, the number of PSB’s offices increased by 41% to 255 outlets in more than 90 locations throughout Russia as at YE07. The Bank’s network of 42 domestic regional branches (e.g. those outside Moscow) accounted for 54% of loans (incl.

loans issued to regional borrowers at the head office) and 38% of customer deposits.

In 2008, PSB plans to increase its branch network by 50%. Seven new full-fledged branches will be opened in the Russian regions, bringing their total to 49. In addition, opening of smaller-format offices should raise the total number of outlets to 385 by YE08.

Corporate Banking: According to our Preliminary 2007 data, we estimate that corporate loan book rose by over 70% in 2007 (2006: 68%), exceeding the average for the banking sector (see Chart 5). This was achieved thanks to PSB's commercial dynamism backed by its large and growing corporate franchise and distribution network as well as by a strategic focus on leadership in selected banking products. Liquidity constraints at some of the competitor banks in H2 2007 also contributed to PSB's successful acquisition of new clients that under normal conditions would have either assessed capital markets or obtained additional financing from their house banks. As a result, the number of corporate customers rose by over 30% in 2007 and exceeded 55,000 by the year-end. New clients include such major companies as Transaero airlines, Rusal, TNK-BP, Severstal, NLMK and others. The quality of corporate loan portfolio remained good, with a very low proportion of impaired lending.

This growth was achieved without any reduction in interest rates in our lending. PSB's average effective interest rates slightly decreased on RUB denominated loans (53% of gross loans) to 13.34% (2006: 13.53%), but increased on loans denominated in other currencies, predominantly in US dollars and euros (to 11.26% from 11.16% in 2006). The overall interest rate in corporate lending was nearly 12% p.a., the same level as in 2006. It is worth noting that following market trend to risk re-pricing, since Q4 2007 new loans are granted at 150-200bp higher than before and we expect that effective interest income from corporate lending will increase in 2008 compared to 2007.

According to our Preliminary 2007 data, corporate deposits also posted strong growth in 2007, increasing by 68% to RUB 106 billion (40% of total liabilities). Diversification levels significantly increased in customer funding, with the share of 10 largest depositors dropping to 19.4% of total current accounts

and deposits from customers at YE07, down from 24.6% a year earlier.

Factoring: PSB regards factoring as one of its key competitive strengths in corporate banking, and is determined to continue capitalizing on its leading market positions, in terms of both profitability and growth. Results for 2006 and H1 2007 placed PSB as the largest bank in Russia by volume of factoring transactions, while overall it ranked second in the Russian factoring market (after the specialized factoring company Eurokommerz), according to the Russian rating agency "Expert RA". According to the data prepared by the international factoring association Factors Chain International (FCI) for 2007, PSB's market share in export factoring in Russia is 80% and in import factoring 70%.

In 2007, PSB's factoring portfolio more than doubled to RUB 18.5 billion. The share of regional branches increased to 46% from 31%, driven by increasing number of branches that offer factoring services as well as by growing financing volumes. The volume of international factoring increased by 50% y-o-y in 2007, and exceeded US\$200 million, including the volume of import factoring, which increased by 350%.

International Finance: PSB regards international trade finance as one of its key competitive strengths in corporate banking, and is determined to continue capitalizing on its leading market positions, in terms of both profitability and growth. Priority is given to (i) structured products, such as letters of credit (L/Cs) combined with financing / guarantees, and (ii) export finance for acquisition of foreign equipment with back-to-back refinancing from export credit agencies (ECAs).

In 2007, the total volume of transactions conducted by PSB amounted to approximately US\$ 2.4 billion, a 63% increase over 2006. This total included US\$ 2.2 billion of short- to medium-term trade finance facilities, with tenors of up to five years; and US\$ 255 million of long-term project finance with tenors of up to 12 years, mostly under participation of ECAs. According to S.W.I.F.T., 10.23% of all L/Cs issued in Russia in 2007 were issued by PSB (2006: 8.26%).

In 2007, PSB substantially broadened its network of foreign counterparties, with an estimated aggregated amount of unsecured credit lines

approaching US\$ 2 billion by YE07, extended to PSB by more than 100 international financial institutions.

In 2007, PSB confirmed its reputation as reliable borrower in international capital markets. The total amount of attracted funding (other than trade and project finance) reached approximately US\$ 1.5 billion, including three syndicated loans in the total of US\$ 825 million, with tenors ranging from one to five years, a five-year US\$ 100 million Eurobond, a ten-year US\$ 100 million subordinated loan and a total of more than US\$ 450 million of loans for other purposes (such as financing small and medium-sized enterprises, funds for general corporate purposes, etc.) with tenors from one to seven years.

SME Lending: PSB believes that SME lending has the potential for strong future growth, attractive margins and can contribute to the overall expansion of the Bank's customer base. As a part of PSB's strategy of developing financial services for SME, a special SME Department was formed in April 2007 and a new SME lending program was launched in September 2007 in the Moscow region and in 20 further Russian regions. Initially, three standardized loan products were developed under the program; in Q1 2008 their number was increased to six. By YE07 PSB issued over 500 SME loans under the new program, with aggregated volume exceeding RUB1.5 billion. About 64% of these were issued by branches outside of Moscow region. By end-Q1 2008, 36 out of 42 PSB's regional branches throughout Russia offered new SME products.

At the launch of the new programme, PSB tightened definition criteria for SMEs. These criteria now incorporate companies with annual revenues up to RUB 540 million (ca. US\$22 million), and a maximum lending limit of RUB 45 million. In accordance with the new criteria, at YE07 we estimate that PSB's SME loan book totaled approximately RUB 8.2 billion (equivalent to 4.4% of gross loans to corporate clients).

Retail Banking: According to Preliminary 2007 data, loans to individuals increased by nearly 150% in 2007, reaching RUB 29.3 billion by the year-end. The number of borrowers grew by 2.2 times, to over 100,000. The Bank's retail loan book is comprised of consumer loans, car finance, mortgages and credit card loans. Consumer loans represent the bulk of the portfolio (about 54%). At

YE07, we estimate there were approximately 80,000 such loans, with a total amount of RUB 16 billion. Personal consumer loans are often granted to the management and employees of PSB's corporate clients, which receive salaries on PSB bank accounts. Car loans were the second-largest type of retail loans (34% of the total as at YE07). At YE07, there were 17,500 car loans outstanding, with a total amount of RUB 9.9 billion.

In common with other major Russian banks, PSB's loan quality was stronger in corporate banking rather than in retail banking. Nonetheless, the proportion of impaired retail loans still looks reasonable in comparison with other large private-sector banks. Express-loans (which accounted for only 2.4% of gross retail loans) were the weakest product in terms of loan quality while loans to "VIP clients" and mortgage loans posted the least proportion of overdue loans. All retail loans at PSB have annuity payments.

According to our Preliminary 2007 data, retail deposits exceeded RUB 35 billion. This represents an increase of nearly 60% over YE06, well above the average market growth in Russia in 2007 being 35.4% in 2007, according to CBR. At YE07, the number of retail depositors exceeded 194,000. In 2008, PSB intends to reorganize and strengthen its activities in the area of Private Banking for high-net-worth individuals that comprise a substantial part of its individual clients.

In 2007, the number of plastic cards issued by PSB increased by 34% YoY to approximately 440,000. Plastic cards issued to employees of the Bank's corporate customers for salary payments accounted for 86% of the total; in 2007 alone, PSB implemented over 1,300 salary projects for its corporate clients. By December 2007, our estimates indicate that the aggregated average balance on card accounts increased by 95% YoY to RUB 4.36 billion. The number of POS terminals in retail trade and servicing companies rose by 875 to the total of 2,740.

In September 2007, PSB began issuing credit cards with grace period and cash-back feature. At YE07, more than 12,000 such cards were issued. At YE07, the total amount of credit card loans was approximately RUB 460 million (1.6% of gross loans to individuals).

In 2007, PSB opened more than 30 offices for servicing individual clients; their total number throughout Russia now exceeds 160. The Bank's ATM

network was increased by 198 new machines (by 39%); at YE07 it encompassed 706 machines. The Bank also began installing ATMs with cash-in function.

Last year, a new Internet banking system for individual clients, called PSB-Retail, was implemented in all offices of the Bank in Moscow and the surrounding region. New functionality includes the ability of transferring funds from one card to another, and loan repayment through ATMs.

Financial Performance

Preliminary YE07 IFRS Balance Sheet*

In RUB millions	31.12.07 (preliminary)**	31.12.06 (audited)
ASSETS		
Cash & equivalent	38,088	26,485
Placements with banks	1,519	2,309
Securities at fair value	25,750	25,438
Reverse repo	3,362	1,013
Loans to customers	208,425	116,472
Property & equipment	11,222	3,678
All other assets	4,879	5,142
Total assets	293,245	180,537
LIABILITIES		
Due to banks	50,668	36,301
Customer deposits	141,001	85,350
Own securities issued	45,039	24,197
Other borrowed funds	24,299	14,653
All other liabilities	4,556	1,660
Total Liabilities	265,563	162,161
Shareholders' equity	27,683	18,376
Total liability & equity	293,245	180,537

Preliminary 2007 IFRS Profit & Loss Account

In RUB millions	2007 (preliminary)*	2006 (audited)*
Interest income	23,692	13,555
Interest expense	(11,529)	(6,634)
Net interest income	12,163	6,921
Net fee income	2,373	1,534
Net trading gain/(loss)	(124)	868
Net FX gain	915	358
Other	289	123
Operating income	15,617	9,746
Impairment losses	(2,587)	(900)
Gen. & admin. expenses	(8,010)	(5,389)
Profit before tax	5,020	3,458
Income tax expense	(1,315)	(862)
Profit for the period	3,705	2,595

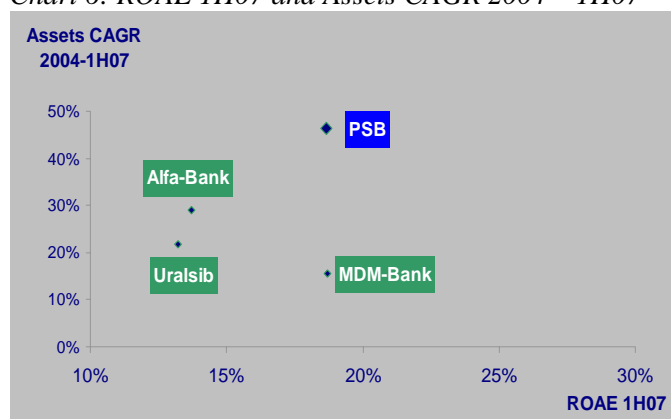
* Some accounts are presented here in aggregated/reclassified form compared to original audited or review accounts.

** preliminary YE 2007 data represent preliminary unaudited YE07 IFRS financial data prepared by PSB, for which audit is pending and which therefore is subject to change.

Track record of profitability coupled with strong growth: According to Preliminary 2007 data, PSB reported net profit of RUB 3.7 billion for 2007 (43% growth from 2006) driven primarily by strongly-growing revenues from its corporate business (75% of allocated segment results, down from over 80% in 2006). The relative importance of retail banking increased, with the proportion of this segment in total allocated business segment results growing to nearly 5% in 2007 from just 2% a year earlier). Retail banking has the strongest revenue-generating capacity of all PSB's business segments (the percentage of segment revenues to average segment assets of 22%, compared with 10% for corporate banking and 13.5% for investment banking and financial markets). However, its net results were negatively affected by relatively high cost of funding (7.5% p.a., compared with just 3.5% for corporate banking) and relatively high impairment charges (4.4%, against 1.1% in corporate banking).

PSB's capacity to grow rapidly while maintaining appreciable level of profitability is strong, and exceeds performance of other comparable identified large private-sector banks as shown in the below chart:

Chart 6: ROAE 1H07 and Assets CAGR 2004 – 1H07



Source: IFRS financial statements of respective banks.

A table in the Annex draws comparison between the key financial metrics of PSB and some of the other large private-sector universal banks controlled

by Russians. Financial data in this Bulletin in respect of other banks has been extracted from publicly available information, and PSB accepts no responsibility as to the accuracy of this data. As YE07 IFRS and Q3 2007 financials in the public domain are currently available only for MDM Bank, we focused our comparison on H1 2007 IFRS results.

As evidenced by the comparison table in the Annex, PSB shows strong comparable profitability and efficiency (despite active investments in branch network development). In particular, net interest margin compares favorably, supported by PSB's leadership in high-margin business niches (factoring, trade finance) and growing proportion of retail and SME loans.

PSB maintains good liquidity as evidenced by the influx of new corporate borrowers in H2 2007 when some of its peers struggled to renew their funding facilities. Gross loans / Deposits ratio comparison is distorted by PSB's sizeable trade finance business which is accounted for as loans on the asset side and as interbank deposits on the liability side, and therefore only loans are included in calculating this ratio, not the related liabilities. If trade finance and project finance related interbank liabilities were included in this ratio calculation, PSB's Gross loans / Deposits ratio at YE07 would drop to 122% from 151% stated in the comparison table. In addition, maturity analysis of assets and liabilities reveals positive cumulative liquidity position of PSB in all maturity buckets at both YE07 and YE06.

Other Internal Developments

- PSB changed its type of joint-stock company from a closed to an open company. In line with the change of the name the Bank of Russia issued PSB a new license to carry out banking operations on 28 September 2007.
- New Management Board was elected in September 2007, which included a few new names (mostly managers with 2-3 years successful track record in lower-level positions at PSB).
- In September 2007, PSB's majority shareholder Promsvyaz Capital B.V. acquired control in Volgoprombank (Volgograd, Russia). According to RAS reporting, at end-Q3 2007 Volgoprombank's total assets made up 1.33% of PSB's total assets.

- In October 2007 PSB appointed a Corporate Governance Director to enhance corporate governance procedures, including role and composition of the Board of Directors, creation of new committees, introduction of new internal documents and procedures for the enhancement of protecting investor rights.
- In November 2007, a Risk Management and Control Department was created, which centralized most of the risk functions within the Bank. In December 2007, the Bank decided to acquire a state-of-the-art risk management tool from IPS-Sendero, a world leader in banking risk management software.
- A Private Banking Department was formed in August 2007, reflecting PSB's strategic interest in this business.
- In Q4 2007, Treasury Department was put in charge of liquidity management only, and was separated from the financial markets and other profit centers.
- In December 2007, a Quality Management Service was created at PSB, aimed at boosting customer loyalty.
- Administrative reform of Q3 2007 led to the creation of a matrix-based management structure that combines geographical with product divisions. A number of blocks were created within the organizational structure of the Bank (see <http://eng.psbank.ru/about/319/>)
- PSB started test-mode operation of a new system for overheads planning and control, on SAP software basis.

Selected External Awards

National award for branch network development: In December 2007, PSB was awarded the National Banking Prize for Branch Network Development, founded by the Association of Russian Banks and the National Banking Journal.

EBRD awards:

- In Q1 2008 the EBRD awarded PSB as "The most active trade finance bank in Russia in 2007".
- In May 2007 the EBRD awarded PSB as "The most active bank in financing Russian imports in 2006".

Euromoney: For the 3rd year in a row Euromoney's 2007 survey named PSB among the best banks in Europe's emerging markets in the area of corporate governance. Euromoney conducted its traditional annual survey among the financial institutions which focused on ownership transparency and stability, financial

transparency, board structure and procedures, stakeholder relations and alignment of managerial interests.

S&P transparency index: Standard&Poor's conducts Transparency and Disclosure Survey among Russian

banks annually. The results of October 2007 Transparency and Disclosure Survey revealed that PSB significantly improved its position from the 15th place up to the 8th. The survey is a research project focusing on public information disclosure from an international investor's perspective.

Annex: Benchmarking PSB against other large private-sector Russian-owned banks

	PSB		MDM**	Alfa**	Uralsib**
	2007 (preliminary)	H1 2007	2006	H1 2007	
<u>Profitability & Efficiency</u>					
ROAA*	1.63	1.79	1.78	1.98	-1.83
ROAE*	17.36	18.62	17.27	18.71	13.21
Net Interest Margin	6.2	6.0	5.9	5.7	4.8
Cost-to-income ratio	51.29	49.28	55.29	45.73	126.92
<u>Liquidity</u>					
Gross loans / Customer deposits	151.46	159.74	139.37	207.34	97.22
Liquid assets / Total Assets	22.69	21.54	30.60	31.15	32.76
<u>Asset Quality</u>					
Overdue Loans / Gross Loans	0.45	0.34	0.33	1.36	0.57
Loans to Related Parties / Gross Loans	1.83	2.06	3.26	0.26	9.16
<u>Capitalization</u>					
Equity / Assets	9.44	9.15	10.18	10.05	13.12
Total capital ratio	13.51	13.68	16.38	12.74	14.20

* Calculation is based on 2007 quarterly averages for total assets and shareholders' equity.

** Financial data in this Bulletin in respect of other banks in the market has been extracted from publicly available information (IFRS financial statements and websites of the respective banks), and PSB accepts no responsibility as to the accuracy of this data.