

Letter from the President

Dear Shareholders, Clients and Partners,

I am pleased to present the report of Promsvyazbank for 2007, during which period our Bank achieved good results.

Assessing the events of 2007, it is necessary to take into account the unfavourable conditions under which Russian banks had to operate — the first six months were characterised by fierce price competition in the domestic market, and the second half of the year saw a negative situation taking shape with respect to liquidity in the international financial markets. In connection with this, we devoted particular attention to developing the risk management system.

Under these conditions, Promsvyazbank succeeded, largely thanks to the trust of our Clients and Partners, and to the professionalism of our staff, in achieving growth rates outpacing the average ones for the Russian banking sector: the Bank's total assets increased by more than 60%, and exceeded 290 billion roubles, while the net profit went up by 43%, and reached 3.7 billion roubles.

Such an increase would have been impossible without the support from our Shareholders — during 2007, the Bank's Tier 1 equity rose by 44%, to reach 25.3 billion roubles. The Bank's total capital, including, in accordance with the methodology of the Basel Committee on Banking Supervision, not only Tier 1 capital but also fixed assets revaluation and the principal of subordinated borrowings, went up during 2007 by 40% to 36.4 billion roubles.

The Bank is continuing an active development of its branch network: the number of sales outlets increased by 41% in 2007, which was ultimately marked by Promsvyazbank receiving the National Banking Award "For Development of the Branch Network". During 2007, the proportion of clients located outside the Moscow region in the Bank's loan portfolio rose from 49% to 54%, in deposits and customer accounts — from 34 to 38%. We will continue to increase the volume of client business generated by the Bank's regional network both in assets and in liabilities.

Despite the lofty results that we have already achieved, we do not intend to stop, and we have set even higher goals for ourselves in 2008. The Bank is continuing to develop as a universal financial institution. We intend to keep our leading positions in the field of trade financing and factoring, while increasing our business volumes over the entire spectrum of services we provide to our corporate Clients. We are also committed to further developing such high-potential business lines as retail banking and lending to small and medium-sized enterprises.

On behalf of the entire Promsvyazbank team, I would like to express my gratitude to our Shareholders for their participation in implementing our strategic plans, and to our Clients and Partners for their trust in our mutually beneficial co-operation. We highly appreciate the relations between us, and will continue to apply all efforts towards their strengthening and development.

A.A. Levkovskiy

**President and Chairman of
the Management Board**