

Moody's changes Promsvyazbank's outlook to positive

Outlook on the Russian bank's foreign currency deposit and debt ratings changed

Moscow, December 07, 2006 -- Moody's Investors Service has changed from stable to positive the outlook on Promsvyazbank's (PSB) Ba3 long-term foreign currency deposit and debt ratings. The outlook on the bank's D-financial strength rating remains unchanged. At the same time the outlook for the Ba3 long-term foreign currency debt rating assigned to US\$125 million 8.75% senior unsecured loan participation notes and the B1 long-term foreign currency debt rating assigned to the US\$200 million 9.625% subordinated loan participation notes issued by PSB Finance S.A. have also been changed to positive.

Moody's change of outlook is prompted by a recent announcement of the successful acquisition of a 15% stake of PSB by Commerzbank AG (CB) (rated A2/P-1/C+), which is likely to be followed by the acquisition of a controlling stake. The change of outlook reflects the increased probability of the successful acquisition of the controlling stake of the bank by CB in the future.

Moody's notes that the positive outlook on the foreign currency deposit and debt ratings reflects the increased likelihood that this rating may be raised by several notches following finalisation of the acquisition of the controlling stake in PSB, as a result of factoring in parental support. However, the ratings have not been upgraded because the final outcome of the transaction still carries a high degree of uncertainty, as the negotiations are still underway and the structure of the transaction is still to be developed.

Moody's notes that the bank's D- FSR could also experience positive pressure in the future stemming from more active participation of CB in PSB's activity, leading to a more defined strategy, development of franchise, improved capital, funding sources and internal systems, a decrease in risk appetite, as well as greater brand recognition and more strict corporate governance procedures.

Moody's notes, however, that the positive outlook is likely to be returned to stable if the transaction of acquiring a controlling stake does not go through as expected.

Headquartered in Moscow, Russia, Promsvyazbank had total IFRS-consolidated assets of US\$4.6 billion as of 30 June 2006.

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