

Bank Credit Analysis



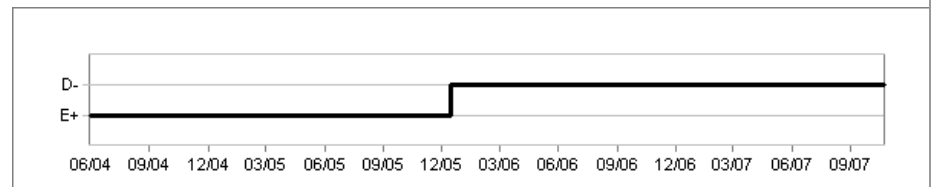
October 2007

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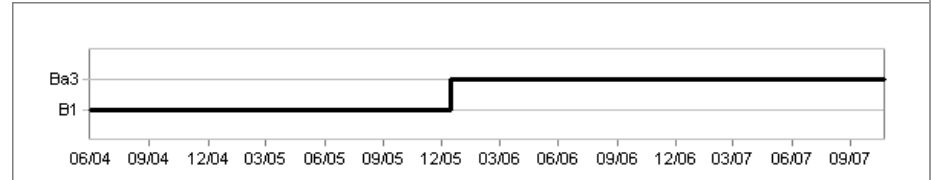
Moscow, Russia

Summary Rating Rationale

Rating History – Bank Financial Strength Rating



Rating History – Long-term Deposit Rating



Moody's assigns a D- bank financial strength rating (BFSR) to PSB. The rating outlook is positive.

The rating derives from the bank's established franchise in corporate banking and currently evolving SME and retail business as well as its solid financial performance over recent years, its clear strategic vision and its successful track record of expansion in its market segment. The rating also factors in the bank's historically adequate asset quality and reasonable liquidity management, as well as management's proven ability to improve the bank's market positions. PSB's rating is constrained by still fairly high single-name concentrations and high risks associated with rapid regional expansion and vigorous growth of the loan book as well as dependence on the corporate sector.

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This Bank Credit Analysis provides an in-depth discussion of credit rating(s) for Promsvyazbank and should be read in conjunction with Moody's most recent Credit Opinion and rating information available on Moody's website. [Click here to link.](#)



Moody's Investors Service

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PSB's Ba3/NP long- and short-term foreign and local currency deposit ratings are directly linked to its Baseline Credit Assessment and do not incorporate any element of systemic support, given the bank's low importance for the Russian banking sector and economy.

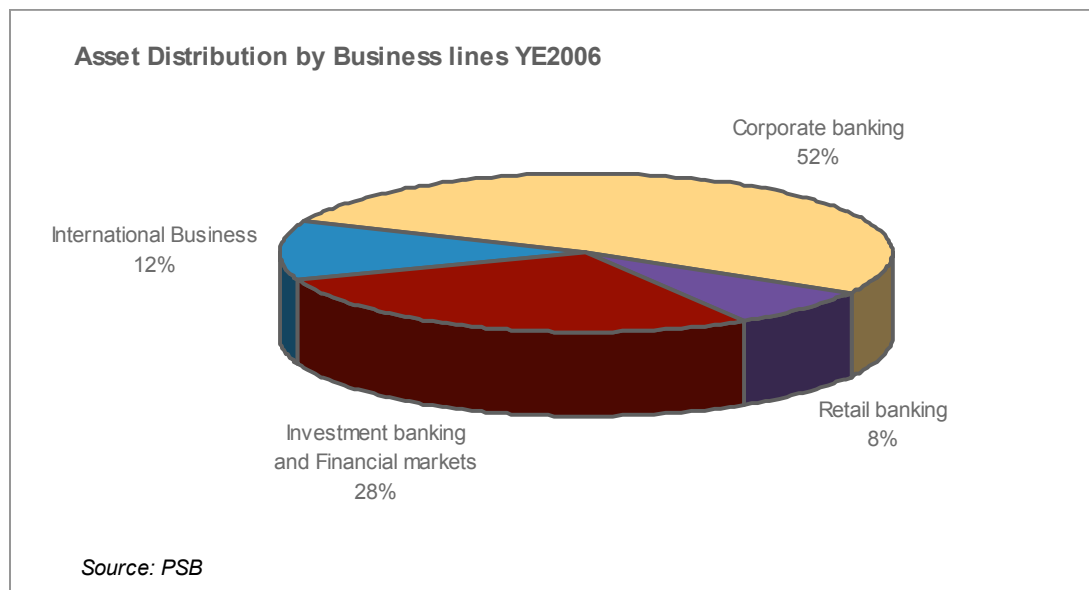
Group Structure

PSB is ultimately controlled by two individuals whose combined stake is 84.68%. The remaining 15.32% stake of voting shares is held by the Commerzbank AG (rated Aa3/P-1/C+). PSB was initially established to serve the needs of telecommunications industry where its shareholders have expertise and interest (they own a Technoserve, a large Russian telecommunication holding).

The corporate segment (mainly large- and medium-sized Russian companies) and international business (with a large share of trade finance activities) – together accounting for 64% of the total assets – remain the bank's principal business lines. More recently the bank has embarked on a strategy to develop the retail segment and to become one of the leading Russian retail banks.

International Trade Financing is one of the PSB's strategic business lines where the bank maintains substantial market position and plans to increase the volume of trade financing to US\$2.0 billion by the end of 2007, focusing on servicing regional clients.

A substantial portion of PSB's assets is allocated to investment banking and financial market operations. PSB offers a full range of investment banking services including public and private debt and equity offerings as well as domestic corporate, municipal and regional rouble-denominated bond issuances, foreign exchange transactions, and brokerage services.



Key Issues

- Challenge to reduce a significant risk appetite reflected in the high concentration levels in the loan book relative to equity coupled with substantial appetite to lending to the more risky real estate and construction sectors as well as the rapid growth
- Ability of the bank to successfully build up its retail franchise in an increasingly competitive environment where all major Russian banks target the same customers, but clear progress in PSB's strategy of retail business expansion could be a sign of its future success
- The risk management system is somewhat rudimentary in regard to the decision-making process, and corporate governance standards still have a room for development. However, the shareholder's and management's intention to enhance these areas is viewed positively.

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The elimination of the majority of these factors is likely to drive the rating up. The positive rating outlook reflects the substantial probability of such event.

Analysis of Rating Considerations

Discussion of Qualitative Rating Drivers

Franchise Value

Rapidly developing SME and retail banking along with growing geographical diversification and well established position in corporate segment support franchise growth

PSB was initially established to serve the needs of the telecommunication industry where its shareholders have expertise and interest. Since then the bank has significantly expanded and diversified its activities and as of end-Q1 2007 was ranked 12th among Russian banks in terms of assets (with over 1,000 banks in the country) and 18th in terms of capital. The bank's strong competitive position in corporate banking, rapid development of retail franchise coupled with a wide and growing branch network, have allowed PSB to build a solid Russian banking franchise.

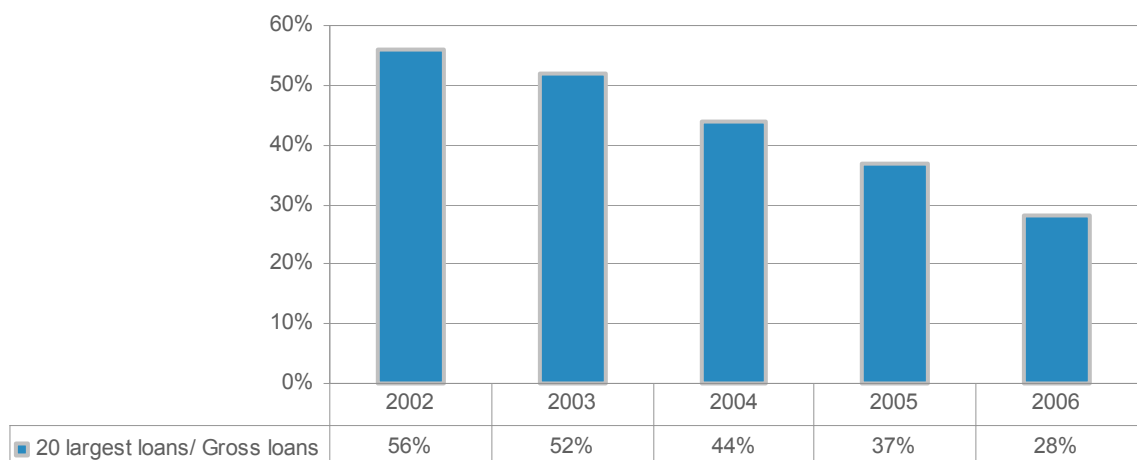
Market Share and Sustainability

Solid and competitive position in corporate segment along with dynamic penetration in SME and retail banking support franchise growth and improve sustainability

PSB's well-established positions in corporate banking especially in servicing large corporations, and management's proven ability to maintain competitive positions, as well as the bank's gradual diversification of business, are the main positive drivers of its franchise. The bank has a well-recognised brand not only among the corporate but also among retail customers, and is well backed by a large branch network. This enables the bank to grow ahead of the Russian banking sector in the majority of segments. However, we expect the growth of the corporate loan book to decelerate, as there are funding and capital constraints (please see below).

The bank is gradually switching its focus to lending to smaller companies, although still reasonably large by national standards, leading to improvement in diversification of business reflected in decreasing concentration levels (see Exhibit 2).

Exhibit 2: Top 20 largest loans/ Gross loans

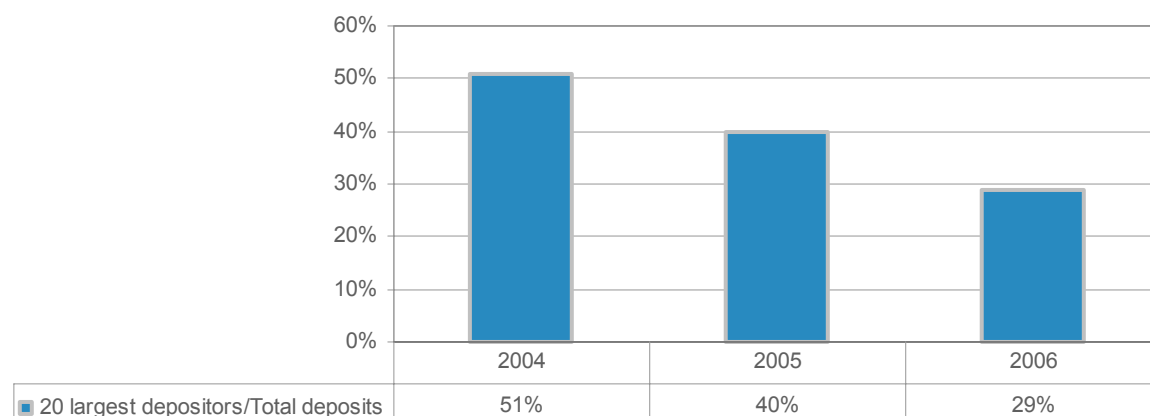


Source: PSB

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The deposit base is also benefiting from development in the retail and SME sectors, leading to ongoing diversification (please see below).

Exhibit 3: Top 20 largest depositors/Total deposits



Source: PSB

PSB has maintained one of the leading positions in the rapidly growing factoring market, and is ranked amongst the top three players on this market with estimated market share of 18% as of YE2006. The factoring portfolio increased by 180% in 2006 to RUB8.7 billion accounting for 8% of the corporate loan book. The bank has maintained its strong position in this rapidly growing segment of corporate banking.

One of the PSB's strong points is the international business segment in which the bank has a significant expertise and a long history. Import finance transactions and trade finance have been growing rapidly (the latter demonstrated 121% growth rate on average since 2001). Project finance increased substantially compared to YE2005 and we expect this business line to continue to grow (unless there is a significant decrease in investors' risk appetite to Russia, given the current instability on the capital markets) as the economy needs longer-term financing, and as the cross-border operations increase.

Whilst maintaining the top corporate segment as one of its principal business lines, PSB's strategy is to develop retail and SME segments both on the assets and on the liability side which helps to diversify its franchise. The growing share of SME lending in the corporate portfolio still has a room for development and, together with retail loans, accounts for about 28% of the total loan book. The SME share in PSB's loan portfolio has gradually increased from 11% in 2004 to 18% in 2006 with estimated market share in this corporate segment at 1.7% as of YE2006.

Currently, in terms of retail PSB benefits from the synergies with corporate customers by servicing their employees which brings in a substantial part of customer deposits and loans but the bank plans to further expand the services to the general public. The retail loan portfolio rose sharply in 2006 and the pace of growth continued in 1H2007 (57%) accounting for 12% of the loan portfolio at end-1H2007. Apart from the ordinary lending and deposit-taking, the bank is also growing its plastic cards business which is the main contributor of retail fees and commission income (39%).

In our view, consolidating its position in the retail market will not be easy given, on the one hand, the bank's relatively late entry, limited capital resources and strong competition from the top Russian banks and Russian subsidiaries of international banks. On the other hand, PSB is expected to benefit both from the cross-sale of the products to its solid corporate client base and from its wide regional presence.

Investment banking business is also benefiting from synergies from the corporate clients, giving rise to an increase in the number of brokerage accounts and franchise further. However, the bank is unlikely to be successful in competing for a third-party investment banking franchise given its lack of recognition and the fact that the market is very competitive with the stronger players involved.

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We expect that the bank will at least maintain its current market positions and will diversify franchise further.

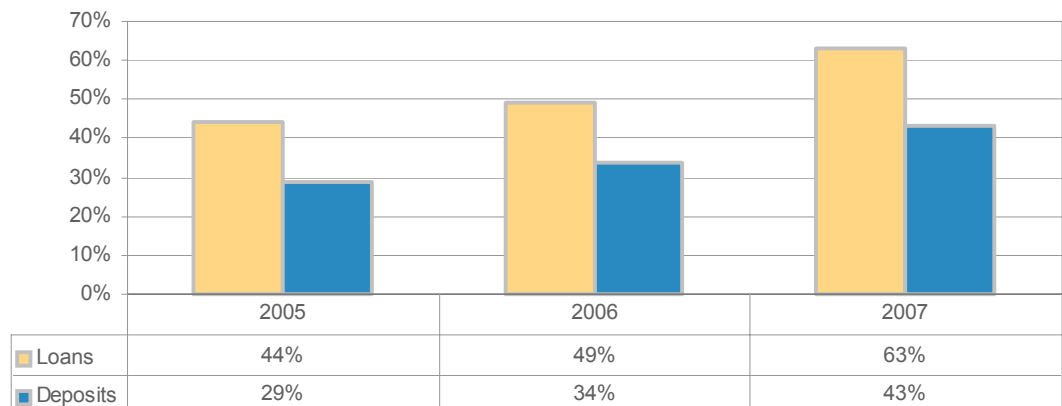
- Geographic Diversification

Good geographic diversification is expected to improve further

PSB's well-established territorial coverage is evidenced by its presence in almost all those major cities in Russia with populations exceeding 1 million. The bank operates a wide branch network of 40 offices in Moscow and Moscow Region, 37 branches throughout Russia and 68 regional sub-branches, and PSB is planning to expand further by significantly increasing its regional branch network within the next two years. In order to achieve this, it has attracted professionals from the largest privately owned Russian banks with large branch networks to replace middle management responsible for previous branch developments.

The dynamics of regional distribution is presented in Exhibit 4. Regional loans account for over half of the bank's total loan portfolio. The balance sheet is dominated by business generated by Head Office, especially on the corporate side due to peculiarities of the national economy in which the largest companies are domiciled in Moscow. While the corporate business is expected to be concentrated in Moscow, the share of retail business in branches is increasing, especially on the lending side. Retail deposits are mainly those of high net worth individuals and from the employees of its corporate clients, and the share of business generated by Moscow is not expected to decline as rapidly as for loans – at least in the near term. We expect the regional share of business to increase going forward.

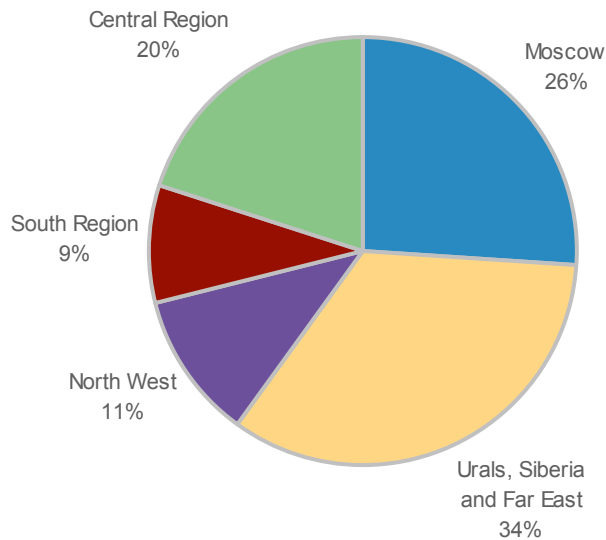
Exhibit 4: Regional Distribution of Loans and Deposits



Source: PSB

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Exhibit 5: Retail Loan Portfolio by Regions



Source: PSB

The regional diversification of the franchise is likely to be a positive rating driver. We expect the bank's franchise to improve although the success could be hampered to some extent by potential limitation of capital growth given the rapid growth objectives.

Risk Positioning

Further scope for improvement in PSB's risk management and governance

High risk appetite and poor capital management reflected in borrower concentrations weigh negatively on overall risk positioning.

- Corporate Governance

Concentrated ownership is partly offset by the presence of the foreign shareholder; the bank's systems also benefit from this partnership

PSB is ultimately controlled by two individuals whose combined stake is 84.68%. The remaining 15.32% stake of voting shares is held by the Commerzbank AG (rated Aa3/P-1/C+). Moody's views the presence of a foreign institutional shareholder in the bank's capital as a positive factor that raises the bank's corporate governance standards. Although there are no Commerzbank representatives on PSB's board of directors, the bank is already benefiting in terms of better IT, reporting systems and improvement in corporate governance procedures.

- Controls & Risk Management

Room for development in the bank's current risk management system and risk appetite

Until recently the bank's risk management function has been the responsibility of the bank's CFO. However, in October 2007 a Chief Risk Officer (CRO) position with a direct reporting line to the Management Board was

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introduced. Although we welcome the emergence of CRO in the bank, we at the same time note that a track record of rudimentary risk management that was often junior in relation to business development objectives (as reflected in a relatively high risk appetite with the high concentration levels in the loan book relative to equity as well as lending to related parties) does not allow us to immediately reappraise our assessment of this factor.

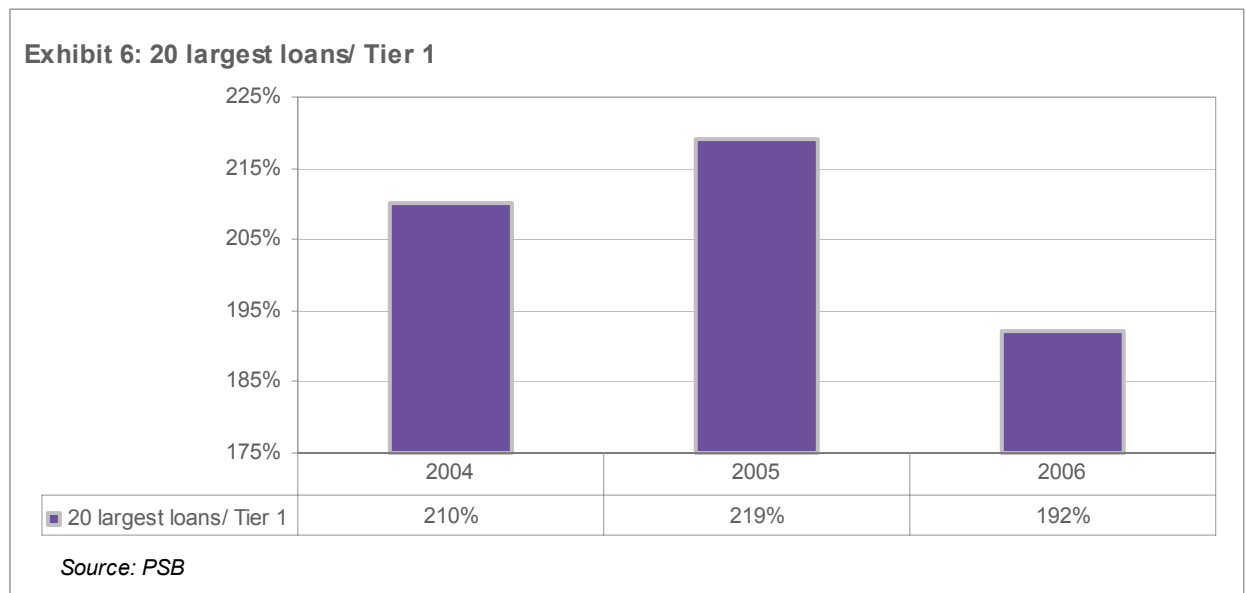
- Credit Risk Concentration

Credit concentration and related-party exposures are still high

PSB's focus on larger corporate customers has naturally led to significant concentrations in the loan book in relation to equity. However, the bank is gradually switching its focus to lending to smaller companies, although still reasonably large by national standards, and to individual borrowers which is leading to diversification of its customer base and greater business stability.

At YE2006, the 20 largest customer exposures accounted for 192% of Tier 1 capital, which is high even by national standards. However, this is partially mitigated by a relatively sound (for Russia) credit quality of the major borrowers and the expectations that the concentration will decline as a result of: (1) the new capital injection from the current shareholders (see below), (2) the expansion of the retail and SME loan books, and (3) management's commitment to reduce concentrations in accordance with a two-year schedule. In addition, the bank is following a prudent collateral policy, with the portfolio loan-to-value ratio of 80% at YE2006. In general, PSB assumes no control over the economic capital; therefore credit risks can fluctuate over time as reflected in the fluctuation in the top borrowers-to-Tier 1 ratio, and in borrowers' credit standing and correlation.

Exhibit 6: PSB Credit Concentrations

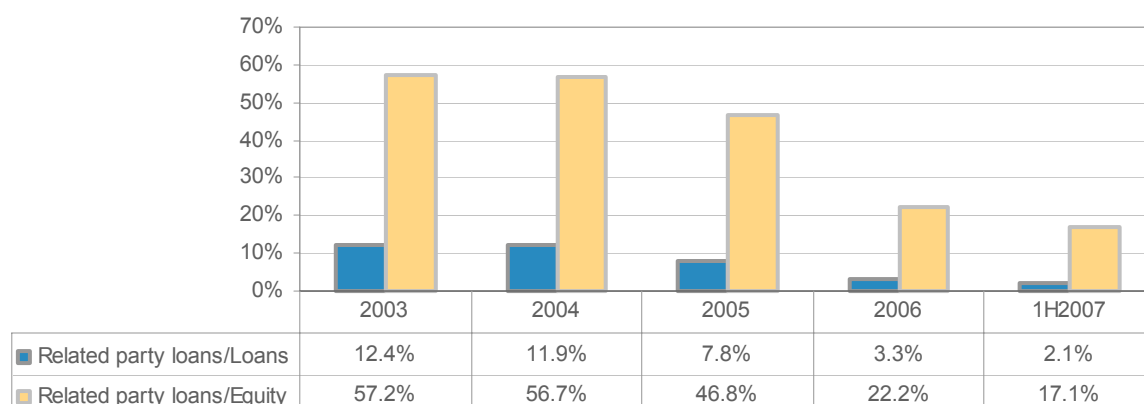


Industry diversification appears reasonable for a Russian bank, with the largest industry exposure, i.e. wholesale trade (which is itself quite diverse) being 11.6% of the loan portfolio at end-1H2007. However, the exposure to the real estate and construction sectors (which in Moody's opinion are susceptible to common market trends) is equal to the bank's equity, thereby exposing it to the sector risks. While these sectors are currently booming, any significant economic downturn may jeopardise the future cash flows of projects financed by the bank, while depressing the value of the underlying collateral.

Related-party lending was on a steady downward trend (see Exhibit 7). It is also mitigated by the fact that the loans are mainly provided for current activity purposes and not for investment purposes (e.g. short term vs. long term loans).

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Exhibit 7: Related-party Loans



Source: Adapted from IFRS statements

We expect this type of lending to decrease further as the bank develops its third party franchise.

Substantial credit risk appetite arising from the need to keep the bank's profitability and franchise is one of the factors constraining the rating. A decrease in concentration levels, with no simultaneous significant deterioration of the borrowers' credit quality, is likely to represent positive rating triggers. We expect higher granularity of the bank's portfolio in the future, which is likely to lead to a decrease in credit risks but assuming low correlation assumptions.

- Market Risk Appetite

Market risks have decreased and are not significant

The bank has been diversifying away from the proprietary securities operations, with securities portfolio accounting for 9.9% as of end-1H2007 total assets (YE2005: 14.85%). Although the securities portfolio equals to 1.08x of the bank's equity, the market risks are not very significant as the majority of the portfolio is in bonds and promissory notes. As Exhibit 8 demonstrates, the market risks are not sufficient to significantly dent equity but they still reduce profitability, albeit not dramatically. The FX structural gap is also not material.

We do not expect the market risks to increase going forward, given that the securities portfolio has been gradually decreasing as a proportion of total assets (the bank is focusing on loan book development).

Exhibit 8: Estimated VaR to equity/earnings

	VaR/Pre-tax earnings	VaR/Equity
Chebishev	19.07%	2.27%
Lognormal	3.83%	0.46%

Note: The aggregate data on RTS, C-Bonds and FX rate was used, producing a crude estimate. Diversification among individual stocks/bonds could promote some diversification but in extreme events stocks are likely to perform as one stock. The assumption that the correlation among instruments is kept the same in times of crisis is used in this analysis. If the rise in correlation is to be taken into account it is still unlikely to impair the bank's capital base significantly.

Source: Calculated by Moody's

Regulatory and Operating Environment

Please refer to Banking System Outlook for details on regulatory and operating environment.

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Discussion of Quantitative Rating Drivers

Profitability

Profitability is consistently adequate and compares well with Russian peers; the recurring earning power is stable

The bank's profitability has been consistently adequate and compares well with that of many other Russian banks with ROE and ROA of 18.62% and 1.8%, respectively, at end-1H2007 (17.84% and 2.0% at YE2005). Despite the general competitive pressures, the recurring earning generation power has been relatively stable, reflective of (i) Recurring earnings-to-RWA ratios (1H2007: 6.7%, 2006: 6.74%, 2005: 6.0%) as a result of the switch towards lending to retail (which grew eight-fold in from end-2005 to end-1H2007), and (ii) higher-yielding lending to smaller companies and factoring as well as regional expansion, which is reflected in higher net interest margins and growth in fee and commission. This compensated for the decrease in income from the proprietary securities portfolio. Profitability is also supported by the decrease in cost ratios due to improvement in efficiency and economies of scale. The Net income-to-RWA ratio, however, is suppressed by higher provisions created on the growing loan book.

Exhibit 9: Profitability indicators

	1H2007	2006	2005	2004
ROE	18.62%	17.26%	17.84%	19.30%
ROA	1.79%	1.78%	2.02%	2.54%
NIM	5.05%	4.75%	4.29%	5.71%
PPI/Assets	3.23%	2.99%	3.23%	5.16%
PPI/Tier 1	35.15%	30.50%	29.25%	67.33%
Cost/Income	46.10%	52.35%	49.54%	36.49%
Cost/Assets	2.94%	3.52%	3.40%	3.08%
Equity/assets	10.07%	11.88%	12.21%	15.18%
Loans/Assets	71.49%	64.51%	58.08%	59.08%
Net Income/Tier 1	19.45%	18.17%	18.29%	33.08%
PPI/RWA	3.63%	3.49%	3.78%	9.76%
Net Income/RWA	2.01%	2.08%	2.36%	4.80%
Recurring earning/RWA	6.66%	6.74%	5.99%	12.48%

Source: Adapted from bank's IFRS financial statements

Corporate banking is the main contributor to PSB's profits, accounting for around 80% of gross results of operating business lines, rendering profitability potentially vulnerable to margin pressures and sentiments of the larger clients.

Favourable market conditions have historically helped PSB to generate a healthy income from investment banking activities. As the securities portfolio decreased as a proportion of total assets (as the bank develops its loan book) and also, as the bank increasingly shifted this portfolio towards fixed income, part the share of stable revenues in total operating income increased substantially.

Moody's welcomes PSB's improved quality of earnings, its strategic focus on increasing the volume of high profitable products (e.g. factoring and retail) and fee-based services such as trade finance, and its reduced reliance on volatile sources of income.

Despite the excessive level of provision coverage, the high concentration levels potentially increases the volatility of profitability, but overall, we expect the bank to sustain its profitability at the current levels despite PSB's ongoing regional development and investments in the branch network that may put pressure on costs.

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The increased costs of wholesale borrowing may also suppress profitability but this is expected to be compensated by development of higher-yielding business.

Liquidity

Liquidity is adequately managed but increasing reliance on market funding poses a threat

Liquidity has been reasonably and prudently managed with a positive maturity gap across all maturity bands.

PSB has a fairly diversified funding base thanks to established positions in the corporate segment and on the wholesale market – both domestic and international. Customer accounts comprise 55% of PSB's non-equity funding as of end-1H2007 and were represented mostly by corporate current accounts and short-term deposits. Retail deposits showed upward dynamics albeit rather moderate compared with more retail-focused peers. In 2006 and 1H2007, PSB raised funds on the organised international capital markets and from international partners. This included Eurobond tranches, syndicated loans, bankers' acceptances and bilateral letters of credit.

On the one hand, the bank's access to foreign capital markets enables it to substantially diversify the financing resources base, reduce costs of funding and satisfy customers' needs for long-term loans. On the other hand, substantial reliance on wholesale funding (48% of total funding base at end-1H2007) could pose risks for PSB's refinancing needs. This is partially mitigated because 68% is derived from bilateral agreements but this is still not a very stable source. However, the bank's positive maturity gap across all maturity bands and its prudent liquidity management decreases the likelihood of PSB facing liquidity issues if it fails to refinance (this is currently not very evident as PSB continues to exploit foreign wholesale markets despite the turmoil). In our view, PSB is more likely to slowdown its business under such a scenario.

Looking ahead, we believe that PSB's liquidity will remain satisfactory. The maturing of the branch network – currently in an expansion phase – will help to increase the bank's deposit base (the regional share of customer accounts and deposits has been steadily increasing) and partly meet its financing needs, but, at the same time, wholesale funding (which is expected to grow at a slower pace) will be necessary to match the rapid lending expansion, slowing it down to some extent.

Capital Adequacy

Capitalisation appears adequate but rapid growth calls for regular increases; it may not be sufficient to cover potential risks related to high concentration levels

PSB's capital levels have declined over the past three years, mainly reflecting rapid business expansion. As of 31 December 2006 and 1H2007 the bank's Tier 1 capital ratio stood at 11.10%, and 9.72%, respectively, down from 12.02% as of YE2005. The bank is seeking to boost equity by attracting strategic investors and by issuing marketable subordinated debts. The recent issuance of subordinated debt and the forthcoming US\$170 million capital increase from the current shareholders should ease pressure on capital in the near future (according to the bank's estimates YE2007 CAR would stand at 14.5% and Tier I at 10.5%), although expected growth is again likely to suppress capital again. As internal capital generation is not sufficient, PSB will be reliant on shareholders and wholesale borrowings in order to support the bank's capital needs and future growth. Given the bank's aggressive growth, the need for capital may at times exceed shareholders' funds and capital market's appetite (especially in the current environment). However, we believe that PSB's CAR will not significantly decrease in the medium term as it is constrained by the EBRD and Eurobond covenants (total CAD 12% and 10%, respectively). The bank is more likely to slowdown its rapid pace of growth in order to meet CAD requirements.

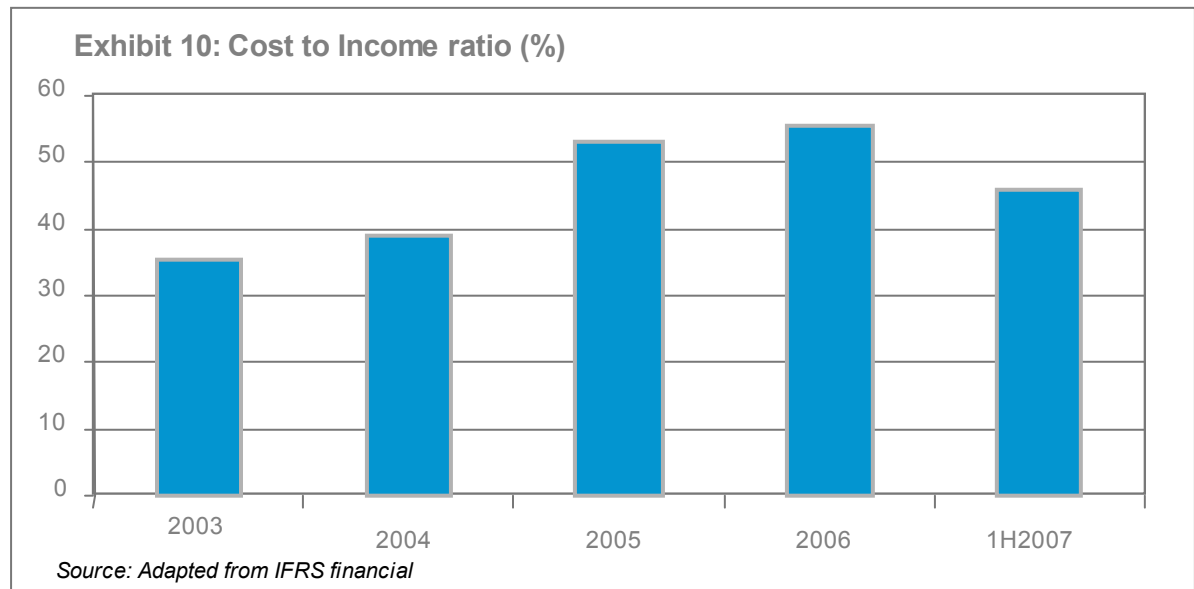
Overall, we note that although capital ratios appear adequate and are expected to be such, this may not be sufficient to cover potential risks related to high concentration levels. However, the latter are on decrease resulting in the greater capital flexibility to absorb risks.

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Efficiency

PSB's efficiency negatively pressured by reorientation and expansion

Reorientation from a corporate to a full-service bank in 2004 and subsequent expansionary developments have put negative pressure on PSB's efficiency in 2006. The overall cost-to-income ratio (Moody's calculation excluding income from securities and associates) deteriorated to 55.56% (albeit still in line with its peers) in 2006 from 35.51% in 2003, in response to large infrastructure investments, particularly in the creation of the retail chain and IT system, as well as the increase in the number of personnel. Nonetheless, cost efficiency improved in 1H2007 as investments started to deliver income streams (cost-to-income ratio declined to 46% in 1H2007). We do not expect cost efficiency ratios to significantly deviate from current levels as, in our opinion, the bank's growing income should be offset by the increasing level of the cost of investments.



Asset Quality

Asset Quality is currently adequate and is not expected to decrease significantly

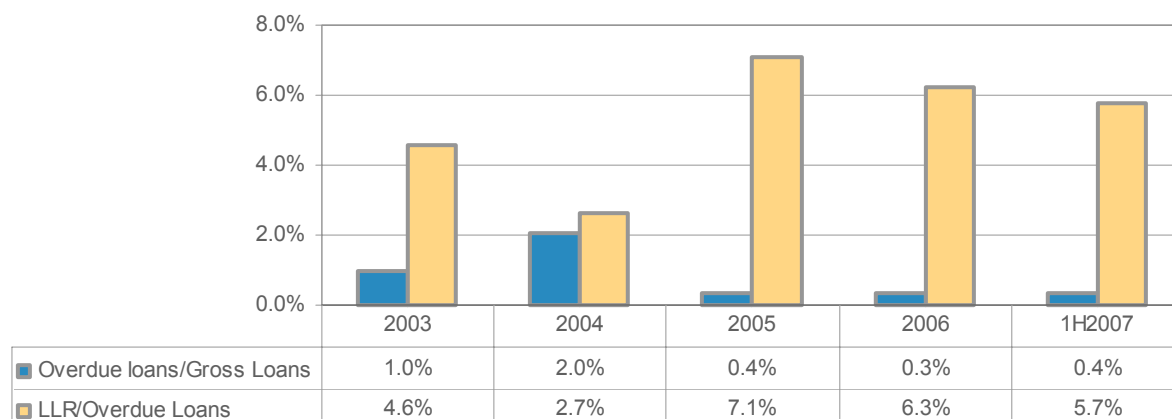
Both corporate and retail loan portfolios have demonstrated rapid growth in 2006 and 1H2007, and have shown overall good performance in terms of asset quality indicators evidenced by the relatively low level of overdue amounts. The rapid growth of credit (69% – corporate and 431% – retail) has also been responsible for good asset quality ratios. The NPL level of the corporate portfolio stood at 0.27% in 2006 while the ratio of overdue loans to gross retail loans was at 0.63%. However, problem loans in relation to total loans have grown as the retail loan book started to generate the overdue loans.

PSB's relatively good asset quality has historically been supported by the good credit standing of its major corporate borrowers, and by relatively good underwriting procedures, reflected in the fact that there have been no significant write-offs during the bank's whole history.

In our opinion, the shift towards retail lending – a sector in which the bank lacks sufficient expertise – and the nature of the retail loan book (PSB targets mainly general purpose loans granted under a simplified lending scheme, while secured loans (car loans and mortgages) account for only one third of the bank's lending to individuals), as well as the shift towards lower credit quality borrowers is likely to negatively affect asset quality. Moreover, the rapid credit expansion could potentially mask future asset quality problems once these loans season. Nonetheless, we do not expect potential issues to arise from the systemic asset quality problems (at least in the short-to-medium term) unless an extraordinary event occurs.

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Exhibit 11: Asset quality indicators



Source: Adapted from IFRS financial statements

Discussion of Support Considerations

The bank's deposit ratings do not incorporate any support assumptions and are linked to the BFSR

PSB's deposit rating of Ba3 is based on its BFSR of D- (which translates into Baseline Credit Assessment of Ba3, see Exhibit 12) and Moody's judgment that no support should be incorporated.

Despite owning a 15% stake, we do not believe that the probability of Commerzbank AG providing support to PSB is sufficiently substantial to be taken into consideration. This judgement is based on CB's lack of significant influence on strategic decision-making as reflected in (i) the ownership of a holding that does not qualify as a blocking stake and (ii) the absence of its representatives on the Board of Directors. In addition, if the negotiations over the planned acquisition of a blocking stake are not successful, this may be an indication that participating as a strategic investor in PSB is no longer CB's goal and the existing stake may potentially be sold. If the acquisition of the controlling stake occurs, the deposit rating is likely to be upgraded, based on support considerations.

Although the Russian shareholders may have the financial power to support the bank, this is not incorporated because the extent of support and its timeliness is uncertain.

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Exhibit 12: Mapping the BFSR to the Baseline Credit Assessment (BCA)

The discussions of qualitative and quantitative rating drivers presented in this report forms the analytical basis for assigning a Bank Financial Strength Rating (BFSR) of "D-" to PSB.

BFSRs are Moody's opinions on the intrinsic safety and soundness of a bank enterprise and, in effect, address the susceptibility of a particular institution to financial distress.

The BFSR array of ratings is not on Moody's traditional rating scale (Aaa, Aa, etc.). There is a useful method, however, for translating BFSR's to Moody's traditional scale - the Baseline Credit Assessment. In effect, the Baseline Credit Assessment measures a bank's standalone default risk assuming there is no systemic or other external support.

PSB's D- BFSR maps to a Baseline Credit Assessment of Ba3. However, considering lack of external support factors, its deposit ratings are still Ba3.

BFSR/Baseline Risk Assessment Mapping for []	
BFSR	Baseline Risk Assessment
A	Aaa
A-	Aa1
B+	Aa2
B	Aa3
B-	A1
C+	A2
C	A3
C-	Baa1
C-	Baa2
D+	Baa3
D+	Ba1
D	Ba2
D-	Ba3
E+	B1
E+	B2
E+	B3
E	Caa1
E	Caa2
E	Caa3

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Company Annual Statistics

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	12/31/2006	12/31/2005	12/31/2004	12/31/2003	12/31/2002
Summary Balance Sheet (RUB million)					
Cash & Central Bank	20,255.24	9,659.20	6,906.97	3,741.03	2,351.05
Due from Banks	12,414.47	12,807.54	4,101.65	3,169.52	2,142.47
Government Securities	9,191.19	7,139.75	1,403.28	2,940.69	1,743.30
Trading Securities	13,596.95	9,330.91	8,458.45	2,640.47	3,002.70
Investment Securities	1,271.63	1,133.85	475.85	2,613.85	475.86
Other Liquid Assets	-	-	-	-	-
Gross Loans	118,952.10	66,078.91	36,341.79	26,195.49	14,130.84
Loan Loss Reserves (LLR)	- 2,480.33	- 1,650.16	- 1,973.31	- 1,201.56	- 646.83
Net Loans	116,471.78	64,428.75	34,368.47	24,993.93	13,484.01
Equity in Affiliates	1,351.98	790.76	340.52	22.60	-
Fixed Assets	3,677.92	2,487.98	933.63	559.64	337.66
Other Assets	2,305.80	3,159.23	1,181.08	1,185.75	942.87
Total Assets	180,536.94	110,937.97	58,169.91	41,867.47	24,479.92
Total Assets (US\$ million)	6,856.41	3,854.35	2,096.31	1,421.43	770.19
Liabilities and Capital					
Customer Deposits	94,603.49	57,240.28	32,517.59	25,490.54	16,668.06
Due to Banks	37,496.28	20,493.36	11,201.53	8,943.03	3,025.78
Borrowings	20,916.80	16,726.10	4,562.11	879.50	858.34
Other Liabilities	1,627.85	1,306.42	974.64	757.04	163.58
Total Liabilities	154,644.41	95,766.15	49,255.88	36,070.11	20,715.77
Subordinated Loan Capital	7,516.66	3,313.30	1,248.69	-	-
Minority Interest	-	167.79	186.07	134.74	55.67
Supplementary Capital	-	-	-	-	-
Shareholders' Equity	18,375.88	11,690.73	7,479.28	5,662.63	3,708.49
Total Capital Funds	25,892.53	15,171.82	8,914.03	5,797.37	3,764.15
Total Liabilities & Capital Funds	180,536.94	110,937.97	58,169.91	41,867.47	24,479.92
Other					
Derivatives - Notional Amount	-	-	-	-	-
Derivatives - Replacement Value	-	-	-	-	-
Risk Weighted Assets (RWA)	158,072.39	91,747.72	-	-	-
Contingent Liabilities	35,101.89	20,363.57	7,266.67	6,231.35	3,085.37

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	12/31/2006	12/31/2005	12/31/2004	12/31/2003	12/31/2002
Summary Income Statement (RUB million)					
Interest Income	13,554.54	7,115.87	4,650.57	3,069.53	1,991.78
Interest Expense	- 6,633.72	- 3,487.29	- 1,796.34	- 1,097.82	- 757.30
Net Interest Income	6,920.82	3,628.58	2,854.23	1,971.71	1,234.49
FX Income	358.06	- 118.40	523.17	48.54	220.66
Trading Income	868.37	1,316.63	249.38	292.00	274.85
Fees & Commissions	1,496.22	700.40	444.11	195.61	155.31
Other Operating Income	160.45	281.65	154.33	87.35	106.17
Total Non Interest Income	2,883.11	2,180.28	1,370.98	623.49	756.99
Operating Income	9,803.93	5,808.86	4,225.22	2,595.20	1,991.48
Personnel Expenses	- 2,848.87	- 1,534.40	- 671.65	- 313.72	- 263.80
Other Operating Expenses	- 2,283.26	- 1,343.36	- 870.14	- 512.38	- 393.44
Operating Funds Flow	4,671.79	2,931.11	2,683.44	1,769.11	1,334.24
Amortisation / Depreciation	- 314.70	- 196.97	- 102.90	- 95.48	- 38.54
Total Non Interest Expense	- 5,446.83	- 3,074.73	- 1,644.68	- 921.57	- 695.78
Preprovision Income (PPI)	4,357.09	2,734.13	2,580.54	1,673.62	1,295.70
Loan Loss Provisions Expenses (LLPE)	- 899.54	- 471.91	- 825.65	- 493.53	- 199.57
Non Operating Income	-	-	-	- 60.17	- 380.61
Pretax Income	3,457.55	2,262.22	1,754.88	1,119.92	715.53
Taxes	- 862.08	- 552.29	- 486.91	- 383.95	- 231.83
Net Income	2,595.48	1,709.94	1,267.97	735.97	483.70
Minority Interests	1.50	- 65.26	- 51.32	- 14.59	- 22.57
Net Income (Group share)	2,596.97	1,644.68	1,216.65	721.38	461.13
Dividends	-	-	-	-	-
Transfers to Capital Reserves	- 2,596.97	- 1,644.68	- 1,216.65	- 721.38	- 461.13
Other Adjustments	-	-	-	-	-

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	12/31/2006	12/31/2005	12/31/2004	12/31/2003	12/31/2002
Summary Balance Sheet - Growth (%)					
Cash & Central Bank	109.70	39.85	84.63	59.12	42.41
Due from Banks	- 3.07	212.25	29.41	47.94	- 25.37
Government Securities	28.73	408.79	- 52.28	68.69	285.80
Trading Securities	45.72	10.31	220.34	- 12.06	336.93
Investment Securities	12.15	138.28	- 81.79	449.29	282.13
Other Liquid Assets	-	-	-	-	-
Gross Loans	80.02	81.83	38.73	85.38	63.00
Loan Loss Reserves (LLR)	50.31	- 16.38	64.23	85.76	22.27
Net Loans	80.78	87.46	37.51	85.36	65.64
Equity in Affiliates	70.97	132.22	1,406.52	-	-
Fixed Assets	47.83	166.48	66.83	65.74	61.16
Other Assets	- 27.01	167.49	- 0.39	25.76	3,898.61
Total Assets	62.74	90.71	38.94	71.03	72.90
Total Assets (US\$)	77.89	83.86	47.48	84.56	63.95
Customer Deposits	65.27	76.03	27.57	52.93	61.20
Due to Banks	82.97	82.95	25.25	195.56	205.01
Borrowings	25.05	266.63	418.72	2.46	-
Other Liabilities	24.60	34.04	28.74	362.79	133.76
Total Liabilities	61.48	94.43	36.56	74.12	81.68
Subordinated Loan Capital	126.86	165.34	-	-	-
Minority Interest	-	- 9.82	38.09	142.04	68.17
Supplementary Capital	-	-	-	-	-
Shareholders' Equity	57.18	56.31	32.08	52.69	36.17
Total Capital Funds	70.66	70.20	53.76	54.02	36.55
Total Liabilities & Capital Funds	62.74	90.71	38.94	71.03	72.90
Derivatives - Notional Amount	-	-	-	-	-
Derivatives - Replacement Value	-	-	-	-	-
Risk Weighted Assets (RWA)	72.29	-	-	-	-
Contingent Liabilities	72.38	180.23	16.61	101.96	67.57

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	12/31/2006	12/31/2005	12/31/2004	12/31/2003	12/31/2002
Summary Income Statement - Growth (%)					
Interest Income	90.48	53.01	51.51	54.11	47.16
Interest Expense	90.23	94.13	63.63	44.97	58.80
Net Interest Income	90.73	27.13	44.76	59.72	40.83
FX Income	- 402.41	- 122.63	977.89	- 78.00	- 4.86
Trading Income	- 34.05	427.96	- 14.59	6.24	42.46
Fees & Commissions	113.62	57.71	127.04	25.94	130.11
Other Operating Income	- 43.03	82.50	76.68	- 17.72	- 30.02
Total Non Interest Income	32.24	59.03	119.89	- 17.64	17.53
Operating Income	68.78	37.48	62.81	30.32	30.96
Personnel Expenses	85.67	128.45	114.09	18.92	29.34
Other Operating Expenses	69.97	54.38	69.82	30.23	41.13
Operating Funds Flow	59.39	9.23	51.68	32.59	28.55
Amortisation / Depreciation	59.77	91.42	7.77	147.78	28.65
Total Non Interest Expense	77.15	86.95	78.46	32.45	35.71
Provision Income (PPI)	59.36	5.95	54.19	29.17	28.54
Loan Loss Provisions Expenses (LLPE)	90.62	- 42.84	67.29	147.30	50.16
Non Operating Income	-	-	-	- 84.19	- 6.37
Pretax Income	52.84	28.91	56.70	56.52	52.70
Taxes	56.09	13.43	26.82	65.62	4.21
Net Income	51.79	34.86	72.29	52.16	96.52
Minority Interests	- 102.30	27.15	251.70	- 35.33	- 17.83
Net Income (Group share)	57.90	35.18	68.66	56.44	110.88
Balance Sheet - % of Total Assets					
Cash & Central Bank	11.22	8.71	11.87	8.94	9.60
Due from Banks	6.88	11.54	7.05	7.57	8.75
Government Securities	5.09	6.44	2.41	7.02	7.12
Trading Securities	7.53	8.41	14.54	6.31	12.27
Investment Securities	0.70	1.02	0.82	6.24	1.94
Other Liquid Assets	-	-	-	-	-
Gross Loans	65.89	59.56	62.48	62.57	57.72
Loan Loss Reserves (LLR)	- 1.37	- 1.49	- 3.39	- 2.87	- 2.64
Net Loans	64.51	58.08	59.08	59.70	55.08
Equity in Affiliates	0.75	0.71	0.59	0.05	-
Fixed Assets	2.04	2.24	1.61	1.34	1.38
Other Assets	1.28	2.85	2.03	2.83	3.85
Customer Deposits	52.40	51.60	55.90	60.88	68.09
Due to Banks	20.77	18.47	19.26	21.36	12.36
Borrowings	11.59	15.08	7.84	2.10	3.51
Other Liabilities	0.90	1.18	1.68	1.81	0.67

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	12/31/2006	12/31/2005	12/31/2004	12/31/2003	12/31/2002
Total Liabilities	85.66	86.32	84.68	86.15	84.62
Subordinated Loan Capital	4.16	2.99	2.15	-	-
Minority Interest	-	0.15	0.32	0.32	0.23
Supplementary Capital	-	-	-	-	-
Shareholders' Equity	10.18	10.54	12.86	13.53	15.15
Total Capital Funds	14.34	13.68	15.32	13.85	15.38

Income Statement - % of Average Assets

Interest Income	9.30	8.42	9.30	9.25	10.31
Interest Expense	- 4.55	- 4.12	- 3.59	- 3.31	- 3.92
Net Interest Income	4.75	4.29	5.71	5.94	6.39
FX Income	0.25	- 0.14	1.05	0.15	1.14
Trading Income	0.60	1.56	0.50	0.88	1.42
Fees & Commissions	1.03	0.83	0.89	0.59	0.80
Other Operating Income	0.11	0.33	0.31	0.26	0.55
Total Non Interest Income	1.98	2.58	2.74	1.88	3.92
Operating Income	6.73	6.87	8.45	7.82	10.31
Personnel Expenses	- 1.95	- 1.81	- 1.34	- 0.95	- 1.37
Other Operating Expenses	- 1.57	- 1.59	- 1.74	- 1.54	- 2.04
Operating Funds Flow	3.21	3.47	5.36	5.33	6.91
Amortisation / Depreciation	- 0.22	- 0.23	- 0.21	- 0.29	- 0.20
Total Non Interest Expense	- 3.74	- 3.64	- 3.29	- 2.78	- 3.60
Preprovision Income (PPI)	2.99	3.23	5.16	5.05	6.71
Loan Loss Provisions Expenses (LLPE)	- 0.62	- 0.56	- 1.65	- 1.49	- 1.03
Non Operating Income	-	-	-	- 0.18	- 1.97
Pretax Income	2.37	2.68	3.51	3.38	3.70
Taxes	- 0.59	- 0.65	- 0.97	- 1.16	- 1.20
Net Income	1.78	2.02	2.54	2.22	2.50
Minority Interests	0.00	- 0.08	- 0.10	- 0.04	- 0.12
Net Income (Group share)	1.78	1.95	2.43	2.17	2.39

Income Statement - % of Operating Income

Interest Income	138.26	122.50	110.07	118.28	100.02
Interest Expense	- 67.66	- 60.03	- 42.51	- 42.30	- 38.03
Net Interest Income	70.59	62.47	67.55	75.98	61.99
FX Income	3.65	- 2.04	12.38	1.87	11.08
Trading Income	8.86	22.67	5.90	11.25	13.80
Fees & Commissions	15.26	12.06	10.51	7.54	7.80
Other Operating Income	1.64	4.85	3.65	3.37	5.33
Total Non Interest Income	29.41	37.53	32.45	24.02	38.01
Operating Income	100.00	100.00	100.00	100.00	100.00
Personnel Expenses	- 29.06	- 26.41	- 15.90	- 12.09	- 13.25

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	12/31/2006	12/31/2005	12/31/2004	12/31/2003	12/31/2002
Other Operating Expenses	- 23.29	- 23.13	- 20.59	- 19.74	- 19.76
Operating Funds Flow	47.65	50.46	63.51	68.17	67.00
Amortisation / Depreciation	- 3.21	- 3.39	- 2.44	- 3.68	- 1.94
Total Non Interest Expense	- 55.56	- 52.93	- 38.93	- 35.51	- 34.94
Provision Income (PPI)	44.44	47.07	61.07	64.49	65.06
Loan Loss Provisions Expenses (LLPE)	- 9.18	- 8.12	- 19.54	- 19.02	- 10.02
Non Operating Income	-	-	-	- 2.32	- 19.11
Pretax Income	35.27	38.94	41.53	43.15	35.93
Taxes	- 8.79	- 9.51	- 11.52	- 14.79	- 11.64
Net Income	26.47	29.44	30.01	28.36	24.29
Minority Interests	0.02	- 1.12	- 1.21	- 0.56	- 1.13
Net Income (Group share)	26.49	28.31	28.79	27.80	23.16
Profitability Indicators					
Return on Average Assets (%)	1.78	2.02	2.54	2.22	2.50
Return on Shareholder's Equity - period end (%)	14.13	14.07	16.27	12.74	12.43
Recurring Earning Power [1]	2.99	3.23	5.16	5.05	6.71
PPI (%) Avg Total Capital Funds	21.22	22.70	35.08	35.01	39.74
Interest Expense (%) Interest Income	48.94	49.01	38.63	35.77	38.02
Interest Income (%) Avg Interest Earning Assets [2]	10.76	9.66	10.53	10.40	11.61
Interest Expense (%) Avg Interest Bearing Liabilities [3]				3.93	4.75
Net Spread (%) [4]	10.76	9.66	10.53	6.47	6.86
Net Interest Margin (%) [5]	5.49	4.93	6.46	6.68	7.20
Non-Interest Income (%) Operating income	29.41	37.53	32.45	24.02	38.01
Income Tax (%) Pre-tax Income	24.93	24.41	27.75	34.28	32.40
Efficiency Indicators					
Non Interest Expense (%) Avg Assets	3.74	3.64	3.29	2.78	3.60
Cost to Income Ratio (%) [6]	55.56	52.93	38.93	35.51	34.94
Personnel Expenses (%) Avg Assets	1.95	1.81	1.34	0.95	1.37
Personnel Expenses (%) Operating Income	29.06	26.41	15.90	12.09	13.25
Personnel Expenses (%) Non Interest Expense	52.30	49.90	40.84	34.04	37.92
Liquidity Indicators					
Net Loans (%) Customer Deposits	123.12	112.56	105.69	98.05	80.90
Net Loans (%) Total Deposits [7]	88.17	82.88	78.61	72.59	68.47
Average Net Loans (%) Average Customer Deposits	119.14	110.07	102.33	91.27	80.07
Average Net Loans (%) Average Assets	62.06	58.42	59.34	57.99	55.97
Liquid Assets (%) Total Assets [8]	30.72	35.10	35.88	29.84	37.74
Customer Deposits (%) Total Deposits	71.62	73.64	74.38	74.03	84.64
Customer Deposits / Shareholders' Equity (Times)	5.15	4.90	4.35	4.50	4.49

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	12/31/2006	12/31/2005	12/31/2004	12/31/2003	12/31/2002
Due from Banks (%) Due to Banks	33.11	62.50	36.62	35.44	70.81
Loan Portfolio Quality Indicators					
Problem Loans (%) Gross Loans	0.33	0.35	2.05	1.00	2.65
LLR/Overdue loans	6.25	7.10	2.65	4.60	
Problem Loans (%) (Shareholders' Equity + LLR)	1.90	1.74	7.87	3.81	8.60
(Problem Loans - LLR) (%) Shareholders' Equity	- 11.34	- 12.13	- 16.44	- 16.60	- 7.34
Loan Loss Reserve (%) Gross Loans	2.09	2.50	5.43	4.59	4.58
Loan Loss Provision Expenses (%) Preprovision Income	20.65	17.26	32.00	29.49	15.40
LLP (%) (Loan Loss Reserve - LLP)	56.90	40.05	71.94	69.71	44.62
Loan Loss Provision Expenses (%) Gross Loans	0.76	0.71	2.27	1.88	1.41
Preprovision Income (%) Net Loans	3.74	4.24	7.51	6.70	9.61
Shareholders' Equity (%) Net Loans	15.78	18.15	21.76	22.66	27.50
Loans to Related Cos. (%) Gross Loans	3.27	7.80	11.95	12.37	9.04
Capitalization Indicators					
Tier 1 ratio (%)	11.10	12.02	14.50	15.40	-
Shareholders' Equity (%) Total Assets	10.18	10.54	12.86	13.53	15.15
Shareholders' Equity (%) T. Assets + Contingent Liabilities	8.52	8.90	11.43	11.77	13.45
Total Capital funds (%) Total Assets	14.34	13.68	15.32	13.85	15.38
Total Capital (%) T. Assets + Contingent Liabilities	12.01	11.55	13.62	12.05	13.66
Shareholders' Equity (%) Total Capital funds	70.97	77.06	83.90	97.68	98.52
Contingent Liabilities (%) Total Assets	19.44	18.36	12.49	14.88	12.60
"Free" Capital (%) Shareholders' Equity [9]	72.63	71.95	82.96	89.72	90.89
Dividend Payout (%) [10]	-	-	-	-	-
Internal Capital Growth (%) [11]	22.20	22.86	22.39	19.85	17.76

Notes:

[1] Recurring Earning Power = Preprovision Income (%) Average Total Assets

[2] Interest Earning Assets = Central Bank + Due from Banks + Government Securities + Trading Securities + Investment Securities + Gross Loans

[3] Interest Bearing Liabilities = Customer Deposits + Due to Banks + Borrowings + Subordinated Debt Capital

[4] Net spread = Interest Income (%) Avg Interest Earning Assets - Interest Expense (%) Avg Interest Bearing Liabilities

[5] Net interest margin = Net Interest Income (%) Average Interest Earning Assets

[6] Cost to Income Ratio = Total non interest expense (%) Operating income

[7] Total deposits = Customer deposits + Due to banks

[8] Liquid Assets = Cash & Central Bank + Due from Banks + Government Securities + Trading Securities + Other Liquid Assets

[9] Free Capital = Shareholders' Equity - Fixed Assets - Equity in Affiliates

[10] Dividend Payout = Dividends (%) Net Income

[11] Internal Capital Growth = Current period's Net income - Current period's Dividends (%) Last period's Shareholders' Equity

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Moody's Related Research

Analysis

- Russian Banking System Outlook, September 2007 (104704)

Special Comments

- CIS Banking: Impact of the Global Credit Crunch

Rating Methodology

- Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology, March 2007 (102639)
- Bank Financial Strength Ratings: Global Methodology, February 2007 (102151) – (Russian Translation), July 2007 (103929)

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