

# ANNUAL REPORT

# 2009



EVOLUTION OF FINANCIAL DOCUMENTS



Promsvyazbank



ANNUAL REPORT

2009



EVOLUTION OF FINANCIAL DOCUMENTS



OUR 2009 ANNUAL REPORT CONTAINS ILLUSTRATIONS REFLECTING THE EVOLUTION OF FINANCIAL DOCUMENTS, FROM THE PERIOD OF KIEVAN RUSSIA TO THE 21ST CENTURY.

ANNUAL REPORT  
2009

{ EVOLUTION OF FINANCIAL DOCUMENTS

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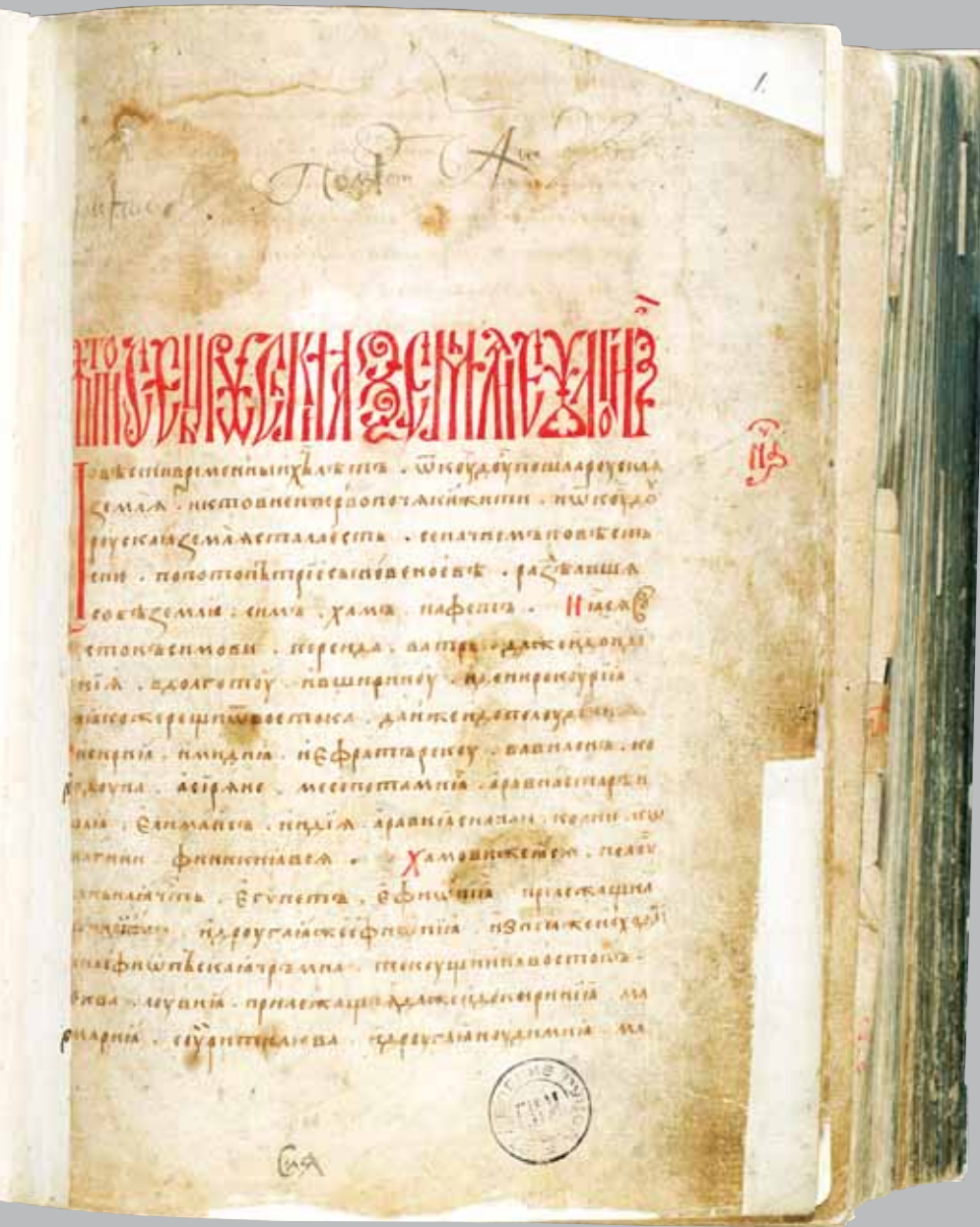
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# THE TALE OF BYGONE YEARS



Kiev  
{852 - 1117}

Contents:  
Chronicles.

THE CHRONICLE CONTAINS ONE OF THE FIRST REFERENCES TO FINANCIAL DOCUMENTS. IT MENTIONS THE NOW PERISHED DOCUMENTS FROM PALATINE ARCHIVES, WHICH ALLOW TO RETRACE THE KEY STAGES OF EMERGENCE AND DEVELOPMENT OF A FINANCIAL SYSTEM IN THE ANCIENT RUSSIAN STATE. THE STATE TIGHTLY REGULATED MONETARY AND CREDIT RELATIONS, SETTING LENDING RATES AND MATURITIES.

{ \* According to a Chronicle paragraph referring to lending rates, interest surcharge (as % of loan interest rate) could be applied to short-term loans, while no monthly surcharge applied to loans with maturities exceeding one month, as such maturities fell into the 'tertiary (4-month) category.

# | 1 |

**8 CHAIRMAN'S  
ADDRESS**

**10 PRESIDENT'S  
ADDRESS**

# CHAIRMAN'S ADDRESS

PSB will celebrate its 15th anniversary in 2010. And even though 15 may not be a perfectly round figure, the anniversary is a good opportunity to assess some of our achievements and draw conclusions necessary for our further development. So where are we as a 15-year old bank? A few figures and facts. In 1998, our Bank ranked a modest 63rd nationally in terms of assets, while we are a TOP 10 Bank today. In 1996, we opened our first two branches, while today we have a wide network of 48 branches and over 180 points of sale in major Russian cities, as well as a branch and several representative offices abroad. We now serve more than 80 thousand enterprises and over 1 million Russian citizens.

The last 15 years have been challenging for the entire Russian banking system. Periods of prosperity were followed by periods of stagnation and even recession. Financial crisis hit the national economy and the banking system twice, redefining the country's financial map and reshuffling bank rankings. We believe that strong and consistent development demonstrated by PSB amid such conditions is particularly compelling.

As had been projected, 2009 was a challenging year for the Russian economy and its banking sector. Having re-emerged after the first wave of liquidity crisis at the end of 2008, as early as in spring the banking system faced the approaching second wave triggered by the crisis spillover effect on the real economy. Growing volumes of overdue debt became a main challenge for all banks.

The year was difficult for our Bank as well. Just like our clients, we faced limited availability of funding and shrinking opportunities for investment in business development. Growing volumes of bad debt further aggravated the situation. However, PSB managed to strengthen its market position despite the crisis. We met our quantitative targets for assets, deposits, etc. We managed to maintain the necessary liquidity level. PSB was the first privately owned bank out of Russia to have successfully raised

subordinated debt in the international public capital market since the beginning of the downturn. These achievements were driven by timely and sound decisions and coordinated efforts of our entire team. We have learned quite a lot from the crisis. We have become more cautious and astute in the areas of risk control, management and planning. We have also gained new and in a way unique knowledge about and experience of operating amid protracted economic crisis.

PSB last year welcomed an internationally renowned institution, the European Bank for Reconstruction and Development, as its new shareholder - a truly significant event in the life of our Bank. On the one hand, this reflects a recognition of our success, improves our resilience, market valuation and access to international best practice and technologies of a major financial institution, and, on the other hand, sets higher requirements for our Bank. PSB continued to successfully develop its relationship with Commerzbank, a leading European financial institution. In its capacity of a shareholder since 2006, Commerzbank participated in all PSB additional share issues. We believe that participation of the EBRD and Commerzbank in our share capital will contribute to further strengthening of PSB reputation in the Russian and international markets.

However, achievements should not lull us into complacency. We do face a number of challenges, the key among which is overdue debt. In 2010, we will have to operate amid persisting volatility. Despite signs of domestic economic recovery, stabilization of national currency, reduction of capital outflow and inflation, the overall environment remains challenging and the definitive exit from crisis is not yet an accomplished fact. Lending stagnation, bad debt and enhanced role of state-owned banks are all signs of persisting downturn in the banking sector.

The above implies more strenuous work, while at the same time providing us with a good opportunity to implement our long-term strategy. Our stra-

tegic objective – becoming #1 privately owned bank in Russia by 2015 – remains unchanged. However, changes both in the competitive environment and our ownership structure brought us to adjust our goal: PSB now strives for leadership in terms of capitalization and market valuation, while quantitative targets, including assets size, become secondary.

Operating profitability and efficiency are of prime importance for the achievement of this goal. Stability is the decisive driver of development. Despite our universality, corporate business remains backbone of our operations. At the same time, we

focus on expansion in the SME and retail segments, as well as diversification of revenue through commission-based and transaction services. It is important to focus on improvement in areas, which are yet to fully meet high standards: marketing strategy and infrastructure.

Our achievements in the last 15 years would not be possible without the support of our clients and partners. Thank you for your cooperation, and rest assured that PSB will at all times remain a reliable, sound and attentive partner operating in line with the highest international standards.

**CHAIRMAN OF  
THE BOARD OF DIRECTORS  
A.N. ANANIEV**

# PRESIDENT'S ADDRESS

The year 2009 was challenging and rich in events. However, despite all the difficulties, it has yet again strongly confirmed PSB position as a stable, reliable and fast growing bank. We managed to come out of the difficult situation with honor, which we first and foremost credit our team for.

Having maintained a high liquidity level throughout the year virtually without any government support, PSB proved its reputation as an independent privately owned bank. We met our key quantitative targets and became Russia's TOP 10 bank by assets. In addition, PSB has become the absolute leader in the factoring market and confirmed its leading position in the international financing market. Our retail segment has been expanding at the highest pace among Russian banks (80%). Private Banking showed a strong growth.

The Bank has achieved a positive operating result, mainly on the back of expenses control. Net commission income increased by 19%. Administrative expenses were consistently on a downhill slope throughout the year, while CTI was down to 39.0% from 43.8%.

In 2009, the Board of Directors adopted key provisions of PSB strategy for 2010-2013. Important events included completion of the risk management system development and implementation of new lending procedures. Development of online banking accelerated significantly: in one year, the number of PSB-Retail users increased 3.5 times. In 2009, PSB set up Products and Innovations Committee to develop and implement new products and technologies, manage the existing ones, facilitate innovations and enhance efficiency of business processes. Perception of PSB by retail clients has considerably improved: according to Client Perception Index, in 2009 PSB made the most impressive progress among financial institutions, having improved its ranking from #26 to #11.

In the reporting period, we have significantly revamped our network, with the view of improving

it's operating efficiency and, ultimately, ensuring the Bank competitiveness. Alongside with a phase-out of loss-making points of sale, we opened two new branches. In addition, we successfully pursued integration of regional banks.

However, despite apparent achievements, we continue to face certain challenges. Key among them is overdue debt volume growth and a significant contraction of retail loan portfolio. PSB will address these issues in the current year amid a challenging environment in the economy and the banking sector. Even though we believe that the worst of the crisis is behind us, the economy remains to be prone to volatility and the possibility of yet another wave of crisis cannot be ruled out. At a time of persisting high credit risk and contracted demand for loans, efficient allocation of financial resources becomes difficult. Threats and challenges are less acute than at the end of 2008 but they are more numerous.

PSB 2010 business plan and budget have been developed based on the adopted strategy. Our key goal is profitability. In order to achieve this goal, we will need to increase lending to creditworthy borrowers, reduce overdue debt volume and enhance economic efficiency of our operations. We need to continuously improve our product offering, client service and communications, develop alternative sales channels, step up operation centralization and automation, as well as tighten cost control. This year we expect to complete our branch network restructuring.

PSB intends to step up its efforts in the area of online banking development. IT system development remains a priority, with key projects including implementation of CRM systems for all lines of business, development of middle office and accounting and reporting systems.

In 2010, we need to improve the quality of our client service and, consequently, the level of our brand recognition. We strive to have a strong brand with capitalization of its own value.

We have set a number of ambitious targets, which can be achieved only by a team of likeminded professionals sharing common values. This, in turn, requires coherent and comprehensive HR efforts. A lot has been done in the area in 2009 but we will have to do even more in 2010. We need a shift in mentality. A pivotal role in the effort is given to PSB's Fundamentals of Our Business, a base corporate document establishing a system of rules and ideas, based on which we develop the Bank busi-

ness and build its culture. We should all realize and share our common values – good reputation, integrity and team spirit, as well as operating principles – compliance, responsibility and initiative in decision-making.

I am confident that together we will be able to meet all our targets. I would like to extend my gratitude to our employees for their commitment, to our shareholders for their support and to our clients for their unflagging trust.

**PRESIDENT AND CHAIRMAN OF  
THE MANAGEMENT BOARD  
A.A. LEVKOVSKIY**

# RUSSIAN VERITY



Kievan Russia  
{~1019 –  
1054}

Contents:  
Rules of Law.

DEVELOPMENT OF FINANCIAL RELATIONS DICTATED THE NEED FOR REGULATION THEREOF. THE FIRST RELEVANT LEGISLATION APPEARED IN THE 9TH CENTURY. RUSSKAYA PRAVDA IS NOT ONLY AN ARTIFACT OF LAW HISTORY — IT IS FIRST AND FOREMOST A CODE OF STANDARDS FOR ECONOMIC RELATIONS, COVERING, AMONG OTHERS, FINANCIAL CONTROL, SPECIFIC TERMS FOR LENDING AND BORROWING, AS WELL AS BAD DEBT RECOVERY PROCEDURES.



\* According to the document, while interest applied to cash loans, commodity loans (grain, copper, etc.) were extended on the condition of repayment with an increment in kind.

# | 2 |

**14** KEY FINANCIALS

**16** KEY EVENTS 2009

# I KEY FINANCIALS

## KEY P&L ITEMS

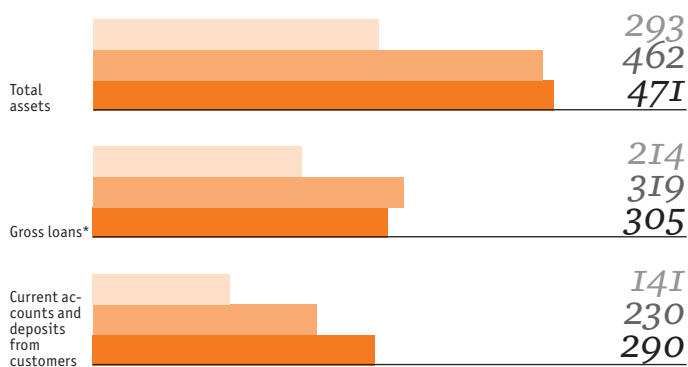
RUB BILLION	2009	2008	2007	% CHANGE 2009/2008
NET INTEREST INCOME	25.6	22.0	12.1	16.5
NET COMMISSION INCOME	5.6	4.7	2.4	18.6
OPERATING INCOME	34.1	28.2	15.6	20.6
GENERAL & ADMINISTRATIVE EXPENSES	(13.3)	(12.4)	(8.0)	7.4
PROFIT BEFORE TAX AND PROVISIONS	20.3	15.4	7.6	31.8
IMPAIRMENT CHARGE	(20.9)	(13.3)	(2.6)	57.8
(LOSS)/PROFIT AFTER TAX	(0.6)	1.6	3.7	-

## KEY FINANCIAL RATIOS

(%)	2009	2008	2007
RETURN ON ASSETS (ROA)	-	0.4	1.6
RETURN ON EQUITY (ROE)	-	4.6	16.1
NET INTEREST MARGIN	6.5	6.6	6.2
NET FEES & COMMISSIONS / OPERATING INCOME	16.5	16.7	15.2
COST-TO-INCOME RATIO	39.0	43.8	51.3
OPERATING INCOME PER EMPLOYEE (RUB MLN)	3.7	3.0	2.3
PROVISIONS/LOANS	12.7	5.8	2.4
TIER I RATIO	9.9	9.7	9.4
TOTAL CAPITAL ADEQUACY RATIO	14.3	13.1	13.5

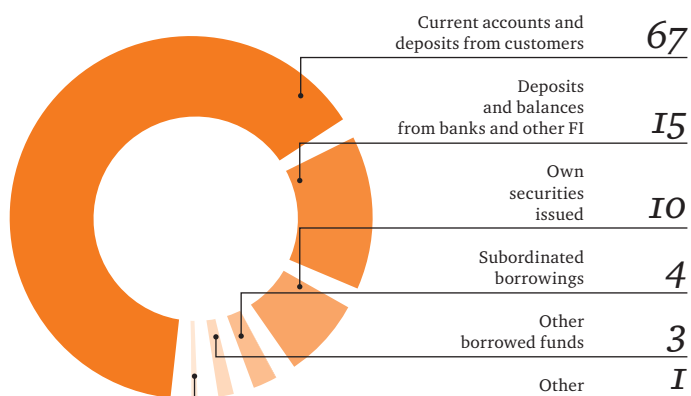
### KEY BALANCE SHEET ITEMS, RUB BN

2007  
2008  
2009



\* Loans to customers before impairment allowance

### LIABILITIES STRUCTURE, %



# KEY EVENTS 2009

## January

Acquisition of controlling stakes in Yarsotsbank and Nizhny Novgorod Bank completed.

PSB receives the EBRD award as «The Most Active Issuing Bank under the EBRD Trade Facilitation Program in Russia».

## February

PSB enters into a US \$ 25 million framework credit agreement with Export Development Canada (EDC), the Canadian export agency.

Yarsotsbank consolidated into PSB Banking Group.

PSB receives Euromoney Award as «The Best Bank in Trade Finance in Emerging Europe».

## March

PSB raises over RUB 8.2 billion in retail funding through a seasonal deposit Christmas Mood.

PSB prepays a US \$ 175 million syndicated loan.

Nizhny Novgorod Bank consolidated into PSB Banking Group.

Moody's Investors Service confirms PSB credit rating at Ba2.

## April

As part of Germany-Russia SME financing Initiative, PSB enters a credit agreement with Kreditanstalt fuer Wiederaufbau (KfW), the German development bank. KfW extends a 5-year US\$ 30 million loan to PSB. Use of proceeds: SME lending.

Based on 2008 results, PSB ranks 6th among Russian banks by volume of SME loan portfolio (source: Expert RA).

## May

PSB receives Deutsche Bank 2008 USD STP Excellence Award for excellence in international settlement operations.

## June

PSB receives Russian Financial Elite 2009 Award in the category Factoring House of the Year.

Standard & Poor's downgrades PSB credit rating to B+ and puts it on its CreditWatch List, with negative outlook.

## July

EBRD extends a 5-year credit facility of up to US \$ 60 million to PSB.

PSB receives Commerzbank AG STP Award 2008 Excellent Quality, for excellence in international settlement operations.

PSB prepays a US \$ 280 million syndicated loan.

Based on 1H 2009 results, PSB share of the Russian factoring market reaches 31.3% (source: Expert RA).

## August

PSB receives a J.P.Morgan Chase (New York) 2008 award for high quality of settlement operations.

## September

100-thousandth client connects to PSB-Retail on-line banking service.

Standard & Poor's downgrades PSB credit rating to B and upgrades outlook from Negative to Stable.

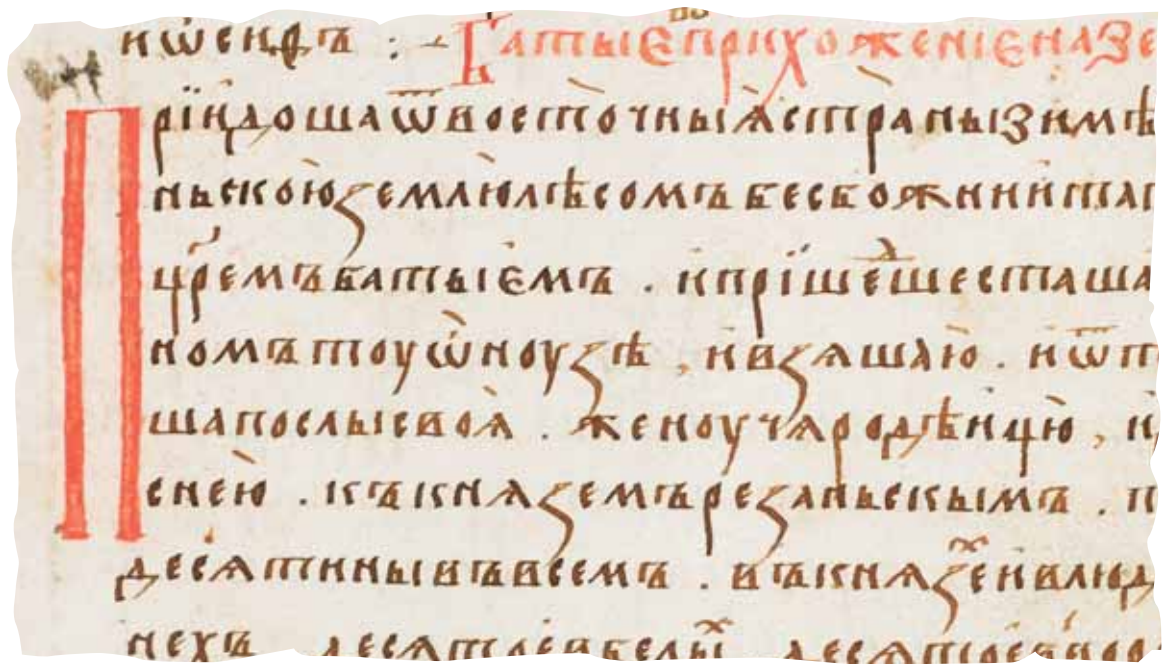
## October

PSB ranks 3rd among the most rapidly developing Russian financial companies (source: Business Secret Magazine).

PSB SME loan portfolio exceeds RUB 20 billion.

## November

PSB is the only privately owned bank out of Russia to have successfully placed subordinated Eurobonds in 2009 in public markets (issue size: US \$ 200 million).



PSB enters an agreement with EBRD for participation in PSB additional share issue agreement (in early 2010 EBRD becomes a PSB shareholder with a 11.7457% stake).

Fitch Ratings confirms PSB credit rating at B+.

PSB receives the Efficient Credit Technology Award in the course of implementation of the Russian Bank for Development SME Support Program.

#### December

The Retail Finance Magazine recognizes PSB Yield Card as the best retail finance product.

National Rating Agency confirms PSB credit rating at AA+.

PSB raises over RUB 3.5 billion through its “Christmas Bonus. Deposits bestow you with warmth!” campaign.

Moscow International Currency Association recognizes PSB Interbank Loan Dealing as one of Russia’s best.

RUSSKAYA  
PRAVDA  
(EXCEPT)

Novgorod  
{14th – 15th  
centuries}

# BIRCHBARK MANUSCRIPTS



**Novgorod**  
**{1340–1360}**

**Content:**  
*Out-of-court settlement  
order.*

AS OF THE 9TH CENTURY, OFFICIAL ACTS WERE WRITTEN ON PARCHMENT PAPER, WHILE PRIVATE OBLIGATIONS WERE RECORDED MAINLY USING BIRCHBARK. THE OVERARCHING SUBJECT OF MOST SUCH BIRCHBARK MANUSCRIPTS IS MONEY IN A WIDE RANGE OF USE: FROM DEBT REPAYMENT OR PURCHASE, TO PENALTY PAYMENTS AND PROPERTY SALE. THE MANUSCRIPTS RECOUNT REAL CASES RELATED TO INHERITANCE, TRUSTEESHIP AND LENDING.

{ *\* Jacob settled with Gorgy and Khariton on the out-of-court settlement order obtained by Gorgy [at the court] with regard to trampled wheat, and by Khariton – with regard to his losses. All in all, Gorgy accepted one ruble three hryvnas, while Khariton – five meters of broadcloth and one hryvna. Gorgy and Khariton do not have any further claims against Jacob, and Jacob – against Gorgy and Khariton, as witnessed by David, Luca's son, and Stepan Taishin.*

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AND ANALYSIS
- 32** 2010 STRATEGY

# GENERAL INFORMATION ABOUT THE BANK



PSB IS ONE OF RUSSIA'S LARGEST PRIVATELY OWNED BANKS, WITH A SUCCESSFUL HISTORY OF OPERATIONS SINCE 1995. PSB IS A UNIVERSAL BANK WITH A WIDE REGIONAL BRANCH NETWORK OFFERING THE FULL RANGE OF BANKING SERVICES TO CORPORATE AND RETAIL CLIENTS.

## MISSION STATEMENT

We contribute to the prosperity of Russia and wellbeing of our employees and shareholders, while offering financial solutions to our clients, investors and partners.

### WE ARE HERE TO WORK FOR OUR COUNTRY.

We make sure money is used for a good cause. We know what needs to be done, as well as when and how it needs to be done, to turn money into capital. We know the value of money and are developing a capital management culture in Russia through our operations. Through our assistance with capital management, we generate new opportunities for Russia. Reliable capital allocation translates into Russian citizens' confidence about tomorrow and, consequently, in stronger Russia. We are here to work for Russia.

### WE HELP PEOPLE GAIN CERTAINTY ABOUT THEIR FUTURE.

Clients choose us and entrust us with their money because of our reputation as a reliable partner. Our professionalism and technologies enable us to offer the full range of banking services. Our products and services allow people to pursue education, buy homes, build their savings, develop their own business and provide for the future of their children. We are here to work for everyone.

We assume reasonable risks and provide development and growth opportunities to businesses of any scale.

### WE TAKE PRIDE IN OUR WORK AND OUR BANK.

Our Bank is special. We do not merely serve our clients. We help them to identify the best financial solutions enabling them to pursue their plans. We appreciate our employees' ability to source and implement solutions, which are optimal to our clients and beneficial to the Bank. Such approach enables us to create new opportunities for our clients, partners, shareholders, investors, ourselves, our colleagues and, therefore, for the country we live and work in.

## PSB FUTURE

Our Bank is an innovative leader. Applying advanced technologies and superior management practices, we continue to relentlessly and consistently solidify our positions both in the domestic and international financial markets.

## PSB VALUES

We grew up in different families and both our life and professional experiences differ. We are many and we are different. Thousands of people cannot breathe, think and act in a uniform way. However, we are all united by our core values.

**Reputation.** We value our reputation earned over years of hard work. Our clients know that PSB stands for reliability and good faith. We are appreciative of this and we understand that our reputation is our capital. We are convinced that money management must be ethical, and money itself must serve creative purposes.

**Integrity.** In our operations, we make all efforts to show respect for others and ourselves. We offer our clients, partners and investors transparent terms of cooperation. We do not want and will not lie to each other, as our cooperation is based on trust. In complex situations and in the face of difficult choices we find fair solutions reflecting interests of all parties concerned.

**Strong client relations.** We develop long-lasting relations with our clients. We will make all efforts to turn our new customers into long-term partners who will recommend us to their families, friends and partners. We highly value the trust of our clients and do everything in our power to justify it.

**Team spirit.** Our team is a living body. Our relations are based on mutual respect, assistance and support. Our hard-working employees are conscientious and knowledgeable. We



enjoy working together on solving complex issues and achieving outstanding results.

**Patriotism.** Our work contributes to the growth of Russia's material and spiritual wealth. We see ourselves as a part of a large country and support its development. We take care of the place we live in – our country, our city and our home. We take care of our work place – our Bank.

**Family.** We are convinced that the family underpins both the society and the country. Respect for our families, care for our loved ones, children and parents alike, is the responsibility of each one of us. Our work contributes to the well-being of our families, while our soulfulness supports and inspires them.

## PSB STRATEGIC OBJECTIVE

PSB strategic objective is to become Russia's largest privately owned bank by 2015, with the highest valuation (Price/Book Value) among leading privately owned universal banks.

PLEASE ACCEPT A BOW FROM [...]. YOU HAVE ORDERED TO SEIZE WHEAT FROM [...], HAVING DECLARED THEM DEBTORS. I HAVE ALREADY SEIZED ONE LOT OF THREE KOROBJI (APPROX. 336 KG IN TOTAL) FROM IVANKO. ELDER OLEXANDOVA BOWS TO YOU IN THE HOPE THAT YOU, MASTER, ACCEPT REDEMPTION AND AGREE [ON IT] WITH ME.

### BIRCHBARK LETTER

**Novgorod  
{1340–1360}**

#### **Contents:**

*Letter from the Master, possibly, to Ontsifor Lukinich (on the terms of transfer of peasants to Oleksandrov Pogost).*

# PSB OVERVIEW

## OWNERSHIP STRUCTURE

As a result of the additional share issue registered by the Bank of Russia in February 2010, PSB gained a new minority shareholder, the European Bank for Reconstruction and Development (EBRD), with a 11.75% stake. Commerzbank Auslandsbanken Holding AG retained its existing 15.32% stake, while the share of PSB majority shareholder Promsvyaz Capital B.V. has decreased from 84.68% to 72.93%.

The relevant agreements between EBRD, PSB and its shareholders were signed in November 2009. The EBRD investment in PSB was approximately RUB 4.6 billion, the biggest EBRD investment in a Russian bank to date.

### PSB SHAREHOLDERS

Shareholders (Beneficiary Owners):

#### Dmitry Ananiev

- ◆ Member of the National Banking Council since September 2008;
- ◆ Chairman of the Federation Council Committee on Financial Markets and Currency Circulation since 2007;
- ◆ Member of the Federal Council, the Upper Chamber of the Russian Parliament, representing Yamalo-Nenetsk Autonomous Region, since 2006;
- ◆ Chairman of PSB Board of Directors from 2001 to September 2006.

#### Alexey Ananiev

- ◆ Chairman of PSB Board of Directors since September 2006;
- ◆ PSB Board member since 2001;
- ◆ Chairman of TechnoServ Advisory Council since 1996;
- ◆ Head of TechnoServ Group of Companies since 1992.

**Commerzbank Auslandsbanken Holding AG** (Germany), a wholly owned subsidiary of Commerzbank AG and PSB shareholder since 2006. The company owns 159,985,846,000 PSB shares representing 15.3199% of the total amount of voting shares. Commerzbank is the second largest German bank and one of the leading European banks.

**The European Bank for Reconstruction and Development** is an international financial institution supporting projects across 30 countries, from Central Europe to Central Asia. EBRD invests mainly in privately owned enterprises and provides project financing for both startup and existing banks and companies. EBRD also cooperates with publicly owned companies to support privatization and restructuring of state-owned entities, as well as improvement of municipal service quality. EBRD shareholders are 61 states, including Russia, and 2 intergovernmental organizations. EBRD owns 122,660,000,000 PSB shares representing 11.7457% of the total amount of voting shares.



## CONSOLIDATED GROUP MEMBERS

PSB Group member companies consolidate their reporting in accordance with IFRS requirements (as at 31 December 2009).

COMPANY NAME	COUNTRY OF INCORPORATION	MAIN ACTIVITY	% CONSOLIDATED
OOO "UK PROMSVYAZ"	RUSSIAN FEDERATION	FINANCIAL ACTIVITY	100 %
OOO "OPEN LEASING COMPANY"	RUSSIAN FEDERATION	LEASING	100 %
OOO "PROMSVYAZFACTORING"	RUSSIAN FEDERATION	FINANCIAL ACTIVITY	100 %
PROMSVYAZ FINANCE PLC	IRELAND	FINANCIAL ACTIVITY	100 %
PSB FINANCE S.A.	LUXEMBURG	FINANCIAL ACTIVITY	100 %
OAO "VOLGOPROMBANK"	RUSSIAN FEDERATION	BANKING	100 %
OAO "YARSOTSBANK"	RUSSIAN FEDERATION	BANKING	61.9 %
OAO "NIZHNY NOVGOROD BANK"	RUSSIAN FEDERATION	BANKING	100 %

## INTERNATIONAL RATINGS (MAY 2010)

### FITCH RATINGS:

LONG-TERM FX ISSUER DEFAULT RATING (IDR)	B+
SHORT-TERM FX IDR	B
INDIVIDUAL RATING	D
SUPPORT RATING	4
OUTLOOK	POSITIVE

### MOODY'S INVESTORS SERVICE

LONG-TERM FX AND RUB DEPOSITS RATING	BA2
SHORT-TERM BANK DEPOSIT RATING	NOT PRIME
FINANCIAL STRENGTH RATING	D
OUTLOOK	NEGATIVE

### STANDARD & POOR'S\*

LONG- AND SHORT-TERM COUNTERPARTY CREDIT RATING AND CD RATING	B
OUTLOOK	POSITIVE

\* The rating has been withdrawn at PSB's request on 17 May 2010.

## RUSSIAN RATING AGENCY'S CREDIT RATINGS

### NATIONAL RATING AGENCY

INDIVIDUAL CREDIT RATING	AA+
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## DEVELOPMENT HISTORY

1995

PSB established.

1996

First two regional branches opened.

FX operations license obtained.

1997

IFRS reporting kick-off.

1998

PSB - #63 Russian bank by assets.

1999

PSB joins VISA and MasterCard payment systems  
PSB IFRS financials are audited by independent auditors KPMG.

2000

Fitch Ratings assigned to PSB (entry level: CCC+).

PSB - #44 Russian bank by assets.

2001

RUB 150 million debut rouble bond issue.

2002

PSB opens a branch in Cyprus and a rep office in Kiev.

PSB - #21 Russian bank by assets (Interfax-100 Ranking).

Internet banking system PSB On-line launched.

2003

US\$ 30 million debut syndicated loan from international banks.

PSB joins Factors Chain International (FCI), the international factoring association.

2004

PSB opens a rep office in Beijing.

US\$ 100 million debut international Eurobond issue.

First-time credit ratings assigned by Moody's (B1) and Standard & Poor's (B-).

According to The Banker, PSB is a world's Top 1,000 bank.

2005

According to Euromoney, PSB is one of the best CEE companies.

PSB has 29 regional branches.

2006

Through its subsidiary Commerzbank Auslandsbanken Holding AG, the German Commerzbank AG acquires a 15.32% stake in PSB.

A rep office opens in New Delhi, India.

2007

PSB controlling shareholder Promsvyaz Capital B.V. acquires 95.07% stake in Volgoprombank.

According to The Banker, PSB – world's #441 bank by equity.

2008

PSB Banking Group established; Volgoprombank integrated.

Agreements on integration of Yarsotsbank and Nizhny Novgorod Bank into PSB Banking Group.

PSB successfully tackles liquidity crisis in the Russian interbank market.

At a time of financial crisis, PSB reviews its credit product offering and approaches branch network development, and implements administrative cost-cutting measures.

PSB - #11 Russian bank by assets (Interfax-100 Ranking).

2009

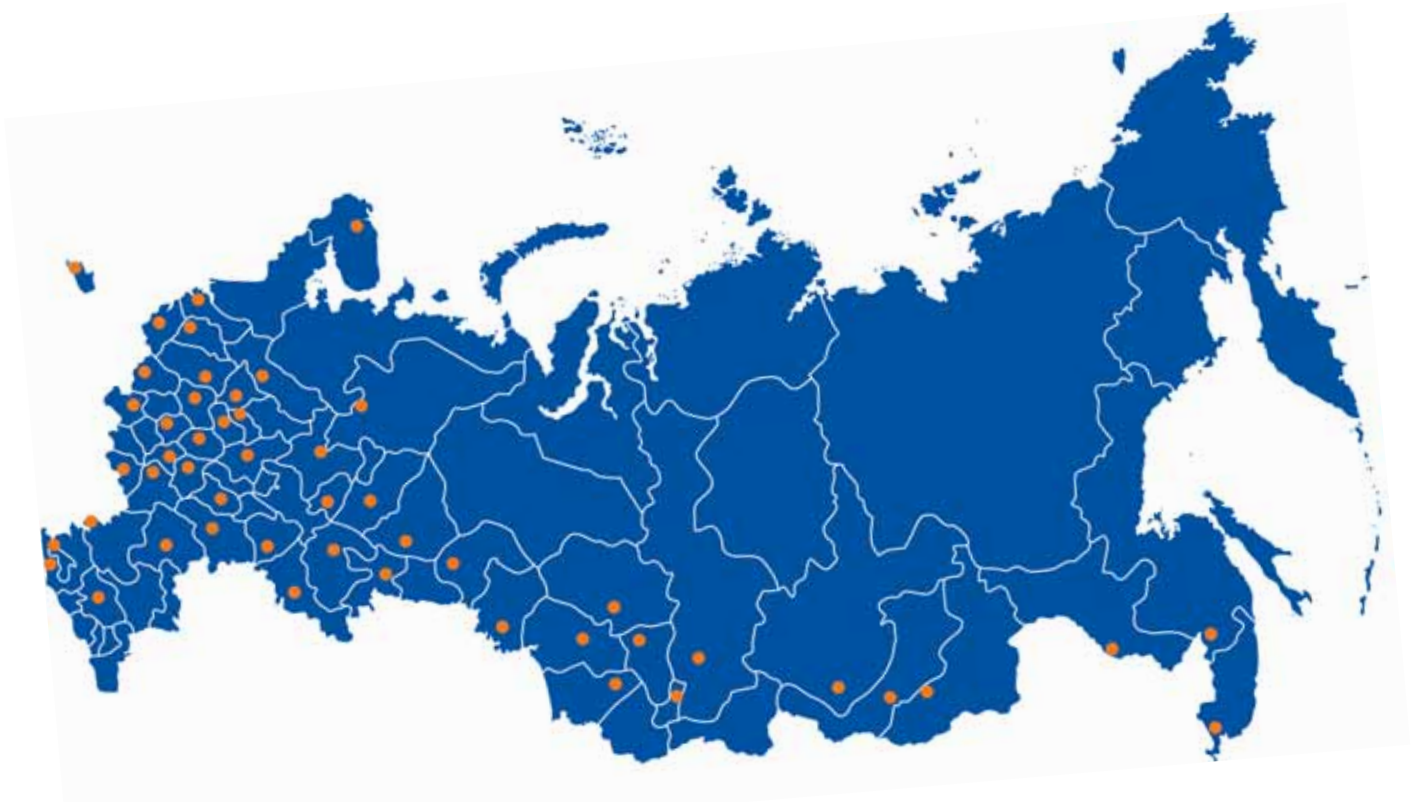
PSB pursues lending activity despite deep economic crisis, thereby expanding its corporate and SME client base.

PSB – the only privately owned bank out of Russia to have successfully placed its subordinated Eurobond amid crisis in 2009.

PSB enters shareholder agreements, pursuant to which EBRD becomes a new shareholder with a 11.7457% stake. Transaction closed in 2010.

PSB – a Top 10 Russian bank by assets (Interfax-100 Ranking).

# PSB BRANCH NETWORK



## PSB RUSSIAN BRANCH NETWORK

ABAKAN	KIROV	SAINT PETERSBURG
BARNAUL	KRASNODAR	SARATOV
BELGOROD	KRASNOYARSK	SMOLENSK
BLAGOVESHCHENSK	LIPETSK	SOCHI*
BRYANSK	MOSCOW*	STAVROPOL
VELIKI NOVGOROD	MOSCOW REGION*	SYKTYVKAR
VLADIVOSTOK	MURMANSK	TAMBOV
VLADIMIR	NIZHNY NOVGOROD	TVER
VOLGOGRAD	NOVOSIBIRSK	TOMSK
VOLOGDA	OMSK	TULA
VORONEZH	ORENBURG	TYUMEN
YEKATERINBURG	PENZA	ULAN-UDE
IVANOVO	PERM	UFA
IZHEVSK	PSKOV	KHABAROVSK
IRKUTSK	ROSTOV-ON-DON	CHELYABINSK
KALININGRAD	RYAZAN	CHITA
KEMEROVO	SAMARA	YAROSLAVL

\* PSB branches in all regional centers except Moscow and Moscow Region; a representative office in Sochi

## PSB MOSCOW AND MOSCOW REGION NETWORK

As on 31 December 2009, PSB Moscow and Moscow Region network consisted of 44 sub-branches (including 2 in Moscow) and 14 payment offices.

## PSB INTERNATIONAL NETWORK

- ◆ Limassol, Cyprus (branch and retail office)
- ◆ New Delhi, India (rep office)
- ◆ Kiev, Ukraine (rep office)
- ◆ Beijing, China (rep office)

## DISTRIBUTION NETWORK DEVELOPMENT

Distribution network development is one of the key focus areas in PSB strategy. Having opened its first branches in 1996, PSB subsequently developed a broad nation-wide distribution network. According to RBC Rating, as on July 1, 2009, PSB was a Top 10 Russian bank in terms of distribution network coverage. Broad distribution network is one of our key competitive advantages enabling us to accomplish our strategic objectives, including private banking and SME segments development.

Today, PSB branches operate in all key economic regions of Russia, and a relatively dense branch network covers Moscow and Moscow Region. In many regions of PSB presence, its branches have considerable share of the financial services market and are among TOP 5 regional banks. Virtually in all regions of its operations, PSB has a branch, one or more banking points of sale and additional offices offering clients a wide range of banking services in line with the existing licenses and business profiles.

The financial crisis, which began at the end of 2008, affected our plans and oriented us towards distribution network optimization through restructuring of the existing branches and phase-out of inefficient points of sale. At the same time, in the reporting period, PSB opened a new branch in Murmansk, as well as 8 additional offices and 2 cash desks outside of the cash-operating unit. As at the end of 2009, PSB national distribution network consisted of 234 points of sale in more than 90 regions across Russia. PSB Banking Group operates over 1,200 ATMs. We intend to pursue optimization of our distribution network throughout 2010.

Amid the deep economic crisis and the associated significant increase in credit risk levels, PSB management reoriented the distribution network from lending towards priority distribution of deposit and commission-based products. As a result, the regional network 2009 loan portfolio contracted by RUB 19 billion to RUB 140 billion as on 31 December 2009, while funding volume was RUB 70 billion, up from RUB 41 billion. More than a 70% increase in funding through client current and deposit accounts was mainly ensured due to development of new competitive products, as opposed to price competition.

### PSB NATIONAL DISTRIBUTION NETWORK

BRANCHES	48
SUB-BRANCHES	153
PAYMENT OFFICES	32
REP OFFICES	1
<b>TOTAL</b>	<b>234</b>

## PSB ABROAD

### PSB CYPRUS

Established in 2002, the Cyprus branch operates under the Cypriot law and is licensed both by the Cypriot and Russian Central Banks. The Cyprus unit is PSB's biggest branch and at the same time a full-fledged European bank offering its clients a wide range of

banking services and products: cash and settlement services, foreign exchange operations, deposits and trade financing. In 2009, the branch corporate and retail client bases expanded by 10% (to 2,127) and 80% (to 566), respectively. The branch assets in 2009 increased by 40% to US\$ 1.5 billion, which is in line with the pre-crisis level. Due to its competitive pricing policy, the branch favorably compares to other Cypriot and EU banks. The branch's powerful settlement center ensures precise and rapid processing of settlements, including in Russian roubles. Retail accounts in any currency are covered by the Cypriot deposit insurance system.

## PSB BANKING GROUP

In June 2008, PSB Annual General Shareholders' Meeting approved establishment of a banking group that would include Volgoprombank (Volgograd), one of Russia's major regional banks. Earlier, in the fall of 2007, PSB principal shareholder Promsvyaz Capital B.V. had completed acquisition of a 95.07% stake in Volgoprombank.

At the end of 2008 and upon approval by the Bank of Russia, PSB acquired a 51.3% stake in Yarsotsbank (Yaroslavl) and an 85.1% stake in Nizhny Novgorod Bank. The two banks' liquidity position was restored in a matter of months with the assistance of PSB. In the beginning of 2009, Extraordinary General Shareholders' Meetings of Yarsotsbank and Nizhny Novgorod Bank respectively approved the banks' integration into PSB Banking Group.

In 2009, the Group's three regional banks implemented a set of integration measures. Product offering was extended with PSB best-selling products. The banks migrated onto PSB IT platforms, optimized their structure, introduced management quality functions and brought graphic representation of their corporate identity in line with that of PSB.

### VOLGOPROMBANK

Volgoprombank was established in 1990. Prior to its transformation into a commercial bank, Volgoprombank had been a state-owned bank formerly known as Volgograd Regional Directorate of the USSR's Promstroibank.

Volgoprombank is a major commercial bank in Volgograd Region, with RUB 5 billion in assets and RUB 1.3 billion in equity as at the end of 2009. Volgoprombank regional network includes 13 additional offices in the city of Volgograd and in district centers. The bank operates 32 ATMs.

As at 31 December 2009, Volgoprombank services more than 10,000 corporate and 22,000 retail clients. The bank's funding base consists of RUB 1.8 billion in retail deposits and RUB 1.6 billion in corporate and institutional funds. The bank issued more than 17,000 international payment system cards. In 2009, with the support of the regional government, Volgoprombank continued to develop close cooperation with the Regional Guarantee Fund and signed the third SME lending agreement. In total, the bank issued 228 SME loans in 2009.

### YARSOTSBANK

Yarsotsbank was established in 1990. Its predecessor, a commercial bank, had been founded on the basis of the state-owned Zhilsotsbank.

At the end of 2009, PSB participated in privatization of two stakes in Yarsotsbank owned by the City of Yaroslavl and the Yaroslavl Region. As a result of privatization, PSB increased its share in Yarsotsbank capital to 61.91 %.

Yarsotsbank is the largest bank in the Yaroslavl Region. As at the end of 2009, Yarsotsbank assets and equity were RUB 6.2 billion and RUB 595.6 million, respectively. The bank services more than 220 thousand retail and over 10 thousand corporate clients, including the region's industry leaders, Yaroslavl Mayor's Office and universities. Yarsotsbank distribution network consists of 10 offices in Yaroslavl and the Yaroslavl Region. The bank operates 126 ATMs and has over 230 000 plastic cards in circulation (Golden Crown Russian payment system). Yarsotsbank is the official partner to Yaroslavl Mayor's Office in implementation of a plastic card promotion program.

Integration into PSB Banking Group provided Yarsotsbank with access to experience of one of the biggest nationwide banks and enabled it to offer its clients a first-rank product range. Yarsotsbank transitioned towards PSB IT platform, optimized its structure, reviewed employee incentivization system and introduced a client service management function.

### NIZHNY NOVGOROD BANK

The bank was established in 1990 with the participation of major Nizhny Novgorod enterprises. Nizhny Novgorod bank is one of the biggest banks in the Nizhny Novgorod Region, oriented towards

the real economy. Nizhny Novgorod Bank ranks 5th among the region's banks by assets (RUB 4.4 billion in 2009). The bank's equity as at 31 December 2009 was RUB 395.3 million. Nizhny Novgorod Bank distribution network consists of 10 additional offices in Nizhny Novgorod and its region. The bank issued approximately 12,500 international payment cards and services approximately 15 thousand retail clients and over 5 thousand corporate clients.

In September 2009, the bank migrated towards PSB IT platform, which provided its clients with access to hi-tech banking products with strong track record at PSB: factoring, international financing, SME programs and a number of private equity services. In two months of operation on the new platform, more than 1,200 retail clients connected to PSB-Retail, the online banking solution. Approximately 1,000 Yield Cards were sold in the same period. To ensure better quality of retail client service, terminal networks of Nizhny Novgorod Bank and PSB Nizhny Novgorod branch were merged. The consolidated network now operates 92 terminals (51 ATMs and 41 cash disbursement points) in the region.

### 2010 PLANS

In 2010, we intend to pursue extension of product offerings at the three regional banks with best-selling PSB products, as well as improvement of their business processes.

Upon completion of the integration process and the necessary corporate procedures in 2010, we intend to consolidate two out of three PSB Banking Group regional banks, Volgoprombank and Nizhny Novgorod Bank, into PSB.

# RUSSIAN BANKING SYSTEM – KEY 2009 TRENDS

2009 was extremely challenging for the national banking system. Persisting global economic crisis, trailing issues in the Russian economy related to its overdependence on commodities, foreign capital markets and technologies, coupled with low domestic solvent demand created the most unfavorable conditions for Russia's banking sector development in the last 10 years. The economic downturn drove down corporate profitability and the population's living standards, which, in turn, negatively affected borrowers' ability to service their debt. Higher unemployment and lower household disposable incomes depressed domestic demand. As international sources of long money dried out, the cost of funding soared.

As a result, the Russian banking sector faced the following challenges:

- ◆ A sharp increase in corporate overdue debt and defaults, as well as reduced solvency of retail borrowers
- ◆ Escalated competition for funding in the domestic market and the resulting increase in the cost of capital. Interest rates on deposits offered by many banks were for the first time in many years above the expected inflation level
- ◆ Lack of quality borrowers considerably limited opportunities for lending activity expansion and interest income growth.

However, the recession proved to be less pervasive than had been expected in the fall of 2008 and it can now be assumed that the worst of the crisis is behind us. By mid-2009, recovery trends emerged in the economy and the banking sector, including positive GDP dynamics, industrial production index growth, stabilization of the rouble, inflation growth slowdown, household disposable income growth and stock market recovery.

Global commodity market recovery was an important driver behind the positive trends in the Russian economy. The role of government support of the national economy and the country's banks cannot be overestimated. Specifically, the government lowered the base rate, provided loans, softened regulatory requirements, and bailed out troubled banks. However, not all measures implemented by the government and the Bank of Russia were timely.

A more than 20% increase in the banking sector capitalization in 2009 was a positive development. However, the increase was mainly driven by government capital injections into state-owned banks.

Attractive interest rate levels and aggressive deposit promotion campaigns coupled with recovering trust of the population in the banking system drove a 28% growth in retail deposits in 2009. Inflow of non-financial institution funding was up 10% in the same period.

At the same time, lending activity, in particular at privately owned banks, was down due to the lack of funding, high cost of capital and tighter lending criteria caused by higher credit risk.

Retail loan portfolio in 2009 contracted by 11%. Massive support for state-owned banks prevented contraction of corporate lending volumes: the total banking system corporate loan portfolio remained at the 2008 level.

The Russian banking sector appears to have passed the test. However, some repercussions of the crisis have yet to be addressed: the federal budget deficit is growing, unemployment remains high and the quality of bank system loan portfolio continues to deteriorate. The ability of Russian banks to withstand the challenges will determine to a great extent the timeline for Russia's return to sustainable growth.

# MANAGEMENT DISCUSSION AND ANALYSIS



## POSITIVE P&L TRENDS

- ◆ Net interest income increased by 16.5% despite a 4% loan portfolio contraction (before impairment allowance), as lending rates grew faster than funding costs in H1 and beginning of H2 2009. Lending rates were driven by a loan supply shrinkage and an increased risk premium at a time of economic turmoil.
- ◆ This enabled PSB to maintain its net interest margin at the 2008 level (6.5%), despite a reduced share of loans to customers (57% of total asset down from 65%) and an increased portion of more liquid but less profitable assets (e.g. securities) from 28% to 33% of total assets.
- ◆ A significant improvement in the cost-to-income ratio (39.0%, down from 43.8%) was driven by a strong operating revenue growth against the backdrop of administrative expenses control under the cost optimization program.
- ◆ A strengthening in interest income and fees & commissions led to an increase in operating income, while efficient administrative expenses controls drove a 32% increase in profit before tax and provisions.
- ◆ Stronger operating income per employee (up 24%) reflects improved labor efficiency management at the Bank.

## NEGATIVE P&L TRENDS

- ◆ A significant increase in non-performing loans (NPL) amid the deep economic crisis in Russia drove additional provisioning for loan impairment, which in 2009 more than doubled to RUB 39 billion.

## BIRCHBARK LETTER (EXCERPT)

### Novgorod {1320–1340}

#### Contents:

*Loan agreement  
between Bobr  
and Semen.*

- ◆ In 2009, PSB allocated approximately 61% of operating income to provisioning, against 47% in 2008.
- ◆ A pressure on the net interest margin started in Q4 2009 and continued into Q1 2010, driven by falling interest rates against the backdrop of limited lending opportunities and high interest expenses related to maintaining a sizeable liquidity cushion in times of economic turmoil.

## KEY 2009 BALANCE SHEET CHANGE DRIVERS

- ◆ During the first 9M of 2009 total assets decreased following
  - repayments in H1 2009 of CBR anti-crisis funding obtained amid the system-wide liquidity crunch in Q4 2008;
  - cautious approach to lending;
  - PSB's policy targeted at reducing concentration levels in funding.
- ◆ In Q4 2009 a large influx of customer deposits at PSB resulted in a YoY increase in total assets. It was caused by excess liquidity in the Russian economy and limited number of banks, incl. PSB, perceived as safe enough to place that money with.

- ◆ The proportion of equity was slightly down to 8.1% from 8.5%, due to a 4% decrease in equity against the backdrop of a 2% assets growth. The key factors for the reduction in shareholders' equity were as following:
  - net loss due to a sharp increase in provisioning charge;
  - negative revaluation of fixed assets;
  - decrease in additional capital, due to acquisition of minority stakes in subsidiary banks. Had the results of the additional share issue with the participation of EBRD and Commerzbank been registered at the end of December 2009, Tier 1 and total capital adequacy ratios would have increased by 1.5 pp to 11.4% and by 1.1 pp to 15.4%, respectively.
- ◆ In 2009, the Bank operated amid, on the one hand, persisting higher credit risks across the economy and, on the other, a weakening demand for loans due to the economic crisis, which negatively affected the loan book dynamics. Loan to customers contraction (before impairment allowance) was mainly driven by:
  - suspension of most retail lending programs;
  - tighter underwriting criteria as part of a revamped credit policy;
  - declining volumes of international trade finance amid the global economic crisis.
- ◆ Nevertheless, PSB continued active credit underwriting in the areas of factoring and SME lending and strengthened its market positions in these segments. 2009 volumes of factoring financing and SME loans were over RUB 85 billion and nearly RUB 22 billion, respectively.
- ◆ In 2009, PSB securities portfolio (trading and held to maturity) more than doubled, driven by:
  - purchases of new Russian blue chip bonds since Q2 2009, when the domestic market began to recover after its collapse in October 2008;
  - placement of a part of the liquidity cushion created by PSB in Russian state and municipal bonds. Highly liquid securities included in the CBR Lombard list represent over 70% of PSB portfolio of trading and held to maturity securities.
- ◆ NPL more than quadrupled in absolute numbers from YE 2008, and their level reached approx. 12.3% of gross loans. However, NPL growth decelerated in H2 2009 when their increase (in absolute terms) was 45% lower than in H1 2009.
- ◆ Retail loans display the highest level of NPL; this is due to the portfolio shrinkage against the backdrop of very limited volumes of new retail lending. The share of NPL in the SME portfolio is also relatively high, mainly comprised of loans issued before the tightening of the SME credit underwriting criteria in Q4 2008, while the level of NPL in SME loans issued in 2009 is about 3%.
- ◆ PSB adheres to its policy of maintaining NPL coverage by provisions of no less than 100%.
- ◆ Also, as the period of increased volatility in the financial markets lingers on, PSB continues to prioritize liquidity over profitability.
- ◆ PSB retail deposits grew strongly throughout 2009, outpacing the respective average growth rate for the Russian banking sector. The positive dynamics were driven by the efficiency of PSB deposit product offering and re-orientation of the distribution network towards funding against the backdrop of higher household saving rates amid economic volatility. In 2009, the share of retail funding in PSB total liabilities was 22%, up from 13%.
- ◆ In 2009, PSB successfully diversified its funding base:
  - the relative share of 10 largest depositors in customer deposits as at 31 December 2009, was 32%, down from 38% as at 31 December 2008;
  - dependence on funding from foreign bank has significantly decreased – its share in PSB total liabilities was 23%, down from 26%.

## LIQUIDITY

%	2009	2008	2007
LIQUID ASSETS (RUB BN)	154	127	67
LIQUID ASSETS/TOTAL ASSETS (%)	33	28	23
INSTANT LIQUIDITY RATIO (H2) – MIN 15%	54	76	44
CURRENT LIQUIDITY RATIO (H3) – MIN 50%	126	95	84
NET LOANS / CUSTOMER DEPOSITS	92	131	148

## LOANS TO CUSTOMERS

RUB BILLION	2009	2008	2007	% CHANGE 2009/08
STANDARD LOAN PRODUCTS	183	178	116	3.1
TRADE AND LONG-TERM FINANCING	32	50	42	(36.2)
FACTORING	27	22	19	19.6
<b>TOTAL CORPORATE LOANS</b>	<b>242</b>	<b>250</b>	<b>176</b>	<b>(3.3)</b>
SME LOANS	23	19	8	19.3
RETAIL LOANS	41	50	29	(18.3)

## SECURITIES PORTFOLIO (TRADING AND HELD TO MATURITY)

RUB BILLION	2009	2008	2007
RUSSIAN STATE BONDS (OFZ), MUNICIPAL BONDS, CBR BONDS	17	9	13
CORPORATE BONDS	26	12	5
PROMISSORY NOTES OF RUSSIAN BANKS	7	2	6
EQUITIES	-	-	1
<b>TOTAL SECURITIES PORTFOLIO</b>	<b>49</b>	<b>23</b>	<b>25</b>

## FUNDING

RUB BILLION	2009	2008	2007	% CHANGE 2009/08
CORPORATE DEPOSITS	194	176	106	9.8%
RETAIL DEPOSITS	96	53	35	79.9%
EQUITY/ASSETS	8.1%	8.5%	9.4%	(0.4 pp)

# 2010 STRATEGY



## 2010 KEY CHALLENGES FOR THE RUSSIAN BANKING SECTOR

- ◆ Market volatility. Even though the peak of the crisis appears to be behind us, markets remain prone to volatility and a new wave of crisis driven by potential sovereign defaults or more bad news from capital markets may not be ruled out.
- ◆ Bad debt buildup resulting in further asset quality deterioration, increased provisioning and capital adequacy pressure will clearly be the most negative 2010 trend in the banking sector, which may require new government interventions.
- ◆ Banks' efforts to expand their loan portfolios at acceptable risk levels will significantly escalate competition for quality borrowers and depress interest rates.
- ◆ Lower interest rates and higher cost of capital will shrink bank's net interest margins. At the same time, banks will have to increase their staff and operating costs due to gradual economic recovery.
- ◆ Lack of domestic investment and long-term debt market. Limited access to international capital markets and shortage of domestic long-term financing will force banks to focus on development of short-term credit products.
- ◆ Tighter regulatory requirements. The Bank of Russia concessions with regard to provisioning requirements and, potentially, with regard to capital adequacy, which were extended to banks in the crisis, are likely to be withdrawn. Therefore, 2010 is expected to be the period of difficult recovery for the national banking system.

## BIRCHBARK BREVET

### Novgorod {1360–1380}

#### Contents:

*Attest of Jacob's settlement with Gorgy and Khariton, based on out-of-court settlement order.*

## 2010 DEVELOPMENT STRATEGY

In 2010, PSB intends to focus first and foremost on its business profitability and efficiency. Key objectives will be loan portfolio diversification, better client base quality, higher commission income and a comfortable capital adequacy level.

While pursuing development, PSB will focus on efforts to strengthen its brand, improve client service quality, optimize business processes and infrastructure, improve technological capacity and management quality, as well as develop its HR potential.

The Bank overall target will consist of increasing its market valuation, as a step towards our key strategic objective of becoming #1 privately owned bank in Russia by 2015.

In 2010, PSB will pursue its development as a universal financial institution. We will consistently develop our corporate business and maintain our leading positions in the factoring and trade finance segments. We also intend to continue development of our retail, SME, investment and private banking businesses.

At a time of limited access to long-term capital, in 2010 we will focus on promotion of short- and mid-term credit products across all client segments.

PSB will continue to pay particular attention to risk management, adequate funding and maintenance of a balanced asset and liability portfolio.

PSB will pursue a balanced cost optimization policy to ensure business profitability, while at the same time preserving its base for further growth.

In **corporate business**, we intend to maintain our leadership in corporate lending and funding through a comprehensive product offering to target client segments (a wide range of credit, deposit and transaction products, as well as a balanced combination thereof), high service quality and customized client approaches (understanding of client's needs, service availability via various sales and service channels), as well as cross-sales with out investment and retail businesses.

PSB strives to maintain its leadership in the factoring and international financing markets, as well as to boost sales of standard credit products. Specifically, we intend to focus on commission-based products, including settlement services and cash management. In addition, leasing is a promising tool for catering to our clients' investment needs.

**SME business development** – is a key priority area offering high margins and a possibility of responsive risk management. PSB strives to become a top Russian bank in terms of SME loan portfolio volume. Similarly to the corporate segment, in 2010 we intend to offer our SME clients a wide range of credit, deposit and settlement products tailored to their business needs. Product terms, including pricing, will be adapted to various client groups. High service quality and partner relations with clients underpin PSB positioning. In the SME segment, we intend to step up cross sales with our retail and private banking businesses.

We intend to use both traditional (branches and additional offices) and alternative (remote banking services (RBS) and partnership programs) sales channels to spur development of the SME segment.

In 2010, consumer market-related SMEs will be our target group in the segment.

**Retail Lending** In line with its long-term strategy, PSB plans to become a leading Russian financial institution in terms of retail loan and deposit portfolio volume.

General-purpose consumer loans and payment cards with an overdraft facility for participants in PSB payroll projects and loyalty programs will be at the core of retail lending in 2010. In addition, we intend to develop commission-based settlement products.

To expand our client base, increase efficiency, improve client service quality and diversify our revenue base, we intend to develop bundled products and partnership programs (bank insurance, co-branding projects with commercial and service enterprises, affinity cards issued jointly with charities and not-for-profit organizations), and further promote our Internet banking system (PSB-Retail), as well as other RBS channels (call-center, ATMs and self-service terminals). PSB will specifically focus on retail funding through a wide deposit offering.

Development of efficient **private banking** services will be a key priority in 2010. We intend to develop special programs for VIP-clients, introduce new products (deposits, investment services and non-banking products) and open specialized points of sale.

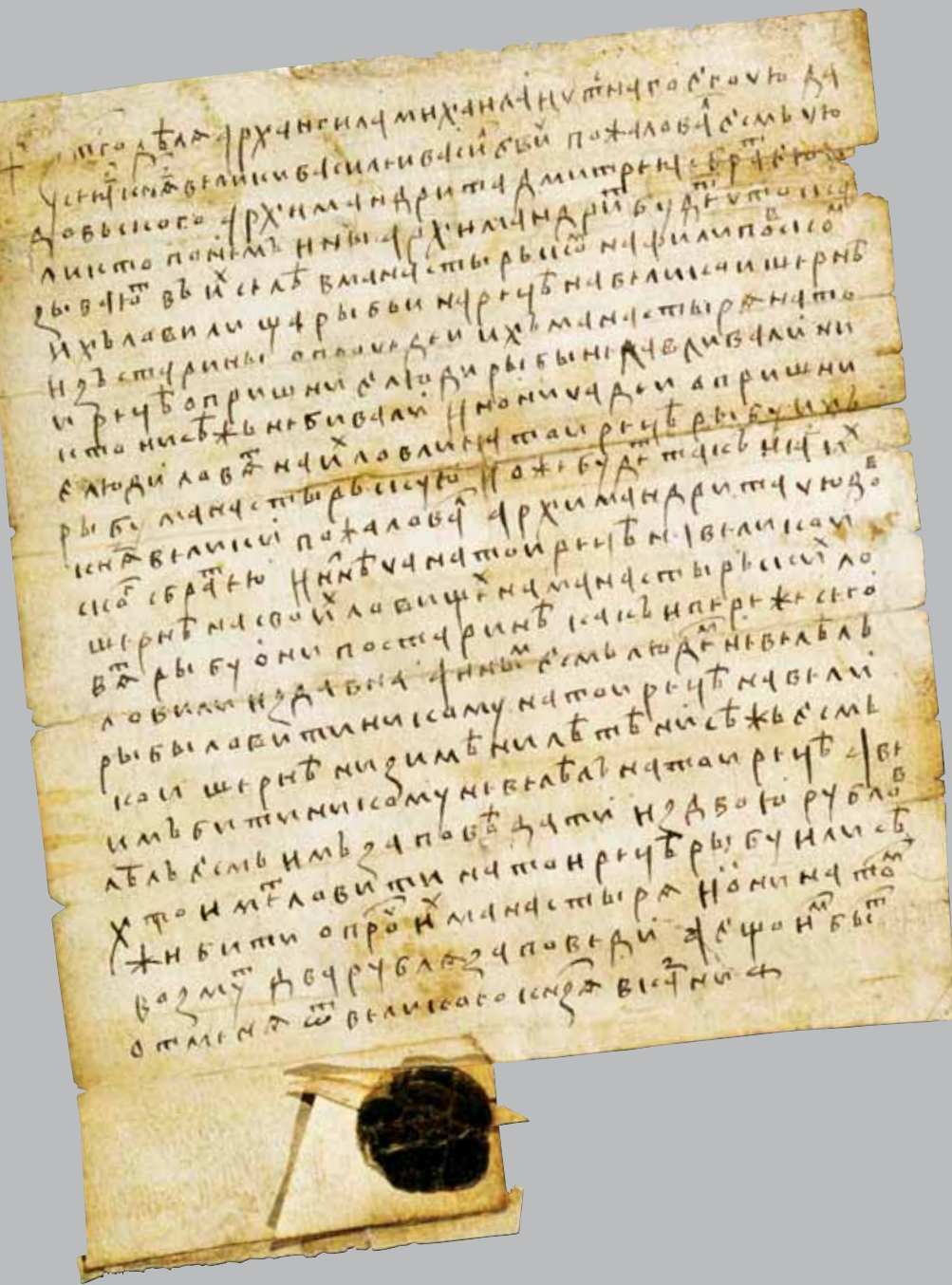
**Investment banking** including financial market operations and debt financing arrangements for corporate clients is another key component of PSB long-term development. In line with the long-term strategy, PSB will pursue development of its full-service investment business in the domestic market, as well as of a diversified product offering for international financial market transactions.

In securities market operations, PSB will diversify trading portfolio, including through investment in highly liquid foreign securities.

In addition, we will focus on identification of new commission income-generating opportunities, arrangement of bond issues, including structured transactions, and dynamic development of broker and asset management services. We will also remain active in the foreign exchange and money markets.

PSB will continue to optimize its distribution network in 2010. We intend to open new outlets in the most economically promising cities and regions, while inefficient points of sale will be shut down. Key priorities in distribution network development will be maximization of sales per unit and per employee, as well the share of sellers in units' structure, reduction of the cost of sale and service through business process optimization, back-office function centralization and RBS channel development. In addition, we intend to transform a number of branches into operating offices.

# PATENT CERTIFICATE



Moscow  
{1460 – 1462}

Contents:  
Patent Certificate granted  
by Grand Prince Vasily II  
The Blind to the  
Archimandrite Dmitry of  
the Chudovo Monastery.

WITH THE DEVELOPMENT OF THE RUSSIAN STATE, FINANCIAL DOCUMENTS ACQUIRED NEW SIGNIFICANCE AND WERE SPLIT INTO DIFFERENT TYPES: DEPOSIT CERTIFICATES, DEEDS OF OWNERSHIP, COMPREHENSIVE, PATENT AND LOAN CERTIFICATES. GRAND PRINCE'S PATENT CERTIFICATE REPRESENTED A LEGISLATIVE ACT GRANTING EXCLUSIVE GOVERNANCE RIGHTS IN THE FINANCIAL AND CREDIT SYSTEM.

\* This year, Grand Prince Vasily Vasilievich granted Dmitry, the Archimandrite of Chudovo, as well as his flock, the right to manage as part of the Chudovo Monastery his village Mikulinskoye Zavelskogo Bogoroditskoye in Dmitrovskoye-on-Yakot, as well as everybody and everything making part of the village. Signature: Grand Prince. By order of Mikhailo Matveyevich, signed by Grand Prince's Sexton Mikita.

# | 4 |

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# CORPORATE BANKING

THE NUMBER OF PSB CORPORATE CLIENTS IN 2009 EXCEEDED 24 THOUSAND. CORPORATE FUNDING PROVIDED A SOLID BASIS FOR THE DEVELOPMENT OF ASSET-SIDE OPERATIONS. PSB MAINTAINED LENDING TO CORPORATE CLIENTS, HAVING FOCUSED ON BUILDING A BALANCED, HIGH-QUALITY LOAN PORTFOLIO. BASED ON 2009 RESULTS, PSB HAD A 33.7% SHARE OF THE RUSSIAN FACTORING MARKET AND MAINTAINED ITS LEADING POSITION IN INTERNATIONAL FINANCING.

## CORPORATE FUNDING

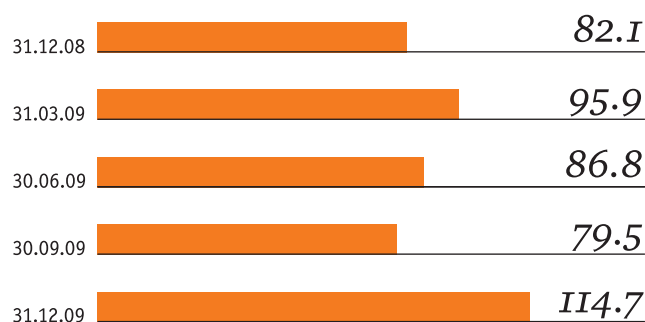
2009 was a challenging year for the Russian economy. H1 was marked by a declining GDP, credit rating downgrades, national currency devaluation and total dependence of the banking system on CBR funding. A mild recovery was registered in H2, with a capital outflow slowdown and the rouble stabilization driving massive placement of funds by economic players with banks, which, in turn, resulted in lower interest rates on both rouble and FX domestic deposits. The most significant reduction of interest rates by virtually all banks occurred at the end of 2009.

In 2009, PSB refrained from participation in CBR unsecured auctions, giving priority to cheaper public market funding. Throughout the year, PSB vigorously developed its corporate funding portfolio, both through new client sourcing and offering new deposit products to existing clients. Corporate funding may be nominally split into current accounts and term deposits. The chart below shows dynamics of corporate term deposits and, specifically, reflects a significant volatility of term deposit balances during 2009. In the 4th quarter 2009 there was a significant influx of deposits from both existing and new clients. In 2009, the number of effective deposits was up 52% to 1,911 (from 1,259). This reflects a greater client base diversification and a reduced dependence on the largest funding clients. Our clients include major oil, metals, chemical, food, transport and financial companies. A wide branch network enables us to raise funding virtually across all of Russia, which provides a solid foundation for our investment operations.

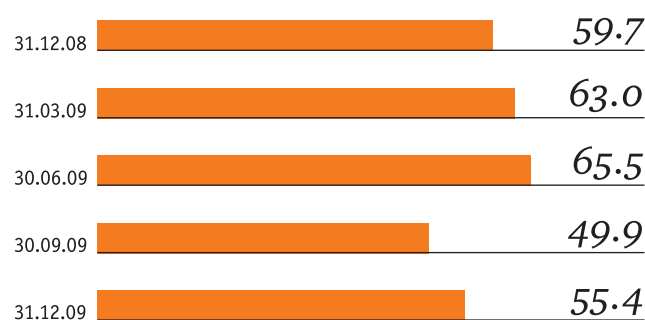
As opposed to term deposits, current accounts balances were more stable throughout the year (see Chart Corporate Current Accounts Dynamics), which proves that corporate current accounts are the stable funding base of PSB.

PSB corporate funding products are rather versatile and expand on the ongoing basis on the back of new client requests. Liability instruments include deposits, non-reducible balances,

CORPORATE TERM DEPOSITS DYNAMICS, RUB BN



CORPORATE CURRENT ACCOUNTS DYNAMICS, RUB BN



promissory notes and deposit certificates. Thanks to their parameter variability, deposits are the most convenient and therefore the most popular instrument. PSB offers three standard deposit types:

- ◆ Classic deposit (with the highest interest rate among corporate deposits, with no withdrawal or pay-in features)
- ◆ Deposit with partial withdrawal feature (up to a threshold set in deposit agreement)
- ◆ Deposit with pay-in feature (at PSB base rate for corporate deposits, specified in deposit agreement).

In addition, PSB offers a number of special products (multi-currency deposit in RUB, USD and EUR, with inter-currency conversions; deposit with an early withdrawal feature, etc.). We offer various interest payment options: bullet, quarterly or monthly. Deposits are based on either individual deposit agreements or a framework agreement providing for terms of deposit agreements.

PSB deposit agreement structure allows designing any deposit product in line with customer needs, including complex structured index-linked deposits.

In the corporate segment, PSB intends to expand its standard product offering, further diversify its client base and implement a system allowing for deposit account setup based on electronic exchange of documents with clients.

## CORPORATE LENDING

PSB pursued its corporate lending activity in 2009, despite challenging economic conditions. We focused on development of a balanced quality loan portfolio. Back in 2008, PSB implemented a set of measures to improve efficiency of its client relations and the loan portfolio quality. Specifically, we enhanced borrower monitoring and the role of risk management in credit decision-making.

In corporate lending, PSB offers the full range of credit products: loans, loan facilities, including with drawdown and debt limits, overdraft loans and promissory note loans.

PSB key competitive advantage is its client orientation, which, combined with superior credit risk management, enabled us not only to maintain but also to expand our corporate client base in 2009.

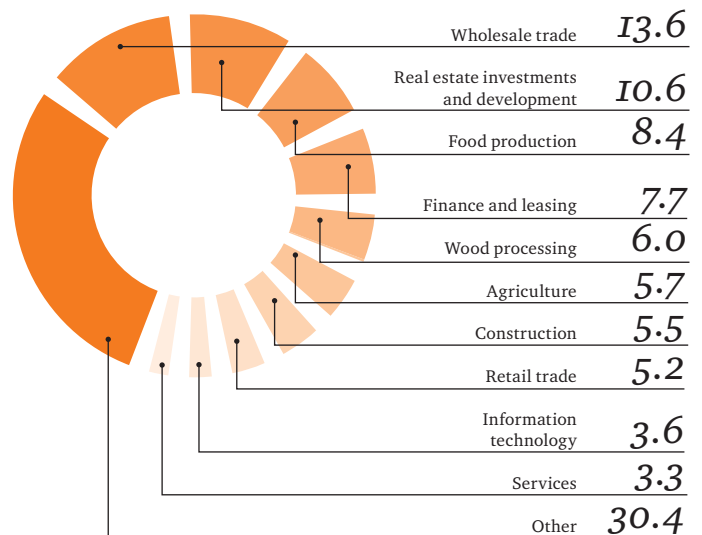
In 2009 volume of our standard corporate loan portfolio (excluding factoring and international financing) was RUB 183 billion.

In 2009, the share of FX loans was up 2%, to 58% of the total loan portfolio.

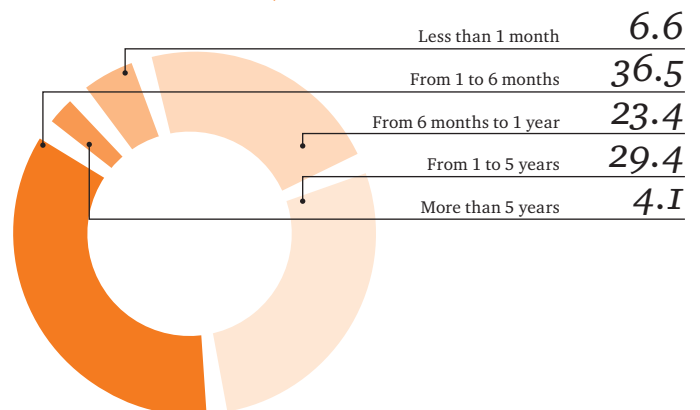
Loans with maturity of up to 1 year prevailed in our corporate loan portfolio (67% of the total), while loans with maturities from 1 to 5 years represented 29% of the corporate loan portfolio.

PSB wide branch network enables us to dynamically develop cooperation with corporate clients in the Russian regions. According to our geographical portfolio structure (except Moscow and Moscow Region), branches in the Siberian Federal District are leaders in corporate lending. In addition, PSB branches in the Central, South and North-Western Federal Regions also perform strongly in corporate lending. In December 2009, PSB was re-appointed as an authorized bank to Russia's Federal Customs Service. As of today, 47 PSB branches are authorized to issue bank guarantees for customs duty payments.

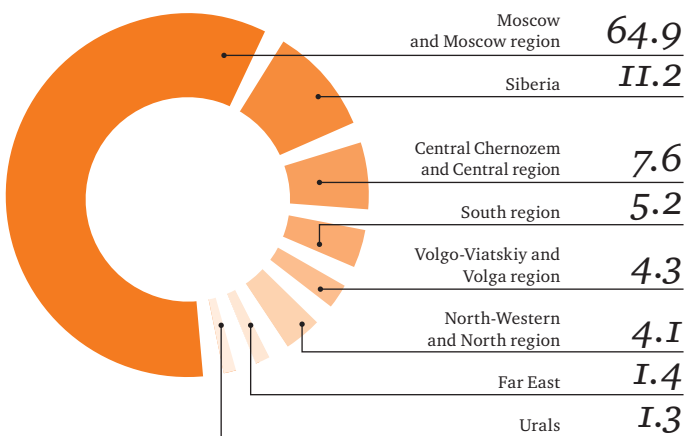
### INDUSTRY ANALYSIS OF CORPORATE LOAN PORTFOLIO AS ON 31 DECEMBER 2009, %



### MATURITY STRUCTURE OF CORPORATE LOAN PORTFOLIO (LESS IMPAIRMENT ALLOWANCE) AS ON 31 DECEMBER 2009, %



## GEOGRAPHICAL ANALYSIS OF CORPORATE LOAN PORTFOLIO AS ON 31 DECEMBER 2009, %



PSB range of domestic market bank guarantees also includes contract, loan repayment and tourist guarantees, as well as a number of special guarantees. The volume of domestic guarantees issued to corporate clients in 2009 was RUB 28.2 billion, up 23% from RUB 22.9 billion a year ago.

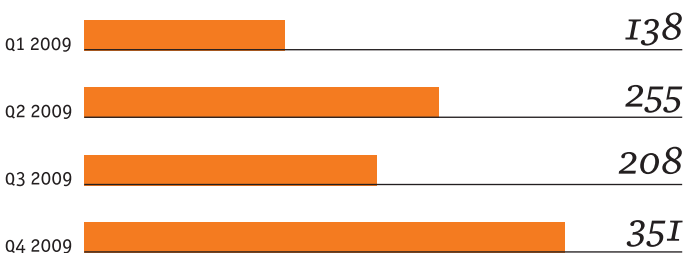
In 2009, PSB not only tackled the crisis but also built a platform for future operations, by developing its product offering in line with current needs of our corporate clients. Our clients will be able to benefit from our efforts in the area as early as in 2010, through the use of our new advanced products: a broader range of overdrafts and cash management products.

In 2010, we intend to pursue aggressive development of operations in the Russian regions. Alongside with offering a wide range of up-to-date advanced products, we will focus on our service quality, which drives corporate client loyalty and facilitates transition from price competition to product and service competition.

## INTERNATIONAL FINANCING

The volume of PSB international financing transactions in 2009 was approximately US\$ 1 billion, reflecting a significant year-on-year decrease due to a considerable decline in import and export operations amid global economic downturn. However, despite this decline and increased higher cost of international debt capital, international financing products remain attrac-

### TRADE FINANCE VOLUME DYNAMIC, US \$ MLN



tive, as they enable clients to purchase goods, equipment and machinery under international contracts, and pursue implementation of their investment programs on acceptable financial terms.

Even though transaction volumes remain low, 2009 dynamics reflect a gradual recovery in the international financing market.

Despite the crisis, PSB managed to retain its market share by number of issued letters of credit, as well as its leadership among trade financing banks. According to SWIFT, the number of letters of credit issued by PSB throughout the year remained at the average level of 10 – 11% of the total number of SWIFT-processed letters of credit issued by Russian financial institutions. This is particularly noteworthy, given a significant contraction of financial markets, a higher cost of capital and shorter available loan maturities.

Following current economic trends, jointly with EBRD, PSB has been implementing the first-of-a-kind sustainable energy financing program (facility) in Russia (RUSEFF). The facility is designed to finance projects boosting energy efficiency in Russia. As part of the program, PSB offers its clients loans of up to 5 years, for energy use optimization.

### INDUSTRY ANALYSIS

International financing instruments are multi-purpose in nature and may be used for industrial production or consumer goods deliveries, machinery or hi-tech equipment acquisition, and even for professional sports players transfer deals. The international financing client base is broad and includes major players in the retail and wholesale commerce, machine building, metals, chemistry and petro-chemistry, foods and other sectors. Retail and wholesale commerce have the biggest share of 79% in PSB international financing transaction portfolio.

Thanks to a wide international financing product offering (standard commercial letters of credit with financing, and guarantees, as well as innovative products, including rouble-denominated letters of credit with deferred financing, and trade loans), PSB clients enjoyed access to financing both for the purposes of settlements with foreign suppliers and for purchases from foreign manufacturers' subsidiaries or vendors in Russia.

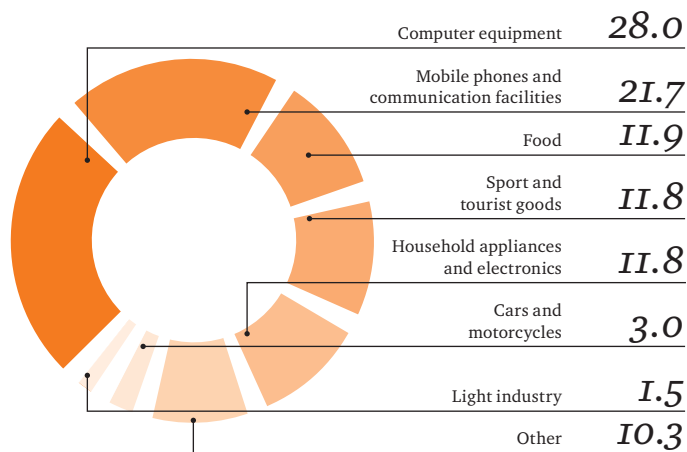
Long-term financing (mainly under guarantees of export credit agencies) enabled clients to acquire equipment and sophisticated machinery to upgrade their production and expand their businesses. PSB has a track record of cooperation with twenty export agencies and is accepted by most credit agencies in Europe, Asia and America.

### LONG-TERM PROJECT FINANCE

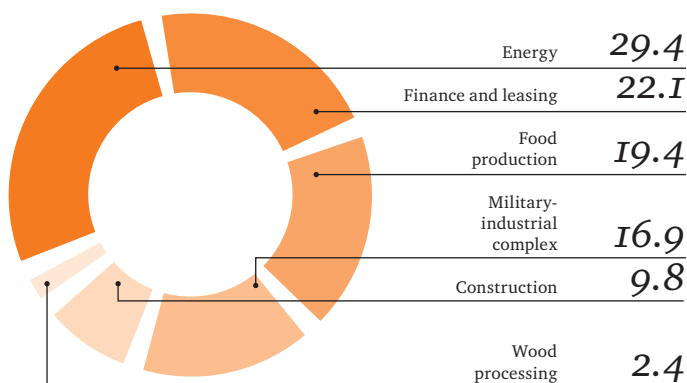
Despite challenging economic conditions, PSB continued to provide long-term project financing to its clients throughout 2009.

Both existing clients well familiar with financing transactions guaranteed

**INDUSTRY STRUCTURE OF TRADE FINANCE, %**



**INDUSTRY STRUCTURE OF LONG-TERM PROJECT FINANCE, %**



by export agencies, and new clients, used our long-term international financing services. Among others, new clients include AtomEnergMash and Liacon (a leasing company specialized in leasing of manufacturing, oil and gas, and construction equipment and machinery).

PSB cooperated with market leaders and, in some industries, with most of the industry major players, financing deliveries of mobile phones, household and office appliances, IT equipment, sports gear, base materials for chemical and food production, etc.

**FACTORING**

Despite the economic downturn, PSB maintained and further strengthened its leadership in the Russian factoring market throughout 2009. Our factoring turnover and disbursed financing volume for the year were RUB 122 billion and RUB 85 billion, respectively. PSB processed approximately 675,000 deliveries to 2,900 obligors. As on 31 December 2009, PSB factoring transaction portfolio totaled RUB 26.8 billion. According to Rating RA, PSB share of the Russian factoring market increased by 16% to 33.7%. PSB is now Bank #1 in Russia by volume of factoring transactions, international factoring, SME factoring and factoring services without financing.

Despite an unfavourable market conditions (according to 1H 2009 results, the Russian factoring market has shrunk 2 times year-on-year), PSB main-

**SELECTED DEALS – 2009**

 Financing of Fruit Deliveries <b>\$10 000 000</b>	 Financing of IT Equipment Deliveries <b>\$37 000 000</b>	 Financing of IT Equipment Deliveries <b>\$9 500 000</b>	 Financing of Mobile Phone Deliveries <b>\$45 000 000</b>	 Perfume goods financing <b>\$28 500 000</b>	 Financing of Mobile Phone Deliveries <b>\$34 000 000</b>
 Financing of Footstuffs Deliveries <b>\$65 000 000</b>	 Financing of Mobile Phone Deliveries <b>\$80 000 000</b>	 Financing of Sportwear Deliveries <b>\$72 000 000</b>	 Financing of IT Equipment Deliveries <b>\$42 000 000</b>	 Financing of Household and Office Appliance Deliveries <b>\$73 000 000</b>	 Paper and raw materials for stretch-cover production financing <b>\$19 000 000</b>
 Financing of IT Equipment Deliveries <b>\$52 000 000</b>	 Financing of Equipment Deliveries <b>€2 100 000</b>	 Financing of Equipment Deliveries <b>€2 700 000</b>	 Financing of Agricultural Machinery Purchase <b>\$5 100 000</b>	 Financing of Equipment Deliveries <b>€11 300 000</b>	 Financing of Equipment Deliveries <b>€5 500 000</b>



tained and expanded its client base, and achieved an increase in its business growth rate in 2H 2009. According to Q4 2009 results, the volume of factoring transactions was up 25% year-on-year, and 10% against the pre-crisis year 2007. In many Russian regions, PSB was the only bank offering factoring services with financing.

A key priority in the factoring segment development in 2009 was improvement of quality of our ceded claim portfolio. PSB actively developed factoring cooperation with food and staple goods suppliers and manufacturers selling their goods to retail networks on a deferred payment basis.

In 2009, the Russian factoring market was affected by liquidation of Russian exposure by foreign insurers. At the same time and despite the market contraction, PSB maintained its leadership by combined volume of import and export factoring in Russia, both under the two-factor FCA model and in direct transactions. The number of counterpart countries in international factoring operations increased from 16 to 29. According to Factors Chain International, PSB 2009 stakes in Russian import and export factoring markets reached 43% and 96%, respectively. PSB 2009 international factoring turnover was approximately EUR 55 million.

#### ECCLESIASTIC BREVET

##### Moscow {16th century}

###### Contents:

*I.M. Vorotynski's  
ecclesiastic brevet.*

In 2009, PSB operated under an evolving factoring legislation. In April 2009, a law abolishing licensing of factoring operations entered into force. This enabled PSB to launch operation of its earlier established dedicated factoring vehicle PromsvyazFactoring in Q3, which is expected to boost development of PSB factor-

ing business in the near future.

In a challenging economic environment, PSB Factoring was one of the few sources of working capital financing available to tens of thousands of Russian companies delivering their goods on a deferred payment basis. For its contribution to the Russian factoring market development, as well as its outstanding financial achievements, PSB received a Financial Elite of Russia Award in the category Factoring House of the Year.

In 2010, PSB will focus on improvement of its corporate procedures and client service quality, as well as on further promotion of its factoring services in Russia's regions.

# SMALL AND MEDIUM ENTERPRISES



BY THE END OF 2009, PSB RETURNED TO PRE-CRISIS LEVELS IN SME LENDING. IN DECEMBER, PSB SME LENDING PROGRAM REACHED AN ALL-TIME HIGH OF RUB 2.9 BILLION IN MONTH. ACCORDING TO EXPERT RA RESEARCH DATA, IN 2009 PSB RANKED 6TH AMONG RUSSIAN BANKS BY TOTAL VOLUME OF SME LOAN PORTFOLIO, AND 5TH BY VOLUME OF SME LOANS GRANTED DURING THE YEAR.

In 2009, PSB pursued lending under its SME lending program amid ongoing crisis. Despite higher levels of risk in the segment, PSB was one of the few privately owned banks, which did not suspend SME lending activity in H1, and met its 2009 lending volume targets.

PSB implemented a set of measures to prevent a bad debt buildup at the end of 2008 and beginning of 2009: we adopted a more conservative credit policy, introduced a transaction restructuring system, suspended high-risk product offering and limited branch authorities with regard to credit decision-making.

The implemented measures enabled us to build a portfolio of loans to the most stable borrowers, maintain losses at an acceptable level and pursue our growth strategy in 2009. According to Expert RA, PSB ranked 6th among Russia's banks in the SME lending market in 2009.

As of Q2, PSB began to soften its credit policy provisions for the most stable client groups (by industry, specific type of operations, or for returning clients) and regions the least affected by the crisis.

The key outcome of our SME lending policy was a year-on-year expansion of the SME loan portfolio, at an acceptable default rate (not more than 5% of loans issued since the beginning of 2009).

## SME LENDING: 2009 MILESTONES

### February

Increase in interest rates for unsecured SME loans, driven by a resumption of lending activity against the backdrop of a sharp contraction of supply in the debt capital market and an overall increase in credit risk levels, coupled with a higher cost of funding.

### April

Pilot launch of Siebel Collection, the bad debt management system.

### July

Completion of Volgoprombank integration in the area of lending technology and SME product offering; first interest rate reduction in 2009; further rate reductions in October and November.

### September

Launch of the 2nd stage of "Financing for the Young", the young entrepreneur competition; completion of Nizhny Novgorod Bank integration in the area of lending technology and SME product offering.

### October

Under the government-financed SME Support Program, PSB obtains the first loan for SME financing from the Russian Bank for Development.

### November

PSB receives Efficient Credit Technology Award from the Russian Bank for Development.

### December

PSB obtains the second loan from the Russian Bank for Development; completion of Yarsotsbank integration in the area of lending technology; PSB SME lending volume reaches a historic height: RUB 2.9 billion in just one month.

In 2009, PSB entered into cooperation agreements with 13 regional SME lending development funds and agencies, bringing the total number of such agreements to 16. Under the agreements, funds issue SME loan guarantees to PSB. In 2009, PSB extended 242 such guaranteed loans for the total amount of RUB 1.4 billion. Negotiations with 7 other SME lending development funds are underway.

## PRODUCT OFFERING

In 2009, PSB offered its clients all available SME products, except high credit risk products (PSB-Turnover, Franchising).

In Q1, PSB anti-crisis credit policy limited the product offering: unsecured lending was suspended at more than half of PSB branches, while security requirements and lending limits (linked to the borrower's sales) were tightened, and limits for working capital-financing loan maturities were maintained.

As of Q2, PSB began to partially lift limitations in the SME segment, making loans more accessible amid a relative recovery. During the same period, interest rates on key credit products began their gradual descent.

Q3 and Q4 saw a seasonal rise of demand for debt capital, which PSB capitalized on by offering a number of new

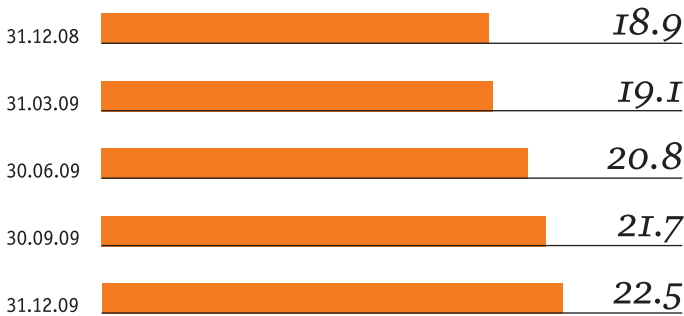
products spurring client activity. Using the funding made available by the Russian Bank for Development, we launched a soft SME lending program. In addition, we offered lower rates to clients bringing their partners to the Bank, introduced the SME Card, a new product for our existing clients, and extended our overdraft product offering as of the beginning of December.

#### VOLUME AND PRICE DYNAMICS

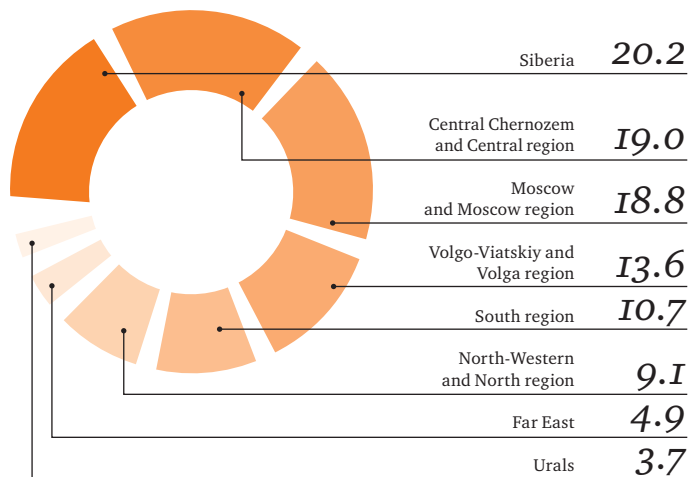
In 2009, SME lending volume was up 3.4%, to RUB 20,779 million; PSB concluded 7,557 agreements, which reflects a 9.9% year-on-year growth.

As at the end of 2009, the loan portfolio was up 19% year-on-year, to 22.5 billion.

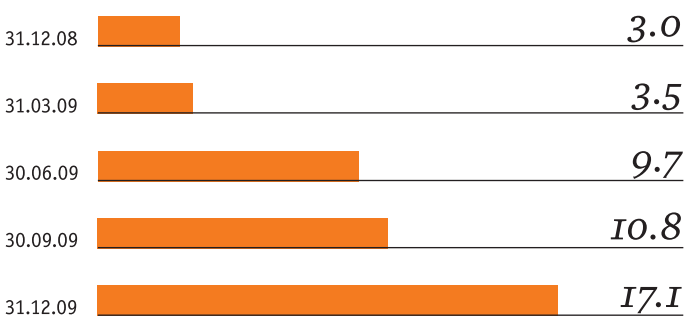
#### SME LOAN PORTFOLIO DYNAMICS, RUB BN



#### GEOGRAPHICAL ANALYSIS OF SME LOAN PORTFOLIO AS ON 31 DECEMBER 2009, %



#### SME DEPOSITS DYNAMICS, RUB BN



The number of SME borrowers rose 60% in 2009, to 10,447.

The average loan amount was RUB 2.85 million (a 0.65 million decrease year-on-year), with the average maturity of 2.2 years.

#### PORTFOLIO REGIONAL STRUCTURE

The share of regional branches in PSB 2009 portfolio was 81%, against 80% in 2008. The portfolio regional structure remained stable.

#### PORTFOLIO MATURITY PROFILE

Loans with maturities from 1 to 5 years has a 29% share in our SME loan portfolio. Loans with maturities of less than 1 year comprise 71%. H1 2009 saw an increase in demand for overdraft loans, with the share of overdraft agreements reaching 23% of the total monthly SME lending volume (overdrafts represent 6% of the total loan portfolio).

#### LIABILITIES

Deposit product offering remained essentially unchanged in 2009.

Funding rates followed general market trends: growing until Q3 and decreasing as of September.

As at the end of 2009, the volume of funding raised from SME clients was RUB 17.1 billion, up from RUB 3 billion a year before. The share of term and nominally term funding in 2009 was 26%.

In Q2 2009, SME client base segmentation and inflow of other banks' clients drove an increase in the share of funding raised from SMEs in PSB total liabilities. In Q3 and Q4, the volume of liabilities continued to rise, driven by an ongoing client inflow. The total increase in SME funding in H2 2009 was 53%.

#### 2010 PLANS

In 2010, PSB will continue to expand its client base and increase SME lending volumes. To accomplish its strategic lending objectives, we intend to extend our working capital financing product offering, launch loyalty programs for regular clients, maintain interest rates at levels acceptable to clients, step up cooperation with SME lending facilitation funds and other specialized agencies.

In addition to SME lending, PSB considers entering the micro-lending market through development of a specialized product offering and customer service model in the segment.

Loan portfolio quality is a key 2010 priority. To improve quality, we intend to adopt new SME lending guidelines reflecting current risks associated with the segment, as well as its projected post-crisis development.

In addition to portfolio expansion and quality, PSB targets an improved client service. To this end, we intend to ensure a better efficiency of our employees servicing SME clients at all stages of the operating process.

# RETAIL BUSINESS

IN 2009, PSB RETAIL FUNDING VOLUMES INCREASED SIGNIFICANTLY, OUTPACING THE RUSSIAN BANKING SYSTEM AVERAGE RETAIL FUNDING GROWTH RATE. PSB MAINTAINED LENDING TO RETAIL CLIENTS BUT LIMITED ITS NEW LENDING ACTIVITY. WE FOCUSED ON DEVELOPMENT OF COMMISSION-BASED SETTLEMENT PRODUCTS, PRICING POLICY OPTIMIZATION AND CROSS SALES.

Sourcing of funding from retail customers was a PSB priority in the segment throughout 2009. We achieved a significant increase in retail funding, with funding inflow growth rate considerably above the Russian banking system average. To a high degree, our extended deposit offering drove the growth. Our deposit products were mainly competitive not due to high interest rates but essentially due to features other than pricing: forex conversion, interest accrual on card balances, bonus points, etc. Having successfully refocused from lending onto funding, PSB distribution network demonstrated an ability to rapidly adapt to the changing environment and address new challenges.

PSB pursued lending to retail clients, even though new lending volumes remained extremely limited, which resulted in a significant retail loan portfolio contraction in 2009. Specifically, PSB suspended a number of retail lending programs, limiting the lending activity to general-purpose consumer loans and overdraft plastic cards to participants in payroll and loyalty programs. The volume of overdue debt increased despite considerably tighter lending criteria and amid a contracting retail loan portfolio. To curtail the overdue debt growth, PSB developed debt restructuring programs and significantly revamped its debt collection process. We launched development of an automated debt processing system, implementation of an automated accounting system, etc.

As part of our strategy aimed at increasing our commission income, the most stable component of the revenue base, PSB focused on development of commission-based settlement products, pricing optimization and cross sales.

To improve client service quality and efficiency, PSB actively promoted its online banking tool PSB-Retail and developed partner programs.

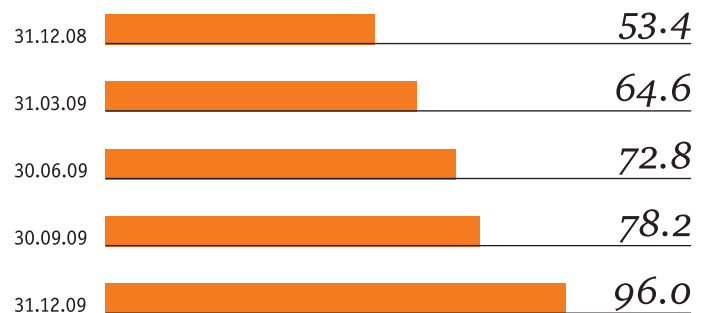
An important event in the reporting year was consolidation of our retail and SME operations into one business, resulting into an optimized retail product structure and stronger cross sales to SME clients.

## DEPOSITS

Alongside with retail funding, in 2009 we focused on maintenance of optimal interest rates.

Amid evolving market environment and client needs, PSB has been consistently updating its deposit offering. Specifically,

### RETAIL CURRENT ACCOUNTS AND TERM DEPOSITS, RUB BN



we reviewed our product offering in October 2009, bringing it in line with client investment needs at various stages of life.

In 2009, we organized a number of successful marketing campaigns, including «Christmas Mood», «Summertime», «Arguments & Facts Weekly is FOR!», «Bring Your Friend», and «Christmas Bonuses! Deposits Bestow Warmth».

Retail term deposits were up 89% in 2009, which is 3 times more than the market average (27%, according to the CBR statistics). As at the end of the year, the volume of retail accounts totaled RUB 96 billion, with the number of retail clients exceeding 150 thousand. According to the year-end RBC Rating data, PSB (excluding subsidiary banks) ranked 8th in Russia in terms of retail deposits.

A significant share of funding was generated by the core deposit offering comprising 4 types of term deposits: «My Benefit», «My Savings», «My Multi-choice» and «My Pension». In addition, clients showed strong interest in seasonal offers with attractive interest rates and gifts: «Christmas Mood», «Summertime» and «Christmas Bonuses! Deposits Bestow Warmth».

To reduce time of client service and further develop deposit service technologies and channels, in October 2009 PSB launched an offer-based deposit agreement scheme, whereby at account opening, the client only signs an application for joining the general bank deposit rules, while the Bank issues to client a deposit confirmation upon completion of the account opening procedure. The Rules, available at PSB offices and on the Bank's website, contain a detailed overview of deposit procedures. The

new document turnover system reduced time of client service and simplified data search in agreement documentation.

A flexible and logically segmented product offering meeting sophisticated client requirements, rapid PSB reaction to the changing market environment and optimization of business processes enable us to:

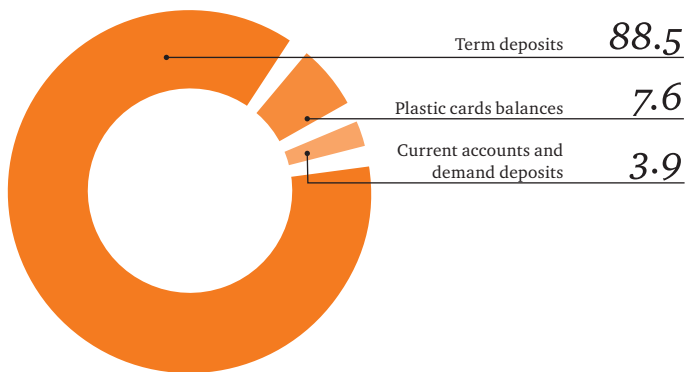
- ◆ Build a sustainable client base
- ◆ Strengthen our position as one of the most dynamic players in the deposit market.

In 2010, we intend to further develop our deposit product offering and improve client service quality.

## PLASTIC CARDS

In 2009, plastic cards issuance was up 20% to more than 764 thousand cards (active cards with at least two transactions per month). Plastic card balances were RUB 8.4 billion, reflecting a 94% increase year-on-year. As on 31 December 2009, the total number of operated ATMs increased by 198 to 1,227. The number of POS-terminals and imprinters in the Group banks' acquiring network increased by 1,375 to 6,181.

### RETAIL FUNDING STRUCTURE AS ON 31 DECEMBER 2009, %

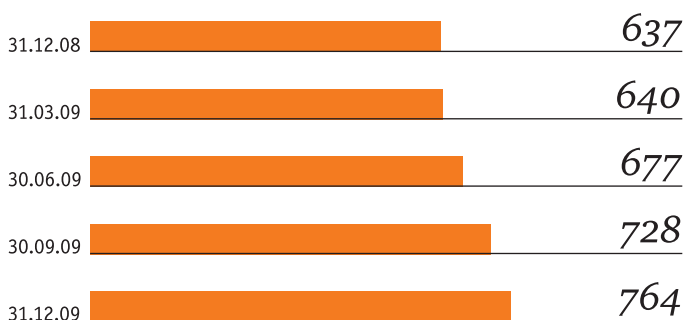


In the plastic card business, in 2009 PSB continued to develop payroll projects, optimized current portfolio yield, actively developed partner programs, and introduced Yield Card, which combines advantages of a plastic card and a deposit.

In 2009, PSB implemented 3,618 payroll projects. In total, PSB now provides the service to more than 7,446 Russian companies. Payroll card issuance was up 18.7% to 544 thousand plastic cards.

In November - December 2009, PSB optimized its plastic card pricing. Key changes included suppression of commission for own cash withdrawals, reviewed service costs (higher annual service charges for Standard/Classic cards and lower - for

### NUMBER OF ACTIVE PLASTIC CARDS, ITEMS THOUSAND



Gold cards), and higher interest rates for cards with an overdraft limit.

Since Q3 2009, PSB launched broad-scale sales of debit cards to existing, new and payroll project clients, as part of joint projects with "Transaero Airlines" and "Lifeline", the severely ill children assistance fund.

A number of joint marketing events were organized to promote the co-branded "PSB-Transaero" card: theme article and advertisement placements, publicity in PSB and Transaero Airlines publications, PSB advertisements in Transaero Airlines offices and aircrafts. Since 23 November 2009, "PSB-Transaero" cards are also issued under payroll projects. The number of "PSB-Transaero" cards issued in 2009 was 2,780.

In addition, PSB was the first bank to issue an affinity card jointly with "Lifeline", the severely ill children assistance fund. The project was launched on 1 December 2009. "PSB-Lifeline" card enables its holders to participate in saving children lives, without any additional financial efforts. PSB transfers monthly donations to the Fund, calculated based on the amounts spent by cardholders using the card. The

donations are used for surgery charge payments and acquisition of medical appliances enhancing treatment efficiency.

In June 2009, PSB launched broad-scale sales of the debit "Yield Card", with accrual of interest on card account balances (subject to an obligatory balance limit). 66 thousand Yield Cards were issued throughout the year. PSB Yield Card received 2009 RETAIL FINANCE Award in the category Best Retail Finance Product.

In 2010, PSB intends to increase issuance of plastic cards, in particular, cards with overdraft limit, as well as develop new product offering, and further increase its portfolio yield, including through cross sales.

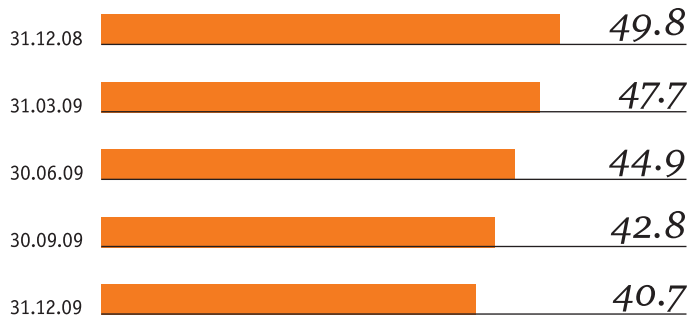
## RETAIL LENDING

Due to the crisis, at the end of 2008 PSB suspended automobile, mortgage and consumer lending programs, except consumer loans to clients with a positive credit history at PSB. As a result, retail loan portfolio contracted, driven by repayments (average monthly portfolio contraction was RUB 0.6 billion).

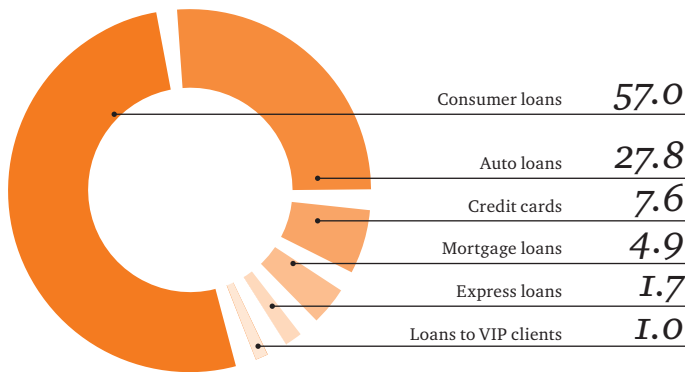
Consumer loans dominate our retail loan portfolio. As opposed to terminal-issued express loans, PSB consumer loans are issued at PSB offices, based on client credit quality verification, which lasts several days.

To minimize credit risk and potential losses amid crisis, in 2009 PSB focused on its retail loan portfolio quality and preparation for a resumption of broad-scale retail lending, this time on a new qualitative level. We have reviewed internal retail risk management procedures, implemented a set of measures to automate and standardize our loan application and follow-up processes. Our key priority was minimization of overdue debt growth in the existing portfolio. In H1 2009, PSB developed and implemented debt restructuring programs

### RETAIL LOAN PORTFOLIO, RUB BN



### STRUCTURE OF RETAIL LOAN PORTFOLIO AS ON 31 DECEMBER 2009, %



envisioning a review of repayment schedules, with the view of credit burden minimization for clients facing temporary financial difficulties amid the economic crisis. Restructuring included maturity extensions, loan repayment grace periods, payment or partial payment deferrals, etc. In addition, we significantly enhanced our overdue debt collection process.

On the back of financial market recovery trends, which occurred in the middle of 2009, PSB launched preparation for a review of retail lending procedures, which were in place in the beginning of 2009. Since Q4, we launched a new lending pro-

gram for clients with a positive credit history at PSB (suppression of guarantee requirement and re-introduction of longer maturities and bigger loan amounts).

In 2010, PSB intends to develop new consumer lending programs for both existing and new clients. In addition, we intend to upgrade our «loan factory» (a business process with standard automated operations used in mass lending), improve return on our existing portfolio and develop new products.

### COMMISSION-BASED PRODUCTS

In 2009, PSB paid particular attention to growth of commission income from existing products and development of new commission-based products.

We organized sales of the Energy Sector Non-state Pension Fund obligatory pension insurance services across the entire PSB network (at the beginning of 2009, PromRegionSvyaz Fund handled obligatory pension insurance agreements; however, the Fund merged with Energy Sector Non-state Pension Fund in August 2009). As at the end of the year, our network delivered more than 30,000 obligatory pension insurance agreements.

PSB network also achieved strong results in payment handling. In addition to entering into new service agreements with institutional recipients of household payments, PSB implemented an agreement efficiency improvement program.

To boost sales and increase client loyalty, PSB launched the Western Union Gold Card project, as well as a safe deposit box promotion campaign.

In 2009, PSB launched development of bank insurance, a new business area (insurance services at our offices), which is expected to increase the share of commission-based products in the total PSB operating income.

# PRIVATE BANKING



BY OFFERING OUR VIP CLIENTS BESPOKE SERVICE PROGRAMS BASED ON THE COMBINATION OF BEST PRIVATE BANKING PRACTICES, PROFESSIONALISM AND RELIABILITY, WE MANAGED TO RAISE CONSIDERABLE VOLUMES OF PRIVATE CAPITAL AND BUILD A HIGH-QUALITY BESPOKE LOAN PORTFOLIO.

PSB balanced approach to private banking throughout the 2009 crisis further boosted the level of trust in the Bank among the existing VIP clients, and drove new client inflow.

PSB offers its VIP clients custom-tailored service programs based on a combination of the best private banking practice, PSB Private Banking team professionalism and reliability of one of the leading privately owned banks in Russia. The underlying principle of PSB Private Banking operations is capital preservation and growth through a flexible management policy, financial instrument diversification, individual investment plans, and prompt accomplishment of established objectives. We are focused on development of long-term relationships based on a high level of trust and confidentiality.

In 2009, PSB succeeded in attracting private capital and building a quality portfolio of customized loans. PSB Management Board adopted a decision on the strategic importance of Private Banking.

In 2009, we launched projects aimed at expansion of our Private Banking operations in the Russian regions and opening of VIP offices in Moscow and Saint Petersburg. This will enable us to pursue a new private banking strategy across our network. The new model is based on VIP service programs including standard banking and investment services, exclusive investment instruments, customized credit solutions, accumulative insurance and joint loyalty programs with high-end service providers. The model is expected to boost our service quality, product offering and commission income.

## ASSETS MANAGEMENT. INSTRUMENTS

### SERVICES

In accordance with the world's best private banking practice, PSB offers its clients the highest degree of service convenience: dedicated VIP offices, promptness of order execution, individual approach to established targets, personal client relations managers and online account management systems.

We offer our VIP clients premium debit cards and credit cards, as well as VISA Infinite and VISA Platinum, with individual limits. Accepted globally, premium cards ensure easy shopping experience anywhere in the world, underline the holder's special status and provide access to a number of additional exclusive services and benefits.

### DEPOSITS

Given the evolution of client needs and market structure in 2009, PSB developed a special range of term deposits allowing to diversify investments taking into account foreign exchange risks, on attractive terms. We offer our Private Banking clients an alternative investment instrument – "Premium Reserve", a multi-currency term deposit denominated in three different currencies (Swiss Frank, Pound Sterling and Japanese Yen). In addition, we offer our wealthy clients a range of deposits allowing for FX conversions within the deposit, withdrawal and pay-in operations, as well as early termination provisions. We offer individual deposit solutions both in Russia and our Cyprus-based branch.

### INVESTMENT SERVICES

As part of our private banking, we offer a wide range of financial market services, including brokerage, trust management based on a wide range of individual strategies, and analytical support. PSB professionals assist clients in building individual investment portfolios. Key principles of a personalized investment strategy include focus on risk management and risk/return level optimal for the client.

### ADVISORY SERVICES

Upon client request, PSB sources advisory services in the areas of tax optimization, capital structuring and planning, investments in real estate and art, inheritance and insurance, from world's leading insurance and consulting companies.

### NON-FINANCIAL SERVICES

In 2009, PSB developed a Lifestyle Service strategy. As part of VIP service programs, we intend to offer our clients private concierge services, various loyalty programs, trips, etc.

## PLANS FOR 2010

In Private Banking, we have set a number of objectives, with the main focus on implementation of a competitive strategy based on a comprehensive approach to private banking.

In 2010, we intend to update our term deposit offering, develop new investment instruments and new individual loan programs, extend the range of non-banking, advisory and non-financial products and services, and launch Visa Infinite card with an exclusive design. Private Banking will aim to expand its client base, increase assets under management and commission income, as well as the number of VIP offices in PSB network.

# INTERBANK COOPERATION AND FINANCIAL MARKETS

**DURING THE CRISIS YEAR 2009, FINANCIAL INSTITUTIONS REMAINED TO BE OUR RELIABLE CLIENTS. MONITORING OF COUNTERPARTY FINANCIAL SITUATION ENABLED US TO BEGIN RESTORATION OF CREDIT LIMITS FOR THE MOST RELIABLE INSTITUTIONS AS OF Q2. PSB MAINTAINED ITS STRONG PRESENCE IN THE FOREIGN EXCHANGE AND MONEY MARKETS. IN INTERNATIONAL CAPITAL MARKETS, PSB REPAID TWO SYNDICATED LOANS BEFORE TERM AND WAS THE FIRST BANK OUT OF RUSSIA TO HAVE SUCCESSFULLY PLACED ITS SUBORDINATED EUROBOND SINCE THE BEGINNING OF THE CRISIS.**

In the area of cooperation with financial institutions, PSB in 2009 adjusted its business to the financial crisis. At a time of financial market volatility, we reviewed our counterparty risk assessment policy, which allowed us to avoid losses in the interbank market. Understanding the need for support of the national banking system amid the financial crisis, PSB joined the CBR Interbank Market Support Program, having entered into a partial transaction loss compensation agreement with CBR.

Despite the overall negative trend in the financial markets, PSB pursued development of its business with other financial institutions in the areas of settlement services and trade financing. According to the Financial Institutions and Interbank Relations Annual Poll conducted by Moscow International Currency Association (MICA), Lyudmila Selezneva, Head of PSB Financial Institution Cooperation, was for the second consecutive year recognized as a TOP 10 expert nationally.

## SETTLEMENT SERVICES

In 2009, PSB continued to act as a settlement agent under its agreement with Customs Payment System LLC. More than 30 Moscow-based and regional banks chose PSB as their settlement agent and opened correspondent accounts with us.

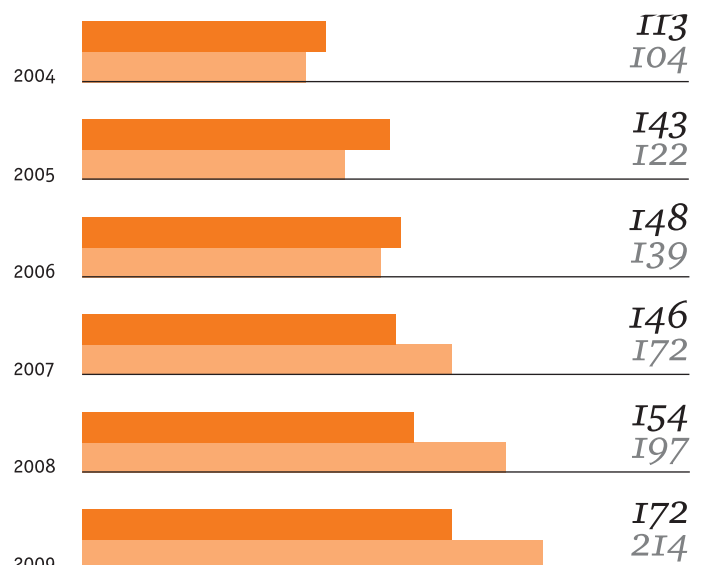
We sourced 55 new clients - respondent banks from Russia, CIS, the Baltic States and other countries, and opened 144 correspondent accounts in RUB and foreign currency. In 2009, we continued to expand our foreign client base. According to the year-end results, PSB correspondent network comprised 386 respondent banks with 916 vostro accounts in RUB and foreign currency.

Despite a significant decline in respondent bank activity in the beginning of 2009, the trend reversed in H2 2009, with a number of indicators returning essentially to pre-crisis levels.

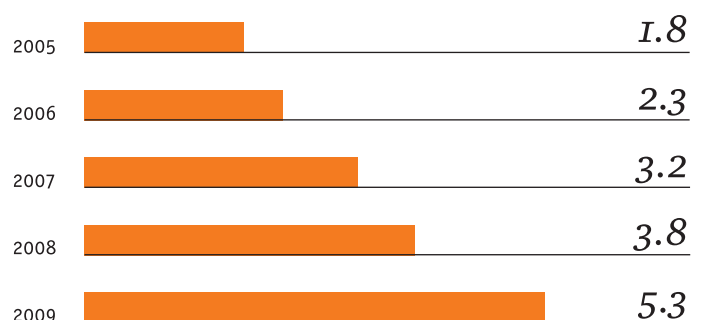
Our long history of settlement operations and high quality of client service attract banks, which open rouble-denominated vostro accounts at PSB. At a time of financial volatility, settlement reliability and promptness are of prime importance, which is why PSB in 2009 focused on its network optimization, with the view of improving efficiency of existing correspondent accounts, decreasing transaction costs and expanding its product and service offering. Our clients enjoy a number of competitive advantages of our rouble-denominated settlement accounts. PSB has been consistently

### NUMBER OF RESPONDENT BANKS

■ Residents  
■ Non-Residents



### VOSTRO ACCOUNTS AVERAGE MONTHLY BALANCES, RUB BN



positioning itself as a major clearing bank in rouble-denominated settlements, which is supported not only by the quality of our services, but also by our solid technology base, sound management and efficient strategy.

## INTERNATIONAL NOSTRO ACCOUNTS NETWORK

To ensure clients' bank transfers in foreign currency, PSB has been maintaining and expanding a correspondent nostro accounts network. As on 31 December 2009, the network comprised approximately 50 accounts in key currencies with the world's leading banks. Correspondent banks recognized PSB settlement service quality on numerous occasions. In 2009, PSB received Deutsche Bank 2008 USD STP Excellence Award for the fifth time. In summer 2009, PSB received JPMorgan Chase Bank (New York) 2008 Elite Quality Recognition Award, for excellence in automatic settlement processing. Only banks with automatic settlement processing level of above 99% are eligible for Elite Quality Recognition Award.

## TRADE FINANCING AND GUARANTEES

Due to uncertainty in the financial markets, a key driver behind the risk management policy at the end of 2008 and in the beginning of 2009, PSB considerably reduced its credit institution exposure limits during the period. Therefore, transaction volume decreased considerably in 1H 2009. However, ongoing monitoring of counterparty financial positions allowed us to identify the most reliable financial institutions. The limits began to recover in Q2, which drove a consistent growth of transaction volume (approximately RUB 8.5 billion for the entire 2009).

Strong results amid financial volatility were driven by the impeccable reputation of PSB as a reliable business partner. Our up-to-date IT infrastructure and flexible financial institution business support model ensuring seamless interaction between partner banks and our business units, also played an important role.

## COOPERATION WITH INTERNATIONAL FINANCIAL INSTITUTIONS IN THE AREA OF CLIENT TRADE FINANCE TRANSACTIONS

Our cooperation with more than 100 international financial institutions creates additional opportunities both for the expansion of PSB resource base and financing of its client operations through unsecured credit facilities and bilateral agreements. The total volume of open credit facilities in 2009 was US\$ 1 billion. Trade transactions totaled US\$ 952 million, reflecting a more than 3x decline year-on-year.

We pay particular attention to cooperation with international financial institutions. EBRD remains an important partner. Cooperation with EBRD is particularly relevant amid a persisting financial

market volatility, as EBRD supports development across a number of areas, including international trade financing, SME lending and factoring, etc. In July 2009, PSB entered into a 5-year US\$ 60 million loan agreement with EBRD under the EBRD Energy Efficiency and Hydrocarbon Financing Promotion Program. Another important PSB partner is KfW, the German development bank. In April 2009, within the framework of the Agreement on Russia-Germany SME Financing Initiative between VEB and Kreditanstalt für Wiederaufbau (KfW Bankengruppe), PSB signed a credit agreement with KfW. In July 2009, VEB extended a US\$ 32.8 million guarantee to PSB under the agreement. In December 2009, PSB received a 5-year US\$ 30 million loan from KfW. Loan proceeds were allocated to SME lending.

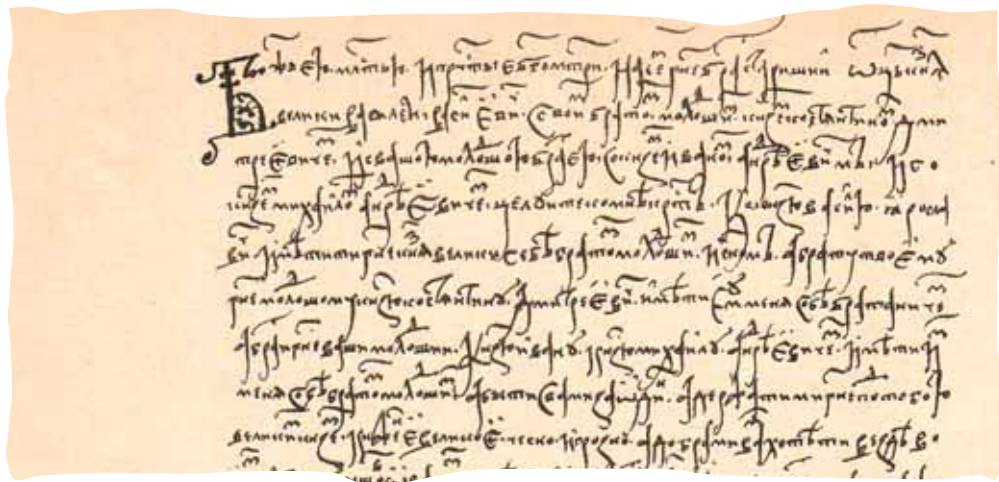
## PSB IN THE CAPITAL MARKETS

Syndicated loan and Eurobond market remained shut for privately owned banks out of Russia during the most of 2009. PSB did not raise any syndicated loan in the reporting year. Moreover, sufficient levels of current liquidity enabled PSB to repay before term two 1-year syndicated loans in the total amount of US\$ 445 million, received in 2008 to finance clients' international trade operations. To improve operating efficiency, PSB repaid the loans without recourse to external financing.

Nevertheless, PSB took advantage of a window of opportunity in the international capital markets in November 2009, by successfully offering a 5.5-year US\$ 200 million subordinated bond. Proceeds were booked as PSB additional capital. More than 60 investors out of the UK, Switzerland, Latvia, Brazil, Philippines, Chile and Russia participated in the transaction, delivering a high degree of investor base diversification. The issue was 30% oversubscribed, which supported strong secondary market liquidity. The transaction was highly significant both for PSB and the broader market, as we became the first private bank out of Russia, CIS and Eastern Europe to have successfully raised long-term Eurobond financing since the beginning of the crisis. Citigroup Global Markets Limited, HSBC Bank Plc and PSB co-led the issue, which was a part of the MTN program registered in 2007.

## FOREIGN CURRENCY AND MONEY MARKET OPERATIONS

Foreign currency operations in the exchange and domestic interbank markets tapered off in 2009, against the backdrop of overall liquidity reduction amid the global financial crisis, which sparked off FX markets volatility. Despite challenging economic conditions, PSB FX and Money Markets Division managed to maintain revenue from FX operations at 2008 levels, and was indeed one of the most successful PSB divisions throughout the year. According to results of the annual Dealer of the Year review by Moscow International Currency Association (MICA), PSB became a TOP 10 bank in the category 2009 Best FX Dealing.



PSB Dealing maintains strong activity in the interbank loan market, as reflected by the MICA award. PSB ranked 4th in the category 2009 Best Interbank Loan Dealing, while Evgeni Voroshnin, Head of PSB Deposit Operations, was recognized as a TOP 3 interbank loan dealer.

Banknote transactions in the interbank market have been a consistently successful area of PSB operations. In 2009, PSB became a leader in FX cash export out of Russia. According to the CBR statistics, PSB market share in the segment was 20%.

An important development area is quality FX and interest rate derivative services, where in 2010 PSB intends to expand its product offering.

#### LETTER OF AGREEMENT

**Moscow**  
**{1433}**

##### **Contents:**

*Letter of agreement between Vasily Yaroslavovich, Prince of Borovsk, Vasily Vasilievich, the Grand Prince, and the Princes of Mozhaïsk.*

# INVESTMENT BANKING

IN 2009, PSB SIGNIFICANTLY INCREASED THE VOLUME OF ITS TRADING OPERATIONS AND IMPROVED QUALITY OF SERVICES RELATED TO BOTH PROPRIETARY AND CLIENT TRADING PORTFOLIOS. WE RE-ESTABLISHED OUR POSITION AS A LEADING REPO MARKET OPERATOR IN THE GOVERNMENT SECURITIES SEGMENT. AN IMPROVED SECURITIES MARKET ENVIRONMENT COUPLED WITH THE SECURITIES PORTFOLIO GROWTH STRATEGY DROVE PSB CO-UNDERWRITER ACTIVITY.

Investment banking development is an important driver of PSB long-term stability, credit quality and valuation. Financial market operations enable us to diversify and improve our assets and liabilities, extend funding maturity profile and significantly increase revenues, including commission income.

## SECURITIES MARKETS

PSB is present on all main trading floors (MICEX, RTS and the OTC market) and trades in a broad range of instruments: corporate bonds, sub-federal and municipal bonds, exchange-traded debentures, Eurobonds, equities, FX credit notes and promissory notes.

PSB considerably increased the volume of its trading operations in 2009, with the total volume of securities portfolio of RUB 49 billion.

At the same time, we pursued a moderately conservative risk management policy enabling us to expand our portfolio without jeopardizing the Bank long-term stability. Traditionally, our portfolio mainly comprises state securities, regional and municipal bonds and blue-chip stocks. Most of such securities are included in the CBR Lombard List. Therefore, all bonds in our portfolio are highly liquid, which enables us to pursue a higher securities turnover strategy and, consequently, increase portfolio profitability.

Thanks to dynamic development of its operations in the secondary market, PSB became a leader in the Russian debt market. We act as market maker and support the secondary market, including through REPO operations, for a wide range of Russian issues.

In 2009, PSB significantly strengthened its team of traders and sales professionals, which drove quality of services related to both our own portfolio and client operations, as well as increased the overall business efficiency. In 2009, PSB total bond and Eurobond turnover exceeded RUB 400 billion, while the total number of client and counterparty market transactions was over 14,000.

In 2009, we have significantly expanded our partner network: we now have more than 250 effective counterparties in rouble bond trading, and more than 100 effective foreign and over 150 effective Russian counterparties in Eurobond trading. We are one of the three banks in Russia operating in Bloomberg TOMS, the global trading system. In addition, PSB actively co-

operates with all major Russian and international market makers and brokers. According to a poll conducted among London-based brokers, we are one of TOP 3 active Russian participants in the bond market, with the best quotes compliant with the MiFID requirements.

High quality of service in our operations with counterparties ensures convenience of settlements: PSB cooperates with Clearstream, Euroclear, National Depository Center (NDC), Depository and Clearing Company (DCC), has its own depository and offers operations through its Cyprus-based branch.

In 2009, PSB re-established its reputation as a leading operator in the government securities segment of the REPO market: according to MICEX data, we remained a Top 3 by trading volume throughout the year. In addition, we were consistently a Top 10 bond market player and a Top 15 bond REPO market player at MICEX.

An improving Russian securities market environment, especially in H2 2009, coupled with our securities portfolio growth strategy, drove PSB co-underwriting activity. PSB participated in underwriting of 50 debt issues for the total amount of RUB 11.4 billion (based on actual volumes, including deals without underwriting status), which reflects more than a 2x increase year-on-year.

Bullish trends, recovering trading volumes and easing volatility in the Russian securities market in 2009 drove resumption of PSB activity in the market. However, the total investment did not exceed 1% of the securities portfolio, which mainly comprised highly liquid blue chip stocks, while investment strategy targeted dynamic management and high turnover.

Promissory note market operations have traditionally been important to PSB. Throughout the 2008-2009 crisis, revenues from promissory note transactions proved to be the most sustainable component of the total securities portfolio revenue base.

We maintain our leadership as a promissory note market operator and market maker, and have been trading in almost all reliable and liquid promissory notes. In addition, PSB own promissory notes remain to be a popular investment instrument in the market.

Promissory note operations allow expanding the circle of our securities market partners, counterparties and investors, which drives cross sales and our reputation of a leading operator in the broader securities market.

## PSB ROUBLE-DENOMINATED BONDS

In 2009, PSB did not issue new rouble-denominated bonds, due to unfavourable market conditions in H1 2009 and excess liquidity amid a weaker lending market in H2 2009.

Two previous PSB bond issues of Series 5 and 6, for the total amount of RUB 9.5 billion, remained outstanding in 2009. During the year, we fully met our buyback obligations with regard to Series 5 (26 June 2009) and Series 6 (24 July 2009 and 23 December 2009) bonds, as provided for in the offering documentation.

Given strong demand for PSB bonds due to issuer high credit quality, their consistently strong liquidity and inclusion in the CBR Lombard List and MICEX A1 Quotation List, most of the bought-back bonds were promptly resold, with a strong subsequent price performance. Importantly, by the year-end, yields on PSB bonds were below those of similarly rated banks, which reflects a strong investor demand for our securities and creates potential pricing and maturity upside for PSB in the Russian debt capital market.

PSB strategy envisions an increase in the share of rouble bonds in the total funding volume, as a means of further diversification of liability base, growth of rouble-denominated liabilities and extension of debt maturity profile.

## DEBT CAPITAL MARKET OPERATIONS

The primary offering market for Tier 3 issuer bonds remained shut almost during the entire 2009. However, PSB succeeded in arranging three public bond offerings with the total face value of RUB 6 billion.

On 27 October 2009, PSB successfully offered RUB 3 billion bonds of Transaero Airlines. The book was 15% oversubscribed and the annual coupon rate brought down to 16.95%. The offering was indeed the first successful Tier 3 issuer offering in the public market since the beginning of the crisis.

On 23 December 2009, PSB successfully placed Series 1 RUB 2 billion bonds of LenSpetsSMU, having achieved the coupon rate reduction from 18% to 16%. The offering was the first post-crisis offering by a construction company.

On 25 December 2009, PSB placed Series 2 16% RUB 1 billion bonds of AiF-MediaPress-Finance.

Public liability restructuring services became an important product to clients amid crisis. In particular, in December 2009, PSB successfully completed restructuring of Series 2 RUB 550 million bond of Nizhne-Lenskoye. In June 2009, we successfully arranged a public buy-back offer for a RUB 1 billion issue of Polyplast.

In 2010, PSB intends to solidify its position as a debt financing arranger on the back of the market re-

 <b>X5 Finance</b> RUB Bonds Series 4 RUB 8 000 000 000 Underwriter June 2009	 <b>VTB Leasing</b> RUB Bonds Series 3 RUB 5 000 000 000 Underwriter June 2009	 <b>Wimm-Bill-Dann</b> RUB Bonds Series 3 RUB 5 000 000 000 Underwriter March 2009	 <b>Lukoil</b> RUB Bonds Series EB-20 RUB 5 000 000 000 June 2009	 <b>Russian Railways</b> RUB Bonds Series 12 RUB 15 000 000 000 Co-arranger May 2009
 <b>MTS</b> RUB Bonds Series 4 RUB 15 000 000 000 May 2009	 <b>Gazprom-neft</b> RUB Bonds Series 4 RUB 10 000 000 000 Co-lead Manager April 2009	 <b>Bank Zenit</b> RUB Bonds Series 6 RUB 3 000 000 000 Co-underwriter July 2009	 <b>Nomos Bank</b> RUB Bonds Series 11 RUB 3 000 000 000 Co-underwriter July 2009	 <b>Enel</b> OJSC Enel OGC-5 RUB Bonds Series EB-2 RUB 2 000 000 000 Co-lead Manager July 2009
 <b>Vimpelcom</b> RUB Bonds Series 3 RUB 10 000 000 000 Co-lead Manager July 2009	 <b>JSFC Sistema</b> RUB Bonds Series 2 RUB 20 000 000 000 Underwriter August 2009	 <b>Akron</b> RUB Bonds Series 2 RUB 3 500 000 000 Co-lead Manager September 2009	 <b>North-West Telecom</b> RUB Bonds Series 6 RUB 3 000 000 000 Co-underwriter August 2009	 <b>Severstal</b> RUB Bonds Series EB-2 RUB 10 000 000 000 September 2009
 <b>Bank Petrocommerz</b> RUB Bonds Series EB-6 RUB 3 000 000 000 Underwriter August 2009	 <b>NLMK</b> RUB Bonds Series EB-5 RUB 10 000 000 000 November 2009	 <b>Sibmetinvest</b> RUB Bonds Series 1 RUB 10 000 000 000 October 2009	 <b>Uralsvazymform</b> RUB Bonds Series EB-1 RUB 1 000 000 000 Co-underwriter November 2009	 <b>Eurasian Development bank</b> RUB Bonds Series 3 RUB 5 000 000 000 November 2009
 <b>Bashneft</b> RUB Bonds Series 3 RUB 200 000 000 000 December 2009	 <b>Mechel</b> RUB Bonds Series 3 RUB 5 000 000 000 October 2009	 <b>UTK</b> RUB Bonds Series EB-1 RUB 2 000 000 000 Underwriter October 2009	 <b>Mosenergo</b> RUB Bonds Series 3 RUB 5 000 000 000 December 2009	 <b>RosselkhozBank</b> RUB Bonds Series 9 RUB 5 000 000 000 November 2009

covery and our own efforts aimed at re-establishment of PSB reputation as a leader in the debt instrument secondary market, in particular through strengthening of our team of sales professionals.



## BROKERAGE SERVICES

Brokerage services is one of the key components of our investment business, while brokerage development is a key element of PSB strategy in the area of promotion of its commission-based products ensuring a higher degree of revenue base stability.

Despite negative financial market sentiments at the beginning of the year, PSB brokers managed to maintain and expand our client base, which, in turn, drove broker commission and REPO revenues in 2009. The number of clients was up 18.5% to 1,250, driven not only by client migration from insolvent competitors, as in 2008, but also by our consistent efforts in the area of service quality improvement.

The quality of client base changed as last year's turmoil compelled small and overly aggressive investors to leave the market, while volumes of qualified client transactions increased.

PSB key priorities amid market volatility included further improvement of service quality and expansion of product offering. In 2009, we continued to promote client direct access to exchange trading via Internet terminals. A large number of clients currently use Internet brokerage services. This simplifies the bidding process and reduces PSB client service costs. At the same time, we maintain telephone advisory services even for clients with online access, which provides them with a higher degree of comfort in carrying out electronic transactions. Professional telephone advisory services are free for PSB clients, which creates an additional competitive advantage.

PSB pursued optimization of its product pricing, making it more competitive and bringing it more in line with current client expectations, which ultimately drove an increase in our revenue base.

In 2009, demand was strong for short-term share REPO transactions, which ensured higher portfolio management flexibility for clients and generated additional revenue for PSB. On the back of significant volumes of client REPO operations, PSB consistently

ranks as one of the most active REPO operators at MICEX. Importantly, all REPO transactions strictly complied with the adopted exposure limit policy, in particular, with specific paper, counterparty and maturity limits.

PSB intends to intensify its broker operations. Our development strategy in the area envisions improvement of IT infrastructure, strengthening of our sales team, further development of sales through PSB network, expansion of product offering, pricing optimization and enhancement of analytical support and marketing.

## DEPOSITORY ACTIVITY

Established in 1998, PSB Depository offers the full range of depository and associated services across all types of securities. PSB advanced-technology depository services ensure high degree of reliability and security in securities custody and registration. PSB offers custom-tailored services and promptly reacts to client needs. PSB Depository is staffed with experienced professionals certified for relevant operations. Depository newsfeed on PSB website promptly informs clients about all relevant issuer events.

PSB Depository serves 1,491 retail and corporate clients, including residents and non-residents (including financial institutions), as well as Russian depositories (10) and management companies (5).

PSB Depository maintains records on more than 500 issues of all types of securities, including shares, bonds, promissory notes, Eurobonds, ADRs and GDRs. The total market value of serviced securities exceeds RUB 8 billion. Over 200 thousand transactions are carried out annually on client accounts. PSB Depository has nominal holder accounts with 42 registrars and depositories, including leading Russian depositories National Depository Center and Depository and Clearing Company, as well as Luxemburg-based Clearstream Banking. PSB Depository operates specialized data exchange equipment in its relations with the abovementioned depositories. PSB Depository acts as a payment agent for 10 bond issuers (SibirTelecom, PENOPLEX-Finance, Parquet-Hall-Service, SYNTERRA and others).

PSB was the first financial institution whose depository operations were certified by PARTAD, the depository association, in 2007. Since 2005, the Infrastructure Institute (INFI) and PARTAD joint ratings assigned to PSB Depository (AAA) reflected the highest degree of its reliability. PSB Depository professional operations have been insured since 2003.

# STATE FINANCING



DEPOSIT PLACEMENT OF TEMPORARILY AVAILABLE FUNDS OF REGIONAL GOVERNMENTS WAS AN IMPORTANT AREA OF PSB OPERATIONS IN 2009. PSB CREDIT PROJECTS IN THE GOVERNMENT FINANCE SEGMENT MAINLY TARGET STABILIZATION OF BUDGET PROCESSES IN RUSSIAN FEDERATION CONSTITUENTS AND MUNICIPALITIES.

Financial crisis compels banks, regional governments and municipalities alike to pursue conservative lending and borrowing policies. A contraction of financial capacity (due to reduced tax revenues, deteriorated terms of budget deficit financing, etc.) induced regional governments to implement additional measures to boost budget revenue and optimize financial policy. In particular, further to the amendments to the Budget Code, effective as of beginning of 2009, regional governments began to use bank deposits for placing temporarily available budget funds.

Therefore, funding through regional government deposits became an important area of PSB operations in 2009. The total volume of funding raised from constituents of the Russian Federation in 2009 was RUB 12.8 billion.

PSB traditional presence in the market of temporarily available funds of government corporations allowed us to source deposits from the Deposit Insurance Agency, Housing and Utility Infrastructure Reform Fund and Residential Mortgage Agency, in the total amount of RUB 44.7 billion.

The total amount of temporarily available funds of constituents of the Russian Federation and government corporations raised in 2009 totaled RUB 57.5 billion.

PSB maintained lending to regional governments and municipalities: the total volume of relevant loans issued in 2009 was RUB 3.1 billion. PSB credit projects in the government finance segment mainly target stabilization of RF constituents' and municipalities' budgets through current budget deficit financing. In the reporting year, we worked with 23 Russian regions and municipalities on more than 140 such projects (including direct loans and arrangement of budget program financing, etc.). We extended loans to 17 RF constituents, including Ryazan, Vologda and Saratov regions, the City of Yaroslavl and others.

PSB cooperation with government and municipal authorities contributes to attracting new clients – government service enterprises, as well as government and municipal contractors operating virtually in all areas of PSB presence.

In 2009, PSB entered master agreements with the governments of Sverdlovsk, Samara, Krasnoyarsk and Vladimir Regions, Republic of Udmurtia, the cities of Izhevsk and Ulan-Ude.

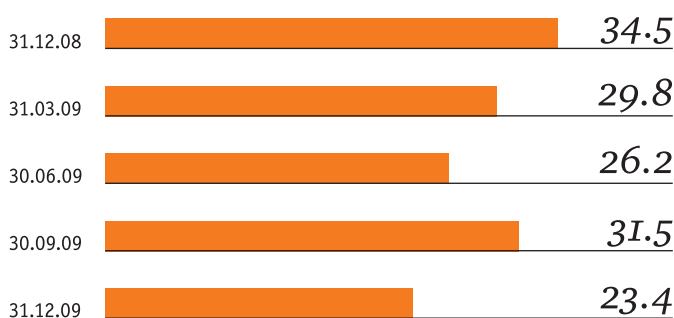
Cooperation agreements potentially establishing PSB as the regions' (municipalities') strategic partner promote development of long-term partner relationships with the view of accomplishing public authorities' social and economic objectives.

In 2010, PSB intends to further develop cooperation with regional and municipal authorities, expand cooperation with

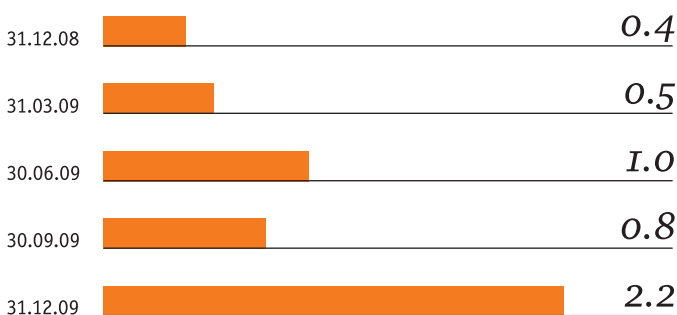
government corporations, state-financed enterprises and government and municipal authorities' contractors.

With the support of other PSB business divisions, our State Financing Department will further develop its product offering. Priority areas will include arrangement of government and municipal securities issue, regional and local investment program financing, opening of accounts facilitating relevant recipients' access to budget funding through payment (debit) cards.

## TERM DEPOSITS OF STATE AND LOCAL AUTHORITIES AND PUBLIC ORGANISATIONS DYNAMICS, RUB BN



## STATE AND LOCAL AUTHORITIES LOAN PORTFOLIO DYNAMICS, RUB BN



# I PROMISSORY NOTE



Moscow  
{1910}

Contents:  
Promissory note  
for RUB 921.45.

THE END OF THE 17TH CENTURY SAW THE INTRODUCTION IN RUSSIA OF THE PROMISSORY NOTE, THANKS TO TRADE RELATIONS WITH GERMAN MERCHANTS, BASED ON RECEIPTS OF REMITTANCE OR LETTERS OF DEBT ACKNOWLEDGEMENT. THE PROMISSORY NOTE WAS USED AS A CONVENIENT SETTLEMENT OR CREDIT INSTRUMENT, ISSUED BY SELLERS TO BUYERS IN COMMODITY FORM.

{ \* Promissory note for RUB 921.45, which I shall be obliged to pay on September 1, 1910, to the Administration of Tiflis. F.S. Isayev, Director of the Joint-Stock Company Ermolinskaya Manufactory.

# | 5 |

**56** RISK  
MANAGEMENT

**61** INTERNAL  
CONTROL SYSTEM

# RISK MANAGEMENT

**THE ROLE OF RISK MANAGEMENT IN PSB BUSINESS PROCESSES INCREASED SIGNIFICANTLY IN 2009. IN CORPORATE BUSINESS, PSB ADOPTED THE NEW CREDIT POLICY, IMPLEMENTED NEW CREDIT ANALYSIS, LAUNCHED OPTIMIZATION OF LENDING PROCEDURES AND ESTABLISHED A PLATFORM FOR SYSTEMIC CREDIT RISK MANAGEMENT. IN SME BUSINESS, WE INTRODUCED A RISK MANAGEMENT SYSTEM INDEPENDENT OF THE CLIENT BUSINESS AND LAUNCHED REGULAR LOAN PORTFOLIO QUALITY MONITORING.**

The role of risk management in PSB business processes increased greatly in 2009. Uncertainty as to when the global economic crisis would definitively end, and as to its exact consequences, made it indispensable to clearly understand and assess risks, with the view of their subsequent minimization at all stages of business decision-making.

A relative stabilization as of mid-2009 enabled us to transit from drastic anti-crisis measures, which effectively depressed business activity, towards a comprehensive potential stress projection system. Implementation of a set of measures aimed at prevention of significant stress-induced losses allowed us to resume operations across various business segments, while maintaining risks at acceptable levels.

In 2009, we pursued implementation of risk management culture and principles based on the best international practice and recommendations of the Basel Committee on Banking Supervision.

Our key risks are credit risk, market risk, liquidity risk and operational risk, including fraud risk. In addition, PSB assesses a number of other risks and implements measures to minimize them.

## CREDIT RISK MANAGEMENT

### CORPORATE BUSINESS

In 2009 one of the key measures aimed at increase of the efficiency of credit risk management amid the continuing financial and economic crisis, has been a project of large-scale reengineering of the credit process in respect of corporate clients. The reengineering covered all its basic stages - from the analysis of clients and the decision-making on lending to subsequent monitoring and handling of problem loans.

The framework for improvement of the system of credit analysis made by credit subdivisions has been the shift of focus from assessment of the creditworthiness of direct participants of a credit transaction (the borrower, the guarantor, etc.) to the complex and comprehensive analysis of stability and solvency of the business of the whole group of companies including prospective participants in a transaction. Included in this project has been the revision of the internal methodology of credit analysis, including the development and approval of a new form of credit opinion in which a structured approach to the documentation of analysis of results is imple-

mented, including the assessment of qualitative characteristics and financial indices of the client.

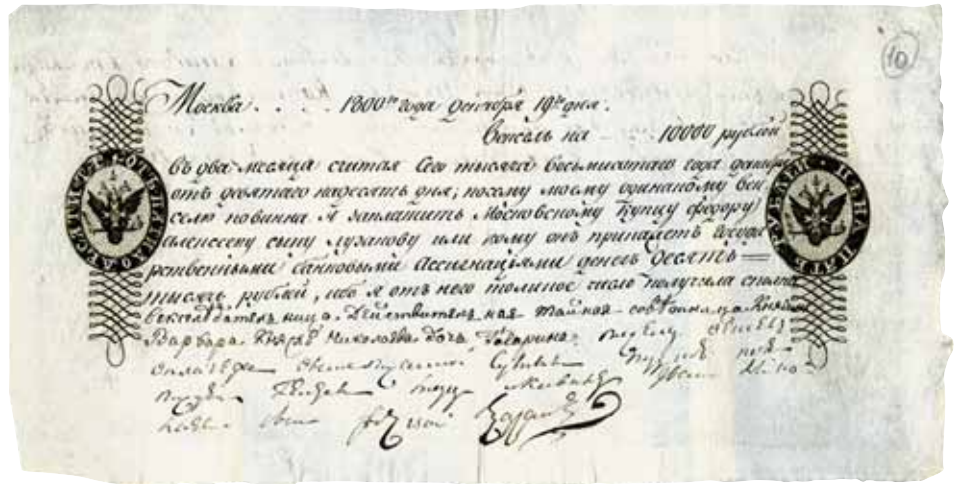
Instead of the previous practice of approval of each credit transaction by an authorized body, a principle of establishment of a single lending limit has been introduced that restricts all risks of the client and reflects the conditions on which the Group is ready to bear these risks. Thus the lending limit determines the list of credit products that are authorized to be granted to the client, the conditions for their granting and further support, and also the parameters, frequency and criteria of subsequent monitoring of the established limit. Introduction of limits has allowed the optimization of the process of granting of credit products due to the fact that each transaction with the client does not require an authorized body's decision, and only a check is required that the lending limit established for the client has not been breached.

To improve the quality of credit risk assessment and management, PSB set up a new credit risk management unit, Credit Risk Analysis Department, which ensures independent analysis of applications for corporate clients' limit setting.

In 2009 there were changes made to the system of authority to make decisions on corporate clients lending: in order to increase the efficiency of decision-making, a part of the authority of the Credit Committee has been delegated to the Operational Credit Committee. In addition, the Group applies the "four eyes" principle where a decision is made only in case the client's authorized manager and the risk manager have reached an agreement.

The system of monitoring of lending limits established for corporate clients is being transformed with the introduction of a new system aimed at consolidation of all limit information in a specialized subdivision of risk management – Credit Risks Monitoring Department. In addition, we have been pursuing automation of lending limit, decision-making process, identification of lending limit breaches by clients and remedy measure control.

To limit concentration of credit risk, PSB put in place a portfolio limit system setting limits for largest borrowers, related parties and industry limits. Portfolio limit monitoring is based on the early warning principle: the Bank management receives a warning when limit utilization reaches 90%, which ensures promptness of management decisions with regard to overall credit risk limitation.



In 2009, PSB significantly revamped its operating management accounting system used for assessment of its loan portfolio quality. We developed a methodology for projection of likely levels of overdue and impaired debt.

PSB pays particular attention to processing corporate clients' problem assets, with the view of preventing and minimizing losses for the Bank. Pre- court work with clients with overdue debt is now a separate operating segment. In addition, we implemented problem loan security portfolio monitoring and set up a single problem loan security database.

In 2010, PSB intends to automate its problem loan security database, implement the process of security disposal through various auctions, and broadly apply out-of-court security foreclosure procedures in line with the relevant new legislation amendments.

#### SME BUSINESS

In line with the best risk management practice, SME credit risk management was in 2009 consolidated within a separate business unit, which increased its independence of its judgment and reflected a further step towards implementation of a systemic approach to PSB credit risk management.

In order to increase the efficiency of decision-making and minimize losses, PSB introduced risk reporting, regularly presented to management, in respect of the condition of credit portfolio of small and medium business. This includes reporting that reflects the results of analysis of the reasons for defaults and increase in overdue indebtedness. A system vintage analysis of overdue indebtedness has also been developed, i.e. analysis of overdue loans dynamics in SME loan portfolio granted during the same period of time. The system allows assessing the impact of changes in credit process, client and client business requirements, product metrics and other external factors, on overdue loan levels.

As part of the credit product pricing process improvement, PSB in 2009 implemented a risk premium calculation methodology based on retrospective loan portfolio quality analysis combined with

#### PROMISSORY NOTE

##### Moscow {1800}

##### Contents:

Promissory note for RUB 10,000.

projection of default levels for SME loans.

PSB reacted in time to the change in market conditions, having adjusted the credit policy for small and medium business. PSB tightened the conditions for issue of credit products, the required financial position

of enterprises, the nature and amount of collateral being accepted. Furthermore, PSB determined priority groups of clients and industries most susceptible to the effect of current market conditions. The policy moved to the granting of more profitable products, reduction of weighted average lending periods and reduction of unsecured products.

To prevent growth in overdue and problem loans, we closely monitored our SME loan portfolio throughout 2009. Monitoring of financial position and solvency of clients with debt in excess of RUB 9 million allowed for prompt decision-making with regard to further cooperation with each individual client. In addition, restructuring and refinancing standards developed in 2009, supported prompt decision-making in respect of clients experiencing temporary financial difficulties.

As part of measures aiming to improve quality of risk assessment by our credit units, in 2009 we tightened control over compliance with the adopted lending technologies and client credit quality assessment, including through on-site and remote audits of our network credit operations by head-office experts.

PSB pursued automation of collection, systematization and storage of SME lending limit and overdue debt collection data.

#### RETAIL BUSINESS

With the view of decreasing credit risks and potential losses amid the economic crisis, the Bank in 2009 pursued a conservative retail credit policy. In keeping with the policy, credit decision-making rules reflect the risks associated with the sector



of activity of the borrower's employer and set high borrower credit quality requirements. The existing credit card scoring model was updated in Q1 and Q4. Consumer loan scoring model was implemented at the beginning of Q3 and updated in Q4. In addition, retail client verification and credit decision-making processes were centralized in 2009. The centralized process now employs credit experts (underwriters) ensuring additional review of loan applications. In Q3, PSB Financial and Retail Risks Department together with SME and Retail Lending Department developed an underwriting methodology, including loan application review rules and measures for underwriting process quality improvement.

Retail Risk Committee was set up for the purposes of retail risk control and efficient management, as well as minimization of PSB losses. The Committee is a permanent collegial body, which meets on a regular basis.

For the purposes of retail credit risk management, PSB employs, on the one hand, special maturing debt analysis methodology (vintage analysis) and other statistical methods, while, on the other hand, regularly calibrating the existing scoring models based on the Credit History Bureau data and PSB own default statistics.

With a view of credit risk minimization, PSB Financial and Retail Risk Department together with Product and Technology Department developed a retail loan restructuring methodology. Loan and credit card restructuring processes were launched in Q2 and Q3 2009, respectively.

Middle Office, the new Documentum-based consumer loan system, was implemented in Q3. As of Q1 2010, the system is expected to include credit card as well.

In addition, in 2009 we finalized statistical analysis methods applied to retail loan portfolios, as well as analysis of collection efficiency. We launched implementation of a specialized automated analytical system in Collection (based on a SAS solution). To increase collection efficiency, in Q4 PSB pursued development of the automated overdue debt processing system Collection Siebel. The project objective is to fully automate all stages of overdue debt operations, including pre- and post-court foreclosures.

## PROMISSORY NOTE

### Bronnitskiy uyezd of Moscow Governorate {1874}

**Contents:**  
Promissory note for RUB 21.25.

## MARKET RISK MANAGEMENT

The backbone of PSB market risk management system is a structured system of limits, including limitation of impact of interest rate, securities and foreign exchange risks. PSB Assets and Liabilities Committee (ALCO) sets market risk limits, makes decisions related to approval of risk-bearing transaction metrics,

and develops market risk management strategy and tactics. In 2009, PSB Financial and Retail Risks Department initiated development of a market risk management system based on risk assessment and management methods applied amid strong market volatility. Specifically, to assess risks associated with PSB Eurobond and Shares+Futures portfolios, CVaR (Shortfall) calculation methodology was developed with respective limit setting amid abnormal price/forex rate/interest rate volatility.

To reduce the risk of interest rate volatility impact on financial results, PSB has been testing traded assets for interest rate risk exposure on the ongoing basis. The approach allows identifying securities with the highest interest rate risk exposure and setting efficient open position stop-loss limits. Trading portfolio sensitivity to interest rate risk is assessed based on PVBP (price per 1 basis point) both for individual securities and portfolio as a whole.

PSB foreign exchange risk is assessed across all open FX positions and managed in line with the Bank of Russia requirements for open position limits. In addition, FX risk is managed based on VaR (Value-at-Risk) methodology both across all open FX positions and key individual currencies.

PSB share portfolio is composed of highly liquid blue-chip instruments included in Russia's stock exchange indices. In 2009, the stock exchange market was prone to increased risk levels. For hedging purposes, PSB launched trading in share futures and indices. As a result, the Share Portfolio was transformed into Shares+Futures Portfolio. "Shares+Futures"



Portfolio risk assessment is based on Monte-Carlo modeling.

The following limits were applied in 2009 for market risk control purposes:

- ◆ Position limits;
- ◆ PVBP limits for each portfolio of key traded debt and term liabilities;
- ◆ Portfolio volatility limits:
  - CVaR limits for Shares+Futures and Eurobond portfolios;
  - VaR limit for traded FX portfolio.
- ◆ Overnight stop-loss limits;
- ◆ Mid-term stop-loss limits.

In 2009, PSB twice produced a report on market risk stress testing, outlining potential losses across trading portfolios under various multi-factor stress scenarios.

## LIQUIDITY RISK MANAGEMENT

The liquidity risk limit system adopted in 2009, supported successful PSB operations throughout the crisis. Further to a series of stress events, which occurred in 2008-2009, the system was updated and significantly improved.

In 2009, we updated our liquidity ratio system, which enabled us to project with a high degree of precision liquidity fluctuations capable of critically affecting our financial position. Based on historic data analysis and modeling of various crisis development scenarios, we set limits for the liquidity reserve, as well as for current and structural liquidity. Daily monitoring of such indicators ensures timely and full settlements with all our clients and counterparties in any situations, irrespective of external environment.

In addition to the liquidity ratio system, PSB implemented a dynamic model for liquid asset distribution efficiency assessment, which ensures greater return on assets without a significant increase in risk level.

## PROMISSORY NOTE

### Moscow {1867}

*Contents:*  
Promissory note for FRF 1,229.

of current interest rates for various terms and in various currencies. A system of indicative limits was developed for interest rate risk management purposes:

- ◆ PVBP limits for the term interest rate structure of PSB balance sheet across three key currencies: RUB, USD and EUR.
- ◆ CVaR limit for the economic value of future cash flows; the limit is intended to cap volatility of the interest rate structure combining balance sheet and off-balance sheet positions, and reflects combined fluctuations of various-term interest rates across various currencies.

Pursuant to an ALCO decision, PVBP and CVaR compliance with the set limits is monitored on a monthly basis.

## INTEREST RATE RISK MANAGEMENT

In 2009, PSB adopted a new interest rate risk assessment methodology for non-trading banking operations, reflecting market fluctuations

## OPERATIONAL RISK AND FRAUD RISK MANAGEMENT

In 2009, PSB set up Fraud Risk Management Division as a separate unit within its operational risk management system. Fraud risk management is ensured across several areas:

- ◆ As part of risk management improvement effort, PSB developed fraud risk management regulations, which outline key fraud countering principles, employee authority and responsibility distribution, fraud characteristics and key crite-

ria allowing for fraud identification. In addition, fraud events were categorized by type;

- ◆ PSB implemented an anti-fraud training program for new employees, as part of adaptation seminars, and developed a similar program for its branches;
- ◆ We set up a separate credit and non-credit fraud database.

To improve operational risk and fraud risk assessment quality, we apply a process-based approach including analysis of likelihood of risk realization at individual stages of our business process. Based on results of the analysis, we develop recommendations for identified risk minimization. Measures aimed at reduction of critical operational risks are monitored on a regular basis.

For the first time, operational risk drivers are now included in stress scenarios used in our stress testing.

PSB organizes regular operational risk and fraud risk management training programs for its employees. The programs provide detailed overview of various operational risk events and their drivers, as well as key principles of operational risk management, and numerous case studies.

The adopted approach to key risk indicator identification allows to monitor operational risk levels across key business units, as well as project the likelihood of operational risk events at the Bank level.

Key principles of operational risk and fraud risk management are adopted at all PSB Group banks,

which apply a single operational risk classification system and harmonized approaches to risk level assessment. PSB Group banks have carried out operational risk self-assessment and submit regular operational risk reports.

## FINANCIAL INSTITUTION RISK MANAGEMENT

Despite a considerable contraction of transaction volumes at the end of 2008 – beginning of 2009, PSB in the reporting period maintained its leading positions in the interbank market. PSB counterparties continued to meet their payment obligations in full and on time. Given the relatively big number of maintained limits, this is a reflection of sound PSB approaches to assessment of counterparty bank credit quality. The financial stability assessment model adopted at PSB is based on analysis of a wide variety of qualitative and quantitative indicators. Appropriateness of such indicators, as well as fairness of derived conclusions in respect of counterparty reliability are reflected in the fact that no PSB counterparty bank has until now defaulted on its liabilities.

A balanced limit-setting policy and regular monitoring enable PSB to maintain its presence across the full range of interbank transactions amid a challenging environment in both domestic and international markets.

# INTERNAL CONTROL SYSTEM



Due to growing risks amid economic downturn, PSB continued to improve its internal control system throughout 2009, focusing on development of the system's ability not only to prevent abusive practices but also to facilitate efficiency of banking operations through internal controls integration into all business processes, as well as to support timely risk assessment.

PSB internal control system is designed to ensure:

- ◆ Strong operating efficiency and performance, efficiency of asset and liability management (including asset preservation) and bank risk management;
- ◆ Accuracy, completeness, objectivity and timeliness of financial, accounting and other reporting to external and internal users;
- ◆ Data security;
- ◆ Compliance with legislation, incorporation documents and internal regulations.

PSB internal control system is composed of the Bank governing bodies, revision commission, chief accountant and her deputies, branch managers and their deputies, branch chief accountants and their deputies and, finally, Bank business units and employees responsible for internal control in line with their competences as set forth in the Bank incorporation documents and internal regulations.

The Bank Internal Audit and Control Department (IACD) ensures monitoring, control and objective assessment of all components of the internal control system. IACD carries out financial, operating and compliance audits, as well as corporate governance quality audits to identify facts of non-compliance with the existing legislation and regulations, PSB internal policies and procedures, misuse of power in decision-making and improper risk assessment in banking operations. The department assesses the internal control system, submits recommendations for its improvement and controls completeness and efficiency of remedy measures. All PSB business units, including branches, as well as all operations are subject to control. Internal audit and control services set up at 6 branches of the Bank ensure control of the respective branches.

IACD regularly informs PSB governing bodies about identified significant risks, facts of non-compliance with legislation, regulations and internal policies and procedures subject to internal control, as well as relevant remedy measures and results of implementation thereof.

An integral part of the internal control system is control of PSB professional financial market operations, ensured by the Financial Market Operation Compliance Service (FMOCS).

## PROMISSORY NOTE

**Rybalino, {1874}**

*Contents:  
Promissory note  
for RUB 200.*

The service key responsibilities include:

- ◆ Securities market legislation compliance control;
- ◆ Protection of investor and client rights and legal interests;
- ◆ Prevention of malpractice in PSB financial market operations (price manipulation, conflict of interest, insider trading, etc.).

FMOCS acts across two areas:

- ◆ Ongoing control, i.e. real-time monitoring of the Bank operations and its

clients, aimed at prevention of risks associated with professional operations in the securities market, as well as advising the Bank business units on issues related to financial market licensed operations;

- ◆ Follow-up control, i.e. scheduled and ad-hoc audits, including control of remedies for previously identified violations. The department controls securities markets operations (broker, dealer, custody and asset management transactions), as well as operations of specific business units involved in financial market operations.

Another integral part of the Bank internal control system is its Financial Monitoring Service ensuring development and implementation of internal control rules and programs to counter legalization (laundering) of proceeds from crime, and terrorism financing. In addition, the Financial Monitoring Service is in charge for filings with the Federal Service for Financial Monitoring, the relevant supervising authority. The Financial Monitoring Service key responsibility is to prevent the following risks:

- ◆ Use of bank accounts for illegal money laundering;
- ◆ Use of bank accounts for terrorism financing;
- ◆ Bank employee involvement in legalization of proceeds;
- ◆ Use of Bank products and services in money laundering schemes and transactions;
- ◆ Undue financial losses;
- ◆ Goodwill loss.

PSB continues to improve its Know-Your-Client policy, with a particular focus on verification of potential clients, with the view of preventing the use of PSB products and services in doubtful financial schemes, and managing potential reputational risks.

# I SHARES



Moscow  
{1911}

Contents:  
A share of JSC The  
Upper Trading Rows.

THE SOCIAL AND ECONOMIC UPTURN AND DEVELOPMENT OF THE FINANCIAL SYSTEM IN RUSSIA AT THE END OF THE 19TH CENTURY CREATED THE NEED FOR CONSOLIDATION OF CAPITAL. THIS LED TO THE EMERGENCE OF JOINT-STOCK COMPANIES AND, BY CONSEQUENCE, A NEW TYPE OF FINANCIAL DOCUMENTS — THE SHARES.

{ \* In 1880, with the support of the General-Governor, Moscow City Council obliged owners of trading stalls to establish a joint-stock company – The Upper Trading Rows. The Tsar Alexander III approved the company's Articles of Incorporation personally. The Company was officially inaugurated on August 30, 1888, with the share capital of RUB 9,408,400 split into registered shares with the face value of RUB 100.

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# I IT DEVELOPMENT



In 2009, PSB pursued implementation of world-class IT systems intended to upgrade its business functions, and ensured transition of subsidiary banks towards the single PSB IT platform. The technical upgrade and the banks' operation in a single information space will enable us to better prepare for the expected post-crisis banking business recovery.

## BUSINESS TECHNOLOGY PLATFORM

In 2009, PSB continued implementation of Misys Summit, the front-office system for financial market operations, designed to fully automate securities trading and accounting procedures. The system was adapted to PSB business processes and conditioned for interface with back-office systems and exchanges. We expect to launch the system into operation as of the beginning of 2010.

In addition, in 2009 we completed automation of middle-office retail lending functions. As part of the project, a number of systems were replaced with a centralized solution based on EMC-developed Documentum, the documentation management system.

As part of mySAP ERP program, PSB completed implementation of the Payroll and HR subsystem at all branches. Data required for Documentum-based credit decision-making is fed with the use of SAP BW, the corporate data storage facility, and SAP NetWeaver (PI), the data integration bus. In 2010, we intend to expand the tasks of our Finance and Risks Division to be accomplished with the use of SAP data storage. We have launched implementation of SAP CRM subsystem for corporate, SME and Private Banking businesses' clients, while implementation of the subsystem for retail clients is currently being

## SHARE

### Saint-Petersburg {1911}

#### Contents:

*A RUB 187.50 bearer share of Russian-Asian Bank.*

planned. PSB will continue to implement SAP subsystems. Specifically, in 2010 we intend to launch implementation of AXP, the cost (including HR cost) planning system.

Oracle-developed Siebel CRM system is now fully operational at PSB. The system is used for collection and, since recently, for distressed asset processing and foreclosures.

## CLIENT CONVENIENCE

In 2009, the number of PSB On-Line corporate users increased by 21% to 40,000. Acknowledging the ongoing functional and qualitative improvement of PSB On-Line, most clients prefer to transit from the traditional Client-Bank system towards PSB On-Line platform.

The number of retail subscribers to Internet Bank Service within PSB-Retail System increased 3.5 times in 2009. The user interface is scheduled for redesign in early 2010, which will make the system more user-friendly.

## SUBSIDIARY BANK TRANSITION TOWARDS PSB SYSTEMS

Three subsidiary banks, Volgoprombank, Nizhny Novgorod Bank and Yarsotsbank, moved to PSB IT systems in 2009, with migration of client, account, loan, deposit and other relevant data. The banks now provide a harmonized range of services.

# CORPORATE GOVERNANCE



IN 2009, WE CONTINUED TO IMPROVE PROCEDURES UNDERLYING RELATIONS BETWEEN OUR GOVERNING BODIES, AS WELL AS EFFICIENCY OF THE GOVERNING BODIES BOTH AT THE OPERATING LEVEL AND AS A RESULT OF APPROVAL OF PSB CORPORATE GOVERNANCE CODE, THE FUNDAMENTAL CORPORATE DOCUMENT.

## KEY PRINCIPLES

Efficient interaction between all governing bodies – the General Shareholders' Meeting, the Board of Directors, the President and the Management Board, as well as various-level committees, underlies PSB Corporate Governance System (CGS).

The CGS key principles include compliance with the existing Russian legislation and regulator requirements; protection of rights of shareholders, investors and other stakeholders, as well as control and timely disclosure of data pertaining to PSB economic operations. In addition to corporate governance best international practice, PSB applies the Bank of Russia and the Federal Service for Financial Markets recommendations, as well as the OECD and the Basel Committee on Banking Supervision corporate governance principles.

## CHANGES IN 2009

Key changes to the CGS, which essentially completed development of its overall structure, were implemented in 2008. Further and less significant adjustments made in 2009 mainly targeted improved interaction between the CGS participants.

### BOARD OF DIRECTORS CHANGES

To improve operational efficiency, the number of directors serving on the Board was in 2009 reduced to 7, including two independent directors. Independence criteria meet the most

stringent requirements of Russian and international regulators and stock exchanges. Independent directors are remunerated for their service on PSB Board. The General Shareholders' Meeting decides on the remuneration levels.

### CORPORATE DOCUMENTATION

At the end of 2009, the Board adopted PSB Corporate Governance Code setting forth key principles for the Bank's CGS and interaction between its participants. The full text of the Code is available on our website (About PSB – Corporate Governance): <http://www.eng.psbank.ru/about/316>.

### INFORMATION DISCLOSURE

The disclosure group set up in 2008 in accordance with PSB Information Disclosure Policy pursued control of disclosure by various units of the Bank in 2009.

### GENERAL SHAREHOLDERS' MEETINGS

In addition to the Annual General Shareholders' Meeting held on 26 June 2009, there were three Extraordinary General Shareholders' Meetings (16 March, 15 May and 12 October 2009) considered a share split, a change to the number of directors serving on the Board, and a share capital increase, respectively.

## BOARD OF DIRECTORS

The Board composition as on 31 December 2009:

### Alexey Ananiev

(1964)

Chairman of the Board of Directors since 2006 and Member of the Board since 2001. Mr. Ananiev is also Chairman of the Advisory Council of Tekhnoserv (IT company).

### Alexander Levkovskiy

(1972)

President and the Chairman of the Management Board since 2001.

### Maxim Litvinov

(1970)

Deputy Chairman of the Board since 2008, Member of the Board of Directors since 2007, Vice-President, Head of Strategic Development Department at PromSvyazCapital.

### Vladislav Zabelin

(1975)

Member of the Board of Directors since 2008, President of PromSvyazCapital.

### Sergey Kharitonov

(1966)

Member of the Board of Directors since 2006, Advisor to the Management Board PSB since December 2009.

### Paul Ostling

(1948)

Independent Member of the Board of Directors since 2008, CEO of Phoenix – Neftegaz Services. Mr. Ostling has more than 20 years work experience with Ernst&Young.

### Tamjid Basunia

(1945)

Independent Member of the Board of Directors since 2008, CEO of Spice Factory and Voice Connections. Mr. Basunia has more than 20 years work experience with PricewaterhouseCoopers.

## BOARD COMMITTEES

The Board committees pursued their functions in 2009.

**Audit Committee** analyzes and develops recommendations to the Board in respect of important financial and business issues, as well as monitors the accuracy and integrity of the Bank's financial reports. The Committee is composed of independent directors, as well as a representative of the majority shareholder (in an observer capacity):

- ◆ T. Basunia (Chairman);
- ◆ P. Ostling;
- ◆ M. Litvinov (no voting power).

**Nominations and Remuneration Committee** ensures Board members' personal awareness of the Bank's HR policy and supports their involvement in the monitoring of the HR policy implementation. The committee is composed exclusively of independent directors, as well as a representative of the majority

shareholder (in an observer capacity):

- ◆ P. Ostling (Chairman);
- ◆ T. Basunia;
- ◆ M. Litvinov (no voting power).

**Strategy Committee** assesses PSB strategic development concepts, programs and plans, monitors implementation of the Bank's development strategy based on key indicators and proposals for strategy amendments with a view to improve efficiency of PSB operations, taking into account trends in the global capital markets, results of PSB operations and situation in the Russian banking sector. To ensure the balance of interests, the Committee is composed as follows:

- ◆ M. Litvinov, non-executive member of the Board (Chairman);
- ◆ V. Zabelin, non-executive member of the Board,
- ◆ A. Ananiev, Chairman of the Board;
- ◆ A. Levkovskiy, executive member of the Board, PSB President;
- ◆ A. Volchenko and A. Konstandyan, members of the Management Board.

## MANAGEMENT BOARD

PSB Management Board composition as at 31 December 2009:

### Alexander Levkovskiy

(1972)

Member of the Management Board since 1996, President and Chairman of the Management Board since 2001.

### Dmitry Sennikov

(1957)

Member of the Management Board since 1995 and First Vice-President

### Artem Konstandian

(1974)

Member of the Management Board since 2005 and First Vice-President.

### Irina Morozova

(1963)

Member of the Management Board since 2000, Chief Accountant and Head of Accounting and Financial Reporting Department.

### Konstantin Basmanov

(1974)

Member of the Management Board since 2009, Senior Vice-President and Head of Distribution Network.

### Alexandra Volchenko

(1976)

Member of the Management Board since 2007, Senior Vice-President and Head of Finance and Risks.

### Alexey Fedotkin

(1976)

Member of the Management Board since 2007, Senior Vice-President and Head of Corporate Banking.

**Tatiana Kuzmina***(1968)*

Member of the Management Board since 2008, Vice-President and Head of Legal Department.

**Natalia Neverkevich***(1974)*

Member of the Management Board since 2007, Head of Internal Audit and Control Department.

In early 2010 the composition of the Management Board was amended – Natalia Neverkevich was substituted by:

**Elena Makhota***(1980)*

Member of the Management Board since January 2010; Vice-President and Head of SME and Retail Banking.

**BANK COMMITTEES**

The following Bank Committees are in place at PSB to address daily operating issues:

- ◆ Credit Committee;
- ◆ Operative Credit Committee;
- ◆ SME Credit Committee;
- ◆ Asset and Liability Committee;
- ◆ Distressed Asset Committee;
- ◆ Tariff Committee;
- ◆ Budget Committee
- ◆ Retail Risk Committee;
- ◆ Public Finance Committee;
- ◆ Product and Innovation Committee.

Committee function overview is available on PSB website (About PSB – Board and Management – Committees) <http://www.eng.psbank.ru/about/321/334>.

**INFORMATION DISCLOSURE**

PSB remains committed to consistent improvement of its information transparency. We regularly publish RAS and IFRS financial reports, organize quarterly investor and analyst conference calls and web-casts, issue press releases about important events at PSB in Russian and English. PSB bilingual corporate website provides information about our broad service offering, as well as an overview of our operations, ownership, management and organizational structure. In addition, we offer analytical information about current financial market environment (daily and weekly capital market reports, as well as investor bulletins).

# HR POLICY: KEY AREAS



In 2009, amid an environment, which remained challenging for the Russian economy as a whole and its banking sector in particular, PSB managed not only to maintain but also to improve its market position, re-establishing its reputation of an organization resilient to downturn. Our achievements were driven by timely and sound decisions and coordinated efforts of our entire team. Indeed, our key competitive advantage is our team of committed professionals able to accomplish the most challenging tasks.

In implementation of its HR policy based on strategic objectives and development priorities, PSB has been consistently building a team of like-minded professionals, ensuring the highest degree of conjunction between the Bank's objectives and those of its employees.

## ORGANIZATIONAL AND STRUCTURAL CHANGES; BUSINESS PROCESS OPTIMIZATION

PSB organizational structure changed in 2009. The change was partially driven by the crisis, even though its role should not be overstated, as the crisis merely spurred PSB efforts in the area.

In 2009, we completed establishment of the risk management function in our Finance and Risks Block. The single risk management system now encompasses three areas: corporate risk management, SME risk management, and retail and financial risk management. A streamlined and full-fledged risk management system was one of the key factors, which enabled PSB to maintain its market position and pursue its sustainable development.

We have consolidated our SME Business and Retail Business Development departments into a new single business. The key objective of the combined SME and Retail Business is to optimize our retail product offering and increase sales of retail products to SME clients.

## SHARE Makeyevka {1907}

### Contents:

*A RUB 112.50 share of  
Russian Donetsk Coal  
and Industrial Company.*

And, finally, we revamped the organizational and HR structure of our points of sale, with the view of increasing their operating efficiency. We reviewed the branch network structure and overall approaches to product distribution, as well as introduced new professional functions.

## HR DEVELOPMENT AND TRAINING

Professionals are our most important asset enabling us to maintain our market leadership. Staff development and training is therefore a priority for PSB.

In 2009, we launched the Talent Pool Project in our Distribution Network. We identified the most important competences for the position of a regional division manager and selected the most promising regional division employees able to grow within the organization and aspiring career growth. Out of 63 participants at the initial stage, 35 have been short-listed for evaluation events scheduled for early 2010. This will allow to develop individual development programs and create career growth opportunities for the best employees.

PSB provides HR training across a number of areas. Development of mentorship and sales skills is one the training key focus areas. This is a long-term project, which we expect to extend to all regions of PSB presence. HR Department coaches developed a mentorship skills program for outlets office managers and heads of sales departments. In 2009, managers of all outlets offices located in Moscow and Moscow Region participated in the training, which was also organized at 13 PSB branches. Participating managers acquired knowledge and skills, which will enable them to improve their efficiency and performance.

Coaches working directly with frontline employees and additional office managers play an important role in mentorship development. They deliver training in products and technologies, sales skill development, client communication and service quality. This area was introduced at PSB only in 2008. In 2009, 2,014 training sessions were organized at all additional offices in the Moscow Region. As of mid-2009, the effort was extended to branches.

## REMUNERATION AND SOCIAL POLICY

PSB continued to improve its remuneration and social policy throughout 2009. We managed to maintain employee salaries at competitive levels amid the economic downturn. We pursued implementation of a KPI-linked short-term bonus program based on the best practice, while development of KPI calculation methodologies for business and support units is underway.

Employee social security is of prime importance. Despite the crisis, PSB did not cut down employee benefits in 2009. Moreover, we offered our employees an additional soft loan program.

## CORPORATE POLICY

At present, PSB employs more than 9,500 people, including many newcomers. Awareness and understanding of the Bank goals and development strategy by all our employees, as well as their ability to share a common corporate culture are of utmost importance. In 2009, we published two fundamental corporate documents, Fundamentals of

Our Business and Strategic Priorities, which outline PSB development strategy and efforts required of all of us to ensure its implementation. Each employee was invited to comment on the documents and submit proposals for improvement of the quality of our operations. Implementation of a number of received initiatives is currently underway. In addition, we organized working sessions with the participation of the Bank managers who assisted in elaboration of an action plan for further development of incentivization, IT and communication systems, as well as improvement of overall efficiency.

An important event was the launch in 2009 of PRObank, the corporate Intranet portal providing employees with access to information about the most recent corporate events, as well offering them «a common working space» where they can exchange the necessary information, thereby improving their efficiency, and simply communicate, which enhances employee cooperation.

Employee participation in PSB social projects, such as Lifeline Charity Program and World Wildlife Fund projects, are key to team and corporate spirit development.

As part of 2009 Bank performance evaluation, PSB held an Employee Awards Ceremony. For the first time in the history of our awards, in 2009 we introduced a new category, Manager of the Year, determined based on the relevant unit performance, its contribution to the Bank overall performance, as well as the manager's personal contribution and his/her positivity.

Professional and positive team players are key to success. Our confidence about PSB ability to attain its key strategic goal is supported by the fact that we have managed to build a strong and efficient team able to accomplish the most complex objectives.

# SPONSORSHIP AND CHARITY

In its core operations, PSB firmly adheres to the principles of a socially oriented business. We participate in financing of the real sector of the Russian economy and its strategic companies. The Bank contributes to the development of small and medium business in Russia, facilitating job creation. Amid the financial crisis, PSB has been supporting socially significant regional credit institutions. Competitive modern enterprises are being created in Russian regions through PSB assistance. The Bank established cooperation with the Russian Pension Fund under the State Program for Pension Co-financing, offering additional opportunities for boosting pension provisions.

PSB is engaged in various sponsorship and charity activities, including culture and arts patronage, sponsorship of sport organizations and sport events. We participate in charitable projects, finance social projects and support major economic initiatives. Importantly, our charitable work targets clearly designated recipients.

Commemorating those perished while defending Russia's freedom and independence, we believe it is our duty not to forget veterans of World War II. A significant number of our branches provide financial aid to individual veterans. PSB also recognizes the need to support the disadvantaged population, particularly children. For a number of years, our St. Petersburg branch has been supporting Children's Medical Hospice.

2009 saw the launch of a joint project of PSB and Lifeline, the fund for assistance to severely sick children. PSB participates through issuance of special bankcards and transfers contributions to Lifeline Fund, depending on the frequency of the cards use and calculated as follows:

- ◆ 50% of the Bank fee for the first year of card service
- ◆ 0.5% of the value of purchases made by card

Another example of joint projects is PSB cooperation with Our Children, the ICP-affected children charity fund.

Support of the Russian Orthodox Church has traditionally been one of the key areas of PSB charitable work. The Bank has been providing support to churches, monasteries and spiritual education institutions, notably through financing construction and book purchases. In 2009, PSB provided financial assistance to Znamenski Female Monastery, Joseph-Volotski Patriarchal Male Monastery, Novo-Tikhvinski Female Monastery, Rostov Holy Trinity St. Sergius Varnitski Monastery, Holy Trinity St. Sergius Laura, Svyato-Uspensky Pskovo-Pechersky Male Monastery, Svyato-Preobrazhenski Solovetski Patriarchal Male Monastery, Church of the Life-Giving Trinity in Serebryaniki, Church of the Saint Grand Duke Vladimir of Kiev, and others.

Culture patronage is an important part of PSB charitable work. Our St. Petersburg branch has renewed its general sponsorship of Dedication to Maestro International Music Festival held in the State Hermitage Museum.

Sports and healthy lifestyle promotion has traditionally been high on PSB agenda. PSB acts as a sponsor to FC Nizhny Novgorod, FC Shinnik (Yaroslavl) and FC Saturn (Ramenskoye), as well as a general sponsor to the Khimki Basketball Club.

PSB has been traditionally organizing and supporting events promoting development of the Russian banking sector. In April, PSB acted as the general sponsor to the 20th Convention of the Association of Russian Banks. In July PSB held the 14th North-western Banking Conference in St. Petersburg. In June and December the Bank sponsored two bond market conferences.

Together with the Russian National Organization for Small and Medium Enterprises (OPORA), PSB in 2009 continued to hold a competition for SME entrepreneurs Money to the Young. The competition is aimed at business environment development and support of young gifted entrepreneurs amid the challenging economy. Aged 18-35, the participants competed in two nominations: Business Startup and Young Enterprise.

# ENVIRONMENTAL POLICY



Throughout the history of its operations, PSB has been paying particular attention to environmental protection. In 2008, the Bank joined the Corporative Club of the Wild World Fund (WWF), one of the world's biggest independent nature conservation organizations uniting more than 5 million permanent supporters and engaged in broad-based activities in more than 100 countries. Partnership with WWF allows corporate members of the club to be fully involved in WWF nature conservation work, and to provide financial support to the Fund's projects. PSB and WWF have entered a cooperation agreement, in accordance with which PSB now collects contributions to the Fund.

As part of its credit risk management efforts, PSB has been assessing environmental risks associated with operations of its clients. In accordance with EBRD recommendations, the Bank adopted corporate borrower environmental compliance assessment standards. The Bank has an environmental protection policy and the necessary environmental risk management procedures in place. We are particularly vigilant with regard to borrowers operating in sectors with high- and critical level environmental risk. In addition, PSB monitors its loan portfolio structure for environmental risk.

## SHARE Saint-Petersburg {1910}

**Contents:**  
*Ten RUB 250 shares  
of Saint-Petersburg  
International  
Commercial Bank.*

When applying for a loan, borrowers submit a questionnaire providing information necessary for the assessment of borrower primary environmental risk. If a high level of environmental risk is established, the Bank requests more detailed information about potential environmental risks, as well as environmental certificates and permits. Key parameters for borrower environmental risk assessment are: sector of operations, nature of business, purposes of the loan and type of collateral.

At the stage of application review, our credit staff assesses borrower environmental risks. Information about any environmental risks of the borrower is included in the credit opinion to be submitted to the relevant authority.

PSB Credit Risk Assessment Department drafts an annual environmental report under the EBRD lending program. The report contains analysis of environmental risks associated with our loan portfolio, including loans to small and medium enterprises participating in the program.

# I BONDS



Saint-Petersburg,  
{1917}

Content:  
5% Bond RUB 50.

THE END OF THE 19TH CENTURY IN RUSSIA WAS MARKED BY INTENSIVE CONSTRUCTION OF RAILROADS AND DEVELOPMENT OF INDUSTRY, WHICH LED TO THE EMERGENCE OF THE GOVERNMENT SECURITIES MARKET. THE FIRST GOVERNMENT BOND WAS ISSUED IN THE BEGINNING OF THE 20TH CENTURY AS PART OF THE BROADSCALE GOVERNMENT BORROWING CAMPAIGN.

{ \* After the February Revolution, the State Bank activities developed in line with the overall economic policy of the Interim Government. The latter was essentially a continuation of the tsarist administration policy aimed at financing of the war through money issuance and domestic borrowings. During the Interim Government's seven months in office, the State Bank's right to issue was expanded five times, bringing the total issuance volume to RUB 10 billion.



**74** FINANCIAL  
STATEMENTS

# FINANCIAL STATEMENTS



## ZAO KPMG

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## INDEPENDENT AUDITORS' REPORT

### TO THE COUNCIL OF OAO "PROMSVYAZBANK"

We have audited the consolidated financial statements of OAO "Promsvyazbank" and its subsidiaries (the "Group") as at and for the year ended 31 December 2009, from which the accompanying summarized consolidated financial information was derived, in accordance with International Standards on Auditing. In our report dated 14 April 2010 we expressed an unqualified opinion on the consolidated financial statements from which this summarised consolidated financial information was derived.

In our opinion, the summarised consolidated financial information is consistent, in all material respects, with the consolidated financial statements from which it was derived.

For a better understanding of the Group's consolidated financial position as at 31 December 2009 and its consolidated financial performance and its consolidated cash flows for the year then ended and the scope of our audit, the summarised consolidated financial information should be read in conjunction with the consolidated financial statements from which the summarised consolidated financial information was derived, and our audit report thereon.

ЗАО КРМГ

**ZAO KPMG**  
14 April 2010

*ZAO KPMG, a company incorporated under the Laws of the Russian Federation and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.*

**PROMSVYAZBANK CONSOLIDATED STATEMENT  
OF FINANCIAL POSITION AS ON 31 DECEMBER 2009  
(EXPRESSED IN THOUSANDS OF RUSSIAN ROUBLES)**

ASSETS	2009	2008
CASH AND CASH EQUIVALENTS	108 322 648	105 723 210
OBLIGATORY RESERVES WITH CENTRAL BANKS	3 149 729	992 510
PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS	5 075 800	2 426 852
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	41 751 838	14 408 817
/ Unpledged	41 688 033	13 524 941
/ Pledged under sale and repurchase agreements	63 805	883 876
AMOUNTS RECEIVABLE UNDER REVERSE REPURCHASE AGREEMENTS	10 080 301	4 574 084
LOANS TO CUSTOMERS	266 421 579	300 413 049
INVESTMENTS AVAILABLE FOR SALE	35 083	158 714
INVESTMENTS HELD TO MATURITY	7 204 938	8 880 051
ASSETS HELD FOR SALE	2 600 001	–
OTHER ASSETS	2 100 315	1 517 540
CURRENT INCOME TAX PREPAYMENTS	660 877	1 292 982
DEFERRED TAX ASSET	600 326	–
PROPERTY AND EQUIPMENT	23 207 942	21 413 219
<b>TOTAL ASSETS</b>	<b>471 211 377</b>	<b>461 801 028</b>
<b>LIABILITIES</b>		
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	1 252 225	614 859
DEPOSITS AND BALANCES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS	64 780 390	111 275 357
AMOUNTS PAYABLE UNDER REPURCHASE AGREEMENTS	60 697	855 837
CURRENT ACCOUNTS AND DEPOSITS FROM CUSTOMERS	289 548 839	229 610 958
OWN SECURITIES ISSUED	43 654 712	39 368 440
OTHER BORROWED FUNDS	13 819 410	24 010 262
OTHER LIABILITIES	1 800 988	2 672 979
CURRENT INCOME TAX PAYABLE	27 341	48 002
DEFERRED TAX LIABILITY	313 033	776 151
SUBORDINATED BORROWINGS	17 748 361	12 593 599
<b>TOTAL LIABILITIES</b>	<b>433 005 996</b>	<b>421 826 444</b>
<b>EQUITY</b>		
SHARE CAPITAL	10 062 544	10 062 544
SHARE PREMIUM	13 319 695	13 319 695
ADDITIONAL PAID-IN-CAPITAL	1 056 102	1 167 515
REVALUATION RESERVE FOR PROPERTY AND EQUIPMENT	2 353 907	3 192 346
REVALUATION RESERVE FOR INVESTMENTS AVAILABLE FOR SALE	160	(66 641)
RETAINED EARNINGS	11 147 632	11 773 411
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	<b>37 940 040</b>	<b>39 448 870</b>
<b>MINORITY INTEREST</b>	<b>265 341</b>	<b>525 714</b>
<b>TOTAL EQUITY</b>	<b>38 205 381</b>	<b>39 974 584</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>471 211 377</b>	<b>461 801 028</b>

Approved by the Management Board on 14 April 2010.

LEVKOVSKIY A.A.  
President



Volchenko A.U.  
Senior Vice-president, CFO

The summarised consolidated financial information should be read in conjunction with the consolidated financial statements from which it was derived.

**PROMSVYAZBANK**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED ON 31 DECEMBER 2009**

	2009	2008
INTEREST INCOME	54 599 926	42 781 988
INTEREST EXPENSE	(28 998 318)	(20 812 220)
<b>NET INTEREST INCOME</b>	<b>25 601 608</b>	<b>21 969 768</b>
FEE AND COMMISSION INCOME	7 012 078	5 780 146
FEE AND COMMISSION EXPENSE	(1 406 846)	(1 055 809)
<b>NET FEE AND COMMISSION INCOME</b>	<b>5 605 232</b>	<b>4 724 337</b>
NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND GAIN ON EARLY REDEMPTION OF SENIOR LOAN PARTICIPATION NOTES	1 114 182	(1 842 840)
NET FOREIGN EXCHANGE GAIN	375 892	2 142 569
NET LOSS ON SALE OF MINORITY INTEREST OF SUBSIDIARIES	–	(21 942)
NET GAIN ON PURCHASE OF INTEREST OF SUBSIDIARIES	149 023	456 625
INCOME ON EARLY REDEMPTION OF OTHER FINANCIAL LIABILITIES	127 358	177 098
OTHER INCOME	1 096 694	643 805
<b>OPERATING INCOME</b>	<b>34 069 989</b>	<b>28 249 420</b>
LOAN IMPAIRMENT CHARGE	(20 841 815)	(13 245 407)
OTHER IMPAIRMENT CHARGE	(93 531)	(20 754)
LOSS ON REVALUATION OF FIXED ASSETS	(457 918)	(456 100)
ADMINISTRATIVE EXPENSES	(12 928 022)	(11 952 858)
GENERAL EXPENSES	(374 308)	(431 997)
	(34 695 594)	(26 107 116)
<b>(LOSS)/PROFIT BEFORE TAX</b>	<b>(625 605)</b>	<b>2 142 304</b>
INCOME TAX EXPENSE	(248)	(580 649)
<b>(LOSS)/PROFIT AFTER TAX</b>	<b>(625 853)</b>	<b>1 561 655</b>
<b>(LOSS)/PROFIT ATTRIBUTABLE TO:</b>		
SHAREHOLDERS OF THE PARENT	(625 853)	1 561 655
MINORITY INTEREST	–	–

The summarised consolidated financial information should be read in conjunction with the consolidated financial statements from which it was derived.

**PROMSVYAZBANK CONSOLIDATED STATEMENT  
OF COMPREHENSIVE INCOME FOR THE YEAR ENDED ON 31 DECEMBER 2009  
(EXPRESSED IN THOUSANDS OF RUSSIAN ROUBLES)**

	2009	2008
(Loss)/PROFIT AFTER TAX	(625 853)	1 561 655
<b>OTHER COMPREHENSIVE INCOME</b>		
REVALUATION OF PROPERTY AND EQUIPMENT, NET OF DEFERRED TAX	(820 024)	796 649
REVALUATION OF INVESTMENTS AVAILABLE FOR SALE, NET OF DEFERRED TAX	66 801	(66 641)
DISPOSAL OF PROPERTY AND EQUIPMENT, NET OF DEFERRED TAX	–	(76 885)
EFFECT OF CHANGE IN INCOME TAX RATES	–	120 048
<b>OTHER COMPREHENSIVE (LOSS)/INCOME, NET OF TAX</b>	<b>(753 223)</b>	<b>773 171</b>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME</b>	<b>(1 379 076)</b>	<b>2 334 826</b>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:</b>		
SHAREHOLDERS OF THE PARENT	(1 386 139)	2 329 602
MINORITY INTEREST	7 063	5 224

*The summarised consolidated financial information should be read in conjunction with the consolidated financial statements from which it was derived.*

**PROMSVYAZBANK CONSOLIDATED STATEMENT  
OF CASH FLOWS FOR THE YEAR ENDED ON 31 DECEMBER 2009  
(EXPRESSED IN THOUSANDS OF RUSSIAN ROUBLES)**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2009</b>	<b>2008</b>
INTEREST AND FEE AND COMMISSION RECEIPTS	51 387 452	46 337 270
INTEREST AND FEE AND COMMISSION PAYMENTS	(30 680 957)	(19 337 376)
NET RECEIPTS/(PAYMENTS) FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	386 230	(840 816)
NET (PAYMENTS)/RECEIPTS FROM FOREIGN EXCHANGE TRANSACTIONS	(246 298)	861 540
OTHER INCOME RECEIVED	1 008 358	800 112
GENERAL AND ADMINISTRATIVE EXPENSES PAID	(12 636 205)	(11 413 160)
	9 218 580	16 407 570
<b>(INCREASE)/DECREASE IN OPERATING ASSETS</b>		
OBLIGATORY RESERVES WITH CENTRAL BANKS	(2 157 588)	2 450 860
PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS	(2 688 024)	(3 162 995)
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	(27 635 262)	3 922 129
AMOUNTS RECEIVABLE UNDER REVERSE REPURCHASE AGREEMENTS	(5 504 956)	(1 294 669)
LOANS TO CUSTOMERS	31 858 934	(65 571 667)
OTHER ASSETS	(147 960)	(93 537)
<b>INCREASE/(DECREASE) IN OPERATING LIABILITIES</b>		
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	358 461	–
DEPOSITS AND BALANCES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS	(50 920 850)	50 864 167
AMOUNTS PAYABLE UNDER REPURCHASE AGREEMENTS	(792 440)	(1 320 304)
CURRENT ACCOUNTS AND DEPOSITS FROM CUSTOMERS	57 040 884	65 395 352
PROMISSORY NOTES AND CERTIFICATES OF DEPOSIT	8 617 354	(11 134 034)
OTHER LIABILITIES	(58 136)	232 858
<b>NET CASH FROM OPERATING ACTIVITIES BEFORE TAXES PAID</b>	<b>17 188 997</b>	<b>56 695 730</b>
TAXES PAID	(261 880)	(2 249 633)
<b>CASH FLOWS FROM OPERATIONS</b>	<b>16 927 117</b>	<b>54 446 097</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
DISPOSAL OF SUBSIDIARIES	–	12 976
ACQUISITION OF SUBSIDIARIES	(624 038)	3 799 193
DISPOSAL OF INVESTMENTS AVAILABLE FOR SALE	239 086	5 560
PURCHASES OF INVESTMENTS AVAILABLE FOR SALE	(31 845)	(59 804)
PURCHASES OF INVESTMENTS HELD TO MATURITY	(1 490 779)	(1 884 722)
REDEMPTION OF INVESTMENTS HELD TO MATURITY	2 951 181	–
PURCHASES OF PROPERTY AND EQUIPMENT	(4 349 348)	(7 896 050)
DISPOSALS OF PROPERTY AND EQUIPMENT	57 974	72 481
PURCHASES OF ASSETS HELD FOR SALE	(2 600 001)	–
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(5 847 770)</b>	<b>(5 950 366)</b>

CASH FLOWS FROM FINANCING ACTIVITIES	2009	2008
PROCEEDS FROM ISSUANCE OF SENIOR LOAN PARTICIPATION NOTES AND DOMESTIC BONDS	10 494 962	9 039 065
REPAYMENT OF SENIOR LOAN PARTICIPATION NOTES AND DOMESTIC BONDS	(15 179 518)	–
REPAYMENT OF OTHER BORROWED FUNDS	(15 514 855)	(13 807 539)
PROCEEDS FROM OTHER BORROWED FUNDS	3 592 575	12 977 111
REPAYMENT OF SUBORDINATED BORROWINGS	(1 217 756)	–
PROCEEDS FROM SUBORDINATED BORROWINGS	5 775 020	1 010 760
PROCEEDS FROM ISSUANCE OF SHARE CAPITAL	–	6 370 000
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	(12 049 572)	15 589 397
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(970 225)	64 085 128
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	3 569 663	3 549 739
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	105 723 210	38 088 343
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	108 322 648	105 723 210

The summarised consolidated financial information should be read in conjunction with the consolidated financial statements from which it was derived.

**PROMSVYAZBANK CONSOLIDATED STATEMENT  
OF CHANGES IN EQUITY FOR THE YEAR ENDED ON 31 DECEMBER 2009  
(EXPRESSED IN THOUSANDS OF RUSSIAN ROUBLES)**

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		
	SHARE CAPITAL	SHARE PREMIUM	ADDITIONAL PAID IN CAPITAL
BALANCE ON 1 JANUARY 2008	7 468 794	7 613 445	30 496
<b>TOTAL COMPREHENSIVE INCOME</b>			
PROFIT AFTER TAX	-	-	-
<b>OTHER COMPREHENSIVE INCOME</b>			
REVALUATION OF PROPERTY AND EQUIPMENT, NET OF DEFERRED TAX OF RUB 199 162 THOUSAND	-	-	-
DISPOSAL OF PROPERTY AND EQUIPMENT, NET OF DEFERRED TAX OF RUB 24 280 THOUSAND	-	-	-
REVALUATION OF INVESTMENTS AVAILABLE FOR SALE, NET OF DEFERRED TAX OF RUB 16 660 THOUSAND	-	-	-
EFFECT OF CHANGE IN INCOME TAX RATES	-	-	-
TOTAL OTHER COMPREHENSIVE INCOME	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED ON 31 DECEMBER 2008</b>	-	-	-
SHARE ISSUE	2 593 750	5 706 250	-
ACQUISITION OF SUBSIDIARIES	-	-	1 085 596
DISPOSAL OF SUBSIDIARIES	-	-	51 423
<b>BALANCE ON 31 DECEMBER 2008</b>	<b>10 062 544</b>	<b>13 319 695</b>	<b>1 167 515</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>			
LOSS AFTER TAX	-	-	-
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
REVALUATION OF PROPERTY AND EQUIPMENT, NET OF DEFERRED TAX OF RUB 205 006 THOUSAND	-	-	-
REVALUATION OF INVESTMENTS AVAILABLE FOR SALE, NET OF DEFERRED TAX OF RUB 16 702 THOUSAND	-	-	-
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)	-	-	-
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ENDED ON 31 DECEMBER 2009</b>	-	-	-
ACQUISITION OF SUBSIDIARY	-	-	-
PURCHASE OF MINORITY INTEREST OF SUBSIDIARIES	-	-	-
SALE OF MINORITY INTEREST OF SUBSIDIARY	-	-	(111 413)
<b>BALANCE ON 31 DECEMBER 2009</b>	<b>10 062 544</b>	<b>13 319 695</b>	<b>1 056 102</b>

ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					
REVALUATION RESERVE FOR PROPERTY AND EQUIPMENT	REVALUATION RESERVE FOR INVESTMENTS, AVAILABLE FOR SALE	RETAINED-EARNINGS	TOTAL	MINORITY INTEREST	TOTAL EQUITY
2 357 758	–	10 211 756	27 682 249	–	27 682 249
–	–	1 561 655	1 561 655	–	1 561 655
791 425	–	–	791 425	5 224	796 649
(76 885)	–	–	(76 885)	–	(76 885)
–	(66 641)	–	(66 641)	–	(66 641)
120 048	–	–	120 048	–	120 048
834 588	(66 641)	–	767 947	5 224	773 171
834 588	(66 641)	1 561 655	2 329 602	5 224	2 334 826
–	–	–	8 300 000	–	8 300 000
–	–	–	1 085 596	520 490	1 606 086
–	–	–	51 423	–	51 423
3 192 346	(66 641)	11 773 411	39 448 870	525 714	39 974 584
–	–	(625 853)	(625 853)	–	(625 853)
(827 087)	–	–	(827 087)	7 063	(820 024)
–	66 801	–	66 801	–	66 801
(827 087)	66 801	–	(760 286)	7 063	(753 223)
(827 087)	66 801	(625 853)	(1 386 139)	7 063	(1 379 076)
–	–	(8 253)	(8 253)	–	(8 253)
–	–	–	–	(390 792)	(390 792)
(11 352)	–	8 327	(114 438)	123 356	8 918
2 353 907	160	11 147 632	37 940 040	265 341	38 205 381

The summarised consolidated financial information should be read in conjunction with the consolidated financial statements from which it was derived.

# I BANK CARD



Moscow,  
{2009}

Contents:  
International payment  
cards.

THE 20TH CENTURY SCIENTIFIC AND TECHNICAL PROGRESS FACILITATED THE EMERGENCE OF NEW TYPES OF FINANCIAL DOCUMENTS AND PROCESSES: ELECTRONIC MEDIA, ELECTRONIC DOCUMENT AND ELECTRONIC MONEY. THE BANK CARD IS A FORM OF ELECTRONIC FINANCIAL DOCUMENTS.



\* Globalization and development of technologies, including those allowing to accelerate massive data transfers and ensuring its protection, led to the emergence of international payment systems.

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**84** REFERENCE  
INFORMATION

**87** CONTACTS

# REFERENCE INFORMATION

## PSB LICENSES AND PARTICIPATION IN TRADE ASSOCIATIONS

### PSB LICENSES AS ON 31 DECEMBER 2009:

- ◆ General License for Banking Operations # 3251; date of issue: 28 September 2007; issuing authority: Bank of Russia; perpetual.
- ◆ License of a Professional Securities Market Participant for Broker Operations # 177-03816-100000; date of issue: 13 December 2000; issuing authority: Federal Securities Market Commission; perpetual.
- ◆ License of a Professional Securities Market Participant for Dealer Operations # 177-03876-010000; date of issue: 13 December 2000; issuing authority: Federal Securities Market Commission; perpetual.
- ◆ License of a Professional Securities Market Participant for Securities Management # 177-03918-001000; date of issue: 13 December 2000; issuing authority: Federal Securities Market Commission; perpetual.
- ◆ License of a Professional Securities Market Participant for Depository Operations # 177-03960-000100; date of issue: 15 December 2000; issuing authority: Federal Securities Market Commission; perpetual.
- ◆ General License for Export of Fine Gold in Minted Bars (License LG0091000200144 issued by the Russian Federation Ministry for Industry and Trade on 29 March 2010, for the period until 28 February 2011).
- ◆ License for Banking Operations: Precious Metal Deposits and Investments # 3251; date of issue: 28 September 2009; issuing authority the Bank of Russia; perpetual.
- ◆ License of Exchange Intermediary Dealing in Commodity Futures and Options in Exchange Trading # 1478; date of issue: 26 November 2009; issuing authority: Federal Service for Securities Markets; perpetual.
- ◆ License for Operations with the Use of Information Classified as State Secret # 12359; date of issue: 18 June 2008; issuing authority: Russian Federal Security Service Moscow and Moscow Region Directorate; validity: 29 April 2013.
- ◆ License for Technical Maintenance of Encoding (Cryptographic) Devices # 6176H; date of issue: 6 October 2008; issuing authority: Russian Federal Security Service Center for State Secret Licensing, Certification and Protection; validity: 21 March 2013.
- ◆ License for Distribution of Encoding (Cryptographic) Devices # N 6177R; date of issue: 6 October 2008; issuing authority: Russian Federal Security Service Center for State Secret Licensing, Certification and Protection; validity: 21 March 2013.
- ◆ License for Information Encoding (Encryption) # 6178U; date of issue: 6 October 2008; issuing authority: Russian Federal Security Service Center for State Secret Licensing, Certification and Protection; validity: 21 March 2013.
- ◆ Certificate of PSB Inclusion in the Register of Banks Participating in the Mandatory deposit Insurance System # 78; date of entry: 14 October 2004; issuing authority: State Corporation Deposit Insurance Agency; perpetual.

**PSB PARTICIPATION IN PROFESSIONAL ASSOCIATIONS  
AS ON 31 DECEMBER 2009:**

**PSB participation in alliances, not-for-profit partnerships and other professional associations:**

- ◆ Moscow Interbank Currency Exchange (MICEX)
- ◆ National Securities Market Association (NSMA)
- ◆ Deposit Insurance System (DIS)
- ◆ Professional Association of Registrars, Transfer Agents and Depositories (PARTAD)
- ◆ National Foreign Exchange Association (NFEA)
- ◆ Moscow International Currency Association (MICA)
- ◆ Russian National SWIFT Association (ROSS-WIFT)
- ◆ Association of Russian Banks (ARB)
- ◆ Association of Russian Regional Banks (Russia Association)
- ◆ Association of Northwestern Banks (ANWB)
- ◆ Not-for-Profit Partnership Telecommunications Forum
- ◆ Russian Europay Association
- ◆ Visa International
- ◆ MasterCard Worldwide
- ◆ SBERCARD Russian Payment System
- ◆ Not-for-Profit Partnership RTS Stock Exchange
- ◆ International Factoring Association Factors Chain International (FCI)
- ◆ Not-for-Profit Partnership Professional Institute for Stock Instrument Issuance and Trading
- ◆ International Forfeiting Association (IFA)
- ◆ Franchising Association
- ◆ Western Union and Anelik Money Transfer Systems
- ◆ Reuters Dealing 3000
- ◆ Electronic Trading System (ETS)
- ◆ Not-for-Profit Partnership Union of Investor Relation Professionals
- ◆ PSB Banking Group

**Chamber of Commerce and Industry Membership:**

- ◆ Altai Chamber of Commerce and Industry
- ◆ Balashikha Chamber of Commerce and Industry
- ◆ Belgorod Chamber of Commerce and Industry
- ◆ Bryansk Chamber of Commerce and Industry
- ◆ Kolomna Chamber of Commerce and Industry
- ◆ Lipetsk Chamber of Commerce and Industry
- ◆ Novorossiysk Chamber of Commerce and Industry
- ◆ Omsk Chamber of Commerce and Industry
- ◆ Penza Chamber of Commerce and Industry
- ◆ Ryazan Chamber of Commerce and Industry
- ◆ Solnechnogorsk Chamber of Commerce and Industry
- ◆ Tambov Chamber of Commerce and Industry
- ◆ Voronezh Region Chamber of Commerce and Industry
- ◆ Nizhny Novgorod region Chamber of Commerce and Industry
- ◆ Samara Region Chamber of Commerce and Industry
- ◆ Saratov Region Chamber of Commerce and Industry
- ◆ Republic of Bashkortostan Chamber of Commerce and Industry
- ◆ Tula Chamber of Commerce and Industry
- ◆ Udmurtia Chamber of Commerce and Industry
- ◆ Khimki Chamber of Commerce and Industry
- ◆ Central Siberia Chamber of Commerce and Industry
- ◆ South Urals Chamber of Commerce and Industry
- ◆ Yaroslavl Region Chamber of Commerce and Industry

PSB acts as an authorized bank for the City of Moscow Government and the Federal Customs Service.

## STANDARD SETTLEMENTS INSTRUCTION

### US DOLLARS (USD)

DEUTSCHE BANK TRUST COMPANY  
AMERICAS,  
New York, NY, USA  
SWIFT: BKTR US 33  
Account No. 04410090

JP MORGAN CHASE BANK, NEW YORK  
New York, NY, USA  
SWIFT: CHAS US 33  
Account No. 400942143

STANDARD CHARTERED BANK  
One Madison Avenue  
New York, N.Y. 10010-3603, USA  
SWIFT: SCBL US 33  
Account No. 3582021663001

THE BANK OF NEW YORK MELLON  
One Wall Street, New York, NY  
10286, USA  
SWIFT: IRVTUS3N  
Account No. 890-0536-209

### AUSTRALIAN DOLLARS (AUD)

COMMONWEALTH BANK OF AUSTRALIA  
48 Martin Place,  
Sydney NSW 2000 Australia  
SWIFT: CTBAAU2S  
Account No. 100086501AUD112601

### CANADIAN DOLLARS (CAD)

BANK OF MONTREAL  
Toronto Operations Centre,  
234 Simcoe Street,  
3rd Floor, Toronto, Ontario,  
Canada, M5T 1T4  
SWIFT: BOFMCAM2  
Account No. 3144-1028115

### EURO (EUR)

DEUTSCHE BANK AG  
Taunusanlage 12, 60325 Frankfurt/  
Main Germany  
SWIFT: DEUT DE FF  
Account No. 10094751040000

COMMERZBANK AG  
Kaiserplatz, 60261 Frankfurt/  
Main, Germany  
SWIFT: COBADEFF  
Account No. 400887181600

### POUNDS STERLING (GBP)

NATIONAL WESTMINSTER BANK PLC  
41 Lothbury, London, EC2P 2BP,  
United Kingdom  
SWIFT: NWBK GB 2L  
Account No. 4400004598512

LLOYDS BANK TSB PLC  
25 Gresham Street, London,  
EC2V 7HN, United Kingdom  
SWIFT: LOYDGB2L  
Account No. 01023412

### SWEDISH KRONA (SEK)

SVENSKA HANDELSBANKEN  
Kungstradgardsgatan 2, 106 70 Stock-  
holm, Sweden  
SWIFT: HAND SE SS  
Account No. 40308049

### NORWEGIAN KRONER (NOK)

SVENSKA HANDELSBANKEN  
Radhusgt. 27, N-0113 Oslo, Norway  
SWIFT: HAND NO KK  
Account No. 83960203340

### DANISH KRONE (DKK)

DEN DANSKE BANK  
2-12 Holmens Kanal DK-1092 Copenha-  
gen K, Denmark  
SWIFT: DABA DK KK  
Account No. 3996067440

### SWISS FRANCS (CHF)

CREDIT SWISS FIRST BOSTON  
Uetlibergstrasse 231 PO Box 900  
CH-8070 Zuerich, Switzerland  
SWIFT: CRES CH ZZ 80A  
Account No. 0835141959310

### JAPANESE YEN (JPY)

THE BANK OF TOKYO-MITSUBISHI, LTD  
1-3-2 Nihomabashi-Hongokucho  
Chuo-ku, Tokyo 103-0021, Japan  
SWIFT: BOTK JP JT  
Account No. 6530445622

### ARMENIAN DRAMS (AMD)

CJSC CONVERS BANK  
26, Vazgen Sarkisian St.,  
Yerevan, 375010,  
Republic of Armenia  
SWIFT: COVB AM 22  
Account No. 1930000393730100

### BYELORUSSIAN ROUBLES (BYR)

OJSC BPS-BANK  
6, Lunacharsky Boulevard,  
Minsk, Belarus  
SWIFT: BPSB BY 2X MFO 153001369  
Account No. 1702581760012,  
UNN 101453535

### KYRGYZIAN SOMS (KGS)

BTA BANK CJSC  
118, Moskovskaya str, Bishkek,  
720001, Kyrgyz Republic  
SWIFT: EIMBKG22  
Account No. 1190015000001201

### KAZAKH TENGE (KZT)

OJSC KAZKOMMERZBANK  
135 Zh, Gagarin St., Almaty,  
480060, Republic of Kazakhstan  
SWIFT: KZKO KZ KX MFO 190501926  
corr/acc: 900161126  
PNN OJSC Promsvyazbank  
600400123644  
Account No. 000169906

### UKRAINIAN HRYVNA (UAH)

VAB BANK  
5, Zoologicheskaya St., Kiev, Ukraine  
SWIFT: VABA UA UK MFO 380537  
Account No. 160042001849/980

### UZBEK SUMS (UZS)

JSCB ASIA-INVEST-BANK  
11/2, 1st Kazachiy Per., Moscow, 109017  
corr.acc. in Uzbek Sums in NB FA UZ №  
2100200080000450035 MFO 00450  
SWIFT: NBFA UZ 2X  
SWIFT: ASIJ RU MM  
Account No. 30109860000000000028

### ESTONIAN KRONE (EEK)

AS SEB PANK  
Tornimae 2, 15010 Tallinn, Estonia  
SWIFT: EEUHEE2X  
Account No. 10000003838010

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8 800 555-20-20  
(toll-free within Russia)

**24/7 CLIENT SUPPORT:**

(495) 787-33-33  
8 800 333-03-03  
(toll-free within Russia)

**LEGAL ADDRESS:**

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109052, Russia

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109052, Russia

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ANNUAL REPORT  
**2009**

**{ EVOLUTION OF FINANCIAL DOCUMENTS**

OUR 2009 ANNUAL REPORT CONTAINS ILLUSTRATIONS REFLECTING THE EVOLUTION OF FINANCIAL DOCUMENTS, FROM THE PERIOD OF KIEVAN RUSSIA TO THE 21ST CENTURY.