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 we are 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 strategic 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 you 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**