

# 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

its 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**