

PRESIDENT'S ADDRESS

Dear Shareholders, Partners and Colleagues,

2008 will go down in history mainly as the year of the global financial crisis. As opposed to the 1998 shock, the current crisis is much broader and deeper, while recovery for anyone – a country, a company or an individual – to a large extent depends on the ability to make prompt and right decisions. At the same time, the current turmoil has made it clear once again that long-lasting client relationships based on mutual trust and the spirit of partnership, which PSB has always been relying on in its operations, help us to meet the toughest challenges.

Despite the difficult situation in the fourth quarter, PSB reported positive financial results for the year. Sufficient financial strength helped the Bank to promptly adapt to the changed market environment, while focusing on enhancing risk management and maintaining adequate liquidity. In 2008, PSB total assets increased by 57%, and gross loans grew by 49%. To a large extent, we owe the positive annual financial results to the support of our shareholders: in 2008, PSB Tier 1 capital increased by 46% to RUB 36.8 billion, while total capital (in accordance with the requirements of the Basel Accord) increased by 37% to RUB 49.9 billion. PSB has a strong liquidity position. Timely measures adopted by PSB resulted in the growth of our client base and a significant inflow of corporate and retail

deposits. Our clients consider PSB a trustworthy bank.

Corporate Banking remains our priority segment. In 2009, we need to ensure the growth of corporate funding and increase profitability, while focusing on the fee and commission income. Development of our SME business will also be important in 2009. As for Retail Banking, priority will be given to development of settlement and commission-based products, bank cards, and services to VIP clients. In International Business we will need to maintain business volumes despite a significantly deteriorated market environment.

Maintaining satisfactory liquidity, preserving adequate capitalization and profitability will be our key objectives in 2009. The key emphasis will be on attracting funding. Despite the crisis, we have not stopped lending, and reliable clients still enjoy access to our financing. At the same time, we now pay particular attention to the loan quality and the controls over the level of overdue loans. In 2009, we intend to maintain full-scale business activity while keeping risk at acceptable levels. This will be driven by higher operating efficiency, which, in turn, is impossible to achieve without a critical review of all existing operating procedures and cost

optimization. The quality of customer service is equally important.

In our 14 years of operations in Russia we have gained a vast experience, including working in challenging economic conditions. And if each and every one of us works with the highest possible efficiency and remains optimistic, our joint efforts will help to minimize losses to the

Bank, its shareholders and partners and lay a solid foundation for growth in the years to come.

President and Chairman
of the Management Board
A.A. Levkovskiy