

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and, potentially, with regard to capital adequacy, which were extended to banks in the crisis, are likely to be withdrawn.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.