

# CORPORATE BUSINESS

## *Funding from corporate customers*

Pursuing a conservative strategy in 2010, PSB raised funding at average market rates and only in volumes required to support its lending operations. Aside from macroeconomic conditions, lower deposit interest rates were driven by PSB's improved international credit ratings, together with its entry into the league of Russia's 'Top 10' banks.

2010 saw a significant inflow of corporate term deposits from both longstanding and new customers. PSB's customer base includes Russian blue chip players from the oil, steel, chemical, food, transportation and financial industries. A wide branch network drove a high degree of regional diversification in funding.

PSB's product offering in the corporate segment has traditionally consisted of deposits, minimum account balances, promissory notes and deposit certificates. Due to their convenience (flexibility of key metrics), deposits continued to be in the greatest demand. PSB offers three types of standard deposits: classical deposits, deposits with a partial withdrawal option, top-up deposits.

In addition, PSB offers an array of specialty products, including multi-currency deposits with a conversion feature, deposits with an early withdrawal feature, and others. Importantly, flexibility of deposit agreement templates enables PSB to tailor virtually any product to specific customer needs.

In corporate funding, PSB intends to expand its standard product offering through complex structured deposits linked to stock, commodity and money market indices. Plans for 2011 include further diversification of deposit base, improvement of customer service quality and development of new products meeting specific customer requirements.

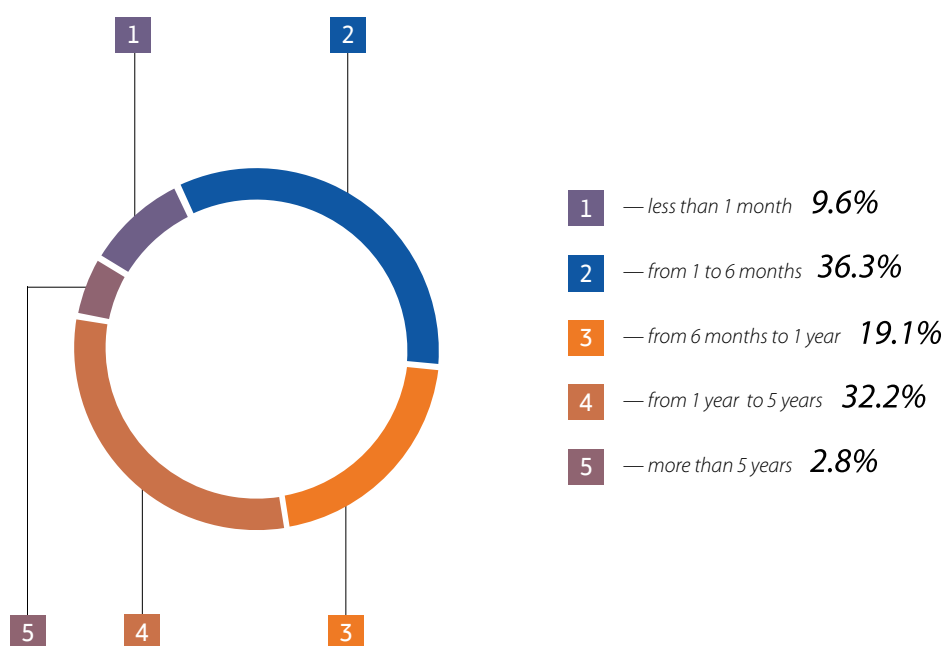
## Corporate lending

The corporate loan portfolio (excluding factoring and international financing) increased by 22.1% year-on-year to RUB224 billion in 2010, significantly outperforming the broader market. The growth was driven by stronger volumes of lending both to existing clients with a positive credit history, and new clients.

During 2010, PSB pursued lending to corporate clients using the full range of its credit products, including loans, credit facilities, overdrafts and signature loans. Key lending criteria included borrowers' financial robustness, credit quality and nature of operating activity. In addition, transparency of ownership and credit history with PSB played an important role in credit decision-making.

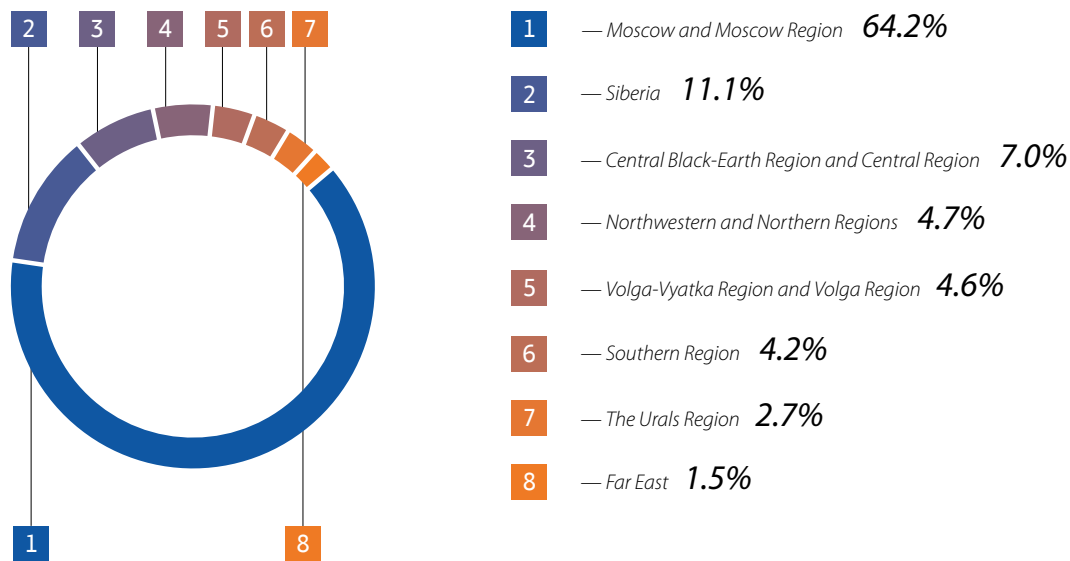
The borrower industry mix adjusted slightly in 2010, on the back of a stronger demand for credit from the infrastructure sector in general and from the energy infrastructure sector in particular. With a 65% share, loans of up to 12 months dominated the loan portfolio maturity profile.

### Corporate Loan Portfolio Maturity Profile



A broad branch network supports PSB's ability to rapidly develop cooperation with regional economic players across Russia.

#### Corporate Loan Portfolio Regional Structure, %



PSB broadened its standard credit product offering in 2010 and introduced a range of overdraft lending instruments that is unique in Russia in terms of product diversity and ability to meet virtually any customer short-term financing needs.

In the area of bank guarantees, PSB offered its customers two new products supplementing the existing offering. In addition to several types of performance bonds, loan repayment, customs, traveling and specialty guarantees, the Bank now also offers customers VAT reimbursement guarantees and performance guarantees under government contracts.

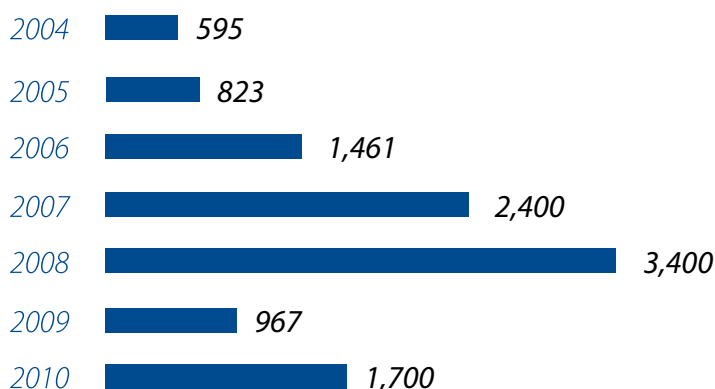
PSB continues to develop and improve its range of hi-tech products, such as cash management. The ability to meet customers' diverse financial needs is a competitive advantage enabling PSB to continuously expand its customer base.

2011 plans include improvement of the corporate lending process, revival of long-term lending programs, the launch of multi-currency credit facilities, and loans secured by cash collection.

## International financing

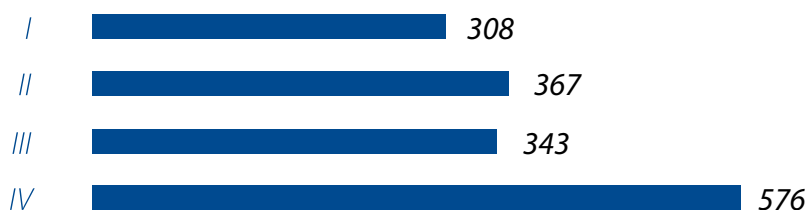
Following a sharp fall a year earlier, Russia's import and export volumes were picking up throughout 2010, driving a strong 76% increase in PSB's international financing transaction volumes to US\$1.7 billion.

### PSB International Financing Transaction Volumes, US\$ millions



On the back of the global economic recovery, international borrowing costs gradually declined in 2010, supporting the attractiveness and relevance of international financing products in the Russian market. PSB's customers purchased merchandise, machinery and equipment under contracts with international suppliers and progressively resumed their investment programs.

### PSB 2010 Trade Finance Volumes, US\$ millions



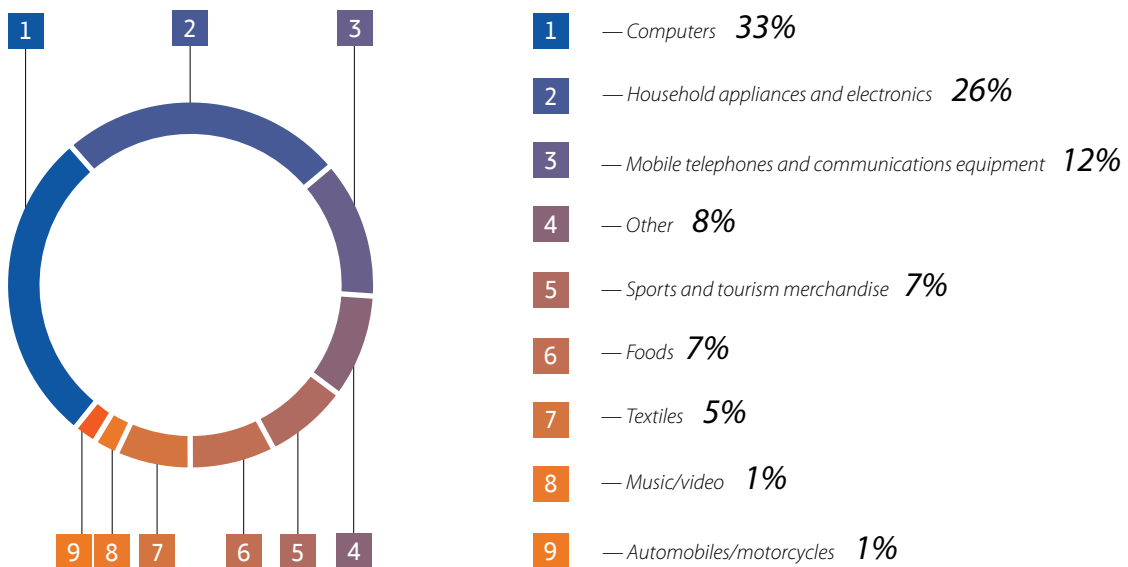
Despite fierce competition, PSB was successful in preserving its market share in letters of credit. According to SWIFT statistics, PSB's share of the total number of letters of credit issued by Russian financial institutions and processed by SWIFT in 2010 was 10.14%.

PSB continued to dynamically develop its partner relationships with international organizations. In 2010, the bank became a partner bank to Hyundai Motor CIS. On the back of an increase of the trade finance limit from the Export-Import Bank of Korea from US\$70 million to US\$100 million in 2010, a wide-scale lending program for the company's official dealers in Russia was launched. Within this limit PSB was also able to successfully finance its clients purchasing South Korean equipment, household appliances and electronics.

### Customer Industry Mix

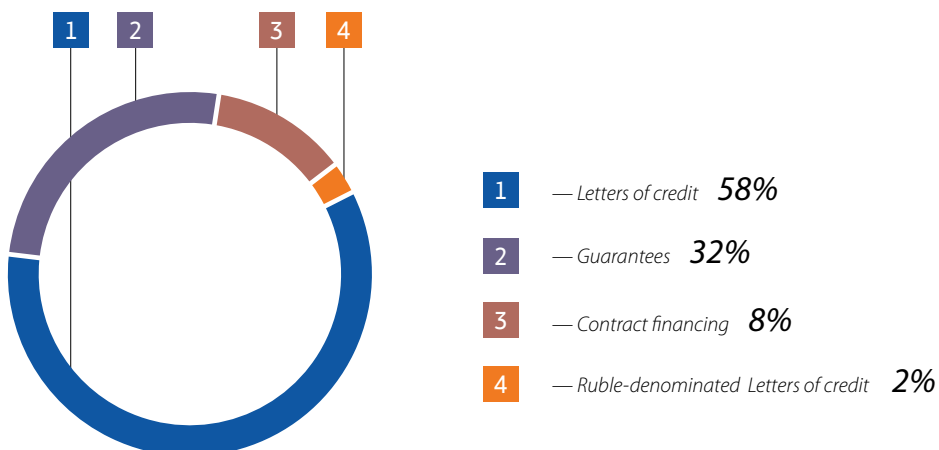
Trade finance instruments are polyvalent and may be used to finance purchases of mass-market consumer goods and raw materials, as well as machinery and high-tech equipment. PSB's broad international financing customer base includes blue chips in the wholesale and retail trade, machine building, metals, chemical, petrochemical, food industries, etc. At the same time, with a 79% share, wholesale and retail trade accounts for the bulk of the Bank's trade finance volumes.

### Trade Finance Industry Mix



PSB's broad product range in trade finance includes traditional documentary letters of credit with financing and guarantees, as well as innovative products, such as ruble-denominated letters of credit with post-financing and trade credits. Consequently, PSB's customers in 2010 enjoyed access to financing both for the purposes of settlements with foreign suppliers, and purchases from Russia-based subsidiaries of foreign manufacturers.

















### Trade Finance Transactions, by Instrument



Letters of credit have been traditionally the most widely used trade finance instruments. Serving market leaders and — in some specific sectors — the majority of market leaders under trade finance agreements, PSB finances deliveries of mobile phones, household appliances and office electronics, IT equipment, sportswear, feedstock for the chemical and foods industries, etc.

In 2010, PSB carried out its milestone trade finance transactions, including issuance of €37 million and US\$40 million letters of credit in March and June, respectively, and a US\$42 million guarantee in December. All of the above transactions were designed to finance deliveries of pipe products into Russia.

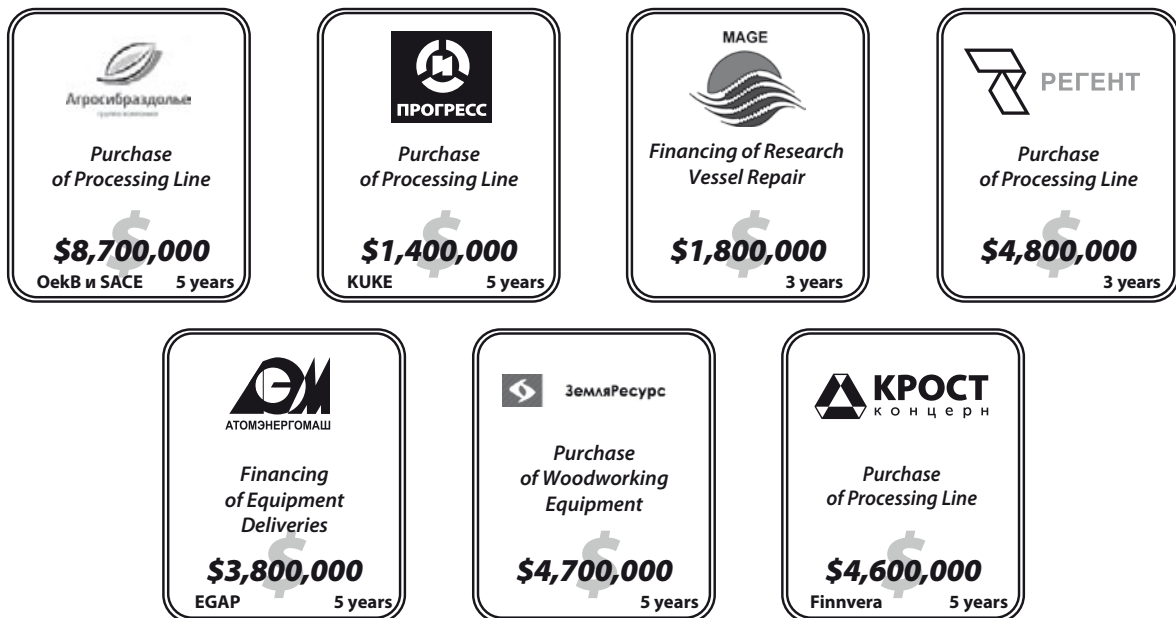
Another major transaction involved a €23 million letter of credit issued in order to finance delivery into Russia of gas turbine equipment for a new thermal power plant.

 Financing of Fruit Deliveries <b>\$28,000,000</b>	 Financing of IT Equipment Deliveries <b>\$45,500,000</b>	 Financing of Foodstuffs Deliveries <b>\$16,500,000</b>	 Financing of Mobile Phone Deliveries <b>\$36,000,000</b>
 Financing of Perfume goods Purchases <b>\$25,000,000</b>	 Financing of Mobile Phone Deliveries <b>\$35,000,000</b>	 Financing of IT Equipment Deliveries <b>\$59,000,000</b>	 Paper and Raw materials for Stretch-cover Production Financing <b>\$32,000,000</b>
 Financing of PET — Granulate Deliveries <b>\$21,000,000</b>	 Pre-export Financing of Oil Products Deliveries <b>\$15,000,000</b>	 Financing of Telecommunication Production Deliveries <b>\$14,000,000</b>	 Financing of Raw Sugar Deliveries <b>\$14,000,000</b>
 Financing of Household and Office Appliance Deliveries <b>\$121,000,000</b>	 Financing of Building Technology Deliveries <b>\$13,500,000</b>	 Financing of Sportswear and Sports Goods Deliveries <b>\$45,500,000</b>	 Financing of IT Equipment Deliveries <b>\$103,000,000</b>

Despite the still modest corporate investment activity in 2010 as compared to pre-crisis levels, PSB arranged long-term financing for a number of its customers (mostly under export credit agency guarantees), enabling them to purchase equipment and complex machinery to upgrade production and expand business. PSB has a track record of cooperation with more than twenty export insurance agencies, and is an accepted counterparty to the majority of European, Asian and American agencies.

Long-term international financing services were used both by established PSB customers well familiar with financing under export agency guarantees, and new customers from the construction, foods, energy, wood-processing and other industries.

### *Selected Long-Term Financing Transactions*



## Factoring

PSB maintained its undisputed leadership in the Russian factoring market in 2010. According to Expert RA, the volume of the factoring market in 1H2010 showed a 17.5% like-for-like increase to RUB200 billion. The Russian Association of Factoring Companies (AFC) estimates the market volume at RUB 484 billion, with a PSB market share of 27% in the same period.

In 2010, PSB's factoring volumes increased 7% year-on-year to RUB130.5 billion. The volume of payments made under factoring arrangements in 2010 reached RUB93.3 billion, reflecting an 11% like-for-like growth. PSB serviced approximately 680,000 deliveries to 2,500 obligors in 2010. As at December 31, 2010, the factoring portfolio stood at RUB29.1 billion (9.2% of the bank's corporate portfolio).

According to Factors Chain International, as at December 31, 2010, PSB's market share in international factoring (two-factor arrangements) was 43%. Import and export factoring transactions accounted for 42% and 76%, respectively. With a 93.8% share, recourse factoring transactions continued to dominate the factoring portfolio.

In 2010, PSB continued to develop its factoring business in Russia's regions. As at December 31, 2010, the branch network accounted for 37% of the Bank's factoring portfolio. The Bank intends to actively develop its cooperation with regional customers going forward. In a number of Russian regions, PSB is the only financial institution offering local companies factoring transactions with financing.

In the course of factoring development in 2010, key focus has been placed on better quality of receivables ceded to PSB. The bank actively sourced factoring customers among manufacturers and suppliers of foods and staple items distributing their merchandise via retail chains under deferred payment arrangements. An important 2010 milestone was a unique PSB offer enabling customers to receive up to 95% of financing under recourse transactions.

In recognition of PSB's contribution to the development of the Russian factoring market, as well as its superior financial results, the Bank received the Factoring Company of the Quinquennium Special Grand-Prix at Russia's annual Financial Elite Award Ceremony.

In 2011, PSB will focus on improvement of internal processes and customer service quality, together with further regional promotion of factoring services and development of new products to meet client requirements, in particular, reverse factoring (recourse and non-recourse).

# SME BUSINESS

In 2010, PSB pursued dynamic development of its SME lending program amid a gradual recovery of the credit market, and accomplished its objective of ramping up SME lending volumes.

PSB offers its customers standard working capital and investment loans, including unsecured overdrafts, as well as specialty products addressing specific customer needs, e.g. equipment, vehicle and specialized machinery acquisitions/renewal. In 2010, the Bank launched a new product designed to finance acquisitions of commercial property. Key advantages of PSB's credit products include rapid decision-making, competitive interest rates, flexible approaches to collateral and the possibility of longer term financing (up to 7 years).

To support SME lending volume growth, PSB has carried out a number of measures as follows: significantly reduced loan interest rates, extended loan maturities, increased maximum loan amounts, launched a loyalty program and organized a series of promotional events. At the same time, PSB continued to pursue a conservative credit policy supporting the quality of its loan portfolio at required levels. The above measures enabled the Bank to build a portfolio of loans to the most reliable customers, attract new customers, contain loan losses at acceptable levels and pursue its growth strategy.

In 2010, PSB entered into cooperation agreements with 11 regional SME support funds and organizations, bringing the total number of such agreements to 26. Under the agreements, the funds guarantee loans issued by PSB to SME customers. As part of such arrangements, PSB issued 353 guaranteed SME loans for the total amount of more than RUB2.6 billion in 2010.

PSB's SME lending program brought results, reaching profitability in 2010, which is the key outcome of the bank's policy in the area. In the period under review, loan issuance and portfolio volume grew in line with the broader market, while the level of problem loans remained at acceptably low levels.

## *SME Lending: 2010 Milestones*

In light of a degree of stabilization in the SME segment, PSB began lifting some of its lending restrictions, making loans more accessible to SME customers. The bank reduced loan interest rates several times during the year, increased the maximum SME loan amount to RUB60 million and extended the longest available maturity to 84 months. Under the Russian Bank for Development SME Financial Support Program, PSB received two tranches of financing in the amount of RUB1.9 billion and resumed promotional lending to SME customers. In addition, PSB carried out the following: launched a loyalty program for returning SME customers; introduced a new credit product «Commercial Property», enabling SME customers to obtain loans for acquisition of commercial property against pledging such property; rolled out the Collateral Fair Program aiming to provide soft loans to finance acquisitions of foreclosed property from PSB, and organized a series of promotional events for both existing and new customers.

## *Volume and Pricing Dynamics*

Loan issuance volume under the SME program increased by 28.1% to RUB26,607 million in 2010, while the number of loan agreements reached 8,604 (+13.9% year-on-year). As at the end of 2010, the loan portfolio had expanded by 18.5% year-on-year, to RUB26.7 billion. The total number of SME borrowers reached 10,000 by the end of 2010, with an average loan amount of RUB3 million (+0.11 million compared to 2009).

### SME Loan Portfolio Evolution, RUB BN

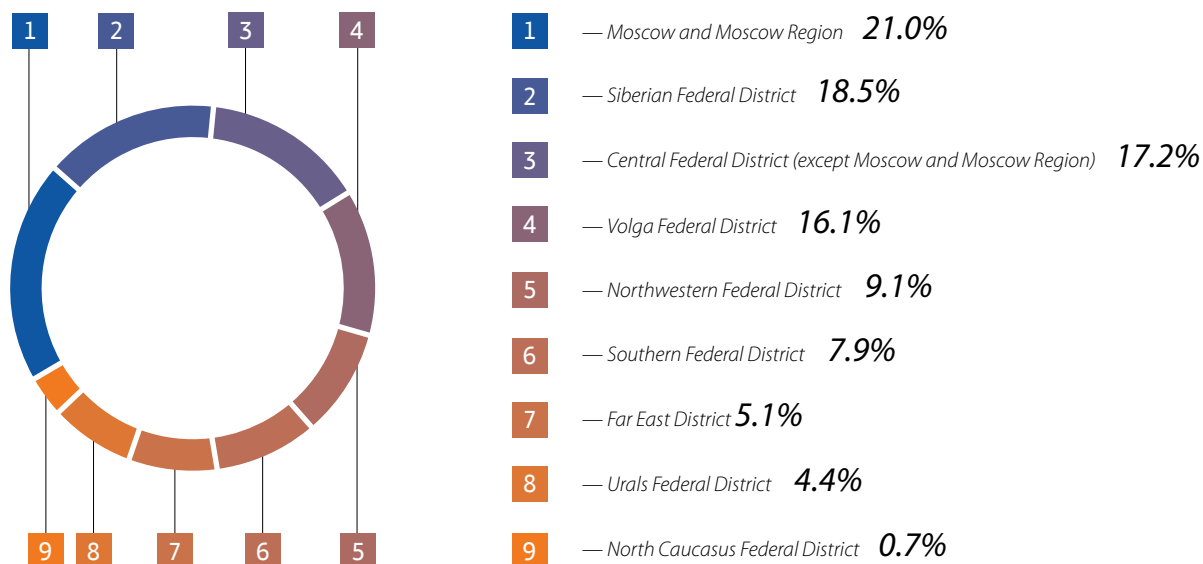
As of:



### Loan Portfolio Regional Breakdown

The share of regional branches in the SME portfolio was 79%, compared to 81% in 2009. The portfolio regional profile remained stable, with a projected gradual growth of the share of regional branches in 2011.

### SME Loan Portfolio Regional Profile, %



### SME Loan Portfolio Maturity Profile

The largest share (47%) in the SME loan portfolio is held by loans of up to 1 year. The share of 1 to 3 years loans accounts for 46%. As in 2009, overdrafts continued to enjoy strong demand, with a 9.1% share. Loans with maturities exceeding 3 years had a 6% share in the SME loan portfolio. Average loan maturity was 1.2 years.

### Liabilities

The range of liability-side products did not change significantly in 2010. PSB's funding rates evolved together with the broader market, with a downward trend in corporate deposit rates. Against this backdrop, funding from SME customers increased by 29.3% to RUB22.1 billion. The share of term deposits and issued promissory notes stood at 10% in 2010.

### SME Deposit Dynamics, RUB BN



### 2011 Objectives

PSB's key objectives in the SME segment for 2011 include development of investment lending, sourcing of new customers, increasing the scope of services to existing customers, and enhancement of SME lending principles to reflect current risks and prospects in the segment. To further enhance customer service efficiency in 2011, PSB intends to simplify small loan issuance procedures and streamline the credit limit-setting process. In addition, the bank intends to offer services to SME customers in 20 new cities, with a view to broadening the geography of its lending operations.

Calculator. Model of 1982.



# RETAIL BUSINESS

## Retail Lending

PSB resumed lending to retail customers in 2010. Following a successful roll-out of pilot consumer lending projects at a number of selected branches, consumer-lending operations were extended to the entire PSB network as of 2H2010. The credit process was revamped completely to support the launch of new lending programs, with a review of borrower assessment rules and borrower data verification procedures, external credit history data process (PSB is now connected to three credit history bureaus), an optimization of loan documentation, etc. In addition, PSB segmented its borrowers, including the loan application review process itself, as well as documentation and financial terms.

The above measures promoted stronger efficiency of the lending process and resulted in shorter loan application review periods, enhanced loan portfolio risk control and lower operating risks and costs.

### *2011 Objectives:*

- Launch mortgage-lending programs targeting both the primary and secondary real estate markets
- Expand the circle of customer groups targeted by special lending terms (e.g., lending to PSB depositors)
- Introduce individual loan solutions (bespoke maturities/rates/programs)
- Develop remote service channels (loan application submission, repayments, etc.)
- Further update the credit card lending process and terms.

## Bankcards

PSB continued developing payroll projects and partner programs in 2010, with the issuance of Visa and MasterCard debit cards and Visa credit cards.

Last year, PSB implemented 2,684 payroll projects, with the total number of payroll cards up 12% year-on-year, to 620,000. PSB pursued dynamic sales of debit and credit cards both to new customers and employees of payroll project clients, including under the joint program with Transaero airline. In 2010, 22,810 PSB-Transaero cards were issued, bringing the total number of such cards to 24,500 by the end of the year. In addition, PSB pursued issuance of bankcards under a charity program in association with Line of Life, the severely ill child support fund. Under the program, PSB makes monthly charitable contributions to the fund, depending on the amounts of cardholder spending.

PSB Profitable Card, which combines the benefits of a payment card and a deposit, continued to enjoy traditionally strong customer demand. The total number of issued Profitable Cards increased by 54% in 2010, to 142,000. In 2010 PSB developed and launched a credit card with a grace period of up to 50 days, intended for employees of the bank's payroll project clients, which is issued with minimum documentation requirements and on advantageous terms. The key point of this feature is automatic direct debit of minimum payment amounts from the payroll card account, requiring no customer communications with the Bank. In 2010, the total number of issued payroll cards and corresponding credit limits exceeded 29,000 and RUB266 million, respectively.

Calculator.  
Model of 1986.



# Deposits and Commission-Based Products

## Deposits

2009 saw strong growth of retail deposits at relatively high interest rates, which drove the weighted average cost of the retail deposit portfolio. In 2010, PSB essentially targeted a reduction of the deposit portfolio costs, while preserving the existing customer base and maintaining leading positions in the Russian deposit market.

To optimize the deposit base costs and in line with the general market trend, PSB lowered deposit interest rates during 2010. In order to maintain leadership in the deposit market, PSB held promotional events for depositors, offered products targeting new customer segments and expanded deposit service channels. For example, an "ATM Deposit" was introduced, which enables the customers to deposit money through remote service channels.

PSB paid particular attention to unlocking the potential of its liability base through depositors of the subsidiary banks. In December 2010, PSB reverted to participation in tenders held by the Deposit Insurance Agency to select agent banks for insurance indemnity payments to depositors of troubled banks. Specifically, starting December 31, PSB commenced insurance indemnity payouts to DonBank depositors in Kamensk-Shakhtinski.

## Commission-Based Products

Key development areas in commission-based products in 2010 included optimization of business processes to reduce costs, and development of remote service channels. PSB launched a depositor and borrower life and health insurance project (bancassurance). To further promote such services as payments to legal entities, cash transfers without the need to open an account, and execution of mandatory pension insurance agreements, PSB worked to increase the speed of customer service, develop alternative service channels and broaden the circle of partner organizations.

In 2011, PSB intends to continue to improve its offering of deposit and commission-based products, as well as optimizing business processes and promoting new hi-tech products to answer market demand and expanding service channels.

## Private Banking

PSB offers its VIP customers bespoke service programs combining the best available private banking solutions, as well as the professionalism of a dedicated team and the reliability of one of the leading privately owned banks in Russia. The 124% year-on-year growth of PSB's fee and commission income in this segment reflects a continuing strong demand for private banking products.

In 2010, PSB focused on adopting and rolling out VIP service programs for privileged customers, offering a broad array of financial solutions and special preferences on both banking and non-banking services. PSB introduced new additional products and services, including tax, inheritance and real estate advisory support, preparation of tax declarations, escorted deliveries of valuables and booking of VIP areas at international airports.

Commission-based capital protection and life insurance products are an important element of the Bank's VIP service, as they ensure capital preservation and growth, while protecting customers and their family members from life- and health-threatening events.

PSB pursued the development of the premium card segment in 2010, becoming the first Russian bank to issue exclusively designed gold and diamond-studded Visa Infinite cards offering their holders access to additional services. A partnership with a private concierge service offers additional privileges and comfort to PSB premium cardholders.

Alongside the rollout of VIP service programs, PSB pursued optimization of tariff plans and deposit offering in the premium segment. As a result, VIP customers have access to the multi-currency Vintage Deposit that offers a high interest rate, in combination with day-to-day management features and capital diversification through currency exchange transactions on preferential terms.

Further development of VIP service programs will promote a broader product offering and improved service quality, while service extension to the entire PSB network will drive the share of fees and commissions income in the Bank's total revenue.

The key 2011 objectives in the private banking area include further promotion of VIP services, expansion of the product offering and customer base, as well as growth of both assets under management and fees and commissions income. In 2011 the bank intends to expand the range of investment products providing sophisticated customers with access to advanced financial technologies and the most attractive instruments available on global markets.

In addition, PSB will pursue a geographic expansion of its private banking business in 2011, by opening VIP offices in major Russian cities, and by implementing a harmonized VIP service model across the regional network while maintaining high service quality.

# *INTERBANK COOPERATION AND FINANCIAL MARKETS*

In the area of interbank cooperation, PSB increased the volumes of trade finance, currency and money market transactions, raised a syndicated loan, successfully placed a Eurobond issue and signed agreements with international financial institutions. Thus the Bank further broadened financing opportunities for its customers.

## *Settlements*

In 2010, PSB continued acting as a settlement agent under the "Green Corridor" Agreement with the Customs Payment System. The number of Moscow-based and regional banks having chosen PSB as their settlement agent increased to 60. PSB attracted 44 new correspondent banks (both resident and non-resident) and opened approximately 90 correspondent accounts in rubles and foreign currency. As at the end of 2010, PSB's correspondent banks network comprised 402 correspondent banks with approximately 900 ruble and foreign currency loro accounts at PSB.

## *International Network of Correspondent Nostro Accounts*

PSB maintains a network of correspondent nostro accounts to support customer foreign currency bank transfers. As at December 31, 2010, the network comprised 50 nostro accounts in key foreign currencies with leading international banks. The quality of settlements via PSB has been frequently lauded by correspondent banks. In 2010, PSB received for the sixth time an STP Excellence Award from Deutsche Bank for excellence of its international settlement operations in 2009. In summer 2010, PSB received an award from JPMorgan Chase Bank, New York, for excellence of its automatic payment processing.

## *Cooperation with International Financial Institutions in the Area of Customer Trade Financing*

Cooperation with more than 115 foreign banks and financial organizations creates additional opportunities both for broadening PSB's funding base and financing customer operations through unsecured loan facilities and bilateral agreements. Open credit lines totaled US\$1.5 billion in 2010, while the volume of trade finance transactions within available limits reached US\$1.6 billion.

Particular attention is being paid to cooperation with international financial organizations. The EBRD, which provides assistance in such key areas as international trade financing, SME business development, factoring, etc., remains an important partner. The volume of transactions with the EBRD increased 1.5 times in 2010, to US\$154 million. In June 2010, PSB entered into a US\$50 million trade finance guarantee facility agreement with the IFC, which will enable the bank to increase volumes and extend maturities of loans to finance customer foreign trade operations on competitive terms.

## *Capital Market Transactions*

In June 2010, PSB became the first commercial bank out of Russia to raise a syndicated loan since the beginning of the global financial crisis. The US\$250 million loan extended by a syndicate joining the EBRD and 11 international banks signaled a recovery of the syndicated loan market for other Russian borrowers.

In July 2010, PSB placed a 6-year US\$200 million subordinated Eurobond issue with an 11.25% coupon. Arranged by Citigroup Global Markets Limited, Royal Bank of Scotland and PSB, the issue attracted more than 70 investors from the UK, Austria, Switzerland, Singapore, the Netherlands, Luxembourg and Russia.

In December 2010, PSB debuted as a co-arranger of the US\$145 million syndicated loan to OJSC BelarusBank. Syndicated by 14 banks from the UK, Germany, the Netherlands, Italy, Russia, the Czech Republic, Switzerland and Hungary, the loan became the largest facility of this type raised by a Belorussian financial institution to date.

## Foreign Exchange and Money Market Operations

In 2010, PSB solidified its leadership both in terms of volume of foreign exchange interbank market transactions and the number of partners. According to results of the annual Dealer of the Year Review by the Moscow International Currency Association (MICA), PSB entered the 'Top 10' banks league in the category 2010 Best FX Dealing. The total volume of PSB interbank transactions in 2010 exceeded both 2008 and 2009 levels.

PSB has traditionally been successful in the segment of banknote operations. In 2010, its FX cash desk ranked among the 'Top 3' cash desks in Russia. Stronger economic ties with China have been driving a growing customer interest in settlements with Chinese partners in yuan. At the end of 2010, PSB carried out its first successful transactions with the Chinese currency.

In 2010, PSB supplemented the range of its FX market instruments with non-deliverable forwards, FX options and a number of interest rate derivatives, including interest rate and multi-currency swaps. PSB also launched PSB-Rates, and the FX platform is already broadly used to support the Bank's proprietary operations. 2011 objectives include a broader circle of banks — clients of the FX trading platform — and stronger trading volumes. In addition, PSB intends to significantly expand its product offering in the corporate segment by launching new products, which, among others, will enable the bank's customers to participate directly in foreign exchange trading in Russia.



Calculator.  
Modern model.

# INVESTMENT BANKING

The key priorities for PSB Investment Banking Division in 2010 were: efficient liquidity management, development of fee and commission-based customer transactions, interest income growth and a stronger leading position on the Russian debt capital market.

## Securities Markets

PSB's strategy in proprietary securities portfolio management was based on the assumption of a persisting high degree of uncertainty with regard to further market development. In secondary market trading in the most liquid and reliable securities (federal government bonds and Tier 1 and 2 bonds included in the CBR Lombard List), a higher portfolio turnover was targeted. The medium-term portfolio of undervalued bonds was built based on a strict risk management approach to credit quality and liquidity criteria. This helped to mitigate the market risk, maximize returns and strengthen the positions of a leading bond market operator in MICEX rankings.

Traditionally, PSB has been a leading player in the REPO market. In 2010, the Bank became one of the leading REPO operators on MICEX, ranking as a 'Top 5' market participant in the segment of government securities and a 'Top 10' player in equity and bond repos. These achievements were driven by a constantly growing base of active counterparties whose number increased to over 350 in 2010.

Promissory note operations are one of PSB's strengths in the area of debt instrument trading, allowing the Bank to broaden the range of traded instruments and the number of counterparties, as well as to increase trading income.

Maintaining liquidity of bond issues arranged by PSB is an important objective. In addition to such issues, PSB also acts as a market maker for a broad array of debt instruments, maintaining bid/ask quotes and active trades.

The bank's achievements in this area were recognized with the '2010 Best Investment Bank in Russia' Award from the UK's World Finance Magazine. In addition, the Eighth Russian Bond Congress held by Cbonds ranked PSB as a 'Top 3' player in the category 2010 Best Bond Trading House.

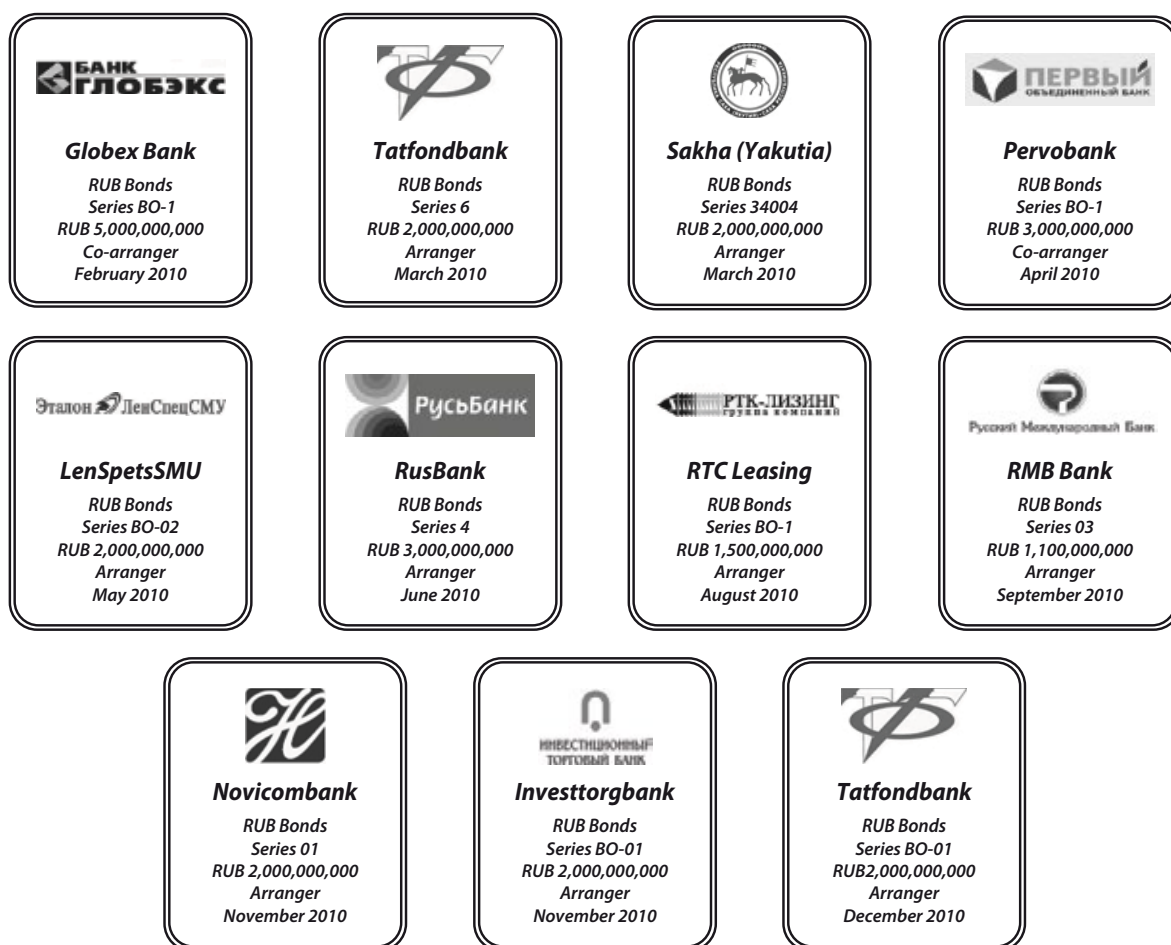
## PSB Ruble Bonds

Amid excess liquidity in 2010, the bank did not place any new ruble-denominated bond issues and was represented by outstanding Series 5 and 6 bonds with a nominal value of RUB9.5 billion. In 2010, PSB fully met its obligations under the put options embedded in accordance with the offering documentation.

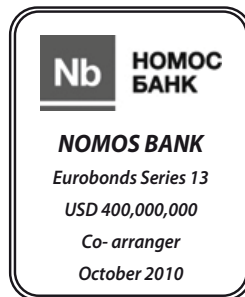
In July 2010, PSB registered five new exchange-traded bond issues for the total amount of RUB31 billion, which are intended to be offered in 2011 and in subsequent years. Issuance volumes will be aligned with PSB's strategy that aims to diversify its liabilities and optimize public borrowings volumes in periods of attractive rates and maturities.

## Customer Bond Issuance and Other Debt Capital Market Services

Amid strong primary market growth, the number of customer bond issues led by PSB increased significantly from three issues with a total nominal value of RUB6 billion in 2009 to 11 issues with a total nominal value of RUB24.1 billion in 2010.



According to Cbonds, PSB ranked 15th in Russia in corporate bond arrangement (except own issues) in 2010.



PSB also co-led two Eurobond issues in 2010, including Tatfondbank US\$225 million 2012 LPN, jointly with Credit Suisse and RZB Group, and Nomos Bank US\$400 million 2013 LPN, jointly with UBS, RBS and Commerzbank. In addition, PSB arranged a secondary offering of Home Credit and Finance Bank Series 6 bonds..

## Brokerage

PSB pursued the consistent implementation of its broker business development strategy in 2010, essentially focusing on transactions with large private clients. Volume growth in the segment allowed PSB to enter the ranking of top market operators by volume of customer transactions on MICEX in 2H2010 (14th as at the end of 2010).

Calculator.  
Modern model.



## GOVERNMENT FINANCE

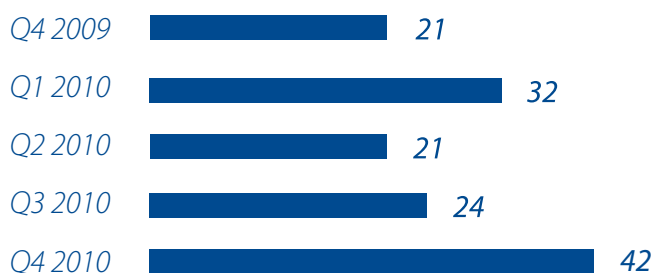
Sourcing of deposits from regional authorities was one of the focal areas in PSB's operations in 2010. PSB raised RUB23.8 billion in funding from constituents of the Russian Federation, establishing the bank as a one of the market leaders. As at the end of 2010, PSB ranked 10th by volume of deposits from Russia's regional administrations (RUB14.7 billion). According to CBR data, the total volume of state budget funds available for depositing was RUB305 billion in 2010.

The bank's participation in the market for placement of free cash of state corporations brought in RUB30.5 billion of deposits. As at the end of the year, PSB's portfolio in the segment stood at RUB26.9 billion.

The total volume of deposits from constituents of the Russian Federations and state corporations was RUB54.3 billion in 2010. As at the end of the year, the Bank's total portfolio in the segment was RUB41.6 billion.

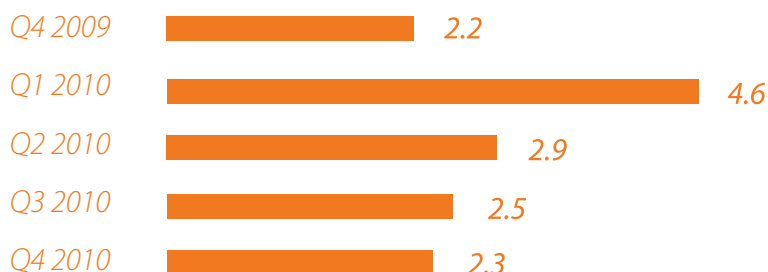
### Deposits from RF Constituents and State Corporations, RUB BN

As of:



### Loans to RF Constituents and Municipalities, RUB BN

As of:



PSB pursued lending to regional and municipal authorities, with the volume of loans issued to such clients totaling RUB7.8 billion in 2010. At the year-end, this portfolio stood at RUB2.3 billion, compared to the total market volume of RUB200 billion, ensuring the Bank's 11th position in the market. In the period under review, the Bank pursued lending operations under 99 projects with 66 RF constituents and municipalities. Loans were issued to 34 budget beneficiaries, including Ryazan, Arkhangelsk and Omsk regions, the cities of Izhevsk, Magadan and others.