



Promsvyazbank

Annual report 2010

CONTENT

Part 1	5
Chairman's address	6
President's address	7
Part 2	8
Key financial highlights	9
Key Balance Sheet Items	9
Liabilities Structure	9
Key P&L highlights	10
Key financial ratios	10
2010 Milestones	11
Part 3	13
Mission and values	14
PSB's Mission Statement	14
PSB's Future	14
PSB's Values	15
PSB's Strategic Objective	15
PSB overview	16
Ownership structure	16
PSB shareholders	17
Members of the PSB group	17
PSB credit ratings	18
PSB's development history	19
PSB branch network	21
Distribution network development	22
Key trends in the Russian Banking System	23
Management discussion and analysis	24
2011 Strategy	27
Part 4	29
Corporate business	30
Funding from corporate customers	30
Corporate lending	31
International financing	33
Factoring	37
SME business	38
Retail business	41
Retail Lending	41
Bankcards	42
Deposits and Commission-Based products	43
Private Banking	44

Interbank cooperation and financial markets	45
Settlements	45
International Network of Correspondent Nostro Accounts	45
Cooperation with International Financial Institutions in the Area of Customer Trade Financing	46
Capital Market Transactions	46
Foreign Exchange and Money Market Operations	47
Investment banking	48
Securities Markets	48
PSB Ruble Bonds	48
Customer Bond Issuance and Other Debt Capital Market Services	49
Brokerage	50
Government finance	51
Part 5	52
Risk management	53
Credit risk management	53
Market risk management	54
Liquidity risk management	54
Interest rate risk management	55
Operating risk and fraud risk management	55
Internal control system	56
Part 6	57
IT development	58
Technological Business Support	58
Client Convenience	58
Integration of Subsidiary Banks and Branch Network Restructuring	59
IT Infrastructure Development	59
Corporate governance	60
HR policy: key areas	62
Sponsorship and charity	64
Environmental policy	65
Part 7	66
Financial statements	67
Part 8	72
PSB licenses	73
Standard settlements instruction	76
Contacts	79

Humans have been pursuing the eternal quest to improve all that surrounds them, in order to make their lives better. Science and technology make a massive contribution to all aspects of human lives. Today's financial sector owes many of its achievements to the inquisitive minds of designers and engineers, to flashes of genius of great thinkers and to occasional chance discoveries by talented inventors.

The evolution of the Russian banking system cannot be considered separately from global scientific and technical progress and, above all, from the history of computation.

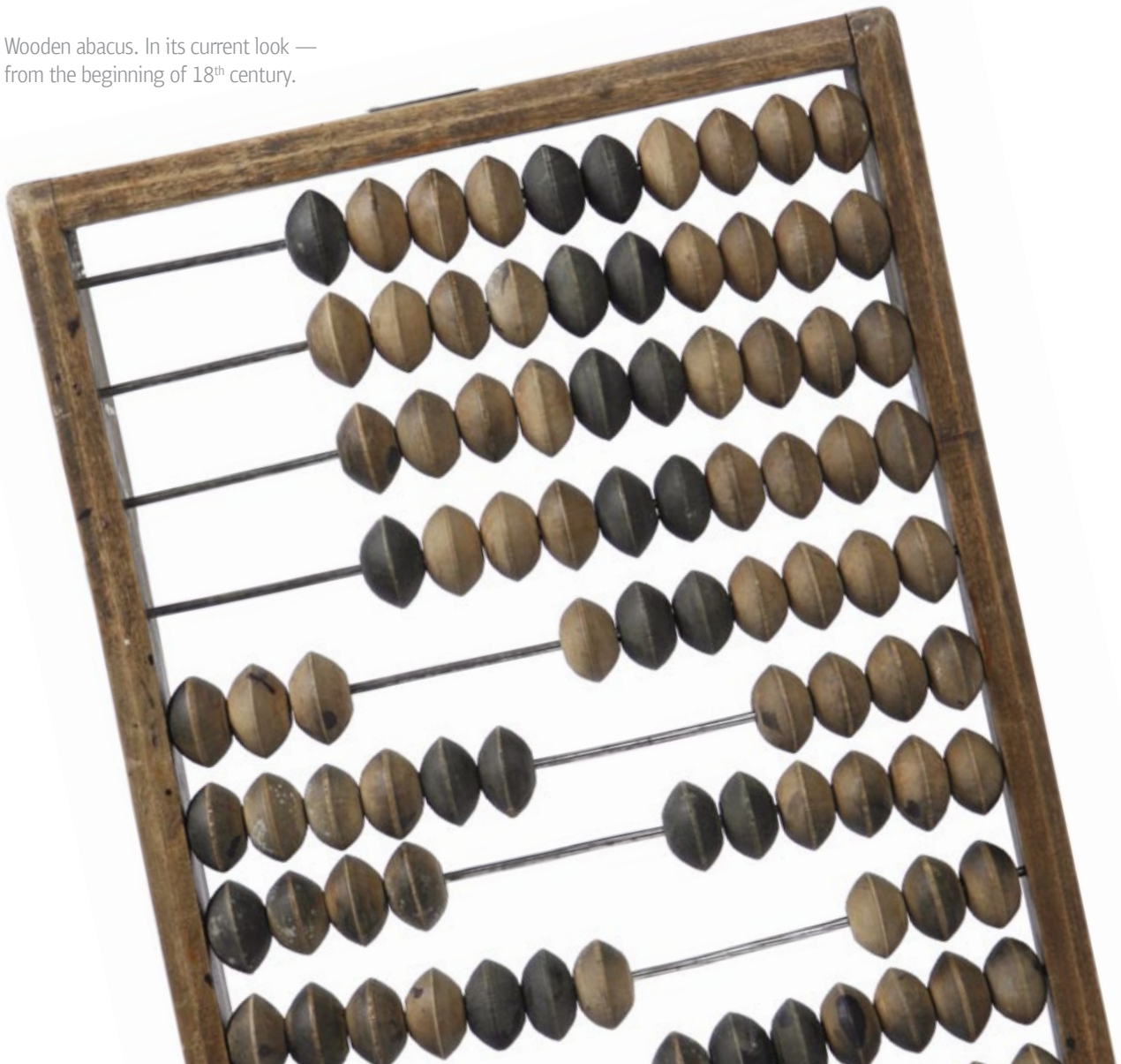
Part 1

Abacus (3rd Millennium BC)

At the dawn of civilization, humans used improvised computation means: marks on trees and stones, wooden sticks, pebbles and rope nods. Ancient Babylonians used the abacus, a wooden board with drawn lines or carved chamfers on which to place pebbles. Each pebble stood for a computation unit and each line signified the unit category. In the 5th century BC, Egyptians introduced wooden sticks connected by wire-beaded pebbles.

In the third decade of the 16th century, the Moscow Government under the Grand Duchess Elena Glinskaya, the mother of Ivan the Terrible, undertook a monetary reform, consolidating the Moscow and Nizhniy Novgorod monetary systems. This gave rise to the kopeck and the Moscow denga, while the ruble was split into one hundred units. It was at that time that the idea of beading counters on stretched ropes made its entry. As the term “abacus” was not yet used, the invention was referred to as the “boarded computation device”. The device was especially popular among moneychangers whose main activity was exchanging “strange moneys”, i.e. foreign currency. Consequently, moneychangers may be considered as the banking pioneers in Russia.

Wooden abacus. In its current look —
from the beginning of 18th century.



CHAIRMAN'S ADDRESS

Dear PSB Shareholders, Customers and Partners!

Last year the global economy continued to struggle with key challenges, including sovereign debt issues in the eurozone, market volatility and soaring commodity prices. In 2010, the Russian economy was characterized by fragile GDP growth, together with high growth rates of imports that outstripped those of exports, as well as significant capital outflow.

The situation in the Russian banking sector remains difficult. The following factors did not add strength to the financial system: tightening competition, unequal conditions for private and state-owned banks; high volumes of problem loans; squeezed margins; undercapitalization of the privately owned banking sector, and a series of commercial bank insolvencies in 2010. Nevertheless, some positive trends were also in place — namely stable deposits growth and recovery in retail lending.

PSB's 2010 results demonstrate that the bank has taken yet another confident step toward its strategic objective of becoming Russia's 'Number 1' privately owned bank in terms of market capitalization by the year 2015. The results show PSB returning to profitability, as well as the successful completed integration of acquired banks, while the Bank maintained its leading positions in the Russian banking sector and continued to confidently lead in both the factoring and international financing markets.

According to analyst projections, the Russian economy in 2011 is expected to show moderate growth against a background of still weak domestic demand, high inflation, broader government influence and the 'manual' management mode. Private banks will continue to face pressure from the state-owned players, while suffering from lower margins and the shortage of quality borrowers.

Despite the persisting risks, PSB will pursue every available growth opportunity in 2011. To implement our strategy, we intend to significantly bolster our operations in the SME and retail segments, reduce problem loan volumes and keep costs under control, thus boosting our profits and, consequently, shareholder value.

A broad regional network is our strong competitive advantage. Network distribution of our banking products will be a development priority in 2011. High quality banking services should be available to all Russian citizens and, consequently, we will pursue our regional expansion.

Our objectives would be unrealistic without the ongoing development of our employees' professional skills. In 2011, we will continue to invest in our key asset — the PSB team. We intend to continually learn and to apply the knowledge gained in practice, while improving ourselves and properly motivating talent.

Chairman of PSB Board of Directors

A. Ananiev

PRESIDENT'S ADDRESS

Dear Shareholders, Colleagues and Partners,

Our 2010 results confirm the correctness of strategy chosen by PSB amid the economic crisis. Our targeted priorities of, above all, developing long-term and mutually beneficial client relationships drove our ability to significantly outperform the overall market in terms of lending volumes. Our conservative approach to risk management in 2009 enabled us to identify the bulk of problem loans and overcome their peak level as early as 1Q2010, effectively reducing their share in the total loan portfolio by the year-end. Despite a certain decline in profitability amid excess liquidity at the beginning of the year and a significant slide in lending rates in the overall market, PSB posted a RUB2.5 billion profit in 2010 and intends to achieve a double-digit ROE as early as in 2011.

In 2011, PSB will aggressively pursue its development on the back of maximized performance in both traditionally strong business segments and new promising business areas. On route to our strategic objective of maximizing PSB's business value and becoming the 'Number 1' privately owned bank in Russia by the year 2015, we have identified a number of tactical objectives, which will constitute a priority in 2011. These are: stronger efficiency through improved business processes and IT infrastructure, as well as a stronger brand through consistent development of our product offering, together with strong staff commitment at all operating levels. We acknowledge that the best results can only be achieved on the back of a strategy-oriented incentivization system. In 2010, we launched the rollout of a KPI-based incentivization system, which will spread to cover all PSB employees in 2012. In addition, implementation of a long-term incentivization program is underway.

Reputation and brand are the key drivers of capitalization. The Bank intends to make significant investments in strengthening and developing these, in order to achieve an optimally priced and diversified product offering across key client segments.

In corporate business, we will deliver active loan portfolio growth, while maintaining the share of quality borrowers and defending our leadership in factoring and trade finance. A wide-scale retail business and SME product development program is planned for 2011. Our sales network is highly instrumental in this regard, and we intend to further develop our regional footprint in order to rapidly expand our business. The number of PSB offices is expected to increase to 300 by 2013, while we will continue to improve the network's productivity.

We will undoubtedly face numerous challenges on our road toward the above objectives. However, proper target-setting and well-judged motivation are poised to make our efforts a success.

PSB President and Chairman
of the Management Board

A. Konstandyan

Part 2

Arithmometer (1790)

Humans used the arithmometer for almost three hundred years. Arithmometers appeared in the 18th century and were manufactured into the 20th century, until the invention of the calculator. The device was fitted with a moving element — the precursor of the moving carriage of the future desk calculator — and a handle, enabling the user to rotate the indented chisel (the cylinder in subsequent versions), which accelerated repeated adding operations through their automation, and allowed divisions and multiplications to be performed.

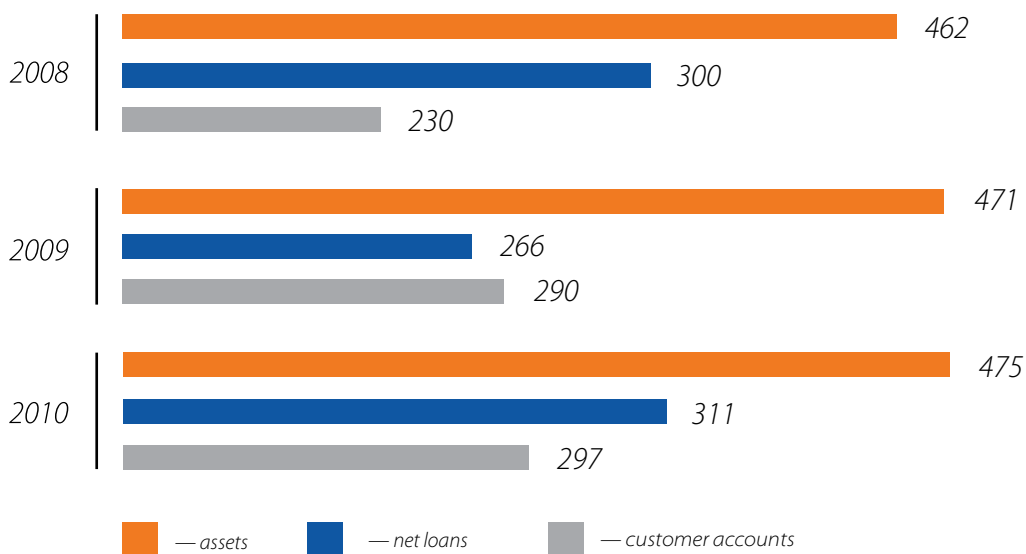
Indented chisel arithmometers designed by Willgodt Odhner were extremely popular in Russia. Born in Sweden, Willgodt Odhner lived in Russia, chairing the delegation in charge of issuance of state currency and securities. He began working on the arithmometer in 1874, and later described his endeavor in his memoirs: “After fifteen years of design and improvement efforts I managed to build a computing device which significantly outperforms its predecessors”. As early as in the first quarter of the 20th century Odhner’s arithmometers were manufactured around the world under different names. As mainstream computing devices, they were widely used in banking. By 1914, the “fleet” of Odhner devices was around 22 thousand units in Russia alone.

Odhner’s level adding machine (arithmometer). “Felix M” model was being produced from 1929 to 1978.

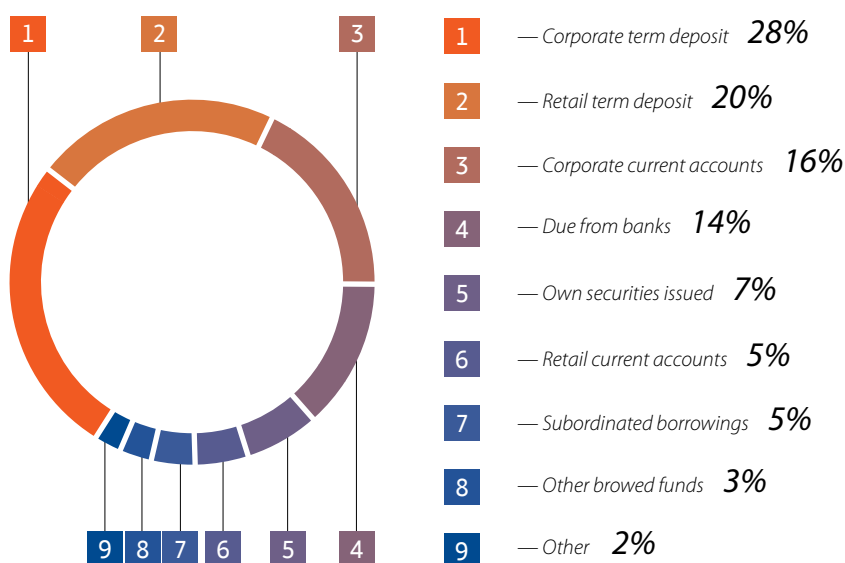


KEY FINANCIAL HIGHLIGHTS

Key Balance Sheet Items



Liabilities Structure



Key P&L highlights

RUB billion	2010	2009	% change
Net interest income	20.6	25.7	(19.9)
Net fee and commission income	6.0	5.6	7.7
Operating income	28.2	33.8	(16.6)
General & administrative expenses	(14.9)	(13.1)	13.7
Net profit (loss)	2.5	(0.6)	—

Key financial ratios

(%)	2010	2009
Return on assets (ROA)	0.5	—
Return on Equity (ROE)	5.8	—
Net interest margin	4.7	6.6
Net fee and commission income as % of operating income	21.4	16.6
Cost-to-income ratio	52.6	38.6
Operating income per employee, RUB MN	3.0	3.7
Provisions/Loans	10.8	12.7
Tier 1 ratio (as per Basel Accord)	10.0	9.9
Total capital adequacy ratio (as per Basel Accord)	14.4	14.3

2010 Milestones

Month	Event
January	PSB's Retail online banking system secures a leading 2009 user ranking position
	PSB together with Credit Suisse and RZB Group acts as co-manager of the US\$225 million Eurobond placement for JSC "AIKB" Tatfondbank", matures in 2012
February	For the first time in its history, PSB enters the 'Top 10' largest Russian banks (Interfax Center for Economic Analysis Ranking)
	PSB completes an additional share issue, which brings in the EBRD as a new shareholder
	PSB acts as co-manager of the RUB5 billion bond placement by ZAO "Globexbank", series 01
March	PSB receives the 2009 Bank of the Year Award from Banki.ru Information Agency
	PSB is the general agent for organization, placement, circulation and repayment of the Ministry of Finance of Sakha Region's bonds for a total amount of RUB2 billion.
April	Standard & Poor's upgrades PSB's outlook from "Stable" to "Positive". PSB becomes the first Russian bank in 2010 to receive a "Positive" upgrade from S&P
May	For the sixth time, PSB receives the Deutsche Bank 2009 USD STP Excellence Award for excellence in international settlement operations
	PSB celebrates the 15th anniversary of its establishment
	PSB is recognized as 'Most Active Factoring Bank in Russia in 2009' under the EBRD Trade Facilitation Program
	Fitch Ratings upgrades PSB's outlook from "Evolving" to "Positive"
	PSB acts as Manager of the RUB2 billion bond placement for ZAO "SSMO LenSpezSMU", series 02
June	PSB raises a US\$250 million syndicated loan from the EBRD and 11 other international banks
	PSB completes consolidation of Nizhny Novgorod Bank and Volgoprombank
	PSB receives the 2010 'Financial Elite of Russia' award
	PSB enters into a trade finance guarantee agreement with IFC
	PSB is named as 'Best Trade Finance Bank in Russia' by the UK's Trade & Forfeiting Review
July	PSB posts 1H2010 net profit of RUB562 million
	PSB successfully completes a 6-year US\$200 million subordinated bond placement. More than 70 investors participate
	PSB receives 'Best Investment Bank in Russia' award from World Finance magazine
August	PSB significantly expands its overdraft product offering to corporate clients
	PSB acts as manager of the rubles bonds placement for JSC «RTC — Leasing» series 01, total amount — RUB 1.5 billion

September	<p>Artem Konstandyan is appointed as President of PSB</p> <p>PSB receives Commerzbank AG STP award 2009 'Excellent Quality', for excellence in international settlement operations</p> <p>PSB enters the 'Top 5' Russian banks by volume of SME loan portfolio (source: RBC Rating)</p>
October	<p>PSB Documentum.RL is named as the best project in the category Risk Management Systems at the Russian CIO Summit 2010</p>
November	<p>PSB completes consolidation of Yarsotsbank</p> <p>Moody's upgrades PSB's outlook from "Negative" to "Stable"</p> <p>PSB receives the 'Financial Pearl of Russia 2010' (Best Popular Financial Services) Award, as Russia's Best Bank in the category Best Regional Network: Quality Tradition</p> <p>PSB acts as manager of the debut bond placement for ZAO "AKB "Novikombank", total amount — RUB2 billion.</p>
December	<p>PSB becomes the first foreign member of the Kazakhstan Stock Exchange</p> <p>The National Association of Call Centers (NACC) names PSB Call Center as the best in the financial services industry</p> <p>PSB acts as manager of the US\$145 million syndicated loan for JSC "ACB Belarusbank"</p> <p>Fitch Ratings upgrades PSB's credit rating to "BB-"; PSB's subordinated debt rating is raised two notches to "B+"</p> <p>PSB becomes a member of the International Capital Market Association (ICMA)</p> <p>PSB's share in the total amount of letter of credits issued through the SWIFT system in 2010 equals 10.14%</p> <p>As at the end of 2010 PSB remains leader with a 27% share in the Russian factoring market (source: Association of Factoring Companies).</p> <p>PSB posts 2010 profit of RUB 2.5 billion</p>

Part 3

Mechanical adding machine (1950)

As humanity was taking its first steps towards the era of computers, European engineers designed a mechanical adding machine, the first-ever keyboard machine capable of automatically adding numbers introduced by the operator. The machine existed in two versions: non-recording (producing calculation results with the help of a rotating numeric drum) and recording (printing out task results on a band or a sheet of paper).

Most non-recording adding machines offered the possibility to concurrently input digit registers with the help of levers or multi-column keys. Recording machines were more widely spread than the non-recording ones, and were often fitted with an electric drive and additional automation components.

Mechanical adding machine, invented by William Seward Burroughs at the end of 19th century. The production started only in 1930th.



MISSION AND VALUES

PSB's Mission Statement

Offering financial solutions to our clients, investors and partners, we contribute to the prosperity of Russia and to the wellbeing of our employees and shareholders.

We work for the good of our country

We put money to productive use. We know the What, When and How to transform money into capital. We know the value of money and, importantly, our operations contribute to the development of a capital management culture in Russia. Our capital management services also help generate new opportunities for Russia. Reliable capital allocation creates a certainty for tomorrow for Russian citizens, and thereby makes Russia stronger. We work for the good of our country.

We help people gain certainty about their future

Clients choose us and entrust us with their money because of our reputation as a reliable partner. Our professionalism and technologies support our ability to offer the full range of banking services. Our products and services enable people to pursue education, buy homes, build savings, develop own businesses and provide for the future of their children. We are here to work for everyone. We take reasonable risks and provide development and growth opportunities to businesses of any scale.

We take pride in our work and our Bank

Our Bank is special. We do not merely serve our clients. We help them identify the best-suited financial solutions that enable them to pursue their objectives. We appreciate our employees' ability to source and implement solutions, which are optimal to our clients and beneficial to the Bank. The approach enables us to create new opportunities for our clients, partners, shareholders, investors, ourselves, our colleagues and, therefore, for the country we live and work in.

PSB's Future

Our Bank is an innovative leader. Using advanced technologies and superior management practices, we continue to relentlessly and consistently solidify our positions both in the domestic and international financial markets.

PSB's Values

We all come from different personal and professional backgrounds. We are many and we are diverse. Thousands of people cannot breathe, think and act in a uniform way. However, we are all united by our core values.

Reputation. We value our reputation earned over years of hard work. Our clients know that PSB stands for reliability and good faith. We are appreciative of this and we understand that our reputation is our capital. We are convinced that money management must be ethical, and money itself must serve creative purposes.

Integrity. In our operations we make every effort to show respect to others and ourselves. We offer transparent cooperation to our clients, partners and investors. We do not want and will not have recourse to deceptive means, as our cooperation is trust-based. Facing difficult choices in complex situations, we find fair solutions reflecting the interests of all stakeholders.

Strong client relationships. We strive to develop long-lasting relationships with our customers. We want our customers to become long-term partners recommending our services to their families, friends and associates. We highly value and strive to justify the trust our customers invest in us.

Team spirit. Our team is a living body. Our relationships are based on mutual respect, assistance and support. Our hard-working employees are conscientious and knowledgeable. We enjoy working together on solving complex issues and achieving outstanding results.

Patriotism. Our work contributes to the growth of Russia's material and spiritual wellbeing. We see ourselves as part of our very large country and strive to support its development. We take care of the place we live in — our country, our city and our home. We take care of our workplace — our Bank.

Family. We consider the family as the foundation of society and the country. Respect for our families, care for loved ones, children and parents alike, is the responsibility of each one of us. Our work contributes to the wellbeing of our families, while our spirit supports and inspires them.

PSB's Strategic Objective

Our strategic objective is to become by 2015 Russia's largest privately owned universal bank by market value (Price-to-Book Ratio).

PSB OVERVIEW

Ownership structure

As a result of the additional share issue registered by the Bank of Russia in February 2010, PSB gained a new minority shareholder, the European Bank for Reconstruction and Development (EBRD), with an 11.75% stake. Commerzbank Auslandsbanken Holding AG retained its existing 15.32% stake, while the share of PSB majority shareholder Promsvyaz Capital B.V. decreased from 84.68% to 72.93%.

The relevant agreements between the EBRD, PSB and its shareholders had been signed in November 2009. The EBRD investment in PSB was approximately RUB4.6 billion, the biggest EBRD investment in a Russian bank to date.



PSB shareholders

Shareholders (Beneficiary Owners):

Dmitry Ananiev:

Member of the Federation Council — the Upper Chamber of the Russian Parliament — representing Yamalo-Nenetsk Autonomous Region; Chairman of the Federation Council Committee on Financial Markets and Currency Circulation; Member of the National Banking Council.

Alexey Ananiev:

CEO of TekhnoServ Group of Companies (a major Russian systems integrator); Chairman of PSB Board of Directors.

Commerzbank Auslandsbanken Holding AG (Germany), a wholly owned subsidiary of Commerzbank AG (Germany's second largest bank by assets).

The **European Bank for Reconstruction and Development** is an international financial institution supporting projects across 30 countries. The EBRD invests mainly in privately owned entities and extends project financing to banks and enterprises. The EBRD shareholders comprise 61 states, including Russia, and two intergovernmental organizations.

Members of the PSB Group

Members of the PSB Bank Group consolidated in PSB reporting in accordance with IFRS, as of December 31, 2010:

Company	Country of incorporation	Business Profile	% Consolidated, as of Dec 31, 2010
PSB Finance S.A.	Luxemburg	Financial Services	100%
000 "Management Company PROMSVYAZ"	Russia	Financial Services	100%
000 "Open Leasing Company"	Russia	Leasing	100%
000 "Promsvyazfactoring"	Russia	Financial Services	100%
000 "Saint Petersburg's International Banking Conference"	Russia	Commercial Operation and Management Advisory	100%

PSB credit ratings (May 2011)

Fitch Ratings:

Long-Term FX Issuer Default Rating (IDR)	BB-
Short-Term FX IDR	B
Individual Rating	D
Support Rating	4
Outlook	Stable

Moody's Investors Service:

Long-Term FX and RUB Deposits Rating	Ba2
Short-Term Bank Deposit Rating	Not Prime
Financial Strength Rating	D
Outlook	Stable

National Rating Agency:

PSB's Individual Credit Rating	AA+
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Standard & Poor's:

In May 2010, PSB made a decision to terminate S&P's credit rating services. A rating from all three international agencies is not a prerequisite for successful operations. Alongside the rating agencies, most leading foreign and Russian research analysts cover PSB's operations and financial results and publish regular reports. Independent analysis of PSB's operations is therefore fully available to the bank's investors, depositors and clients.

PSB's development history

1995	Establishment of PSB
1996	PSB opens its first two regional branches in Russia and obtains a license for FX operations
1997	IFRS reporting kick-off
1998	PSB becomes 63 rd -ranking Russian bank by assets
1999	PSB joins VISA and MasterCard payment systems PSB IFRS financials are audited by independent auditors KPMG
2000	Fitch ratings assigned to PSB (entry level: CCC+) PSB becomes 44 th -ranking Russian bank by assets
2001	RUB150 million debut ruble bond issue
2002	PSB opens a branch in Cyprus and a representative office in Kiev PSB becomes 21 st -ranking Russian bank by assets (Interfax-100 Ranking) Internet banking system "PSB Online" launched
2003	US\$30 million debut syndicated loan from international banks PSB joins Factors Chain International (FCI), the international factoring association
2004	PSB opens a representative office in Beijing US\$100 million debut international Eurobond issue First-time credit ratings assigned by Moody's (B1) and Standard & Poor's (B-) According to The Banker, PSB is a world Top 1,000 bank
2005	According to Euromoney, PSB is one of the best CEE corporates PSB has 29 regional branches
2006	Through its subsidiary Commerzbank Auslandsbanken Holding AG, the German Commerzbank AG acquires a 15.32% stake in PSB Representative office opens in Delhi, India

2007	PSB controlling shareholder Promsvyaz Capital B.V. acquires 95.07% stake in Volgoprombank According to The Banker, PSB is the world's 441 st -ranking bank by equity
2008	PSB Banking Group established; Volgoprombank integrated Agreements on integration of Yarsotsbank and Nizhny Novgorod Bank into PSB Banking Group PSB successfully addresses the liquidity crisis in the Russian interbank market PSB ranks as 11th Russian bank by assets (Interfax-100 Ranking)
2009	For the first time in its history, PSB enters the 'Top 10' largest Russian banks by assets (Interfax-100 Ranking) PSB — the only privately owned bank out of Russia to have successfully placed its subordinated Eurobond, in 2009 PSB enters into shareholder agreements whereby the EBRD becomes a new shareholder with an 11.7457% stake. Transaction closed in February 2010
2010	PSB completes merger of subsidiaries: Volgoprombank, Nizhny Novgorod Bank and Yarsotsbank Transformation of branches into operating offices launched



Mechanical ten-key arithmometer by Odner. The model was produced from 1951 to 1970th.

PSB BRANCH NETWORK



PSB National Distribution Network

Abakan	Izhevsk	Orenburg	Tver*
Barnaul	Irkutsk	Penza	Tomsk
Belgorod	Kaliningrad	Pern	Tula*
Blagoveshchensk	Kazan*	Pskov	Tyumen
Bryansk	Kemerovo	Rostov-on-Don	Ulan-Ude
Veliky Novgorod	Kirov	Ryazan	Ufa
Vladivostok	Krasnodar	Samara	Khabarovsk
Vladimir	Krasnoyarsk	Saint Petersburg	Cheboksary*
Volgograd	Lipetsk	Saratov	Chelyabinsk
Vologda	Murmansk	Smolensk	Chita
Voronezh	Nizhny Novgorod	Stavropol	Yaroslavl
Yekaterinburg	Novosibirsk	Syktvykar	
Ivanovo	Omsk	Tambov	

* operating offices in Kazan and Cheboksary; branches in Tver and Tula transformed into operating offices.

PSB Moscow and Moscow Region Network

As of December 31, 2010, PSB Moscow and the Moscow Region network consisted of 59 additional offices and out-of-office cash desks, including 28 additional offices and 15 out-of-office cash desks in the City of Moscow.

PSB International Network

- Cyprus (branch and additional retail office)
- Delhi (representative office)
- Kiev (representative office)
- Beijing (representative office)

Distribution network development

Distribution network development is one of the key focus areas of PSB's strategy. Having opened its first branches in 1996, PSB subsequently developed a strong nationwide network. Its broad distribution network is one of the Bank's key competitive advantages enabling the accomplishment of strategic development objectives, including both the private banking and SME segments.

Today, PSB branches operate in all key economic regions of Russia, and a relatively dense branch network covers Moscow and the Moscow Region. In many regions of PSB's presence, its branches have a significant share of the financial services market and are among the 'Top 5' regional banks.

PSB pursued dynamic transformation of its branch structure in 2010 and relocated some of its existing offices to make them more convenient for customers. In 2010, PSB launched a project envisioning a transfer of operations support services from the Bank's points of sale into eight base branches located in each of Russia's eight federal districts (by the number of federal regions of the Russian Federation). Upon project completion, the majority of PSB's branches will have relinquished back-office functions and focused on sales and business development in their respective regions.

In the reporting year, PSB opened an operating office in Kazan, as well as three additional offices and one out-of-office cash desk. As at the end of 2010, PSB's network of 248 points of sale covered more than 90 communities across Russia. PSB Bank Group operates 1,206 ATMs. In 2010, PSB successfully completed the integration of its three subsidiary banks — Nizhny Novgorod Bank, Volgoprombank and Yarsotsbank, bringing 18 additional offices into the PSB distribution network.

PSB National Distribution Network (as of December 31, 2010)

Branches	46
Operating Offices	7
Additional Offices	166
Out-of-office Cash Desks	28
Rep Offices	1
Total	248

2011 Targets

In 2011, PSB will launch implementation of its aggressive regional expansion strategy, aiming at increasing the density of its existing regional network and further expansion of the business geography. By 2013, PSB intends to open new points of sale in Arkhangelsk, Astrakhan, Kaluga, Kursk, Naberezhnye Chelny, Novokuznetsk and Ulyanovsk, as well as in cities with a good operating track record but insufficient network density (one office per 200,000+ residents in major cities): Moscow and the Moscow Region, Saint Petersburg, Belgorod, Vladivostok, Voronezh, Yekaterinburg, Irkutsk, Kazan, Krasnodar, Krasnoyarsk, Lipetsk, Penza, Perm, Omsk, Rostov-on-Don, Samara, Saratov, Stavropol, Tver, Tyumen, Cheboksary, Chelyabinsk, Ufa and Khabarovsk.

KEY TRENDS IN THE RUSSIAN BANKING SYSTEM

For the Russian banking system, 2010 was a year of post-crisis recovery amid economic stabilization, together with favorable conditions in the commodity and financial markets.

On the back of unprecedented fiscal and monetary measures adopted by the government in 2008-2009 (US\$85 billion or approximately 7% of GDP), the Russian economy rallied as early as the beginning of 2010, providing a strong impetus to recovery in the capital markets, as well as re-establishment of trust between economic players and revival of solvent demand from the real sector of the economy and households. Production volumes continued to recover, while employment rate, retail sales volumes and household income all showed accelerated growth compared to 2009.

An improved economic environment drove positive trends in the banking sector. Stabilization and progressive reduction of overdue debt volumes by the end of the year enabled banks to partially restore loan loss provisions to previous levels, thereby reducing pressure on their capital.

Recovery in the real sector of the economy and reduction of credit risks promoted further easing-off by the banks of potential borrower requirements. By the end of the year, interest rates on many credit products were below pre-crisis levels, driving a recovery in bank lending. As early as in March, both corporate and retail lending showed signs of growth, which accelerated by the year-end.

A stable inflow of retail deposits, exceeding RUB9 trillion for the year, made it easier for banks to fund their active operations. At the same time, deposit interest rates continued to decline due to persisting excess liquidity in the system, together with lending activity stagnation in the beginning of the year.

The banking sector continues to recover. Banks currently do not face liquidity issues, there is no looming threat of bankruptcy of any major financial institution, and depositor confidence is strong. Banks have managed to establish dialogues with overdue debtors; they have also reduced their operating costs and found sources to increase their capital base.

However, the crisis clearly demonstrated the inadequacy of Russian economic and banking development models driven by mineral exports, cheap foreign debt and unrestrained lending expansion. Indeed, future growth in the banking sector will be driven by diversified active operations, cautious use of debt capital, stricter capital efficiency requirements, as well as new products and services to meet the needs of the post-crisis markets.

In 2010, the share of banking assets in Russia's GDP was 75.4%, the share of equity — 10.8%, and the share of the loan portfolio — 41.6%.

MANAGEMENT DISCUSSION AND ANALYSIS

Key Profit & Loss Trends:

- PSB posted a net profit of RUB2.5 billion in 2010, the bulk of which was generated in 2H2010 (RUB1.9 billion). This level of profitability was achieved on the back of the following: recovery in interest margins and growing volumes of lending, together with lower provisioning charges resulting from a gradual decrease in the share of non-performing loans.
- 2010 was a year of declining interest rates, high competition for quality borrowers and resulting pressure on the margins of credit products. Under the pressure of the above trends PSB's net interest income decreased versus the previous year by 19.9% and equaled RUB20.6 billion. However, efficient asset and liability management (reduction of excess liquidity and funding costs in particular) enabled PSB to ease such pressure and achieve positive dynamics both in margins and net interest income as early as 2H2010. The net interest margin grew to 4.9% in 2H2010 from 4.3% in 1H2010, while net interest income was 4% higher in 2H2010 than in 1H2010.
- Net fee and commission income demonstrated a positive trend throughout the whole of 2010, delivering 7.7% year-on-year growth. In 2H2010, net fee and commission income increased by almost 22% compared with 1H2010. Historically the key sources of fee and commission income were trade finance transactions (up 13% in 2010), cash and settlement services (up 28%) and plastic card transactions (up 14%).
- The deterioration in the cost-to-income ratio from 39 to 53% resulted from a decline in operating revenues driven by considerable market-wide margin tightening versus the relatively generous margins of 2009, in addition to increased personnel expenses.
- As PSB managed to achieve a sustainable trend of reduction of NPLs, loan impairment charges were more than 2 times lower in 2010 than in 2009. In addition, the bank's provisioning expenses amounted to RUB10.4 billion in 2010 vs. RUB 20.9 billion in 2009.

Key 2010 Balance Sheet Changes:

- Total capital (as per Basel Accord) increased by 17% to RUB60.6 billion as a result of share capital increase through additional share issue in February 2010, together with new subordinated Eurobonds placement in July and received profit capitalization.
- Assets grew immaterially to RUB475 billion, as a result of the PSB policy aimed at substitution of excess liquidity, which had built up at the end of 2009, with loans. Excess liquidity was down 35% to RUB100 billion, returning to the optimal level of 21% of total assets.
- The net loan portfolio increased by almost 17% to RUB311 billion. The share of net loans in total assets showed a considerable increase, amounting to 65% (2009: 57%). PSB's gross loan portfolio demonstrated considerable growth in 2010, exceeding the market average indicator (14.2% vs. 11.5%, according to CBR data). At the same time the loan portfolios in both the corporate and SME segments showed particularly strong growth rates of 19.5% and 18.5%, respectively. The retail loan portfolio continued to amortize throughout 2010, showing a 19.8% decline for the year, although the pace of its reduction slowed down in 2H2010 due to the roll-out of mass retail lending in July 2010.
- The quality of the loan portfolio improved significantly in 2010. The share of non-performing loans decreased to 9.2%, which is significantly lower than the 11.9% level registered at the end of 1H2010. The decreased share of NPLs was witnessed

across all business segments, driven both by reduction of NPLs in absolute terms (due to NPL sales and write-offs) as well as by the growth of the loan portfolio. Another indicator of the improving quality of the loan portfolio is that the share of loans with revised original terms almost halved in 2010 (13.5% at YE2010 vs. 26.0% at YE2009), while the gap between accrued income (interest and commission) and that actually received reduced from 17% to 4% during 2010.

- PSB remains firmly committed to maintaining the coverage of NPLs by loan loss provisions at a level exceeding 100% (2010: 117%; 2009: 103%).
- The securities portfolio (trading, held to maturity and available for sale) rose by 6% in 2010 to RUB 52.1 billion, however, its share in total assets remained almost flat (2010 - 11%; 2009 10,4%). The structure of the portfolio remains quite conservative, with approximately 70% of investments represented by highly liquid fixed-income securities included in the CBR Lombard List (i.e. eligible for REPO transactions with the CBR). At the same time, the share of government and municipal securities had increased to 44% as of January 1, 2011, compared to 34% a year before.
- Current accounts and deposits from customers increased by 2.6% to RUB 297 billion, which is 69% of the bank's total liabilities (2009 — 67%). In order to support operating efficiency, in 2010 PSB placed a strong focus on reducing its funding costs (e.g. retail deposit rates were reduced five times over 2010), while at the same time retaining and further expanding its customer base. Retail deposits demonstrated a positive trend throughout the whole of 2010, showing growth of 12.1%, while corporate deposits showed a slight decline of 2.1%, as a result of deliberate actions undertaken by the Bank. The share of retail deposits in total customer funds increased from 33% to 36%, reflecting the Bank's efforts to enhance the diversification of its customer base.

Loan portfolio

RUB billion	2010	2009	2008	% change (2010/ 2009)
Total corporate loans, including:	289	242	250	19.5
<i>Standard corporate loans</i>	224	183	178	22.1
<i>Trade and long-term financing</i>	36	32	50	13.7
<i>Factoring</i>	29	27	22	8.4
SME loans	27	23	19	18.5
Retail loans	33	41	50	(19.8)

Funding

RUB billion	2010	2009	2008	% change (2010/2009)
Corporate deposits	189	194	176	(2.1)
Retail deposits	108	96	53	12.1
Equity / Assets (%)	9.4	8.1	8.5	1.3 b.p.

Securities portfolio (trading, available for sale and held to maturity)

RUB billion	2010	2009	2008
Securities Portfolio, including:	52	49	23
<i>Russian State Bonds (OFZ), Municipal Bonds, CBR Bonds</i>	23	16	9
<i>Corporate Bonds</i>	22	26	12
<i>Promissory Notes</i>	5	7	2
<i>Equities</i>	2	—	—

Liquidity

(%)	2010	2009	2008
Liquid Assets (RUB bln)	100	154	127
Liquid Assets / Total Assets (%)	21	33	28
Instant Liquidity Ratio (H2) — min 15%	49	54	76
Current Liquidity Ratio (H3) — min 50%	86	126	95
Net Loans/ Customer Deposits	105	92	131

2011 STRATEGY

PSB's efforts in 2011 will be directed towards its overarching goal of becoming the 'Number 1' privately owned bank in Russia in terms of market value by 2015.

To reach this goal, PSB will need to ensure the profitability and sustainability of its business, including through diversification of its loan portfolio and revenue sources. The bank must also improve the quality of its client base and maintain capital at adequate levels. PSB will continue to solidify its brand and improve client service, management quality and staff efficiency, as well as stepping up the use of technologies and introducing innovative products.

In 2011, PSB will pursue its development as a universal financial institution focused on the corporate segment as the core area of operations, while at the same time significantly stepping up the share of retail and SME business. PSB also intends to actively pursue development of its investment and private banking businesses. Subject to further stabilization in the financial markets, PSB will place a stronger focus in 2011 on the promotion of mid- and long-term credit products across all client segments.

In the **corporate segment**, PSB intends to maintain a leading (among the 'Top 10') position in both corporate lending and funding. Strong customer-centered focus is the key tool for attaining this objective, including the following:

- the broadest possible product offering and cross sales with the investment and retail businesses;
- high-quality personalized service (know client's needs and customize products);
- prompt credit decision-making and implementation.

PSB will continue to further develop its factoring and international financing operations, as well as increasing sales of standard credit products, and developing mid-sized business. The bank will especially focus on commission-based products, including settlement services and cash management. In addition, PSB intends to accelerate development of its leasing operations — a business segment with strong upside potential.

SME business is a key priority area offering high margins and possibilities for responsive risk management. PSB's objective in the segment is to become by 2013 a 'Top 3' Russian bank by volume of SME loan portfolio. In addition, the Bank intends to move into the microfinance segment. Well-structured propositions in each of the SME sub-segments will constitute the backbone of PSB's 2011 product offering. Product terms will be adapted to various client groups. While developing the product offering, PSB will focus on investment banking, leasing and specialty products. High quality service, partner relationships with clients, prompt credit decision-making and sales and service system efficiency underpin PSB's positioning. In the SME segment, PSB intends to step up cross sales within the retail and private banking businesses. To spur further development of SME business, the Bank will use both traditional (branches and additional offices) and alternative (remote banking services -RBS-) and partnership programs) sales channels.

Retail lending. In accordance with its strategy, PSB aims to become by 2013 a leading Russian bank by retail lending (among the 'Top 10'), as well as a significant player in the premium retail segment. Product bundles based on best international practice, utmost client-centered focus and wide use of technology will underpin PSB's positioning in the segment. General-purpose consumer loans and credit cards will be at the core of retail lending in 2011, while at the same time PSB intends to resume mortgage lending. Bankassurance will be at the forefront of commission-based product development.

To expand the client base, improve service quality and diversify its revenue base, PSB intends to develop partnership programs (co-branding projects with retail and service companies, affinity cards issued jointly with charities and not-for-profit organizations) and broker services, as well as to aggressively promote PSB-Retail and other remote banking channels (Call Center, ATMs, etc.). PSB will specifically focus on sourcing retail deposits through remote banking channels.

Another key priority area is the development of an efficient **private banking** service. 2011 objectives in the segment include the development of a comprehensive standard product offering; the launch of structured investment products, including jointly with leading foreign players, and the development of non-banking products (insurance, advisory, etc.). Development of the VIP office network to serve high net-worth individuals is underway.

Investment banking, including capital market transactions and arrangement of debt financing for corporate clients, is another key area of the Bank's long-term development. PSB will pursue development of its full-service investment banking segment in Russia, as well as a diversified product offering in international financial markets. The Bank's target clients are major Russian Tier 2 and 3 companies (debt capital markets), banks, investment funds and management companies (trading and brokerage), and individuals (trust management and brokerage). In addition, PSB will focus on identification of new commission income-generating opportunities, arrangement of bond issues, including uncommon structured transactions, and dynamic development of broker and asset management services. The Bank will also remain active in the foreign exchange and money markets.

In 2011, PSB intends to expand its **distribution network** by opening new points of sale in promising regions. The Bank will continue to optimize office locations, formats, equipment, organizational and functional structure, as well as to develop staff. Key priorities in the distribution network development will be maximization of sales per point and per employee, and the share of sales staff in the overall office structure, as well as reduction of the cost of sale and service through optimization of business processes, centralization of back-office functions and development of remote banking channels. Alongside the national network, in 2011 PSB will explore international network development opportunities.

With a view to further strengthening its brand in 2011, PSB intends to roll out new brand positioning and creative strategies. New client service standards will be introduced with a particular focus on risk management. To ensure effective staff development and alignment of headcount with the best Russian and international practices, PSB will implement a number of new HR systems. The organizational and functional structure will be optimized to increase the share of sales and customer service staff. In addition, PSB will pursue development of its operating model and IT platform to support service quality and client base growth. The Bank intends to carry out a system-wide optimization of business processes. The IT platform will ensure PSB's responsiveness to changing conditions (including new products and technologies) and will make the Bank's remote banking channels more user-friendly.

Part 4

Calculator (1961)

Anita, the first-ever fully electronic compact calculator, was manufactured by Bell in 1961. The era of global “calculatorization” had begun. The first Soviet calculator, Vega, was produced in November 1962 by SchetMash, the Kursk-based calculator manufacturer, which decorated its product with the Company’s logo, KZSM.

Calculators constantly changed size, appearance and color. They were embedded in tabletops, wallets and wristwatches. Ultimately though, Windows computer programs dislodged all other types of calculators, no matter how precise and esthetically appealing. Meanwhile, the desktop calculator remained a key accessory for many bank employees. In addition, it acquired the status of a very popular gift. Bank employees not only receive but also offer calculators as gifts to their customers and partners.



Calculator.
Model of 1974.

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.

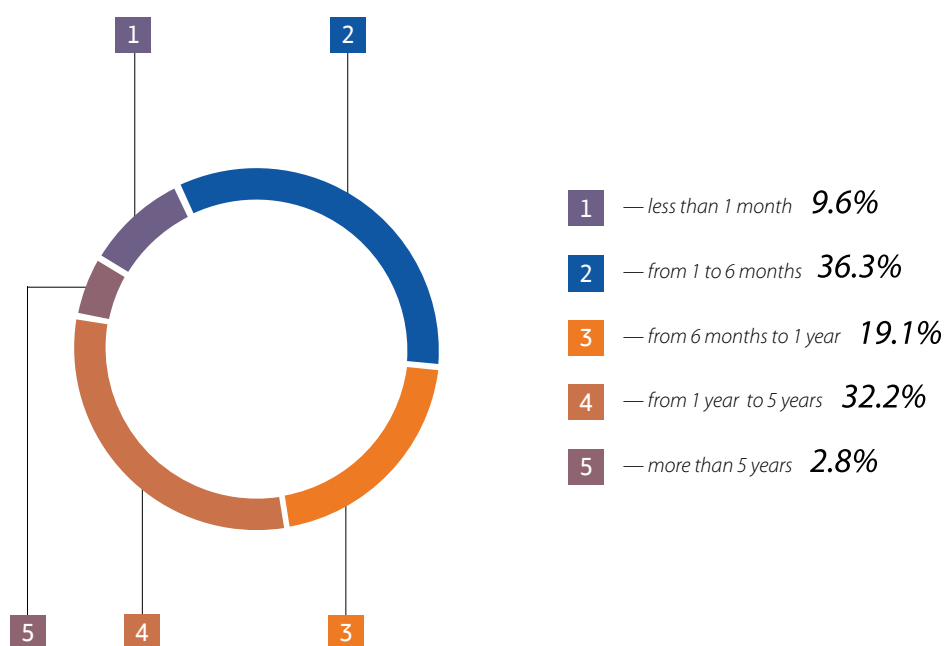
Corporate lending

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.

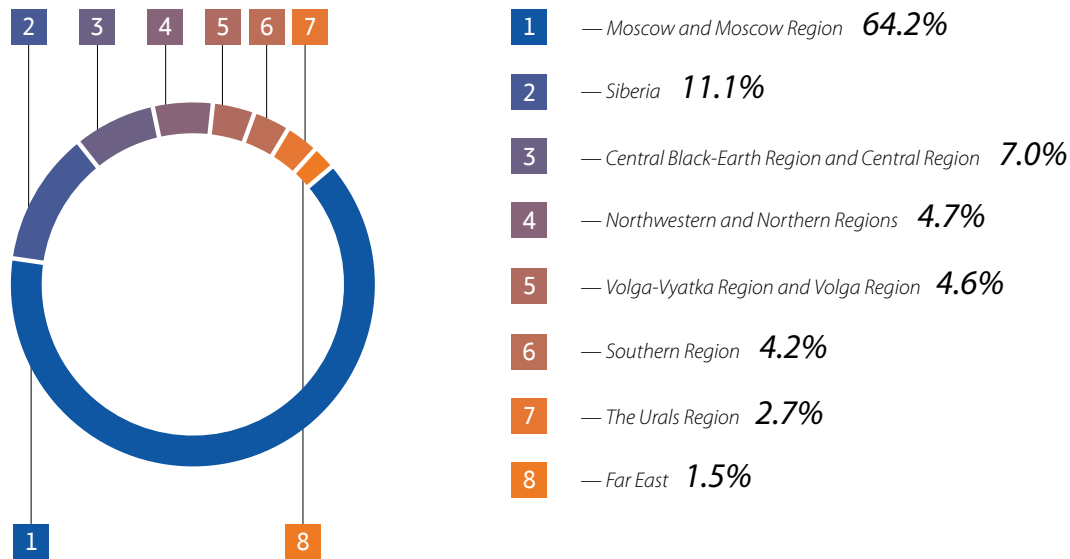
The borrower industry mix adjusted slightly in 2010, on the back of a stronger demand for credit from the infrastructure sector in general and from the energy infrastructure sector in particular. With a 65% share, loans of up to 12 months dominated the loan portfolio maturity profile.

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.

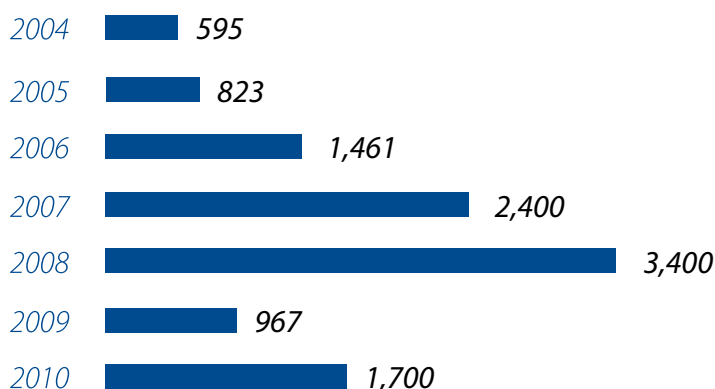
PSB continues to develop and improve its range of hi-tech products, such as cash management. The ability to meet customers' diverse financial needs is a competitive advantage enabling PSB to continuously expand its customer base.

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

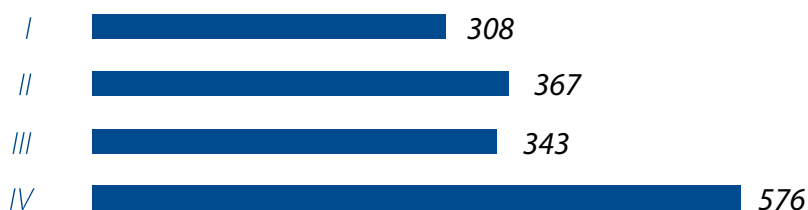
Following a sharp fall a year earlier, Russia's import and export volumes were picking up throughout 2010, driving a strong 76% increase in PSB's international financing transaction volumes to US\$1.7 billion.

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



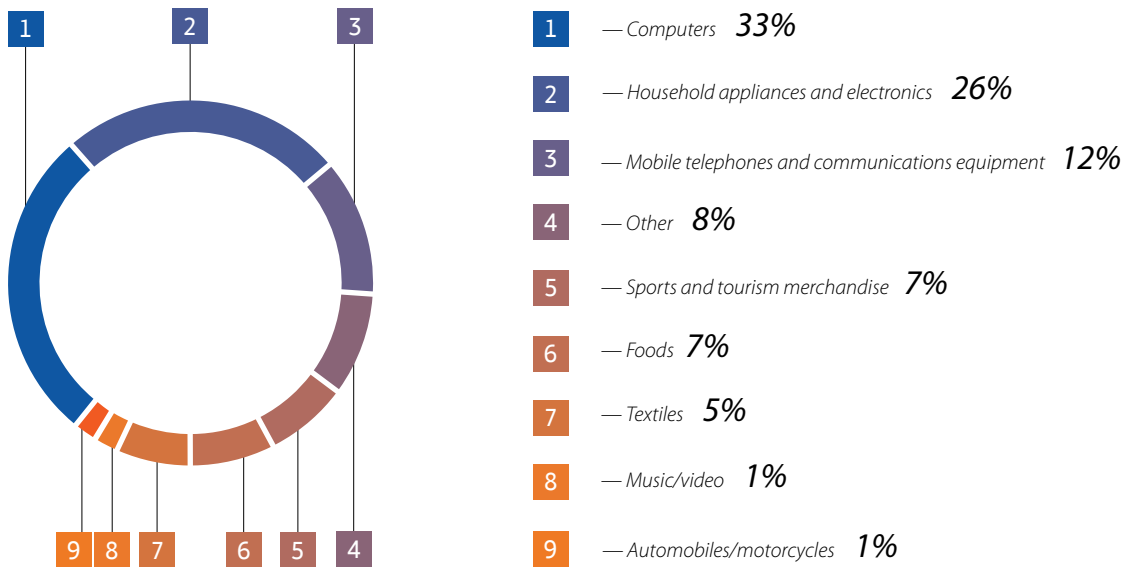
Despite fierce competition, PSB was successful in preserving its market share in letters of credit. According to SWIFT statistics, PSB's share of the total number of letters of credit issued by Russian financial institutions and processed by SWIFT in 2010 was 10.14%.

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

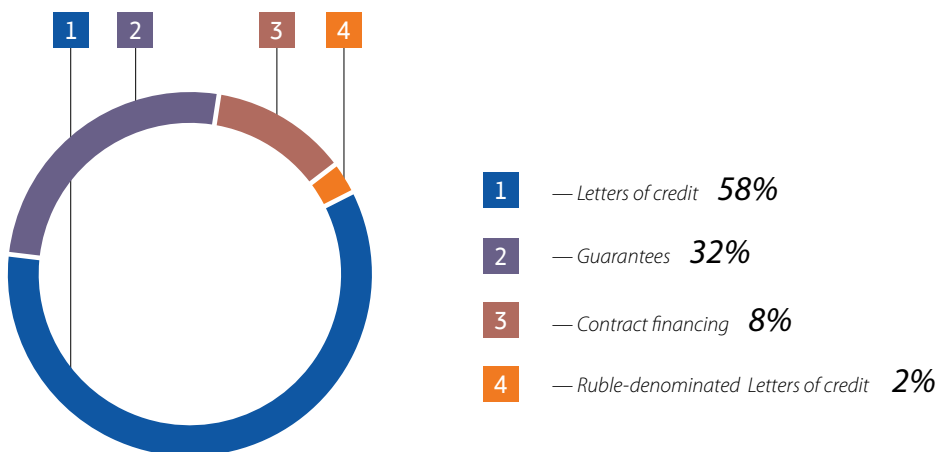
Trade finance instruments are polyvalent and may be used to finance purchases of mass-market consumer goods and raw materials, as well as machinery and high-tech equipment. PSB's broad international financing customer base includes blue chips in the wholesale and retail trade, machine building, metals, 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.

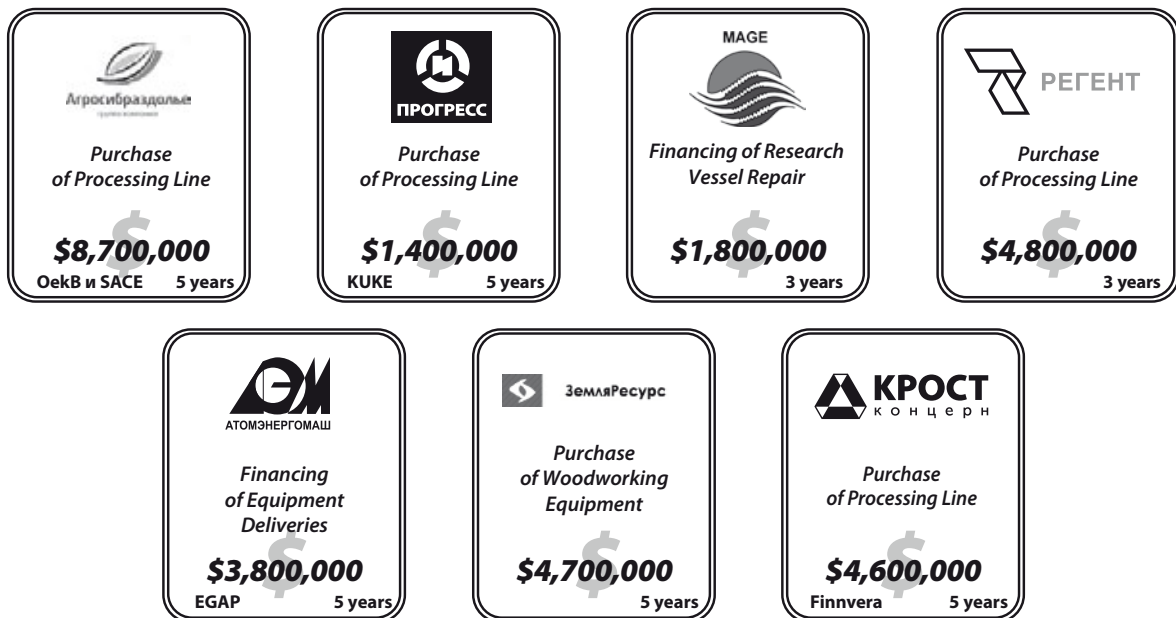
Another major transaction involved a €23 million letter of credit issued in order to finance delivery into Russia of gas turbine equipment for a new thermal power plant.

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

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

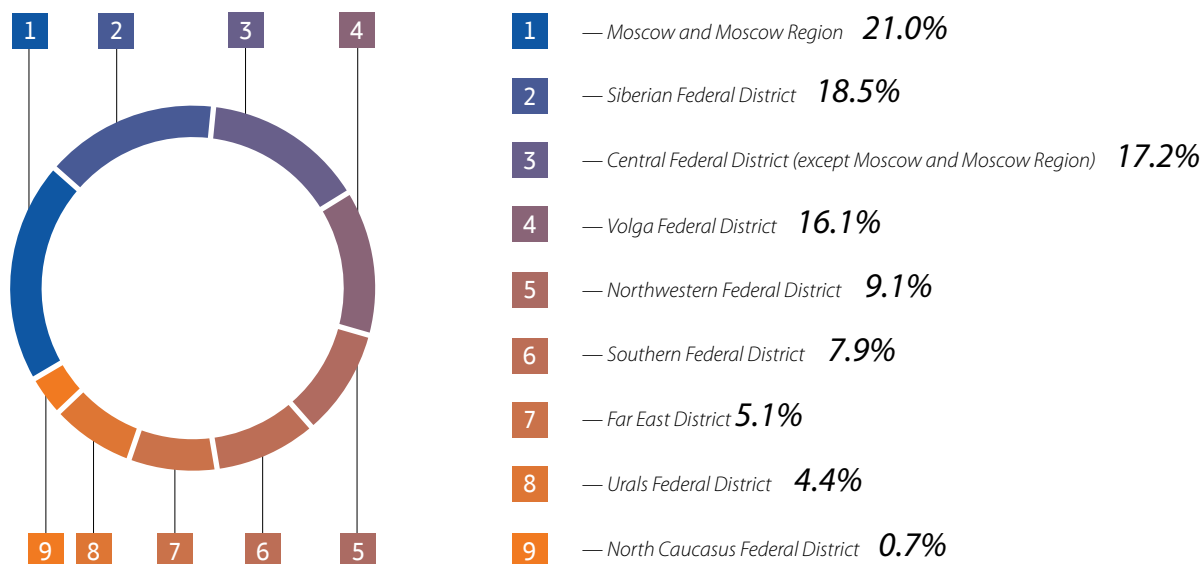
As of:



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.

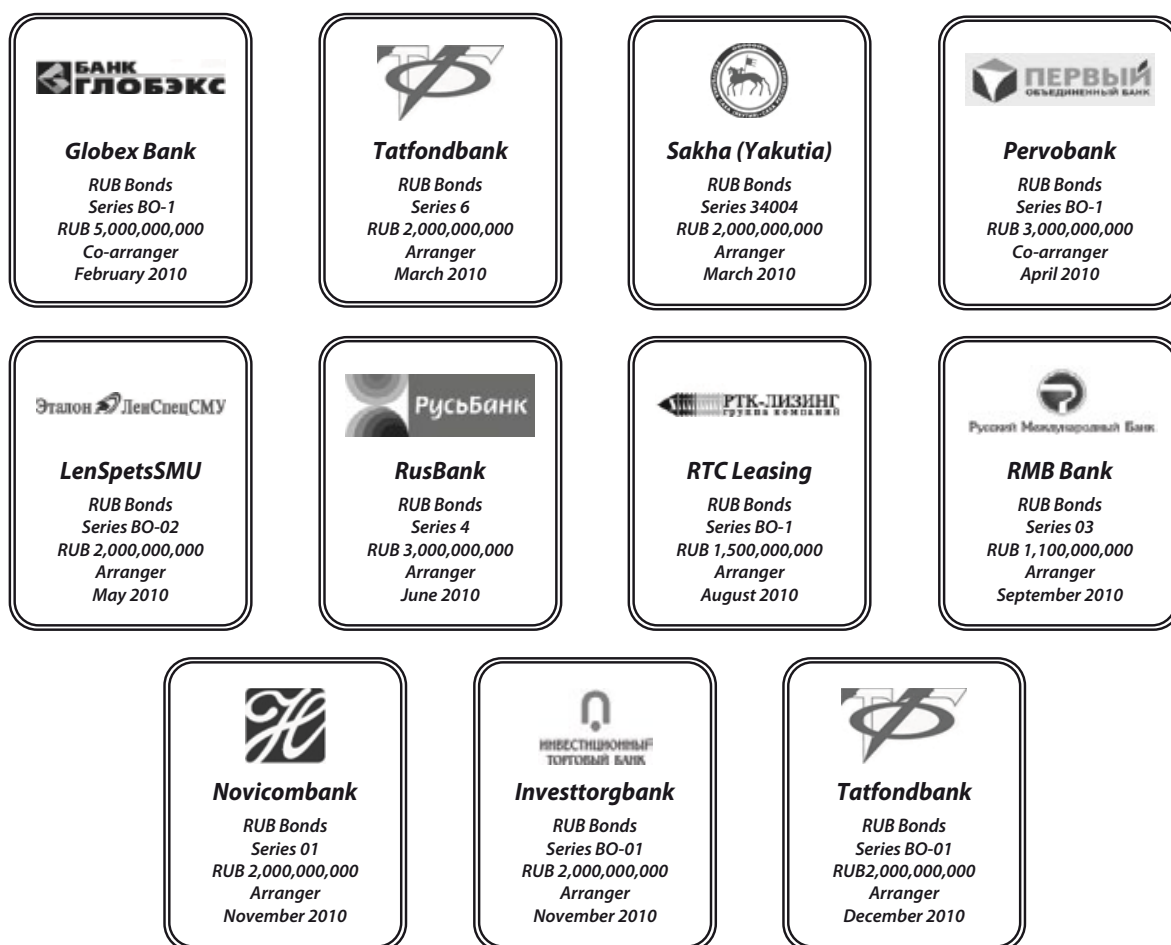
PSB Ruble Bonds

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.

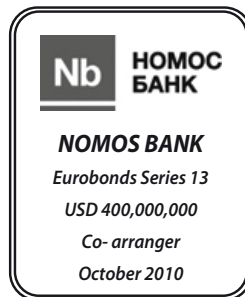
In July 2010, PSB registered five new exchange-traded bond issues for the total amount of RUB31 billion, which are intended to be offered in 2011 and in subsequent years. Issuance volumes will be aligned with PSB's strategy that aims to diversify its liabilities and optimize public borrowings volumes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

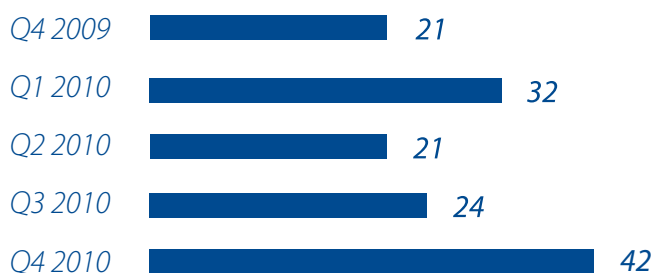
Sourcing of deposits from regional authorities was one of the focal areas in PSB's operations in 2010. PSB raised RUB23.8 billion in funding from constituents of the Russian Federation, establishing the bank as a one of the market leaders. As at the end of 2010, PSB ranked 10th by volume of deposits 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.

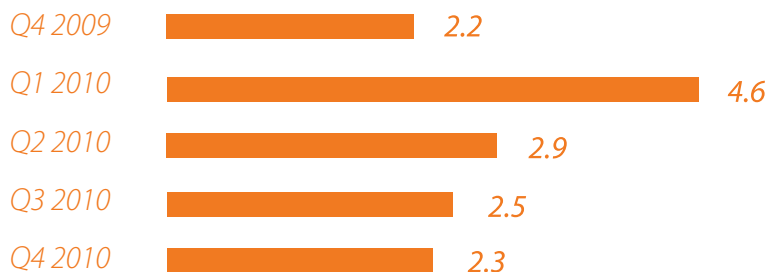
Deposits from RF Constituents and State Corporations, RUB BN

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.

Part 5

Computer

It is difficult to say exactly when the first computer was created. To a certain extent, each device mentioned above was a prototype of the future computer. It is possible that the first analog computer might have been invented in Ancient Greece at the end of the 2nd century BC. The Antikytheran mechanism lifted to the surface from a sunken vessel near the small island of Antikythera in 1901 had served to calculate trajectories of celestial objects and was able to perform four arithmetic operations.

The bank computer is a resource supporting operating calculations and remote management of cash flows from a great number of accounts. Modern software enables the user to manage his/her financial resources deposited with a bank from home, office, café, etc.

New banking computer technologies have paved the way for a new level of Client-Bank relationship.

Apple Macintosh, Model of 1984.



RISK MANAGEMENT

In 2010, PSB pursued the active implementation of risk management culture and principles based on best international practice and recommendations of the Basel Committee on Banking Supervision.

Comprehensive assessment of material risks, regular reviews of specific risk management models and limits, as well as timely updates of internal regulations enabled PSB to significantly step up its activities across all key business segments, while maintaining risks at reasonable levels.

Regular stress tests based on multi-factor scenarios and covering all PSB operations have been highly instrumental in assessing both PSB's weaknesses and its ability to withstand potential crises. The first comprehensive stress test was performed in early 2010.

PSB launched a project aiming to ensure risk mapping and comprehensive risk reporting. All risk assessment paradigms follow the same logic. As a supporting measure, the Bank built relevant assessment models, as well as establishing key risk indicators and developing roadmaps to minimize medium and high risks.

As its key risks PSB identifies credit risk, market risk, liquidity risk and operating risk, including risk of fraud.

Credit risk management

In 2010, PSB pursued a system-wide redesign of its credit process and credit risk management in the corporate segment.

The Bank set out to prepare methodological recommendations with regard to particular issues associated with client risk assessment in specific industries and business areas. PSB implemented simplified risk assessment processes for financially solid clients, as well as for a number of low-risk credit products.

In order to migrate toward quantitative assessment of credit risk and the use of risk pricing, PSB developed a model assigning internal credit ratings to clients, i.e. ensuring a formalized assessment of client credit quality.

Considering progressive post-crisis recovery and the revival of competition, as part of its credit policy review, PSB updated priority client segments for its lending operations, client financial position and loan security requirements, as well as the structure and levels of portfolio limits.

As before, PSB paid particular attention to the administration of troubled assets of its corporate clients. Specifically, the Bank thoroughly investigated reasons for client failures to service their debt. Based on a detailed analysis, PSB developed and implemented overdue debt administration plans aiming essentially to restore borrower operations and resolve outstanding issues, out of court where possible. In 2011, PSB intends to improve its troubled asset administration capability by applying a multitasking software architecture that will automate the relevant accounting, and will structure administration of each specific troubled asset.

In 2010, PSB approved principles of SME lending operations, updated client requirements, defined lending priorities, unacceptable risks, stages of the credit process and principles of risk management at each specific stage.

PSB systemized its approach to the delegation of decision-making authority to employees, based on employee expertise, position and portfolio quality.

Pilot operation of an automated loan application processing system is ongoing.

To improve the efficiency of troubled debt collection, PSB analyzed relevant processes and developed an action plan aiming to rectify the situation, including through process standardization, distribution of responsibilities and regular reporting on the quality of debt collection.

PSB pursued automation of collection, systematization and storage of data on SME lending limits and overdue debt collection.

In 2010, PSB rolled out a number of new lending programs to boost its retail loan portfolio and attract new clients. At the same time, PSB continued to improve its retail credit risk management systems. Experts from Experian and Oliver Wyman, invited to assess the system of the retail credit decision-making process, confirmed the relevance of the Bank's methodology, high quality of applied models and validity of loan application review processes.

PSB Collection Service introduced new staff positions across all branches, in order to automate the troubled debt administration process. Calls and SMS/text messaging at various stages of collection have been automated, and a computerized overdue debt client alert system is now in place. PSB Collection Service took measures to rehabilitate the retail loan portfolio and restore provisions. Loan agreements underlying long past-due loans in the area of RUB4.5 billion were ceded to debt collection agencies.

In Q4, PSB proceeded to pilot implementation of the decision-making and credit strategy management system SAS RTDM for credit cards issued under payroll projects. The system supports a large number of concurrent strategies and enables managers to make real-time decisions based on assessment of client risk profiles, which delivers a greater flexibility in assessment of risks associated with specific loan applications, and makes it possible to offer PSB clients various loan parameter options. Full commercial rollout of the system is expected in 1H2011.

Market risk management

The backbone of PSB's market risk management system is a structured system of limits, including limitation of impact of interest rate, equity and foreign exchange risks. In 2010, PSB pursued development of a market risk management system based on risk assessment and management methods applicable in case of strong market volatility — in particular, Conditional Value-at-Risk (Shortfall) philosophy and scenario-based testing of specific risk drivers.

As part of the development of a comprehensive environment supporting assessment and adequate limitation of the market risk, PSB set out to implement advanced front office and risk management solutions. Market risk management processes are to a significant extent automated.

Liquidity risk management

In 2010, PSB successfully operated its system of liquidity risk limits. The system of internal indicators of the Bank's liquidity position was upgraded. Liquidity indicators are capped based on regularly updated historical data and multiple scenario modeling outcomes. Daily monitoring of the indicators supports PSB's ability to make full and timely payments to its clients and counterparties, even when global financial markets are under stress.

PSB reviewed its internal regulations governing liquidity risk management and updated its liquidity gap assessment model. The Bank successfully runs its dynamic liquid asset distribution efficiency assessment model, which ensures greater return on investment of temporarily available funds.

Interest rate risk management

PSB developed a model measuring the impact of interest rate fluctuations on its financial result, which supports the Bank's ability to make the right decisions when interest rate risk levels approach the established limits. Diligent use of interest rate risk assessment models in 2010 enabled PSB to significantly reduce opportunity costs when such risks materialized.

Operating risk and fraud risk management

In 2010, PSB adopted a Fraud Risk Management Regulation outlining key principles for countering fraud, separation of employee authority and responsibilities, and defining characteristics of fraud and criteria for recognition of specific actions as fraud.

To improve operating risk and fraud risk assessment quality, PSB applies a process-based approach including analysis of likelihood of risk events at individual stages of its business process. Based on results of the analysis, PSB develops recommendations aiming at minimization of identified risks. Implementation of critical operating risk mitigation measures is monitored on a regular basis.

INTERNAL CONTROL SYSTEM

PSB continued to improve its internal control system throughout 2010, focusing on development of the system's ability, not only to prevent abusive practices, but also to facilitate efficiency of banking operations and to support timely risk assessment.

PSB's internal control system is designed to ensure:

- strong overall operating efficiency and performance, efficiency of asset and liability management and risk management;
- accuracy, completeness, objectivity and timeliness of financial, accounting and other reports for external and internal users;
- data security;
- compliance with legislation, incorporation documents and internal regulations.

PSB's internal control system includes the Bank's government bodies, audit committee, chief accountant and his/her deputies, branch managers and their deputies, branch chief accountants and their deputies and, finally, business units and employees responsible for internal control in accordance with their authority as set forth in incorporation documents and internal regulations.

The Internal Audit and Control Department ensures monitoring, control and unbiased assessment of all components of the internal control system. Based on the results of its audits, the department submits recommendations for improvement of the internal control system and supervises implementation of the relevant remedial measures. In 2010, PSB's Board of Directors made a decision to step up the number of branches with internal audit and control departments from 6 (as at January 1, 2009) to 22. As at January 1, 2011, such departments were in place at 10 branches. Branch internal audit and control departments are responsible for auditing business units of their respective branches.

An integral part of the internal control system is control of PSB's professional financial market operations, ensured by the Financial Market Operations Compliance Service. Key responsibilities of the service include:

- control of compliance with securities market legislation;
- protection of investor and client rights and legal interests;
- prevention of malpractice in PSB's financial market operations.

Another integral part of PSB's internal control system is its Financial Monitoring Service, ensuring development and implementation of internal control rules and programs to counter legalization (laundering) of proceeds from crime, and terrorism financing. In addition, the Financial Monitoring Service is responsible for filings with the Federal Service for Financial Monitoring.

Part 6

ATM

ATMs heralded the beginning of a new era, that of self-banking. The machine offered the customer a round-the-clock service.

The first-ever ATM was installed on June 27, 1967 in London. It was invented by a Scottish inventor, John Shepherd-Barron for De La Rue, the British manufacturer of banknote paper for more than 150 countries in the world. As plastic cards did not yet exist at the time, banks issued special vouchers for cash withdrawals. At approximately the same time another Scotsman, James Goodfellow, suggested using a secret PIN code as a means of protection against unauthorized access to bank accounts. The first plastic cards with magnetic stripes were introduced in the United States. The first-ever ATM in Russia was installed in 1991.



Modern ATM.

IT DEVELOPMENT

In 2010, PSB implemented a number of major IT projects and pursued the roll out of industrial-scale systems to ensure technological support for its business functions.

Technological Business Support

In 2010, PSB proceeded to the commercial rollout of Misys Summit, the consolidated front-office system for financial market operations, designed to fully automate securities trading and accounting processes.

In addition, in 2010 PSB launched an automated mid-office system and implemented a centralized solution based on EMC-developed Documentum, the documentation management system, in SME lending operations. Previously, the retail loan application review process had already migrated onto the platform. The Bank's retail loan application review and decision-making system was named best system in the category Risk Management Systems of the Golden Dozen Award at the 8th Annual Congress of Russian IT Directors.

PSB pursued implementation of subsystems as part of mySAP ERP project. The first stage of the project was completed with the launch of SAP CRM subsystem for corporate, SME and private banking clients. Client managers are now able to operate in a single data space. PSB also implemented a SAP BW-based corporate data storage facility.

In addition, PSB intends to implement Manager Information Services and Benefits Management projects. In 2010, the Bank also proceeded to the roll out of GAE, the cost- (including HR cost) planning system.

Client Convenience

In 2010, the number of PSB Online corporate users increased by 37% to 55,000. Recognizing the ongoing functional and qualitative improvement of PSB On-Line, most clients prefer to transit from traditional Client-Bank relations toward the PSB On-Line platform.

The PSB-Retail user interface was upgraded in 2010. PSB developed an application for iPhone and Android-based smartphone users, offering information about the nearest PSB offices and ATMs, special offers, currency exchange rates, etc. An application for smartphones based on Windows Mobile or Windows Phone operating systems is scheduled for launch in 2011. In addition, PSB intends to implement a system enabling users to use PSB-Retail services by phone .

Integration of Subsidiary Banks and Branch Network Restructuring

In 2010, PSB completed consolidation of its three subsidiary banks. The banks' infrastructure was brought fully in line with PSB standards, while ATM networks were fully integrated and bankcards re-issued. All information concerning clients, their products and transactions was fully transferred into PSB IT systems.

Due to the transformation of the Tula and Tver branches into regional operating offices, all their client, account, loan, deposit and other data were transferred. In 2011, PSB intends to proceed to transformation of most of its branches, with a functional consolidation at the level of federal districts.

IT Infrastructure Development

In 2010, PSB put into operation a backup telecommunications center designed mainly to ensure uninterrupted client and infrastructure communication services in case of technical failures, natural and man-made disasters, as well as major service provider failures. The backup center is located at a considerable distance from the main center, while all PSB communications are distributed between the two and backed up. This ensures availability of PSB's IT infrastructure and operating capacity of its multiservice network even in the case of failure at one of the centers.

Reliable and uninterrupted operation of PSB's IT infrastructure is backed up by an integrated life support system, including air-conditioning, safety and continuous power supply subsystems. Hardware system status data is collected, processed and transferred by an automated online monitoring system.

CORPORATE GOVERNANCE

Key Principles

PSB's Corporate Governance System (CGS) is underpinned by efficient cooperation between all stakeholders, including shareholders, the Board of Directors, the President, the Management Board, PSB employees, as well as its clients and partners.

Changes in 2010

Key changes to the CGS, which essentially completed the development of its overall structure, were implemented in 2008. Further and less significant adjustments made in 2010 were mainly aimed at improved cooperation between the CGS participants.

Consolidation of Subsidiary Banks

In May 2010, PSB completed de jure consolidation of the subsidiary banks Volgoprombank and Nizhny Novgorod Bank. Consolidation of Yarsotsbank was completed in October 2010.

Changes in Governing Bodies

In September 2010, Alexander Levkovsky voluntarily stepped down from his post of President and Chairman of the Management Board. Artem Konstandyan, previously First Vice-President of PSB, was elected as new President. At the same time, Alexandra Volchenko, previously Senior Vice-President and Head of Finance and Risks, took up the position of PSB First Vice-President.

Changes in the Board of Directors

In 2010, two representatives of minority shareholders joined the PSB Board. Together with two independent directors serving on the Board, they ensure the Board's diversity. PSB's director independence criteria are based on the strictest requirements of both Russian and international regulators and stock exchanges.

General Shareholders' Meetings

In addition to the GSM following 2009 results and held on June 25, 2010, PSB held three Extraordinary GSMs — on April 2, August 30 and November 12, 2010. These considered subsidiary banks consolidation issues and the election of the new Board of Directors.

Board of Directors

As at December 31, 2010, PSB's Board included 9 directors:

- Alexey Ananiev (1964), Chairman of the Board
- Maxim Litvinov (1970), Deputy Chairman of the Board
- Artem Konstandyan (1974), President of PSB
- Vladislav Zabelin (1975), Representative of Promsvyaz Capital B.V.
- Yuri Bayev (1969), Representative of Promsvyaz Capital B.V.

- Ilkka Salonen (1955), EBRD representative
- Wilhelm Nüse (1952—2011), Commerzbank Auslandsbanken Holding AG representative
- Paul Ostling (1948), Independent director
- Tamjid Basunia (1945), Independent director.

Certain members of the Board serve on the Board's committees, including the Audit Committee, Remuneration Committee, and Strategy Committee.

For detailed information about PSB Board members and committees, please visit the page "About Promsvyazbank — Management" at the Bank's website.

Management Board

As at December 31, 2010, PSB's Management Board included 8 members:

- Artem Konstandyan (1974), PSB President and Chairman of the Management Board
- Dmitry Sennikov (1957), First Vice-President
- Alexandra Volchenko (1976), First Vice-President
- Irina Morozova (1963), Chief Accountant and Head of Accounting and Financial Reporting Department
- Konstantin Basmanov (1974), Senior Vice-President and Head of Branch Network
- Alexey Fedotkin (1976) — Senior Vice-President and Head of Corporate Business
- Tatiana Kuzmina (1968), Vice-President and Head of Legal Department
- Elena Makhota (1980), Vice-President and Head of SME and Retail Banking.

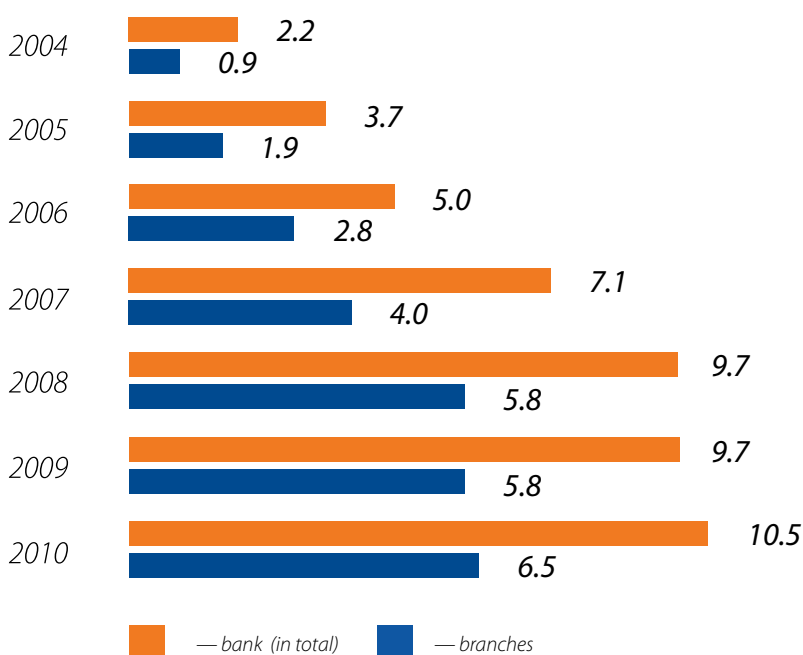
The Management Board set up credit committees at various levels, Asset and Liability Committee (ALCO), Tariff Committee, Retail Risk Committee, Product and Innovation Committee, etc.

For detailed information about PSB Management Board members and committees, please visit the page "About Promsvyazbank — Management" of the Bank's website.

HR POLICY: KEY AREAS

Staff motivation, development, incentivization and retention are of prime importance to PSB's development. At present, key focus areas include the value of each employee to the Bank, clear career prospects and transparent remuneration.

Number of employees at PSB (in thousands)



In 2010, the number of employees at PSB exceeded 10,000, including 6,000 in the distribution network, which was the center of major structural changes made in 2010. PSB completed consolidation of its three subsidiary banks, which resulted in a considerable expansion of the regional distribution network in three regions. PSB set out to implement a project of transformation of branches into operating offices, which in 2011 will spread to cover the entire PSB branch network. While implementing the organizational and structural changes, PSB is focused on retention of highly skilled employees and efficient manpower distribution.

At the beginning of the year, PSB carried out research on employee commitment, which covered more than 3 000 employees. The research results enabled PSB to establish priority HR development measures to increase the level of commitment as a driver of the Bank's business indicators.

In 2010, PSB set out to implement a set of major HR projects. As part of the implementation of a KPI-linked short-term variable bonus program, PSB developed the top management KPIs, thus completing an important stage of the process. Retail business employees joined the new bonus system as of Q4. The program is scheduled for extension to all PSB employees in 2011.

In 2010, PSB launched the development of a corporate competence model reflecting specifics of PSB employee requirements at various levels, as well as the model-driven optimization of key HR processes. PSB management and employees were involved in the development of the model, which contains 7 competences described for several job hierarchy levels.

PSB proceeded to implement the Talent Pool Project in its Distribution Network. Three candidates were included in the strategic talent pool for the manager position, while 10 and 13 more candidates will be evaluated shortly for the manager and deputy manager positions, respectively. This is a long-term project, which will be progressively extended to the entire Bank. In the meanwhile, the next implementation stage will involve establishment of a talent pool for the Head Office positions.

An important area of HR policy is staff development, including both employees and managers. PSB launched the PSB Business Academy, a large-scale project aiming to put in place a single open-end corporate training program. In 2010, 240 employees followed managerial skill development and general skill improvement programs. Importantly, the program enrolled not only Moscow and Moscow region-based employees but also employees of 38 branches. Regional training in 2010 was offered to front office employees, while in 2011 coaches will proceed to training corporate business and SME business employees.

In summer 2010, more than 60 branch managers and Head Office employees participated in a staff development program aiming to improve performance, promote achievement of new management and strategic results, and change employees' attitudes towards their job, the Bank and its clients.

In 2010, PSB pursued dynamic cooperation with universities, signing more than 10 internship agreements and receiving more than 70 interns. In addition, more than 20 PSB branches entered into similar agreements, establishing mutually beneficial cooperation with regional universities.

SPONSORSHIP AND CHARITY

In its core operations PSB firmly adheres to the principles of a socially oriented business. The Bank participates in financing of the real sector of the Russian economy and contributes to the development of small- and medium-sized enterprises in Russia, thus facilitating job creation. The Bank has established cooperation with the Russian Pension Fund and several non-government pension funds.

PSB is engaged in diverse sponsorship and charity activities through its close links with various foundations and projects. However, the Bank's charitable work always targets end beneficiaries — specific people and organizations.

PSB recognizes the need to support the disadvantaged population, particularly children. PSB has been supporting the Children's Medical Hospice and cooperating with Our Children, the ICP-affected children assistance fund.

As part of a joint project with Lifeline, the severely ill children assistance fund, PSB issues special bankcards and transfers to the fund contributions linked to the card use frequency.

Support of the Russian Orthodox Church has traditionally been one of the key areas of PSB's charitable work. In 2010, PSB provided financial assistance to Novo-Tikhvinski Female Monastery, Svyato-Uspensky Pskovo-Pechersky Male Monastery, Church of the Saint Grand Duke Vladimir of Kiev, Holy Trinity St. Sergius Laura, Saint Sergius Boarding School, Zachatyevski Stavropegial Female Monastery, Spaso-Preobrazhenski Solovetski Patriarchal Male Monastery and others.

Sports and healthy lifestyle promotion has traditionally been high on PSB's agenda. In 2010, PSB acted as a sponsor to FC Nizhny Novgorod and FC Shinnik (Yaroslavl), as well as a general sponsor to the Khimki Basketball Club.

PSB has traditionally organized and supported events promoting the development of the Russian banking sector. In July, jointly with the Association of Russian Banks, the Saint Petersburg Directorate of the Bank of Russia and other institutions, PSB held the 15th Northwestern Banking Conference in Saint Petersburg. In addition, PSB sponsored a number of other competitions, business forums and fairs.

ENVIRONMENTAL POLICY

Throughout the history of its operations, PSB has been paying particular attention to environmental protection.

As part of its credit risk management efforts, PSB assesses environmental risks associated with the operations of its clients. In accordance with the EBRD recommendations, the Bank adopted corporate borrower environmental compliance assessment standards. The Bank has an environmental protection policy and the necessary environmental risk management processes in place. PSB is particularly vigilant with regard to borrowers operating in sectors with high and critical levels of environmental risk. In addition, PSB monitors its loan portfolio structure for environmental risk.

When applying for a loan, borrowers submit a questionnaire providing information necessary for the assessment of the borrower's primary environmental risk. If a high level of environmental risk is detected, the Bank requests more detailed information about potential environmental risks, as well as environmental certificates and permits. Key parameters for borrower environmental risk assessment include the sector of operations, nature of business, purposes of the loan and type of collateral.

At the stage of application review, the Bank's credit staff assesses borrower environmental risks. Information about any environmental risks of the borrower is included in the credit opinion to be submitted to the relevant authority.

PSB's Credit Risk Assessment Department drafts an annual environmental report under the EBRD lending program. The report contains analysis of environmental risks associated with the Bank's loan portfolio, including loans to small- and medium-sized enterprises participating in the program.

Part 7

Mobile Bank Card Terminal

The plastic card has become an essential accessory of modern man. In developed countries plastic cards are used more often than cash. The mobile bank terminal was invented to enable card payments for goods and services. To carry out a payment operation, the cardholder inserts a card in the terminal and introduces the PIN code. Mobile bankcard terminals are widely used by restaurants, courier services and other types of merchants and service providers.

One of the models of the portable payment terminal.





INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of OAO "Promsvyazbank":

1. The accompanying summarised consolidated financial statements comprising the consolidated statement of financial position as of 31 December 2010 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended have been derived from the consolidated financial statements of OAO "Promsvyazbank" and its subsidiaries (the "Group") for the year ended 31 December 2010 prepared in accordance with International Financial Reporting Standards. Those consolidated financial statements, and the summarised consolidated financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those consolidated financial statements. These summarised consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on whether these summarised consolidated financial statements are consistent, in all material respects, with the financial statements from which they were derived.
2. We have audited the consolidated financial statements of the Group for the year ended 31 December 2010, from which these summarised consolidated financial statements were derived, in accordance with International Standards on Auditing. In our report dated 15 March 2010 we expressed an unqualified opinion on the consolidated financial statements from which the summarised consolidated financial statements were derived.
3. The summarised consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarised consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of the Group.
4. In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the consolidated financial statements from which they were derived.

1 April 2011
Moscow, Russian Federation

ZAO PricewaterhouseCoopers Audit

ZAO PricewaterhouseCoopers Audit, White Square Office Center, 10 Butyrsky Va , Moscow, Russia, 125047
Telephone +7 (495) 967 6000, Fax +7 (495) 967 6001, www.pwc.ru

This correspondence is confidential and is intended only for the use and benefit of the specific party for whom it was produced. No duty of care is given to, and no reliance may be placed on this correspondence by, any other party.

Consolidated Statement of Financial Position as at 31 December 2010
(expressed in thousands of Russian Roubles)

ASSETS	2010	2009
Cash and cash equivalents	45 182 249	108 322 648
Obligatory reserves with central banks	3 015 876	3 149 729
Placements with banks and other financial institutions	12 122 032	5 075 800
Financial assets at fair value through profit or loss	46 004 572	41 751 838
Amounts receivable under reverse repurchase agreements	15 949 846	10 080 301
Loans to customers	310 947 643	266 421 579
Investments available for sale	2 203 213	35 083
Investments held to maturity	3 966 911	7 204 938
Assets held for sale	5 944 765	2 600 001
Other assets	2 513 778	2 100 315
Current income tax prepayments	612 254	660 877
Deferred tax asset	1 065 008	600 326
Property and equipment	25 598 772	23 207 942
TOTAL ASSETS	475 126 919	471 211 377
LIABILITIES		
Financial liabilities at fair value through profit or loss	1 593 384	1 252 225
Deposits and balances from banks and other financial institutions	59 677 877	64 780 390
Amounts payable under repurchase agreements	2 790 016	60 697
Current accounts and deposits from customers	297 046 845	289 548 839
Own securities issued	32 127 497	43 654 712
Other borrowed funds	12 802 195	13 819 410
Other liabilities	2 439 590	1 800 988
Current income tax payable	948	27 341
Deferred tax liability	55 645	313 033
Subordinated borrowings	21 817 689	17 748 361
TOTAL LIABILITIES	430 351 686	433 005 996
EQUITY		
Share capital	11 511 052	10 062 544
Share premium	17 303 093	13 319 695
Additional paid-in-capital	81 919	1 056 102
Revaluation reserve for property	2 717 232	2 353 907
Revaluation reserve for investments available for sale	(80 230)	160
Retained earnings	13 242 167	11 147 632
Total equity attributable to owners of the parent	44 775 233	37 940 040
Non-controlling interest	—	265 341
TOTAL EQUITY	44 775 233	38 205 381
TOTAL LIABILITIES AND EQUITY	475 126 919	471 211 377

Konstandian A.G
President



Volchenko A.U.
First Vice-president

The summarised consolidated financial statements should be read in conjunction with the consolidated financial statements from which it was derived.

Consolidated Income Statement for the year ended 31 December 2010 (expressed in thousands of Russian Roubles)

	2010	2009
Interest income	46 321 190	54 599 926
Interest expense	(25 712 013)	(28 870 960)
Net interest income	20 609 177	25 728 966
Fee and commission income	7 559 980	7 012 078
Fee and commission expense	(1 522 700)	(1 406 846)
Net fee and commission income	6 037 280	5 605 232
Net (loss)/gain on financial instruments at fair value through profit or loss and (loss)/gain on early redemption of senior loan participation notes	(350 153)	1 114 182
Net foreign exchange gain	614 460	375 892
Other income and expense	1 309 893	1 006 066
Operating income	28 220 657	33 830 338
Loan impairment charge	(10 335 714)	(20 841 815)
Other impairment charge	(82 578)	(93 531)
Net loss on revaluation of property	(68 021)	(457 918)
General and administrative expenses	(14 854 862)	(13 062 679)
	(25 341 175)	(34 455 943)
Profit/(loss) before tax	2 879 482	(625 605)
Income tax expense	(402 333)	(248)
Profit/(loss) after tax	2 477 149	(625 853)
Profit/(loss) attributable to:		
Owners of the parent	2 477 149	(625 853)

Consolidated Statement of Comprehensive Income for the year ended 31 December 2010 (expressed in thousands of Russian Roubles)

	2010	2009
Profit/(loss) after tax	2 477 149	(625 853)
Other comprehensive income		
Revaluation of property	454 156	(1 025 030)
Income tax related to revaluation of property	(90 831)	205 006
Revaluation of investments available for sale	(100 488)	83 503
Income tax related to revaluation of investments available for sale	20 098	(16 702)
Other comprehensive income/(loss), net of tax	282 935	(753 223)
Total comprehensive income/(loss)	2 760 084	(1 379 076)
Total comprehensive income/(loss) attributable to:		
Owners of the parent	2 760 084	(1 386 139)
Non-controlling interest	—	7 063

The summarised consolidated financial statements should be read in conjunction with the consolidated financial statements from which it was derived.

Consolidated Statement of Cash Flows for the year ended 31 December 2010 (expressed in thousands of Russian Roubles)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	44 144 863	44 473 551
Fees and commission received	7 706 584	6 913 901
Interest paid	(25 630 390)	(29 201 950)
Fee and commission paid	(1 462 494)	(1 479 007)
Net (payments)/ receipts from financial instruments at fair value through profit or loss	(698 628)	386 230
Net payments from foreign exchange transactions	(978 519)	(246 298)
Other income received	1 158 445	1 008 358
General and administrative expenses paid	(13 229 753)	(12 636 205)
	11 010 108	9 218 580
Decrease/(Increase) in operating assets		
Obligatory reserves with central banks	133 837	(2 157 588)
Placements with banks and other financial institutions	(8 118 293)	(2 688 024)
Financial assets at fair value through profit or loss	(4 118 300)	(27 635 262)
Amounts receivable under reverse repurchase agreements	(5 869 384)	(5 504 956)
Loans to customers	(54 644 128)	31 858 934
Other assets	(608 466)	(147 960)
Increase/(decrease) in operating liabilities		
Financial liabilities at fair value through profit or loss	1 144 126	358 461
Deposits and balances from banks and other financial institutions	(2 277 723)	(50 920 850)
Amounts payable under repurchase agreements	2 728 643	(792 440)
Current accounts and deposits from customers	9 566 249	57 040 884
Promissory notes and certificates of deposit	(1 006)	8 617 354
Other liabilities	23 162	(58 136)
Net cash (used in)/from operating activities before income tax	(51 031 175)	17 188 997
Income tax paid	(1 172 907)	(261 880)
Cash flows/(used in) from operations	(52 204 082)	16 927 117
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of NCI and subsidiaries, net of cash acquired	(1 548 666)	(624 038)
Disposal of investments available for sale	63 635	239 086
Purchases of investments available for sale	(2 329 214)	(31 845)
Purchases of investments held to maturity	(1 491 850)	(1 490 779)
Redemption of investments held to maturity	4 785 931	2 951 181
Purchases of property and equipment	(3 308 867)	(4 349 348)
Disposals of property and equipment	238 639	57 974
Purchases of assets held for sale	(3 344 764)	(2 600 001)
Cash flows used in investing activities	(6 935 156)	(5 847 770)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of senior loan participation notes and domestic bonds	7 366 076	10 494 962
Repayment of senior loan participation notes and domestic bonds	(18 214 245)	(15 179 518)
Repayment of other borrowed funds	(10 437 489)	(15 514 855)
Proceeds from other borrowed funds	9 669 025	3 592 575
Repayment of subordinated borrowings	(2 379 696)	(1 217 756)
Proceeds from subordinated borrowings	6 048 840	5 775 020
Proceeds from issuance of share capital	5 431 906	—
Cash flows used in financing activities	(2 515 583)	(12 049 572)
Net decrease in cash and cash equivalents	(61 654 821)	(970 225)
Effect of changes in exchange rates on cash and cash equivalents	(1 485 578)	3 569 663
Cash and cash equivalents at the beginning of the year	108 322 648	105 723 210
Cash and cash equivalents at the end of the year	45 182 249	108 322 648

The summarised consolidated financial statements should be read in conjunction with the consolidated financial statements from which it was derived.

Consolidated Statement of Changes in Equity for the year ended 31 December 2010
(expressed in thousands of Russian Roubles)

	Attributable to owners of the parent								Total	Non-controlling interest	Total equity
	Share capital	Share premium	Additional paid-in-capital	Revaluation reserve for property	Revaluation reserve for investments available for sale	Retained earnings					
Balance at 1 January 2009	10 062 544	13 319 695	1 167 515	3 192 346	(66 641)	11 773 411	39 448 870	525 714	39 974 584		
Total comprehensive loss/(income)	—	—	—	(827 087)	66 801	(625 853)	(1 386 139)	7 063	(1 379 076)		
Acquisition of subsidiary	—	—	—	—	—	(8 253)	(8 253)	—	(8 253)		
Purchase of non-controlling interest of subsidiaries	—	—	—	—	—	—	—	(390 792)	(390 792)		
Sale of non-controlling interest of subsidiary	—	—	(111 413)	(11 352)	—	8 327	(114 438)	123 356	8 918		
Balance at 1 January 2010	10 062 544	13 319 695	1 056 102	2 353 907	160	11 147 632	37 940 040	265 341	38 205 381		
Total comprehensive income/(loss)	—	—	—	363 325	(80 390)	2 477 149	2 760 084	—	2 760 084		
Share issue	1 448 508	3 983 398	—	—	—	—	5 431 906	—	5 431 906		
Purchase of non-controlling interest of subsidiary	—	—	(974 183)	—	—	(382 614)	(1 356 797)	(265 341)	(1 622 138)		
Balance at 31 December 2010	11 511 052	17 303 093	81 919	2 717 232	(80 230)	13 242 167	44 775 233	—	44 775 233		

The summarised consolidated financial statements should be read in conjunction with the consolidated financial statements from which it was derived.

Part 8

PSB-Retail: Abreast of the times

PSB launched its Internet-based banking services in 2001, with PSB Online System rapidly gaining recognition in the remote service market. At the end of 2005, PSB introduced PSB Retail - a new system, which remains in operation today. To ensure the highest degree of customer comfort while using the service, PSB revamped the system interface and launched a mobile phone application in 2010.

PSB-Retail offers our customers a full range of services and enables them to manage their financial resources round the clock. Online customer services include commission-free payments (utility, mobile communication, Internet access and other household payments), bankcard applications, term deposit opening, options for automatic transactions based on a pre-defined schedule, etc. PSB continues to pursue development of PSB-Retail, improving its functional features and service quality. PSB Internet Bank is ranked as a leading online banking system by users on the banki.ru website and by the trade magazine Finance.



iPad has been produced since 2010.

PSB LICENSES

(as of December 31, 2010)

- General License for Banking Operations # 3251; date of issue: September 28, 2007; issuing authority: Bank of Russia; perpetual
- License of a Professional Securities Market Participant for Broker Operations # 177-03816-100000; date of issue: December 13, 2000; issuing authority: Federal Securities Market Commission; perpetual
- License of a Professional Securities Market Participant for Dealer Operations # 177-03876-010000; date of issue: December 13, 2000; issuing authority: Federal Securities Market Commission; perpetual
- License of a Professional Securities Market Participant for Securities Management # 177-03918-001000; date of issue: December 13, 2000; issuing authority: Federal Securities Market Commission; perpetual
- License of a Professional Securities Market Participant for Depository Operations # 177-03960-000100; date of issue: December 15, 2000; issuing authority: Federal Securities Market Commission; perpetual
- License for Banking Operations: Precious Metal Deposits and Investments # 3251; date of issue: September 28, 2009; issuing authority the Bank of Russia; perpetual
- License of Exchange Intermediary Dealing in Commodity Futures and Options in Exchange Trading # 1478; date of issue: November 26, 2009; issuing authority: Federal Service for Securities Markets; perpetual
- License for Operations with the Use of Information Classified as State Secret # 12359; date of issue: June 18, 2008; issuing authority: Russian Federal Security Service Moscow and Moscow Region Directorate; validity: April 29, 2013
- License for Technical Maintenance of Encoding (Cryptographic) Devices # 6176H; date of issue: October 6, 2008; issuing authority: Russian Federal Security Service Center for State Secret Licensing, Certification and Protection; validity: March 21, 2013
- License for Distribution of Encoding (Cryptographic) Devices # N 6177R; date of issue: October 6, 2008; issuing authority: Russian Federal Security Service Center for State Secret Licensing, Certification and Protection; validity: March 21, 2013
- License for Information Encoding (Encryption) # 6178U; date of issue: October 6, 2008; issuing authority: Russian Federal Security Service Center for State Secret Licensing, Certification and Protection; validity: March 21, 2013
- Certificate of PSB Inclusion in the Register of Banks Participating in the Mandatory deposit Insurance System # 78; date of entry: October 14, 2004; issuing authority: State Corporation Deposit Insurance Agency; perpetual.

***PSB's Membership in Associations, Not-for-Profit Partnerships and Other Trade Organizations
(as at December 31, 2010)***

- Moscow Interbank Currency Exchange (MICEX)
- National Securities Market Association (NSMA)
- Professional Association of Registrars, Transfer Agents and Depositories (PARTAD)
- National Foreign Exchange Association (NFEA)
- Moscow International Currency Association (MICA)
- Russian National SWIFT Association (ROSSWIFT)
- Association of Russian Banks (ARB)
- Not-for-Profit Partnership Telecommunications Forum
- Russian Europay Association
- Not-for-Profit Partnership RTS Stock Exchange
- International Factoring Association Factors Chain International (FCI)
- Association of Northwestern Banks (ANWB)
- Not-for-Profit Association of Russian Regional Banks (Russia Association)
- Franchising Association
- Not-for-Profit Partnership Union of Investor Relation Professionals
- Factoring Association
- Association of Russian banks — VISA members
- International Capital Markets Association

***PSB's Membership in Chambers of Commerce and Industry
(as at December 31, 2010)***

- Altai Chamber of Commerce and Industry
- Balashikha Chamber of Commerce and Industry
- Belgorod Chamber of Commerce and Industry
- Bryansk Chamber of Commerce and Industry
- Volgograd Chamber of Commerce and Industry

- Kolomna Chamber of Commerce and Industry
- Lipetsk Chamber of Commerce and Industry
- Lyubertsy Chamber of Commerce and Industry
- Novorossiysk Chamber of Commerce and Industry
- Novosibirsk Chamber of Commerce and Industry
- Omsk Chamber of Commerce and Industry
- Penza Chamber of Commerce and Industry
- Perm Chamber of Commerce and Industry
- Ryazan Chamber of Commerce and Industry
- Solnechnogorsk Chamber of Commerce and Industry
- Tambov Chamber of Commerce and Industry
- Tomsk Chamber of Commerce and Industry
- Zheleznodorozhny Chamber of Commerce and Industry
- Voronezh Region Chamber of Commerce and Industry
- Ivanovo Region Chamber of Commerce and Industry
- Nizhny Novgorod Region Chamber of Commerce and Industry
- Samara Region Chamber of Commerce and Industry
- Saratov Region Chamber of Commerce and Industry
- Republic of Bashkortostan Chamber of Commerce and Industry
- Tula Chamber of Commerce and Industry
- Udmurtia Chamber of Commerce and Industry
- Khimki Chamber of Commerce and Industry
- Central Siberia Chamber of Commerce and Industry
- South Urals Chamber of Commerce and Industry
- Yaroslavl Region Chamber of Commerce and Industry

STANDARD SETTLEMENTS INSTRUCTION

US Dollars (USD)

Deutsche Bank Trust Company Americas,
New York, NY, USA
SWIFT: BKTR US 33
Account No. 04410090

JP Morgan Chase Bank, New York
New York, NY, USA
SWIFT: CHAS US 33
Account No.400942143

Standard Chartered Bank
One Madison Avenue
New York, N.Y. 10010-3603, USA
SWIFT: SCBL US 33
Account No. 3582021663001

The Bank of New York Mellon
One Wall Street, New York, NY
10286, USA
SWIFT: IRVTUS3N
Account No. 890-0536-209

Australian Dollars (AUD)

Commonwealth Bank of Australia
48 Martin Place, Sydney NSW 2000 Australia
SWIFT: CTBAAU2S
Account No. 100086501AUD112601

Canadian Dollars (CAD)

Bank of Montreal
Toronto Operations Centre, 234 Simcoe Street,
3rd Floor, Toronto, Ontario, Canada, M5T 1T4
SWIFT: BOFMCAM2
Account No. 3144-1028115

Euro (EUR)

Deutsche Bank AG
Taubusanlage 12, 60325 Frankfurt/Main Germany
SWIFT: DEUT DE FF
Account No 10094751040000

Commerzbank AG
Kaiserplatz, 60261 Frankfurt/Main, Germany
Account No 400887181600
SWIFT:COBADEFF

Pounds Sterling (GBP)

Deutsche Bank AG London
Winchester House, 1 Great Winchester Street
London, EC2N 2DB, Great Britain
SWIFT: DEUT GB 2L
Account No. 30668300

Swedish Krona (SEK)

Svenska Handelsbanken
Kungstradgardsgatan 2, 106 70 Stockholm, Sweden
SWIFT: HAND SE SS
Account No 40308049

Norwegian Kroner (NOK)

Svenska Handelsbanken
Radhusgt. 27, N-0113 Oslo, Norway
SWIFT: HAND NO KK
Account No 83960203340

Danish Krone (DKK)

Den Danske Bank
2-12 Holmens Kanal DK-1092 Copenhagen K, Denmark
SWIFT: DABA DK KK
Account No 3996067440

Swiss Francs (CHF)

Credit Swiss First Boston
Uetlibergstrasse 231 PO Box 900 CH-8070 Zuerich, Switzerland
SWIFT: CRES CH ZZ 80A
Account No 0835141959310

Japanese Yen (JPY)

The Bank Of Tokyo-Mitsubishi, LTD
1-3-2 Nihomabashi-Hongokucho Chuo-ku,
Tokyo 103-0021, Japan
SWIFT: BOTK JP JT
Account No 6530445622

Chinese Yuans

CNY (YUAN RENMINBI)
Agricultural Bank of China, Shanghai Branch
SWIFT: ABOCCNBJ090
CNAP CODE: 103290028025
Account No. 03-300510040000160

Armenian Drams (AMD)

CJSC Conversbank
26, Vazgen Sarkisian St., Erevan, 375010, Republic of Armenia
SWIFT: COVB AM 22
Account № 1930000393730100

Belorussian Roubles (BYR)

OJSC BPS-Bank
6, Lunacharsky Boulevard, Minsk, Belarus
SWIFT: BPSB BY 2X MFO 153001369
Account № 1702581760012, UNN 101453535

Kazakh Tenge (KZT)

OJSC Kazkommerzbank
135 Zh, Gagarin St., Almaty, 480060, Republic of Kazakhstan
SWIFT: KZKO KZ KX MFO 190501926 corr/acc: 900161126
PNN OJSC Promsvyazbank 600400123644
Account № 000169906

Ukrainian Hryvna (UAH)

VAB Bank
5, Zoologicheskaya St., Kiev, Ukraine
SWIFT: VABA UA UK MFO 380537
Account № 160042001849/980

Uzbek Sums (UZS)

JSCB Asia-Invest-Bank
11/2, 1st Kazachiy Per., Moscow, 109017
corr.acc. in Uzbek Sums in NB FA UZ № 21002000800000450035 MFO 00450
SWIFT NBFA UZ 2X
SWIFT JSCB Asia-Invest-Bank ASIJ RU MM
Account № 30109860000000000028

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8 800 500-20-20 (toll-free within Russia)

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