

ENERGY OF SUPPORT

ANNUAL REPORT 2010

STATE CORPORATION «BANK FOR DEVELOPMENT
AND FOREIGN ECONOMIC AFFAIRS (VNESHECONOMBANK)»



TABLE OF CONTENTS

1	TOP PERSONS	4
	Address by the Chairman of the Board	4
	Management	6
	Supervisory Board of Russian Bank for Development OJSC	6
	Management of Russian Bank for Development OJSC.....	7
	Management of Leasing Company of the Russian Bank for Development OJSC	7
2	PORTRAIT OF THE BANK	8
	General Information.....	9
	Licenses.....	9
	Auditor.....	9
	Key Ratings. Reliability of Support	9
	Key Figures.....	10
3	DEVELOPMENT MILESTONES	14
	Credit Portfolio.....	15
	Partners of the Bank	16
	Regional Growth	17
	SME Sector Profile	17
	Loan Tenors	20
	Loan Sizes	20
	Interest Rates	21
4	BANK FOR INNOVATION AND MODERNIZATION	24
	Financing for Innovation and Modernization	24
	Multi-Channel Financing of Small Businesses	25
	Innovative Elevator	25
	Support of Innovation and Modernization in 2010	25

5	BANK FOR PARTNERS	28
	Enhancement of Credit Products and Improvement of SME Lending Support Program Terms.....	28
	Informative and Consultative Support	30
	Events with RBD Participation.....	31
6	PERFORMANCE OF AGENCY FUNCTIONS FOR THE GOVERNMENT OF THE RUSSIAN FEDERATION	36
7	INTERBANK COOPERATION	37
8	FINANCIAL MARKET ACTIVITIES	38
9	HR POLICY	39
10	IT SUPPORT	40
11	RISK MANAGEMENT	41
12	ROSBR LEASING OPERATIONS	42
	COMPANY DETAILS	43
	INFORMATION ON DISK: «AUDITOR’S OPINION ON THE ANNUAL REPORT OF RUSSIAN BANK FOR DEVELOPMENT OJSC PRESENTED BY AN INDEPENDENT AUDIT FIRM, INDEPENDENT AUDITOR’S OPINION»	44

1

TOP PERSONS



Address by the Chairman of the Board

Looking back at the year of 2010, it is particularly important to note that the target of bringing the overall level of SME support to RUB 100 billion, as set by the Government of the Russian Federation and the shareholder of the Bank – State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank) – has been met. SME support under the RBD Program has more than tripled since 2009.

This impressive growth would be impossible without the strengthening of the Bank's capital base. During the reporting year it was increased by RUB 9 billion by a subordinated loan extended by the shareholder to reach RUB 27.08 billion. We were also working to expand market funding of the Program and the Bank has become the first Russian institution that raised ruble funding from the German development bank KfW (Kreditanstalt für Wiederaufbau) of RUB 4.125 billion to finance via partner banks industrial sector SME's modernization and innovative projects.

The Bank has considerably expanded its partner base which now includes 292 entities supporting small businesses in 82 regions of the Russian Federation. RBD's partners include banks, leasing and factoring companies, micro-financing centers and regional SME support foundations. Notably the highest growth rates have been posted by SME infrastructure support entities.

RBD is successfully moving forward launching new programs and products to support small businesses. Its concerted efforts have yielded uniform standards, efficient models, and new approaches to small business funding.

In 2010 the Bank started the Innovation and Modernization Financing Program, and significantly enhanced the range of its credit products within the framework of the Refinancing Program. It also initiated multi-channel small business support by acquiring SME equity participations through the newly created Direct Investment Fund MIR. Parallel to that the lending interest rates for partner banks continued to decline throughout the year reducing the cost of funds to the ultimate borrowers from 16% p.a. to 13% p.a. The number of SMEs which received funding under RBD's SME Lending Support Program exceeded 20 thousand.

Last year RBD focused on assuring accessibility, transparency and efficiency of state funding. The Bank actively cooperates with regional administrations as local governments have the most information about regional business development and SME needs.

The Bank has advanced to the next stage of the Program – quantitative expansion will now be complemented by qualitative improvement in ensuring credit availability. Provision of support to innovation- and modernization-focused SMEs remains one of the key areas of operations. The Bank needs to bring its perception of small business credit priorities in line with modern realities, get a deeper insight into the needs of ultimate borrowers, and maximize efficiency of its small business support efforts by combining federal and regional credit and non-credit support mechanisms.

On behalf of the Russian Bank for Development I wish to extend our gratitude to our shareholder Vnesheconombank for its unwavering support, to the RBD Supervisory Board for its prompt decision-making, to our partners for their fruitful work, and to the employees of the Bank for their contribution to the achievement of SME support targets set by the President and the Government of the Russian Federation!

Respectfully,
Chairman of the Board
Sergey P. Krjukov



Management

SUPERVISORY BOARD OF RUSSIAN BANK FOR DEVELOPMENT OJSC (as of December 31, 2010)

CHAIRMAN OF THE SUPERVISORY BOARD:

Mikhail Y. Kopeykin

Member of the Board – Deputy Chairman of Vnesheconombank

MEMBERS OF THE SUPERVISORY BOARD:

Sergey R. Borisov

President, All-Russian Public Organization of Small and Medium-Sized Enterprises
OPORA ROSSII/ «BACKBONE OF RUSSIA»

Sergey P. Krjukov

Chairman of the Board,
Russian Bank for Development OJSC

Andrey V. Sharov

Director, SME Development Department,
Ministry of Economic Development of the Russian Federation

Aleksey M. Eskindarov

Director, SME Projects Department,
Vnesheconombank

**MANAGEMENT
OF RUSSIAN BANK FOR DEVELOPMENT OJSC**

Sergey P. Krjukov

Chairman of the Board

Dmitry Y. Golovanov

Member of the Board – First Deputy Chairman of the Board

Olesya V. Teploukhova

Member of the Board – Deputy Chairman of the Board

Oleg I. Dzhus

Deputy Chairman of the Board

Anna V. Zvereva

Deputy Chairman of the Board;
Head of Internal Control Service

Vasily N. Kovalev

Deputy Chairman of the Board

Nadezhda V. Martynova

Deputy Chairman of the Board

Vladimir B. Potekhin

Chief Accountant

**MANAGEMENT
OF THE LEASING COMPANY OF THE RUSSIAN BANK FOR DEVELOPMENT OJSC**

Dmitry L. Kulpin

General Director

Natalia M. Volkova

Chief Accountant

2

PORTRAIT OF THE BANK

The aggregate value of the State SME Lending Support Program in 2010 exceeded RUB 100 billion.

RBD has been implementing the Program since 2004. It acts as the conduit for government funding, making it available to SMEs throughout the Russian Federation. The key components of the Program are:

- Refinancing Program (effective since June 2009) – the most popular of the existing programs;
- Innovation and Modernization Financing Program (effective since March 2010) – designed to provide funding to innovative and modernization-related SME projects;
- 2008 Program (RBD activities currently restricted to handling of existing loans).

Under the ongoing programs RBD conducts quality-based selection of partner banks and support entities which work with small and medium-sized enterprises, evaluate and select Program participants, allocate state funding, and ensure that tied loan proceeds are used in accordance with their stated purposes.

When selecting banks for participation in the SME Lending Support Program RBD gives priority to entities which have sustainable financial position and SME lending experience as well as express willingness to provide funding on most favorable terms and primarily to SMEs operating in industries prioritized by the government.

A lot of attention is paid to supporting small and medium-sized business entities via infrastructure support entities: leasing companies, micro-financing organizations, regional SME support funds, factoring companies, and other types of infrastructure support entities.

One of RBD's key priorities is special support of SMEs operating in the innovative sector. Thus in March 2010 the Bank developed and launched the Innovation and Modernization Financing Program offering the longest loans (with tenors of up to 7 years) at low interest rates (from 1/2 to 3/4 of the

refinancing rate of the Bank of Russia) to finance innovative SMEs and SMEs involved in modernization of production on the basis of cutting-edge modern technologies. The Program also uses the two-tier implementation scheme – the Bank reviews innovative and modernization-related SME projects proposed by partner banks. RBD already considers the Program as one of its top priorities. Development of high-tech projects, projects improving productivity and product quality as well as renewing fixed assets is a matter of national importance.

RBD offers small and medium-sized enterprises attractive pricing terms: As of January 1, 2011 average interest rates paid by the ultimate SME borrowers under loans extended to partner banks decreased y-o-y by 300 bps to 12.7%.

The Bank provides SMEs with information support through its official web site. The site has a section containing applied information for small businesses. Using that section entrepreneurs can obtain answers to many questions of interest. The site also features remote learning programs for SME staff.

General Information

Open Joint Stock Company Russian Bank for Development (hereinafter RBD or Bank) was established pursuant to Federal Law No. 36-FZ On Federal Budget for 1999.

Pursuant to Federal Law dated May 17, 2007, No. 82-FZ On the Bank for Development and Decree of the Government of the Russian Federation dated December 7, 2007, No. 1766-r On Contribution of Shares to the Charter Capital of Vnesheconombank, one hundred percent of shares in the Russian Bank for Development are held by State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank).

Licenses

- License of the Bank of Russia for Banking Operations No. 3340 dated January 25, 2000
- License of Professional Participant of the Securities Market for Dealer Operations No. 077-11355-010000 dated June 24, 2008.

Auditor

Ernst & Young Vneshaudit CJSC

Key Ratings. Reliability of Support

High financial sustainability of RBD, successful implementation of the tasks imposed by the state, and resolute support of the sole shareholder – State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank) – have been duly reflected in the reports published by international rating agencies Standard & Poor's and Moody's Investors Service in 2010. All ratings of the Bank and their stable outlooks were confirmed, i.e. preserved at investment-grade levels: Standard & Poor's long-term and short-term foreign currency ratings – BBB/A-3 (Outlook: Stable), long-term and short-term local currency ratings – BBB+/A-2 (Outlook: Stable); Moody's Investors Service long-term and short-term foreign currency deposit ratings – Baa2 (Outlook: Positive)/Prime-2 (Outlook: Stable), financial sustainability rating – E+ (Outlook: Stable). The national scale deposit rating according to Moody's Interfax also remained at its previous level of Aaa.ru.

Key Figures

In 2010 the value of operating assets increased by RUB 27,340 million (+45%) to RUB 88,220 million. This considerable growth was caused by the increase of SME loans by RUB 37,268 million.

As of January 1, 2011, loan exposure under the SME Lending Support Program went up 2.35 times to RUB 64,871 million, including:

- Loans extended under the 2008 Program via partner banks and financing of new operating areas via infrastructure support entities – RUB 3,249 million;
- Loans extended under the Refinancing Program via partner banks – RUB 50,525 million;
- Financial support allocations made to SMEs via infrastructure support entities under the Refinancing Program – RUB 9,884 million;
- Support provided to SMEs under the Innovation and Modernization Financing Program – RUB 1,213 million.

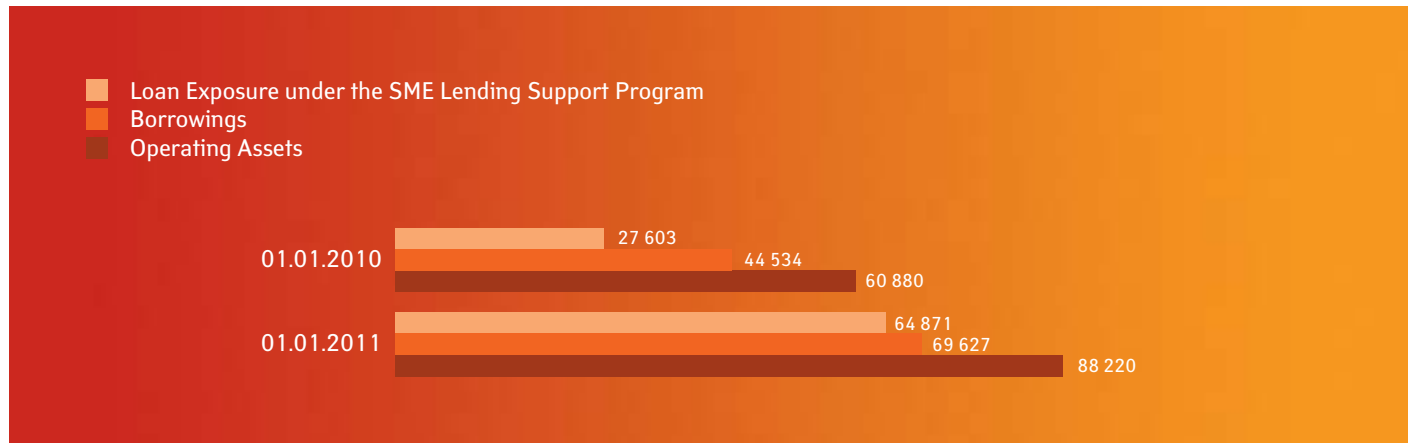
Achievement of the Bank's 2010 credit portfolio growth targets related to the implementation of the SME Lending Support Program, investment programs and projects was funded by:

- Vnesheconombank subordinated loan – RUB 9,000 million;
- KfW long-term loan – RUB 4,125 million;
- UNICREDIT BANK mid-term loan – RUB 3,200 million;
- BARCLAYS BANK loan – RUB 6,150 million; and
- Bank of Russia funding – RUB 500 million.

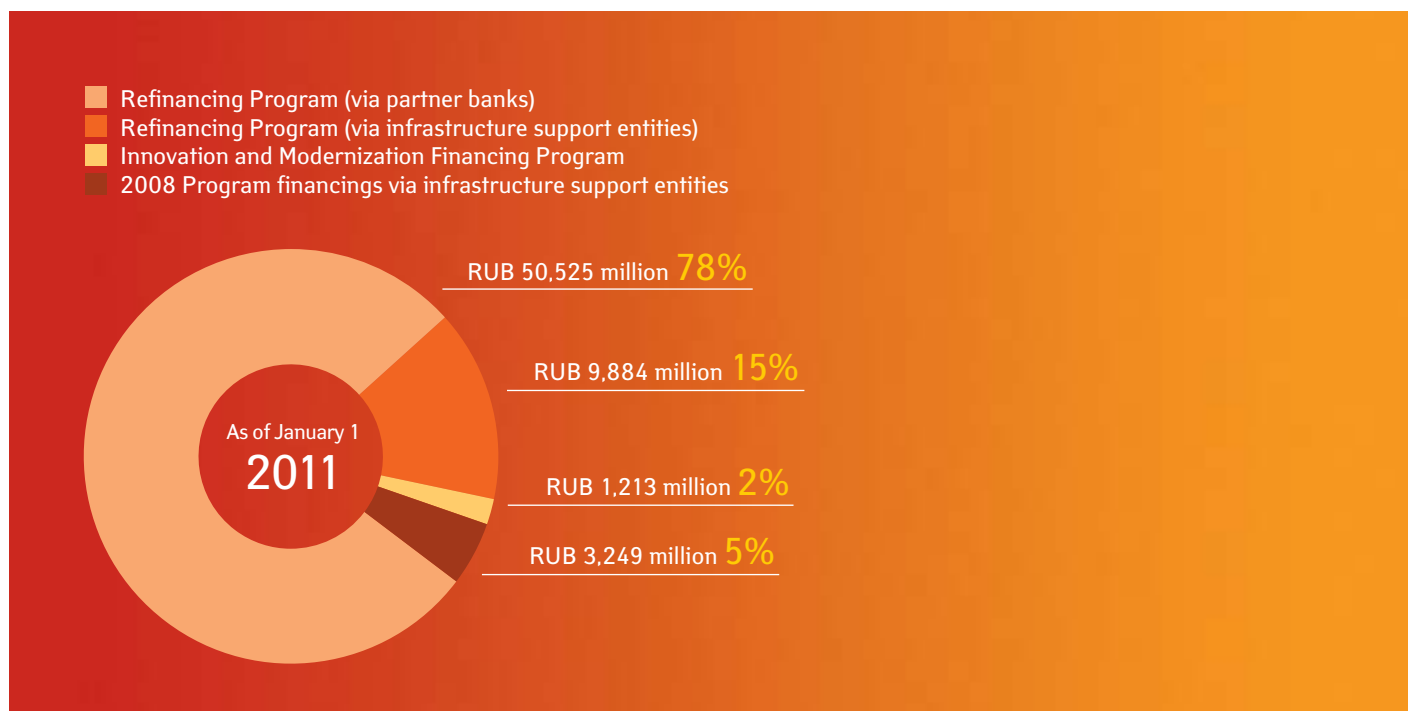
At year-end 2010 gross profit* amounted to RUB 836 million (2009: RUB 384 million). Net interest income for the reporting period increased by RUB 773 million. The bulk of total RBD revenues in 2010 came from implementation of the SME Lending Support Program. 2009-2010 y o y Program-related income increased 2.6 times to RUB 2,182 million.

* Profit before tax without taking into account events which have occurred after the reporting date

Key Performance Indicators Dynamics



SME Lending Support Program (Loan Exposure)



Key Dates. Stages of Support

January

- The Bank began to support small businesses in certain socially and economically challenged regions of the North Caucasus Federal District. The Republic of Ingushetia becomes the first entity of the district to receive assistance via AKIB Obrazovaniye (Joint Stock Commercial Innovative Bank Education).

February

- A round table New Stimuli for the Development of Regional Small and Medium-Sized Businesses is arranged jointly with Vnesheconombank during the 7th Krasnoyarsk Economic Forum.

March

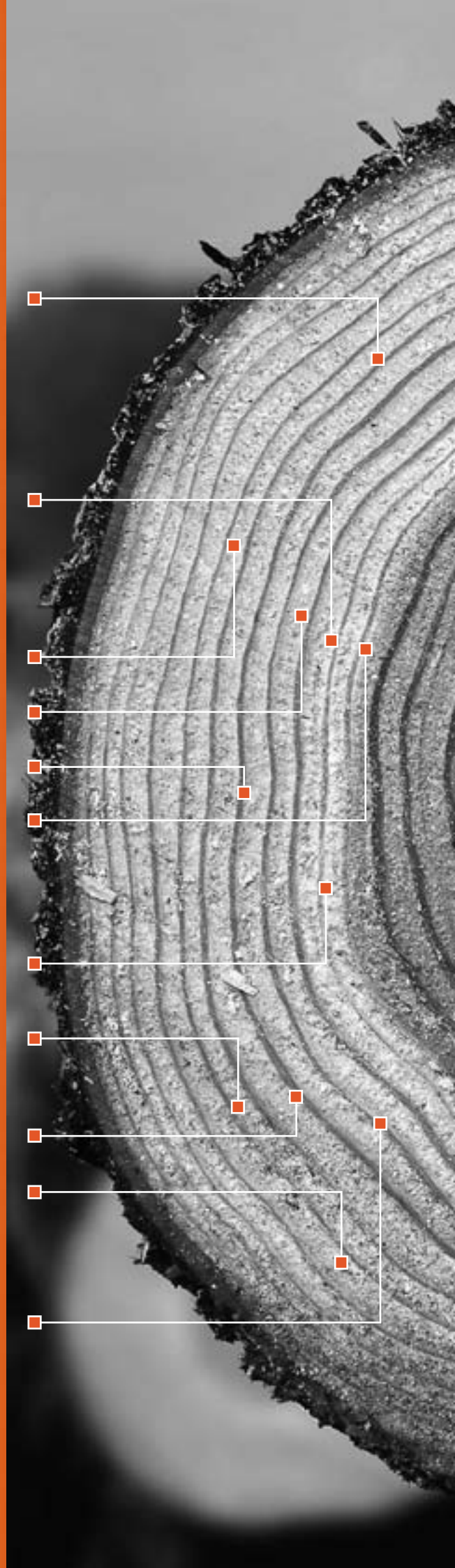
- Several new credit products are developed for partner banks and leasing companies.
- The Bank is assigned category A in the Finance magazine's rating of reliability of Russian banks.
- The Bank signs small business support cooperation agreements with the Governments of Krasnoyarsk and Ulyanovsk Regions.
- The Bank launches the new Innovation and Modernization Financing Program.

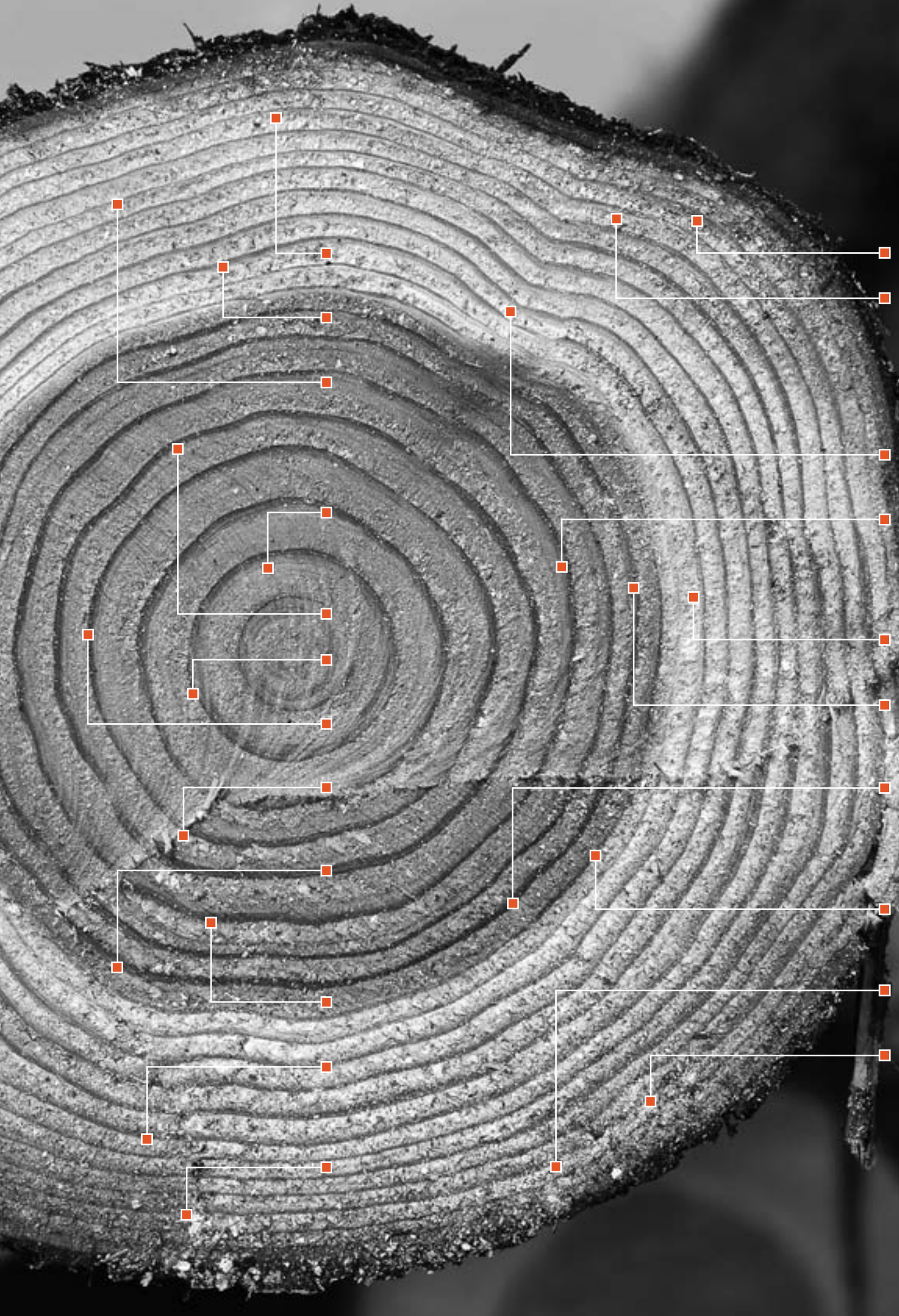
April

- Allocation of funds provided by Vnesheconombank to implement the SME Lending Support Program is completed. Total small business funding amounts to RUB 32 billion.
- The Bank signs an agreement on interaction between development institutions and interested parties in assuring ongoing funding of innovative projects at all stages of the innovation cycle.
- The Bank organizes a round table on information support of small businesses.
- The Bank is awarded by the Expert RA magazine For Contribution to Development of the SME Lending Market 2009.

May

- Credit facilities with individual credit product limits are opened for partner banks within the framework of the SME Lending Support Program.





June

- The RBD Supervisory Board increases the overall regional lending limit to RUB 55 billion.
- June 19 is the first anniversary of the new SME Lending Support Program which became one of the key public instruments of financial assistance of Russian SMEs during the crisis.

July

- The Bank signs a cooperation agreement on support of small and medium-sized enterprises with the Chamber of Commerce and Industry of the Russian Federation.
- A new credit product for banks involved in factoring operations is developed.

August

- The Bank reduces pricing for partner banks and small business infrastructure support entities across all credit products under the SME Lending Support Program.
- The Bank launches a new credit product – Refinancing-Region – for partner banks operating in regions of the Russian Federation with minimal or non-existent demand for credit resources.
- The Bank finances its first innovation support project – construction of a precision alloys plant in the City of Voronezh.

September

- First working meeting between Sergey Krjukov, RBD Chairman of the Board, and Aleksandr Khloponin, Plenipotentiary Representative of the President of the Russian Federation in the North Caucasus Federal District.
- The first stage of the Nagatino i-Land industrial park is launched. In 2008 RBD provided a RUB 1.4 billion bank guarantee to the developer of the project.
- The Bank initiates an interest rate reduction mechanism with respect to existing credit agreements executed prior to September 2, 2010.

3

DEVELOPMENT MILESTONES

October

- The equity of the Bank is increased by RUB 9 billion upon receipt of a 10-year subordinated loan from Vnesheconombank.
- The Bank starts financing of the innovative project Basalt-Plastic Composites for the Russian North in the Republic of Sakha (Yakutia).
- The Bank and the All-Russian Public Opinion Research Center commence a joint project to examine the state of small businesses in Russian regions. The Republic of Karelia becomes the first region where project experts complete a sociological survey among local entrepreneurs.

November

- RBD conducts its annual SME Support Forum The Small Determines the Large. The Forum is attended by more than 200 representatives of the Bank's partners from most regions of the Russian Federation.
- Rosselkhozbank (Russian Agricultural Bank) joins the SME Lending Support Program.
- The Bank and the Republic of Ingushetia sign a cooperation agreement on support to small and medium-sized enterprises.
- The Bank extends funding to finance modernization in the City of Dagestanskiye Ogni (Republic of Dagestan) of a plant manufacturing glass containers in compliance with European quality standards.
- The Bank and the All-Russian Public Opinion Research Center conduct a sociological survey among entrepreneurs of the City of Vladikavkaz (Republic of North Ossetia-Alania).
- The Bank establishes scholarships for the students of the Financial University under the Government of the Russian Federation.

December

- The RBD Supervisory Council increases the overall regional lending limit to RUB 96.9 billion.
- Within the framework of the official visit of D. A. Medvedev, President of the Russian Federation, to India, Sergey Krjukov, RBD Chairman of the Board, takes part in the ceremony of signing of the Memorandum of Understanding between Vnesheconombank and EXIM Bank of India.
- The Bank executes a first ever deal with the German Bank for Development KfW (Kreditanstalt für Wiederaufbau) to raise funding to finance Russian small businesses. KfW extended a 5 years RUB 4.125 loan.

In 2010 the Russian economy was actively recovering from the crisis which had undermined financial health of many entrepreneurs. In those conditions the energy of the Bank was directed towards galvanizing the process of restoration of the SME funding system.

RBD — without being either a major player or a marker regulator — managed to assume the function of a leader setting the tone of the relationship between SMEs and financial institutions, creating efficient SME funding models, and assuring their market-wide reproduction.

The volume of support provided to entrepreneurs under the RBD SME Lending Support Program in 2010 tripled. Thus, while on January 1, 2010, the total value of the Bank's partner agreements stood at RUB 40 billion, on January 1, 2011 the overall amount of SME support within the framework of the Program exceeded RUB 100 billion.

The real economic effect of that funding was incomparably more significant.

In 2010 support was provided in several areas:

- Under the Refinancing Program launched in 2009, the Bank had created a basic partner pool consisting of banks and infrastructure support entities (leasing and factoring companies, micro-financing organizations, regional funds, etc.). For the partners' convenience, it improved its range of credit products, increasing their total number to 14.

- In March 2010, the Bank launched the Innovation and Modernization Financing Program to promote innovative activities. The notion of «innovation content», as formulated by the Bank's experts, is one of the feathers in its cap. No other organization had previously succeeded in identifying criteria to clearly separate innovations from modernization and from ordinary business activities. Under the Innovation and Modernization Financing Program, businesses which meet the Bank's eligibility criteria can rely on soft funding at minimal interest rates.

- Throughout the year of 2010, the Bank continued to support and administer the 2008 Program, where the program credit portfolio is now being gradually amortized.

In 2010 the efforts of the Bank were aimed at increasing the level of accessibility of funding to the ultimate borrowers. Product differentiation of interest rates is reflective of the Bank's state-designated priorities. Tenors of financial support extended to small businesses vary, with maximum maturities of up to 7 years. RBD credit policy stipulates that its partners may fund SMEs for amounts ranging from RUB 100 thousand to RUB 150 million. Throughout the year, the Bank undertook a massive adjustment of interest rates under both new and earlier loans. As a result, by the end of the year the average weighted interest rate paid by the ultimate borrowers went down to 12.7% p.a. (under agreements with SMEs executed subsequent to November 1, 2010).

In addition to that, the Bank significantly increased the range of its Program partners. The overall number of entities actively providing assistance to SMEs under the SME Lending Support Program as of January 1, 2011, including partner banks and infrastructure support entities, was 292.

Another trend that emerged in 2010 is expansion of the Program's geographical footprint.

As of January 1, 2011, support was available to SMEs in 82 regions of the Russian Federation. The Bank also sought to attain superior service quality levels and preserve the special-purpose nature of tied loans extended under the Program.

Having defined its near-term objectives, the Government of the Russian Federation has set certain priority tasks, including the increase of the shares of SMEs in the national economy, and the creation of an innovative SME business environment. The Program being implemented by the Bank is perfectly aligned with these tasks.

More than 20 thousand small and medium-sized enterprises received support under the Program. In 2010 small businesses benefiting from the Bank's Program paid RUB 18 billion in taxes, while their contribution to the gross regional product amounted to RUB 594 billion, and the number of their employees over the course of the year increased from 108 thousand people to 465 thousand people.

DEVELOPMENT MILESTONES

CREDIT PORTFOLIO

PARTNERS OF THE BANK

REGIONAL GROWTH

SME SECTOR PROFILE

LOAN TENORS

LOAN SIZES

INTEREST RATES

Last year the Bank zeroed in on supporting non-commercial sector players whose share in the total number of ultimate borrowers reached 59%. This trend will be preserved in 2011. The Bank seeks to assist SMEs operating in innovative and priority sectors, both at federal and regional level, assuring further increase of the non-commercial SME sector in the overall structure of the national economy.

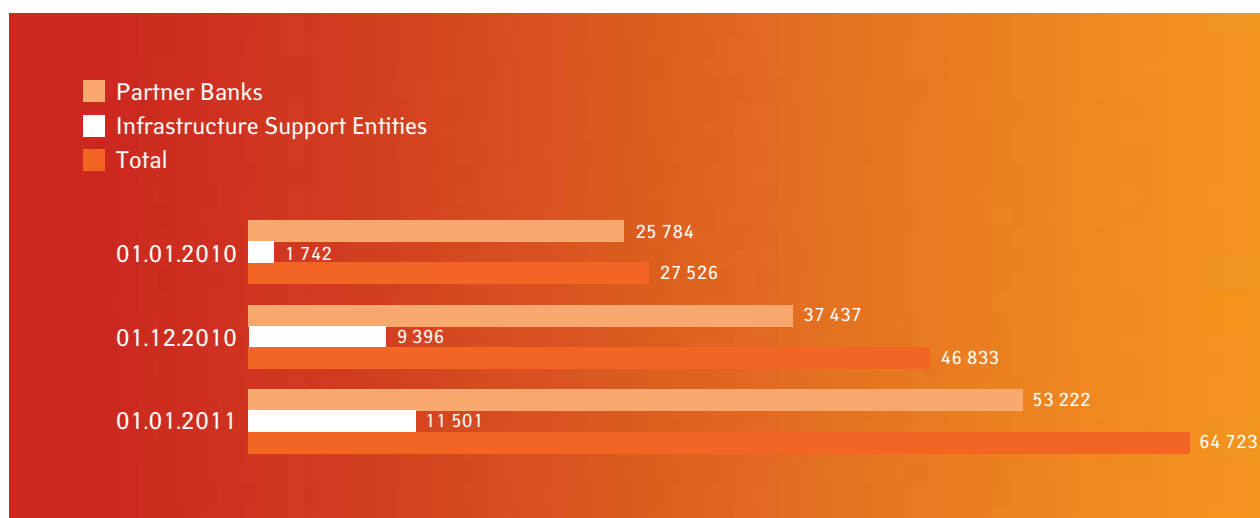
In line with the approved key SME support targets for the year of 2011, the Bank intends to start an efficient dialog with entrepreneurs, increase the quality of SME business education (by developing and implementing joint training programs, including intramural education programs), and create an in-house analytical center to consolidate SME sector information and propose systemic solutions designed to improve the Russian SME business environment.

The Bank will continue to develop market instruments to incorporate more Russian and foreign investors into the SME support universe. Its current plans also include ongoing active interaction with federal and regional government bodies, and participation in joint projects aimed at designing mechanisms to incentivize businesses acting as regional development drivers.

Credit Portfolio

In 2010 the Bank's credit portfolio increased 2.4 times, and as of January 1, 2011, amounted to RUB 64.7 billion. Together with energy-efficient SME utility projects and RosBR Leasing OJSC operations, that figure goes up to RUB 64.8 billion.

SME Funding via Partner Banks and Infrastructure Support Entities



Partners of the Bank

In 2010 the number of the Bank's partners under the SME Lending Support Program increased by more than one third. The partner base now consists of 185 banks and 107 SME infrastructure support entities, including leasing and factoring companies, micro-financing organizations, regional SME support funds, business incubators and industrial parks.

The Bank seeks to involve in the SME Lending Support Program both regional and federal banks. It is interested in assuring the presence in the regional market of credit institutions which support SMEs at different levels, as each such institution has certain advantages. Large banks have access to modern technologies and broad opportunities in terms of development and implementation of complex financial instruments. Regional banks have in-depth knowledge of local markets and close connections to local businesses. As a rule, SME loans account for a large chunk of regional bank credit portfolios. That is why about 70% of the Bank's partners are represented by regional banks.

Leasing is another key area of RBD operations. In 2010 the Bank implemented significant Program enhancement in terms of provision of funding to infrastructure support entities and leasing companies. In the future, it intends to further develop this segment by expanding the product range, designing new products (Domestic Auto-Leasing, Return Leasing, Import Leasing), creating specialized «branch» leasing products, and liberalizing lending terms.

The financial crisis decimated the factoring market, with many major players discontinuing their operations. At the same time, the Program must cover all small business needs and assure working capital replenishment in this segment. Accordingly, in 2010 the Bank paid special attention to factoring. As a result, the list of Program partners was supplemented with ten factoring companies.

Currently the main form of the Bank's cooperation with regional funds is provision of funding for sub-lending to SMEs in the form of micro-loans to finance individual business projects. Good examples of such cooperation are joint programs with the Belgorod

Regional Small Business Support Fund and the Udmurtia State Small Business Support Fund.

The Bank works together with many banks acting as partners of regional lending support funds, such as AIKB Taffondbank OJSC and BALTINVESTBANK OJSC. By the same token, the Bank is appreciative of the massive potential of public-private partnerships with regional and municipal funds. This is particularly true for those regions where standard financial support conduits are relatively scarce due to the underdevelopment of the SME segment and lack of reliable regional partners. In such regions, it is necessary to develop non-credit forms of SME support by creating and expanding elements of support infrastructure, first and foremost, regional funds. The budget «wing» of the SME support drive will help to create conditions conducive to the growth of local businesses, with loans and other support under the Bank's Program being made available to them at a later stage. In 2011 the Bank plans to start cooperation with regional funds by implementing a series of joint projects in such areas as subsidization of interest rates and extension of credit guarantees and sureties offered by regional funds.

BANKS

In 2010 RBD continued to build up its partner relations with banks by assuring a balanced ratio of eligible participants – mid-sized and small regional banks and large multi-branch banks. By the end of last year, formation of the partner bank network was largely completed. During that exercise, RBD put special emphasis on involving regional banks. Over the course of implementation of the Program, the total number of participating partner banks was 185: 116 banks were recruited into the Refinancing Program, while 25 banks joined the Innovation and Modernization Financing Program, and 120 banks – the 2008 Program (some partner banks were concurrently involved in several programs). The total value of credit agreements executed with partner banks within the framework of those three programs amounted to RUB 95,186 billion, while the total number of loans extended to small businesses reached 14,140 (Refinancing Program – 6,399; 2008 Program – 7,723; and Innovation and Modernization Financing Program – 18).

As of January 1, 2011, the overall Program lending limit was RUB 93,019 billion (Refinancing Program – RUB 72.695 billion; Innovation and Modernization Financing Program – RUB 8.786 billion; and 2008 Program – RUB 11.538 billion).

SME SUPPORT INFRASTRUCTURE

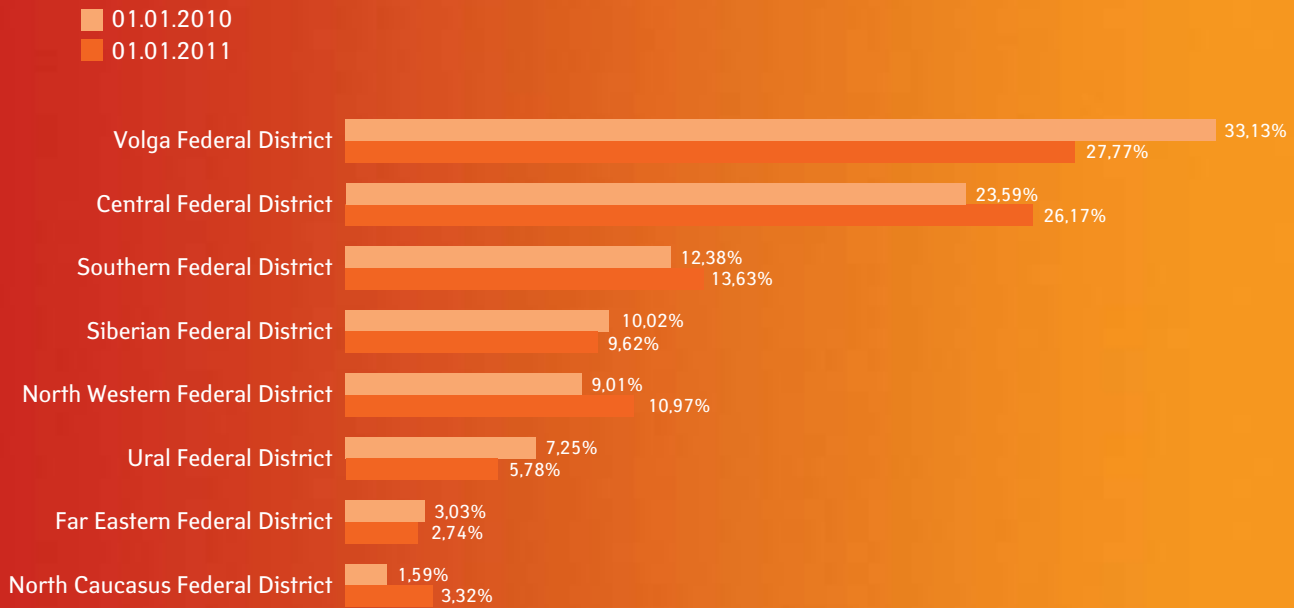
In 2010 the Bank continued to proactively develop provision of SME support via infrastructure support entities as a separate area of operations.

By the end of the year, it had executed credit agreements with 107 such entities for a total amount of RUB 27.395 billion.

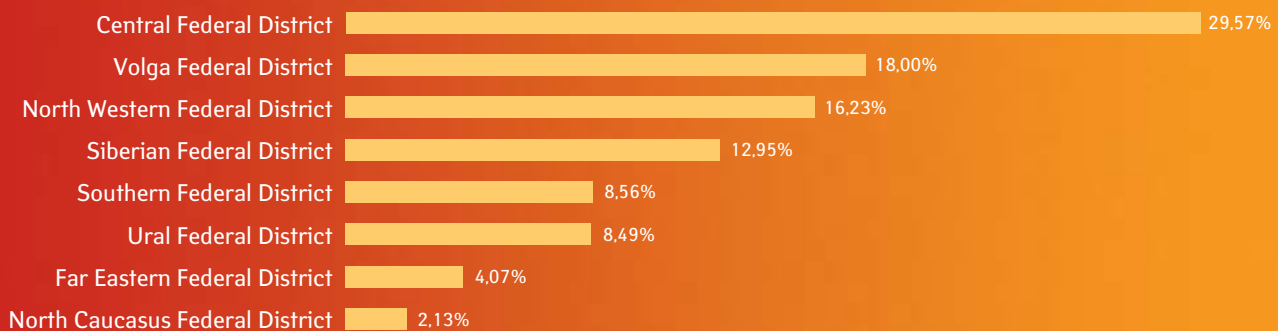
Seeking to on-lend the funding provided by the Bank, the infrastructure support entities signed 9,328 agreements with SMES within the framework of the Program.

In the immediate future, the Bank intends to expand the list of SME infrastructure support entities by incorporating business incubators and industrial parks and promoting cooperation with regional SME

support funds, business development agencies, and venture funds. Involvement of those organizations in the Program will enable provision of support to novice entrepreneurs seeking to implement new industrial production projects and find gainful applications of state-of-the-art research findings in various branches of the economy, and advance development of businesses started by young people. In addition to that, it will make it possible to complement «plain vanilla» funding with various forms of material, technical and consultative support.



The general SME development situation in the regions of the Russian Federation can be described, among other things, in terms of the number of SMEs (according to the Federal State Statistical Service):



Regional Growth

Availability of funding to small and medium-sized businesses throughout the Russian Federation is one of the Bank's top priorities. RBD is developing special forms of SME support in those regions which require custom-made solutions, where it is difficult to identify standard credit support channels due to the underdevelopment of the SME segment and unavailability of reliable SME funding conduits. In regions of the Russian Federation where involvement of partner banks encounters such difficulties, the Bank pays special attention to implementation of the Program via infrastructure support entities.

Throughout the year of 2010, RBD approved five regional limit increases to expand the Program's regional footprint.

Subsequent Program enhancements will deal with adjusting regional SME support quotas based on the results its implementation in specific regions.

In terms of regional breakdown, the SME loan portfolio is dominated by partner banks from the Volga and Central Federal Districts with 27.77% and 26.17%, respectively, while the Southern and North Western Federal Districts come in third and fourth with 13.63% and 10.97%, respectively. The share of loans extended to SMEs located in the North Caucasus Federal District (3.32%) more than doubled over the course of 2010 due to active participation of the Bank in developing and supporting those SMEs.

When designing new credit products, RBD pays special attention to supporting regions with complex economic conditions and low level of SME development. To expand the geographical footprint of the SME Lending Support Program, increase availability of resources, and boost the volume of support provided to regions with inferior demand for credit resources, RBD developed and implemented a new credit product – Refinancing-Region – offering «special» SME support terms. Realization of that product has already helped to narrow the gap between regions.

It should be noted that the Bank favors regional banks characterized by prompt decision-making and high environmental adaptability, thereby stimulating competition on the Russian banking market.

Regions with the highest number of small and medium-sized enterprises (Central and Volga Federal Districts) are also the most active participants of the Bank's Program. Conversely, regions with the lowest SME prevalence (Far Eastern and North Caucasus Federal Districts) find it relatively more difficult to maintain high involvement levels. Nevertheless, the Program's presence in the North Caucasus Federal District is growing on the back of an active information dissemination campaign subject to the generally enthusiastic stance of the local authorities. In particular, with the help of ROSSELKHOZBANK OJSC, Refinancing-Region quotas were successfully placed in all regions of the district, with the exception of the Chechen Republic.

SME Sector Profile

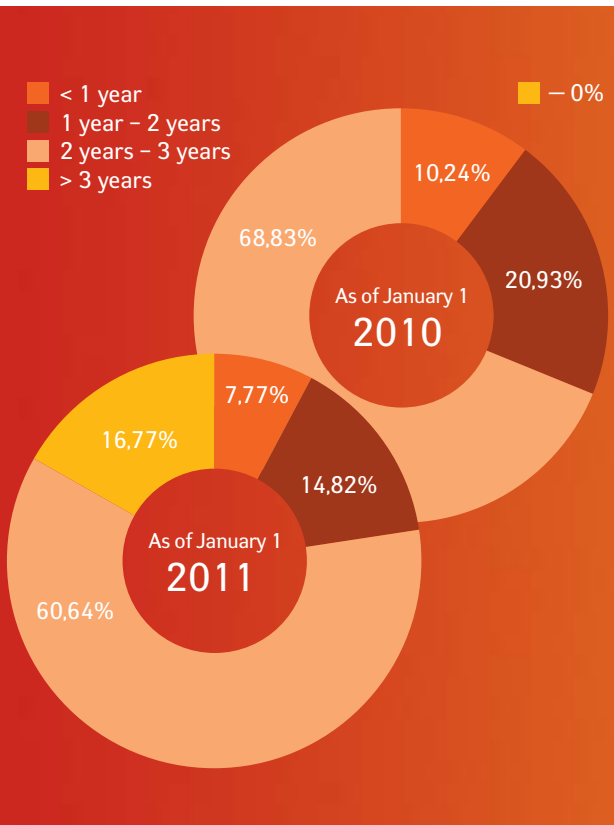
Despite the lingering effect of the financial and economic crisis on small and medium-sized enterprises that persisted throughout the year of 2010, the sectoral makeup of the SME Lending Support Program loan portfolio was dominated by loans to small businesses representing the non-commercial sector of the economy (58.31%) (production – 23.04%, services – 22.09%, construction – 10.05%, and agriculture – 3.13%).

In an attempt to increase the volume of lending to non-commercial SMEs, the Bank offered its partner banks a new credit product – Investing – designed to help SMEs to modernize their fixed assets, create new and expand existing production facilities, expand exports, and implement import substitution programs. SMEs engaged in agriculture, industry and construction have already benefited from using that product.

Loan Tenors

Loans with maturities of 2-3 years account for the largest share in total SME loan portfolio (60.64%). This is attributable to the setup of the SME Lending Support Program: prior to implementation of new credit products, credit resources had been provided to partner banks for up to 3 years. Credit products Co-Financing, Investing and Refinancing-Region have tenors of 5 years, while loans extended under the Innovation and Modernization Financing Program boast maturities of up to 7 years. The share of loans with maturities in excess of 3 years has almost reached 17% – and will continue to grow.

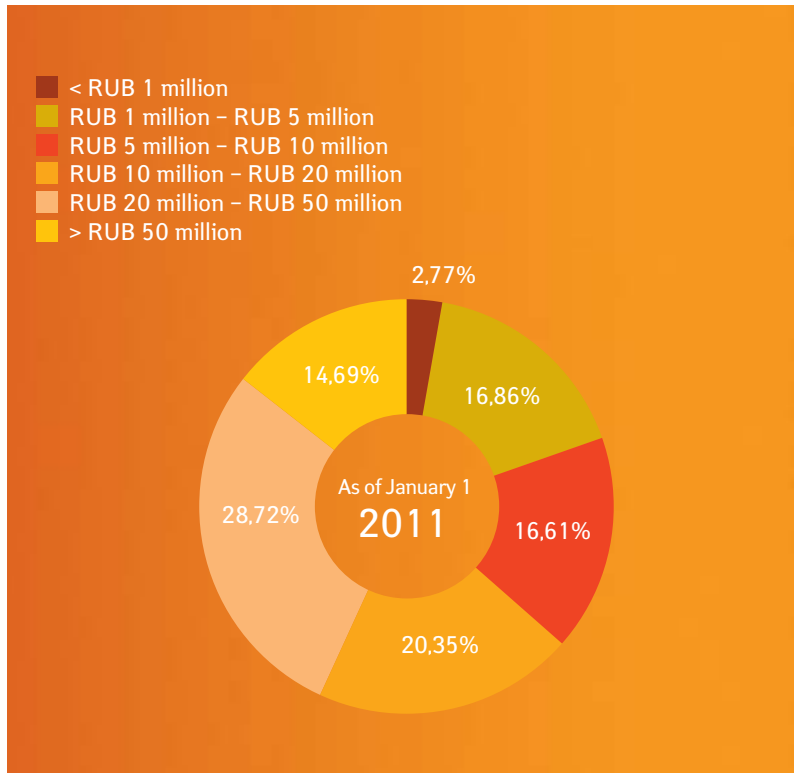
Loan Portfolio Maturity Breakdown



Loan Sizes

Loans for RUB 20 to 50 million enjoy the most popularity and account for almost 1/3 of total loan portfolio. There is also a pronounced increase of interest in larger loans (RUB 50+ million): their share in total loan portfolio exceeded 14%. Slightly more than one fifth of the portfolio is represented by loans with principal amounts ranging from RUB 10 million to RUB 20 million, with loans of up to RUB 1 million generating the least demand.

Loan Portfolio Loan Size Breakdown



Interest Rates

One of the critical objectives of the SME Lending Support Program is to increase availability of long-term loans to small and medium-sized enterprises. Attainment of that objective is assured by offering credit resources to partner banks at minimal interest rates, and capping their SME on-lending margins. The Bank periodically adjusts partner interest rates and designs new credit products aimed at increasing availability of credit resources to participating SMEs.

Thus, as of January 1, 2011, the average weighted interest rate on loans extended by partner banks to the ultimate borrowers under the SME Lending Support Program since November 1, 2010, stood at 12.7%, with more than 38% of all loan agreements executed at rates of 12% p.a. or less. The total interest rate reduction affecting partner banks and infrastructure support entities since the launch of the Program amounted to 2.5% and 4.25%, respectively. On the whole, in 2010 the cost of credit resources to the ultimate borrowers decreased by 3 percentage points y o y.

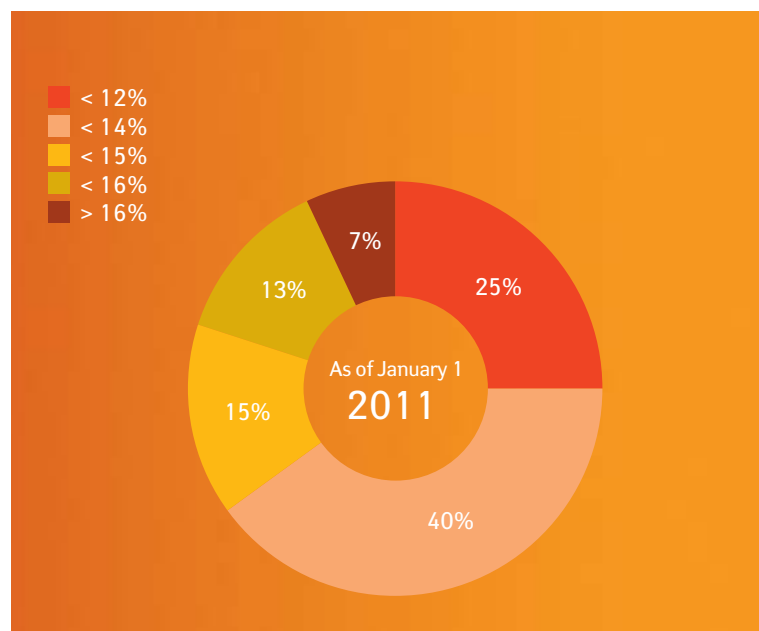
Movement of Average Weighted Interest Rates for the Loans Extended to SMEs by Partner Banks under the Refinancing Program



It should be noted that the latest partner interest rate reduction occurred in September 2010. Its effects could already be observed by the end of the year, but the full picture emerged only in Q1 2011, when the Bank received on-lending reports from all partners which received loans at new rates after November 1, 2010, or under current agreements with interest rates reduced subject to commensurate reduction of on-lending rates.

The rates used within the framework of the Innovation and Modernization Financing Program are considerably lower than those under the Refinancing Program. This difference is due to the fact that modernization of production and implementation of innovative research require higher capital outlay, and are characterized by longer payback periods. To assure realization of those projects, SMEs need softer lending terms. Thus, as of January 1, 2011, the average weighted interest rate under the Program was 10.12% p.a.

Structure of SME Loan Interest Rates



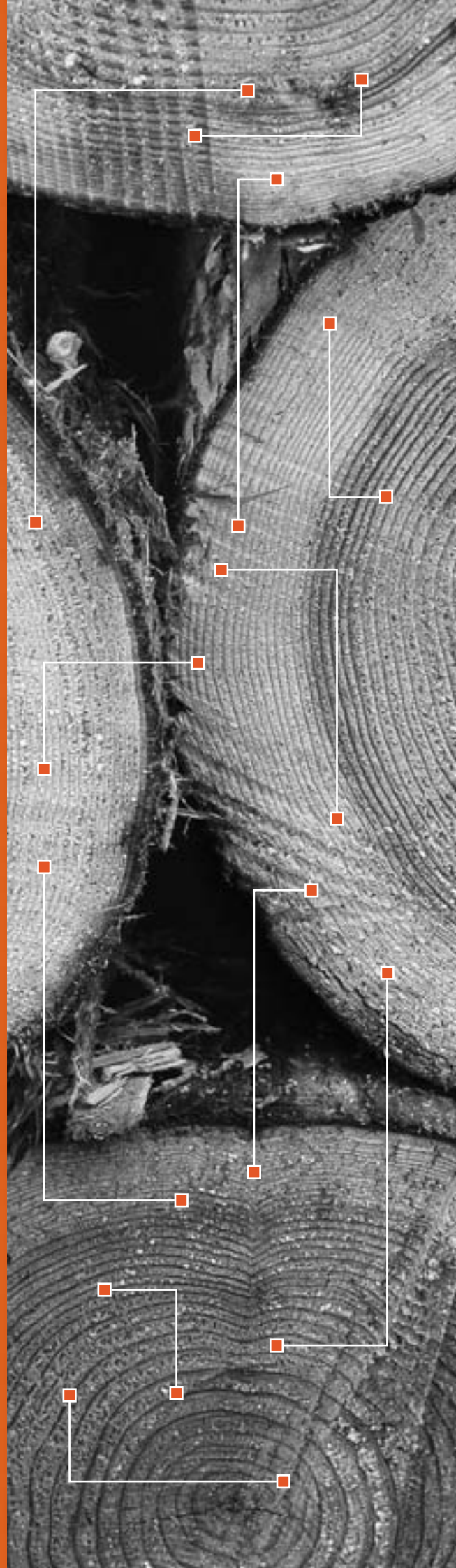
SME Support in 2010

PRODUCTION OF CANNED FRUIT AND VEGETABLES

ROSTOV REGION,
CITY OF SEMIKARAKORSK
JSCB INVESTBANK OJSC

Donskoy Konservny Zavod LLC (Don Cannery LLC) has been making canned fruit and vegetables and supplying them to major sales networks throughout the country for 10 years. Consumers know DKZ products under trademarks Khozyain (Master), Romashkino, Russkiy Sad (Russian Orchard), and Kubanskoye Raznosolye (Kuban Pickles).

«Our product range includes pickles, marinades, vegetable hors d'oeuvres, jams, confitures», says Andrey Volkov, the plant's director. After DKZ had taken an Investbank loan under the RBD Program, it expanded its product range by introducing several new lines, including marrow paste, aubergine paste, canned tomatoes, and dill-seasoned cucumbers. The RUB 60 million loan was used to buy raw materials and create an inventory of new products.



CAR MAINTENANCE AND REPAIR SERVICES

KAMCHATKA REGION,
CITY OF PETROPAVLOVSK-KAMCHATSKY
SOLID BANK CJSC

Avtomir LLC (Car World LLC), a Petropavlovsk-Kamchatsky-based company, offers car maintenance and repair services and sells spare parts. This type of operations is in high demand in Kamchatka with its dearth of car repair shops.

«Our company has a number of service stations where we change oil and make small repairs», says Avtomir Director Sergey Mityushin. «We also use those stations for tire servicing and as automotive chemical shops». Mityushin went on to explain that recently his company began to offer a type of services completely new for Kamchatka — seasonal tire storage.

The RUB 12 million loan received from Solid Bank under the RBD Program was used to complete construction of a new service station which became quite popular among Petropavlovsk-Kamchatsky car enthusiasts. To man the station, the company hired five new workers.



ORIGINAL METHOD OF CLEAN POTABLE WATER SUPPLY

TVER REGION,
CITY OF TVER
FIRST LEASING COMPANY LLC

Many people believe that it is very difficult for novice businessmen to obtain financial support. This stereotype was overcome by Tver-based TK Next LLC which started its business with the support of the Bank provided through the First Leasing Company.

Two entrepreneurs thought up an original way to supply clean potable water to the residents of Tver. They installed 30 automated water kiosks throughout the city, and refilled them every 3 days. Tver residents now can draw artesian potable water into their own 5 to 20-liter bottles.

The business was apparently beneficial to all interested parties: local residents received high-quality product (the water came from an artesian well), while the entrepreneurs saved considerable labor, packaging and distribution costs.

«Besides, this eliminated the need to manufacture hundreds of thousands of new plastic bottles, which was a huge relief in terms of environmental protection», said Sergey Berkovich, TK Next LLC General Director.

To implement the project, the entrepreneurs needed a water-tank truck. Help came from the First Leasing Company — which in turn had received credit resources under the SME Lending Support Program. The Bank's partner leased a Russian-made water-tank truck to TK Next LLC. The deal totaled up at RUB 1.1 million.



4 BANK FOR INNOVATION AND MODERNIZATION

MANUFACTURE AND INSTALLATION OF FURNITURE

REPUBLIC OF BASHKORTOSTAN,
THE CITY OF UFA
AF BANK OJSC

Komandor Ufa LLC, an Ufa-based company, has been installing European Komandor sliding mirror wardrobes throughout the Republic of Bashkortostan since 2007.

«Our selection of business line and suppliers was affected by the fact that 80% of furniture in Russia is bought when people make alterations or move to new apartments», says Fanil Makhmutov, the company's director. «Accordingly, companies which manufacture custom-made furniture are more competitive and efficient».

The furniture company employs designers, technologists and assemblers. Komandor Ufa LLC uses Komandor Designer, an advanced software package which enables the sales assistant and the client to jointly make a drawing of the future sliding mirror wardrobe virtually in real time.

The proceeds of the RUB 3 million loan received from AF Bank OJSC under the SME Lending Support Program were used to buy wardrobe components: mirrors, seals, shelves, hooks, etc. The funding gave the company an opportunity to launch several new products and increase its staff from 31 to 34 people.



Financing for Innovation and Modernization

In the spring of 2010, the Bank started a new SME financing operation in the innovation and modernization segment. With the help of experts representing several research institutes and the Moscow State University and numerous small and medium-sized enterprises, it conducted a series of surveys which ultimately yielded a mechanism to be used for the implementation of such projects. It turned out that, from the viewpoint of ultimate borrowers using innovative technologies and modernizing their businesses, the most acceptable form of cooperation is a partnership, where the state, commercial banks and proprietors join their forces to provide funding needed to finance innovative projects.

To realize this mechanism, the Bank developed and offered to the partner banks a new Innovation and Modernization Financing Program. Under that Program, RBD provides partner banks with credit resources at rates ranging from 1/2 to 3/4 of the refinancing rate, thereby considerably reducing the costs borne by the ultimate borrowers. The maximum amount of funding per project may be as high as RUB 150 million, the maximum maturity – up to 7 years. The funding is allocated to provide soft loans to small businesses which seek to implement projects involving technical and technological innovations based on state-of-the-art scientific research and existing best practices.

Within the framework of Program, the Bank actively interacts with regional administrations and commercial banks. The aim of their joint efforts is to develop tools to identify borrowers prepared to implement, and find commercial market applications for, new technologies. The «innovation content» is determined by the extent of successfulness of post-implementation commercialization of proprietary know-how, subject to availability of an effective patent. The project originator must hold a patent for invention/useful model, and have a business plan detailing its future uses. Based on those documents,

the Bank and the partner bank assess the benefits that can be derived from the project. The Program is designed to provide long-term support to innovation and modernization projects generated by small businesses, and evaluation of all proposals first and foremost involves an analysis of their efficiency – cost-effectiveness, environmental friendliness, energy efficiency, and safety.

The objectives of the Program include acquisition by innovation-centered small businesses of high-tech equipment and software; practical utilization of technologies (whether under patents and/or licenses); certification of technical processes for their compliance with modern standards and best practices; and financing of marketing, servicing and other related expenses. The ultimate deliverable of an innovation-centered SME is organization of serial production.

Having created a new product for innovation-centered small and medium-sized enterprises, the Bank considerably has reduced the interest rate paid by the ultimate borrowers. This lays the foundation for long-term investments into projects which are of paramount importance for the Russian economy. In the future, the Bank intends to create an environment where institutional investors will have a vested interest in «growing» innovative businesses.

Multi-Channel Financing of Small Businesses

In order to realize non-credit forms of assistance to small and medium-sized enterprises, the Bank established a Direct Investment CUIF «MIR» (MIR Fund), and created the supporting infrastructure.

Acting through the MIR Fund, the Bank will be acquiring equity participations in SMEs which seek loans under the Innovation and Modernization Financing Program, but cannot provide adequate security. The MIR Managing Company will be looking for innovative and/or modernization-related SME projects. The equity participation by the MIR Fund will depend on the amount of funding required to finance the relevant project, with a cap of RUB 60 million per project and maturity ranging from 3 to 5 years. The operations of the MIR Fund will be financed by the Bank, with possible involvement of a number of Russian and foreign investors.

Innovative Elevator

The Bank is taking an active part in the creation of an «innovative elevator» to enable small businesses to obtain funding at various stages of their evolution. To that end, the Bank and Russian development institutions have signed an agreement on interaction between development institutions and interested parties in assuring ongoing funding of innovative projects at all stages of the innovation cycle. The list of parties to the agreement includes State Corporation «Bank for Development and Foreign Economic Affairs (Vnesheconombank)», State Corporation «Russian Nanotechnologies Corporation», Russian Bank for Development OJSC, Russian Venture Company OJSC, Foundation for Advancement of Small Businesses in the Area of Scientific and Technical Research, All-Russian Public Organization of Small and Medium-Sized Business BACKBONE OF RUSSIA, Russian Association of Direct and Venture Investments (RAVI), Moscow Interbank Currency Exchange CJSC, and Federal Youth Agency. Interaction within the framework of the agreement promotes creation and development of an environment favorable for development and practical implementation of innovations, which is even more important for Russia than supporting individual promising projects.

Support of Innovation and Modernization in 2010

During the reporting period, the Bank, acting within the framework of the Innovation and Modernization Financing Program, signed credit agreements with 25 partner banks for a total amount of RUB 6.491 billion. The overall lending limit set for the Program is RUB 8.786 billion. As of January 1, 2011, the Bank had financed 18 projects for a total amount of RUB 1.213 billion.

Support of Innovation and Modernization in 2010

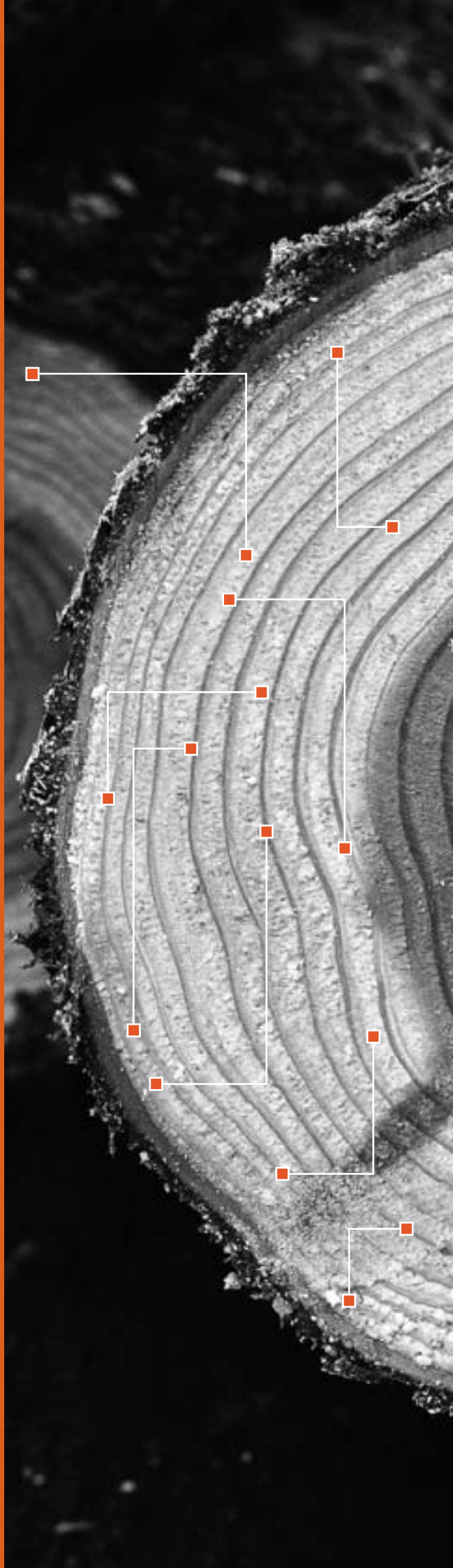
CONSTRUCTION OF A PRECISION ALLOYS PLANT

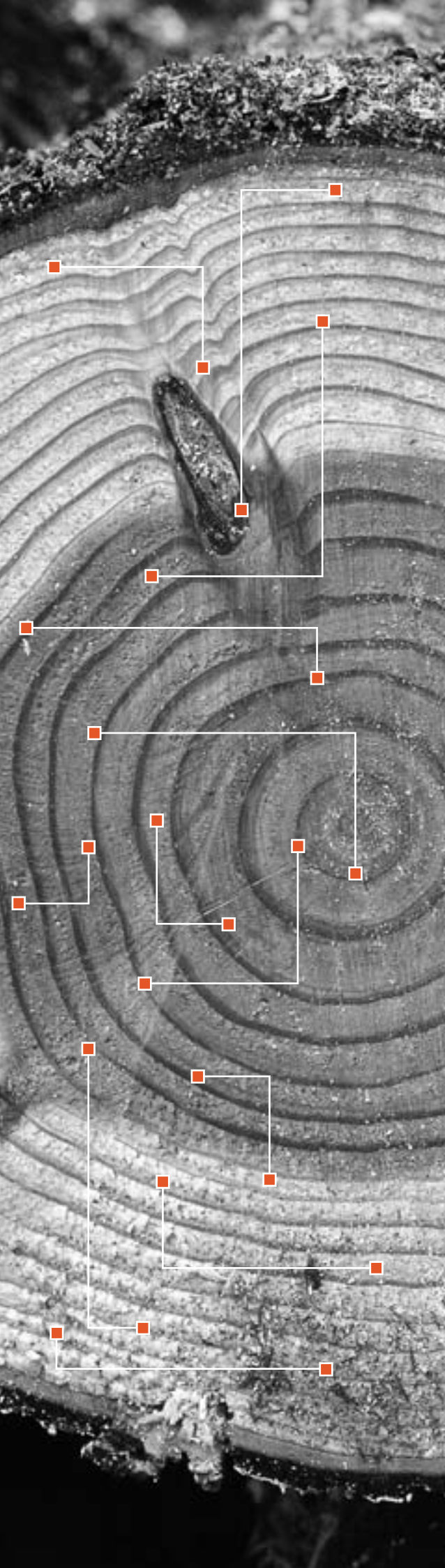
VORONEZH REGION
JSCB PERESVET CJSC

This is the first project to be supported under the Innovation and Modernization Financing Program. The Bank and Peresvet, a joint stock commercial bank, executed an agreement to finance an innovative project envisaging construction of a precision alloys plant in the City of Voronezh. The bulk of capital expenditures associated with the preparation of the production site and acquisition of equipment was funded by a third-party investor – Closed Unit Investment Fund for Venture Investments «Regional Venture Fund for Investments into Science and Technology Small Businesses of Voronezh Region».

«The purpose of the new plant is to produce small batches of customized precision steel and precision alloy blanks using proprietary innovative technologies. The emphasis on small batches is dictated by the fact that the size of minimal batches offered by major manufacturers often exceeds the average needs of end clients. Creation of a full-cycle facility will enable Precision Alloys Plant LLC to effect a manifold improvement of its overall efficiency, and get a sizeable share of the precision alloys market», says Oleg Orlov, the plant's General Director.

Such combination of direct investment and bank lending is optimal for innovative projects secured primarily by intellectual property rights. Besides, cooperation with the direct investor puts at the disposal of the Bank a team of professional experts capable of adequately assessing the risks and prospects of innovative businesses.





PRODUCTION OF BASALT-BASED MATERIALS

REPUBLIC OF SAKHA (YAKUTIA)
BANK OF MOSCOW OJSC

RBD and the Bank of Moscow have provided funding for the innovative project Basalt-Plastic Composites for the Russian North envisaging development of new types of construction and composite materials on the basis of industrial production of continuous basalt fiber in the Republic of Sakha (Yakutia). The Bank of Moscow and Basalt Material Technologies LLC entered into a loan agreement to finance an innovative project for the production of basalt-based materials. Credit resources in the amount of RUB 100 million were provided to the Bank of Moscow for a period of 6 years on preferential terms within the framework of Innovation and Modernization Financing Program. The total amount of capital expenditures associated with the construction of project production facilities is RUB 604 million. The project is being co-financed by the Republican Investment Company established with the participation of the Government of the Republic of Sakha (Yakutia).

«The innovative nature of the project is corroborated by a number of Russian patents and license agreements. According to the project, basalt composites are described as super-strong, light and corrosion-resistant materials. They meet the highest resource-, power- and heat-saving standards, and have a broad range of potential applications in various branches of the national economy, including construction, industry and road-building. In September 2010, Basalt Material Technologies LLC was awarded the Grand Prix of the jubilee 10th Moscow International Innovation and Investment Salon. Experts note that our innovative products are highly competitive and knowledge-intensive, and that industrial implementation of Russian technologies in this area may yield better results compared to those offered by our foreign counterparts», says Egor Zhirkov, the company's director.



MODERNIZATION OF A GLASS CONTAINERS MANUFACTURER

REPUBLIC OF DAGESTAN
JSCB INVESTTORGBANK OJSC

RBD and Investtorgbank have commenced financing of a modernization project envisaging organization of production, in the Republic of Dagestan, of glass containers compliant with European quality standards. Investtorgbank and Dagestan Steklo Tara LLC (Dagestan Glass Containers LLC) (City of Dagestanskiye Ognj) have executed an agreement for the financing of technical modernization of the plant. Credit resources in the amount of RUB 150 million have been allocated for a period of 7 years under the Innovation and Modernization Financing Program. The total amount of capital expenditures required to implement the project exceeds RUB 935 million. The Czech company Sklostroj Turnov (the main supplier of technological equipment) and the Czech Export Bank (CEB) are contributing more than RUB 700 million. The originator of the project — Dagestan Steklo Tara LLC — is one of the oldest Russian enterprises. Founded in 1926, the plant is the flagship of the domestic glass industry. Restoration and modernization of production facilities on the basis of Czech equipment are now under way.

«Within the framework of this project, we and Sklostroj Turnov will replace two production lines for the manufacture of glass containers, which will bring our quality parameters and product mix to European levels, and help us significantly reduce our production costs. Among other things, we intend to build new energy-efficient furnaces and install colored glass production lines», says Patakhudin Magomedov, General Director of Dagestan Steklo Tara LLC.



MODERNIZATION OF PRODUCTION OF COMPOSITE CONSTRUCTION ELEMENTS AND CREATION OF A WALL PANELS MANUFACTURING LINE

VOLGOGRAD REGION

JSCB INVESTTORGBANK OJSC

RBD and Investtorgbank have co-financed a project envisaging modernization of production of composite construction elements and creation of a wall panels manufacturing line in the City of Volgograd. Credit resources in the amount of RUB 150 million have been allocated to Reinforced Concrete Products Plant OJSC for a period of 7 years under the RBD Program. The interest rate to be paid by RCPP under the loan agreement has been set at 9% p.a. The total amount of capital expenditures required to implement the project is RUB 176.84 million.

«The main benefit of the project is the original technology that we use to manufacture enclosing structures. It is now possible to increase building erection rates by 30% and the useful area by 12% (by eliminating the need for massive walls serving as props for floor partitions), while frame production costs have been reduced by 16%», notes Andrey Zudikov, RCPP LLC General Director.



5

BANK FOR PARTNERS

Enhancement of Credit Products and Improvement of SME Lending Support Program Terms

The main favorable trend in the SME lending market in 2010 is the fact that banks liberalized their credit policies with respect to SMEs and stepped up their marketing activity. Other positive developments include reduction of average market interest rates, increase of loan sizes and maturities, extension of product ranges, and growth of transparency of banks on SME lending matters. All macroeconomic changes in the SME lending market are reflected in the SME Lending Support Program currently being implemented by RBD.

In 2010 the Bank considerably expanded its product mix and ensured full coverage of small business demand for loans ranging from RUB 100 thousand in the micro-financing segment to RUB 150 million regarding financing of innovation and modernization. The new credit products have maturities of up to 7 years.

The Bank's broad product range consisting of 14 credit products designed within the framework of the SME Lending Support Program meets diverse SME needs, including the need for:

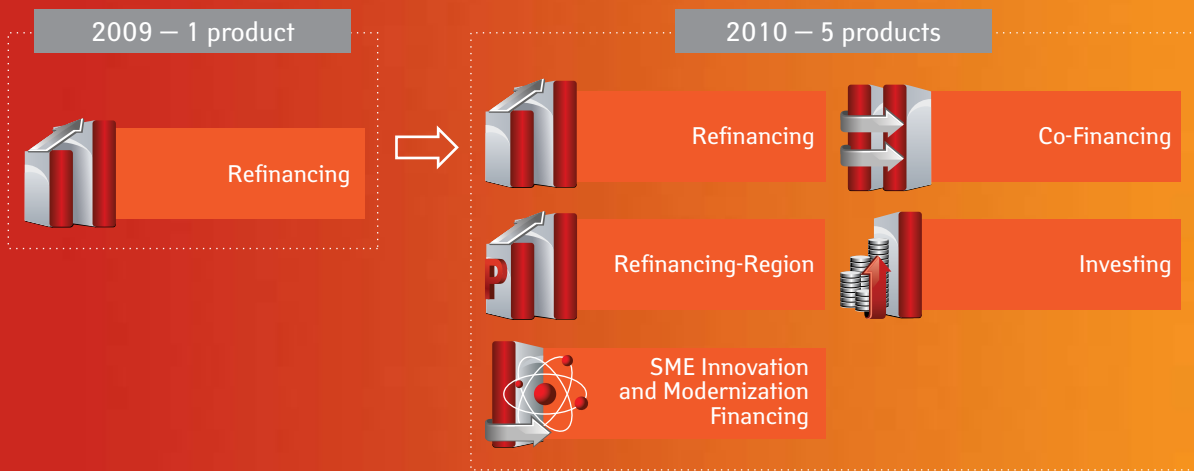
- Relatively large loans to finance acquisition (repair, modernization) of fixed assets;
- Micro-credits and loans to replenish working capital;
- Working capital financing via the factoring mechanism;
- Acquisition of assets under various leasing arrangements.

To maximize the volume of the Program and make it more accessible in all Russian regions, the Bank repeatedly revised eligibility criteria applicable to candidate partner banks. For example, it relaxed long-term credit rating requirements for banks whose liabilities are supported by sovereign guarantees issued by regions of the Russian Federation, and included securities and real properties into the list of acceptable collateral types as it applies to infrastructure support entities. The spectrum of partners under the Program was expanded. First and foremost, this is true for infrastructure support entities which can obtain loans under the SME Lending Support Program. The Bank also periodically improved SME lending standards and, among other things, waived the requirement that borrower information be submitted to the credit history bureau, adjusted the SME loan cap (for innovation and modernization projects it was set at RUB 150 million, for all other products at RUB 60 million), and introduced SME credit line facilities.

It is anticipated that in 2011 further quantitative growth of the Program will be accompanied by qualitative improvement of credit products, stricter control over appropriate use of loan proceeds, and better accessibility of credit resources, particularly for entrepreneurs from the production and innovation sectors.

PRODUCT LINE EXPANSION

Credit Products for Partner Banks



Credit Products for Infrastructure Support Entities



Informative and Consultative Support

Development of an efficient dialog with entrepreneurs is one of the most important elements of the SME Lending Support Program. This involves examination of SME needs as conducted by numerous expert teams, including the Bank's Analytical Center. Currently the Analytical Center focuses on the following major areas of interest:

- Examination of the current state of the SME sector, prevailing trends, and regional SME support infrastructure (preparation of regional profiles);
- Development of methods for comprehensive evaluation of SME-relevant features of individual regions (classifications, indices, regional rating systems), and completion of related calculations;
- Examination of the needs of SMEs and the Bank's partners with a view to improve the Program (among other things, by conducting appropriate surveys);
- Preparation of analytical reports and materials.

Alongside with that, the Bank and the All-Russian Public Opinion Research Center conduct polls among entrepreneurs operating in «complex» regions of the Russian Federation, including those of the North Caucasus Federal District. Sociologists are particularly interested in the degree of awareness of businessmen regarding various forms of state support for small and medium-sized businesses. Survey findings are used to enhance the makeup of the SME Lending Support Program.

The Bank pays considerable attention to increasing the level of business education among experts employed by small businesses. It is actively involved in development and implementation of new joint training programs, including intramural training programs. A good example of the Bank's contribution to increasing the level of accessibility of business education for SMEs is the fact that it provides financial support to Non-Governmental Higher Professional Education Institution «International Management Institute LINK». In 2010 training courses were

complete by 1,414 entrepreneurs from Moscow and Moscow Region (workshops – 44 people, distance learning programs – 208 people, Internet courses – 1,162 people).

In addition to that, the Bank together with Financial University under the Government of the Russian Federation and NP NDP Alliance Media is implementing diverse distance learning and advanced vocational training programs for SMEs. Negotiations with several educational institutions are under way to realize similar programs.

The Bank's web site (www.rosbr.ru) is one of the main instruments of SME information support. The objectives of this information portal include, among other things, implementation of outreach programs to boost the popularity of entrepreneurship. In 2010 the site had about 3 million visits, with the number of visits per month averaging out at almost 250 thousand. One of the sections of the site – Small and Medium-Sized Business – is designed for SMEs which can go there to obtain information about business ideas, business registration, business planning methods, reporting and audit procedures, and answers to important questions.

In addition to that, the Bank maintains close ties with a number of stakeholders, including All-Russian Public Organization of Small and Medium-Sized Business BACKBONE OF RUSSIA, Media Holding OPORA-Credit, Russian Micro-Financing Center, Association of Russian Banks, Association of Regional Banks Russia, other public and self-regulating SME organizations, which helps it to obtain valuable feedback on implementation of the Program.

Events with RBD Participation

In 2010 the Russian Bank for Development organized and participated in a series of regional events to promote the State SME Lending Support Program.

In November 2010, RBD conducted its annual SME Support Forum The Small Determines the Large. The Forum was attended by more than 200 representatives of the Bank's partners from among banks, infrastructure support entities and small business representatives arriving from most regions of the Russian Federation.

During the forum, entities which made the largest contribution to successful implementation of the SME Lending Support Program received special awards. In 2010 the list of recipients of those awards expanded to include, alongside with partner banks, infrastructure support entities, public organizations, representatives of small and medium-sized enterprises, and mass media.

LIST OF MOST IMPORTANT 2010 EVENTS

Date	Event	City
January 28-29	Meeting of the Mono-City Modernization Work Group	Naberezhnye Chelny
February 27	Field meeting on development of small and medium-sized enterprises in the North Caucasus Federal District held within the framework of the 7th South-Russian Forum Caucasus Recreation 2010	Kislovodsk
March 24	10th Annual Investment Conference of the American Chamber of Commerce Post-Crisis Russia: Forward Towards Modernization	Moscow
April 9	21st Congress of the Association of Russian Banks	Moscow
May 18	Business Forum Development of Small and Medium-Sized Business (jointly with BACKBONE OF RUSSIA)	Moscow
May 25-26	10th All-Russian Conference of Representatives of Small and Medium-Sized Enterprises Role of Small and Medium-Sized Businesses in Modernization of the Russian Economy dedicated to the Russian Entrepreneur Day	Moscow
May 28	Conference Krasnodar Province: Everything About Small Business Financing	Krasnodar
June 9	Round table on development of small and medium-sized businesses conducted in the course of the Russian-Italian Forum Civil Society Dialog	Kaluga
June 22	3rd Cheboksary Economic Forum Russia 2010-2020: Post-Crisis Management, Development of Structural Economical Changes	Cheboksary
July 15	Meeting of the All-Russian Banking Council and Business Development Agency committees on development of SME financing and lending and regional policy	Petropavlovsk-Kamchatsky

Date	Event	City
September 13	Conference Small Business. Financing and State Support	Kazan
September 16	9th International Investment Forum Sochi-2010	Sochi
September 22	5th Congress of the BACKBONE OF RUSSIA	Moscow
September 27	Meeting on development of small businesses in southern cities of Russia chaired by A. G. Khloponin, Plenipotentiary Representative of the President of the Russian Federation in the South Caucasus Federal District	Essentuki
October 1	Russian-German Small Business Forum	Pyatigorsk
October 27	Conference Small Business. Financing and State Support	Ufa
November 30	Annual SME Support Forum The Small Determines the Large	Moscow
December 3	Video-conference with the participation of representatives of the South Caucasus Federal District	Moscow
December 9	Practical Conference Vnesheconombank: Priority Operating Areas of a Development Bank	Pyatigorsk
December 9	11th Annual Conference Leasing in Russia – 2010	Moscow
December 17	8th Russian Regional Congress Regional Development Institutions and Regional Investment Appeal: Opportunities, Problems, Practice	Moscow

On SME Lending Support Program

President of the Russian Federation

Dmitry Medvedev

Meeting on Government Employment Policy

March 1, 2011

Elista

«To expand preferential lending to small and medium-sized enterprises, it will also be necessary to consider additional funding, primarily from extra-budgetary sources, of the SME Lending Support Program of State Corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)”».

President of the Russian Federation

Dmitry Medvedev

Meeting with Vladimir Dmitriev, Chairman, Vnesheconombank

March 29, 2011

Gorky, Moscow Region

«Provision of support to small and medium-sized businesses is our top priority. It is very good that you are focused on it, that you keep working, and the volume of such support is quite substantial».

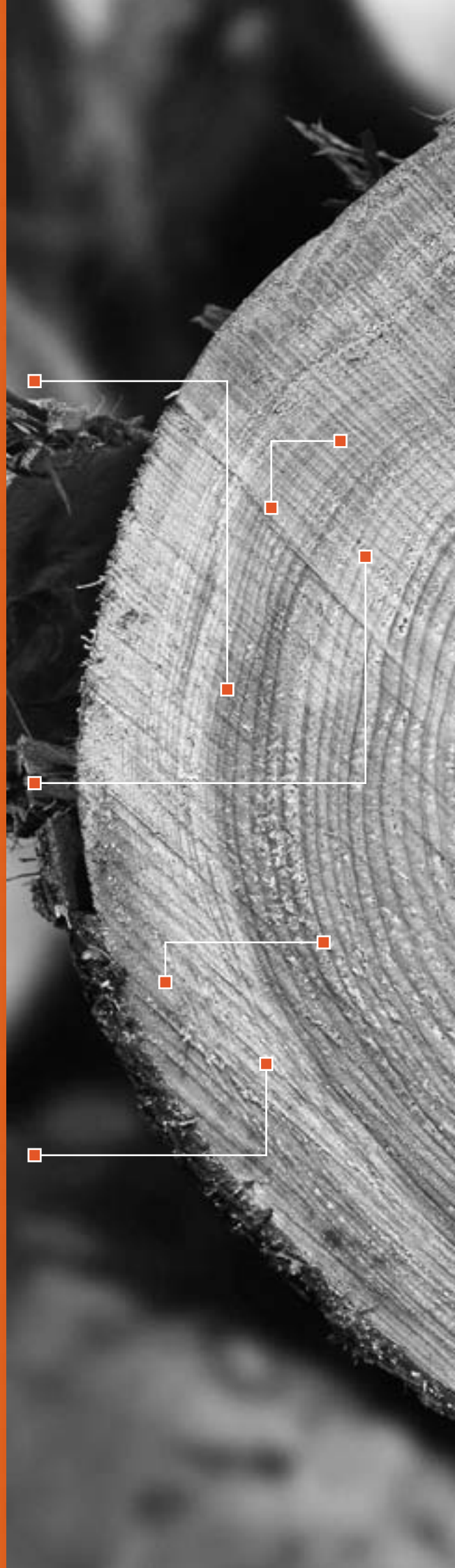
Chairman of the Government of the Russian Federation

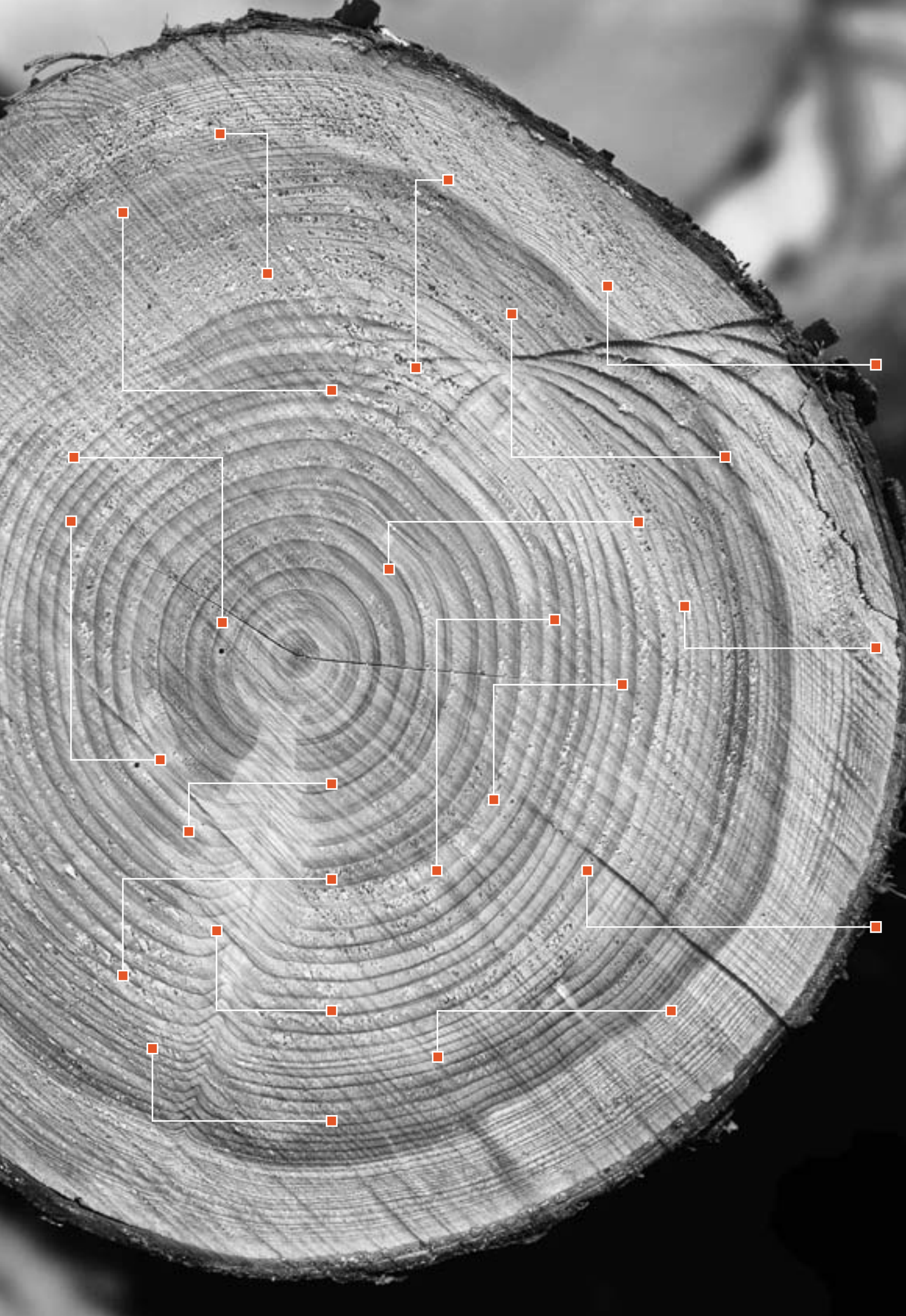
Vladimir Putin

Work Meeting with Vladimir Dmitriev, Chairman, Vnesheconombank

November 16, 2010

«Many small and medium-sized enterprises working in the real sector of the economy are reliable and stable bona fide borrowers».





Chairman of the Government of the Russian Federation

Vladimir Putin

Meeting of the Supervisory Board of Vnesheconombank

May 26, 2010

«VEB has provided material support to small and medium-sized businesses to the tune of RUB 40 billion. In connection with that, I would like to say today that, on the whole, the work done by VEB deserves a positive evaluation».

Chairman of the Government of the Russian Federation

Vladimir Putin

Meeting of the Supervisory Board of Vnesheconombank

February 22, 2011

«Another RUB 10 billion will be allocated to support small businesses. And I remind you that by 2015 we must increase the volume of SME lending support to RUB 250 billion».

Chairman of Vnecheconombank

Vladimir Dmitriev

Meeting with D. A. Medvedev, President of the Russian Federation

March 29, 2011

Gorky, Moscow Region

«The volume of the program has reached about RUB 130 billion. This is the money that goes directly to regional banks to support small and medium-sized businesses. Naturally, we make an emphasis on SMEs involved in innovation and modernization projects».

6

PERFORMANCE OF AGENCY FUNCTIONS FOR THE GOVERNMENT OF THE RUSSIAN FEDERATION

Chairman of Vnecheconombank

Vladimir Dmitriev

Annual RBD-Sponsored SME Support Forum The Small Determines the Large

November 30, 2010

«In line with our government spending streamlining drive, we will raise the issue of helping RBD to expand its SME Lending Support Program and, inasmuch as federal budget funding is limited, will recommend that this be done with the funding provided by the National Wealth Fund. Within the framework of the Program, RBD extends tied loans to regional banks for on-lending to small and medium-sized businesses».

President of BACKBONE OF RUSSIA

Sergey Borisov

Annual RBD-Sponsored SME Support Forum The Small Determines the Large

November 30, 2010

«The RBD program — whose volume this year will reach RUB 100 billion — provides material support to small and medium-sized businesses. According to our polls, a year ago only 8% of entrepreneurs said it was not difficult to find funding, while today this number is 30%».

President of Association of Regional Banks of Russia

Anatoly Aksakov

Execution of Agreement between the Association of Regional Banks of Russia and the National Listing Agency Regional Innovations and Investments

October 28, 2010

«It is a good thing that RBD, without waiting for a statutory definition of the terms “innovative project” and “innovative activities”, has independently determined criteria for selecting such projects and allocating money to finance their implementation».

In 2010 the Bank acted as an agent of the Government of the Russian Federation for collection of cash receivables from legal entities and regions of the Russian Federation pursuant to Article 21 of Federal Law dated December 2, 2009, No. 308-FZ On Federal Budget for 2010 and for the Planning Period of 2011-2012, and paragraph 15 of Decree of the Government of the Russian Federation dated December 31, 2009, No. 1181 On Measures Aimed at Implementation of Federal Law On Federal Budget for 2010 and for the Planning Period of 2011-2012.

While performing agency functions in 2010, the Bank settled indebtedness in the amount of RUB 883.9 million and, among other things:

- ensured that borrowers transferred to the budget RUB 27.1 million as repayment of overdue budget loans (total amount collected since 2001: RUB 1.31 billion);
- acting pursuant to Article 19 of Federal Law dated December 2, 2009, No. 308-FZ On Federal Budget for 2010 and for the Planning Period of 2011-2012, wrote off non-collectible debts in the amount of RUB 17.3 million;
- acting pursuant to orders of the Ministry of Finance of the Russian Federation, wrote off debts owed by liquidated borrowers, in the amount of RUB 839.5 million.

The Bank maintained analytical records of cash receivables under 1,258 agreements. As of January 1, 2011, the total amount of such receivables, as recorded by the Bank, stood at RUB 13.06 billion, including the following:

- RUB 3.47 billion — balance sheet accounts of the Ministry of Finance of the Russian Federation;
- RUB 9.6 billion — non-system accounts of the Bank.

7

INTERBANK COOPERATION

During the year of 2010, RBD considerably expanded its cooperation with financial institutions. The Bank's priorities include establishment and development of long-term partner relations with credit institutions operating in the regions of the Russian Federation. Banks with extensive branch networks and regional banks act as the conduits of financial resources to small and medium-sized businesses within the framework of the State SME Lending Support Program.

Involvement of an increasing number of partner banks required implementation of a series of measures aimed at minimization and subsequent efficient control of the Bank's credit risks.

Interbank settlements under the Program have been traditionally performed through correspondent accounts opened with partner banks. Expansion of the Program in 2010 resulted in an increase of the number of such correspondent accounts. During the reporting year, it opened 48 new correspondent accounts. As of January 1, 2011, the Bank had a total of 160 LORO correspondent accounts.

Seeking to support its profitability and maintain short-term liquidity, during the reporting year the Bank continued proactive use of interbank operations with Russian and foreign counterparty banks both in domestic and foreign financial markets. In 2010 the Bank executed 26 new framework agreements on the conduct of credit, conversion and securities operations. By January 1, 2010, the total number of such framework agreements reached 240. As during the previous year, the total amount of limits set with respect to the Bank, including long-term credit limits, was maintained at a level of about RUB 15 billion — yet another testimony of credibility enjoyed by the Bank among financial market players.

8

FINANCIAL MARKET ACTIVITIES

The Bank's financial market activities were organized so as to efficiently manage its assets and liabilities, ensure attainment of revenue targets, maintain mandatory liquidity ratios, and minimize risks.

The Bank was active in interbank credit and deposit markets. The overall amount of the Bank's interbank deposits and loans reached RUB 1,061 billion.

The Bank's 2010 financial market activities resulted in establishment and increase of net credit facilities used to finance interbank loans and foreign exchange operations by a large number of major Russian and international banks, including Bank Morgan Stanley, Bank Credit Suisse, Commerzbank, UniCredit Bank, VTB and Alpha-Bank. During the year, the volume of the Bank's operations, both those financed with net credit facilities and those using some form of security (bills, bonds), continued to grow. During the reporting year, the Bank posted an FX turnover of RUB 179.27 billion.

In 2010 the Bank continued to actively work with bank and corporate debt obligations. Ruble debt obligations accounted for 98% and FX-denominated debt obligations for 2% of total security portfolio. As of January 1, 2011, the bulk of the Bank's security portfolio (79%) was represented by investments into bank debt obligations, with corporate debt obligations and state/sub-federal debt obligations accounting for 7% and 14%, respectively.

The Position Management Department of the Bank's Treasury managed 14 NOSTRO accounts with various banks in the Russian Federation and abroad. During the reporting year, the amount of incoming and outgoing payments (RUB, US\$, EUR) processed by the Bank reached RUB 1,062 billion and RUB 1,063 billion, respectively.

In 2010 the Bank promptly and fully discharged its payment obligations under earlier credits and loans, and continued to support foreign trade contracts.

The Bank also continued to actively raise funding on international capital markets. The total value of foreign borrowings amounted to RUB 19.6 billion. On the domestic market, the Bank obtained a RUB 9 billion Vnesheconombank subordinated loan for a term of 10 years.

Under the Agreement for the Provision of Bank of Russia Credits Secured with Receivables under Interbank Credit Agreements, the Bank received from the Bank of Russia RUB 990 million to refinance loans extended under the SME Lending Support Program.

9

HR POLICY

The Bank's HR policy is directed towards formation and development of a professional team capable of performing the strategic tasks faced by the Bank. Improvement of corporate governance is expected to instill in each employee a feeling of personal involvement in, and commitment to, the mission entrusted to the Bank – that of implementing the SME Lending Support Program.

In 2010 the brunt of the Bank's HR efforts was directed towards optimization of the organizational structure, general strengthening of the personnel, development of professional skills and raising of the level of qualification of each employee. As of January 1, 2011, the total number of employees was 304.

Streamlining of the system of material and non-material incentives has always been and remains one of the main areas of the Bank's HR operations. In the current material stimulation system, the amount of bonuses is linked to attainment of business plan targets set for all major structural units.

The Bank has implemented a series of measures to enhance social protections available to its employees. In particular, salaries of certain groups of employees were «marked to market» and all employees were paid annual bonuses based on their personal work contributions over the course of the year.

In 2010 a lot of attention was paid to basic and advanced training programs. The Bank's employees acquired new knowledge and skills by participating in workshops and trainings organized, inter alia, by Vneshekonombank, and learnt foreign languages. Increasing the level of competency of employees is expected to improve the skills they need to discharge their official duties.

Concurrently, the Bank continues its cooperation with several leading higher educational establishments, including the Financial University under the Government of the Russian Federation and the National Research Institute Higher School of Economy.

The Bank's efforts in the area of talent retention are largely based on non-material incentives, including provision of voluntary medical insurance coverage at the expense of the Bank.

All HR policy elements are aligned to assure attainment of one key objective – training and development of personnel capable of working in an efficient and sustainable manner so as to assure an optimal balance between the interests of the Bank as a whole and the interests of each individual employee.

Commitment of all employees to common tasks and team spirit contribute to successful implementation of ambitious tasks facing the Bank.

10

IT SUPPORT

One of the strategic areas of IT development in the Bank is creation of a comprehensive integrated automation system. All units of the Bank use state-of-the-art technologies to perform both back-office and front-office functions.

In 2010 the Bank implemented a series of projects aimed at improving the quality of IT services, enhancing management systems, and increasing effectiveness and transparency of unit operations.

In particular, it put into operation a credit process automation system to increase operating efficiency of the Bank's front-, middle- and back-offices in their movement towards stated objectives. The system was developed by the Bank's IT experts. Its functionality is continuously expanded to assure full coverage of all business unit needs.

The Bank also launched an Internet banking project. The aim of the project is to equip clients with convenient tools for preparing reports and submitting them for verification by the Bank.

Implementation of several important modules, including Budgeting and Management Accounting designed to automate the operations of the Financial Department and the Risk Management Service, and Mandatory Databank-Based Bank of Russia Reporting, has already commenced.

To automate procedures related to collective body meetings in 2010 the Bank developed a shared workspace application enabling users to review and edit electronic documents. The Bank paid special attention to its information infrastructure to assure business continuity. In particular, it completed Stage 1 of the project envisaging creation of a distributed disaster-resistant IT infrastructure. The solution is based on consolidation of IT resources deployed at the main and backup offices and virtualization of server systems. Implementation of the system made it possible to increase the level of reliability of server systems, decommission obsolescent equipment, reduce the number of physical servers required to run business applications, and cut the costs related to computer equipment powering and cooling.

The Bank's experts began to use mobile corporate solutions. Individual mobile communicators offer reliable, protected and convenient telecommunication channels which give employees access to corporate information and enable them to promptly receive required information, make decisions, engage in collective planning, and organize joint work from anywhere in the world.

The Bank continued to improve its Lotus Notes-based Company Media e-document management system. Implementation of a paperless environment is anticipated by the end of 2011.

Finally, the Bank completed implementation of a system automating back-office securities operations.

11

RISK MANAGEMENT

In the course of implementation of its SME Lending Support Program, the Bank seeks to secure a minimal break-even level sufficient to generate a margin of safety consistent with the scope of its operations, while maintaining an acceptable level of operating risk. To strike an optimal risk/award balance, the Bank has created, and continues to improve, a proprietary risk management system. The Bank is continuously engaged in analysis, assessment and control of risks both at the stage of strategic decision-making and planning and at the stage of transaction execution and follow-up control.

The main risks to which the Bank is exposed in its operations include the following: credit risk, liquidity risk, market risk (securities risk, currency risk and interest rate risk), operating risk, and other risks.

The credit risk management system includes strict compliance with internal procedures and regulations stipulating requirements applicable to administrative support of credit operations; procedures for the setting and observance of borrower and counterparty limits and strict compliance with existing risk-per-borrower standards; methods for evaluating credit proposals and analyzing the level of creditworthiness of borrowers, comprehensive analysis of the legal status of borrowers and expert evaluation of lending procedures; allocation of lending authority; procedures governing credit portfolio management, including credit portfolio monitoring and administration; and ongoing monitoring of compliance with credit security agreements.

The purpose of the Bank in the area of credit risk management is to create a credit process which would be convenient to the Bank's clients, while ensuring high quality of the Bank's credit portfolio and an acceptable level of credit risk.

In terms of liquidity management, the Bank does its best both to avoid liquidity shortages and minimize excessive liquidity.

The existing risk management system enables the Bank to maintain an optimal ratio between profitability and liquidity, among other things, by improving liquidity management procedures.

As concerns market risks, the Bank uses both GAP analysis and duration methods, and VaR analysis.

To measure and monitor its exposure to operating risks, the Bank has developed Regulations on Operating Risk Management and implemented a comprehensive operating risk analysis, assessment and control system. The Bank, on an ongoing basis, collects information on, and tracks the movement of, identified operating risk factors, assesses acceptability of existing exposures, and determines measures aimed at minimization of such exposures.

The Bank's risk management system also provides assessment and control of country risks, reputation risks and strategic risks.

In an attempt to improve its risk management system, the Bank periodically self-tests its risk measurement mechanisms.

12

ROSBR LEASING OPERATIONS

The Leasing Company of the Russian Bank for Development (RosBR Leasing OJSC) was established in 2002 to implement large-scale infrastructural projects. In the middle of 2010, the management of the Bank redirected the company towards supporting small businesses.

The strategic objective of RosBR Leasing is to contribute to successful implementation of the Bank's SME Lending Support Program by providing leasing services throughout the territory of the Russian Federation using various forms of project activity. With the approval of the Bank, the company participates in federal, regional and municipal SME development programs with a view to:

- Support SMEs engaged in innovation and modernization projects;
- Support SMEs operating in the regions of the Russian Federation, including developing regions, such as the North Caucasus Federal District;
- Support SMEs operating in priority industrial sectors and in the services sector;
- Create standard leasing products for subsequent replication through the two-level system realized in the Bank's SME Lending Support Program.

In 2010 the Bank resolved to establish direct contacts with small businesses by promoting its leasing subsidiary. This will enable to implement projects which require more complex solutions than those offered by standard financial lease instruments. The level of risk associated with such projects can be reduced by using a comprehensive approach which makes full use of industrial and administrative resources and coordination efforts exerted by RosBR Leasing. Direct contacts between the Bank and small businesses established via RosBR Leasing will assure that the Bank has prompt feedback that it can use to improve its programs.

RosBR Leasing, in its turn, will focus on small and medium-sized enterprises which are involved in modernization of production and pay special attention to saving resources and increasing their energy efficiency.

COMPANY DETAILS

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**FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
TOGETHER WITH INDEPENDENT AUDITORS'
REPORT.....3**

Independent auditors' report.....3
Statement of financial position..... 4
Income statement..... 5
Statement of comprehensive income..... 6
Statement of changes in equity 7
Cash flow statement 8

Notes to consolidated financial statements..... 10

1. Principal activities 10
2. Basis of preparation 10
3. Summary of accounting policies and significant accounting estimates and judgments..... 13
4. Cash and cash equivalents..... 21
5. Trading securities..... 21
6. Amounts due from credit institutions and financing of credit institutions under the program of extending loans to small and medium enterprises 22
7. Loans to customers 25
8. Investment securities 28
9. Property and equipment 30
10. Taxation..... 32
11. Other assets and liabilities 34
12. Derivative financial instruments..... 35
13. Amounts due to the Central Bank 35
14. Amounts due to credit institutions..... 36
15. Government grants 37
16. Amounts due to customers..... 38
17. Debt securities issued..... 38
18. Subordinated loan 38
19. Equity 39
20. Commitments and contingencies..... 41
21. Net gains/ (losses) from investment securities available for sale..... 42
22. Other income 42
23. Personnel and other operating expenses 42
24. Risk management 43
25. Fair values of financial instruments 53
26. Maturity analysis of assets and liabilities 56
27. Related party disclosures 57
28. Capital adequacy 63
29. Events after the reporting period..... 63

**CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
TOGETHER WITH INDEPENDENT AUDITORS'
REPORT..... 64**

Independent auditors' report 64
Consolidated statement of financial position 65
Consolidated income statement 66
Consolidated statement of comprehensive income 67
Consolidated statement of changes in equity 68
Consolidated cash flow statement 69

Notes to consolidated financial statements 70

1. Principal activities 70
2. Basis of preparation 70
3. Summary of accounting policies and significant accounting estimates and judgments..... 73
4. Cash and cash equivalents..... 82
5. Trading securities..... 82
6. Amounts due from credit institutions and financing of credit institutions under the program of extending loans to small and medium enterprises 83
7. Loans to customers 86
8. Investment securities 89
9. Property and equipment 91
10. Taxation..... 93
11. Other assets and liabilities 95
12. Derivative financial instruments..... 95
13. Amounts due to the Central Bank 96
14. Amounts due to credit institutions..... 96
15. Government grants 97
16. Amounts due to customers..... 98
17. Debt securities issued..... 98
18. Subordinated loan 98
19. Equity 99
20. Commitments and contingencies..... 101
21. Net gains/(losses) from investment securities available for sale..... 102
22. Other income 102
23. Personnel and other operating expenses ... 102
24. Risk management 103
25. Fair values of financial instruments 115
26. Maturity analysis of assets and liabilities ... 117
27. Related party transactions..... 118
28. Capital adequacy 121
29. Events after the reporting period..... 121