



**THE REPORT ON THE ACTIVITY OF
JOINT-STOCK COMMERCIAL BANK
“MOSCOW BANK FOR RECONSTRUCTION AND DEVELOPMENT”
(OPEN JOINT-STOCK COMPANY)
2010**

Approved by the General meeting of MBRD shareholders
Protocol # 57 dated June 29, 2011

Preliminary approved by
the Board of Directors of MBRD
Protocol # 272 dated May 26, 2011

Agreed by the Management Board of MBRD
Protocol # 16 dated May 11, 2011

Chairman of the Management Board of MBRD

A.Z.Shlyakhovoy

General Accountant of MBRD

A.V.Eltyshev

Responsibility

In preparing the Report on the activity of MBRD in 2010 (hereinafter the "Annual report-2010"), it was used the trustworthy information and statistical data held by JSCB Moscow Bank for Reconstruction and Development (OJSC) at the time of its drawing up.

The report contains forecast statements in respect of the financial condition, economic indicators, operating activity of the Bank, prospects of development, planning of core activity, implementation of programs, as well as timing and performance of some projects or stages thereof.

We understand that forecast statements embody risks of different nature, including those related to a general situation in the country which

can influence the Bank's activity. Therefore it is not improbable that some assumptions, strategies, projects and other statements specified in the Annual report-2010 may not be realized.

In this connection it is suggested to consider the same to be real at the time of the publication of the Annual report--2010 only and to be one of scenarios during the forecast period.

The Bank does not undertake obligations to publish changes in the forecast statements related to current events, except as required by the legislation of the Russian Federation.

ABOUT MBRD

Joint-Stock Commercial Bank “Moscow Bank for Reconstruction and Development” (open joint-stock company) is a universal commercial bank with a developed retail network, offering all spectrum of banking services to the population.

MBRD is among top 30 banks of Russia.

The Bank group of MBRD includes OJSC Dalcombank (city of Khabarovsk) and East-West United Bank (Luxembourg). MBRD has presence in Central, Northwestern, North Caucasian, Southern, Volga, Siberian, Urals and Far East Federal Districts. The Bank group has presence in 49 cities of thirty largest regions of Russia as well as in Luxembourg.

In the Russian financial market the Bank has been acting for the eighteenth consecutive year. The branched regional network, line of products and services renewed on a permanent and on-the-fly basis, high quality of servicing and a recognizable brand allow MBRD stably to take favorable positions in various segments of the market. The accumulated experience and the innovative approach make it possible for it to develop intensively, strengthen its positions in the financial sphere as a universal bank with modern technologies and diversified customer base.

The principal shareholders are:

JSFC Systema is the largest public diversified corporation in Russia and the CIS, which is the investor and the majority shareholder of leading companies servicing over 100 million customers in such industries as the telecommunications, high tech, fuel-energy complex and petrochemistry, radio and aerospace technologies, banking, real estate, retail, mass-media, tourism and healthcare services.

OJSC MGTS is one of the largest wire communication operators in Europe, which client base totals about 4,4 millions of users.

CJSC PromTorgCentr.

MBRD and Dalcombank are members of the Deposit Insurance System; they have accreditation of the public corporation Deposit Insurance Agency.

Events of 2010

MBRD is included in the List-60 of the banks, which guarantees may secure the loans of the Bank of Russia. This has become evidence that the Bank is a reliable financial institution, which economic indicators prove its stability and significant potential.

OJSC Dalcombank has supported the program of the Government of Khabarovsk territory to develop a machine-building complex of the region

MBRD has acted as the organizer of drawing a trip to the final stage of the World Football Championship FIFA 2010 together with VISA

The Agency RusRating has confirmed the credit rating of MBRD at level BBB- with a stable outlook.

MBRD has taken 25th place among 100 largest banks of Russia as per the size of assets according to Forbes

MBRD has taken 33 th place as per the size of assets in the ranking of reliability of the largest banks of Russia according to the magazine Finance. It was awarded the rating B+

MBRD has participated in the event held by the company Visa "Try and you like it!"

According to the ratings of the magazine Profile, MBRD has taken 21st place among the banks having the greatest account balances of corporate clients and 27th place in the ranking of 200 largest banks of Russia as per the size of assets of clients

According to the Agency RBC Rating, MBRD has taken 26th place in the ranking of Top500 banks as per deposit portfolio in Q1 2010

MBRD has confirmed the status of Authorized bank of the Government of Moscow

With assistance of MBRD it was implemented a major social and economic project in the housing complex Hussar Ballad which has been organized by OJSC Vega Corporation and the Group of Companies Zhilishchniy Kapital.

Within the framework of charitable activity, the Bank has supported the project "Crystal Children", and also has rendered assistance to fire victims in Nizhniy Novgorod region

MBRD has taken 26th place in the ranking of 100 largest banks of Russia as of July 1, 2010 according to the magazine Expert

MBRD has taken 25th place among 100 largest banks of Russia as per the amount of net assets and 26th place in the ranking of the most investment banks according to the magazine Money as at July 1, 2010

The Bank has started to hold a joint event organized by MasterCard – MBRD – OZON.ru for clients who are holders of plastic cards of the Bank

MBRD has been included in the rankings of the magazine Profile, having taken 25th place among 200 largest banks of Russia as per the size of assets, 17th place in the ranking of most reliable of 100 largest commercial Russian banks, 19th place in the ranking of banks having the greatest account balances of corporate clients

The Bank has begun to implement the charitable program "One billion in coins", realized together with the Union of charitable organizations of Russia (UCOR)

There has been held the conference on new mortgage programs of MBRD for Moscow property companies, within which the presentation of a renewed line of mortgage products of the Bank took place

Andrey Shlyakhovoy has been appointed as the Chairman of the Management Board of Moscow Bank for Reconstruction and Development

A new Central office of the Bank was opened in Moscow to the address: 75, Sadovnicheskaya Street.

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Strategy

The strategy of development of the Bank group for the period till 2014 was developed and approved in 2010.

The Strategy is based on the diversification of client base, improvement of quality of business, including, thanks to the modernization of banking technologies and optimization of business processes. The bank group is focused on the further development of lending to the population and organisations and enterprises.

The Strategy within the framework of retail business assumes the strengthening of cooperation with enterprises of JSFC Systema in respect of cross-sales of products and services to physical persons, covering wider client groups. Active development of consumer lending to physical persons is planned. The Bank sees ample possibilities for active growth, first of all, in the field of credit cards and mortgage lending.

Special attention will be focused on the increase of loyalty of retail clients due to the implementation of advanced technological solutions and, first of all, CRM system. It will allow raising essentially the efficiency of cross sales of products and services to the Bank's customers.

Activization of lending to small businesses should become another perspective line of development of the retail block of the Bank.

The Strategy within the framework of corporate business consists in priority development of lending to medium and large customer segment thanks to

customer focus approach and efficiency of decision-making with the further expansion of client base through a medium corporate segment.

Active development of the Bank, especially in respect of the retail business, is impossible without priority development of IT-infrastructure. Works to put a new banking IT system into commercial operation are planned to be completed in 2011. It will allow offering higher quality services to existing and potential customers of the Bank. Thanks to its large scale, a new IT system will provide a base for the further growth of the Bank's business.

In respect of development of investment business of the Bank, the Strategy assumes the achieving of a competitive level through operations with companies of JSFC Systema at the initial stage. In future, the formation of a high-quality system of the market expertise and the offer of investment services to outside clients will allow not only to obtain additional profit, but also to reduce interest expenses for the Bank group.

The Strategy of development of sales network assumes a priority in the key, most perspective markets. It will allow concentrating the Bank's efforts to achieve substantial indicators in respect of positioning in regions and in respect of key indicators of efficiency of distribution network.

In general, the implementation of the Strategy will allow achieving the objectives and tasks set to the Bank by the shareholders.

Financial results

THE BANK HAS CLOSED THE YEAR 2010, HAVING THE FOLLOWING INDICATORS:

Indicators, million rubles	2010	2009
– The Bank's authorized capital	1 354,2	883,0
– The Bank's own funds	11 222,1	13 819,8
– Total assets	156 811,6	143 723,9
– Net loss (taking into account events after reporting date)	- 2 848,3	- 667

Indicators, million roubles	2010	2009
Net interest and similar incomes	3 051,7	3 611,5
Net gains from operations in securities, including positive results of revaluation	25,1	484,8
Net commission incomes	806,3	718,9
Net gains from foreign currency operations, including results of revaluation of foreign currency	176,8	20,8
Other net incomes	103,0	84,5
Provisions for possible losses of loans and other provisions	-3 138,3	-1 735,5
Operational expenses	-3 680,0	-3 662,9
Accrued and paid taxes	-192,9	-189,1

The principal reasons for negative financial result at the year-end 2010 are:

1. The increased volume of reserves: due to the world financial crisis, there were a deterioration of the financial condition of many borrowers, depreciation of loan collateral, in addition, the Bank applied more conservative approach to the reservation policy in 2010.
2. Considerable portion of costly deposits of the people in attracted funds: interest rates on active operations decreased at outstripping rates in relation to the attracted funds; as a consequence – prior to the balancing of a situation and replacement of resources by cheaper ones – it was observed a reduction of net interest income.
3. Big excess of liquidity. In view of uncertainty in the financial markets, as well as harder requirements for potential borrowers, the Bank followed the conservative policy when placing funds in risky, but more profitable assets.

Now MBRD takes measures to increase the profitability of business:

1. The key tasks of the Bank are: attraction of long-term resources, maintenance of quality of a loan portfolio and profitability of the Bank's activity, including, carrying on a policy to reduce the cost of resources by replacement of expensive resources by cheaper ones.
2. Increase of a number of corporate clients, provision of all possible spectrum of banking services and high quality servicing to them, as well as the strengthening of its positions in retail lending segment (credit cards, purpose consumer loans) and segment of lending to small and medium businesses.
3. Increase in volume of active operations in the financial market due to the stabilization of an economic situation in Russia, making it possible to expand the existing list of limits on operations with counterparties.
4. The Bank actively handles overdue debts (both making its own efforts and involving outside collection agencies). As a result of activity of these agencies, the Bank plans to reduce a volume of overdue debts, as a consequence – to recover reserves and to increase a return on the portfolio.
5. In Q1 2011 the Bank has tightened a system of control over administrative expenses (both in the Head bank and in branches), which will allow to guarantee an acceptable level of costs of the Bank, and, therefore, increase of efficiency of activity.

EXTRACT FROM THE AUDITOR'S OPINION:

According to CJS Deloitte & Touche CIS, the Annual report of the Bank discloses trustworthy, in all material respects, its financial position as at December 31, 2010 and its financial and economic performance for a period from January 1, 2010 till December 31, 2010 inclusive, capital adequacy ratio, size of provisions to cover doubtful loans and other assets as at December 31, 2010, data on the required reserves as at December 31, 2010 according to the requirements of the legislation of the Russian Federation in respect of preparation of accounting statements.

Basic operating results

On February 10, 2010 the international rating agency Moody's has raised a long-term rating of deposits in foreign and national currency in respect of MBRD from B2 to B1. In addition, the rating of subordinated indebtedness of the Bank in foreign currency is raised by one level from B3 to B2. At the same time, Moody's has confirmed a financial soundness rating E+ and a short-term rating of deposits in foreign and national currency Not Prime. The outlook of all ratings is stable.

Increase of ratings is made after the review started on November 3, and is connected with increase of ratings of the parent company of MBRD – JSFC Systema. The Agency also points out that the Bank's active participation in projects of the group of JSFC Systema substantially facilitated the increase of the Bank's rating, as a result of which the probability of support of the Bank by JSFC Systema is very high.

On May 4, 2010 the Agency AK&M confirmed for MBRD, according to the national scale, a credit rating of A+ with stable outlooks – it means that the Bank belongs to the class of borrowers having a high level of reliability.

The national Rating Agency gave to MBRD an individual credit rating at level AA (very high creditworthiness, the second level). For the first time this rating was given to the Bank in April 2009.

The rating agency Expert RA has confirmed a credit rating of Moscow Bank for Reconstruction and Development at level A+ — a very high level of creditworthiness

On November 30, 2010 the International rating agency Fitch Ratings changed an outlook of long-term ratings of default of the issuer (RDI) in respect of MBRD and OJSC Dalcombank from Stable to Positive. At the same time the Agency confirmed a long-term RDI of both banks at level B+.

A short-term RDI is confirmed at level B.

A support rating is confirmed at level 4.

A national long-term rating is confirmed at level «A-(rus)», the outlook is changed from Stable to Positive.

Basic business events of 2010

On October 11, 2010 at Moscow Interbank Currency Exchange (MICEX) it was placed an exchange bonded loan of OJSC Sitronics. The organizers of the placement were Moscow Bank for Reconstruction and Development and the Bank of Moscow. The nominal value of the bonded loan made 3 billion rubles.

Within the year, MBRD organized an additional issue of shares in the amount of 471,2 million rubles, having generated an additional issue income of 4,678,8 million rubles, as a result of which the Bank's Tier 1 Capital has reached 10,5 billion rubles. The report on the results of issue of additional shares for the amount of 5,15 billion rubles was registered by the Bank of Russia on October 22, 2010.

In November, 2010 MBRD signed documents about joining the Russian payment system Golden Crown in the status of acquirer and opened a correspondent account with the settlement bank of the System – Settlement Non-Banking Credit Organization "Payment Center".

On December 01, 2010 the Bank was approved as one of Organizers of issues of mortgage bonds within the Program of the Mortgage Housing Lending Agency (MHLA).

- The Program for acquisition of bonds with the mortgage covering, devised by MHLA, is aimed at development of the Russian market of mortgage housing lending and the market of mortgage securities. The effective period of the program expires on December 31, 2012.
- The agreement signed between MBRD and MHLA is evidence of the Bank's compliance with the given requirements.
- Within the framework of the Program, MBRD was given a double status of the organizer of issues of mortgage bonds. So, in addition to the basic functions of the organizer, the Bank has had an opportunity of rendering services to the parties of the Program for borrowing MHLA finance for the purposes of forming mortgage pools.

In December, 2010 MBRD started to serve cards of the Chinese payment system China UnionPay (CUP), what, in turn, has been implemented within a new project of the NCO 'United Settlement Systems' (USS) and the processing company

UCS (CJSC) 'United Card Service' which have entered into an agreement with the system CUP.

Realization of the project of modernization of the Bank's technological infrastructure has begun. In December, 2010 MBRD and the CFT Group of Companies (Center of Financial Technologies) signed a package agreement on cooperation, within the framework of which the products of CFT-Bank and CFT-Retail Bank will be implemented in the Bank's information infrastructure.

In the market of mortgage lending and financing of programs for construction of housing complexes, the Bank continues to improve its positions: participation in the program of MHLA "Stimul" has made it possible for the bank to take active part in financing of construction of a housing complex in Ekaterinburg to the amount of 90 million rubles.

Users of the system Internet Banking has had an opportunity to pay penalties of traffic police of various regions

A multiple currency deposit has been entered in the line of fixed deposits, allowing to manage money funds in three currencies within the framework of one agreement

Transfers of funds according to any details began to be made through NCO Rapida - remote connection of Internet banking through ATMs of MBRD (with the opportunity to change a login and password)

There has been signed an agreement with the National Reserve Bank, aimed at the practical implementation of the project of joint issue of mortgage securities in the amount of 3 billion rubles

In the second half of the year 2010 the bank developed and launched new programs of mortgage lending, including, under the standards of MHLA, which will allow developing more actively programs of re-structuring of mortgage loans.

In the second half of the year the Bank actively enlarged a line of products within the framework of retail lending, including, a launch of purpose express lending for acquisition of equipment and other goods at offices of sales of retail network of OJSC MTS within the strategic project of MTS - Bank.

Within the framework of lending to clients of small and medium business, there have been developed and launched lending programs in Moscow and Moscow Region, as well as in seven regional branches, which will allow to extend the base of active borrowers and, as a consequence, volume of a loan portfolio of the Bank.



OJSC FAR EAST COMMERCIAL BANK (OJSC DALCOMBANK)

OJSC Dalcombank sees its main mission to facilitate social and economic progress in the Far East

The bank provides its clients with a wide range of services to do business and accumulate savings. Private and legal persons enjoy advantages of servicing at the Bank with a branched filial network. As of 01.01.2011 the regional network of OJSC Dalcombank is presented by 74 subdivisions (6 branches, 8 operations offices, 48 supplementary offices and 12 operations cash offices) in eight subjects of the Russian Federation: Amur, Irkutsk, Sakhalin, Jewish Autonomous Regions, Primorsk, Khabarovsk, Zabaikailian territories and Republic Sakha (Yakutia) and 35 population centers.

Thanks to the presence in all economically important regions of the Far East, the provision to clients of a wide range of services to do business and accumulate savings, as well as the development of correspondent relations with leading banks of Russia and the world, Dalcombank has proved to be a reliable partner when implementing major social and economic projects of regional importance.

The basic operating results in 2010

The performance of Dalcombank for 2010 is evidence of continued upward development of the Bank, increase of scope of activity, which is visually shown with the basic financial and economic indicators and ratings by independent rating agencies.

THE BASIC FINANCIAL INDICATORS

Following the results of 2010, the Bank's assets have reached a size of 23,763,4 million rubles, own funds of 1 332,6 million rubles.

For the reporting year, the Bank had a loss of 332,8 million rubles.

As of 01.01.2011, the greatest portion in structure of net assets of the Bank is a net loan indebtedness (68,5%). Against 2009, the size of a net loan indebtedness grew by 1,306,8 million rubles (growth rate of 108,7%) and made 16,266,4 million rubles.

The greatest portion (49,8%) in loan portfolio structure corresponds to consumer lending, the size of which (without taking into account a created reserve for possible losses), following the results of 2010, made 8,191,3 million rubles. Also it is necessary to note a tendency for increase of a portion of lending to physical persons in structure of loan portfolio, which grew by 3,1 percentage points. In addition, the greatest growth rates corresponded to loans for physical persons (without taking into account a created reserve for possible losses) – 1,536,4 million rubles (growth rate of 123,1%).

By the end of the year the amount of funds of the clients who are not credit organizations reached 21,837, 3 million rubles, which exceeds a similar indicator of last year by 5,153 million rubles (growth rate of 130,9%).

In structure of funds of the clients who are not credit organizations, the greatest portion corresponds to deposits of physical persons (75 %). Thus, against 2009, the amount of deposits of physical persons has grown by 3,731,4 million rubles (growth rate of 129,5%) and has reached 16,383,3 million rubles.

Corporate governance

Composition of the Board of Directors of MBRD

At the annual general meeting of shareholders of MBRD held on June 29, 2010, there were elected the members of the Board of Directors of the Bank including Evtushenkov F.V., Andreeva A.S., Buyanov A.N., Evtushenkova N.N., Kapitonov O. S., Kravchenko G.V., Levykina G.A., Troitsky I.A., Cheremin S.E., Shlyakhovoy A.Z.

Evtushenkov F.V. was again elected as the Chairman of the Board of Directors of the Bank at the first meeting of a new Board of Directors held after the meeting of shareholders.

On 22.03.2011 the Chairman of the Board of Directors was re-elected at the meeting of the Board of Directors, Alexey Nikolaevich Buyanov became the Chairman of the Board of Directors.

1. Felix Vladimirovich Evtushenkov

Member of the Board of Directors of MBRD since June, 2009, Chairman of the Board of Directors.

Born on November 14, 1978.

In 2000 graduated from the Griboedov Institute of International Law and Economics, majoring in jurisprudence.

Headed the company OJSC Sistema-Hals from 2003 to 2008.

From December, 2003 to date has been a member of the Charitable Foundation "Sistema".

Since June 30, 2008 has been the Chairman of the Board of Directors of OJSC Sistema-Hals.

On July 26, 2008 by the decision of the Board of Directors of JSFC Sistema was appointed to a post of the vice-president of JSFC Sistema, Head of Business Unit "Consumer Assets".

Interest in the authorized capital of the credit organization-issuer is 0%.

2. Anna Sergeevna Andreeva

Member of the Board of Directors of MBRD since June, 2009.

Born on March 01, 1978.

In 2000 graduated from the Samara State Economic Academy, majoring in accounting and audit.

In 2003 graduated from the Samara State Economic Academy, majoring in jurisprudence.

2003 to 2005 – worked in the branch of Volgotanker Ltd. AMS in Samara as the Head of Internal Audit Section of Finance, Internal Audit and Controlling Department.

2005 to 2006 - worked in Alcoa Rus Ltd. on a post of the audit and internal control manager.

From January, 2007 till May, 2007 worked in Eldorado Ltd. as the Director of Internal Control Department

From May, 2007 till August, 2007 worked in Eldorado Ltd. as the Director of Internal Audit and Internal Control Department.

From September, 2007 till April, 2008 worked in Eldorado Ltd. as the Director of Audit Department.

From May, 2008 till July, 2008 worked in IVIEICH Ltd. on a post of the Internal Audit Director.

From August, 2008 till October, 2008 worked in GeoProMining Ltd. as the Deputy Director General in charge of Economics and Finance.

From 2008 to date, has been working in JSFC Sistema as the Director of Development and Control Department of Business Unit "Consumer Assets".

Interest in the authorized capital of the credit organization-issuer is 0%.

3. Alexey Nikolaevich Buyanov

Member of the Board of Directors of MBRD since May, 2002.

Born on August 15, 1969.

In 1992 graduated from the Moscow Institute of Physics and Technology, majoring in Applied Mathematics and Physics, from 1992 till 1994 was a trainee-researcher of the Institute of Problems of Mechanics (IPM) of the Russian Academy of Sciences.

Buyanov A.N. has been working in JSFC Sistema since 1994

From 1994 till 1995 he held various posts in the property group of the Corporation, and in 1995 was appointed as the Head of Department of CJSC Sistema-Invest, then as the Vice-president of CJSC Sistema-Invest.

From 1998 till 2002 - Vice-president of OJSC MTS, in 2002 — Vice-president of JSFC Sistema, Head of Financial Restructurings Department.

In September, 2002 held a post of the first Vice-president of JSFC Sistema, Head of Finance and Investment Group.

Alexey Nikolaevich Buyanov is a member of the Board of Directors of OJSC MTS, CJSC Systema Telecom, OJSC AllianzROSNO Asset Management, East-West United Bank, CJSC Sistema-Hals, OJSC Detsky Mir — Center and System Project. Interest in the authorized capital of the credit organization-issuer is 0%.

4. Nataliya Nikolaevna Evtushenkova

Member of the Board of Directors since June, 2007.

Born on February 11, 1950.

In 1973 graduated from D.Mendeleyev Moscow University of Chemical Technology, majoring in Chemical Technology of High Molecular Compounds.

From September, 1999 till May, 2001 worked as the Head of Internal Control Section of MBRD.

From May, 2001 till July, 2004 worked as the Deputy Head of Internal Control Service, Director of Internal Audit Department of MBRD.

Since July, 2004 has been working as the Advisor to the Chairman of the Management Board of MBRD.

Since March, 2000 has been a Member of the Management Board of MBRD.

Interest in the authorized capital of the credit organization-issuer is 0%.

5. Oleg Sergeevich Kapitonov

Member of the Board of Directors since January, 2010.

Born on August 06, 1970.

In 1992 graduated from the State Financial Academy, majoring in Finance and Credit.

From April, 1993 till February, 2005 worked in JSCB Absolut Bank (CJSC) on a post of the Chairman of the Management Board.

From October, 2005 till September, 2009 worked in the representative office of the limited liability company «K & S Capital Management, Inc. on a post of the Head of Representative Office.

From November, 2009 till November, 2010 worked in MBRD on a post of the Chairman of the Management Board of MBRD.

Interest in the authorized capital of the credit organization-issuer is 0%.

6. Georgy Vladimirovich Kravchenko

Member of the Board of Directors since June, 2009.

Born on April 11, 1968.

In 1990 graduated from the Moscow Institute of Physics and Technology, majoring in Applied Mathematics and Physics.

In 1994 finished the post-graduated studies at the Moscow Institute of Physics and Technology, PhD. in Mathematics and Physics.

1998 - Mini-MBA of the program of Boston Consulting Group, Wellesley College, Boston MA.

From June, 2004 till November, 2005 worked in the Moscow representative office of Deloitte & Touche Regional Consulting Services Limited, holding a post of the Partner of Consulting Department.

Since November 2005 till November, 2008 worked in Bazovy Element Company Ltd., holding a post of the managing director for banks and leasing of Financial Services Sector.

Interest in the authorized capital of the credit organization-issuer is 0%.

7. Galina Alexeevna Levykina

Member of the Board of Directors since June, 2008.

Born on December 12, 1956.

In 1979 graduated from the Lomonosov Moscow State University, majoring in professor of political economy.

In 1984 finished the post-graduated studies at the Institute of Latin America of the Russian Academy of Sciences. PhD. in Economics.

From February, 2005 till January, 2006 worked in OJSC Bank for Foreign Trade (VTB) on a post of the Vice-president, Head of Foreign Banks Section of Participations Department.

From January, 2006 till July, 2006 worked in the Bank for Foreign Trade on a post of the Vice-president of Department of Corporate Development and Financial Assets.

From March, 2007 till September, 2009 worked in the International Investment Bank on a post of the Adviser to the Chairman of the Management Board.

Interest in the authorized capital of the credit organization-issuer is 0%.

8. Igor Alexandrovich Troitsky

Member of the Board of Directors since June, 2010.

Born on July 31, 1973.

In 1995 graduated from the Lomonosov Moscow State University, majoring in Economic Geography.

From November, 2002 till July, 2007 worked in JSFC Sistema on a post of the Executive Director of Strategic Analysis and Planning Department of Strategy and Development Group.

From July, 2007 till July, 2008 worked in JSFC Sistema on a post of the Executive Director of Portfolio Strategy Department of Strategy and Development Group. Since July, 2008 has been working in JSFC Sistema on a post of the Director of Portfolio Strategy Department of Strategy and Development Group.

Interest in the authorized capital of the credit organization-issuer is 0%.

9. Sergey Evgenevich Cheremin

Member of the Board of Directors since May, 2004.

Born on July 05, 1963.

In 1989 graduated from the Moscow State Institute of International Relations at the USSR Ministry of Foreign Affairs, majoring in World Economics.

In 2003 graduated from the Lomonosov Moscow State University. Post-graduated studies. Awarded PhD. in Economics, majoring in World Economics.

From May, 2004 till April, 2005 worked in MBRD on a post of the Chairman of the Management Board.

From April, 2005 till July, 2008 worked in JSFC Sistema on a post of the Vice-president, Head of External Relations Group.

From July, 2008 till June, 2009 worked in JSFC Sistema on a post of the senior Vice-president, Head of External Relations Group.

Since June, 2009 till the end of 2010 worked in JSFC Sistema on a post of the Deputy Chairman of the Board of Directors.

Interest in the authorized capital of the credit organization-issuer is 0%.

10. Andrey Zakharovich Shlyakhovoy

Member of the Board of Directors since December, 2007.

Born on January 08, 1960.

In 1982 graduated from the Khabarovsk Institute of National Economy, majoring in Accounting and Economic Activities Analysis.

In 1986 finished the post-graduated studies at the Leningrad Institute of Finance and Economics. PhD. in Economics.

From July, 1997 till December, 2010 worked as the President of OJSC Dalcombank.

Since December, 2010 has been working as the Chairman of the Management Board of MBRD.

Interest in the authorized capital of the credit organization-issuer is 0%.

Composition of the Management Board of MBRD

As of December 31, 2010 the members of the Management Board of the Bank have been Shlyakhovoy A.Z., Evtushenkova N.N., Maslov O.E., Voronina E.S., Maksakov A.V..

1. **Andrey Zakharovich Shlyakhovoy**

Member of the Management Board since December, 2007.

Born on January 08, 1960.

In 1982 graduated from the Khabarovsk Institute of National Economy, majoring in Accounting and Economic Activities Analysis.

In 1986 finished the post-graduated studies at the Leningrad Institute of Finance and Economics. PhD. in Economics.

From July, 1997 till December, 2010 worked as the President of OJSC Dalcombank.

Since December, 2010 has been working as the Chairman of the Management Board of MBRD.

Interest in the authorized capital of the credit organization-issuer is 0%.

2. **Nataliya Nikolaevna Evtushenkova**

Member of the Management Board since March, 2000.

Born on February 11, 1950.

In 1973 graduated from D.Mendeleyev Moscow University of Chemical Technology, majoring in Chemical Technology of High Molecular Compounds.

From September, 1999 till May, 2001 worked as the Head of Internal Control Section of MBRD.

From May, 2001 till July, 2004 worked as the Deputy Head of Internal Control Service, Director of Internal Audit Department of MBRD.

Since July, 2004 has been working as the Advisor to the Chairman of the Management Board of MBRD.

Interest in the authorized capital of the credit organization-issuer is 0%.

3. **Oleg Evgenievich Maslov**

Member of the Management Board since June, 1995.

Born on October 13, 1959.

In 1981 graduated from the Moscow Finance Institute, majoring in Finance and Credit.

From February, 1989 till April, 1992 worked as the Head of Short-Term Lending Section of Lending and Accounts Department of JSCB Avtobank.

From May, 1992 till May, 1994 worked as the Chief Financial Executive of Commercial Finance Company ORTEKS.

From May, 1994 till April, 1995 worked as the Deputy Head of Active Operations Department of the Russian National Commercial Bank.

From April, 1995 till June, 1997 worked as the Deputy Chairman of the Management Board of MBRD.

Since June, 1997 has been working as the First Deputy Chairman of the Management Board of MBRD.

Interest in the authorized capital of the credit organization-issuer is 0%.

4. **Anatoly Vladimirovich Maksakov**

Member of the Management Board since July, 2010.

Born on September 04, 1970.

In 1993 graduated from the Plekhanov Russian University of Economics, majoring in Machinery and Equipment for Food Production.

In 1998 graduated from the Plekhanov Russian University of Economics, majoring in Finance and Credit.

From October, 1998 till May, 2010 worked as the Deputy Chairman of the Management Board of JSCB Absolut Bank (CJSC)

From May, 2010 till August, 2010 worked as the Advisor to the Chairman of the Management Board of MBRD. Since August, 2010 has been working as the Deputy Chairman of the Management Board of MBRD.

Interest in the authorized capital of the credit organization-issuer is 0%.

5. Elena Sergeevna Voronina

Member of the Management Board since December, 2010.

Born on October 12, 1980.

In 2002 graduated from the Moscow State University of Environmental Engineering, majoring in Economics and Company Management.

From June, 2003 till May, 2010 worked as the Director of Department of Product and Segment Marketing of JSCB Absolut Bank (CJSC).

From May, 2010 till December, 2010 worked as the Advisor to the Chairman of the Management Board of MBRD.

Since December, 2010 has been working as the Deputy Chairman of the Management Board of MBRD.

Interest in the authorized capital of the credit organization-issuer is 0%.

Corporate governance improvement

Corporate governance issues traditionally are one of the Bank's priority tasks. The Bank's management, analyzing the best Russian and international practices of corporate governance, follows a policy of its constant improvement.

The Bank, following the recommendations of the Code of Corporate Behaviour by the Federal Commission on Securities/Federal Financial Market Service, presents a report on compliance with the Code in Section III of the Annual report-2010.

The decision of the annual general meeting of shareholders of the Bank of June 29, 2010 approved new versions of the Articles of Association of the Bank and the Regulations on General Meeting of Shareholders, which provides a transparency when making decision and allows running the Bank effectively.

The Bank's management bodies

General meeting of shareholders

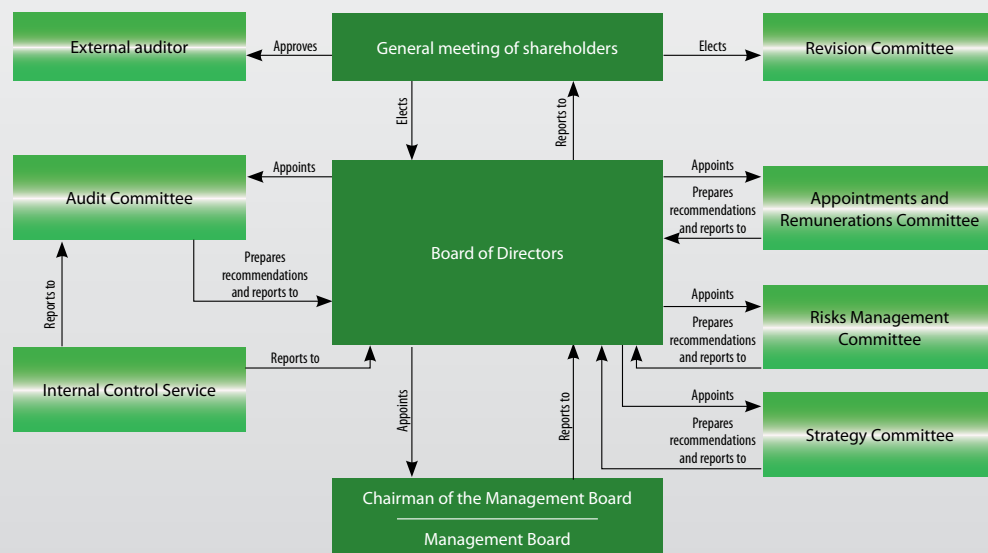
General meeting of shareholders is a supreme management body of MBRD. By making decisions at meetings of shareholders, the owners of the Bank exercise their rights related to participation in its management.

Annual General meeting of shareholders is to be held once a year, not earlier than 2 months and not later than 6 months after the end of financial year. The meetings, which are held in addition to the annual one, are extraordinary and are held by the decision of the Board of Directors on its own initiative, the request of the Revision committee, the request of the auditor of the Bank, as well as the request of the shareholders (shareholder) who are holders of not less than 10% of voting shares at the date of presentation of request.

The procedure for holding a meeting is established by the Regulation on General Meeting of Shareholders of the Bank

The following issues, inter alia, are within the competence of the meeting:

- Election of the Board of Directors, the Revision committee;
- Increase (reduction) of the Bank's authorized capital;
- Approval of the Bank's independent auditor;
- Making amendments to the Articles of Association of the Bank, as well as approval of internal documents of the Bank that govern the activity of the Bank's management bodies;
- Approval of annual reports, annual accounting statements, including profits and loss statements of the Bank, as well as profit distribution, including payment (announcement) of dividends.
- Decision-making on approval of major transactions and interest-party transactions in the cases provided by the federal legislation.



Structure of bodies of corporate governance of MBRD

Board of directors

The Board of directors is one of the major elements of the system of corporate governance of MBRD. It is in charge of overall operating control, determines a long-term strategy of the Bank, and acts on the basis of the Russian legislation, the Articles of Association of the Bank and the Regulation on Board of Directors.

Members of the Board of directors are elected by the General meeting of shareholders for a term up to the following annual meeting.

A meeting of the Board of directors of the Bank is convened at the initiative of its Chairman or on request of a member of the Board of directors, the Revision committee, the auditor, the Management Board, the Chairman of the Management Board of the Bank.

The following issues, inter alia, are within the competence of the Board of directors:

- determination of priority lines of the Bank's activity, conception and strategy of development of the Bank;
- exercise of constant control over the activity of executive bodies and higher officials of the Bank;
- formation of effective organizational structure and a system of governance of the Bank;
- assessment of bank and other risks affecting the Bank's activity;
- approval of plans and budgets of the Bank;
- assessment of performance of the Bank and its bodies;
- ensuring of the Bank's compliance with the legislation of the Russian Federation;
- protection of the rights and legitimate interests of shareholders of the Bank.

Within 2010 the Board of directors of the Bank considered, within their competence, various issues of the Bank's activity, including:

- the Bank's strategy;
- transactions in which execution there was an interest;
- approval of the financial statements of the Bank;
- convocation of General meetings of shareholders
- Other issues.

During the reporting period (from 29.06.2010 till 29.06.2011), a total of 24 meetings of the Board of directors, at which more than 130 issues have been considered, were held.

Committees at the Board of directors

In order that the Board of directors exercises more effectively their administrative functions, in MBRD there are the Committees preparing the recommendations about the most important issues within the competence of the Board of directors:

- **Audit Committee;**
- **Appointments and Remunerations Committee;**
- **Risks Management Committee;**
- **Strategy Committee.**

Exclusive functions of the **Audit Committee** are:

- evaluation of candidates for auditors of the Bank;
- evaluation of the opinion of the external auditor;
- evaluation of efficiency of procedures of internal control and preparation of proposals on their improvement;
- preparation of recommendations and proposals to the Board of directors on the issues that are within the competence of the Committee.

After election of a new Board of directors at the annual General meeting of shareholders on June, 29th, 2010, by the decision of the Board of directors of the Bank there has been formed the Audit Committee including the following members:

1. Galina Alexeevna Levykina (Chairman of the Committee, Independent director);
2. Anna Sergeevna Andreeva (Member of the Committee, member of the Board of directors);
3. Alexey Nikolaevich Buyanov (Member of the Committee, member of the Board of directors);
4. Dmitry Evgenievich Frolov (Member of the Committee, member of the Board of directors).

Exclusive functions of the **Appointments and Remunerations Committee** are:

- preliminary consideration of candidates submitted for approval of the Board of directors of the Bank to a post of the Chairman of the Management Board, members of the Management Board of the Bank and other higher officials of the Bank who are directly subordinate to the Chairman of the Management Board;
- assessment of performance of the Chairman of the Management Board, members of the Management Board of the Bank and other higher officials of the Bank who are directly subordinate to the Chairman of the Management Board for the reporting period and determination of the amounts of respective premium pays;
- supervision of execution of decisions in the field of strategy of HR management and motivation of the Bank's employees, that are made by the Board of directors of the Bank.

After election of a new Board of directors at the annual General meeting of shareholders on June, 29th, 2010, by the decision of the Board of directors of the Bank there has been formed the Appointments and Remunerations Committee including the following members:

1. Nataliya Nikolaevna Evtushenkova (Chairman of the Committee, member of the Board of directors);
2. Felix Vladimirovich Evtushenkov (Member of the Committee, Chairman of the Board of directors);
3. Georgy Vladimirovich Kravchenko (Member of the Committee, member of the Board of directors).

Exclusive functions of the **Risks Management Committee** are:

- assistance to the Board of directors in exercising its functions in the field of the control over a profile of risks of various kind that are related to the Bank's activity.

After election of a new Board of directors at the annual General meeting of shareholders on June, 29th, 2010, by the decision of the Board of directors of the Bank there has been formed the Risks Management Committee including the following members:

1. Felix Vladimirovich Evtushenkov (Chairman of the Committee, Chairman of the Board of directors);
2. Georgy Vladimirovich Kravchenko (Member of the Committee, member of the Board of directors);
3. Anna Sergeevna Andreeva (Member of the Committee, member of the Board of directors);
4. Alexey Nikolaevich Buyanov (Member of the Committee, member of the Board of directors).

Exclusive functions of the **Strategy Committee** are discussion and analysis, on the instructions of the Board of directors, of strategic issues, and also the control of a cycle of strategic management in the Bank and its subsidiary companies, including:

- approval of methodology of strategic planning;
- consideration, alignment and recommendations to be approved in respect of the Bank's strategy;
- consideration of merge and acquisition transactions and major investment projects of the Bank.

After election of a new Board of directors at the annual General meeting of shareholders on June, 29th, 2010, by the decision of the Board of directors of the Bank there has been formed the Strategy Committee including the following members:

1. Georgy Vladimirovich Kravchenko (Chairman of the Committee, member of the Board of directors);
2. Alexey Nikolaevich Buyanov (Member of the Committee, member of the Board of directors);
3. Sergey Evgenievich Cheremin (Member of the Committee, member of the Board of directors);
4. Igor Alexandrovich Troitsky (Member of the Committee, member of the Board of directors).

Management Board of the Bank

The Management Board is a collective executive body of MBRD and together with the sole executive body - the Chairman of the Management Board – is in charge of the Bank's day-to-day activities. The Management Board is accountable to the General meeting of shareholders and the Board of directors.

The Management Board acts on the basis of the Russian legislation, the Articles of Association of the Bank and the Regulations on the Management Board of MBRD approved by the decision of the General meeting of shareholders.

Determination of a quantitative and personal composition of the Management Board and election of its members are carried out by the decision of the Board of directors. The members of the Management Board of the Bank are elected by the Board of directors at the suggestion of the Chairman of the Management Board of the Bank.

The Management Board is in charge of the Bank's day-to-day activities, except for the issues within the competence of the General meeting of shareholders and the Board of directors, and organizes the execution of their decisions. More detail information about the powers of the Management Board of the Bank is in the Regulations on Management Board of MBRD, it is possible to familiarize with the same on the Bank's site.

As of December 31, 2010 the members of the Management Board of the Bank have been Shlyakhovoy A.Z., Evtushenkova N.N., Maslov O.E., Voronina E.S., Maksakov A.V.

Data on the amount of remuneration, privileges and-or compensation of expenses per each management body of MBRD

Amount of remuneration (salary, bonuses, fees, privileges and-or compensations of expenses, and also other property grantings) in favour of the members of the Board of directors for the current financial year made up a sum of 44,368 thousand rubles, including:

- salaries – 36,784 thousand rubles;
- bonuses – 6,694 thousand rubles;
- remuneration following the results of work during the year – 890 thousand rubles
- compensation of expenses connected with performance of their duties – 0 thousand rubles.

Amount of remuneration (salary, bonuses, fees, privileges and-or compensations of expenses, and also other property grantings) paid to the members of the Management Board of the Bank in the current financial year: 64,398 thousand rubles, including:

- salaries – 57,704 thousand rubles;
- bonuses – 6,694 thousand rubles;
- including, payments to the members of the Board of directors – 43,478 thousand rubles;
- salaries – 36,784 thousand rubles;
- bonuses – 6,694 thousand rubles.

Corporate social responsibility

MBRD, as a financial structure committed to civilized methods of doing business, is fully aware of its civil responsibility. We consider it to be our duty to facilitate the development of the country's economic base, to improve general financial literacy of citizens of Russia, take care of clients, partners and employees of the Bank, to help unprotected strata of the people.

The reputation of the Bank is a key non-material asset; it determines largely the attitude of existing and potential clients towards us. The responsible approach to doing business provides for meeting the expectations and opinions of our partners, creation of favorable atmosphere of cooperation, formation of mutually advantageous and fair relations based on ethical standards.

Responsible business

In 2010 the economic situation became more stable. But after the crisis a part of our clients takes hard a decrease or even a temporary loss of their incomes. It is especially difficult for those who faced a need to repay loans. Just such situations prove how strong is a level of the bank's trust in the client and vice versa. MBRD tackled this problem responsibly to the maximum.

During the post-crisis period the Bank, at the first possibility, has renewed lending to its clients, understanding that they need a financial support to restore the rhythm of life.

Taking into account the objective reasons, the Bank carried out a weighted policy to re-structure loans if borrowers had difficulties to repay them. In this case, the approach to each person was individual. The technology of loan granting embodies the expert evaluation allowing choosing a product that

corresponds to real financial possibilities of the client. . It reduces risks of origin of indebtedness and makes it possible for the client not to lose the quality of life.

Service contracts offered to be concluded meet the standard requirements of the Bank of Russia for the procedure of calculation of, and provision to the borrower - physical person of the full cost of a loan.

MBRD is a member of the Deposit Insurance System.

Identical rates and tariffs for servicing are in effect in all regions of the Bank's presence. Their amounts correspond to the offering range of the banks which are with us in the same rating group. All subdivisions serving clients work according to the uniform quality standards of servicing.

The business practice of regional subdivisions of the Bank provide for making visits to clients who are in the remote regions so that they have an opportunity to receive, for example, plastic cards without coming to office. As a rule, it takes place on non-working days.

The Bank has not reduced a range of services, believing that clients should have a wide choice of different variants of management of their finance. On the contrary, a product line has been constantly increasing in respect of deposits and loan products.

MBRD believes that one of priority tasks is to guarantee safety of funds of clients and to prevent frauds. The information security policy of the Bank governs access to the information of clients and possibility of carrying out payments. The information security standard by the Bank of Russia, to which the Bank adheres, determines the requirements for protection of all business processes of the Bank with use of up-to-date facilities and technologies. The Bank gives special attention to remote servicing of clients. The technology of

remote access to accounts of clients was replaced in accordance with modern models of threats and attackers. Clients can be assured that the Bank takes all necessary steps to minimize their risks.

The Bank actively supports the development of small and medium business in Russia. Just this segment is most perspective and shows capability to growth. The Bank has special loan products developed for this category of consumers. In addition, the Bank's specialists are always ready to render consulting services to businessmen on complicated questions related to the finance.

Internal social policy

MBRD gives increased attention to creation of a favorable microclimate in the staff. With clear focusing on the solution of tasks of business, we understand that the main thing for achievement of set objectives is the most complete realization of professional potential of each employee subject to motivation understood by any and all, including non-material incentives.

As the Bank has a branched filial network, it is badly needed a contact between regional subdivisions and the Head office not only in respect of business issues. Throughout the whole year, the internal portal carrying out an important communication function became an information platform for all employees of the Bank. It is possible to watch the Bank's news on-line in all regions of presence, to receive information about the recent courses and trainings, to participate in inquires and contests. This communication resource enjoys wide popularity among the Bank's employees.

Programs of adaptation of the personnel provide for not only supervising support of the employee during a trial period, but also creation of decent working conditions, psychological comfort and conflict-free joining the staff.

MBRD seeks to create optimum social conditions for its employees. We give special attention to health and conduct of a healthy way of life. It is obvious that the conduct of a healthy way of life helps a lot to form a harmonious psychological climate among the staff.

The Bank has a balanced system of health services. All employees of the Bank are insured under the program of voluntary medical insurance and use all provided polyclinic and stationary services in the best clinics of Moscow city. At the Bank's offices it is possible to be attended by the doctor-therapist on a regular basis; annual vaccination against flu is made.

The material incentives are aimed to help the employees facing difficult circumstances or in connection with significant events in the life of staff members. In accordance with the Regulations on payment of money support, the Bank's employees received monetary compensations (a birth of the child, wedding, anniversaries, etc.) in the amount of 1,107 million rubles in 2010

The employees having more than the three-year experience of work in the Bank are paid a long-service bonus in addition to their salary.

By tradition, MBRD actively participates in sports events. First of all, these are competitions which are conducted by JSFC Systema. In 2010 the Bank successfully acted in tournaments of bowling, billiards, go-cart racing and in mountain skiing competitions, participated in the major corporate spots event "VIII Games of JSFC Sistema". All this was regularly covered on the internal portal of the Bank, which allows popularizing sports. At the same time, similar events bring together the staff, train to act together and to strive for new victories. Nobody was equal to the fans of MBRD in unity, enthusiasm and excitement at the Games. The Bank has taken an honourable first place in the contest of fans.

Charity and sponsorship activity

The future of any business is closely connected with social well-being, stability, level of culture and education in the country. That's why MBRD takes active part in social projects of federal and regional scale. Throughout its whole 18-year history, the Bank participates in various projects aimed at the development of the Russian culture, and also facilitates the implementation of programs of targeted assistance to veterans of the Great Patriotic War and socially unprotected strata of the people of Russia.

Charity and sponsorship are important lines of activity aimed, mainly, at maintaining a climate of trust in the Bank and its services in the society, and also at bringing together the Bank's employees and developing a corporate culture.

All the work is conducted in accordance with the strategy and priorities of corporate social responsibility of MBRD.

In May, 2010 the Bank congratulated the clients who are veterans of the Great Patriotic War on occasion of 65th anniversary of the Great Victory, they were handed over gifts.

In addition, all branches have supported the events to celebrate 9th of May in regions. As a rule, celebrations were conducted by municipal authorities, Councils of veterans and various charitable foundations. So, the Northwestern branch has taken part in the honouring of the War veterans of Central District of St.-Petersburg. The Siberian regional management has supported celebratory events of the Council of veterans of Kemerovo city and Otyabrsky District of Tomsk. The Krasnoyarsk branch has taken part in the solemn opening of Winners' square in the regional centre. The Urals branch has given sponsor's support to the municipal unitary enterprise "Tram and Trolleybus Department" and the tourist office "Eltrans" in the implementation of the anniversary project – all the day long, on May, 9th, the Victory tram run across Ekaterinburg, from its open platform it could be heard military verses, songs and story of the city's life during the years of war.

The Bank actively develops its charitable activity thanks to the events of volunteers. Together with the Union of Charitable Organizations of Russia, it is implemented the program "One billion in coins" to collect money to solve the problems of child oncology. Both employees, and customers of the Bank can take part in the program and make a contribution within one's powers to give support to children – special collecting boxes are placed at the Head office and supplementary offices of the Moscow network. This event will be soon extended to the majority of the Bank's branches.

MBRD implements the long-term program "Hasten to be good to children!" It is aimed at rendering a concrete targeted assistance to the kids who are in children's homes, social asylums, and also at developing a feeling of mercy in ourselves and at bringing together the Bank's staff. On the eve of the Day of Knowledge, New Year and Christmas, within the realization of this program, MBRD together with the Union of Charitable Organizations of Russia held an event in the capital to collect children's things and toys and to transfer the same to the social-rehabilitation centre for minors "Krasnoselsky" of Central Administrative District of Moscow. The event "Hasten to be good to children!" took place also in the Northwestern branch, Tomsk and Nizhny Novgorod branches.

MBRD actively participates in the life of regions of its presence. In the autumn of 2010 the Bank's branch gave financial support to the administration of Krasnodar to celebrate the City Day, having marked 217th anniversary from the date of its foundation. The Nizhny Novgorod branch has been supporting the all-Russian project "The Voice of the Child" throughout several years. Its chief goal is to give an opportunity to young Russians to declare about themselves as decent citizens of the country, to share their dreams and representations of the future. At the end of the year the winners of the project were handed over costly gifts, including a mobile phone and a musical centre from the branch.

In 2010 MBRD used 5,274,442 rubles for the charitable activity and sponsor's support.

Basic lines of activity

Resource base

In 2010 the Russian economy showed signs of recovery after the world economic crisis. According to the Federal State Statistics Ministry, the industrial production index has grown for 2010 by 8,2%. At the same time, the financial crisis gives the postponed financial effect – difficulties to attract long-term funds in the financial markets forced the banks to focus on costly funds of the population. In this connection the minimization of financial risks connected with the cost of resources became the primary goal for the Bank and subsidiary banks.

In 2010 the Bank began to implement a policy of replacement of more expensive resources by cheaper ones. The product line for deposits of physical persons is renewed and the rates on attracted funds are lowered (in respect of deposits of legal persons, the rates were lowered in December 2010 by 1-1,5% per annum on an average).

In 2010 the portfolio of funds of the population increased by 10,735 million rubles, or by 38 % against 2009, and made up 38,965 million rubles at the end of the year.

Funds of clients who are legal persons increased for the reporting period by 594 million rubles and made up 76,663 million rubles as of 01.01.11.

The amount of own debt instruments issued by the Bank has decreased by 3,065 million rubles and has made up 14,289 million rubles at the end of the year.

Borrowings in the interbank market increased by 18 %, or by 1,119 million rubles and made up 7,431 million rubles as of 01.01.2011.

Corporate business development

Despite the maintenance of a high competition in the lending market in 2010, the corporate loan portfolio of the Bank practically has not changed and has made up 26,765 million rubles as of 01.01.2011, and arising depreciation of the loan portfolio was covered by credit investments of better quality.

Within 2010 the Bank, applying a flexible interest policy, maintained its positions in such key industries as finance, trade, construction and production. A number of large transactions with leaders of the industry have been concluded. In 2010 the Bank improved its regulatory framework of the lending policy, which is a platform for achievement of higher results in 2011 from the corporate lending and exerts a direct impact on the Bank's strategic efficiency.

The beginning stabilization in the construction sector, which recession made up 16,4% in 2009 according to the Federal State Statistics Ministry, has allowed the Bank to participate actively in building projects financing campaigns. During the year, MBRD entered into some agreements within the project of the Mortgage Housing Lending Agency "Stimul" to finance construction of apartment residential houses in the Rostov, Novosibirsk and Sverdlovsk regions.

Against 2009, the volume of import documentary operations has grown 49 times as much in terms of quantity and more than 4 times as much in terms of value. It was observed a growth of export documentary operations in 2010. 15 letters of credit for a total amount of more than 25 million US dollars were received in favour of clients-exporters. Against 2009, a growth was more than 25% in terms of value.

During the reporting year, the Bank had no need to attract additional resources. That's why it repeatedly reviewed the rates of term deposits. The maximum interest rate per annum has decreased against the beginning of 2010: in rubles – from 11,50 % to 5,75 %, in US dollars – from 7,00 % to 4,00 %, in euro – from 6,00 % to 4,50 %.

The Bank's portfolio of attracted deposits in foreign currency decreased in US dollars from 541 million to 37 million, in euro – from 12 million to 6 million. However, the portfolio of attracted deposits in rubles from the beginning of 2010 has shown a contrary trend and has increased from 10,185 million rubles to 12,437 million rubles.

Following the results of 2010, the balance of funds on the accounts of corporate clients practically has not changed and has made up 76,226 million rubles. Following the results of the year, commission incomes for settlement and cash servicing of legal persons have increased by 13 % and have made up 598 million rubles. More than 15 thousands of corporate clients and individual businessmen have been served in the Bank as of 01.01.2011.

Corporate lending

From the beginning of 2010, the tendency of growth of corporate lending market is observed. In this sector of business, MBRD always focuses on the corporate customers' needs and offers a range of products and services that corresponds to actual demand in the market.

In the reporting year, the Bank maintained its traditional priorities in its lending activity. As of 01.01.2011, the volume of the consolidated loan portfolio (LP) of the Bank's corporate borrowers made up 26,765,05 million rubles, including:

- Head office – 13,743,22 million rubles (51,35% of the total loan portfolio of corporate borrowers);
- Regional branches – 13,021,83 million rubles (48,65%).

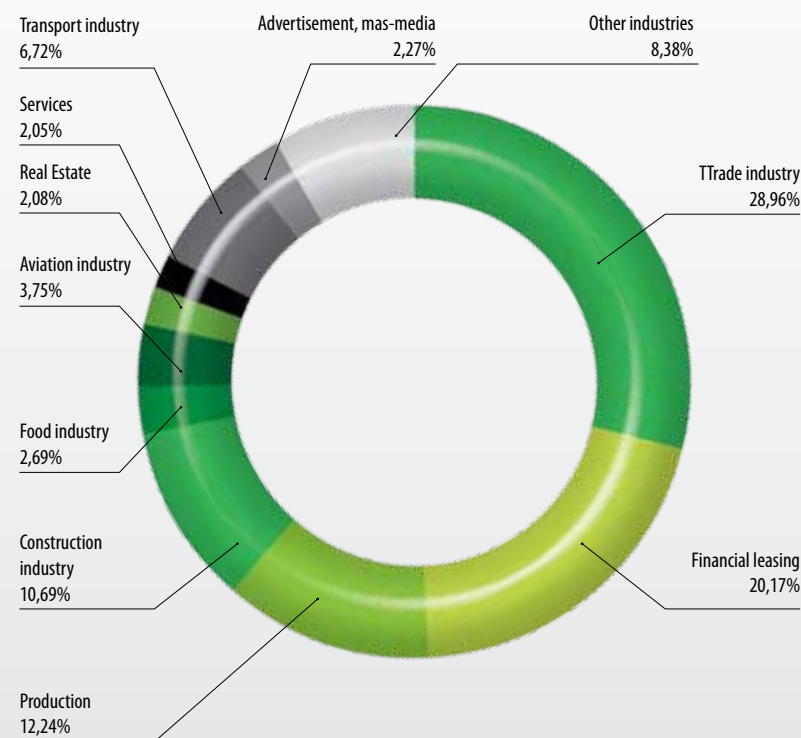
The Bank's policy in the field of corporate lending has been based on the relationship with the clients who have a good financial condition and security in the form of guarantees of financially stable organizations and pledge of liquid property.

At the end of the reporting period, the loan portfolio had more than 800 loan agreements in effect, 94 bank guarantee agreements and 30 agreements for opening of letters of credit. In the reporting year, the Bank entered into 320 loan agreements (132 by the Head office), 172 bank guarantee agreements (126) and 103 agreements for opening of letters of credit (70).

In 2010 MBRD granted loans to more than 450 enterprises and organizations, including at the Head office – 53. Services were rendered to 37 principals and applicants.

The Bank maintained a traditional industry focus on granting loans; as of January 01, 2011 it is possible to distinguish in the loan portfolio 3 main industry groups of borrowers, the total portion of which makes up 61,37%:

- Trade – 7,750,67 million rubles (28,96% of LP);
- Financial lease (leasing) – 5,398,21 million rubles (20,17% of LP);
- Production – 3,276,15 million rubles (12,24% of LP).



Industry segmentation of the loan portfolio

The credit resources placed among the enterprises of other industries

	Amount, million rubles	Portion of loan portfolio
Agriculture	353,91	1,32%
Oil and gas industry	133,90	0,50%
Medicine	99,81	0,37%
Tourism	91,43	0,34%
Light industry	87,00	0,33%
Forest industry	70,79	0,27%
Telecommunications	59,76	0,22%
Financial sector	51,63	0,19%
Machine building	30,00	0,11%
Culture and sports	7,09	0,03%
Other industries	1 258,06	4,70%

While maintaining the general priorities in placing of credit resources, the structure of MBRD's loan portfolio was considerably diversified by industries.

At the end of the reporting period, the following changes of the loan portfolio occurred in respect of maturities of loan agreements:

- portion of short-term loans (maturity period of less than 1 year) decreased and made up 14,89% of the loan portfolio (in 2009 – 74,53%);
- portion of medium-term loans (maturity period of 1 to 3 years) increased from 15,26% (in 2009) to 51,40% of the amount of loans.
- portion of long-term loans granted for a period of more than three years increased and made up 33,72% (in 2009 – 10,21%).



Loan portfolio by contractual maturity of loan agreements

The loan portfolio structure by maturity reflects prevalence of financing by the Bank of current activity of its clients.

Dynamics of currency structure of the loan portfolio of MBRD in 2010 showed a trend of reduction of a dollar component. At the end of the reporting period, the portion of US dollar-denominated loans made up 18,81% (reduction by 4,63%, in 2009 – 23, 44%).

The same situation of the loans disbursed in euro, their portion decreased by 5,53% - from 11,31% (in 2009) to 5,78%.

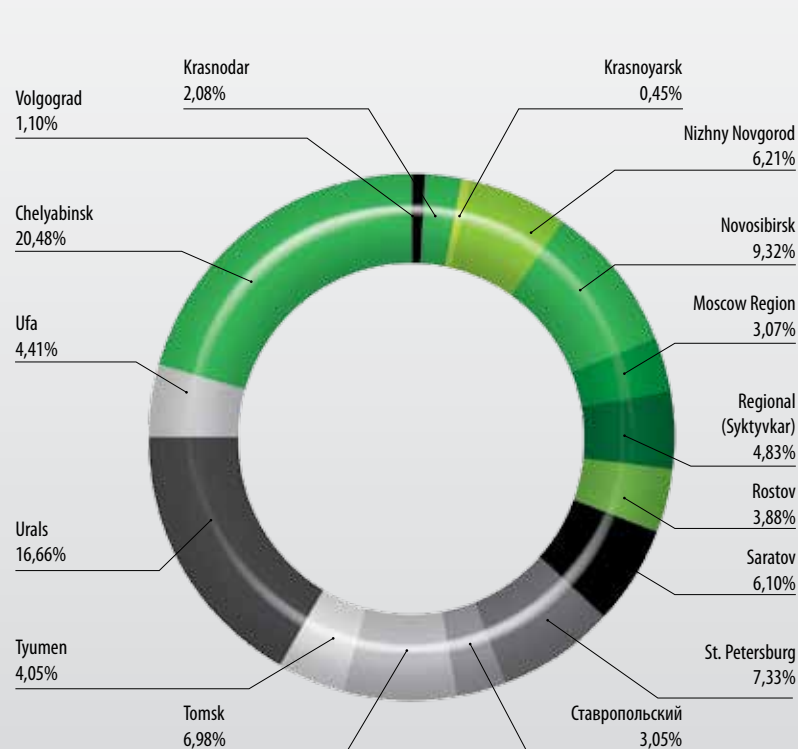
The portion of ruble loans in the loan portfolio increased a little and made up 75,41% of the total, which exceeds by 10,16% the indicators of 2009 (65,25%).

The volume of credit investments corresponding to the branch network showed a certain growth within 2010, as well as the year before. The portion of loans granted by the branch network made up 48,65% (13,021,83 million rubles) of the total portfolio, having increased by 6,15% against the previous year.

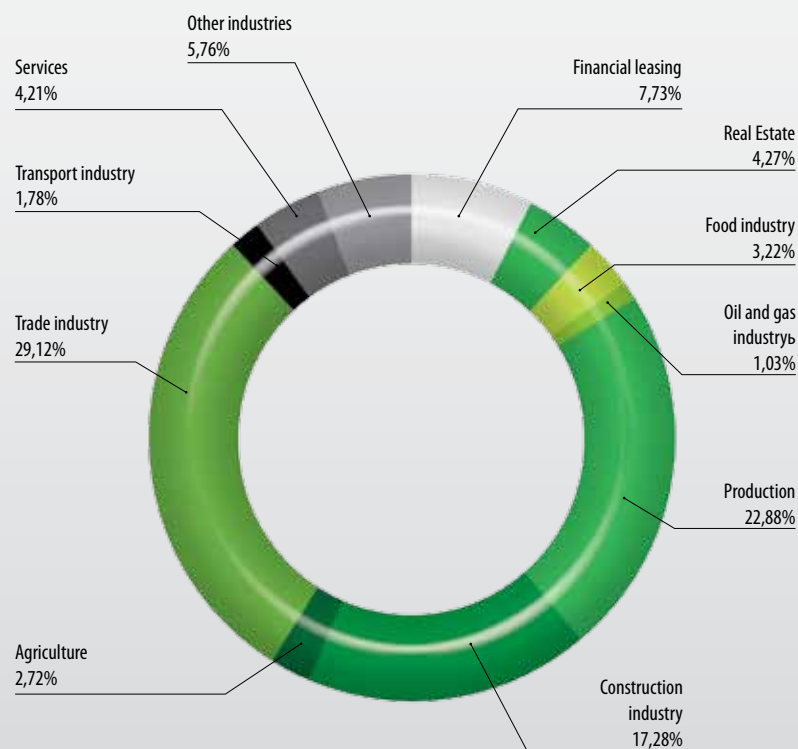
The largest creditors of the Bank's regional network have been Chelyabinsk, Urals and Novosibirsk branches as of January 01, 2011. Their portion is about 46,46% of all loans granted by regional branches of MBRD.

In terms of industry, the Bank's branches mostly provided loans to companies of construction and trade sector.

In difficult circumstances of the post-crisis period, the Bank carried out a weighted lending policy, based on the comprehensive approach and the analysis of consumer demand situation, and also the competitive environment. Special attention was given to the recoverability of loans granted before and the minimisation of risks for newly granted loans and loan products. This allowed ensuring a sufficiently high level of reliability of its loan portfolio. As of January 01, 2011, the amount of overdue debts has been 2,577,12 million rubles that makes up less than 10% of the total loan portfolio.



Loan portfolio structure by branches



Industry structure of the loan portfolio by branches

Retail business

In the reporting year, the Bank made a special emphasis on formation of retail products which fully meet the customers' needs and fit well into the competitive environment.

When developing the lending to physical persons, we consider availability of this service to consumers as well as risks related to repayment of loans.

Offering deposits to the people, we believe that our basic task is to preserve the funds which our clients trust to the Bank. All deposit rates are within a market range and are not in discord with the offers of the banks that are in the same rating group as well as MBRD.

We provide up-to-date technological support and protection to all services and products of the Bank, and also we offer ergonomic conditions of using them.

Mortgage lending

Mortgage lending is one of strategic lines of retail business.

In 2010 the Bank renewed implementation of mortgage lending programs as component of a general package of services to clients who are physical persons. Now a mortgage product line includes programs of lending for housing acquisition in the primary market of real estate, in the secondary market of real estate, and also the non-purpose lending program that provides for granting of loan funds for any consumer purposes on the security of apartment owned by borrowers.

The Bank actively conducts work on accreditation of developers. Its aim is to expand as much as possible a list of credited objects under construction and to give the right to borrowers to make an independent appraisal of the market of acquired housing.

Special attention is also given to involvement of realtor/ broker, insurance and appraisal companies that gives an opportunity to clients of a wide choice of tariffs and conditions on the services accompanying disbursement of mortgage loans.

Mortgage lending programs offered by the Bank, undoubtedly, are competitive, convenient, favourable and available from the point of view of clients: the interest rate in the secondary housing market starts from 11,5% in rubles, the initial contribution starts from 10% of cost of acquired residential premises.

Last year, preparation of the Bank's mortgage portfolio for a transaction planned in 2011 together with the National Reserve Bank in respect of securitization of mortgage portfolios, guaranteed by the federal agency OJSC Agency for Housing Mortgage Lending, began.

Bank cards

The Bank's clients have been offered a new line of credit cards taking into account the interests of different categories: payroll clients, corporate (non-payroll) clients, clients having a positive credit history and other physical persons (a pilot project is launched in Moscow and Urals branch). Programs envisage the granting of credit cards on special conditions for respective categories of clients.

For the past year, the total amount of issue of bank cards of international payment systems Visa and MasterCard made up 147,7 thousand. The balances on card accounts of physical persons grew by 1,402 million rubles, or 46,6%.

Credit portfolio of MBRD in respect of bank cards increased by 251,910 thousand rubles, or by 10% for 2010.



Dynamics of balances on bank card current accounts, thousand rubles

Internet banking

Throughout 2010, the Bank actively expanded a list of the companies to which address it is possible to make payments through the system of Internet banking. In addition to payment for services of new Internet providers and communications service providers, our clients had a possibility to buy railway and air tickets, to pay traffic police fines in various regions, to replenish electronic purses (Yandex. Money, WebMoney, QIWI, Single purse), and to make transfers according to any details through NCO "Rapida".

Since June, 2010, clients can receive complete details of their bank card account for their cashless replenishment. Since November, the Internet banking may be connected remotely, and also it is possible to change login and password- through facilities of self-service network of MBRD (ATMs and terminals).

Consumer lending

A pilot project has been launched to grant purpose express loans for acquisition of the user's equipment and other goods at sales offices of retail network of MTS.

Small business lending

Lending to small business clients (legal persons and individual businessmen having annual volume of realization of up to 300 million rubles) is carried out by the Bank within the Program launched in the second half of the year 2010 and providing for development and granting of small and convenient loan products to small business clients in all regions of presence of MBRD.

A successful realization of base loan products for small business in Moscow and Moscow Region, and also in seven regional branches of the Bank, began in 2010:

- “Microcredit” – unsecured loan with decision-making during a short period;
- “Crediting for replenishment of circulating assets” – product satisfying the needs of a typical small business borrower;
- “Investment crediting” – offer for business development, expansion and modernization;
- «Overdraft» – additional instrument for financing of trade enterprises of small business.

Tariffs on loan products for small business are imposed, business processes of granting of loans, including procedures of analysis, appraisal and decision-making on products for small business, subject to the specific features of relationship with clients of this segment, are developed.

Sales of retail products and services

The Bank has continued to develop systems of retail sales: standards of sales of retail products and services of the Bank, client servicing standards are implemented and modernized; scenarios of promotion of retail products, general and special presentations on retail bank products and services are prepared and implemented; sales results are monitored (on a weekly and monthly basis).

Programs of training of employees of the retail block of the Bank are developed and implemented in 2010. More than 500 employees of branch network completed their trainings on “Skills of sales of credit cards to payroll clients”, “Skills of sales of mortgage products” and courses of remote training. The business training “Art of mortgage products sales by telephone” has been developed and conducted for employees of Information Centre of the Bank.

Training of employees of partner organizations (realtor/broker, developers) on handling of mortgage programs of the Bank was organized in Moscow and in a number of branches.

Within the launch of a consumer lending project at sales offices of retail network of MTS, there was held a special seminar for eight trainers of retail network of MTS in respect of conditions of the Bank’s products.

In order to increase sales of mortgage lending products, in November 2010 there began an advertising action, under the conditions of which the clients, who have received advertising coupons from the Bank’s partners and have applied to MBRD during the period of its carrying out, are given additional privileges when receiving a loan. At the end of the year, the contest “Happy New Photo!” was held with great success, in which holders of MBRD credit cards took part. After sending photos of interesting and unusual purchases paid by a credit card, clients received gifts.

MBRD model of retail sales was developed and approved in August, 2010.

Telemarketing

A new channel of sales of retail products by telephone – «Telemarketing»- began to operate in October, 2010 in the Bank.

The first task for telemarketing became a Project of activation of the credit cards given out to payroll clients for the purpose of increasing credit limits for existing users of credit cards. In November and December, through this channel, there began promotion of the credit cards issued on special conditions to bona fide borrowers of MBRD. Following the results of work for two months, 1 236 clients in all regions of presence of the Bank became holders of new credit cards.

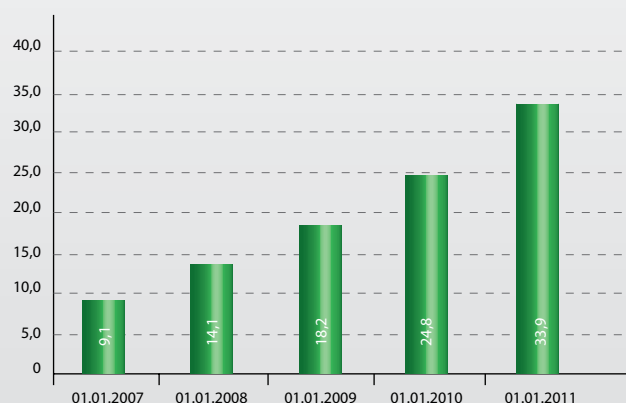
Retail deposits

Now the Bank offers a product line that takes into account the needs of all client groups: classical non-replenishable deposits, replenishable deposits, deposits with an opportunity to replenish and withdraw money funds, special deposits for employees of corporate clients and people of pension age.

The multiple currency deposit has been entered into a line of term deposits, making it possible to manage money funds in three currencies within the framework of one agreement.

By the end of the year, account balances of term deposits of physical persons increased from 24,8 billion rubles to 33,9 billion rubles.

The structure of the portfolio of term deposits at the end of 2010: deposits in rubles made up 53% of the portfolio, deposits in foreign currency made up 47%.



Portfolio of term deposits of physical persons, billion rublesq

Acquiring

Retail and service outlets (RSO)

In 2010 MBRD received the acquiring licence from Visa International and started to implement direct acquiring of Visa cards. In the reporting year, the network development became more active. Servicing turnover in RSO exceeded 2 billion rubles, thus the positive financial result of the network exceeded 9,5 million rubles, having increased a little against the previous year, despite an increase in commission fees of international payment systems Visa and MasterCard.

ATMs and payment terminals

The ATMs and payment terminals network of MBRD in 2010 grew quantitatively and developed dynamically. At the end of the year, the Bank had 572 ATMs and 63 terminals in all regions of presence.

Quality of client servicing has been improved on a planned basis. In the reporting year, the development of ORS network, to which MBRD is a party, has allowed cardholders to use in addition a network of more than 9,600 devices to withdraw cash.

In 2010, regional payment providers were involved in servicing of the Bank's clients, and additional services in ATMs of MBRD were actively introduced – along with traditional functions, clients have been offered various opportunities of self-service: from receiving information about the nearest planned payment under credit, to payment of housing-and-municipal services, cellular communication, television, Internet.

Private banking

Private Banking has traditionally been among priority lines of MBRD activity. By tradition, the Bank gives particular attention to it and develops it actively. In 2010 the technology of servicing of VIP-clients was improved, services and products for private persons were improved, the client base was expanding.

Changes of staff structure were made in all regional subdivisions – there were created departments or were appointed employees in charge of, inter alia, Private Banking. This exerted a positive impact on the efficiency of work of the branch network with VIP-segment.

Now the priority tasks in respect of Private Banking segment are the loan portfolio increase, as well as expansion of a line of exclusive services for well-founded clients.

Operations in the monetary markets and corporate financing

Visible improvement of an economic situation in the country has set new tasks before MBRD. Within the year, the Bank's activity in the monetary markets was determined by factors of excessive short-term liquidity.

The rates of newly determined coupons of the Bank's bonds were substantially reduced, that has allowed optimizing considerably expenses on servicing of a market debt.

In respect of asset management, MBRD traditionally continued to implement the conservative policy of presence in the financial markets: the portfolio comprised mainly the instruments entering into the Lombard list of the Bank of Russia in order to, if necessary, provide a possibility of its refinancing.

Following the results of the reporting year, the portfolio of securities of the Bank, including bills, has increased in a ruble equivalent by 12,5% and has made up 29,3 billion rubles at the end of the year. Thus, investments in the bonds nominated in rubles have made up 16,5 billion rubles by the end of the year, and investments in the securities nominated in US dollars have made up 116,5 million dollars.

Much attention has been focused on short-term REPO operations in securities. Activity in this market has allowed the Bank to use effectively excess liquidity with the premium to interbank market rates for a respective period. In December, 2010 MBRD took 16th place, having a turnover of 79 billion rubles, among TOP-50 participants of corporate bonds REPO market.

Turnover made up more than 90 billion rubles in the REPO state bonds. Reverse REPO position has been 15 billion rubles at the end of 2010, that exceeds 10 times as much a similar indicator at the beginning of the same year.

In 2010, MBRD actively held itself out in the market of investment banking services, having taken part in the organization of 25 issues of bonds in various statuses, including, it acted as the organizer of two bonded loans.

In the expired year, the Bank continued to strengthen its positions in the market of brokerage servicing. The volume of the client transactions made by MBRD as the broker was more than 20 billion rubles; volume of the commission income was 2,9 million rubles.

The obligations of three syndicated credits received by MBRD in 2007 were timely and fully performed in 2010:

1. 50,0 million US dollars from VTB Capital plc (\$35,0 million) and VTB Austria (\$15,0 million);
2. 35,0 million US dollars from VTB Capital plc (\$20,0 million) and VTB Bank (Deutschland) AG (\$15,0 million);
3. 15,0 million US dollars received from East-West United Bank S.A.

In the beginning of 2010, as consequence of securitization of last year's mortgage loans, the Bank realized a portfolio of MBRD mortgage-backed bonds to the amount of 1,68 billion rubles. Yield at realization made up 8% per annum. The Bank offered outside organizations its services to organize transactions of securitization and entered into agreements on the organization and preparation of issues of mortgage-backed bonds with a number of credit organizations.

Correspondent network and international settlements

In 2010 the Bank strengthened its positions in the market of services of export and trading financing, primarily thanks to competitive conditions of offered services.

MBRD has signed master agreements on provision of tied financing with a number of foreign banks, including, against the guarantees of Export Credit Agencies. It gave the Bank's corporate customers an opportunity to attract medium-term and long-term financing of import of goods and services on more favourable conditions in comparison with classical crediting at the expense of own resources of the Bank. Short term financing of clients-importers was made mainly at the expense of the free limits of trading financing established for MBRD by foreign banks-counterparties.

In the reporting year, the Bank opened 98 import letters of credit (2 in 2009) and issued 6 guarantees for benefit of foreign counterparties of our clients for a total amount of 16,4 million euro and 35,4 million US dollars accordingly:

	Letters of credit	Guarantees
Head office	70	5
Branch situated near Moscow	26	
Krasnodar branch	1	
Tomsk branch	1	
Urals branch		1

Against 2009, the volume of import documentary operations has grown 49 times as much in terms of quantity and more than 4 times as much in terms of value.

It was observed a growth of export documentary operations in 2010. 15 letters of credit for a total amount of more than 25 million US dollars (in a dollar equivalent) were received in favour of clients-exporters. Against 2009, a growth was more than 25% in terms of value

The commission income from documentary operations has exceeded 1,0 million rubles, of which more than 0,5 million rubles from operations with export letters of credit and 0,5 million rubles from operations with import letters of credit.

The total portfolio of trading financing transactions of the Bank as of 31.12.2010 (in a dollar equivalent):

- Letters of credit – 77,96 million US dollars (135 letters of credit);
- Guarantees – 8,56 million US dollars (6 guarantees).

MBRD continued to improve its correspondent network which totaled more than 50 corresponding banks at the end of 2010. The good business reputation as well as transparency of the Bank's activity became important arguments for the financial organizations making a decision to cooperate with us.

In 2010, the main corresponding banks of the Bank were JPMorgan Chase Bank NA, The Bank of New York Mellon, HSBC Bank USA, Commerzbank AG, Deutsche Bank AG, OJSC VTB Bank, Vnesheconombank, Sberbank of RF and others.

The existing correspondent network of the Bank ensure effective making of client payments and the Bank's own operations in Russian rubles and foreign currency. Thus, the principal emphasis is made on the development of business mutual relations with reliable and experienced financial institutions. The created correspondent network allows MBRD to give to clients a wide range of services with minimum material and time costs, maintaining efficiency and high quality of service at the same time.

Organizational and HR work

MBRD believes the personnel to be a strategic resource for successful development of business and one of the key assets of the Bank. In a hard period of tough competition in the market of banking services, we consider that important things are general understanding of the objectives, mutual trust of the management and the personnel, readiness to work effectively and team spirit.

In 2010 the Bank Group approved a human resource management strategy that makes a basic focus on attraction and retention of the best, improvement of quality of work and labour productivity, strengthening of corporate culture.

Within the framework of realization of a human resource management strategy throughout 2010 there was held a number of events aimed at increasing organizational effectiveness, level of organizational maturity (optimization of business processes, reduction of a number of levels of management, avoidance of duplication of functions etc.)

A guideline for increasing HR efficiency is, undoubtedly, a system of incentives.

In 2010, there was enacted the Regulation on Bonus Payments to Employees aimed at stimulating a material interest of all employees in continued increase of efficiency of their work in order to achieve the strategic, financial and operational objectives of the Bank's activity. Bonus payments are related to achievement of the established indicators. One of major factors in human resource management is an effective system of payment. Reviews of salaries help to create the most attractive system of compensations and privileges that allows retaining the most valued specialists and involving new ones. In 2010 MBRD took part in the reviews of financial sector conducted by the consulting companies AMT Consult and Hay Group, that allowed to follow in due time the dynamics of changes of cost of bank specialists on a labour market.

In the reporting year, MBRD together the consulting company Hay Group launched a project of grading (arrangement by status) of the personnel, that further will allow to manage effectively the HR potential of the Bank: objectively to estimate work of all specialists and to retain the best.

In 2010, a system of key performance indicators (KPI) was adapted and implemented. The following regulatory documents were prepared within this project:

- Process Regulations "Summarizing of individual performance of employees of MBRD" which establishes a procedure for summarizing of individual performance of employees following the results of the reporting period;
- Process Regulations "Formation and updating of the system of key performance indicators in MBRD" which is intended for establishment of the order of actions necessary for formation of the system of key performance indicators and approval of their values.

The Regulations provide for increase of productivity of work of employees through an assessment of their concrete contribution to the fulfillment of assigned tasks in order to achieve the objectives of the Bank's activity.

The created system of KPI has helped the top managers to solve a number of problems:

- Achievement of the set results, work planning.
- Delegation of responsibility and exercise of control over key parameters.
- Identification of objectively strong and weak employees, activation, initiatives, desire to develop.
- Transition from reaction to problems towards systematic forecast and setting of target reference points.
- Determination of priorities in own activity and activity of their subordinates.

The system of key performance indicators allows setting priority tasks and translating them through the whole chain of command — from top-managers to ordinary employees. It allows motivating employees to solve the set tasks.

In 2010 the Bank renewed internal training, making an emphasis on the product line of employees of supplementary offices of the headquarters and branch network. Employees of customer relationship subdivisions from the Moscow region completed the training program «Excellent service: MBRD standards of service, base skills of sales». Training was intended, first of all, for entry-level employees (work experience of up to 1 year) and focused on development

of skills of sales and client servicing. In future the plan of internal training of retail line will comprise the trainings “Technology of sales and client servicing: advanced level” and the training for heads “Service and sales management”.

MBRD actively uses and develops a system of remote training. In the reporting year, five new courses were prepared and launched and four existing courses on products and technologies of the Bank were updated, more than 526 employees were trained (on the average, each of them completed four remote training courses). So, the Bank provides employees with a full range of opportunities to acquire and improve professional knowledge and skills both through external and remote training and with the help of internal trainers of the Bank as well.

Formation of the system of training is realized together with other measures of development and retention of personnel. In the reporting year, the program of horizontal rotation «Step forward» was launched. The program is aimed at retaining the qualified personnel thanks to opportunities of transfer within the Bank’s subdivisions. Each employee can fill a questionnaire, specifying results and achievements on the current post, motives of transfer and a short essay: “It is time for me to grow!” Employees of recruitment department will match the declared needs with existing vacancies and help the applicant to meet the potential head to discuss further conditions.

Understanding the value of professional development, the Bank provides its employees with priority opportunities to fill vacant posts if they have the required competences and qualifications.

IT Architecture

Work on development of IT Architecture of the Bank was carried out in 2010 according to the approved Strategy of IT development for a period of 2010-2014.

Within a year, new systems were actively implemented; technological effectiveness of conducted banking operations was on the rise. Thereby, IT architecture was created, which provides support of accounting of operations of all core lines of the Bank's activity and a platform for development and growth of indicators of bank business.

The basis of IT complex of the Bank is an integrated automated bank system (ABS). Its components are geographically distributed ABS "Quorum", centralized ABS of retail banking operations of SBS "Inversia", front-end system EGAR Loans, integration platform IBM WebSphere, and also a number of the software products, which provide support of all operations of the Bank.

The network IT Infrastructure is based on the heterogeneous distributed computer network (LAN/WAN) and data transmission network (SAN). Both own communication channels (dark optical fiber) and leased communication channels (more than 10 telecommunication operators) are used for operation of the network. Speed of data transmission in the LAN hub is up to 10 Gb/sec.

The modern failure-safe high-efficiency complex of the Bank is a farm consisting of more than one hundred servers HP (architecture IA-64 and Intel Xeon(DL/BL)) and systems of data storage HP EVA. Visualization is widely used (VmWare).

The system of reserve copying and archiving is based on tape libraries HP MSL and virtual libraries HP VLS.

The Bank's telephone network consists of digital telephone stations Panasonic и IP- telephony Cisco.

All systems are reserved and located in several geographically dispersed centers of data-processing.

The basic stages of development of IT-infrastructure in 2010:

1. Transfer of SBS "Inversia" from the server of middle class RX7640 to platform HP Superdome.
2. Development of Blade infrastructure, in particular, transition to protocol Flex10.
3. Expansion of a virtual infrastructure: the total memory capacity of virtual servers has grown from 24 to 72 Gbytes.
4. Substantial increase of capacity of the data storage system for support of business tasks.
5. Within the consolidation process, two Data Processing Centers were joined in Moscow.
6. Development, in accordance with IT-strategy, of a comprehensive conception of development of data processing centers.
7. Taking steps related to the connection to the data transmission protected network of JSFC Sistema.

The most important measures performed by the IT Block

1. The Production and Technological Committee (PTC) resumed work.
2. Planned work is organized to fulfill requests for improvement/ development of IMS on the basis of quarterly production plans (PP). Dynamics of their execution is positive (PP1-41%; PP2 - 45%; PP3 – 90%; PP4 – 86,3%). Planning and quoting principles are developed, that has provided agreed access of business units to IT resources. More than 500 requests for improvement of information systems were fulfilled during the reporting year. There has been organized a procedure of IT Bloc reporting to customers about the results of fulfillment of quarterly production plans.
3. A technology of interaction of the Bank's subdivisions has been developed and approved when considering requests and planning works on making changes to IMS and technologies.
4. A process of management of incidents and requests for servicing is implemented. The first line of support is organized. A single centre of requests processing is created and Service Desk system is implemented, that allows registering incidents and managing their elimination (about 1000 requests are weekly processed). Monitoring is carried out and reports on failures in IT Infrastructure are maintained.
5. Processes of description, planning and updating of IT Architecture within the framework of projects and operational tasks are implemented.
6. Revision and optimization of a portfolio of the Bank's projects have been made, that led to improvement of quality of realization and possibility of accomplishment of other actual tasks; constant monitoring and reporting on a portfolio of the Bank's strategic projects are maintained.
7. Methodological and technological support of new projects and business development is organized on a constant basis.
8. Reorganization and optimization of staff structure of IT Block for the purpose of increasing efficiency and quality of development and support of IT systems took place.

Project activity

In 2010, 15 new projects are initiated by PTC and are carried out. Most significant of them are:

1. The Projects "Vendreni ABS "CFT-Bank" and "Vendreni ABS " CFT-Retail Bank" which will replace the existing basic bank systems (are carried out).
2. The pilot project "Unsecured loan for user's servicing with a bank card – MTS POS" (implemented).
3. The project "Centralization and optimization of business processes of the Bank" (is carried out).
4. The project of introduction of a single system of integration of applications on the basis of IBM WebSphere Message Broker (pilot project MTS.Pos was implemented on its basis; integration of information systems of the Bank with new ABS "CFT-Bank" and "CFT-Retail Bank" is carried out; the project MTS Money is carried out).
5. The project of implementation of analytical system of scoring and information files analysis on Deductor platform (implemented).
6. The project of putting the system Service Desk into commercial operation (implemented).
7. System of electronic storage of accounting and cash documents of the company LMA (LMA.ACCED-BANK v1.3) (implemented).
8. The project "Lending within payroll projects" (implemented).
9. The projects "Implementation of FOM" and "Implementation of CRM" (initiated, pilot project survey is carried out).

Development of IT Platform of the Bank

In 2010, works were conducted to develop the existing information systems, related to the legal requirements and business development, optimization and centralization of business processes of the Bank, implementation of new projects, increase of performance of the systems as follows:

- The basic ABS QUORUM;
- Retail ABS Inversia;
- Front-end system EGAR Loans;
- System of remote banking;
- System MS Dynamics CRM (mortgage, CRM in the corporate block);
- Single all-bank warehouse of the data;
- Software of intra-economic operations accounting and personnel accounting (1C);
- System of integration of applications (IBM WebSphere).

Introduction of new ABS

In the reporting year, the decision of the Board of directors stopped the project of implementation of ABS CBS3+ (Colvir) and it was taken a decision to pass to CFT platform and to implement ABS "CFT-Bank" and "CFT-Retail Bank". At the end of the year, works under this project began: the project initiated, composition of the product and terms agreed, contracts concluded, implementation strategy developed, pilot survey of products and business processes conducted, training of a project team has begun.

Risk management and internal control

About the bank's risk management in 2010

Main objective of the strategy in the field of risk management is creation of economic conditions for its sustainable functioning, protection of interests of shareholders, and that of investors and creditors of the Bank by ensuring a full and timely identification and limitation of risks to be taken by it.

The key risks inherent in the Bank's activity include credit risks, liquidity risks, market risk (including, risk of change of interest rates and exchange rates).

In 2010 the Bank managed the above mentioned types of risk in the following manner.

Liquidity risk

Liquidity risk is a risk of losses due to the Bank's inability to ensure performance of its obligations in full.

For the purposes of control of the Bank's payment position and monitoring of the structure of assets and liabilities, the analytical model of flow of payments is formed on a regular basis and includes the information on maturities and cost of claims and liabilities of the Bank.

Liquidity operational management is carried out; taking into account the results of calculation of sizes of liquidity excess/shortage expected in some time durations and values of respective limits established by the Bank's authorized body.

Maximum sustainable liquidity shortage level for the Bank (threshold size of a liquidity gap in a certain time range) is determined subject to the assessment of its potential opportunities of attraction of resources within the limits of available refinancing channels. Compliance with the established threshold levels of liquidity shortage is one of the determining criteria of assessment by the

Bank's authorized bodies of acceptability of credit, market and other risks to be taken by it.

In 2010, making use of the recommendations contained in the directives of the European Committee of banking supervision authorities (ECBSA), MBRD essentially expanded an applied model of stress-testing of its liquid position. In particular, influence of three scenarios on the Bank's solvency is examined: short-term financial crisis, long-term system crisis and reputation crisis of JSFC Sistema/MBRD. These scenarios differ in key parameters: depth and duration, and also include assumptions about outflows of funds from accounts of some groups of clients, portion of funds placed by the Bank which it was not possible to claim because of financial difficulties of the counterparty (borrower). The result of calculations is the estimation of the period of the Bank's survival in case of one or another scenario. In addition, it is conducted a testing of sufficiency of the liquidity buffer for maintaining its solvency within one month.

For the purposes of operational management of short-term liquidity, in addition to the analysis of flow of payments of the Bank, the Treasury Department maintains the current payment position reflecting both payments with characteristics defined by agreements in effect and other potential payments of the Bank and in favour of the Bank that are expected in the near future, according to the operational information coming from clients and counterparties.

The Bank's authorized body determines a strategy of management of its assets and liabilities for the following financial period and controls the liquidity risk in the current mode and, if necessary, authorizes the measures to minimize it. The Bank's collective body, which competence includes the decision-making on the mentioned range of matters, in 2010 were the Asset-Liability Management Committee (ALMC) and, in part, the Limit Committee (operations in the financial markets).

Unstable conditions of the financial markets in 2010 and nearly unpredictable nature of processes occurring in the financial markets against an aggrava-

tion of the crisis phenomena in Europe and absence of signs of US economic recovery increased a probability of occurrence of the second wave of an economic crisis, i.e. the repetition of events of autumn 2008. In similar circumstances, the Bank considered that the most reasonable thing was the maintenance of a substantial liquidity buffer in the form of the bonds included in the Lombard list of the Bank of Russia (not less than 2/3 of the portfolio of ruble bonds), and also in the form of short-term interbank credits placed with high class banks and with deposits of the Bank of Russia. In addition, a considerable volume of money funds was placed by the Bank in the form of short-term (up to 14 days) reverse REPO transactions, the underlying assets of which were quality bonds refinanced in the Bank of Russia.

Market risk

Market risks are risks of occurrence of losses in connection with the conduct of operations with balance sheet and off-balance instruments due to the change of market prices, including interest rates, exchange rates and prices of shares. Market risks include stock, currency and interest risks.

In the process of market risk management, the Bank regularly assesses potential losses which could be suffered as a result of adverse changes of market conditions, and establishes the limitations adequate to them on the size of admissible losses, and also the requirements for the value of a mortgage security.

In the Bank there has been developed and approved the Market Risk Assessment Procedure which defines all spectrum of the market risks subject to assessment and also describes the measuring procedures applied to each type of the same. This includes an assessment of market risks of a trading portfolio of securities, currency risk, risk of loss of liquidity of an asset, interest risk of the Bank in general (including stress-testing). In 2010 the Risk Assessment and Control Department began to generate new periodic reports for the management and the collective bodies of the Bank that contain the results of the indicated assessments.

The collective bodies, to which the function to manage and control market risks is assigned, are the

The ALMC on a regular basis considers a state of affairs in the field of risk market management, including, the actions of the Bank's authorized subdivisions to minimize potential losses.

The Limit Committee determines that the established limitations (limits) on operations in the financial markets are adequate to existing market conditions. In particular, it establishes maximum admissible levels of losses (stop-loss limits) in respect of securities portfolios and currency transactions, as well as limits on the volume of positions in securities and foreign currency. The control over the compliance with stop-loss limits, as well as limits on financial instruments is exercised on a daily basis.

Currency risk

The currency risk is connected with changes of foreign exchange rates on open positions in foreign currencies. Due to the fact that a considerable volume of the Bank's assets and liabilities is nominated not only in rubles of the Russian Federation, but also in other currencies (in US dollars, euro), the Bank is exposed to the currency risks, what is expressed in the possibility of suffering losses because of an adverse change of foreign exchange rates.

The Bank's exposure to the currency risk in 2010 was moderated enough, because the average size of its open currency positions was substantially less than the threshold value stipulated by the Bank of Russia.

MBRD conducts a weighted policy when making operations in the currency market and managing an open currency position. Currency risk management is carried out on the basis of decisions of the Bank's Limit Committee. The competence of the Bank's Treasury Department includes a daily control over the Bank's open currency position for the purpose of ensuring its compliance with the requirements of the Bank of Russia and intra-bank limitations. Intraday limits of an open currency position and respective stop-loss limits are established for dealers.

Risk of change of the interest rate

Interest rate change can entail a revaluation of the fair value of financial instruments which is adverse for the Bank and/or a reduction of its interest margin.

Throughout 2010 the average portfolio of issue securities of the Bank at fair value was comparable to 200% of the size of its capital (own funds). Therefore the Bank's exposure to the interest risk in the restricted sense (for traded debt instruments) cannot be considered as insignificant. However this circumstance (portfolio volume) is substantially compensated by the fact that the average duration of the indicated portfolio in the reporting year did not exceed 1.4 years, that is, the threshold reduction of its cost in case of shift of the base curve yield by 100 basic points would not exceed 3% of the Bank's capital. In addition, it means that in case of a hard stress-scenario in the market – shift of the base curve yield by 300 basic points- the Bank's losses from revaluation of the portfolio with all probability could not exceed 10% of the capital.

The indirect interest risk, which source are the debt securities received by the Bank under reverse REPO transactions, is rightfully to be considered as insignificant. Since according to the Bank's limit policy existing in 2010, transactions could be conducted with the bonds which duration does not exceed 5 years, and in fact the most part of operations was concentrated on the segment of instruments with a duration not exceeding 1.5 years. It means that the size of the discounts established for reverse REPO transactions in corporate bonds with all probability covered their possible losses in case of a hard stress-scenario (shift of the curve yield by 300 basic points).

Size of the Bank's investments in equity instruments at fair value is negligibly insignificant. Reverse REPO transactions with similar instruments are not provided for by the limit policy of the Bank in 2010. Therefore the Bank practically is not exposed to the stock risk.

By managing the interest risk and minimizing its possible losses, MBRD seeks to maintain a certain match of the Bank's assets and liabilities in terms of their claiming/redemption. This assumes an operative estimate and control over the

Credit risk

indicated structure risk. Beginning from 2010, the Risk Assessment and Control Department assesses the interest risk of the Bank in general (for traded and not traded instruments), using the three methods:

1. gap-analysis of influence of the set dynamics of interest rates on the Bank's net interest margin;
2. analysis of sensitivity of the Bank's net interest position to the change of the rate;
3. dynamic modelling of the net interest margin. In this case, the ratio between the assets and liabilities sensitive to the change of the interest rate in each range of maturities is estimated.

When making decisions, the priority is given to the first two of the mentioned methods because the results of the third one considerably depend on a great number of the parameters estimated in an expert way (i.e. subjectively). The report on the level of the Bank's interest risk is submitted for consideration of the ALMC not less often than once a month.

The Asset-Liability Management Committee co-ordinates management of the risk of change of the interest rate and the price risk in order to ensure the positive sign of the interest margin. The Finance Department follows up the current financial performance of the Bank, by assessing a size of the realized interest risk in terms of its influence on the Bank's profitability.

The credit risk of the Bank is due to a possibility of losses as a consequence of improper performance of their obligations by counterparties, borrowers.

The MBRD portfolio of loans granted to physical and legal persons made up about 1/3 of its assets in 2010. The sources of the credit risk are also other operations disclosed in the balance sheet of the Bank or in the off-balance sheet (investments in securities, guarantees, acceptances, etc). In this connection the Bank's exposure to the credit risk is substantial.

The Bank's credit risk management includes procedures of its identification, assessment, selection of borrowers (risk-taking/refusal to take a risk), subsequent monitoring. For the purposes of reducing the amount of possible losses in case of the borrower's default, the Bank uses various securing mechanisms (pledge, suretyship, and guarantee).

The credit risk is also managed by establishing individual limits per each borrower according to the Bank's Procedure for assessment of the borrower's creditworthiness. Limits are established on the basis of the assessment of the borrower's financial condition and dynamics of its business development, its credit history, evaluation of information of non-financial nature.

The Bank makes a careful selection of credit projects, depending on the lending purposes, availability of real sources of loan repayment, dynamics of the borrower's financial position, its credit history, state of the economy sector and the region, and also availability of sufficient security and level of loan interest rate.

In 2010, the centralized mechanism of making credit decisions existed in the Bank, that is, the powers of the branches to approve credit transactions were removed and concentrated at the Head office.

At the Head office of the Bank, the process of lending to enterprises and physical persons is managed by the Credit Committee, Minor Credit Committee, Minor Credit Committee for Retail which take all decisions concerning the loans to be

granted to corporate clients and physical persons within the limits of the powers delegated to them by the Bank's management bodies.

The granting and follow-up of loans is carried out under the uniform standards established by the intrabank regulatory documents governing an order of distribution of the rights and obligations, the coordination of decisions, delegation of powers when conducting operations.

In 2010 the following subdivisions were engaged in current management and monitoring of credit risk of the Bank: **Risk Assessment and Control Department, Loan Department, Department for Handling Troubled Debts, Pledges Department.**

The Bank conducts regular monitoring of borrowers, giving special attention to their credit history and trends in the dynamics of their operational and financial indicators. In addition, change of the collateral value for each loan is regularly followed up.

In 2010, management of the credit risk related to the Bank's operations in the financial markets (placing of funds with credit organizations, investments in securities) was carried out by the Limit Committee. The Bank's exposure to the credit risk in respect of this portion of investments was limited to a conservative policy conducted by the Limit Committee: as a rule, limits were approved in respect of the counterparties/issuers having international credit rating at least equal to "B", transparent consolidated statements, and strong market positions. The most considerable limits of interbank lending have been opened for subsidiary banks of the largest non-resident credit organizations and major Russian banks with prevailing interest of the state in the capital.

At level of the Bank group of MBRD, management of credit risk for operations in the financial markets is conducted on the consolidated basis and centralized in MBRD. Such approach to the fullest extent corresponds to the best practices of risk management in bank groups (holdings).

The weighted policy of management of credit risks for the Bank's operations in the financial markets fully proved itself: during the crisis of 2008-2010, MBRD did not suffer any significant losses from credit risk realization in respect of its investments in the financial markets.

Internal control

The Bank seeks to limit a volume of the operations conducted within the framework of the schemes that differ from the standard ones. The Internal Control Service carries out regular checks of integrity and completeness of systems of the Bank's accounting and information systems, compliance with the requirements of the rules for conducting operations and technologies of business processes.

Implementation of product and technological innovations is conducted on the basis of preliminary planning with the subsequent control of the process and implementation results by the Internal Control Service.

Internal control system

The internal control system of MBRD consists of the totality of created subdivisions, collective bodies, Services, committees and appointed officials which are vested, according to the bank's organizational regulations, with the functions of internal control on the basis of specially developed methodological and instructive intrabank documents.

The organizational structure of the internal control system is based on the inter-related work of the collective management bodies (the Bank's Committees) and a number of specialized subdivisions of the Bank responsible for procedures and control, such as: the Limit Committee, Credit Committees (Major, Minor, Minor Credit Committee for Retail), Asset-Liability Management Committee, Risks Committee, Business Committee, Project and Technology Committee, Department for Operations in the Financial Markets, Risk Assessment and Control Department, Finance Department, Internal Control Service and others.

Matters of the organization and current operation of the Internal Control System are covered in the Regulations on the organization of the internal control in MBRD, the MBRD Risk Management Policy, as well as in the documents regulating the activities of the Bank's collective management bodies, the regulations on the subdivisions conducting operations carrying risks, the rules for conducting banking operations, the procedures for assessment of risks for various operations, and others.

The Internal Control Service performs continuous monitoring of the internal control system, the compliance with the adopted policies and the established procedures. A newly created Department of Risk Assessment and Control, which was vested with a set of functions related to centralized independent assessment of credit, operational and market risks, the Bank's liquidity situation, has been operating since 2009.

Branch network and geography of activity

In 2010 MBRD for the first time announced a new strategy of development in regions. The key project of the Bank group was the Bank's coming to the federal level on the basis of creation of a branched structure in major Russian regions, increase of its operating efficiency and giving priority to the intensive development of the branch network. This task fully corresponds to the general Strategy of development of the Bank group of MBRD for 2010-2014.

As well as many other Russian banks, MBRD felt difficulties related with consequences of the financial crisis of the last three years. To a certain extent, it affected the work of branches. But the weighted regional policy, optimization of all available resources, involvement of highly professional specialists in the work at the branches, taking into account of individual conditions of economic development of each region allow the Bank to speak with sufficient confidence about the adequate overcoming of the crisis phenomena and implementation of the developed programs of high-quality services to the people in the regions of the Bank's presence.

Central Federal District

Branch situated near Moscow

Registration date: 30.08.2006

Opening date: 15.09. 2006

Location: 25, Ilinskoye highway, city of Krasnogorsk,
Moscow Region, 143405,

Telephone: (495) 225-15-11

Director: Lyubov Alexandrovna Nechaeva

Structure:

the branch includes 6 supplementary offices (SO) in the cities situated near Moscow (Krasnogorsk, Odintsovo, Vidnoe, Mytishchi, Khimki, Zelenograd), and also operations offices (OO) in Ryazan and Voronezh (the latter has been operating since March, 2010).

Branch network

	2009	2010	Increment for 2010
Corporate loan portfolio	11 445	13 064	1 619
Retail loan portfolio	9 704	9 281	- 423
Portfolio of funds attracted from legal persons	23 999	12 951	-11 047
Portfolio of funds attracted from physical persons	6 530	8 091	1 561

Overall performance in 2010 (with an increment during the year), million rubles

	2009	2010	Increment for 2010
Corporate loan portfolio	1 645	400	-1 245
Retail loan portfolio	1085	974	-111
Portfolio of funds attracted from legal persons	310	425	115
Portfolio of funds attracted from physical persons	1 764	2 451	687

Basic performance, million rubles

	Size of loan debt	Size of overdue debt		Total size of loan debt
		total	including, OO Voronezh	
Mortgage lending	519	14	9	533
Automotive lending	20	50	48	70
Non-purpose consumer lending	48	155	147	203
Purpose express-loans	4	4	—	8
Credit cards	128	33	1	161
TOTAL	719	255	205	974

Structure of retail loan portfolio, million rubles

The balance-sheet total was 5,425 million rubles as of 01.01.11. Following the annual operating results, the branch had a balance sheet loss of 178,3 million rubles. During the reporting period, it was conducted the optimization of expenses, in particular that of leasing of non-residential premises for internal structural subdivisions. As a result, saving of expense on leasing made up 3,317 million rubles.

Overall reduction of the loan portfolio made up 57% (from 2,632 million to 1,116,4 million rubles), including, in respect of loans to legal persons 76%, to physical persons 28%.

In 2010 the branch continued to actively participate in financing of the foreign trade transactions of the Bank's client EkoNiva-Tekhnika Ltd. There were issued 16 letters of credit to the amount of 17,720 million US dollars and 10 letters of credit to the amount of 4,385 million euro.

Funds of legal persons :	425
On demand	271
Term deposits	154
Funds of physical persons:	2451
On demand	90
Term deposits	2361

Structure of deposit portfolio, million rubles

13,098 customers' accounts, including 1,009 accounts of legal persons, 12,089 accounts of physical persons (current accounts – 8,605, on-demand – 328, deposits – 3,156) were opened with the branch at the end of the year. Clients of the branch have been 853 legal persons and 8,568 physical persons as at the end of the year.

Balances of money funds on corporate clients' accounts made up 424,9 million rubles as at 01.01.11. Following the annual results, the size of the retail loan portfolio decreased by 111 million rubles and made up 974 million rubles (1,085 million rubles as at 01.01.10), including, the size of loan debt decreased by 320,3 million rubles down to 718 million rubles. The size of overdue debt grew by 208,5 million rubles and made up 255,1 million rubles, or 26,2% of the total size of the loan portfolio as at 01.01.11.

Following the results of 2010, more than 2200 credit cards were issued, of which 765 (payroll cards - 695) issued as per new products, 475 (50%) activated. The established limit is 73,5 million rubles, of which 20 million rubles (27%) used.

Northwest Federal District

Regional branch in Syktyvkar

Registration date: 28.02.1994

Opening date: 28.02.1994

Location: 45, Kirova Str., city of Syktyvkar,
Komi Republic, 167983,

Telephone: (8212) 29-32-76

Acting Director: Irina Gennadievna Chernousova

Structure: the branch includes two operating supplementary offices Tsentralny and Ukhtinsky, two cash offices: cash office #2, 197, Karl Marx Str., and cash office #7, 5a, Kosmonavtov Str.

	2009	2010	Increment for 2010
Corporate loan portfolio	972	632	-340
Retail loan portfolio	751	384	-367
Portfolio of funds attracted from legal persons	251	379	128
Portfolio of funds attracted from physical persons	650	738	88

Basic performance, million rubles

	Size of loan debt	Size of overdue debt	Total size of loan debt
Mortgage lending	197	10	207
Automotive lending	50	14	64
Non-purpose consumer lending	37	5	42
Purpose express-loans	3	1	4
Credit cards	57	10	67

Structure of retail loan portfolio, million rubles

Funds of legal persons :	379
On demand	319
Term deposits	60
Funds of physical persons:	738
On demand	51
Term deposits	687

Structure of deposit portfolio, million rubles

In 2010 the branch's activity was generally aimed at increasing the resource base, and at reducing the overdue debt of the loan portfolio. According to the planned targets, there was a substantial growth of cheap liabilities. Against the last year, on-demand funds attracted from legal persons increased by 148 million rubles (87%), the increment of term deposits of physical persons made up 76 million rubles (12%), and the overdue debt of the corporate loan portfolio decreased by 71 million rubles (29%).

The branch actively worked to increase commission incomes. Principally thanks to their increase, non-credit commission incomes from cash and settlement services increased by 7 million rubles (44%) in respect of the corporate line during the year. In respect of the retail line, the increase by 1,3 million rubles (14%) occurred principally thanks to commission incomes from transfers. 22 new agreements on acceptance of payments from physical persons were concluded during the year.

2,497 accounts of legal persons and 7,450 accounts of physical persons were opened as at 01.01.2011.

In 2010 the branch continued to work actively within the framework of development and promotion of the bank cards project. As at 01.01.2011, the quantity of existing cards was 10,544, the increment made up 1,314 (14%) during the year. 29 new payroll projects were concluded, the quantity of existing payroll cards increased by 980. There were installed 4 ATMs and a self-service terminal. 25 acquiring RSO agreements were concluded. Total quantity of the installed ATMs was 29, POS-terminals in retail and service outlets were 54 at the end of the year.

Northwest branch

Registration date: 09.08.1994

Opening date: 09.08.1994

Location: 8/46 Robespiera emb., St.-Petersburg, 191123

Telephone: (812) 327-31-35

Acting Director: Igor Bogdanovich Zgoba

Structure: the Branch includes 2 supplementary offices in St.-Petersburg - «Suvorovsky» and «Admiralteisky» and operations office in Kaliningrad..

	2009	2010	Increment for 2010
Corporate loan portfolio	799	960	161
Guarantees issued to legal persons	0	371	371
Retail loan portfolio	557	486	-71
Portfolio of funds attracted from legal persons	559	471	-88
Portfolio of funds attracted from physical persons	772	827	55

Basic performance, million rubles

	Size of loan debt	Size of overdue debt	Total size of loan debt
Mortgage lending	275	9	284
Automotive lending	49	40	89
Non-purpose consumer lending	3	3	6
Purpose express-loans	7	0	7
Credit cards	77	23	100

Structure of retail loan portfolio, million rubles

Strategic tasks in the branch's activity in 2010 were corporate and retail lending and improvement of quality of service.

During the year, the branch's activity was aimed at retaining and increasing the volumes of liabilities. The increment primarily was made up of account balances of term deposits of physical persons. During the reporting year, 416 deposits were opened with the branch, balances increased by 53,3 million rubles; the number of major deposits grew.

The basic cause having exerted a substantial impact on the financial result was formation of reserves of 178,4 million rubles for interest incomes and corporate loans in connection with disclosure of problem loans on the accounts of overdue debts. During the whole year, the branch handled troubled and overdue debts of clients, continued to work on re-structuring and debt recovery in the manner established by the law. As a result, in respect of the corporate portfolio, loans were restructured to the total amount of 109,6 million rubles; overdue debts were repaid to the amount of 25,3 million rubles.

Funds of legal persons :	471
On demand:	262
Term deposits	209
Funds of physical persons:	827
On demand	88
Term deposits	739

Structure of deposit portfolio, million rubles

In 2010, 5 new corporate clients were attracted in connection with loan products, loans and guarantees were issued to the amount of 584,4 million rubles. The small business lending block became a separate line of activity, mortgage lending to the consumers' mass segment, both on the secondary real estate market and on the market of new buildings, was renewed. In Northwest region there was launched a pilot project related to the new retail product "Purpose express-loan for the user's equipment and other goods in the retail network of OJSC MTS.

19 new acquiring agreements were concluded in the course of the work with corporate clients. The volume of bank cards increased by 33%. In the field of information technology, a transition to the centralized system of remote banking "Bank-Client" took place.

North Caucasian federal district

Stavropol branch

Registration date: 13.09.2006

Opening date: 09.10.2006

Location: 299, Lenina Str., Stavropol, 355003

Telephone: (8652) 35-79-90

Director: Alexey Nikolaevich Senokosov

Structure: the Branch includes a supplementary office in Pyatigorsk (registered on 02.10.2007).

	2009	2010	Increment for 2010
Corporate loan portfolio	35,6	397	362
Retail loan portfolio	254	253,3	- 0,7
Portfolio of funds attracted from legal persons	34	200,4	166,4
Portfolio of funds attracted from physical persons	93	97,9	4,9

Основные результаты деятельности, млн рублей

	Size of loan debt	Size of overdue debt	Total size of loan debt
Mortgage lending	31,87	13,71	45,58
Automotive lending	80,02	14,08	94,1
Consumer lending	12,87	9,9	22,77
Credit cards	48,05	42,74	90,8

Structure of retail loan portfolio, million rubles

Funds of legal persons :	200,4
On demand:	77,4
Term deposits	123,0
Funds of physical persons:	97,9
On demand	6,0
Term deposits	91,9

Structure of deposit portfolio, million rubles

According to the Bank's development strategy, the Branch carried out intensive work to increase the corporate loan portfolio and expand the client base.

During 2010, the corporate loan portfolio increased 11 times as much, from 35,6 million to 397,6 million rubles.

Corporate deposit (fixed-term) portfolio increased by 111 million rubles against 2009.

The Branch also performed work not to allow a growth of overdue debts on the granted loans.

2,717 accounts were opened, including 2,102 accounts of physical persons, were opened as at 31.12.2010.

Southern federal district

Branch in Rostov-on-Don

Registration date: 03.11.1995

Opening date: 03.11.1995

Location: 113/2 Lenin Avenue, Rostov-on-Don, 344038

Telephone: (863) 243-06-06

Acting Director: Vitaly Lyubomirovich Mudrik

Structure: the branch includes the supplementary office #5 in Rostov-on-Don (registered on 02.10.2006).

	2009	2010	Increment for 2010
Corporate loan portfolio	127	505	378
Retail loan portfolio	388	268	-120
Portfolio of funds attracted from legal persons	184	212	28
Portfolio of funds attracted from physical persons	154	177	23

Basic performance, million rublesq

	Size of loan debt	Size of overdue debt	Total size of loan debt
Mortgage lending	31	14	45
Automotive lending	50	23	73
Non-purpose consumer lending	97	53	150
Purpose express-loans	0	0	0
Credit cards	61	24	85

Structure of retail loan portfolio, million rubles

Funds of legal persons :	212
On demand:	191
Term deposits	21
Funds of physical persons:	177
On demand	8
Term deposits	169

Structure of deposit portfolio, million rubles

74,5% of the planned targets of the loan portfolio were met in the reporting year. It grew 13 times as much thanks to the attraction of the companies GC "Temp-Avto" (100 million rubles), OJSC "Donavia" (115 million rubles), GC "Slavyane" (205 million rubles) and increase of indebtedness on the loan to GC "Kampay" by 20 million rubles. 4 new clients were attracted in 2010, one client refused to be served at the Bank.

The portfolio is poorly diversified per clients, the portion of one client does not exceed 49%, or 205 million rubles.

The average weighted rate on the loan portfolio makes up 12% as at 01.01.2011.

The portion of loans with tranches of up to one year makes 51%, that of up to three years makes 49%.

The total amount of the received interest and commission incomes of the branch in 2010 was 41 million rubles (62% of which are commission incomes).

In the course of the work to prevent the overdue debt: 27 consumer loans were restructured.

As at the end of the year, 9,145 bank cards were issued, what exceeds by 2,257 a similar indicator of last year (1,775 payroll cards and 482 credit cards). As at 01.01.2011, the total amount of the established credit limits on bank cards makes up 195,7 million rubles, loan indebtedness makes up 67,4 million rubles.

There was performed the work to optimize the location of self-service devices in the territory of Rostov-on-Don and Taganrog. This led to a growth of financial indicators of ATM network activity by 11,835 US dollars during the year (against 2009). Total quantity of ATMs was 27, POS-terminals were 3 as at 01.01.2011.

Krasnodar branch

Registration date: 13.02.2004

Opening date – 13.02. 2004

Location: 353, Severnaya Str., Central district, city of Krasnodar, 350002

Telephone: (861) 255-64-53

Director: Boris Igorevich Goryachy

Structure: the branch includes 7 supplementary offices: Eisky (registered on 08.06.2005), Sochinsky (10.01.2006), Cheremushkinsky (01.10.2007), Novorossiysky (03.05.2006), Yubileiny (23.10.2006), Armavirsky (16.10.2006), and Komsomolsky (16.05.2007).

	2009	2010	Increment for 2010
Corporate loan portfolio	227	272	46
Retail loan portfolio	1061	1104	43
Portfolio of funds attracted from legal persons	573	352	-222
Portfolio of funds attracted from physical persons	480	526	46

Basic performance, million rubles

	Size of loan debt	Size of overdue debt	Total size of loan debt
Mortgage lending	194,04	45,61	243,65
Automotive lending	557,49	45,95	603,44
Non-purpose consumer lending	136,56	120,22	256,78
Purpose express-loans	-	-	-
Credit cards	93 651	16 597	110 248

Structure of retail loan portfolio, million rubles

Funds of legal persons :	316
On demand:	289
Term deposits	27
Funds of physical persons:	526
On demand	1
Term deposits	525

Structure of deposit portfolio, million rubles

In 2010 the branch continued to expand a terminal network. One new ATM and 36 POS-terminals were installed. Now the network consists of 34 ATMs (11 of which are combined with a cash-in option) and 60 POS- terminals.

To optimize expenses in the reporting year, the branch took a number of the measures related to the revision of all budget items of non-operating expenses.

The branch actively increases a volume of currency exchange operations, the total income from which made up 24,4 million rubles in 2010, including that of cash currency of 17,2 million rubles.

Volgograd branch

Registration date: 29.11.2006

Opening date: 12.12.2006

Location: 22, V.I.Lenin Avenue, city of Volgograd, 400131,

Telephone: (8442) 24-22-14

Director: Yury Viktorovich Yelisseyev

Structure: the branch includes a supplementary office in the city of Volzhskiy.

	2009	2010	Increment for 2010
Corporate loan portfolio	215	145	-70
Retail loan portfolio	695	677	-18
Portfolio of funds attracted from legal persons	64	73	9
Portfolio of funds attracted from physical persons	149	170	21

Basic performance, million rubles

	Size of loan debt	Size of overdue debt	Total size of loan debt
Mortgage lending	252	79	331
Automotive lending	118	58	176
Non-purpose consumer lending	7	5	12
Purpose express-loans	4	8	12
Credit cards	80	66	146

Structure of retail loan portfolio, million rubles

Funds of legal persons :	73
On demand:	61
Term deposits	12
Funds of physical persons:	170
On demand	18
Term deposits	152

Structure of deposit portfolio, million rubles

In 2010, the branch applied its main efforts to tackle the issues of reduction of troubled debt and strengthening of the client base:

- the portfolio of troubled debt of legal persons decreased by 18% against 2009;
- a growth of problem loans to physical persons is stopped;
- limits on corporate clients were established to the amount of 324,854 million rubles.

The work related to the attraction of legal persons for settlement and cash services continued. In 2010, the total of 151 accounts of legal persons was opened, and the total quantity of existing accounts was 607. Account remote service agreements with 65 clients were concluded (program "Client – Bank").

967 accounts of physical persons were opened in the reporting year. During 2010, the volume of deposits increased by 15% and made up 152 million rubles.

To optimize expenses for 2011, the branch revised all budget items of non-operating expenses. There were conducted talks with lessors to postpone an increase in the lease payment for premises (in Volgograd and Volzhskiy), what allowed to reduce the budget by 2,5%.

Volga federal district

Saratov branch

Registration date: 07.08.2006

Opening date: 07.08.2006

Location: 120 A, Astrakhanskaya Str., city of Saratov, 410012

Telephone: (8452) 47-34-34

Director: Elena Alexandrovna Gavrikova

Structure: the branch includes 3 operations offices in Samara, Penza and Kazan, a supplementary office in Engels and supplementary office "Mortgage and Retail Centre" in Saratov.

	2009	2010	Increment for 2010
Corporate loan portfolio	430	795	365
Retail loan portfolio	930	716	-214
Portfolio of funds attracted from legal persons	242	66	-176
Portfolio of funds attracted from physical persons	170	221	51

Basic performance, million rubles

	Size of loan debt	Size of overdue debt	Total size of loan debt
Mortgage lending	384	66	450
Automotive lending	87	30	117
Non-purpose consumer lending	13	4	17
Purpose express-loans	8	8	16
Credit cards	87	29	116

Structure of retail loan portfolio, million rubles

Funds of legal persons :	66
On demand:	63
Term deposits	3
Funds of physical persons:	221
On demand	79
Term deposits	142

Structure of deposit portfolio, million rubles

In 2010 the Saratov branch continued to be developed according to the regional strategy of the Bank. Along with attraction of liabilities in the form of account balances, as well as term deposits of legal and physical persons, receipt of commission incomes from banking operations, intensive work not to allow a growth of overdue debts on the granted loans was performed.

Within the year, the branch granted loans to corporate clients to the amount of 424,6 million rubles.

Ufa branch

Registration date: 29.08.2006

Opening date: 29.08.2006

Location: 75, Tsyuryupy Str., city of Ufa, Republic of Bashkortostan, 450000

Telephone: (3472) 93-49-34

Director: Rustem Khabirovich Davletov

Structure: the branch's structure includes 4 supplementary offices: "Severny" in Ufa and supplementary offices in Sterlitamak, Neftekamsk and Tuimazy, as well as 2 operations offices in Orenburg and Izhevsk.

	2009	2010	Increment for 2010
Corporate loan portfolio	599	582	-17
Retail loan portfolio	766	763	-3
Portfolio of funds attracted from legal persons	20 222	9 243	-10 979
Portfolio of funds attracted from physical persons	215	228	13

Basic performance, million rubles

	Size of loan debt	Size of overdue debt	Total size of loan debt
Mortgage lending	200	22	222
Automotive lending	273	52	325
Non-purpose consumer lending	13	10	23
Purpose express-loans	10	10	20
Credit cards	100	73	173

Structure of retail loan portfolio, million rubles

During 2010, the loan portfolio decreased by 17 million rubles (without taking into account the guarantees of loans to legal persons) from 599 million rubles (in 2009) down to 582 million rubles (as at 01.01.2011). This was caused by repayment of the loans granted during 2006-2008 according to the credit policy conducted by the Bank during the crisis period. The total amount of repayments made up 240 million rubles.

In 2010 the branch continued active work to develop and promote the bank cards project. During the year, 31 new payroll projects were concluded, the quantity of existing payroll cards increased by 3,550 against the year 2009.

Funds of legal persons :	9 243
On demand:	600
Term deposits	8 643
Funds of physical persons:	228
On demand	61
Term deposits	167

Structure of deposit portfolio, million rubles

In the course of the fulfillment of the Bank's priority tasks to increase a resource base, the work to attract funds of individuals and corporate clients was brisked up considerably. As a result, balances on the settlement accounts of legal persons increased 5,6 times as much, 28 deposits were renewed and opened to the total amount of 12 million rubles (including 3 VIP- deposits to the total amount of 5,3 million rubles).

Nizhny Novgorod branch

Registration date: 01.11.2006

Opening date: 01.11.2006

Location: 117, M.Gorkogo Str., city of Nizhny Novgorod, 603006

Telephone: (831)299-96-96

Director: Tatyana Vladimirovna Shantseva

Structure: in 2010, the operations office in Kirov was affiliated with the branch.

	2009	2010	Increment for 2010
Corporate loan portfolio	1 149	809	-340
Retail loan portfolio	190	367	177
Portfolio of funds attracted from legal persons	573	750	177
Portfolio of funds attracted from physical persons	394	433	39

Basic performance, million rubles

	Size of loan debt	Size of overdue debt	Total size of loan debt
Mortgage lending	193	8	201
Automotive lending (including collector)	58	27	85
Consumer lending (including collector)	19	25	44
Credit cards	45	18	63

Structure of retail loan portfolio, million rubles

Funds of legal persons :	1 189
On demand	477
Term deposits	712
Funds of physical persons:	605
On demand	76
Term deposits	529

Structure of deposit portfolio, million rubles

In the reporting year, along with attraction of liabilities in the form of account balances, as well as term deposits of legal and physical persons, receipt of commission incomes from banking operations, the branch performed intensive work to control the overdue debt and to attract new corporate clients for lending. In 2010 there were opened credit lines to OJSC "NSK" – 400 million rubles, OJSC FNPTS "NNIIRT" – 200 million rubles, GC "AMICO" – 80 million rubles, GC "Fruktovy Nizhny" – 50 million rubles, FSUP Frunze Factory – 30 million rubles.

In March, 2010 the operations office in Kirov was affiliated with the branch (former credit and cash office of the regional branch). When accepting the loan portfolio on the balance sheet (in 2 stages), the branch created provisions to the amount of more than 65 million rubles.

In 2010, the branch continued active work to develop and promote the bank cards project: 15 payroll projects service agreements were concluded and 1,421 cards were issued. Programs of lending to physical persons (credit cards and mortgage lending) also were renewed.

Urals federal district

Urals branch

Registration date: 20.12.2004

Opening date – 20.12.2004

Location: 5-a, Severny Lane, city of Ekaterinburg, 620014

Telephone: (343) 377-18-10

Director: Alexander Jurievich Kotovich

Structure: the branch includes three supplementary offices - «Tsentralny», «Nizhnetagilsky», «Kamensk-Uralsky» and a stationary workplace in Perm.

	2009	2010	Increment for 2010
Corporate loan portfolio	2 873	2 186	- 687
Retail loan portfolio	1 149	1 397	248
Portfolio of funds attracted from legal persons	213	98	-115
Portfolio of funds attracted from physical persons	277	123	-154

Basic performance, million rubles

	Size of loan debt	Size of overdue debt	Total size of loan debt
Mortgage lending	334	48	382
Automotive lending	182	99	281
Non-purpose consumer lending	51	25	76
Purpose express-loans	37	26	63
Credit cards	138	55	193

Structure of retail loan portfolio, million rubles

Funds of legal persons :	98
On demand	89
Term deposits	9
Funds of physical persons:	123
On demand	5
Term deposits	118

Structure of deposit portfolio, million rubles

At the end of 2010, according to the plans of the Head office, the branch passed to a new staff structure, with a clear division of the functions: «sales» and «servicing».

During the reporting period, more than 2,400 cards were issued; their quantity was 18,704 at the end of the year (including, 15,621 payroll cards and 3,083 credit cards). As at 01.01.2011, the total amount of the established credit limits on bank cards was 464,4 million rubles, loan indebtedness increased by 14% against 2009 and was more than 192 million rubles.

19 companies were involved in cooperation within the payroll projects; trading acquiring agreements with 23 companies were concluded.

Cooperation with the largest enterprises of the Urals region continued to develop, including thanks to the realization of major transactions. There are established the limits of lending to CJSC Russian Copper Company to the amount

of 15 million US dollars and 2,115 million rubles, OJSC Sinara-Development to the amount of 90 million rubles under the program Stimul. The establishment of a limit of lending to Ekaterinburg Commercial and Industrial Company Ltd. to the amount of 200 million rubles led to the expansion of a resource base of the branch thanks to the attraction of the company's suppliers for settlement servicing.

In the course of the work to handle the overdue debt of legal persons, 27 million rubles were repaid thanks to the receipt of money funds from problem borrowers, 204 million rubles were restructured, and 445 million rubles were assigned under assignment agreement. Collateralized property was realized to the amount of 80 million rubles.

Arrangements on joint cooperation with such enterprises, as OJSC UGMK-HOLDING, GC RenovaStroygroup, TPK Ural-Obuv Ltd., OJSC Sinara-Transport Machines, CJSC Stroitelno-Montazhnoye Upravlenie #3», OJSC Sverdlovskavtorodor and others, were reached.

Chelyabinsk branch

Registration date: 08.06.2007

Opening date: 08.06.2007

Location: 38, K. Marx Street, city of Chelyabinsk, 454091,

Telephone: (8351) 239-15-00

Director: Konstantin Vladimirovich Vaganov

The branch has no structural subdivisions.

	2009	2010	Increment for 2010
Corporate loan portfolio	409	2, 667	2, 258
Guarantees issued	15	108	93
Retail loan portfolio	99	120,5	21,5
Volume of created provisions	5,52	16,3	10,8
Portfolio of funds attracted from legal persons	16,8	193,7	176,9
Portfolio of funds attracted from physical persons	27	90,6	63,6

Basic performance, million rubles

	Объем ссудной задолженности	Объем просроченной задолженности	Итоговый объем ссудной задолженности
Mortgage lending	31	3	34
Automotive lending	61	21	82
Non-purpose consumer lending	4	0,67	4,67
Purpose express-loans	0,09	0,06	0,15
Credit cards	17	4	21

Structure of retail loan portfolio, million rubles

Funds of legal persons :	193,7
On demand:	32,2
Term deposits	161,5
Funds of physical persons:	90,6
On demand	0,9
Term deposits	89,7

Structure of deposit portfolio, million rubles

During the reporting period, the volume of the corporate loan portfolio increased by 2,258 million rubles, or 6,5 times as much; the portfolio of guarantees grew 7,2 times as much and made up 108 million rubles. It became possible thanks to the fact that a number of some large new clients were attracted to the Bank, and active cooperation under the projects started in 2009 continued.

OJSC Chelyabinsk Tube-Rolling Plant was attracted for lending; the limit of lending and documentary operations was established to the amount of 2,7 billion rubles. The limit of lending to OJSC Chelyabinsk Radiozavod «Polyot» was established to the amount of 200 million rubles. Arrangements on cooperation prospects in 2011 with the large enterprises of military-industrial complex – GC Electromachina (lending of up to 300 million rubles), OJSC Makeev State Rocket Centre (lending and documentary operations of up to 2 billion rubles) were reached.

There was examined a number of projects under the program of cooperation with the Mortgage Housing Lending Agency “Stimul”. As a result, the largest developer in the South Urals, regional operator of MHLA OJSC “South Urals Housing Construction and Mortgage Corporation” was attracted for lending, the work with which will continue next year.

Passive operations of legal persons in 2010 also developed dynamically. The quantity of used settlement accounts of legal persons, individual businessmen, individuals increased 1,5 times as much; average daily balances on them grew 14 times, up to 78 million rubles a month. Funds on the deposits of legal persons grew 16 times as much, up to 161,5 million rubles.

In 2010 a number of large payroll projects was implemented: GC Optan – Chelyabinsk (165 cards); Sunrise Regiony – Chelyabinsk Ltd. (75 cards), OJSC «CRZ «Polyot» (more than 600 cards, with a prospect of increasing up to 2,000 in 2011). 1,343 payroll cards in total were issued in the accounting year.

The portfolio of debt on credit cards increased 1,5 times as much and made up 21 million rubles

Total quantity of operating terminals was 9, its commission incomes reached 50 thousand rubles a month.

In total, in the reporting year the commission incomes increased up to 1,1 million rubles a month (from 580 thousand rubles in December, 2009).

Optimization of the premises leased by the branch was conducted. Amount of rent payments was lowered more than 2 as little. The general economy of the branch's budget for 2010 made up 39% (25 million rubles).

Tyumen branch

Registration date: 11.10.2007

Opening date: 01.11.2007 (transformed from Tyumen credit and cash office of the Urals branch)

Location: 59, Kharkovskaya Str., city of Tyumen, 625039

Telephone: (3452) 79-04-76

Director: Alexander Jurievich Shveya

Structure: the branch includes two supplementary offices in Surgut and Nizhnevartovsk (both registered on 30.06.09).

	2009	2010	Increment for 2010
Corporate loan portfolio	12,7	528	515
Retail loan portfolio	408	332,4	- 75,6
Portfolio of funds attracted from legal persons	165,9	85,8	- 80,1
Portfolio of funds attracted from physical persons	141	135,3	- 5,7

Basic performance, million rubles

	Size of loan debt	Size of overdue debt	Total size of loan debt
Mortgage lending	143,2	52,3	195,5
Automotive lending	40,4	23,7	64,1
Non-purpose consumer lending	7,4	11,8	19,3
Purpose express-loans	3,5	2,4	5,9
Credit cards	33,0	14,7	47,6

Structure of retail loan portfolio, million rubles

Funds of legal persons :	85,8
On demand:	34,4
Term deposits	51,4
Funds of physical persons:	135,3
On demand	9,9
Term deposits	125,4

Structure of deposit portfolio, million rubles

In 2010 the branch's core activity was aimed at increasing volumes of corporate business, at reducing a level of overdue debts of the Bank's clients and at increasing commission incomes.

During the reporting year, the corporate loan portfolio increased 41 times as much, from 12,7 million to 528 million rubles.

Special attention was given to the attraction of funds of corporate and private clients, development of systems of acceptance of payments and transfers (Western Union; transfers with opening an account and without opening an account; transfers by physical persons to the address of legal persons; safe deposit boxes). Intensive work was performed to prevent the clients' overdue debts: re-structuring, offer of loan up programs, granting of stabilization loans.

Within the whole year, the Tyumen branch actively developed bank card business. The branch increased the number of cardholders by more than 35%; more than 1,200 new payroll cards were issued. Throughout the whole year, the branch was among the best three territorial subdivisions in terms of meeting the planned targets at realization of credit cards.

The Tyumen branch was the first in the Bank to renew the program of lending to small and medium businesses; the first loan to the amount of 0,55 million rubles was granted in Tyumen.

Siberian federal district

Krasnoyarsk branch

Registration date: 12.04.2005

Opening date: 25.05.2005

Location: 120, Lenin Street, Krasnoyarsk, 660017

Telephone: (391)273-01-01

Director: Mikhail Jurievich Belousov

The branch has no structural divisions.

	2009	2010	Increment for 2010
Corporate loan portfolio	449	58	- 391
Retail loan portfolio	189	153	- 36
Portfolio of funds attracted from legal persons	60	53	- 7
Portfolio of funds attracted from physical persons	86	208	122

Basic performance, million rubles

	Size of loan debt	Size of overdue debt	Total size of loan debt
Mortgage lending	49	0	49
Automotive lending	18	15	33
Non-purpose consumer lending	2	13	15
Purpose express-loans	2	0	2
Credit cards	51	35	86

Structure of retail loan portfolio, million rubles

Funds of legal persons :	53
On demand:	53
Term deposits	0
Funds of physical persons:	208
On demand	56
Term deposits	152

Structure of deposit portfolio, million rubles

Total assets of the branch made up 498 million rubles by the end of 2010. Commission profit was 18 million rubles; interest profit was 89 million rubles.

The largest borrower of the branch in 2010 was the building company FSK Monolitinvest Ltd. (loan indebtedness of 371 million rubles, monthly incomes of the branch of 5,5 million rubles).

In the reporting year, retail lending was carried out through the issue of credit cards to clients, holders of payroll cards; 425 cards were issued, 195 cards were granted.

As at 01.01.2011, in the branch there were 55 payroll projects in effect, with 3757 of payroll cards. In addition to the region of presence, the branch has been servicing payroll projects in four regions of MTS (458 cards) and 15 regions of ROSNO (518 cards).

In 2010, 33 realtors, 2 mortgage brokers were involved in the cooperation on the product "Mortgage lending", and 2 appraisers were accredited.

The total quantity of client applications was 51; 28 applications for the amount of 33,595 million rubles were accepted, of which 12 applications for the amount of 13,055 million rubles were approved.

4 loans to the amount of 4,8 million rubles were granted, of which two loans to the amount of 2,9 million rubles were refinanced in MHLA.

Tomsk branch

Registration date: 09.11.2005

Opening date 09.11.2005

Location: 13, Sovpartshkolny Lane, city of Tomsk, 634050

Telephone: (3822) 58-68-91

Director: Chinghis Mametovich Akataev

Structure: the branch includes 3 operations offices in Barnaul, Omsk, Kemerovo and supplementary office #1 in Tomsk. The Kemerovo branch was given a status of operations office of Tomsk branch.

	2009	2010	Increment for 2010
Corporate loan portfolio	811	913	102
Retail loan portfolio	758	811	53
Portfolio of funds attracted from legal persons	494	334	- 160
Portfolio of funds attracted from physical persons	1 140	1 638	498

Basic performance, million rubles

	Size of loan debt	Size of overdue debt	Total size of loan debt
Mortgage lending	284	34	318
Automotive lending	185	60	245
Non-purpose consumer lending	39	48	87
Purpose express-loans	16	1	17
Credit cards	103	41	144

Structure of retail loan portfolio, million rubles

Total assets of the branch made up 4,204 million rubles by the end of 2010. 1,537 accounts were opened to legal persons and individual businessmen as at 31.12.2010.

375 deposits were attracted during the year, the deposit portfolio made up 1,627 million rubles at the end of the year.

Средства юридических лиц:	334
До востребования	304
Срочные	30
Средства физических лиц:	1 638
До востребования	11
Срочные	1 627

Structure of deposit portfolio, million rubles

The branch issued 2,974 international plastic cards, 32 payroll projects with corporate persons were implemented, and 28 acquiring agreements were concluded. 31 ATMs and 92 POS-terminals were installed by the branch at the end of 2010.

Novosibirsk branch

Registration date: 19.01.2009

Opening date 23.01.2009

Location: 12, Krasny Prospect Str., city of Novosibirsk, 630007

Telephone: (383) 325-17-78

Director: Sergey Vladimirovich Gribanov

The branch has no structural subdivisions.

	2009	2010	Increment for 2010
Corporate loan portfolio	692	1 215	523
Retail loan portfolio	424	475	51
Portfolio of funds attracted from legal persons	37	16	- 21
Portfolio of funds attracted from physical persons	18	27	9

Basic performance, million rubles

	Size of loan debt	Size of overdue debt	Total size of loan debt
Mortgage lending	164	66	230
Automotive lending (in- cluding, by the redeemed rights of claim)	76 (57)	60 (157)	245 (87)
Non-purpose consumer lending	1	11	12
Purpose express-loans	0	0	0
Credit cards	31	7	38

Structure of retail loan portfolio, million rubles

Funds of legal persons :	16
On demand:	16
Term deposits	0
Funds of physical persons:	27
On demand	3
Term deposits	24

Structure of deposit portfolio, million rubles

Total assets of the branch reached 2,380 million rubles by the end of 2010.

The branch issued 4,113 bank cards (including, 3,502 payroll cards and 611 credit cards) during the year. At the end of the year, 11 payroll projects (including, these with OJSC MTS, RTK and ROSNO) and 11 acquiring agreements were being serviced. Terminal network consists of 7 ATMs, 14 POS- terminals.

460 accounts of physical persons (including, 53 deposit accounts) were opened.

51 settlement accounts of legal persons and 4 settlement accounts of individual businessmen were opened.

It was received about 18 million rubles of commission and other incomes (except for interest incomes) from servicing physical and legal persons.

8 bank guarantees to the amount of 127 million rubles were issued in 2010.

The total portfolio of loans to legal persons made up 1,215 million rubles (including, 182,4 million rubles in foreign currency). In the reporting year, 5 new borrowers were attracted, thank to which the loan portfolio grew: Vostok Ltd. (430 million rubles), Top Line Ltd. (182,4 million rubles), Kvarsis-Realt Ltd. (157,3 million rubles), Vitta (93,5 million rubles), Sibirskiye Seti Ltd. (85,9 million rubles).

During 2010, there was a decrease in loan indebtedness of Stroyholding Ltd., which is the Bank's client, from 564,5 million rubles at the beginning of the year down to 323,2 million rubles as at 31.12.2010.

During 2010, interest incomes of 116 million rubles in total were received from legal persons under loan agreements. The total amount of interest incomes, both from legal persons and physical persons, made up 151 million rubles.

Geography of activity

Central federal district

Branch situated near Moscow

Krasnogorsk, Odintsovo Vidnoe, Mytishchi, Khimki,
Zelenograd, Ryazan, Voronezh

Northwest federal district

Regional branch in Syktyvkar

Syktyvkar, Ukhta

Northwest branch

St.Petersburg, Kaliningrad

North Caucasian federal district

Stavropol branch

Stavropol, Pyatigorsk

Southern federal district

Branch in Rostov-on-Don

Rostov-on-Don

Krasnodar Branch

Krasnodar, Eisk, Sochi, Novorossisk, Armavir

Volgograd branch

Volgograd, Volzhskiy, Astrakhan

Volga federal district

Saratov branch

Saratov, Samara, Penza, Kazan, Engels

Ufa branch

Ufa, Sterlitamak, Neftekamsk, Tuimazy, Orenburg, Izhevsk

Nizhny Novgorod branch

Nizhny Novgorod, Kirov

Urals federal district

Urals branch

Ekaterinburg, Nizhny Tagil, Kamensk-Uralsky, Perm

Chelyabinsk branch

Chelyabinsk

Tyumen branch

Tyumen, Surgut, Nizhnevartovsk

Siberian federal district

Krasnoyarsk branch

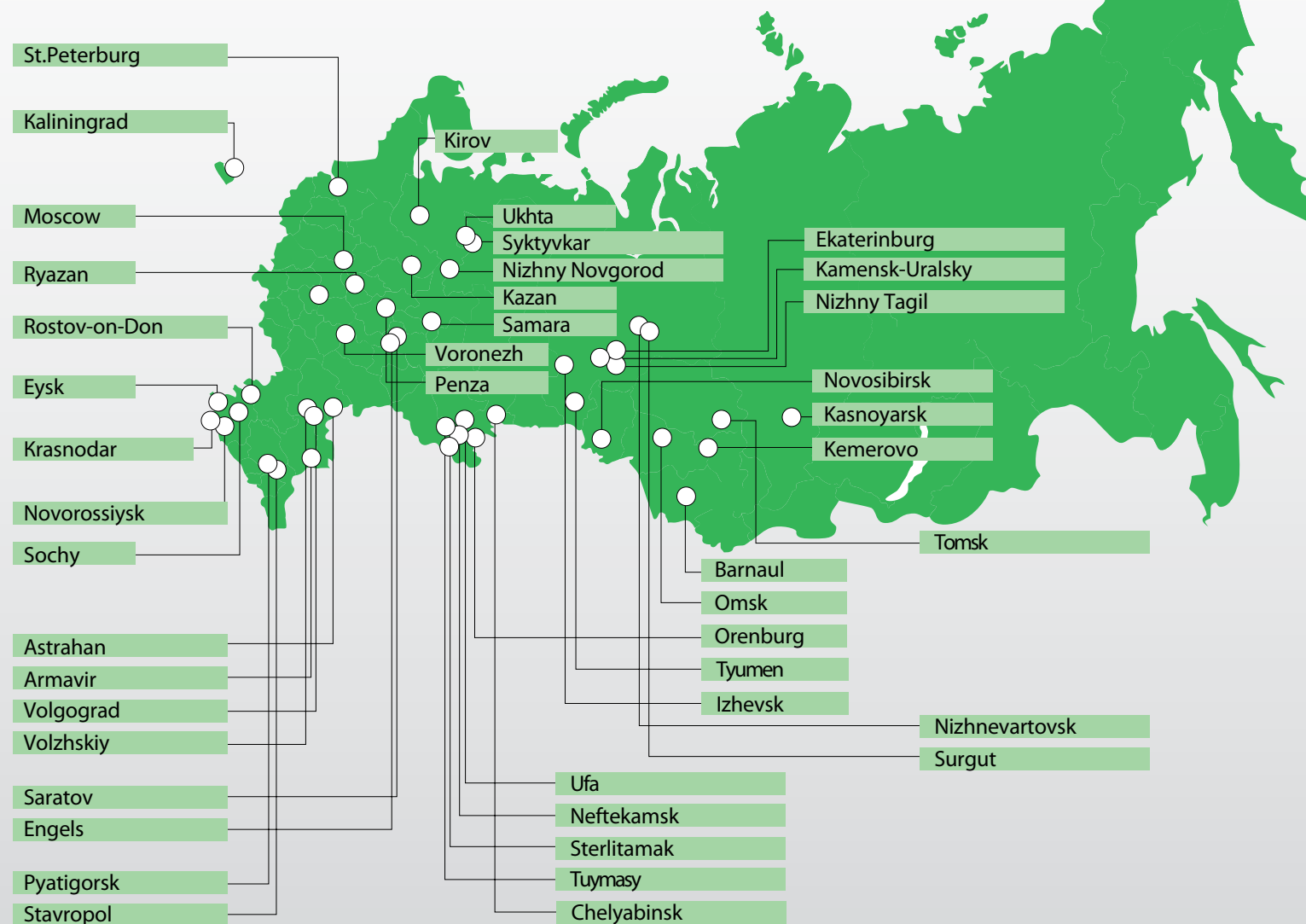
Krasnoyarsk

Tomsk branch

Tomsk, Barnaul, Omsk, Kemerovo

Novosibirsk branch

Novosibirsk



General information about the Bank

GENERAL DATA ON MBRD

Full name: Joint-Stock Commercial Bank "Moscow Bank for Reconstruction and Development» (open joint-stock company)

Short name: MBRD

Address: 75, Sadovnicheskaya Str., Moscow, 115035

Region of Registration: Moscow

Bank Identification Code (BIC): 044525232

Taxpayer Identification Number (TIN): 7702045051

Telephone: +7 (495) 921 28 00. Fax: +7 (495) 232 27 54

e-mail address: mbrd@mbrd.ru

The address of the page in Internet, providing access to the information on the issuer, the securities issued and-or being issued by the issuer: www.mbrd.ru

Date and number of the certificate on the state registration

State registration number: 1027739053704

Date of entering of record in the Uniform State Register of Legal Persons: 08.08.2002

Name of registering body: Moscow Interdistrict Inspection Office #39 of the Taxation Ministry of the Russian Federation

The auditor

Closed joint-stock company Deloitte & Touche CIS

Short name: CJSC Deloitte & Touche CIS

Principal state registration number: 1027700425444

TIN: 7703097990

Licence # E 002417 of 06.11.2002

Licence period of validity: till 06.11.2012

Licence issued by: the Ministry of Finance of the Russian Federation

Full name of Director: David Pearson

Register of owners of nominal securities is maintained by the specialized registrar OJSC Reestr

Location: 3, bldg. 2, Zubovskaya Square, Moscow, 119021

Postal address: 20, bldg. 1, Bolshoi Balkansky Lane, Moscow, 129090

Licence period of validity: unlimited

Licence issued by: Federal Service of the Russian Federation for Financial Markets

Licences:

General banking licence # 2268 issued by the Bank of Russia on November 12, 2002

Licence for conducting banking operations in precious metals # 2268, issued by the Bank of Russia on 12.11.2002

Licence of participant of the securities market for conducting broker activity # 177-04613-100000 of 24.01.2001 (without limitation of the period of activity), issued by the Federal Commission for the Securities Market

Licence of participant of the securities market for conducting securities management activity # 177-04649-001000 of 24.01.2001 (without limitation of the period of activity), issued by the Federal Commission for the Securities Market

Licence of participant of the securities market for conducting depository activity # 177-04660-00100 of 24.01.2001 (without limitation of the period of activity), issued by the Federal Commission for the Securities Market

Licence of participant of the securities market for conducting dealer activity # 177-04635-010000 of 24.01.2001 (without limitation of the period of activity), issued by the Federal Commission for the Securities Market

Licence of exchange intermediary for conducting future and option transactions in exchange trade in the territory of the Russian Federation # 1322 of 19.02.2009 (without limitation of the period of activity), issued by the Federal Service for Financial Markets

Permission # 125 of 01.08.2009 to be entitled to act as guarantor before the customs authorities, issued by the Federal Customs Service of the Russian Federation

Licence for maintenance support of encryption (cryptographic) facilities # LZ # 0009668 of 28.01.2008, issued by the Center of Licensing, Certification and Protection of State Secret of FSB of Russia (for a period till 28.01.2013)

Licence for distribution of encryption (cryptographic) facilities # LZ # 0009669 of 28.01.2008, issued by the Center of Licensing, Certification and Protection of State Secret of FSB of Russia (for a period till 28.01.2013)

Licence for rendering of services in the field of information encryption # LZ # 0009670 of 28.01.2008, issued by the Center of Licensing, Certification and Protection of State Secret of FSB of Russia (for a period till 28.01.2013)

Membership in associations and other unions

Association of Russian Banks (ARB)
National Securities Market Association (NSMA)
Russian National Association of SWIFT members
Russian Europay Members Association
Moscow International Currency Association (MICA)
Northwest Association of Banks
All-Russian Association of Employers «Russian Union of Industrialists and Entrepreneurs»
Visa International Service Association
MasterCard International Incorporated

Contact information and feedback

For more detail information about the Bank's products and services, its activity in the financial market, projects of development and programs of social support, please refer to the web-sites www.mbrr.ru or mbpp.pф.

The Bank adheres to a policy of transparency, we are ready to render information and consulting support to our clients and partners, therefore you can address to us on any questions.

We endeavour to improve constantly quality of the reporting and we will appreciate your expert opinion which is very important and valuable to us.

Please answer the questions of the questionnaire and send it by fax: +7 (495) 232 27 54, or by mail: 75, Sadovnicheskaya Str., Moscow, 115036, MBRD Press Centre

The feedback questionnaire

Report of MBRD about its activity in 2010

1. How do you appreciate the Annual report (according to the five-point system)?

Level of disclosure of the information _____

Actuality and completeness of the information _____

Structure and convenience of search _____

Presentation _____

Design _____

2. Which Section is of greatest interest for you?

3. What information, in your opinion, should be included in the following Annual report?

4. What group do you belong to?

Shareholder _____

Employee _____

Investor _____

Client _____

Representative of state organization or public organization _____

Mass media _____

other _____

5. Your comments

