IMPORTANT NOTICE

IMPORTANT: You must read the following before continuing. The following disclaimer applies to the base prospectus supplement dated 4 November 2010 attached to this electronic transmission (the "**Base Prospectus Supplement**") to the base prospectus dated 24 June 2010 (the "**Base Prospectus**"), and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Base Prospectus Supplement. In accessing the attached Base Prospectus Supplement you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THE ATTACHED BASE PROSPECTUS SUPPLEMENT CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED BASE PROSPECTUS SUPPLEMENT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO A U.S. PERSON, A PERSON IN THE UNITED STATES OR A U.S. ADDRESS, EXCEPT AS OTHERWISE SET FORTH HEREIN. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED TO ACCESS THE ATTACHED BASE PROSPECTUS SUPPLEMENT OR USE IT FOR ANY PURPOSE AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your representation: In order to be eligible to view the attached Base Prospectus Supplement or make an investment decision with respect to the securities described therein, investors must be (i) "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) that are also "qualified purchasers" as defined in Section 2(A)(51) of the U.S. Investment Company Act of 1940, as amended, or (ii) non-U.S. persons (as defined in Regulation S under the Securities Act) outside the United States who are not acting for the account or benefit of U.S. persons. By accessing these materials, you shall be deemed to have represented to us that you (i) are a qualified institutional buyer and a qualified purchaser or (ii) are outside the United States and are not a U.S. person and are not acting for the account or benefit of a U.S. person.

The Base Prospectus Supplement may only be provided to persons in the United Kingdom in circumstances where Section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer.

The Base Prospectus and the related Base Prospectus Supplement, prepared pursuant to the Prospectus (Directive 2003/71/EC) Regulations 2005, will be available from the registered office of the Issuer and the website of the Central Bank of Ireland (the "**Central Bank**").

The securities described in the attached Base Prospectus Supplement are not eligible for placement and circulation in the Russian Federation unless and to the extent otherwise permitted by Russian law. The information provided in this Base Prospectus Supplement is not an offer, or an invitation to make offers, sell, exchange or otherwise transfer Notes in the Russian Federation or to or for the benefit of any Russian person or entity.

You are reminded that you are accessing the attached Base Prospectus Supplement on the basis that you are a person by whom the attached Base Prospectus Supplement may be lawfully accessed in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the attached Base Prospectus Supplement to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and the underwriters or any affiliate of the underwriters is a licenced broker or dealer in the relevant jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of VEB Finance Limited in such jurisdiction.

The attached Base Prospectus Supplement has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, neither State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)", VEB Finance Limited, nor the Dealers or the Arrangers (each as defined in the Base Prospectus), nor any person who controls any of them, nor any director, officer, employee or agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between this Base Prospectus Supplement distributed to you in electronic format and the hard copy version available to you on request from State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)", VEB Finance Limited or any Dealer or Arranger.

BASE PROSPECTUS SUPPLEMENT
Dated 4 November 2010

VNESHECONOMBANK

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

U.S.$30,000,000,000

Programme for the Issuance of Loan Participation Notes

to be issued by, but with limited recourse to,

VEB Finance Limited

for the purpose of financing loans to

State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)"

This base prospectus supplement (the "**Base Prospectus Supplement**") is prepared in connection with the U.S.$30,000,000,000 Programme for the Issuance of Loan Participation Notes (the "**Programme**") to be issued by, but with limited recourse to, VEB Finance Limited (the "**Issuer**") for the purpose of financing loans to State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" ("**VEB**") and is supplemental to, and should be read in conjunction with, the base prospectus dated 24 June 2010 (the "**Base Prospectus**"). Capitalised terms used, but not otherwise defined in this Base Prospectus Supplement, shall have the meanings ascribed thereto in the Base Prospectus.

The Base Prospectus Supplement has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under the Directive 2003/71/EC (the "**Prospectus Directive**"). The Central Bank only approves this Base Prospectus Supplement as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. This Base Prospectus Supplement constitutes a base prospectus supplement for the purposes of the Prospectus Directive. This Base Prospectus Supplement constitutes neither an offer to sell nor a solicitation of an offer to buy any Notes by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

Noteholders will be deemed to have accepted and agreed that they will be relying solely on the credit and financial standing of VEB in respect of the payment obligations of the Issuer under any Notes. **AN INVESTMENT IN NOTES INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" IN THE BASE PROSPECTUS.**

THE NOTES AND THE CORRESPONDING LOANS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")). THE NOTES MAY BE OFFERED AND SOLD (I) WITHIN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS ("**QIBS**"), AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**"), THAT ARE ALSO QUALIFIED PURCHASERS ("**QPS**"), AS DEFINED IN SECTION 2(A)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"), IN RELIANCE ON THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144A (THE "RULE 144A NOTES"); AND (II) TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S (THE "**REGULATION S NOTES**"). THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF RULE 144A NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. THE NOTES ARE NOT ELIGIBLE FOR PLACEMENT AND CIRCULATION IN THE RUSSIAN FEDERATION UNLESS AND TO THE EXTENT OTHERWISE PERMITTED BY RUSSIAN LAW. THE INFORMATION PROVIDED IN THIS BASE PROSPECTUS SUPPLEMENT IS NOT AN OFFER, OR AN INVITATION TO MAKE OFFERS, TO SELL, EXCHANGE OR OTHERWISE TRANSFER NOTES IN THE RUSSIAN FEDERATION OR TO OR FOR THE BENEFIT OF ANY RUSSIAN PERSON OR ENTITY. FOR A DESCRIPTION OF THESE AND CERTAIN OTHER RESTRICTIONS, SEE "SUBSCRIPTION AND SALE" AND "TRANSFER RESTRICTIONS" IN THE BASE PROSPECTUS.

The purpose of this Base Prospectus Supplement is to reflect certain recent developments in relation to VEB. The information included in this Base Prospectus Supplement is intended to supplement, and to the extent it is inconsistent therewith replace, the information about the Programme and VEB contained in or incorporated by reference into the Base Prospectus.

Save as disclosed in this Base Prospectus Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of the Notes issued under the Programme since the publication of the Base Prospectus.

Each of the Issuer and VEB accepts responsibility for the information contained in this Base Prospectus Supplement. To the best of the knowledge and belief of each of the Issuer and VEB (having taken all reasonable care to ensure that such is the case), the information contained in the Base Prospectus, as supplemented by this Base Prospectus Supplement, is in accordance with the facts and does not omit anything likely to affect the import of such information. VEB's legal name is State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)". VEB's registration number is 1077711000102 and the address of its registered office is 9 Akademika Sakharova, Moscow B-78, GSP-6, 107996, Russian Federation. The telephone number of the registered office is +7 (495) 721 98 40. The Issuer's legal name is VEB Finance Limited. The Issuer is registered in Ireland under registration number 481529 and its registered address is 53 Merrion Square, Dublin 2, Ireland. The Issuer's telephone number is +353 1 614 6240.

This Base Prospectus Supplement does not constitute an offer of, or an invitation by or on behalf of, the Issuer, VEB, the Group, the Trustee, any Swap Counterparty, any Agent, the Dealers or the Arrangers (each as defined in the "*Overview of the Programme*" in the Base Prospectus) to subscribe for or purchase any of the Notes.

This Base Prospectus Supplement is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

The distribution of the Base Prospectus or this Base Prospectus Supplement and the offer or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus Supplement or the Base Prospectus comes are required by the Issuer, VEB, the Group, the Trustee, any Swap Counterparty, the Agents, the Dealers and the Arrangers to inform themselves about, and to observe, any such restrictions. Further information with regard to restrictions on offers and sales of the Notes and the distribution of the Base Prospectus, as supplemented by this Base Prospectus Supplement, is set out under "*Subscription and Sale*" in the Base Prospectus.

No person is authorised to provide any information or make any representation not contained in the Base Prospectus, as supplemented by this Base Prospectus Supplement, and any information or representation not contained in the Base Prospectus, as so supplemented by this Base Prospectus Supplement, must not be relied upon as having been authorised by or on behalf of the Issuer, VEB, the Group, the Trustee, any Swap Counterparty, any Agent, any of the Dealers or the Arrangers or any of their respective directors, affiliates, advisors or agents. The delivery of the Base Prospectus or this Base Prospectus Supplement at any time does not imply that the information contained in it is correct as at any time subsequent to its date. The websites of VEB and its subsidiaries do not form any part of the contents of the Base Prospectus or this Base Prospectus Supplement.

Neither the delivery of this Base Prospectus Supplement nor the offer, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer, VEB or the Group since the date of this Base Prospectus Supplement.

None of the Issuer, VEB, the Group, the Trustee, any Swap Counterparty, any Agent, the Dealers or the Arrangers, nor any of their respective representatives, directors, affiliates, advisors or agents, is making any representation to any offeree or purchaser of Notes regarding the legality of an investment by such offeree or purchaser under relevant investment or similar laws. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of its purchase of Notes.

Prospective purchasers must comply with all laws that apply to them in any place in which they buy, offer or sell any Notes or possess the Base Prospectus or this Base Prospectus Supplement. Any consents or approvals that are needed in order to purchase any Notes must be obtained. None of the Issuer, VEB, the Group, the Trustee, the Agents, the Dealers and the Arrangers, nor any of their respective directors, affiliates, advisors or agents, are responsible for compliance with these legal requirements. The appropriate characterisation of any Notes under various legal and investment restrictions, and thus the ability of investors subject to these restrictions to purchase such Notes, is subject to significant interpretative uncertainties. No representation or warranty is made as to whether or the extent to which any Notes constitute a lawful investment for investors whose investment power is subject to legal restrictions. Such investors should consult their legal advisers regarding such matters.

Any investment in Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Central Bank. The Issuer is not and will not be regulated by the Central Bank as a result of issuing the Notes.

In connection with the issue of Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) in the relevant Final Terms (the "**Stabilising Manager**"), or persons acting on behalf of the Stabilising Manager, may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that such Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake such stabilisation actions. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of relevant Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date of such Notes and 60 days after the date of allotment of such Notes. Any stabilisation action or over-allotment shall be conducted in accordance with all applicable laws and rules.

NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE BY THE TRUSTEE, ANY AGENT, THE DEALERS OR THE ARRANGERS OR ANY OF THEIR RESPECTIVE DIRECTORS, AFFILIATES, ADVISORS OR AGENTS AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH IN THE BASE PROSPECTUS, AS SUPPLEMENTED BY THIS BASE PROSPECTUS SUPPLEMENT, AND NOTHING CONTAINED IN THE BASE PROSPECTUS, AS SUPPLEMENTED BY THIS BASE PROSPECTUS SUPPLEMENT, IS, OR SHALL BE RELIED UPON AS, A PROMISE OR REPRESENTATION, WHETHER AS TO THE PAST OR THE FUTURE. NONE OF THE DEALERS OR THE ARRANGERS ASSUMES ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THE BASE PROSPECTUS, AS SUPPLEMENTED BY THIS BASE PROSPECTUS SUPPLEMENT.

EACH PERSON CONTEMPLATING MAKING AN INVESTMENT IN ANY NOTES ISSUED UNDER THIS PROGRAMME FROM TIME TO TIME MUST MAKE ITS OWN INVESTIGATION AND ANALYSIS OF THE CREDITWORTHINESS OF THE ISSUER, VEB AND THE GROUP AND ITS OWN DETERMINATION OF THE SUITABILITY OF ANY SUCH INVESTMENT, WITH PARTICULAR REFERENCE TO ITS OWN INVESTMENT OBJECTIVES AND EXPERIENCE AND ANY OTHER FACTORS WHICH MAY BE RELEVANT TO IT IN CONNECTION WITH SUCH INVESTMENT.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE NOTES OR THE ACCURACY OR THE ADEQUACY OF THE BASE PROSPECTUS, AS SUPPLEMENTED BY THIS BASE PROSPECTUS SUPPLEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("**RSA 421-B**") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENCED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

TABLE OF CONTENTS

PRESENTATION OF FINANCIAL INFORMATION

The presentation of certain information in the Unaudited Interim IFRS Financial Statements and the notes thereto differs from the 2009 IFRS Financial Statements in line with VEB's decision to present its financial statements in a manner more consistent with the financial statement disclosure followed by large Russian banking institutions. The new presentation is consistent with IFRS and VEB intends to follow this presentation in the preparation of its IFRS financial statements as at future dates and for the related periods then ended. Although such presentation, in some respects, includes less detailed information than the 2009 IFRS Financial Statements, VEB believes that the Unaudited Interim IFRS Financial Statements nevertheless contain all information necessary for investors to obtain an informed understanding of VEB's financial condition and results of operations.

RECENT DEVELOPMENTS

The statements in this section contain forward-looking statements, which involve risks and uncertainties. Forward-looking statements speak only as at the date on which they are made and represent, in each case, only one of many possible scenarios, which should not be viewed as the most likely or standard scenario. The results anticipated by forward-looking statements will not necessarily be achieved, and such results may vary materially as a result of many factors, including, but not limited to, those described under "Forward-Looking Statements" in the Base Prospectus. Given the related risks and uncertainties attaching to such statements, investors should not rely on forward-looking statements as a prediction of actual results. See also "Forward-Looking Statements" and "Risk Factors" in the Base Prospectus.

Since 24 June 2010, VEB has continued to refocus on its core development banking activities. In parallel, as the global financial crisis has eased and the Russian economy has shown signs of improvement and increased stability, VEB has ceased to provide new recovery finance and has reduced its exposure to borrowers who had received recovery finance pursuant to programmes established by VEB under the Financial System Support Law. The following sets forth certain key recent developments affecting VEB's business, financial condition, results of operations and prospects, including information regarding certain new projects and investments.

GENERAL

On 15 July 2010, the 2007 Memorandum, which defines VEB's core operations, investment and financial priorities, borrower limits and underlying principles for financing activities as the principal development bank of the Russian Federation, was extended on its existing terms for an additional three years, expiring in July 2013, by the Directive of the Government of the Russian Federation No. 1170-r dated 15 July 2010 ("**Directive 1170-r**"). All references in this Base Prospectus Supplement to the 2007 Memorandum refer to the 2007 Memorandum as so extended by Directive 1170-r.

On 14 June 2010, VEB opened a representative office in Paris, France. In August 2010, VEB opened a representative office in Ekaterinburg (Russia) and, in September 2010, VEB opened a representative office in Pyatigorsk (Russia).

VEB AS THE DEVELOPMENT BANK OF THE RUSSIAN FEDERATION

Investment Lending and Project Finance – Acting as Lender or Equity Investor in Investment Projects

Certain Investment Projects

Since 24 June 2010, VEB has continued to finance strategically important, large-scale projects. The most significant new projects currently being financed by VEB through debt include:

- On 27 July 2010, VEB amended its agreement initially entered into on 18 September 2009 (See "*Description of VEB's Business—VEB as the Development Bank of the Russian Federation—Investment Lending and Project Finance—Acting as Lender or Equity Investor in Investment Projects—Certain Significant Investment Projects*" in the Base Prospectus") with Tobolsk-Polymer LLC, a subsidiary of OJSC SIBUR Holding, to finance the construction of facilities for the production of polypropylene in the city of Tobolsk in the Tyumen region. Under the amended agreement, VEB has committed to lend U.S.$1,220 million over a period of 13 years and six months. On the same date, VEB also entered into a separate agreement with Tobolsk-Polymer LLC, under which VEB committed to lend an additional U.S.$221 million over a period of nine years for the same purpose, thus committing to lend a total amount of U.S.$1,441 million, to finance this project. The loans to Tobolsk-Polymer LLC are funded on a matching basis pursuant to three facility agreements entered into by VEB with a syndicate of international banks. See "*Certain Statistical Data and Other Information—Sources of Funding—Bilateral and Syndicated Loans*" in this Base Prospectus Supplement;

- On 30 July 2010, VEB entered into three separate agreements with OJSC "Khabarovsky NPZ", pursuant to which VEB has committed to lend U.S.$240 million due 30 January 2023, U.S.$239 million due 10 June 2022 and EUR 218 million due 10 June 2022, respectively, in each case, to finance the reconstruction and modernisation of the borrower's oil refinery facilities;

- On 30 July 2010, VEB entered into agreements with Joint Venture Arkaim LLC, pursuant to which VEB has committed to lend EUR 276,538,000 due 30 October 2019, to finance the construction of a timber processing plant in the Khabarovsk region;

- VEB has purchased promissory notes of a major Russian investment group, on 21 April 2010, in the aggregate amount of U.S.$102 million due 21 April 2013 and, on 18 August 2010, in the aggregate amount of U.S.$250 million due 29 December 2011, the proceeds from the sale of which are being applied to finance the construction of certain facilities for the 2014 Winter Olympics;

- On 27 September 2010, VEB entered into an agreement with OAO "Proizvodstvennoe Ob'edinenie Vodokanal Goroda Rostov na Donu", pursuant to which VEB has committed to lend RUB 4,180 million due 2 December 2022, to finance construction and reconstruction of water supply and drainage facilities in Rostov-on-Don;

- On 28 September 2010, VEB entered into a credit agreement with Gazprom Investproject LLC, a subsidiary of OAO Gazprom, pursuant to which VEB has committed to lend RUB 19,450 million due 20 November 2025, to finance the construction of a thermal power station in Adler, Russia, which will become the largest source of electric and thermal energy to the Olympic facilities during the 2014 Winter Olympics in the city of Sochi; and

- On 8 October 2010, VEB entered into an agreement with CJSC GSR TES, pursuant to which VEB has committed to lend RUB 4,900 million due 20 December 2024, to finance the construction of a "combined cycle" power generation plant in the Kolpinsky district of St. Petersburg.

VEB has also continued to support the development of infrastructure projects through equity participations. Most recently, VEB has made the following equity investment:

- On 5 July 2010, VEB purchased 440,000,000 ordinary registered shares of CJSC "Terminal Vladivostok" for an aggregate total amount of RUB 440 million in an additional share issue, resulting in an ownership interest of 48.62%, in order to provide equity finance for the construction of a new airport complex at Vladivostok International Airport.

Support of the Russian Export Sector and Foreign Trade Activities of Russian Companies

Pre-export Financing – Russian Export Credit Agency

On 28 July 2010, VEB's Supervisory Board approved the establishment of the Russian Export Credit Agency as a wholly owned subsidiary of VEB with a capitalisation of RUB 30 billion. The stated objective of the Russian Export Credit Agency is to promote the Russian export market by providing credit insurance and guarantees to Russian exporters with the support of the State. The new Russian Export Credit Agency will be established only after the adoption of amendments to existing Russian federal laws to authorise the functions necessary for the implementation of the Agency's stated objectives, including authority for the State to issue supporting guarantees. VEB expects to fund its capital contribution to the Russian Export Credit Agency out of gains on the sale of securities from VEB's securities portfolio.

Agreements with International Financial Institutions, Foreign States, Regional Governments of the Russian Federation and Commercial Entities

On 23 June 2010, VEB entered into an agreement with Eurasian Development Bank and AO "Stantsia Ekibastuzskaya GRES-2", pursuant to which VEB has committed to lend RUB 12,000 million over a period of 15 years, to finance the construction of a third power-generating unit of Ekibastuzsk power station (No. 2) in Kazakhstan, which is being built pursuant to an agreement between the Government of Kazakhstan and the Russian Government.

KEY STATE-OWNED VEHICLE FOR THE STABLISATION OF THE RUSSIAN ECONOMY AND FINANCIAL SYSTEM

Recovery Finance

VEB has continued to play a role in assisting in the recovery of certain Russian banks and financial institutions and corporate entities, whose financial sustainability was affected in the global financial crisis, including in particular banks and financial institutions and companies deemed by the Russian Government to be strategically important to the Russian banking system and economy. As the global financial crisis has eased and the Russian economy has shown signs of improvement and increased stability, however, VEB has ceased to provide new recovery finance, while also reducing its exposure to borrowers who had received recovery finance pursuant to programmes established by VEB under the Financial System Support Law. VEB has also repaid a significant portion of the matching funding, which had been provided by the CBR and the Russian Government (including funds of the NWF) to support VEB in its role as one of the key State-owned vehicles for the stabilisation of the Russian economy and financial system under the Financial System Support Law. See "—*Refinancing of Foreign Loans*" below.

Subordinated Loans

VEB continues to hold the unsecured subordinated loans, which it extended, on a fully match-funded basis, to qualifying banks requiring capital adequacy support under the Financial System Support Law in 2008 and 2009. In accordance with amendments to the Financial System Support Law adopted on 27 July 2010, and the respective decision of VEB's Supervisory Board, the interest rates VEB charges on these subordinated loans were lowered from 8.0% to 6.5% and from 9.5% to 7.5%. At the time these rates were lowered, the interest rates for the deposits received from the Ministry of Finance of the Russian Federation (comprised of funds of the NWF) and comprising the matching funding for the subordinated loans were also lowered from 7.0% to 6.25% and 8.5% to 7.25%. Overall, the net interest margin on VEB's subordinated loans to qualifying borrowers under the Financial System Support Law has decreased.

Since 24 June 2010, VEB has also made financing available on a subordinated basis to certain of its existing borrowers, including the following:

- On 20 August 2010, VEB restructured an outstanding U.S.$1,000 million loan to Prominvestbank, which was scheduled to mature in 2012, into two separate loans, including a loan in the amount of U.S.$300 million on a subordinated basis due 2020 and a loan in the remaining amount of U.S.$700 million under a standard revolving credit facility due 2013; and

- On 29 September 2010, VEB restructured an outstanding RUB 9.0 billion loan to RBD into a subordinated loan due 2020.

Refinancing of Foreign Loans

As at 2 October 2010, all of the back-to-back (recovery) finance loans provided by VEB pursuant to the Financial System Support Law to refinance foreign loans of Russian corporate borrowers have been repaid, including the following loans which were repaid after 24 June 2010:

- On 26 August 2010, Eco Telecom repaid in full the recovery finance loan provided to it by VEB in the amount of U.S.$1,507 million (including all accrued interest);

- In July and August 2010, Gazpromneft repaid in full the recovery finance loans provided to it by VEB in the aggregate amount of U.S.$757 million (including all accrued interest); and

- On 1 October 2010, UC RUSAL repaid in full the recovery finance loan provided to it by VEB in the amount of U.S.$4,617 million (including all accrued interest), in a refinancing transaction pursuant to which, at the request of UC RUSAL, VEB provided a guarantee (with primary liability) in the amount of U.S.$2,250 million, with the benefit of certain collateral and subject to other contractual arrangements between VEB and the beneficiary of the guarantee, which could, in certain circumstances, result in VEB becoming subject to a significantly higher exposure, although if VEB were subject to such higher exposure, it would have the benefit of a commensurate increase in collateral.

Upon repayment of these remaining back-to-back (recovery) finance loans, VEB repaid the corresponding deposits, in an aggregate amount of U.S.$6,911 million, received from the CBR under the Financial System Support Law, which VEB had the right to utilise solely to provide such loans, following which VEB had returned 100% of the matching funding provided by the CBR to support VEB's recovery finance lending activities. As a consequence of the repayment of such back-to-back (recovery) finance loans, it is expected that, at least in the short term, VEB's net interest margin may decrease. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Primary Factors Affecting VEB's Results of Operations and Capital Structure—Changes in the Mix of Business Activities*" in this Base Prospectus Supplement.

Equity Investments

On 6 July 2010, VEB paid RUB 5,000 million for an additional 49,999,405 ordinary registered shares of GLOBEXBANK, following which VEB's ownership interest in the charter capital of GLOBEXBANK increased to 99.2% from 98.9%.

In addition, VEB has, upon the proposal of the Russian Government, acquired shares in certain Russian entities considered to have strategic importance to the Russian economy, including, during the first half of 2010, UC RUSAL (in its initial public offering), JSC "United Aircraft Corporation" and JSC "Inter RAO UES" and, in 2009, OJSC "Rostelecom". VEB intends to hold these securities as long-term investments. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations for the Six-month Periods ended 30 June 2010 and 2009—Non-Interest Income*" in this Base Prospectus Supplement.

Support for the Russian Stock Market and Securities Market Operations

As the Russian securities market has continued to improve and prices on corporate shares of Russian blue-chip companies have begun to recover and stabilise with the easing of the global financial crisis, subject to market conditions and its responsibility not to disrupt the normal operations of the securities market, and in line with VEB's mandate to focus on its core development banking activities rather than securities trading and investment operations, VEB has sold down many of its equity positions in Russian blue-chip companies. VEB continues to hold the portfolio of bonds it acquired in connection with its activities to support the Russian securities market. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations for the Six-month Periods ended 30 June 2010 and 2009—Non-Interest Income—Gains Less Losses from Securities*" in this Base Prospectus Supplement.

CAPITALISATION

In accordance with the Development Bank Law, VEB's charter capital is formed from: (i) assets of Vnesheconombank of the USSR; (ii) the shares of RBD and ROSEXIMBANK previously owned by the Russian Government; and (iii) other assets contributed by the Russian Government. The following table sets forth VEB's unaudited consolidated capitalisation as at 30 June 2010, which has been derived from VEB's unaudited condensed consolidated financial statements as at and for the six months ended 30 June 2010 (which include comparative data as at and for the six months ended 30 June 2009), and the related notes thereto, prepared in accordance with IFRS (the "**Unaudited Interim IFRS Financial Statements**") and included elsewhere in this Base Prospectus Supplement. For further information regarding VEB's financial condition, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" in this Base Prospectus Supplement, as well as the Unaudited Interim IFRS Financial Statements.

	As at 30 June 2010	
	(U.S.$ millions)[1]	*(RUB millions)*
	(Unaudited)	
Long-term debt[2]		
Senior long-term debt	25,477	794,879
Total long-term debt	25,477	794,879
Equity		
Charter capital	12,259	382,489
Accumulated deficit	349	10,883
Unrealised gains/(losses) on investment securities available for sale	1,445	45,083
Foreign currency translation reserve	33	1,023
Equity attributable to the Russian Government	14,086	439,478
Non-controlling interests	60	1,885
Total equity	**14,146**	**441,363**
Total capitalisation	**39,623**	**1,236,242**

Notes:

(1) For convenience, these figures have been translated into U.S.$ at the RUB/U.S.$ exchange rate published by the CBR as at 30 June 2010, which was RUB 31.20 per U.S.$1.00. Such translation is not reflective of a translation in accordance with IFRS and it should not be construed as a representation that the Rouble amounts have been or could be converted into U.S. Dollars at this rate or any other rate.

(2) Long-term debt includes only amounts due to credit institutions, due to the Russian Government and due to the CBR and debt securities issued, all with remaining contractual maturities of over one year, except that long-term debt also includes amounts due to the CBR of RUB 201,898 (U.S.$6,471 million) with contractual maturities of less than one year as at 30 June 2010, which VEB anticipated would be (and which were) rolled-over after 30 June 2010 to maturities of over one year.

Except as described below, there have been no material changes in VEB's capitalisation since 30 June 2010.

Since 30 June 2010, VEB has incurred the following long-term debt:

- On 2 July 2010, VEB entered into three separate facility agreements, each with a syndicate of leading international banks, pursuant to which VEB has obtained additional funding in the aggregate amount of U.S.$907 million for its commitments to Tobolsk-Polymer LLC, a subsidiary of OJSC SIBUR Holding, to finance the construction of facilities for the production of polypropylene in the city of Tobolsk. See "*Recent Developments—VEB as the Development Bank of the Russian Federation—Investment Lending and Project Finance—Acting as Lender or Equity Investor in Investment Projects—Certain Investment Projects*" and "*Certain Statistical Data and Other Information—Sources of Funding—Bilateral and Syndicated Loans*" in this Base Prospectus Supplement. These facilities are supplemental to the syndicated loan facility entered into by VEB with the same syndicate of lenders, in the aggregate principal amount of U.S.$534 million for the same purpose. See "*Description of VEB's Business—VEB as the Development Bank of the Russian Federation—Acting as Lender or Equity Investor in Investment Projects—Certain Significant Investment Projects*" in the Base Prospectus. The respective principal terms of the three new facilities are as follows:
  - a facility agreement for U.S.$686 million maturing on 31 May 2019;
  - a facility agreement for U.S.$97 million maturing on 30 November 2013; and

- a facility agreement for U.S.$124 million maturing on 30 November 2013;

- On 9 July 2010, U.S.$1.0 billion 6.902% Notes due 2020 were issued under this Programme and, on 22 July 2010, a further U.S.$600 million 6.902% Notes due 2020 were issued under this Programme, which were consolidated to form a single series;

- On 22 July 2010, GLOBEXBANK placed Rouble-denominated bonds on the Moscow Interbank Stock Exchange with a nominal value of RUB 5,000 million and with a final maturity in July 2013;

- On 12 October 2010, VEB entered into a multi-sourcing general purpose line of credit agreement with ING Bank N.V. and ING Belgium N.V./S.A. for an aggregate amount of EUR 100 million with a maturity of 24 months;

- On 22 October 2010, VEB entered into three separate facility agreements, each with a syndicate of leading international banks, pursuant to which VEB has obtained funding in the aggregate amount of U.S.$770.5 million for its commitments to OJSC "Khabarovsky NPZ" to finance Khabarovsk Oil Refinery's reconstruction. See "*Recent Developments—VEB as the Development Bank of the Russian Federation—Investment Lending and Project Finance—Acting as Lender or Equity Investor in Investment Projects—Certain Investment Projects*" and "*Certain Statistical Data and Other Information—Sources of Funding—Bilateral and Syndicated Loans*" in this Base Prospectus Supplement. The respective principal terms of the three new facilities are as follows:

    - a facility agreement for EUR 218 million with a final maturity on 10 June 2022;

    - a facility agreement for U.S.$239 million with a final maturity on 10 June 2022; and

    - a facility agreement for U.S.$240 million maturing on 30 January 2023;

- On 26 October 2010, VEB placed Rouble-denominated notes in two issues, with one issue for RUB 15,000 million in aggregate principal amount of notes bearing interest at 6.9% per annum and maturing in 2020, subject to early redemption at the option of the holders of the relevant notes under certain circumstances after three years; and the other issue for RUB 10,000 million in aggregate principal amount of notes bearing interest at 7.9% per annum and maturing in 2020, subject to early redemption at the option of the holders of the relevant notes under certain circumstances after seven years; and

- On 3 November 2010, VEB entered into a German financing (Schuldscheindarlehen) in the aggregate principal amount of U.S.$115.0 million.

Since 30 June 2010, following the repayment of back-to-back (recovery) finance loans extended by VEB under the Financial System Support Law, VEB has repaid deposits received from the CBR in an aggregate amount of U.S.$6,911 million (including all accrued interest) that VEB had utilised to provide such recovery finance. See "*Recent Developments—Key State-Owned Vehicle for the Stabilisation of the Russian Economy and Financial System—Recovery Finance—Refinancing of Foreign Loans*" in this Base Prospectus Supplement.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

VEB's selected consolidated financial information presented below has been prepared in accordance with IFRS and derived from the Unaudited Interim IFRS Financial Statements and should be read in conjunction with the Unaudited Interim IFRS Financial Statements and with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Base Prospectus Supplement.

Selected Statement of Income Data	**For the six-month period ended 30 June**		
	2010	**2010**	**2009 (restated)**
	(U.S.$ millions) [1]	*(RUB millions)*	*(RUB millions)*
		(Unaudited)	
Interest income	2,424	72,891	65,683
Interest expense	(1,342)	(40,357)	(41,484)
Net interest income	1,082	32,534	24,199
Provision for impairment of interest earning assets	(444)	(13,340)	(42,963)
Net interest income after provision for impairment of interest earning assets	**638**	**19,194**	**(18,764)**
Net fee and commission income	**94**	**2,820**	**2,679**
Gains less losses arising from financial instruments at fair value through profit or loss	1	28	10,322
Gains less losses from investment securities available for sale	129	3,890	(4,804)
Net gains/(losses) from foreign currencies:			
- dealing	45	1,342	3,401
- translation differences	(30)	(902)	3,414
Gains on initial recognition of financial instruments	—	—	7,778
Share in net income / (loss) of associates	(1)	(42)	40
Excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost	—	—	23,375
Dividends	9	284	424
Other operating income	36	1,093	1,125
Non-interest income / (expenses)	**189**	**5,693**	**45,075**
Non-interest expenses	**(361)**	**(10,852)**	**(10,926)**
Income / (loss) before income tax	**560**	**16,855**	**18,064**
Income tax benefit / (expense)	(54)	(1,639)	137
(Loss) / income after taxation from continued operations	**506**	**15,216**	**18,201**
Loss from discontinued operations	(32)	(968)	—
Net income / (loss) for the period	**474**	**14,248**	**18,201**

Note:

(1) For convenience, these figures have been translated into U.S.$ at the average daily RUB/U.S.$ exchange rates published by the CBR for the first six months of 2010, which was RUB 30.0686 per U.S.$1.00. Such translation is not reflective of a translation in accordance with IFRS and it should not be construed as a representation that the Rouble amounts have been or could be converted into U.S. Dollars at this rate or any other rate.

Selected Statement of Financial Position Data	As at 30 June		As at 31 December	
	2010	**2010**	**2009**	**2009**
	(U.S.$ millions)(1)	*(RUB millions*	*(U.S.$ millions)* (2)	*(RUB millions)*
	(Unaudited)			
Assets:				
Cash and cash equivalents	4,066	126,848	5,586	168,916
Financial assets at fair value through profit or loss	2,187	68,249	1,703	51,507
Amounts due from credit institutions	14,983	467,465	15,453	467,308
Loans to customers	27,951	872,060	27,895	843,538
Investment securities:				
- available for sale	10,785	336,484	11,003	332,739
- held to maturity	754	23,530	740	22,366
Due from the Russian Government	4	128	7	207
Assets of disposal group held for sale	804	25,097	—	—
Investments in associates	175	5,468	181	5,462
Property and equipment	696	21,700	675	20,404
Income tax assets	25	782	28	856
Other assets	703	21,930	371	11,220
Total assets(3)	**63,328**	**1,975,832**	**64,127**	**1,939,214**
Liabilities:				
Amounts due to credit institutions	7,022	219,086	6,651	201,137
Due to the Russian Government and the CBR	32,040	999,650	32,658	987,563
Amounts due to customers	7,260	226,497	6,687	202,223
Debt securities issued	1,489	46,467	2,609	78,896
Liabilities of disposal group held for sale	819	25,562	—	—
Income tax liabilities	100	3,133	64	1,948
Provisions	10	313	82	2,467
Other liabilities	200	6,247	199	6,030
Total liabilities(3)	**49,182**	**1,534,469**	**49,073**	**1,483,978**
Equity:				
Charter capital	12,259	382,489	12,648	382,489
Retained earnings / (accumulated deficit)	349	10,883	(126)	(3,809)
Unrealised gains/(losses) on investment securities available for sale	1,445	45,083	2,445	73,940
Foreign currency translation reserve	33	1,023	13	382
Equity	**14,086**	**439,478**	**14,980**	**453,002**
Non-controlling interests	**60**	**1,885**	**74**	**2,234**
Total equity	**14,146**	**441,363**	**15,054**	**455,236**
Total equity and liabilities	**63,328**	**1,975,832**	**64,127**	**1,939,214**

Notes:

(1) For convenience, these figures have been translated into U.S.$ at the RUB/U.S.$ exchange rate published by the CBR as at 30 June 2010, which was RUB 31.20 per U.S.$1.00. Such translation is not reflective of a translation in accordance with IFRS and it should not be construed as a representation that the Rouble amounts have been or could be converted into U.S. Dollars at this rate or any other rate.

(2) For convenience, these figures have been translated into U.S.$ at the RUB/U.S.$ exchange rate published by the CBR as at 31 December 2009, which was RUB 30.24 per U.S.$1.00. Such translation is not reflective of a translation in accordance with IFRS and it should not be construed as a representation that the Rouble amounts have been or could be converted into U.S. Dollars at this rate or any other rate.

(3) Some components of minor significance of totals assets and total liabilities, as the case may be, are omitted from the above table and, therefore, the figures for total assets and total liabilities in the table (in each case, as determined in accordance with IFRS) do not equal the sum of the components presented.

Key Ratios

	As at and for the six months ended 30 June		As at and for the year ended 31 December
	2010	2009	2009
	(Unaudited)		
Profitability Ratios:			
Net interest margin[(1)]	3.6%	3.0%	3.0%
Operating expenses[(2)] as a percentage of net interest income before provisions for impairment losses	36.3%	42.6%	43.3%
Operating expense as a percentage of average total assets	0.6%	0.6%	1.2%
Return on average assets[(3)]	0.7%	1.0%	2.0%
Liquidity Ratios:			
Loans to customers as a percentage of total assets	50.7%	—	49.7%
Equity Ratios:			
Capital adequacy ratio	19.6%	—	19.1%
Single borrower (or group of related borrowers) exposure[(5)]	68.6%	—	82.2%
Maximum exposure to large credit risk[(6)]	344.7%	—	353.6%

Notes:

(1) Net interest margin is calculated as net interest income before provision for impairment of interest-earning assets divided by average interest-earning assets.

(2) Operating expenses include non-interest expenses less expenses on goodwill write-offs and provision for other impairment.

(3) Return on average assets is calculated as net income for the year divided by average total assets.

(4) Liquid assets include cash and cash equivalents and financial assets at fair value through profit or loss, trading securities pledged under repurchase agreements, investment securities and investment securities pledged under repurchase agreements with remaining contractual maturities of less than one month.

(5) Pursuant to the 2007 Memorandum, VEB’s exposure, at any one time, to a single borrower, or a group of related borrowers, may not exceed 25% of VEB’s total equity. For this purpose, total equity is calculated in accordance with Russian accounting standards.

(6) Pursuant to the 2007 Memorandum, VEB’s exposure to large credit risks (a loan or loans to a borrower or group of related borrowers exceeding 5% of VEB’s total equity) at any one time may not exceed 800% of VEB’s total equity. For this purpose, total equity is calculated in accordance with Russian accounting standards.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The statements in this section contain forward-looking statements, which involve risks and uncertainties. Forward-looking statements speak only as at the date on which they are made and represent, in each case, only one of many possible scenarios, which should not be viewed as the most likely or standard scenario. The results anticipated by forward-looking statements will not necessarily be achieved, and such results may vary materially as a result of many factors, including, but not limited to, those described under "Forward-Looking Statements" in the Base Prospectus. Given the related risks and uncertainties attaching to such statements, investors should not rely on forward-looking statements as a prediction of actual results. See also "Risk Factors" in the Base Prospectus.

OVERVIEW

VEB is a state corporation established pursuant to the laws of the Russian Federation. Its status, business purposes, functions and powers are governed by the Development Bank Law, the Financial System Support Law, the 2007 Memorandum and other Russian Federal laws and regulations. VEB operates principally in four capacities: (i) as a development bank; (ii) as one of the key State-owned vehicles for the stabilisation of the Russian economy and financial system; (iii) as an agent of the Russian Government, including, in particular, in respect of the management of debt obligations of the Russian Government and the former Soviet Union, as well as obligations owed to the Russian Federation by debtor countries and other borrowers, and the management of certain pension funds through STMC, a separate division of VEB, which is segregated from VEB's banking and other operations; and (iv) as a universal depositary in the Russian Federation. Under the Development Bank Law, VEB is authorised to conduct banking operations without a licence from the CBR and VEB is generally not required to comply with regulatory requirements of the CBR applicable to commercial banks. See "*Status as a State Corporation and Related Regulatory Environment—Legal and Regulatory Framework*" in the Base Prospectus.

VEB has four banking subsidiaries in the Russian Federation (RBD, ROSEXIMBANK, Sviaz-Bank and GLOBEXBANK), one in Belarus (Belvnesheconombank) and one in Ukraine (Prominvestbank). Other significant subsidiaries include: (i) VEB Capital, the principal activities of which include holding and managing certain of VEB's investment assets, conducting operations on the Russian financial markets and providing financial advisory services, including arranging and placing mortgage-backed bonds; (ii) VEB-Leasing, the principal activities of which include finance leasing of high-technology equipment, helicopters and related equipment, produced by leading manufacturers, to lessees in the Russian Federation; and (iii) VEB Engineering, which is primarily engaged in the provision of engineering support for investment projects currently being implemented or financed by VEB, which include those relating to the 2014 Winter Olympics. See "*Description of VEB's Business—Principal Subsidiaries and Associates*" in the Base Prospectus. On 28 July 2010, VEB's Supervisory Board approved the establishment of the Russian Export Credit Agency as a wholly owned subsidiary of VEB with a capitalisation of RUB 30 billion. The stated objective of the Russian Export Credit Agency is to promote the Russian export market by providing credit insurance and guarantees to Russian exporters with the support of the State. The new Russian Export Credit Agency will be established only after the adoption of amendments to existing Russian federal laws to authorise the functions necessary for the implementation of the Agency's stated objectives, including authority for the State to issue supporting guarantees. VEB expects to fund its capital contribution to the Russian Export Credit Agency out of gains on the sale of securities from VEB's securities portfolio.

As the principal development bank of the Russian Federation, one of VEB's main functions is to increase the competitiveness and diversification of the Russian economy, in particular, by promoting investment activity in sectors that are of strategic importance to the Russian Government. VEB acts as a lender, investor, guarantor, manager, arranger and consultant in connection with its development bank activities. VEB's core operations, investment and financial priorities, borrower limits and underlying principles for financing activities as the principal development bank of the Russian Federation are principally set forth in the Development Bank Law and the 2007 Memorandum. As a development bank, VEB does not compete with commercial lending and financial institutions in providing finance to customers; rather, pursuant to the 2007 Memorandum, VEB gives preference to investment projects, such as infrastructure projects, which are not typically eligible for financing on terms acceptable to commercial banks and other non-specialist market investors. As part of its recovery finance activities in support of the financial sector, VEB acquired a 90.0% interest in Sviaz-Bank in 2008, which was subsequently increased to 99.5% in 2009, and a 98.9% interest in GLOBEXBANK in 2009, which was subsequently increased to 99.2% in July 2010. At the time of VEB's initial acquisitions thereof, both Sviaz-Bank and GLOBEXBANK were in a distressed financial condition as a result of the global financial crisis. See "*Description of VEB's Business—VEB as the Development Bank of the Russian Federation*" in the Base Prospectus. As the global financial crisis has eased in late 2009 and into 2010, these subsidiaries have returned to profitability and increased their lending activities.

From October 2008 through early 2010, VEB was also actively involved, pursuant to the Financial System Support Law and related decisions of the Russian Government, in addressing the effects of the global financial crisis on the Russian economy. As one of the key State-owned vehicles for the stabilisation of the Russian economy and financial system during the global financial crisis, VEB provided recovery finance to Russian banks and corporate entities suffering from the effects of the recent economic turmoil. See "*Description of VEB's Business—Key State-owned Vehicle for the Stabilisation of the Russian Economy and Financial System*" in the Base Prospectus. As the global economic crisis has eased and the Russian economy has shown signs of improvement and increased stability, VEB has ceased to provide new recovery finance, while also reducing its exposure to borrowers who had received recovery finance pursuant to programmes established by VEB under the Financial System Support Law. VEB has also repaid a significant portion of the funding, which had been provided by the CBR and the Russian Government to support VEB in its role as one of the key State-owned vehicles for the stabilisation of the Russian economy and financial system under the Financial System Support Law. See "*Recent Developments—Key State-Owned Vehicle for the Stabilisation of the Russian Economy and Financial System—Recovery Finance—Refinancing of Foreign Loans*" in this Base Prospectus Supplement.

As an agent of the Russian Government, VEB manages debt obligations of the Russian Federation and the former Soviet Union, as well as debt obligations owed to the Russian Federation by sovereign states, financial institutions and commercial entities. In this capacity, its responsibilities include record-keeping, reconciliation and settlement activities. See "*Description of VEB's Business—VEB as Agent for the Russian Government*" in the Base Prospectus. In addition, STMC is responsible for managing the pension savings of insured Russian citizens, who have not transferred their savings to private pension funds or private asset management companies. See "*Description of VEB's Business—VEB as Agent for the Russian Government—Pension Funds Management (STMC)*" in the Base Prospectus.

VEB acts as a universal depositary for a broad range of Russian and foreign securities. In this capacity, VEB delivers a range of depositary, settlement, information and custody services to investors and professional participants in the Russian securities and foreign exchange markets. See "*Description of VEB's Business—Depositary Operations*" in the Base Prospectus.

VEB operates out of its principal office in Moscow, four representative offices within the Russian Federation (in St. Petersburg, Khabarovsk, Pyatigorsk (opened in 2010) and Ekaterinburg (opened in 2010)) and nine representative offices outside the Russian Federation (in the United States of America, France (opened in 2010), India (two), Italy, China, the Republic of South Africa, Germany and the United Kingdom).

VEB prepares its consolidated financial statements in accordance with IFRS. As at 30 June 2010, VEB had total assets of RUB 1,975,832 million and total loans (defined as the sum of amounts due from credit institutions and loans to customers) of RUB 1,339,525 million, as compared to total assets of RUB 1,939,214 million and total loans of RUB 1,310,846 million as at 31 December 2009. VEB had net interest income of RUB 32,534 million and net income of RUB 14,248 million for the six-month period ended 30 June 2010, as compared to net interest income of RUB 24,199 million and net income of RUB 18,201 million for the six-month period ended 30 June 2009.

VEB receives the majority of its funding: (i) from the Russian Government in the form of capital contributions, which may be utilised for all general corporate purposes; and (ii) from the CBR and the Russian Government (principally using funds of the NWF) in the form of term deposits, which may be applied only in specific financing programmes. As at 30 June 2010, VEB had charter capital of RUB 382,489 million (which was unchanged as compared to 31 December 2009), which comprised contributions of cash and assets from the Russian Government, and VEB held deposits from the CBR and the Russian Government (principally comprising funds of the NWF) totalling RUB 427,583 million (as compared to RUB 446,151 million as at 31 December 2009) and RUB 529,058 million (as compared to RUB 501,455 million as at 31 December 2009), respectively. As at 30 June 2010, total funding from the Russian Government and the CBR as a percentage of VEB's total equity and liabilities was 50.6% (as compared to 50.9% as at 31 December 2009). Since 30 June 2010, following the repayment of back-to-back (recovery) finance loans extended by VEB to qualifying borrowers under the Financial System Support Law, VEB has repaid deposits in an aggregate amount of U.S.$6,911 million (including all accrued interest), which it had received from the CBR to provide such recovery finance. See "*Recent Developments—Key State-Owned Vehicle for the Stabilisation of the Russian Economy and Financial System—Recovery Finance—Refinancing of Foreign Loans*" in this Base Prospectus Supplement. VEB also raises funds through the issuance of bonds and other securities in the domestic and international capital markets, as well as through bilateral loans, in each case, in Roubles and foreign currencies, principally U.S. Dollars. Although VEB is not permitted to accept deposits from individual investors, VEB holds some retail deposits inherited as successor to Vnesheconombank of the USSR and some retail deposits through its banking subsidiaries. See "*Status as a State Corporation and Related Regulatory Environment*" in the Base Prospectus.

PRIMARY FACTORS AFFECTING VEB'S RESULTS OF OPERATIONS AND CAPITAL STRUCTURE

The primary factors that have affected VEB's results of operations during the six-month periods ended 30 June 2010 and 2009, and that can be expected to affect VEB's results of operations in the future, include: (i) the current conditions characterising the Russian economy and financial system; (ii) the overall conditions in the global economy, international financial markets and the economies of the Russian Federation and neighbouring CIS countries where VEB has operations, including, without limitation, the effects of the global financial crisis and the recent economic recovery; (iii) changes in the mix of business activities conducted by VEB; (iv) the overall growth of VEB's assets and liabilities, including as a result of its acquisitions of a number of banking subsidiaries in the Russian Federation and other CIS countries; (v) fluctuations in the value and composition of VEB's securities portfolio; and (vi) the impact of the interest rate and exchange rate environment in which VEB operates.

The Russian Economy and Financial System

The majority of VEB's assets and investments are located in the Russian Federation. As a result, VEB is substantially affected by Russian economic conditions. See "*Risk Factors—Risks Relating to the Russian Federation*" in the Base Prospectus. The Russian economy has been severely impacted by the recent weak global economic conditions and turmoil in the global financial markets. The Russian economy is, to a significant degree, dependent on exports of key commodities, such as oil, gas, iron ore and other raw materials. In particular, world prices for oil have been and continue to be characterised by significant fluctuations that are determined by the global balance of supply and demand. Crude oil prices were particularly volatile over the course of 2008 and 2009, before beginning to recover in the second half of 2009, such that oil prices increased overall in 2009 by 86.4% to U.S.$74/bbl in December 2009, as compared to prices in December 2008. During the first ten months of 2010, crude oil prices have narrowly fluctuated around U.S.$80/bbl, consistent with prices in late 2009. As at 29 October 2010, the spot price of Urals oil was U.S.$81.18/bbl, which remains significantly below the record high prices of U.S.$145/bbl in July 2008.

Due to the continuing effects of the global financial crisis, and a related contraction in private-sector consumption and gross investments, the Russian economy contracted by 7.9% in 2009. In the first six months of 2010, as the financial crisis eased and the global economy began generally to recover, the Russian economy grew by 4.2% according to Rosstat statistics. The effects of the drought and wildfires in Russia in the summer of 2010, however, may impact several key economic indicators, such as GDP growth, inflation, the value of the Rouble against major world currencies and investment activity. The full effects of these events will not be apparent, at the earliest, until the end of the harvest period in late 2010.

Russia's trade balance surplus decreased from U.S.$18.64 billion in February 2010 to U.S.$8.99 billion in August 2010. While monthly export volumes reduced despite the stabilization of oil prices in the second quarter of 2010, the monthly volume of Russian imports increased each month from U.S.$9.64 billion in January 2010 to U.S.$21.79 billion in August 2010, primarily reflecting real disposable income growth and the strengthening of the Rouble over the period. Net exports had increased in 2009, as compared to earlier years, largely as a result of a disproportionate decline in imports resulting from lower domestic demand and the depreciation of the Rouble.

VEB's role during the financial crisis as one of the key State-owned vehicles for the stabilisation of the Russian economy led to significant growth in VEB's lending volumes and net interest income. This growth, however, also increased the volume of bad debts carried by VEB and required VEB to take significant additional provisions. During the first half of 2010, upon the proposal of the Russian Government, VEB acquired shares in certain Russian entities considered to have strategic importance to the Russian economy, which it intends to hold as long-term investments. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations for the Six-month Periods ended 30 June 2010 and 2009—Non-Interest Income*" in this Base Prospectus Supplement. VEB recorded significant negative fair value revaluations following its acquisitions of these investments. VEB could be subject to heightened risk exposures, which could lead to increased losses and additional provisions, if VEB is requested by the Russian Government or otherwise elects to acquire or maintain controlling or significant equity positions or other investment securities to provide liquidity to, or otherwise support the equity or financial position of, Russian companies.

Moreover, many of VEB's existing borrowers continue to be adversely affected by the deterioration in economic conditions resulting from the global financial crisis. Factors, including increased unemployment, reduced corporate liquidity and profitability and increased corporate and personal insolvencies, have affected and continue to affect the ability of certain of VEB's borrowers to repay amounts due to VEB and have resulted and continue to result in VEB having to fulfil obligations under guarantees issued by it in favour of third parties upon the failure of the underlying counterparty. In addition, changes in economic conditions have resulted in deterioration in the value of collateral held against loans and other obligations. These factors were particularly pronounced in 2009 as the global financial crisis had far-reaching effects and, accordingly, as a result of all of the foregoing, VEB made a significant allowance for impairment of loans in 2009, including principally in respect of loans held by VEB's newly-acquired banking subsidiaries. VEB has recorded a smaller allowance for impairment of loans for the six months ended 30 June 2010 as the continuing impact of these factors has been less significant. VEB may be required to make additional allowances in the future.

The Russian securities market has been significantly impacted by the global financial crisis and recent economic recovery. While securities prices have recovered since early 2009 and, in some cases, now exceed pre-crisis levels, a reversal in the improved prices of Russian securities or a general weakening in the Russian securities markets could result in further losses. See "*—Fluctuations in the Value and Composition of Securities*" below.

Impact of Global Financial Market Conditions

Whilst the majority of VEB's assets and investments are located in the Russian Federation, VEB is also impacted by the international financial markets and the Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in lower GDP levels, continued capital markets instability, a deterioration in liquidity and tighter credit conditions within the Russian Federation and other countries where VEB conducts its business. These effects continued through much of 2009 and early 2010, before Russian and international capital markets began to recover following the easing of the global financial crisis. There continues to be uncertainty regarding the access to and cost of capital for VEB's customers and borrowers may continue to be affected by economic instability and deterioration in liquidity, which could in turn impact their ability to repay in a timely manner amounts owed to VEB or its subsidiaries.

Changes in the Mix of Business Activities

VEB was established in 2007 as the principal development bank in the Russian Federation and initially its activities were focused on providing financial support to investment projects in circumstances where commercial lending and financial institutions were unable or unwilling to provide finance. See "*Description of VEB's Business—VEB as the Development Bank of the Russian Federation*" in the Base Prospectus. In 2008, VEB's principal business objectives were expanded to include acting, on behalf of the Russian Government, as one of the key State-owned vehicles for the stabilisation of the Russian economy and financial system. See "*Description of VEB's Business—Key State-owned Vehicle for the Stabilisation of the Russian Economy and Financial System*" in the Base Prospectus. In this expanded role, in 2008, VEB provided significant recovery finance to Russian banks and corporate entities suffering from the effects of the economic turmoil and supported the Russian securities markets by purchasing significant equity and debt positions. In 2009 and 2010, as the global financial crisis has eased and the Russian economy has shown signs of improvement and increased stability, VEB has refocused its activities on its core development bank activities while ceasing to provide new recovery finance and reducing its exposure to borrowers who had received recovery finance pursuant to programmes established by VEB under the Financial System Support Law. In particular, in 2010, and to a lesser extent in 2009, VEB has also repaid a significant portion of the matching funding, which had been provided by the CBR and the Russian Government to support VEB in its role as one of the key one of the key State-owned vehicles for the stabilisation of the Russian economy and financial system under the Financial System Support Law. These differences in the focus of VEB's activities in 2009 through 2010 have resulted in different areas of growth, changes in VEB's asset concentrations and revenue drivers and variations in VEB's risk profile, on a period-on-period basis. For example, as a result of VEB's renewed focus in 2009 and 2010 on its core development bank lending, which generally has resulted in the provision of financing at lower average rates, and following the repayment since 30 June 2010 of back-to-back (recovery) finance loans (see "*Recent Developments—Key State-Owned Vehicle for the Stabilisation of the Russian Economy and Financial System—Recovery Finance—Refinancing of Foreign Loans*" in this Base Prospectus Supplement), on which VEB had generally realised higher yields, it is expected that VEB's net interest margin will likely decline in the second half of 2010. Similarly, volatility in the securities markets in 2008 and early 2009 resulted in losses on VEB's securities portfolio, whilst the improvements in prices overall in 2009, and continuing into the first six months of 2010, and the resulting sales by VEB of many of its equity positions in Russian blue-chip companies, translated into significant gains. The acquisition of several distressed commercial banks in late 2008 and 2009 required VEB to record significant additional provisions in 2009 once it had the opportunity to assess the poor credit quality of the acquired loan portfolios. No further such acquisitions were required in 2010 and, accordingly, VEB has not recorded significant additional provisions in the first six months of 2010. Conversely, in the first half of 2010, VEB recorded significant negative revaluations of securities acquired by VEB, upon the proposal of the Russian Government, in certain Russian entities considered to have strategic importance to the Russian economy, which VEB intends to hold as long-term investments, whilst there was no similar negative impact arising from VEB's investment securities in 2009 as market prices for most of VEB's equity positions experienced significant overall gains as the Russian stock market recovered value with the easing of the global financial crisis.

Overall Growth and Acquisitions

During the first six months of 2010, VEB's total assets grew to RUB 1,975,832 million as at 30 June 2010, from RUB 1,939,214 million as at 31 December 2009. This growth in VEB's total assets has been primarily as a result of VEB's renewed focus on its core development bank activities and the related provision of significant financing for several large-scale infrastructure and investment projects.

A portion of VEB's historic growth has resulted from acquisitions. In particular, VEB acquired a 53.6% interest in Belvnesheconombank in 2007, which was subsequently increased to 97.2% in 2008 and then to 97.4% in 2009; a 50.0% interest plus one share in VEB-Leasing in 2008, which was subsequently increased to 78.1% in 2009 and further to 98.1% in March 2010; a 90.0% interest in Sviaz-Bank in 2008, which was subsequently increased to 99.5% in 2009; a 75.0% interest plus three shares in Prominvestbank in 2009; and a 98.9% interest in GLOBEXBANK in 2009, which was subsequently increased to 99.2% in July 2010.

Whilst not material to VEB's total assets as at the date of this Base Prospectus Supplement, the acquisitions of Sviaz-Bank, Prominvestbank and GLOBEXBANK, in particular, had a material impact on VEB's net profit in 2009 as VEB was required to record significant one-time provisions for impairment of bad loans acquired with these banking subsidiaries. As the operations of these banking subsidiaries have stabilised and begun to grow, these acquisitions have continued to have a significant impact on VEB's assets and liabilities and its results of operations. For the six month period ended 30 June 2010, GLOBEXBANK and Sviaz-Bank returned to profitability, providing RUB 3,244 million of net income to VEB for the six months ended 30 June 2010, compared with RUB 13,452 million of net loss to VEB for the six months ended 30 June 2009.

Fluctuations in the Value and Composition of Securities

The aggregate value of financial assets at fair value through profit or loss and investment securities held by VEB was RUB 432,895 million as at 30 June 2010 (as compared to RUB 419,940 million as at 31 December 2009). A large portion of VEB's securities portfolio was purchased at, or near, the lowest levels of the Russian stock market in late 2008 and early 2009 in connection with VEB's role as the key State-owned vehicle for the stabilisation of the Russian securities market. As the Russian stock market stabilised in 2009, and prices generally returned to pre-crisis levels or above, VEB experienced a gain in the overall value of its securities portfolio, comprised of a net gain of RUB 27,524 million for financial assets at fair value through profit or loss and a net gain of RUB 42,940 million for investment securities available-for-sale for the year ended 31 December 2009. VEB experienced a further net gain in the overall value of its securities portfolio, comprising a net gain of RUB 28 million for financial assets at fair value through profit or loss and a net gain of RUB 3,890 million for investment securities available-for-sale for the six months ended 30 June 2010. For the six months ended 30 June 2009, VEB experienced a net gain in the overall value of its securities portfolio, comprising a net gain of RUB 10,322 million for financial assets at fair value through profit or loss, partially offset by a net loss of RUB 4,804 million for investment securities available-for-sale.

As the Russian securities market has continued to improve and share prices have begun to recover and stabilise with the easing of the global financial crisis, subject to market conditions and its responsibility not to disrupt the normal operations of the securities market, and in line with its mandate to focus on development banking activities rather than securities trading and investment operations, VEB has sold down many of its positions in the securities of Russian blue-chip companies and, so long as prices remain favourable or improve, VEB intends to continue to do so over a period of time. At the same time, VEB may, from time to time, upon the request of the Russian Government or otherwise, acquire equity positions or other investment securities to provide liquidity to, or otherwise support the equity or financial position of, Russian companies. See *"Recent Developments—Key State-Owned Vehicle for the Stabilisation of the Russian Economy and Financial System–Equity Investments"* in this Base Prospectus Supplement. In addition, as at the date of this Base Prospectus Supplement, VEB intends to continue to hold the portfolio of bonds it acquired in connection with its activities to support the Russian securities market. In any event, it is likely that, from time to time, VEB will maintain a significant portfolio of investment securities and, accordingly, will continue to experience fluctuations in the value of its securities portfolio in the future. As in the past, such fluctuations may have a direct impact on VEB's assets and liabilities and its results of operations and, in particular, a reversal in the improved prices of Russian securities or a general weakening in the Russian securities markets could result in further losses.

Fluctuations in Interest Rates and Exchange Rates

Changes in interest rates affect VEB's net interest income, net interest margin and overall results of operations. During the height of the global financial crisis in 2008, as the primary source for recovery finance in the Russian Federation, VEB was able to impose relatively higher interest rates in line with international funding rates and reflecting the overall illiquidity in the market, whilst its development bank lending activities on which VEB has refocused in 2009 and 2010, generally involve the provision of financing at lower rates.

Since its inception, VEB has generally been able to use its own capital, as well as relatively low-rate deposits from the CBR and the Russian Government (principally using funds of the NWF), to fund its business activities and, accordingly, has not incurred significant funding costs. An increase in interest rates may generally raise VEB's funding costs in the future. In addition, an increase in interest rates may reduce overall demand for new loans and increase the risk of customer defaults, as well as generally decrease the market value of fixed-rate debt securities held by VEB. The high-interest rate environment in late 2008 and early 2009 did result in lower values of certain fixed-rate debt securities held in VEB's investment portfolio. Moreover, although a significant portion of the financing provided by VEB has historically been matched in terms of funding by the Russian Government and the CBR, particularly in connection with its role as one of the key State-owned vehicles for the stabilisation of the Russian economy, from time to time, maturities of assets and liabilities are not balanced. As a result, VEB is exposed to interest rate risks resulting from mismatches between the rates it earns on its interest-earning assets and the rates it pays on its interest-bearing liabilities.

Interest rates are sensitive to many factors beyond VEB's control, including the policies of central banks, such as the CBR, adverse domestic and international economic conditions and political factors. General volatility in interest rates may result in a mismatch between VEB's interest-rate sensitive assets and liabilities. Since August 2007, there has been a period of unprecedented high and volatile inter-bank lending rates, which, together with a shortening maturity of deposits, has exacerbated the risk of such mismatches. VEB has incurred, and may continue to incur, additional costs and has been exposed, and may continue to be exposed, to other risks arising from the need to adjust such asset and liability positions through the use of derivative instruments. VEB's intentions to continue to diversify its funding sources by continuing to access the domestic and international capital markets, including under the Programme, and borrow under bilateral and syndicated loan facilities may increase these risks. To the extent that VEB's liabilities reprice substantially more frequently than its assets, if interest rates rise, VEB's interest expense will increase more rapidly than its interest income, which could negatively affect interest margins and results of operations and result in liquidity problems.

Similarly, fluctuations in exchange rates impact VEB's financial condition and results of operations. VEB maintains open currency positions, which give rise to exchange rate risk. Although nearly all of VEB's assets and liabilities are match-funded as at the date of this Base Prospectus Supplement, VEB's exposure to exchange rate risk may increase, particularly as it continues to access international capital markets and foreign currency syndicated and bilateral lending markets. VEB's exposure to exchange rate risk depends on numerous factors beyond its control, such as overall market trading activity, interest rate levels, fluctuations in exchange rates, government actions and general market volatility.

The Rouble depreciated significantly against the U.S. Dollar between October 2008 and the end of the first quarter of 2009, due in part to the significant fall in prices of oil and commodities that are the principal generators of the Russian Federation's export earnings. In 2009, whilst the Rouble depreciated overall in real terms by 12.2% against the U.S. Dollar and by 8.3% against the Euro, the Rouble remained relatively stable from March 2009 through December 2009. Although the average Rouble/U.S. Dollar exchange rate decreased from January 2010 to May 2010, the Rouble has been appreciating against the U.S. Dollar since May 2010 to the date of this Base Prospectus Supplement. On 29 October 2010, the official exchange rate of the Rouble to the U.S. Dollar as published by the CBR was RUB 30.6786 per U.S. Dollar. For a presentation on developments in the Rouble to U.S. Dollar exchange rates from 2007 through 22 June 2010, see "*Presentation of Financial and Other Information—Exchange Rate Information*" in the Base Prospectus. Future changes in currency exchange rates, which can be particularly volatile in times of national or global financial instability, such as the recent period of economic turmoil, could have a material adverse effect on VEB's business, financial condition, results of operations and prospects.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements requires VEB's management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as at the date of the Unaudited Interim IFRS Financial Statements. The actual IFRS results may differ from these estimates and it is possible that these differences may have a material effect on the Unaudited Interim IFRS Financial Statements.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs used in these models are taken from observable market values where possible; where this is not feasible, a degree of judgment is required in establishing fair values. See Note 31 of the 2009 IFRS Financial Statements in the Base Prospectus for further information on fair value of financial instruments.

Allowance for Impairment of Loans and Receivables

VEB regularly reviews its loans and receivables to assess impairment. VEB's management uses its experienced judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to, for example, similar borrowers. Similarly, VEB estimates changes in future cash flows based on observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. VEB's management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. VEB's management uses its experienced judgment to adjust observable data for a group of loans or receivables to reflect current circumstances. Changes in the allowance are reported in the income statement for the relevant period. VEB cannot predict when conditions may change and what effect any change could have on the adequacy of the allowances for loan impairment.

Impairment of Goodwill

VEB determines at least annually whether goodwill is impaired. This requires an estimation of the value of the cash-generating units in use to which the goodwill is allocated. Estimating this value requires VEB to make an estimate of the expected future cash flows from the cash-generating unit in use and also to choose a suitable discount rate in order to calculate the present value of those cash flows. VEB does not measure goodwill or impairment of goodwill on an interim basis, but rather only as at year-end.

RESULTS OF OPERATIONS FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2010 AND 2009

Net Interest Income

The following table sets forth VEB's interest income, interest expense and net interest income before provisions for impairment for the periods indicated:

	For the six months ended 30 June	
	2010	2009 (restated)
	(RUB millions) (Unaudited)	
Interest income	72,891	65,683
Interest expense	(40,357)	(41,484)
Net interest income before provisions for impairment	**32,534**	**24,199**

Net interest income before provision for impairment for each of the six-month periods ended 30 June 2010 and 2009 was derived from the difference between the interest income generated by VEB's interest-earning assets and the interest expense incurred on VEB's interest-bearing liabilities. See "*Certain Statistical Data and Other Information*" in the Base Prospectus. Net interest income before provisions for impairment increased by 34.44% to RUB 32,534 million for the six months ended 30 June 2010 from RUB 24,199 million for the six months ended 30 June 2009, principally as a result of the combined effects of (i) the overall growth in VEB's balance sheet, particularly due to the increases in amounts due from credit institutions and in interest-earning investment securities, and (ii) the decrease in interest expense, in each case, for the six months ended 30 June 2010, as compared to the same period in 2009.

Interest Income

For each of the six-month periods ended 30 June 2010 and 2009, VEB generated interest income primarily from (i) loans to customers, (ii) amounts due from credit institutions and cash equivalents and (iii) its investment securities portfolio. The following table sets forth the breakdown of VEB's interest income, by source, for the periods indicated:

	For the six months ended 30 June	
	2010	**2009 (restated)**
	(RUB millions) *(Unaudited)*	
Interest income		
Loans to customers	42,414	44,450
Amounts due from credit institutions and cash equivalents	20,159	15,768
Investment securities	9,294	4,407
Financial assets at fair value through profit or loss	1,024	1,058
Total interest income	**72,891**	**65,683**

Total interest income increased by 10.97% to RUB 72,891 million for the six months ended 30 June 2010 from RUB 65,683 million for the six months ended 30 June 2009, principally due to increases in the average balance of amounts due from credit institutions and in the average amount of interest-earning investment securities held in VEB's portfolio. See "*Certain Statistical Data and Other Information—Amounts due from Credit Institutions*" in this Base Prospectus Supplement. The increases in interest income on amounts due from credit institutions and cash equivalents and on investment securities were slightly offset by a decrease in interest income on loans to customers as a result of the lower average rates earned on such loans.

Interest Income on Loans to Customers

For each of the six-month periods ended 30 June 2010 and 2009, a signification portion of VEB's interest income was attributable to interest income on loans to customers, which represented 58.19% and 67.67% of total interest income for the six months ended 30 June 2010 and 2009, respectively. Notwithstanding that interest income on loans to customers remained the largest component of total interest income, interest income on loans to customers decreased by 4.58% to RUB 42,414 million for the six months ended 30 June 2010 from RUB 44,450 million for the six months ended 30 June 2009, largely due to the decrease in the average interest rates charged by VEB on loans to customers, although loans to customers increased in absolute terms. See "*Certain Statistical Data and Other Information—Loans to Customers*" in this Base Prospectus Supplement.

For the six-month period ended 30 June 2010, interest income on loans to customers decreased as a percentage of total interest income to 58.19%, as compared to 67.67% for the six-month period ended 30 June 2009, principally reflecting VEB's renewed focus on its core development bank lending activities, which has resulted in the provision of finance at lower average interest rates, whilst other components of total interest income have increased.

Interest Income on Amounts due from Credit Institutions and Cash Equivalents

Interest income on amounts due from credit institutions and cash equivalents represented 27.66% and 24.01% of total interest income for the six months ended 30 June 2010 and 2009, respectively. Interest income on amounts due from credit institutions and cash equivalents increased by 27.85% to RUB 20,159 million for the six months ended 30 June 2010 from RUB 15,768 million for the six months ended 30 June 2009. These period-on-period increases in interest income on amounts due from credit institutions and cash equivalents, both in absolute terms and as a percentage of total interest income, largely reflected the increase in the average balances of amounts due from credit institutions, as VEB provided additional subordinated loans in the second half of 2009 to qualifying banks requiring capital adequacy support under the Financial System Support Law. See "*Certain Statistical Data and Other Information—Amounts due from Credit Institutions*" in this Base Prospectus Supplement.

Interest Income on Investment Securities and Financial Assets at Fair Value through Profit or Loss

Interest income on VEB's securities portfolio, comprised of interest income on investment securities and interest income from financial assets at fair value through profit or loss, represented 14.16% and 8.32% of total interest income for the six-month periods ended 30 June 2010 and 2009, respectively. The increase in interest income on investment securities for the six months ended 30 June 2010, as compared to the six months ended 30 June 2009, primarily reflected VEB's increased investment in interest-earning available-for-sale fixed income securities for liquidity management.

Interest Expense

For each of the six-month periods ended 30 June 2010 and 2009, VEB's interest expense consisted of interest expense in respect of (i) amounts due to credit institutions and to CBR, (ii) amounts due to customers and the Russian Government and (iii) debt securities issued. The following table sets forth the breakdown of VEB's interest expense for the periods indicated:

	For the six months ended 30 June	
	2010	**2009 (restated)**
	(RUB millions) *(Unaudited)*	
Interest expense		
Amounts due to credit institutions and the CBR	(14,038)	(20,054)
Amounts due to customers and the Russian Government	(24,609)	(20,978)
Debt securities issued	(1,710)	(452)
Total interest expense...	**(40,357)**	**(41,484)**

Total interest expense decreased by 2.72% to RUB 40,357 million for the six months ended 30 June 2010 from RUB 41,484 million for the six months ended 30 June 2009, principally due to (i) the repayment, after 30 June 2009, of funds deposited with VEB by the CBR to permit VEB to provide back-to-back (recovery) finance loans, which were repaid over time after 30 June 2009 and (ii) the prepayment, in VEB's discretion, some of NWF deposits in December 2009. The decrease in average inter-bank interest rates paid for the six months ended 30 June 2010, as compared to the same period in 2009, also contributed to the period-on-period decrease in interest expense. See "*Certain Statistical Data and Other Information—Sources of Funding—Amounts Due to the Ministry of Finance and the Russian Government*" in this Base Prospectus Supplement.

Interest Expense on Amounts due to Credit Institutions and the CBR

Interest expense on amounts due to credit institutions and the CBR decreased by 30.00% to RUB 14,038 million for the six months ended 30 June 2010 from RUB 20,054 million for the six months ended 30 June 2009, primarily due to the period-on-period decrease in the average balance of amounts due to the CBR during the six months ended 30 June 2010, as compared to the six months ended 30 June 2009. Average amounts due to credit institutions and the CBR were lower in the 2010 period, as compared to the 2009 period, primarily due to the withdrawal of deposits that had been made by Russian banks with VEB to comply with a recommendation issued by the CBR to Russian banks in November 2008 to maintain their foreign assets in Russia, which the CBR allowed to lapse in June 2009 as conditions in the local foreign exchange market improved, as well as the repayment of some of the deposits that had been received by VEB from the CBR in order to extend back-to-back (recovery) finance loans to Russian corporate borrowers as these loans were repaid to VEB. See "*Certain Statistical Data and Other Information—Sources of Funding—Amounts Due to Credit Institutions*" in the Base Prospectus. The decrease in interest expense on amounts due to credit institutions and the CBR for the six months ended 30 June 2010, as compared to the six months ended 30 June 2009, also reflected the decrease in interest rates charged by the CBR on deposits to VEB to support the extension of back-to-back (recovery) finance loans to Russian corporate borrowers.

As a percentage of total interest expense, interest expense due to credit institutions and the CBR also decreased to 34.78% of total interest expense for the six months ended 30 June 2010, as compared to 48.34% for the corresponding period in 2009.

Interest Expense on Amounts due to Customers and the Russian Government

Interest expense on amounts due to customers and the Russian Government represented 60.98% and 50.57% of VEB's total interest expense for the six months ended 30 June 2010 and 2009, respectively. Interest expense on amounts due to customers and the Russian Government increased by 17.31% to RUB 24,609 million for the six months ended 30 June 2010 from RUB 20,978 million for the six months ended 30 June 2009. These period-on-period increases in interest expense on amounts due to customers and the Russian Government, both in absolute terms and as a percentage of total interest expense, were primarily due to the period-on-period increases in amounts due to customers, driven by the acquisition of GLOBEXBANK in 2009, and in amounts due to the Ministry of Finance, reflecting deposits received by VEB for on-lending to promote the development of the Russian SME sector.

Provision for Impairment

For the six months ended 30 June 2010, VEB recorded provisions for impairment of interest-earning assets of RUB 13,340 million, as compared to provisions of RUB 42,963 million for the six months ended 30 June 2009. The provisions recorded for the six months ended 30 June 2010 primarily reflected an increase in provisioning rates applied by VEB with respect to loans, which, in turn, increased the amounts of all provisions previously recorded across the loan portfolio. This increase in provisioning rates followed a conservative policy decision by VEB to increase the overall level of protection against a future global financial crisis rather than reflecting any perceived material deterioration in the credit quality of the underlying assets. Provisions for impairment recorded for the six months ended 30 June 2009 comprised primarily provisions in the amount of RUB 17,063 million against the interest-earning assets of the then newly-acquired Sviaz-Bank, as this banking subsidiary held predominantly distressed assets when acquired, as well as provisions in the amount of RUB 16,667 million against a loan to an associate of VEB, which was applied to finance such associate's purchase of real estate and other assets from certain borrowers of GLOBEXBANK. See "*Certain Statistical Data and Other Information—Loans to Customers—Borrower Concentration*" in this Base Prospectus Supplement.

Net Fee and Commission Income

Net fee and commission income increased by 5.26% to RUB 2,820 million for the six months ended 30 June 2010 from RUB 2,679 million for the six months ended 30 June 2009, principally as a result of the period-on-period increases in (i) fees and commissions received for cash and settlement operations, (ii) the provision of guarantees and letters of credit and (iii) other operations (comprising principally fees for ordinary course banking services provided by VEB's banking subsidiaries).

Non-Interest Income

VEB's non-interest income for the six months ended 30 June 2010 was RUB 5,693 million, as compared to RUB 45,075 million for the six months ended 30 June 2009. For each of the six-month periods ended 30 June 2010 and 2009, VEB generated non-interest income principally from gains less losses from securities and gains less losses from foreign currencies. During each of the six-month periods ended 30 June 2010 and 2009, VEB recognised gains from the sale of securities of Russian blue-chip companies as the market value of these securities improved in 2009 and 2010. The gains recognised in the six months ended 30 June 2010 were offset by the negative revaluation of securities acquired by VEB, upon the proposal of the Russian Government, in certain Russian entities considered to have strategic importance to the Russian economy, which VEB intends to hold as long-term investments. See "*Recent Developments—Key State-Owned Vehicle for the Stabilisation of the Russian Economy and Financial System—Equity Investments*" in this Base Prospectus Supplement. The higher level of non-interest income for the six months ended 30 June 2009, as compared to the six months ended 30 June 2010, also reflected the excess of acquirer's interest in the net fair value of acquiree identifiable assets, liabilities and contingent liabilities over cost of VEB's newly-acquired banking subsidiaries in the amount of RUB 23,375 million, as well as a gain on the initial recognition of financial instruments in the amount of RUB 7,778 million, which were recorded by VEB for the six-month period ended 30 June 2009 and which did not recur in 2010.

Gains Less Losses from Securities

The following table sets forth the breakdown of VEB's gains less losses from securities recognised in the statement of income for the periods indicated:

	For the six months ended 30 June	
	2010	**2009 (restated)**
	(RUB millions) *(Unaudited)*	
Gains less losses arising from financial instruments at fair value through profit or loss	28	10,322
Gains less losses on sale of investment securities available for sale, previously recognised in other comprehensive income	3,890	(4,804)
Dividends	284	424
Total gains less losses from financial instruments at fair value through profit or loss and investment securities available for sale	**4,202**	**5,942**

Total gains less losses from financial instruments at fair value through profit or loss and investment securities available for sale represented a net gain of RUB 4,202 million for the six months ended 30 June 2010, as compared to a net gain of RUB 5,942 million for the six months ended 30 June 2009. In each of the six-month periods ended 30 June 2010 and 30 June 2009, gains less losses from securities comprised both (i) unrealised gains less losses arising from financial instruments at fair value through profit or loss, which arise from securities treated as financial instruments based on certain specified criteria, and (ii) realised gains less losses on sale of investment securities available for sale, previously recognised in other comprehensive income.

As at 30 June 2010, financial instruments at fair value through profit or loss comprised principally trading securities and financial assets designated as at fair value through profit or loss, whilst, as at 31 December 2009, financial instruments at fair value through profit or loss comprised almost entirely trading securities.

For the six months ended 30 June 2010, VEB recorded a net gain of RUB 28 million on gains less losses arising from financial instruments at fair value through profit or loss comprised of (i) gains on sales of trading securities realised during the six months ended 30 June 2010, albeit at a lower level as compared to such gains realised for the six months ended 30 June 2009 as the recovery of the Russian stock market had slowed by early 2010; (ii) unrealised negative revaluation of trading securities recorded for the six months ended 30 June 2010 principally as a result of the overall decline in the Russian stock market during the period; and (iii) a gain on the change in the fair value of financial assets designated at fair value at profit or loss (which comprised shares in a Russian entity) as a result of VEB's entry into an option agreement with such Russian entity economically related to VEB's purchase of such shares to finance a large scale infrastructure project, which gain was partially offset by unrealised losses arising from the option agreement included in gains less losses arising from financial instruments at fair value through profit or loss.

For the six months ended 30 June 2009, VEB recorded a net gain arising from financial instruments at fair value through profit or loss of RUB 10,322 million, principally reflecting gains on sales of trading securities realised during the six months ended 30 June 2009 as VEB began to sell down many of its equity positions in Russian blue-chip companies, as the Russian securities market improved significantly with the easing of the global financial crisis. In addition, VEB recorded unrealised net gains on trading securities as a result of the positive revaluation of securities treated as financial instruments as VEB marked these investments to market.

VEB recorded a net gain of RUB 3,890 million on the sale of investment securities available for sale, previously recognised in other comprehensive income, for the six months ended 30 June 2010, as compared to a net loss of RUB 4,804 million on the sale of investment securities available for sale, for the six months ended 30 June 2009. This gain primarily reflected realised gains from the sale of securities of Russian blue-chip companies out of VEB's investment securities portfolio acquired with funds provided by the Russian Government (primarily comprised of funds of the NWF) to support the Russian securities market, as the market value of these securities continued to increase in 2010 following the recovery and stabilisation of share prices as the global financial crisis eased, partially offset by the negative revaluation of securities following VEB's acquisitions, upon the proposal of the Russian Government, of shares in certain Russian entities considered to have strategic importance to the Russian economy, including, in 2010, UC RUSAL and JSC "United Aircraft Corporation" and, in 2009, OJSC "Rostelecom", which VEB intends to hold as long-term investments. See "*Recent Developments—Key State-Owned Vehicle for the Stabilisation of the Russian Economy and Financial System—Equity Investments*" in this Base Prospectus Supplement.

The net loss on the sale of investment securities available for the six months ended 30 June 2009 of RUB 4,804 million, reflected the negative revaluation of VEB's investment in EADS N.V., partially offset by the realisation of gains on the sale of other available-for-sale securities as VEB began to sell down its investment securities portfolio as market prices improved.

Net Gains/(Losses) from Foreign Currencies

The following table sets forth the breakdown of VEB's gains less losses from foreign currencies for the periods indicated:

	For the six months ended 30 June	
	2010	**2009 (restated)**
	(RUB millions) *(Unaudited)*	
Net gains/(losses) arising from foreign currencies		
- dealing	1,342	3,401
- translation differences	(902)	3,414
Net gains/(losses) arising from foreign currencies	**440**	**6,815**

Gains less losses from foreign currencies decreased by 93.54% to RUB 440 million for the six months ended 30 June 2010 from RUB 6,815 million for the six months ended 30 June 2009. This period-on-period decrease primarily reflected both a lower level of gains in dealing transactions and less volatile currency rates.

Gains on Initial Recognition of Financial Instruments

During the six months ended 30 June 2009, VEB obtained deposits from the CBR at interest rates substantially below market rates to fund certain of its recovery finance activities. VEB calculated a gain on initial recognition of financial instruments of RUB 7,778 million in that period. No similar amounts were recorded during the six months ended 30 June 2010.

Excess of Acquirer's Interest in the Net Fair Value of Acquiree's Identifiable Assets, Liabilities and Contingent Liabilities over Cost

In 2009, VEB recorded the excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost attributable to its acquisitions of Prominvestbank and GLOBEXBANK in the amounts of RUB 4,826 million and RUB 19,006 million, respectively. No similar amounts were recorded during the six months ended 30 June 2010. See "—*Critical Accounting Policies*".

Non-Interest Expenses

For each of the six-month periods ended 30 June 2010 and 2009, VEB's non-interest expenses comprised principally payroll and other staff costs, expenses for occupancy and equipment and other operating expenses.

The following table sets forth the breakdown of VEB's non-interest expenses for the periods indicated:

	For the six months ended 30 June	
	2010	**2009 (restated)**
	(RUB millions) *(Unaudited)*	
Payroll and other staff costs	(5,528)	(4,695)
Occupancy and equipment	(1,812)	(1,670)
Depreciation	(617)	(657)
Taxes other than income taxes	(758)	(317)
Reversal of / (provision for) other impairment and provisions	953	(619)
Other operating expenses	(3,090)	(2,968)
Total non-interest expenses	**(10,852)**	**(10,926)**

Non-interest expenses decreased by 0.68% to RUB 10,852 million for the six months ended 30 June 2010 from RUB 10,926 million for the six months ended 30 June 2009. The lower level of non-interest expenses in the 2010 period, compared to the 2009 period, resulted primarily from the reversal of provisions for the six months ended 30 June 2010 in the amount of RUB 953 million in respect of a guarantee provided by VEB, compared to the taking of a provision in the amount of RUB 619 million for the six months ended 30 June 2009, as most other non-interest income expense items reflected period-on-period increases driven by the overall growth in VEB's balance sheet.

Payroll and Other Staff Costs

Payroll and other staff costs increased by 17.74% to RUB 5,528 million for the six months ended 30 June 2010 from RUB 4,695 million for the six months ended 30 June 2009. This period-on-period increase primarily reflected the increase in the number of employees for the full six months in the 2010 period, as compared to only part of the 2009 period, following VEB's acquisition of its banking subsidiaries during the second quarter of 2009.

Other Operating Expenses

Other operating expenses increased by 4.11% to RUB 3,090 million for the six months ended 30 June 2010 from RUB 2,968 million for the six months ended 30 June 2009, primarily reflecting an increase in the operating expenses at Prominvestbank and expenses related to the creation of VEB Capital and VEB Engineering.

Income Taxation Expense/(Benefit)

Although its banking and other subsidiaries are taxed in their respective jurisdictions of incorporation, VEB itself is not subject to income tax in the Russian Federation. Accordingly, VEB's income tax expense for each of the six-month periods ended 30 June 2010 and 2009 was not significant.

Net Income

As a result of the combined effects of all of the foregoing, VEB had net income of RUB 14,248 million for the six months ended 30 June 2010, as compared to net income of RUB 18,201 million for the six months ended 30 June 2009.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents, Net

The following table sets forth VEB's net cash and cash equivalents as at the dates indicated:

	As at 30 June 2010 (Unaudited)	As at 31 December 2009
	(RUB millions)	
Cash on hand	9,670	11,037
Current accounts with the Bank of Russia	7,654	12,785
Correspondent nostro accounts with Russian credit institutions and current stock broker accounts		
- Russian Federation	13,649	13,549
- other countries	14,843	31,306
Interest-bearing loans and deposits maturing within 90 days	73,905	86,799
Reverse purchase agreements with credit institutions for up to 90 days	7 127	13,440
Total cash and cash equivalent, net	**126,848**	**168,916**

VEB's total net cash and cash equivalent positions decreased by 24.91% to RUB 126,848 million as at 30 June 2010 from RUB 168,916 million as at 31 December 2009. This decrease in cash as at 30 June 2010, as compared to 31 December 2009, primarily reflected the overall use of cash by VEB to support growth in its business activities, including, in particular, to finance the purchase by VEB of 11.5% of the share capital of JSC "United Aircraft Corporation" in March 2010.

Cash Flows

The following table sets forth the breakdown of VEB's cash flows for the years indicated:

	For the six months ended 30 June	
	2010	2009 (restated)
	(RUB millions) *(Unaudited)*	
Net cash from/(used in) operating activities	(10,886)	(112,067)
Net cash from/(used in) investment activities	(25,205)	(26,435)
Net cash from/(used in) financing activities	(6,982)	157,249

Net Cash Flows from Operating Activities

Net cash flows used in operating activities were RUB 10,886 million for the six months ended 30 June 2010, as compared to net cash flows used in operating activities of RUB 112,067 million for the six months ended 30 June 2009. The higher level of cash used in operating activities in the first six months of 2009, as compared to the first six months in 2010, was primarily due to the withdrawal of deposits that had been made by Russian banks with VEB to comply with a recommendation issued by the CBR to Russian banks in November 2008 to maintain their foreign assets in Russia, which the CBR allowed to lapse in June 2009 as conditions in the local foreign exchange market improved.

Net Cash Flows Used in Investment Activities

Net cash flows used in investment activities were RUB 25,205 million for the six months ended 30 June 2010 and RUB 26,435 million for the six months ended 30 June 2009. The cash used in investment activities in the six months ended 30 June 2010 primarily reflected the cash flow used to purchase investment securities, partially offset by the cash flow generated from the sale of investment securities, whilst the cash used in investment activities in the six months ended 30 June 2009 also reflected cash used to extend subordinated loans to qualifying Russian banks under the Financial System Support Law, partially offset by the consolidation of additional cash when VEB acquired its controlling interest in Prominvestbank.

Net Cash Flows from Financing Activities

Net cash flows used in financing activities were RUB 6,982 million for the six months ended 30 June 2010, as compared to net cash flows from financing activities of RUB 157,249 million for the six months ended 30 June 2009. The higher level of cash used in financing activities in the six months ended 30 June 2010 primarily reflected the net decrease in the outstanding amount of debt securities issued by VEB, whilst cash flows from financing activities in the six months ended 30 June 2009 primarily reflected the capital injection received by VEB from the Russian Government in the amount of RUB 100,000 million to support VEB's involvement in stabilising the Russian banking system.

Contingencies, Commitments and Derivative Financial Instruments

VEB enters into certain financial instruments with off-balance sheet risk, particularly in the furtherance of its role as a development bank supporting the Russian import-export sector and the development of SMEs in the Russian Federation. These instruments, which include guarantees, letters of credit, undrawn credit lines and commitments to extend credits, involve varying degrees of credit risk and are not reflected in VEB's consolidated statement of financial position. VEB uses similar credit approval policies in undertaking credit-related commitments not recorded in its consolidated statement of financial position as it does for its operations comprising the positions included in its consolidated statement of financial position. See "*Lending Policies and Procedures*" and "*Risk Management*" in the Base Prospectus.

The following table sets forth VEB's credit-related commitments as at the dates indicated:

	As at 30 June 2010 (Unaudited)	As at 31 December 2009
	(RUB millions)	
Guarantees	85,425	131,577
Undrawn loan commitments	255,931	231,321
Letters of credit	13,584	34,549
Total credit-related commitments	**354,940**	**397,447**

As at 30 June 2010, VEB had issued 179 guarantees for a total amount of RUB 85,425 million, as compared to 192 guarantees for a total amount of RUB 131,577 million as at 31 December 2009. This decrease was primarily attributable to an early repayment of one of the guarantees provided by VEB to a Russian bank. On 30 September 2010, in connection with the refinancing by UC RUSAL of the recovery finance loan previously provided to it by VEB, VEB provided a guarantee (with primary liability) in the amount of U.S.$2,250 million, with the benefit of certain collateral and subject to other contractual arrangements between VEB and the beneficiary of the guarantee, which could, in certain circumstances, result in VEB becoming subject to a significantly higher exposure, although if VEB were subject to such higher exposure, it would have the benefit of a commensurate increase in collateral. Based on this transaction, it is expected that VEB's total credit-related commitments will increase substantially.

As at 30 June 2010, credit commitments in relation to undrawn credit lines were RUB 255,931 million, as compared to RUB 231,321 million as at 31 December 2009. This increase was primarily attributable to the continued growth in VEB's development bank activities.

Conclusion

Overall, the decrease in VEB's net profit in the first six months of 2010, as compared to the first six months of 2009, principally reflected (i) the lower level of gains on the sale of securities for the six months ended 30 June 2010, as compared to the six months ended 30 June 2009, as VEB had sold down many of its equity positions in Russian blue-chip companies during the six months ended 30 June 2009 as the market values of these securities improved; (ii) the negative revaluation in the six months ended 30 June 2010 of securities acquired by VEB, upon the proposal of the Russian Government, in certain Russian entities considered to have strategic importance to the Russian economy, which VEB intends to hold as long-term investments; and (iii) the significant gains on initial recognition of financial instruments and excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost realised in the six-month period ended 30 June 2009, which did not recur in the corresponding period of 2010 and which were only partially offset by the higher level of provisions for impairment of interest-earning assets in the first six months of 2009, as compared to the first six months of 2010.

CERTAIN STATISTICAL DATA AND OTHER INFORMATION

The following discussion comprises an analysis of VEB's balance sheet as at 30 June 2010, as compared to 31 December 2009. Comparative figures as at 31 December 2008 and 2007 are included in the tables for ease of reference. The corresponding analysis of the statistical data and other information relating to this historical information is included under "Certain Statistical Data and Other Information" in the Base Prospectus.

AVERAGE BALANCE SHEET AND INTEREST RATES

The table below presents the average balances for VEB's interest-earning assets and interest-bearing liabilities, together with weighted average rates and the corresponding amount of interest income (expense) for the periods indicated. Investors should note that this average balance sheet data has been prepared for the six-month periods ended 30 June 2010 and 2009 by using the average of quarterly balances derived from the Unaudited Interim IFRS Financial Statements based on the period beginning and period ending balances for each quarter in such periods. This method of preparing the average balance sheet may not be representative of VEB's daily average balances (determined in accordance with IFRS) during the periods indicated.

	For the six months ended 30 June 2010			For the six months ended 30 June 2009		
	Average balance	**Average interest rate, %(1)**	**Interest Income/ Expense**	**Average balance**	**Average interest rate, %(1)**	**Interest Income/ Expense**
	(RUB millions, except for percentages)					
Interest-earning assets(2)						
Loans to customers	981,877	8.6	42,414	910,316	9.8	44,450
Due from credit institutions and cash equivalents	574,982	7.0	20,159	588,066	5.4	15,768
Securities(3)	227,500	9.1	10,318	122,969	8.9	5,465
Total interest-earning assets	**1,784,368**	**8.2**	**72,891**	**1,621,351**	**8.1**	**65,683**
Interest-bearing liabilities						
Amounts due to credit institutions and the CBR	640,631	4.4	(14,038)	907,115	4.4	(20,054)
Amounts due to customers and the Russian Government (Ministry of Finance)	220,353	6.7	(7,360)	179,736	7.0	(6,306)
Debt securities issued	79,882	4.3	(1,710)	18,932	4.8	(452)
NWF deposits	508,256	6.8	(17,249)	432,496	6.8	(14,672)
Total interest-bearing liabilities	**1,449,122**	**5.6**	**(40,357)**	**1,538,280**	**5.4**	**(41,484)**
Net interest income			**32,534**			**24,199**

Notes:

(1) Represents interest income or interest expense divided by the average balance of the respective item.

(2) Prior to deducting allowance for impairment.

(3) Excluding equity securities, are not interest-earning.

The average interest rates on interest-earning assets were relatively stable overall for the six months ended 30 June 2010 and 2009, although the average rates on the components of VEB's interest-earning assets fluctuated. The average interest rates on loans to customers decreased by 12.2% to 8.6% for the six months ended 30 June 2010 from 9.8% for the six months ended 30 June 2009, principally due to VEB's renewed focus in 2010 on its core development bank lending activities, which generally involve the provision of financing at lower average rates. The average interest rates on amounts due from credit institutions and cash equivalents increased by 29.6% to 7.0% for the six months ended 30 June 2010 from 5.4% for the six months ended 30 June 2009, principally due to an increase in the volume of longer-term interbank loans, which bear interest at higher average rates, together with a corresponding decrease in the volume of short-term interbank financing, which bears interest at lower rates. The average interest rates on securities increased by 4.2% to 9.1% for the six months ended 30 June 2010 from 8.9% for the six months ended 30 June 2009.

The average interest rate on interest-bearing liabilities for the six months ended 30 June 2010 increased to 5.6% from 5.4% for the six months ended 30 June 2009, mainly due to the increase in the average amount of interest-bearing liabilities at comparatively higher rates (amounts due to customers and NWF deposits), which more than offset by the decrease in the average interest rates on amounts due to customers and the Russian Government (the Ministry of Finance) and debt securities issued.

AMOUNTS DUE FROM CREDIT INSTITUTIONS

The following table sets forth a breakdown of amounts due from credit institutions as at the dates indicated:

	As at 30 June 2010 (Unaudited)	As at 31 December 2009	2008	2007 (restated)
		(RUB millions)		
Obligatory reserve with the central banks	2,450	1,826	473	614
Non-interest-bearing deposits with other banks	37,320	37,020	22,329	26,757
Subordinated loans	388,209	388,208	225,210	210
Term interest-bearing deposits with credit institutions	40,956	41,787	63,631	17,426
	468,935	468,841	311,634	45,007
Less: Provision for impairment	(1,470)	(1,533)	(133)	(128)
Amounts due from credit institutions	**(467,465)**	**(467,308)**	**(311,510)**	**(44,879)**

As at each of 30 June 2010 and 31 December 2009, amounts due from credit institutions comprised predominantly Rouble-denominated subordinated loans issued to Russian credit institutions by VEB as one of the key State-owned vehicles for the stabilisation of the Russian economy and financial system in accordance with the Financial System Support Law. As at 30 June 2010, VEB had subordinated loans outstanding to 17 Russian banks (including one loan made directly by VEB, without matching funding, outside of the programme under the Financial System Support Law) in an aggregate principal amount of RUB 387,998 million (as compared to RUB 387,998 million as at 31 December 2009), which loans mature between December 2014 and December 2020. In accordance with amendments made to the Financial System Support Law adopted on 27 July 2010, and the respective decision of VEB's Supervisory Board, the interest rates VEB charges on these subordinated loans were lowered from 8.0% to 6.5% and from 9.5% to 7.5%. At the time these rates were lowered, the interest rates for the deposits received from the Ministry of Finance of the Russian Federation (comprised of funds of the NWF) and comprising the matching funding for the subordinated loans were also lowered from 7.0% to 6.25% and 8.5% to 7.25%. Overall, the net interest margin on VEB's subordinated loans to qualifying borrowers under the Financial System Support Law has decreased.

Obligatory reserve with the central banks includes non-interest-bearing cash deposits required to be maintained by VEB's subsidiary banks with the CBR, the National Bank of Belarus and the National Bank of Ukraine (as applicable). The amount of this reserve depends on the level of funds deposited with such credit institutions. The ability of the subsidiary banks to withdraw the reserve deposits is significantly restricted by statute. Pursuant to applicable legislation, VEB is not currently required to create any obligatory reserve with the CBR.

Non-interest-bearing deposits with other banks comprise mandatory placements in clearing currencies and are, accordingly, subject to certain restrictions as stipulated under agreements entered into between VEB and the governments of the respective countries issuing the relevant foreign currency. The funds are permitted to be used for the purchase of goods and services by Russian importers, which purchase clearing currencies for such purpose in tenders organised by VEB under the supervision of the Ministry of Finance.

LOANS TO CUSTOMERS

VEB's loans to customers (before allowance for impairment) increased by 3.9% to RUB 1,002,419 million as at 30 June 2010 from RUB 964,699 million as at 31 December 2009, principally due to VEB refocusing its activities on its core development bank business.

As at 30 June 2010, the annual contractual interest rates charged by VEB on commercial loans ranged from 3.2% to 30.0% (as compared to rates ranging from 6.3% to 30.0% as at 31 December 2009) for Rouble-denominated loans; from six-month EURIBOR plus 3.2% to 17.0% (as compared to rates ranging from six-month EURIBOR plus 3.2% to 25.0% as at 31 December 2009) for Euro-denominated loans; from one-month LIBOR plus 0.7% to 26.0% (as compared to rates ranging from one-month LIBOR plus 0.7% to 26.0% as at 31 December 2009) for U.S. Dollar-denominated loans;

from 8.9% to 10.8% (as compared to rates ranging from 8.9% to 10.8% as at 31 December 2009) for Sterling-denominated loans; and from 3.0% to 32.0% (as compared to rates ranging from 3.0% to 52.0% as at 31 December 2009) for loans denominated in other currencies.

Loans by Type of Finance

The following table sets forth a breakdown of VEB's loans to customers (before allowance for impairment), by type of loan, as at the dates indicated:

	As at 30 June 2010 (Unaudited)		As at 31 December 2009		2008		2007 (restated)	
	(RUB millions)	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*% of total*
Commercial loans	359,868	35.9	307,082	31.8	138,894	18.8	33,041	14.3
Project finance	348,235	34.7	313,250	32.5	199,450	27.0	71,311	30.8
Back-to-back (recovery) finance	213,997	21.4	237,497	24.6	269,668	36.6	—	—
Pre-export finance	54,374	5.4	80,712	8.4	110,520	15.0	107,588	46.5
Promissory notes	14,789	1.5	7,881	0.8	4,000	0.6	2,418	1.0
Financing of operations with securities	7,006	0.7	8,286	0.9	1,668	0.2	6,170	2.7
Reverse repurchase agreements	998	0.1	4,606	0.5	57	—	9,693	4.2
Other	3,152	0.3	5,385	0.5	13,229	1.8	1,124	0.5
Total loans to customers	**1,002,419**	**100.0**	**964,699**	**100.0**	**737,486**	**100.0**	**231,345**	**100.0**

Project finance loans increased by 11.2% to RUB 348,235 million as at 30 June 2010 as compared to RUB 313,250 million as at 31 December 2009. As a percentage of total loans to customers, project finance loans represented 34.7% and 32.5% of total loans as at 30 June 2010 and 31 December 2009, respectively. These increases in project finance loans, both in absolute terms and as a percentage of total loans to customers, primarily resulted from the ongoing growth in VEB's development bank activities and, in particular, its corresponding focus on providing financial support for infrastructure projects in key strategic sectors of the Russian economy.

As at 30 June 2010, VEB had commercial loans of RUB 359,868 million, representing 35.9% of all loans to customers, as compared to RUB 307,082 million, representing 31.8% of all loans to customers, as at 31 December 2009. As a development bank, VEB does not itself engage in commercial lending and, accordingly, the increases in commercial loans, both in absolute terms and as a percentage of total loans to customers, primarily reflected, as at 30 June 2010, as compared to 31 December 2009, the continued overall growth in VEB's development bank activities through its newly-acquired banking subsidiaries as these subsidiaries returned to profitability and increased their lending activities. See "*Business Description of VEB—Principal Subsidiaries and Affiliates*" in the Base Prospectus.

Back-to-back (recovery) finance represents loans made to customers to repay and maintain loans from foreign entities collateralised by securities portfolios, using funds deposited by the CBR with VEB in accordance with the Financial System Support Law. Back-to-back (recovery) finance loans decreased by 9.9% to RUB 213,997 million as at 30 June 2010 from RUB 237,497 million as at 31 December 2009, principally due to the repayment of some recovery finance and the reduced level of VEB's anti-crisis financing activities as the Russian economy began to recover. As at 2 October 2010, all of the back-to-back (recovery) finance loans provided by VEB pursuant to the Financial System Support Law to refinance foreign loans of Russian corporate borrowers have been repaid. See "*Recent Developments—Key State-Owned Vehicle for the Stabilisation of the Russian Economy and Financial System—Recovery Finance—Refinancing of Foreign Loans*" in this Base Prospectus Supplement.

Pre-export finance decreased by 32.6% to RUB 54,374 million as at 30 June 2010 from RUB 80,712 million as at 31 December 2009. The decrease in pre-export finance loans as at 30 June 2010 as compared to 31 December 2009, and the decrease in this type of finance as a percentage of total loans to customers to 5.4% of total loans as at 30 June 2010 from 8.4% as at 31 December 2009, primarily reflected continued reduction in demand for this type of finance as the competitiveness of Russian industrial exporters has decreased in recent years.

Reverse purchase agreements are used by VEB primarily for the purpose of placing temporarily available funds and, accordingly, the majority of reverse purchase agreements entered into by VEB are short-term contracts and the fluctuations in the amounts of reverse purchase agreements between the reporting dates reflect the timing effect of particular transactions. Reverse repurchase agreements decreased to RUB 998 million as at 30 June 2010 from RUB 4,606 million as at 31 December 2009, primarily reflecting an ordinary course of business decision to place temporary funds through the inter-bank lending market rather than through reverse purchase agreements. See "*—Amounts due from Credit Institutions*" in this Base Prospectus Supplement.

Loans by Type of Customer

The following table sets forth a breakdown of VEB's loans to customers (before allowance for impairment), by type of customer, as at the dates indicated:

	As at 30 June 2010 (Unaudited)		As at 31 December 2009		2008		2007 (restated)	
	(RUB millions)	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*%of total*
Private companies	757,607	75.6	710,045	73.6	497,798	67.5	73,840	31.9
State-controlled companies	198,024	19.8	214,072	22.2	225,343	30.6	152,209	65.8
Companies under foreign state control	21,578	2.2	16,280	1.7	5,194	0.7	4,280	1.9
Individuals	12,493	1.2	13,835	1.4	4,129	0.5	870	0.4
Regional authorities	8,444	0.8	6,562	0.7	3,773	0.5	42	—
Foreign states	2,712	0.3	2,723	0.3	798	0.1	—	—
Individual entrepreneurs	1,561	0.1	1,182	0.1	451	0.1	104	—
Total loans to customers	**1,002,419**	**100.0**	**964,699**	**100.0**	**737,486**	**100.0**	**231,345**	**100.0**

As at each of 30 June 2010 and 31 December 2009, loans to customers principally comprised loans to private companies and loans to State-controlled entities, both for development purposes and as a result of VEB's recovery finance activities in support of the Russian economy following the global financial crisis. Although continuing to comprise a significant portion of total loans to customers, loans to private companies increased by 6.7% to RUB 757,607 million as at 30 June 2010 from RUB 710,045 million as at 31 December 2009, principally as a result of the continued overall growth in VEB's development bank activities through its banking subsidiaries as these subsidiaries returned to profitability and increased their lending activities.

VEB's customer base includes many of Russia's largest banking institutions and corporations, some of which are owned and controlled by the Russian Government. See "*Related Party Transactions*" in the Base Prospectus. Although continuing to comprise a significant portion of total loans to customers, loans to State-controlled companies decreased by 7.5% to RUB 198,024 million as at 30 June 2010 from RUB 214,072 million as at 31 December 2009. Fluctuations in the levels of loans provided to different types of customers occur in the ordinary course of VEB's business. The decrease in loans to State-controlled companies as at 30 June 2010, as compared to 31 December 2009, was primarily attributable to the repayment of loans by State-controlled entities in accordance with their terms, including the scheduled amortisation of a large loan by one State-controlled borrower. As a percentage of total loans, this type of finance also decreased to 19.8% of total loans as at 30 June 2010 from 22.2% of total loans as at 31 December 2009, primarily as a result of VEB's renewed focus on its core development bank activities and the related provision of significant financing for several large-scale infrastructure and investment projects.

Loans to individuals include loans extended by VEB's banking subsidiaries only as VEB itself does not engage in retail lending activities. Loans to individuals decreased by 9.7% as at 30 June 2010 to RUB 12,493 million from RUB 13,835 million as at 31 December 2009, principally due to the increased focus on corporate lending by VEB's subsidiaries.

Loans by Economic Sector

The following table sets forth a breakdown of VEB's loans to customers (before allowance for impairment), by economic sector, as at the dates indicated:

	As at 30 June 2010 (Unaudited)		As at 31 December 2009		2008		2007 (restated)	
	(RUB millions)	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*% of total*
Construction and reconstruction	221,424	22.1	196,561	20.4	140,606	19.1	12,782	5.5
Manufacturing, heavy machinery and military	160,739	16.0	153,786	15.9	111,314	15.1	53,654	23.2
Metallurgy	151,283	15.1	174,319	18.1	163,623	22.2	—	—
Finance companies	95,263	9.5	77,047	8.0	37,535	5.1	31,857	13.8
Telecommunication	74,426	7.4	65,645	6.8	74,824	10.1	3,404	1.5
Oil and gas	71,200	7.1	89,129	9.2	129,257	17.5	109,156	47.2
Trade	56,716	5.7	48,351	5.0	13,812	1.9	2,845	1.2
Agriculture	43,452	4.3	41,527	4.3	15,122	2.1	8,182	3.5
Energy	41,354	4.1	37,922	4.0	10,719	1.5	5,648	2.4
Transportation	23,790	2.4	23,978	2.5	15,477	2.1	1,269	0.5
Individuals	12,493	1.3	13,835	1.4	4,129	0.5	870	0.4
Regional authorities	8,444	0.8	6,562	0.7	3,773	0.5	42	—
Logistics	6,484	0.7	5,988	0.6	2,564	0.3	—	—
Foreign state	2,712	0.3	2,723	0.3	798	0.1	—	—
Mass media	139	—	105	0.0	2,295	0.3	717	0.3
Other	32,500	3.2	27,221	2.8	11,638	1.6	919	0.5
Total loans to customers	**1,002,419**	**100.0**	**964,699**	**100.0**	**737,486**	**100.0**	**231,345**	**100.0**

Loans to customers show concentrations in the construction and reconstruction, metallurgy, manufacturing, heavy machinery and military, finance, telecommunication, oil and gas and trade sectors. As a percentage of all loans to customers, as at 30 June 2010, as compared to 31 December 2009, loans to customers in the construction and reconstruction, manufacturing, heavy machinery and military, finance, telecommunications and trade sectors have increased, whilst loans to customers in the metallurgy and oil and gas sectors have decreased.

Loans to the construction and reconstruction sector increased by 12.6% to RUB 221,424 million, representing 22.1% of total loans to customers, as at 30 June 2010 from RUB 196,561 million, representing 20.4% of total loans to customers, as at 31 December 2009, principally due to VEB's renewed focus in 2010 on its core development bank lending activities, which involve the provision of significant financing for several large-scale infrastructure and investment projects that are included in the construction and reconstruction sector.

Loans to the manufacturing, heavy machinery and military sector increased by 4.5% to RUB 160,739 million as at 30 June 2010 from RUB 153,786 million as at 31 December 2009. This increase in loans to the manufacturing, heavy machinery and military sector, in absolute terms, was principally due to VEB's renewed focus in 2010 on its core development bank lending activities, which involve the provision of financing to large industrial companies, although loans to the manufacturing, heavy machinery and military sector were relatively stable as a percentage of total loans to customers at 16.0% as at 30 June 2010, as compared to 15.9% as at 31 December 2009.

Loans to the metallurgy sector decreased in absolute terms by 13.2% to RUB 151,283 million as at 30 June 2010 from RUB 174,319 million as at 31 December 2009. On 1 October 2010, a leading Russian metallurgy company, UC RUSAL repaid in full the recovery finance loan provided to it by VEB in the amount of U.S.$4,617 million, together with all accrued interest.

Loans to the oil and gas sector decreased as a percentage of total loans to customers to 7.1% as at 30 June 2010 from 9.2% as at 31 December. In absolute terms, these loans decreased to RUB 71,200 million as at 30 June 2010 from RUB 89,129 million as at 31 December 2009. These decreases, both in absolute terms and as a percentage of all loans to customers, as at 30 June 2010, as compared to 31 December 2009, were principally due to the amortisation of a large loan by a State-controlled oil and gas company in accordance with its terms. In addition, in July and August 2010, Gazpromneft repaid in full the recovery finance loans provided to it by VEB in the aggregate amount of U.S.$757 million, together with all accrued interest.

Loans to finance companies increased by 23.6% to RUB 95,263 million, representing 9.5% of total loans to customers, as at 30 June 2010 from RUB 77,047 million, representing 8.0% of total loans to customers, as at 31 December 2009. These increases in loans to finance companies, in both absolute terms and as a percentage of total loans, reflected the provision of an increased level of project financing through intermediary finance companies as at 30 June 2010, as compared to 31 December 2009.

Loans to the telecommunications sector increased by 13.4% to RUB 74,426 million, representing 7.4% of total loans to customers, as at 30 June 2010 from RUB 65,645 million, representing 6.8% of total loans to customers, as at 31 December 2009. The increase for the six months ended 30 June 2010 primarily relates to the growth in the business of Sviaz-Bank as it returned to profitability, as this subsidiary provides significant financing to telecommunications companies in the ordinary course of its business. On 26 August 2010, Eco Telecom repaid in full the recovery finance loan provided to it by VEB in the amount of U.S.$1,507 million, together with all accrued interest.

Loans to the trade sector increased by 17.3% to RUB 56,716 million, representing 5.7% of total loans to customers, as at 30 June 2010 from RUB 48,351 million representing 5.0% of total loans to customers as at 31 December 2009. This increase, both in absolute terms and as a percentage of total loans to customers, primarily reflected the continued overall growth in VEB's development bank activities through its banking subsidiaries as these subsidiaries returned to profitability and increased their lending activities.

Loans by Currency

The following table sets forth a breakdown of VEB's loans to customers (before allowance for impairment), by currency, as at the dates indicated:

	As at 30 June 2010 (Unaudited)		As at 31 December 2009		2008		2007 (restated)	
	(RUB millions)	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*% of total*
Rouble	361,139	36.0	321,711	33.3	205,728	27.9	27,303	11.8
U.S. Dollar	519,955	51.9	516,558	53.5	482,663	65.4	186,404	80.6
Euro	56,798	5.7	61,147	6.3	42,766	5.8	15,032	6.5
Other currencies	64,527	6.4	65,283	6.9	6,329	0.9	2,606	1.1
Total loans to customers	**1,002,419**	**100.00**	**964,699**	**100.0**	**737,486**	**100.0**	**231,345**	**100.0**

As at 30 June 2010, VEB's loan portfolio was denominated 51.9% in U.S. Dollars and 36.0% in Roubles, as compared to 53.5% in U.S. Dollars and 33.3% in Roubles as at 31 December 2009. The high percentage of U.S. Dollar loans as at both 30 June 2010 and 31 December 2009 reflected VEB's provision of project finance loans to Russian corporate entities for the purchase of foreign equipment and loans to support export contracts, most of which are denominated in U.S. Dollars. Notwithstanding the continued provision of such large loans in U.S. Dollars, Rouble-denominated loans increased, both in absolute terms and as a percentage of total loans to customers, as at 30 June 2010 as compared to 31 December 2009, primarily due to the growth in VEB's development bank lending activities in the Russian Federation.

Loans by Maturity

The following table sets forth a breakdown of VEB's loans to customers (net of allowance for impairment), by remaining maturity, as at the dates indicated:

	As at 30 June 2010 (Unaudited)		As at 31 December 2009		2008		2007 (restated)	
	(RUB millions)	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*% of total*
Up to 1 month	26,851	3.1	24,368	2.9	9,692	1.3	15,698	6.9
1 to 6 months	295,393	33.8	88,636	10.5	89,836	12.4	32,031	14.1
6 to 12 months	95,112	11.0	285,608	33.9	303,689	41.9	39,527	17.3
Over 1 year	443,097	50.8	444,841	52.7	322,423	44.4	140,731	61.7
No stated maturity	11,607	1.3	85	0.0	—	—	31	0.0
Total loans to customers, net	**872,060**	**100.00**	**843,538**	**100.0**	**725,640**	**100.0**	**228,018**	**100.0**

Due to the nature of its activities both as a development bank and as one of the key State-owned vehicles for the stabilisation of the Russian economy and financial system, loans to customers are predominantly long-term, with loans with maturities of more than one year comprising 50.8% and 52.7% of all loans to customers as at 30 June 2010 and 31 December 2009, respectively.

Loans with a maturity from 1 to 6 months increased by RUB 206,757 million to RUB 295,393 million as at 30 June 2010 from 88,636 million as at 31 December 2009, and comprised 33.8% and 10.5% of total loans to customers, as at 30 June 2010 and 31 December 2009, respectively, while loans with a maturity from 6 to 12 months decreased by RUB 190,496 million to RUB 95,112 million as at 30 June 2010 from 285,608 million as at 31 December 2009, and comprised 11.0% and 33.9% of total loans to customers, as at 30 June 2010 and 31 December 2009, respectively. This shortening of the maturity profile of VEB's loan portfolio principally reflected the ageing of recovery finance loans as these generally neared their respective maturities.

Borrower Concentration

Loans outstanding to VEB's three largest borrowers aggregated to RUB 331,727 million and RUB 311,696 million, and comprised 33.1% and 32.3% of total loans to customers, as at 30 June 2010 and 31 December 2009, respectively.

As at 30 June 2010, the loans to VEB's three largest borrowers included (i) a group of related loans to a leading group of Russian metallurgy companies (UC RUSAL) in the aggregate amount of RUB 149,606 million and comprising 14.9% of all loans to customers; (ii) a group of loans to an associate of VEB, in the amount of RUB 134,832 million and comprising 13.5% of all loans to customers, a portion of the proceeds of which was applied to finance such associate's purchase of real estate and other assets from certain borrowers of GLOBEXBANK to permit such borrowers to repay obligations owed by them to GLOBEXBANK in connection with the rehabilitation of GLOBEXBANK to restore its financial viability following the global financial crisis; and (iii) a loan to a leading Russian telecommunications company (Eco Telecom) in the amount of RUB 47,289 million and comprising 4.7% of VEB's loan portfolio. As at 30 June 2010, VEB recorded allowance for impairment of these loans to its three largest borrowers in an aggregate amount of RUB 41,236 million, of which RUB 40,920 million was recorded in respect of the loans to an associate to finance the purchase of real estate and other assets from certain borrowers of GLOBEXBANK. Notwithstanding this provision, VEB has significant further exposure associated with these loans since the current fair value of the purchased assets remains lower than the purchase price paid as a result of the continuing impact of the global financial crisis on real estate values. Since 30 June 2010, UC RUSAL and Eco Telecom have repaid two of these three largest loans, which comprised back-to-back (recovery) finance loans. See "*Recent Developments—Key State-Owned Vehicle for the Stabilisation of the Russian Economy and Financial System—Recovery Finance—Refinancing of Foreign Loans*" in this Base Prospectus Supplement.

As at 31 December 2009, the loans to VEB's three largest borrowers included (i) the group of related loans to UC RUSAL in the aggregate amount of RUB 143,905 million and comprising 14.9% of all loans to customers; (ii) the group of loans to an associate of VEB to finance such associate's purchase of real estate and other assets from certain borrowers of GLOBEXBANK, in the amount of RUB 121,760 million and comprising 12.6% of all loans to customers; and (iii) the loan to a leading Russian telecommunications company in the amount of RUB 46,031 million and comprising 4.8% of VEB's loan portfolio. As at 31 December 2009, VEB recorded allowance for impairment of these loans to its three largest borrowers in an aggregate amount of RUB 37,583 million, of which RUB 37,370 million was recorded in respect of the loans to VEB's associate. Notwithstanding this provision, VEB has significant further exposure associated with these loans since the current fair value of the purchased real estate and other assets is less than the purchase price paid as a result of the continuing impact of the global financial crisis on real estate values.

In addition to the loans to VEB's three largest borrowers, VEB had outstanding loans to ten further major borrowers or groups of related borrowers in the aggregate amount of RUB 204,598 million and RUB 240,050 million, and comprising 20.4% and 24.9% of total loans to customers, as at 30 June 2010 and 31 December 2009, respectively. As at 30 June 2010 and 31 December 2009, VEB had recorded allowance for impairment of these loans to its ten next largest borrowers in a total amount of RUB 15,206 million and RUB 7,946 million, respectively.

Loans by Geographic Location

As at each of 30 June 2010 and 31 December 2009, 88.5% of total loans to customers were comprised of loans to companies operating in the Russian Federation. This significant geographic concentration reflects VEB's roles as both the principal development bank in the Russian Federation and one of the key State-owned vehicles for the stabilisation of the Russian economy and financial system in accordance with the Financial System Support Law. Most of VEB's loans to non-Russian borrowers are held by Prominvestbank and Belvnesheconombank, VEB's Ukrainian and Belarusian (respectively) banking subsidiaries.

SECURITIES PORTFOLIO

Overview

VEB's securities portfolio comprised 21.9% and 21.7% of VEB's total assets as at 30 June 2010 and 31 December 2009, respectively. This portfolio is divided among financial assets at fair value through profit or loss, securities available-for-sale and securities held-to-maturity. Financial assets at fair value through profit or loss principally include financial assets classified as held for trading. Financial assets are classified as held for trading if they are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealers' margin and include derivatives. Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when VEB has the positive intention and ability to hold them to maturity. Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. See Note 2 of the 2009 IFRS Financial Statements in the Base Prospectus and Note 12 of the Unaudited Interim IFRS Financial Statements in this Base Prospectus Supplement.

Financial Assets at Fair Value through Profit or Loss

The following table sets forth a breakdown of VEB's trading portfolio of financial assets at fair value through profit or loss as at the dates indicated:

	As at 30 June 2010 (Unaudited)	**As at 31 December**		
		2009	**2008**	**2007 (restated)**
		(RUB millions)		
Trading securities	40,141	47,546	48,056	39,722
Trading securities pledged under repurchase agreements	—	—	3,444	—
Derivative financial assets	2,161	2,214	2,970	248
Financial assets designated as at fair value through profit or loss	25,947	1,747	1,063	753
Financial assets at fair value through profit or loss	**68,249**	**51,507**	**55,533**	**40,723**

Financial assets at fair value are predominantly comprised of trading securities and, as at 30 June 2010, also reflected a positive revaluation of a derivatives contract.

Trading Securities

The following table sets forth a breakdown of VEB's trading portfolio of financial assets at fair value through profit or loss as at the dates indicated:

	As at 30 June 2010 (Unaudited)	As at 31 December 2009	2008	2007 (restated)
		(RUB millions)		
Debt securities				
Eurobonds issued by the Russian Federation	14,496	13,374	19,153	13,301
Corporate, municipal and sub-federal bonds	11,825	11,228	1,453	1,286
Eurobonds of Russian and foreign issuers	1,935	3,145	2,679	3,376
Federal Loan Bonds (OFZ)..	274	640	783	304
Russian Ministry of Finance bonds, Tranche V...........	—	—	—	3,512
Russian Ministry of Finance bonds, Tranche VII	—	—	—	76
Promissory notes..	—	140	—	—
Debt instruments issued by foreign government bodies	—	94	91	314
	28,530	**28,621**	**24,159**	**22,169**
Equity securities				
Shares	11,611	18,925	23,897	17,553
Trading securities	**40,141**	**47,546**	**48,056**	**39,722**

As at 30 June 2010, trading securities were comprised 71.1% (as compared to 60.2% as at 31 December 2009) by debt securities and 28.9% (as compared to 39.8% as at 31 December 2009) by equity securities. Historically, debt trading securities, in turn, have included principally Russian sovereign Eurobonds, which comprised 50.8% of total debt securities as at 30 June 2010 (as compared to 46.7% as at 31 December 2009), as well as corporate, municipal and sub-federal bonds, which comprised 41.4% of total debt securities as at 30 June 2010 (as compared to 39.2% as at 31 December 2009).

The following table sets forth the nominal interest rates and maturities of VEB's debt trading securities as at the dates indicated:

	As at 30 June 2010 (Unaudited)		As at 31 December 2009		2008		2007	
	%	Maturity	%	Maturity	%	Maturity	%	Maturity
Eurobonds issued by the Russian Federation	3.6% - 12.8.%	April 2015 - March 2030	7.5% - 12.8%	June 2028 - March 2030	7.5% - 12.8%	June 2028 - March 2030	7.5% - 12.8%	March 2010 - March 2030
Corporate, municipal and sub-federal bonds	6.5% - 18%	July 2011 - June 2022	7.4% - 18%	March 2010 - November 2019	7.4% - 22%	January 2009 - December 2013	5.9% - 11%	April 2008 - September 2017
Eurobonds of Russian and foreign issuers	3.7% - 8.6%	October 2010 - July 2035	6.3% - 9.3%	February 2010 – July 2035	6.3% - 9.8%	September 2009 – July 2035	6.3% - 10.3%	January 2008 - July 2035
Federal Loan Bonds..............	6.1% - 12 %	July 2013 - August 2014	6.1% - 8.5 %	July 2013 – February 2036	6.9% - 10%	July 2010 - September 2029	Up to 10%	September 2008 - September 2029
Debt instruments issued by foreign government bodies..	—	—	3.8%	January 2017	3.8%	January 2017	3.8% - 4.8%	January 2017 - February 2037
MinFin Bonds Tranche V......	—	—	—	—	—	—	3%	May 2008
MinFin Bonds Tranche VII ...	—	—	—	—	—	—	3%	May 2011

Financial Assets at Fair Value through Profit or Loss

Financial assets designated as at fair value through profit or loss include primarily equity securities of Russian companies. As at 30 June 2010, VEB had financial assets designated as at fair value through profit or loss of RUB 25,947 million, of which RUB 24,083 million represented the fair value of shares of a Russian company underlying an option agreement entered into with such company in the first half of 2010, which is economically related to VEB's purchase of such shares to finance a large-scale infrastructure project.

Available-for-Sale Securities

The following table sets forth VEB's available-for-sale securities as at the dates indicated:

	As at 30 June 2010 (Unaudited)		As at 31 December 2009		2008		2007 (restated)	
	(RUB millions)	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*% of total*
Debt Securities								
Corporate, municipal and sub-federal bonds..........	145,282	79.3	136,554	79.3	57,456	76.1	8,527	24.9
Eurobonds of Russian and foreign issuers.............	22,859	12.5	23,793	13.8	13,767	18.2	15,767	46.0
Promissory notes..	13,324	7.3	10,154	5.9	1,322	1.8	3,410	9.9
Debt instruments issued by foreign government bodies..	1,275	0.7	1,273	0.7	2,729	3.6	3,377	9.8
Russian MinFin bonds	380	0.2	317	0.2	—	—	—	—
Federal Loan Bonds...	142	0.0	200	0.1	229	0.3	3,219	9.4
Eurobonds issued by the Russian Federation	1	0.0	1	0.0	1	0.0	—	—
	183,263	**100.0**	**172,292**	**100.0**	**75,504**	**100.0**	**34,300**	**100.0**
Equity Securities								
Shares...	153,465	100.0	160,561	100.0	153,105	100.0	33,250	100.0
Less: Provision for impairment	(244)		(114)		(2)		(8)	
	153,221		**160,447**		**153,103**		**33,242**	
Securities pledged under repurchase agreements								
Russian MinFin bonds	2,309	55.3	—	—	—	—	—	—
Eurobonds of Russian and foreign issuers..............	1,198	28.7	—	—	—	—	—	—
Corporate, municipal and sub-federal bonds..........	503	12.0	951	7.1				
Shares...	169	4.0	12,377	92.9	—	—	—	—
Available-for-sale securities................................	**4,179**	**100.0**	**13,328**	**100.0**	—	—	—	—
	340,663		**346,067**		**228,607**		**67,542**	

VEB's portfolio of available-for-sale securities also includes both debt and equity securities. As at 30 June 2010 and as at 31 December 2009, debt securities available-for-sale included predominantly corporate, municipal and sub-federal bonds.

The following table sets forth the nominal interest rates and maturities of VEB's available-for-sale debt securities as at the dates indicated:

	As at 30 June 2010 (Unaudited)		As at 31 December					
			2009		2008		2007	
	%	Maturity	%	Maturity	%	Maturity	%	Maturity
Corporate, municipal and sub-federal bonds	6.5%-19%	July 2010 – September 2028	7%-25%	January 2010 – September 2028	6.7%-21%	January 2009 - March 2040	5.9%-14.5%	June 2008 – September 2017
Eurobonds of Russian and foreign issuers	2.1%-10.8%	August 2010 – August 2037	2.3%-11.2%	January 2010 – August 2037	3.9%-11.7%	February 2009- August 2037	6.1%-14.%	June 2008 - August 2037
Promissory notes	0%-14.1%	July 2010 – October 2011	8.2%-18%	January 2010 – December 2010	8.9%-18.6%	February 2009 – August 2009	7.7%-19.4%	January 2008 - March 2009
Debt instruments issued by foreign government bodies	12.5%	September 2013	3.1%-4%	January 2015 – November 2018	0%-5%	January 2009 – January 2018	0%-11%	January 2008 – November 2017
Russian MinFin bonds	3%	May 2011	3%	May 2011	—	—	—	—
Federal Loan Bonds	7.0%-10.0%	July 2010 – August 2018	5.8%-10.0%	January 2010 – August 2018	5.8%-10%	January 2010 – August 2018	6.3%-10.0%	March 2008 - August 2016
Eurobonds issued by the Russian Federation	7.5%	March 2030	7.5%-8.3%	March 2010 – March 2030	7.5%-8.3%	March 2010 – March 2030	—	—

Held-to-Maturity Securities

The following table sets forth VEB's investment securities held-to-maturity as at the dates indicated:

	As at 30 June 2010 (Unaudited)	As at 31 December		
		2009	2008	2007 (restated)
	Book Value	*Book Value*	*Book Value*	*Book Value*
		(RUB millions)		
Eurobonds of Russian and foreign issuers	17,917	19,506	10,086	—
Corporate, municipal and sub-federal bonds	3,342	824	1,407	—
Debt instruments issued by foreign government bodies	2,273	1,920	—	—
Federal Loan Bonds	51	51	52	—
Promissory notes	29	342	302	—
Total	**23,612**	**22,643**	**11,847**	**—**
Less allowance for impairment	(82)	(277)	(95)	—
	23,530	**22,366**	**11,752**	—
Held-to-maturity securities pledged under repurchase agreements				
Corporate, municipal and sub-federal bonds	453	—	—	—
Held-to-maturity securities	**23,983**	**22,366**	**11,752**	**—**

Held-to-maturity securities increased by RUB 1,647 million to RUB 23,983 as at 30 June 2010 from RUB 22,366 million as at 31 December 2009, principally as a result of purchases by VEB's subsidiaries of held-to-maturity securities in the ordinary course of business.

The following table sets forth the nominal interest rates and maturities of VEB's held-to-maturity debt securities as at the dates indicated:

	As at 30 June 2010 (Unaudited)		As at 31 December					
			2009		2008		2007	
	%	Maturity	%	Maturity	%	Maturity	%	Maturity
Eurobonds of Russian and foreign issuers	2.4%-9.6%	February 2011 - January 2013	2.6%-9.6%	May 2010 - February 2016	4.6%-10.9%	March 2009 - May 2012	—	—
Corporate, municipal and sub-federal bonds	7.4%-13%	October 2011 - September 2020	7.4%-13%	February 2009 - June 2013	7.4%-12.3%	February 2009 - June 2013	—	—
Debt instruments issued by foreign government bodies	9.6%	July 2010 - August 2010	—	January 2010	—	—	—	—
Federal Loan Bonds (OFZs)	8%	August 2012	8%	August 2012	9%	August 2012	—	—
Promissory notes	—	October 2010 - February 2011	0% - 8.7%	January 2010 - December 2010	—	January 2010	—	—

SOURCES OF FUNDING

Overview

VEB's principal sources of funding include amounts due to credit institutions, amounts due to the Russian Government and the CBR, amounts due to customers and amounts derived from the issuance of debt securities. VEB has been principally dependent upon capital and other contributions, loans and deposits from the Russian Government (principally comprising funds of the NWF) and the CBR for its funding. See "*Risk Factors—VEB could be adversely affected if it does not continue to receive funding from the Russian Government and the CBR*" in the Base Prospectus. Under the Development Bank Law, VEB is also entitled to raise funds through the issuance of bonds and other securities on domestic and foreign markets, as well as syndicated and bilateral loans denominated in both Roubles and foreign currencies.

Amounts Due to Credit Institutions

The following table sets forth the breakdown of amounts due to credit institutions as at the dates indicated:

	As at 30 June 2010 (Unaudited)	As at 31 December 2009	2008	2007 (restated)
		(RUB millions)		
Correspondent loro accounts from credit institutions	14,111	13,795	148,361	10,698
Loans and other placements from credit institutions	202,236	186,352	222,434	207,527
Fiduciary deposits from Russian credit institutions	34	30	304	—
Repurchase agreements	2,705	960	2,361	—
Total due to credit institutions	**219,086**	**201,137**	**373,460**	**218,225**

Amounts due to credit institutions represented 14.3% and 13.6% of VEB's total liabilities as at 30 June 2010 and 31 December 2009, respectively. In absolute terms, amounts due to credit institutions increased by 8.9% to RUB 219,086 million as at 30 June 2010 from RUB 201,137 million as at 31 December 2009, principally as a result of the continued overall growth in VEB's development bank activities through its banking subsidiaries as these subsidiaries returned to profitability and increased their lending activities.

Bilateral and Syndicated Loans

Bilateral and syndicated loans are a key source of funding for VEB, with amounts outstanding under such loans representing 13.2% and 12.6% of total liabilities as at 30 June 2010 and 31 December 2009, respectively. See "*Certain Statistical Data and Other Information—Sources of Funding—Bilateral and Syndicated Loans*" in the Base Prospectus and "*Capitalisation*" in this Base Prospectus Supplement.

VEB is subject to a number of financial ratios and other restrictive covenants under certain of its bilateral and syndicated loan facilities. VEB's management believes that VEB is in compliance with all such financial tests and covenants as at the date of this Base Prospectus Supplement.

Amounts Due to the Russian Government and the CBR

In addition to direct capital contributions (see "*Status as a State Corporation and Related Regulatory Environment—Relationship with the Russian Government—Charter Capital*" in the Base Prospectus), the Russian Government also supports VEB by placing unsecured deposits (principally comprising funds of the NWF). The CBR also places funds on deposit with VEB. As at the date of this Base Prospectus Supplement, deposits from the Russian Government (principally comprising funds of the NWF) and from the CBR comprise VEB's primary sources of funding, together representing 65.1% and 66.5% of total liabilities as at 30 June 2010 and 31 December 2009, respectively.

The following table sets forth a breakdown of funds provided to VEB by the Russian Government and its authorised institutions (including the CBR) as at the dates indicated:

	As at 30 June 2010 (Unaudited)		As at 31 December 2009		2008		2007 (restated)	
	(RUB millions)	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*% of total*
Interest-bearing loans and deposits from the Ministry of Finance of the Russian Federation	529,058	52.9	501,455	50.8	404,187	44.2	—	—
Interest-bearing deposits from the CBR	427,583	42.8	446,151	45.2	482,140	52.8	443	0.7
Settlements related to redemption of Russian Government loans	41,082	4.1	38,005	3.8	25,245	2.8	28,356	47.5
Current accounts in precious metals	180	0.1	166	—	1,141	0.1	1,470	2.5
External debt payment funds	177	—	696	0.1	780	0.1	1,913	3.2
Special purpose funds	921	0.1	771	0.1	302	0.0	27,429	46.0
Current accounts of the Russian Government	649	—	319	—	94	—	71	0.1
Total	**999,650**	**100.0**	**987,563**	**100.0**	**913,889**	**100.0**	**59,682**	**100.0**

Interest-bearing loans and deposits from the Ministry of Finance of the Russian Federation

As at 30 June 2010 and 31 December 2009, interest-bearing loans and deposits from the Ministry of Finance of the Russian Federation in the respective amounts of RUB 529,058 million and RUB 501,455 million included RUB 411,516 and RUB 410,554, respectively, of Rouble-denominated deposits (principally comprised of funds of the NWF) placed with VEB to provide subordinated loans to qualifying banks requiring capital adequacy support under the Financial System Support Law. Additionally, interest-bearing loans and deposits from the Ministry of Finance of the Russian Federation included funds intended to finance credit institutions and legal entities supporting SMEs and, as at 30 June 2010, funds to finance certain investment projects.

Interest-bearing deposits from the CBR

Interest-bearing deposits due to the CBR decreased by 4.2% to RUB 427,583 million from RUB 446,151 million as at 31 December 2009, principally due to the repayment in 2009 and in the first six months of 2010 of some of the deposits that had been received by VEB from the CBR in order to extend back-to-back (recovery) finance loans to Russian corporate borrowers as these loans were repaid to VEB. Some of the CBR deposits had also been repaid in 2009 as the back-to-back (recovery) loans to customers were repaid, whilst the balance of these deposits in the amount of U.S.$6,398 million (RUB 193,510 million) was rolled-over for another year. Since 30 June 2010, VEB repaid additional deposits to the CBR, in an aggregate amount of U.S.$6,911 million, following the repayment of the related back-to-back (recovery) finance loans provided by VEB pursuant to the Financial System Support Law using such funds. As at 2 October 2010, VEB had repaid all of the deposits received from the CBR under the Financial System Support Law, which VEB had the right to utilise solely to provide the back-to-back recovery (finance) loans that have been repaid. See "*Business Description of VEB—Support Key State-owned Vehicle for Stabilisation of the Russian Economy and Financial System—Recovery Finance*" in the Base Prospectus.

As at 30 June 2010, interest-bearing deposits from the CBR included (i) special purpose Rouble-denominated deposits in the aggregate amount of RUB 87,823 million (as compared to RUB 87,835 million as at 31 December 2009) maturing in October 2011, which VEB has the right to utilise to provide financial support to GLOBEXBANK; and (ii) special purpose Rouble-denominated deposits in the aggregate amount of RUB 125,075 million (as compared to RUB 121,383 million as at 31 December 2009) maturing between July 2011 and September 2011, which VEB has the right to utilise to provide financial support to Sviaz-Bank. Each of these deposits was made to stabilise the respective banks' operations and ensure compliance with all obligations to customers and counterparties. These deposits have been secured at interest rates below market level.

Amounts Due to Customers

The following table sets forth a breakdown of amounts due to customers, by type of customer, as at the dates indicated:

	As at 30 June 2010 (Unaudited)	**As at 31 December**		
		2009	**2008**	**2007 (restated)**
		(RUB millions)		
State and State-controlled companies	80,610	69,486	61,715	21,224
Private companies	66,612	64,315	36,157	11,400
Employees and other individuals	75,686	65,738	11,336	5,863
Companies under foreign state control	3,589	2,684	2,133	817
Total	**226,497**	**202,223**	**111,341**	**39,304**

Amounts due to customers increased by 12.0% to RUB 226,497 million as at 30 June 2010, as compared to RUB 202,223 million as at 31 December 2009, largely reflecting the growth in the businesses of Prominvestbank and GLOBEXBANK, as these subsidiary banks returned to profitability and increased their lending activities.

In particular, amounts due to State-controlled companies increased by 16% to RUB 80,610 million as at 30 June 2010, as compared to RUB 69,486 million as at 31 December 2009. This increase in amounts due to State-controlled companies primarily reflects fluctuations in the ordinary course of VEB's business. Amounts due to private companies increased by 3.6% to RUB 66,612 million as at 30 June 2010 from RUB 64,315 million as at 31 December 2009. This increase principally reflected the overall growth in VEB's business and the related increase in the number of its customers due to its renewed focus on its core development banking activities. Amounts due to employees and other individuals are largely amounts held through VEB's banking subsidiaries and, accordingly, the increase in such amounts as at 30 June 2010, as compared to 31 December 2009, is principally a result of the continued overall growth in VEB's development bank activities through its banking subsidiaries as these subsidiaries returned to profitability and increased their lending activities.

The following table sets forth a breakdown of VEB's amounts due to customers, by type of account, as at the dates indicated:

	As at 30 June 2010 (Unaudited)	**As at 31 December**		
		2009	**2008**	**2007 (restated)**
		(RUB millions)		
Customer current accounts	118,324	101,384	76,929	32,376
Term deposits	106,831	92,772	34,158	6,928
Repurchase agreements	1,342	8,067	254	—
Total due to customers	**226,497**	**202,223**	**111,341**	**39,304**

Customer current accounts increased by 16.7% to RUB 118,32 million as at 30 June 2010 from RUB 101,384 million as at 31 December 2009. Similarly, term deposits increased by 15.2% to RUB 106,831 million as at 30 June 2010, as compared to RUB 92,772 million as at 31 December 2009. These period-on-period increases in both current accounts and term deposits principally reflected the overall growth in VEB's business activities.

As at 30 June 2010 and 31 December 2009, term deposits included deposits of individuals in the aggregate amounts of RUB 60,300 million and RUB 55,632 million, respectively. In accordance with the Russian Civil Code, VEB and its Russian subsidiaries are obliged to repay term deposits of individuals upon demand, whilst, in accordance with applicable banking laws in Belarus and Ukraine, respectively, Belvnesheconombank, VEB's Belarusian banking subsidiary, and Prominvestbank, VEB's Ukrainian banking subsidiary, are obliged to repay term deposits of individuals within five days of demand.

As at 30 June 2010, term deposits bore interest at annual rates ranging from 0.2% to 20.0% (as compared to rates ranging from 0.5% to 19.0% as at 31 December 2009) for U.S. Dollar-denominated deposits; ranging from 1.0% to 20.0% (as compared to rates ranging from 1.0% to 20.0% as at 31 December 2009) for Euro-denominated deposits; ranging from 0.1% to 16.5% (as compared to rates ranging from 1.5% to 17.5% as at 31 December 2009) for Rouble-denominated deposits; ranging from 4.0% to 19.0% (as compared to rates ranging from 3.0% to 16.5% as at 31 December 2009) for Belarusian Rouble-denominated deposits; and ranging from 3.0% to 26.5% (as compared to rates ranging from 5.0% to 26.5% as at 31 December 2009) for Ukrainian Hryvnia-denominated deposits. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the agreement.

Debt Securities Issued

The following table sets forth a breakdown of the principal components of VEB's debt securities issued for the years indicated:

	As at 30 June 2010 (Unaudited)	**As at 31 December**		
		2009	**2008**	**2007 (restated)**
		(RUB millions)		
Bonds	31,082	60,425	2,023	4,270
Promissory notes	10,221	18,429	6,185	5,254
Certificates of deposit and saving certificates	5,164	42	17	14
Total debt securities issued	**46,467**	**78,896**	**8,225**	**9,538**

Debt securities issued decreased by 41.1% to RUB 46,467 million as at 30 June 2010 from RUB 78,896 million as at 31 December 2009. The decrease in debt securities issued as at 30 June 2010, as compared to 31 December 2009, was primarily due to VEB's repayment of (i) its domestic U.S. Dollar-denominated interest-bearing bonds (series 1) on 3 June 2010 in the aggregate principal amount of U.S.$2,000 million and (ii) its domestic U.S. Dollar-denominated interest-bearing, non-convertible bearer bonds (series 2) on 27 April 2010 in the aggregate principal amount of U.S.$1,000 million. As at each of 30 June 2010 and 31 December 2009, bonds also included bonds issued by VEB's banking subsidiaries.

INDEX TO FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

Group of state corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)"

Unaudited Interim Condensed Consolidated Financial Statements

30 June 2010

Contents

Report on review of the interim condensed consolidated financial statements

Notes to interim condensed consolidated financial statements

Ernst & Young

Ernst & Young LLC
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel: +7 (495) 705 9700
+7 (495) 755 9700
Fax: +7 (495) 755 9701
www.ey.com

ООО «Эрнст энд Янг»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: +7 (495) 705 9700
+7 (495) 755 9700
Факс: +7 (495) 755 9701
ОКПО: 59002827

Report on review of the interim condensed consolidated financial statements

To the Supervisory Board
of state corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)"

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of state corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" and its subsidiaries (hereinafter, the "Group") as at 30 June 2010, comprising interim condensed consolidated statement of financial position as at 30 June 2010 and the related interim condensed consolidated income statement and interim condensed consolidated statements of comprehensive income for the three and six months then ended, interim condensed consolidated statements of changes in equity and cash flows for the six months then ended and selected explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

18 October 2010

Ernst & Young LLC

Interim Condensed Consolidated Statement of Financial Position
As at 30 June 2010
(in millions of Russian Rubles)

	Notes	30 June 2010 (Unaudited)	31 December 2009
Assets			
Cash and cash equivalents	7	126,848	168,916
Precious metals		309	248
Financial assets at fair value through profit or loss	8	68,249	51,507
Due from credit institutions	9	467,465	467,308
Loans to customers	10	872,060	843,538
Assets of disposal group held for sale	11	25,097	–
Investment securities:	12		
- available-for-sale		336,484	332,739
- held-to-maturity		23,530	22,366
Investment securities pledged under repurchase agreements	12		
- available-for-sale		4,179	13,328
- held-to-maturity		453	–
Due from the Russian Government		128	207
Receivable from the Russian Government under London Club Arrangement	6	1,150	1,115
Income tax assets	17	782	856
Investments in associates		5,468	5,462
Property and equipment		21,700	20,404
Other assets	13	21,930	11,220
Total assets		**1,975,832**	**1,939,214**
Liabilities			
Due to credit institutions	14	219,086	201,137
Financial liabilities at fair value through profit or loss	8	6,364	2,599
Due to the Russian Government and the Bank of Russia	6	999,650	987,563
Due to London Club creditors	6	1,150	1,115
Amounts due to customers	15	226,497	202,223
Debt securities issued	16	46,467	78,896
Liabilities of disposal group held for sale	11	25,562	–
Income tax liabilities	17	3,133	1,948
Provisions	18	313	2,467
Other liabilities		6,247	6,030
Total liabilities		**1,534,469**	**1,483,978**
Equity			
Charter capital	19	382,489	382,489
Retained earnings / (accumulated deficit)		10,883	(3,809)
Unrealized gains / (losses) on investment securities available for sale		45,083	73,940
Foreign currency translation reserve		1,023	382
Equity attributable to the Russian Government		**439,478**	**453,002**
Non-controlling interests		**1,885**	**2,234**
Total equity		**441,363**	**455,236**
Total liabilities and equity		**1,975,832**	**1,939,214**

Signed and authorized for release on behalf of the Chairman of the Bank

Vladimir A. Dmitriev — Chairman of the Bank

Vladimir D. Shaprinsky — Chief Accountant

18 October 2010

The accompanying selected notes 1–22 are an integral part of these interim condensed consolidated financial statements

Interim condensed consolidated income statement

(in millions of Russian Rubles)

	Notes	For the three-month period ended 30 June (Unaudited) 2010	2009 (Restated)	For the six-month period ended 30 June (Unaudited) 2010	2009 (Restated)
Interest income					
Loans to customers		21,302	22,349	42,414	44,450
Due from credit institutions and cash equivalents		10,053	7,759	20,159	15,768
Investment securities		4,575	2,224	9,294	4,407
		35,930	**32,332**	**71,867**	**64,625**
Financial assets at fair value through profit or loss		504	509	1,024	1,058
		36,434	**32,841**	**72,891**	**65,683**
Interest expense					
Due to credit institutions and the Bank of Russia		(6,682)	(10,549)	(14,038)	(20,054)
Amounts due to customers and the Russian Government		(12,458)	(10,989)	(24,609)	(20,978)
Debt securities issued		(871)	(292)	(1,710)	(452)
		(20,011)	**(21,830)**	**(40,357)**	**(41,484)**
Net interest income		**16,423**	**11,011**	**32,534**	**24,199**
Provision for impairment of interest-earning assets	18	(12,163)	(38,339)	(13,340)	(42,963)
Net interest income / (expense) after provision for impairment of interest-earning assets		**4,260**	**(27,328)**	**19,194**	**(18,764)**
Fee and commission income		1,841	1,949	3,587	3,432
Fee and commission expense		(268)	(284)	(767)	(753)
Net fee and commission income		**1,573**	**1,665**	**2,820**	**2,679**
Gains less losses arising from financial instruments at fair value through profit or loss		(1,456)	9,721	28	10,322
Gains less losses from investment securities available for sale		(14,304)	2,795	3,890	(4,804)
Net gains/(losses) from foreign currencies:					
- dealing		(4,013)	12,307	1,342	3,401
- translation differences		6,434	(11,879)	(902)	3,414
Gains on initial recognition of financial instruments		–	–	–	7,778
Share in net income / (loss) of associates		(87)	(256)	(42)	40
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost		–	18,577	–	23,375
Dividends		36	424	284	424
Other operating income		676	356	1,093	1,125
Non-interest income / (expenses)		**(12,714)**	**32,045**	**5,693**	**45,075**

The accompanying selected notes 1–22 are an integral part of these interim condensed consolidated financial statements

Interim condensed consolidated income statement (continued)

(in millions of Russian Rubles)

	Notes	For the three-month period ended 30 June (Unaudited) 2010	For the three-month period ended 30 June (Unaudited) 2009 (Restated)	For the six-month period ended 30 June (Unaudited) 2010	For the six-month period ended 30 June (Unaudited) 2009 (Restated)
Payroll and other staff costs		(3,048)	(2,539)	(5,528)	(4,695)
Occupancy and equipment		(959)	(1,088)	(1,812)	(1,670)
Depreciation		(377)	(350)	(617)	(657)
Taxes other than income tax		(341)	(251)	(758)	(317)
Reversal of / (provision for) other impairment and provisions	18	865	(125)	953	(619)
Other operating expenses		(1,928)	(1,764)	(3,090)	(2,968)
Non-interest expenses		**(5,788)**	**(6,117)**	**(10,852)**	**(10,926)**
(Loss) / income before income tax		**(12,669)**	**265**	**16,855**	**18,064**
Income tax (expense) / benefit	17	(535)	5	(1,639)	137
(Loss) / income after taxation from continued operations		**(13,204)**	**270**	**15,216**	**18,201**
Loss from discontinued operations	11	(968)	–	(968)	–
Net (loss) / income for the period		**(14,172)**	**270**	**14,248**	**18,201**
Attributable to:					
- The Russian Government		(14,188)	765	14,165	19,038
- Non-controlling interests		16	(495)	83	(837)
		(14,172)	**270**	**14,248**	**18,201**

The accompanying selected notes 1–22 are an integral part of these interim condensed consolidated financial statements

Interim condensed consolidated statement of comprehensive income

(in millions of Russian Rubles)

	For the three-month period ended 30 June (Unaudited)		For the six-month period ended 30 June (Unaudited)	
	2010	**2009 (Restated)**	**2010**	**2009 (Restated)**
Net (loss) / income for the period	**(14,172)**	**270**	**14,248**	**18,201**
Other comprehensive income				
Net (losses) /gains on investment securities available for sale	(12,060)	40,174	(28,847)	59,052
Translation differences	1,523	253	688	(64)
Income tax relating to components of other comprehensive income	86	(11)	(4)	(36)
Other comprehensive (loss) / income for the period, net of tax	**(10,451)**	**40,416**	**(28,163)**	**58,952**
Total comprehensive (loss) / income for the period	**(24,623)**	**40,686**	**(13,915)**	**77,153**
Attributable to:				
- The Russian Government	(24,719)	41,346	(14,051)	77,770
- Non-controlling interests	96	(660)	136	(617)
	(24,623)	**40,686**	**(13,915)**	**77,153**

The accompanying selected notes 1–22 are an integral part of these interim condensed consolidated financial statements

Interim condensed consolidated statement of changes in equity
For the six-month period ended 30 June 2010
(in millions of Russian Rubles)

	Attributable to the Russian Government						
	Charter capital	**Retained earnings/ (accumulated deficit)**	**Unrealized gains/(losses) on investment securities available for sale**	**Foreign currency translation reserve**	**Total**	**Non-controlling interests**	**Total equity**
31 December 2008	**261,489**	**(43,981)**	**(4,639)**	**856**	**213,725**	**1,571**	**215,296**
Comprehensive income / (loss) for the period (unaudited, restated)	–	19,038	59,016	(284)	77,770	(617)	77,153
Contribution from the Russian Government (unaudited)	100,000	–	–	–	100,000	–	100,000
Increase in interest in a subsidiary (unaudited)	–	(426)	–	–	(426)	426	–
Acquisition of a subsidiary (unaudited)	–	–	–	–	–	4,091	4,091
30 June 2009 (unaudited, restated)	**361,489**	**(25,369)**	**54,377**	**572**	**391,069**	**5,471**	**396,540**
31 December 2009	**382,489**	**(3,809)**	**73,940**	**382**	**453,002**	**2,234**	**455,236**
Comprehensive income / (loss) for the period (unaudited)	–	14,165	(28,857)	641	(14,051)	136	(13,915)
Establishment of a subsidiary (unaudited)	–	–	–	–	–	48	48
Increase in interest in subsidiaries, including acquisition of treasury shares from these subsidiaries (unaudited)	–	527	–	–	527	(530)	(3)
Dividends from subsidiaries (unaudited)	–	–	–	–	–	(3)	(3)
30 June 2010 (unaudited)	**382,489**	**10,883**	**45,083**	**1,023**	**439,478**	**1,885**	**441,363**

The accompanying selected notes 1–22 are an integral part of these interim condensed consolidated financial statements

Interim condensed consolidated statement of cash flows
For the 6 months ended 30 June 2010
(in millions of Russian Rubles)

	Notes	For the six-month period ended 30 June (Unaudited) 2010	2009 (Restated)
Cash flows from operating activities			
Income for the period		14,248	18,201
Adjustments for:			
Depreciation and amortization		808	732
Change in interest expense accrued on special purpose financing raised from the Russian Ministry of Finance and the Bank of Russia		14,982	14,674
Deferred income tax		709	(490)
Impairment allowance and other provisions		12,387	43,582
Share in net loss / (income) of associates		42	(40)
Changes in unrealized revaluation of trading securities and derivative financial instruments		8,302	(21,299)
Changes in translation differences		902	(3,414)
Gains less losses from investment securities available for sale, net of impairment loss		(25,781)	(3,146)
Impairment of investment securities available for sale		21,891	7,950
Loss from discontinued operations		968	–
Gains on initial recognition of financial instruments		–	(7,778)
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost		–	(23,375)
Other changes		909	5,823
Cash flows from operating activities before changes in operating assets and liabilities		**50,367**	**31,420**
(Increase) / decrease in operating assets:			
Due from credit institutions		748	(7,739)
Precious metals		(47)	–
Financial assets at fair value through profit or loss		(20,808)	22,890
Loans to customers		(32,276)	(35,080)
Due from the Russian Government		83	14
Other assets		(9,715)	(1,282)
Increase / (decrease) in operating liabilities:			
Due to credit institutions, net of long-term interbank financing		9,803	(110,979)
Due to the Russian Government and the Bank of Russia, net of long-term special purpose financing		(24,776)	(18,456)
Amounts due to customers		25,299	8,798
Promissory notes issued		(8,391)	(1,311)
Guarantees issued		(1,295)	–
Other liabilities		122	(342)
Net cash used in operating activities		**(10,886)**	**(112,067)**

The accompanying selected notes 1–22 are an integral part of these interim condensed consolidated financial statements

Interim condensed consolidated statement of cash flows (continued)
For the 6 months ended 30 June 2010
(in millions of Russian Rubles)

	Notes	For the six-month period ended 30 June (Unaudited) 2010	2009 (Restated)
Cash flows from investment activities			
Purchase of property and equipment		(1,715)	(467)
Proceeds from sale of property and equipment		46	20
Purchase of investment securities		(162,890)	(83,444)
Sale and redemption of investment securities		139,760	53,345
Investments in subsidiaries less cash acquired with subsidiaries		–	36,039
Acquisition of disposal group held to maturity		(406)	–
Proceeds from sale of assets held for sale		–	168
Subordinated loans issued		–	(32,096)
Net cash used in investment activities		**(25,205)**	**(26,435)**
Cash flows from financing activities			
Contribution to charter capital from the Russian Government		–	100,000
Long-term interbank financing raised		36,324	11,956
Long-term interbank financing redeemed		(24,339)	(52,444)
Placement of bonds		34,088	61,464
Redemption of bonds		(62,433)	(3,089)
Long-term special purpose financing raised from the Russian Ministry of Finance		22,035	32,096
Long-term financing from the Bank of Russia		–	7,266
Repayment of long-term financing from the Bank of Russia		(12,654)	–
Dividends paid by subsidiaries		(3)	–
Net cash (used in) / from financing activities		**(6,982)**	**157,249**
Effect of changes in foreign exchange rates against the ruble on cash and cash equivalents		1,005	30,731
Net (decrease)/increase in cash and cash equivalents		**(42,068)**	**49,478**
Cash and cash equivalents at beginning of period		**168,916**	**281,673**
Cash and cash equivalents at end of the period	7	**126,848**	**331,151**
Supplemental information:			
Income tax paid		(475)	(275)
Interest received		67,481	56,743
Interest paid		(33,843)	(27,174)
Dividends received		284	424

The accompanying selected notes 1–22 are an integral part of these interim condensed consolidated financial statements

(in millions of Russian Rubles)

1. Principal activities

The Group of state corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" comprises state corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" ("Vnesheconombank" or the "Bank"), four Russian banks, two CIS-based banks, one Russian leasing company and other Russian and foreign companies controlled by the Group.

Vnesheconombank was formed on 8 June 2007 pursuant to and in accordance with Federal Law No. 82-FZ dated 17 May 2007, "On Bank for Development" by means of reorganization of Bank of Foreign Economic Activity of the USSR ("Vnesheconombank of the USSR") and is its legal successor. Vnesheconombank of the USSR was a specialized state bank of the Russian Federation servicing, in an agency capacity, the foreign debt and assets of the former USSR and the Government of the Russian Federation and its authorized institutions (the "Russian Government").

In accordance with Federal Law No. 395-1, "On Banks and Banking Activity", dated 2 December 1990, Vnesheconombank performs banking operations as stipulated by Federal Law No. 82-FZ, "On Bank for Development", dated 17 May 2007. The Bank has no right to attract deposits from individuals. The legislation on banks and banking activity shall apply to the Bank only to the extent that is does not contradict the mentioned Federal Law and subject to certain specifics.

The main principles and areas of the Bank's activity are set out in Federal Law No. 82-FZ, "On Bank for Development", and the Memorandum on the Bank's Financial Policies, approved by Resolution of the Russian Government No. 1007-p dated 27 July 2007. The Memorandum on the Bank's Financial Policies provides for the main areas of the Bank's investing and financing activities, stipulates quantitative limitations, conditions and criteria of specific operations.

As detailed in Note 19, the Bank's charter capital has been formed by means of asset contributions from the Russian Federation made under decisions of the Russian Government, including contribution of state-owned shares of OJSC "Russian Bank for Development" and CJSC ROSEXIMBANK to the charter capital.

In January 2003, the Bank was nominated as the state trust management company for the trust management of pension savings funds accumulated by the State Pension Fund of the Russian Federation. Vnesheconombank performs trust management of accumulated pension savings of insured citizens who have not selected a private management company and who have selected the Bank as the management company.

On 2 August 2009, Federal Law No. 182-FZ dated 18 July 2009, "On Amendments to Federal Law "On Non-state Pension Funds" and Federal Law "On Investment of Funds to Finance the Funded Part of Labor Pensions in the Russian Federation", came into effect which provide that from 1 November 2009 the Bank as the state trust management company shall form two portfolios: an extended investment portfolio and an investment portfolio of government securities. The Bank shall form the portfolios in accordance with the investment declarations approved by Resolution of the Russian Government No. 842 dated 24 October 2009.

During the six months of 2010 the Bank, as the state trust management company, mainly invested in state securities denominated in Russian Rubles. At 30 June 2010, total funds of the State Pension Fund of the Russian Federation placed in management to the state management company amounted RUB 725,183 million (31 December 2009: RUB 480,840 million).

In accordance with Resolution of the Russian Government No. 970 dated 22 December 2008, the Bank shall perform functions of the state trust management company until 1 January 2014.

(in millions of Russian Rubles)

1. Principal activities (continued)

Since October 2008, Vnesheconombank has been taking measures aimed at supporting the financial system of the Russian Federation so as to implement Federal Law No. 173-FZ dated 13 October 2008, "On Additional Measures to Support the Financial System of the Russian Federation". As detailed in Notes 9 and 10, the Bank extends loans to organizations for repaying and servicing loans received from foreign institutions and extends unsecured subordinated loans to Russian banks.

The Bank's head office is located in Moscow, Russia. The Bank has representative offices in St. Petersburg (Russia), Khabarovsk (Russia), the United States of America, the UK, Italy, Germany, the Republic of South Africa, India, China and French Republic. The Bank's principal office is located at 9 Prospect Akademika Sakharova, Moscow.

2. Basis of preparation

General

These interim condensed consolidated financial statements for the six-month period ended 30 June 2010 have been prepared in accordance with IAS 34 "Interim Financial Reporting". Accordingly, they do not include all the information and disclosures required in the annual financial statements under IFRS, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009. Operating results for the six-month period ended 30 June 2010 are not necessarily indicative of the results that may be expected for the year ending 31 December 2010.

The accompanying consolidated financial statements are presented in millions of Russian Rubles ("RUB million"), unless otherwise indicated.

The Russian Ruble is the functional currency of Vnesheconombank and the presentation currency of the Group. Transactions in other currencies are treated as transactions in foreign currencies. The Group's foreign subsidiary OJSC "Belvnesheconombank" uses the Belarusian Ruble ("BYR") as its functional currency. Joint-Stock Commercial Bank "Industrial Investment Bank" (open joint stock company) ("PSC Prominvestbank"), another foreign subsidiary of the Group, uses the Ukrainian Hryvnia ("UAH") as its functional currency.

Subsidiaries

The main subsidiaries of the Group are OJSC "Russian Bank for Development", CJSC ROSEXIMBANK, OJSC "Belvnesheconombank" (Belarus), OJSC "VEB-Leasing", OJSC Sviaz-Bank, PSC Prominvestbank (Ukraine) and CJSC "GLOBEXBANK", LLC "VEB Capital" and LLC "VEB Engineering".

In August 2008, 100% of state-owned shares of OJSC "Russian Bank for Development" were contributed to the charter capital of Vnesheconombank pursuant to Federal Law No. 82-FZ, "On Bank for Development", dated 17 May 2007. In September 2009, Vnesheconombank paid a total of RUB 10 billion for an additional issue of 10,000 ordinary non-documentary shares of OJSC "Russian Bank for Development" (100% of the issue at nominal value) at RUB 1 million each. The Bank of Russia registered a report on the results of the additional issue on 14 September 2009. The core activity of OJSC "Russian Bank for Development" is to provide financial support to small and medium-sized businesses. Activities of OJSC "Russian Bank for Development" include banking operations, transactions in securities, foreign currency and derivative financial instruments. Financial statements of OJSC "Russian Bank for Development" have been consolidated into the Group's financial statements starting from the third quarter of 2008 using the pooling of interest method since this transaction involved banks under common control of the Russian Government.

(in millions of Russian Rubles)

2. Basis of preparation (continued)

Subsidiaries (continued)

At 30 June 2010 and 31 December 2009, the Group owned 100% of the equity of CJSC State Specialized Russian Export-Import Bank (CJSC ROSEXIMBANK). CJSC ROSEXIMBANK was created in 1994 to support and promote Russian machinery exports, import-substituting production and attraction of investments in the Russian economy. On 5 January 2003, Vnesheconombank of the USSR acquired 90,000 shares of CJSC ROSEXIMBANK with a par value of RUB 10,000 each by contributing RUB 1,582 million. In the third quarter of 2008, the Bank additionally acquired 130 shares of CJSC ROSEXIMBANK for RUB 4 million. In October 2008, 4,970 state-owned shares (5.23%) of CJSC ROSEXIMBANK were contributed to the charter capital of Vnesheconombank pursuant to Federal Law No. 82-FZ, "On Bank for Development", dated 17 May 2007.

At 30 June 2010 and 31 December 2009, the Group owned 97.42% of the equity of OJSC "Belvnesheconombank". The Group owns 5,894,290,315 ordinary shares of OJSC "Belvnesheconombank" with a par value of BYR 100 (about RUB 1.1). Out of these shares, 129,389,851 shares were acquired mainly during 2007 at BYR 403 per share (about RUB 4.5). In 2008, the Group also purchased 3,054,980,370 ordinary shares of OJSC "Belvnesheconombank" at a price ranging from BYR 100 to BYR 1,139 per share for the total amount of RUB 4,592 million. In December 2009, as a result of placement of additional issue of shares, the Group purchased 2,709,920,094 ordinary shares of OJSC "Belvnesheconombank" at a par value of BYR 100 per share for the total amount of RUB 2,864 million. At 30 June 2010, the aggregate cost of all purchased shares was RUB 8,081 million. OJSC "Belvnesheconombank" was established in 1991 as a result of the separation of the Belarus branch of the Vnesheconombank of the USSR; primary areas of its operations include granting loans to exporting industries, issuing and processing export and import letters of credits, transferring payments and exchanging foreign currencies upon demand of its customers and for currency trading purposes, attracting deposits and dealing in debt securities.

At 30 June 2010, the Group owned 98.06% in the equity if OJSC "VEB-Leasing" (31 December 2009 – 78.07%). The Group purchased 2,086,002 ordinary shares in April 2008. The cost of the purchased shares was RUB 2,246 million. In November 2009, the Group also purchased 1,171,000 shares of OJSC "VEB-Leasing" in the secondary market to total RUB 1,742 million. In February and March 2010, the Group additionally purchased 830,229 ordinary registered shares of OJSC "VEB-Leasing" to total RUB 1,240 million. These shares were purchased from the subsidiary and previously were recorded as treasury shares. OJSC "VEB-Leasing" is a legal successor of CJSC "Oboronpromleasing" whose establishment in 2003 was initiated by FGUP "Rosoboronexport" for the purpose of providing leasing services to military and civil production enterprises. The company is primarily engaged in finance lease of high-technology equipment produced by leading world manufacturers, helicopters and related equipment to lessees in the Russian Federation.

From October through December 2008, Vnesheconombank purchased 90% (461,804,619,018 shares) of ordinary share capital of Interregional Bank for Settlements of the Telecommunications and Postal Services, Open Joint Stock Company (Sviaz-Bank). The cost of acquisition was RUB 3,972. This transaction was approved by Vnesheconombank's Supervisory Board whose decision entitles the Bank to purchase up to 100% of the shares of Sviaz-Bank. During the period from April through May 2009, Vnesheconombank acquired additional 602,281,690 ordinary shares of the bank. The total cost of additionally purchased shares was RUB 5.18. In April and September 2009, Vnesheconombank also acquired 8,999,996,981,185 ordinary shares of OJSC Sviaz-Bank from two additional issues of 9,000,000,000,000 ordinary shares with a par value of RUB 0.01 each, thus increasing the Group's interest in OJSC Sviaz-Bank up to 99.47% as at 30 June 2010 and 31 December 2009. All shares were acquired at nominal value. In December 2009, the subsidiary bank aligned the share capital with equity by reducing the charter capital. As a result, the nominal value of the shares decreased by a factor of five from RUB 0.01 to RUB 0.002. The subsidiary bank accepts deposits from the public, extends credit, transfers payments in Russia and abroad, exchanges currencies and provides other banking services to legal entities and individuals.

(in millions of Russian Rubles)

2. Basis of preparation (continued)

Subsidiaries (continued)

In January 2009, after purchasing additional shares issued by the Joint Stock Commercial Industrial Investment Bank of Ukraine (at the date of acquisition – Closed Joint Stock Company, in August 2009, it was reorganized into a Public Joint Stock Company, hereinafter – PSC Prominvestbank), the Group became owner of 97,513,128 shares with a par value of UAH 10 each (around RUB 40.1). The cost of acquisition was RUB 6,904 million. In September 2009, Vnesheconombank paid a total of RUB 14,127 million (equivalent of USD 500 million) for 399,719,996 shares of PSC Prominvestbank. As at 30 June 2010 and 31 December 2009, the Group's interest in the charter capital of the Ukrainian bank increased up to 93.84%, based on the additional share issue. The total cost of all purchased shares of the bank was RUB 21,030 million. With its extensive branch network across Ukraine, the subsidiary bank provides financial services to its corporate and retail customers and conducts cash settlement operations.

At 30 June 2010, the Group owned 98.96% of the equity of CJSC "GLOBEXBANK" (31 December 2009: 98.94%). The Group owns 199,547,920 ordinary shares purchased in April through May 2009, and 32,000 shares purchased in June 2010. At 30 June 2010, the aggregate cost of all purchased shares was RUB 3.2 million (31 December 2009: RUB 4,929). CJSC "GLOBEXBANK" is an active participant of the lending market and extends credit to the real sector of the economy, provides services to individuals and engages in interbank market transactions. The subsidiary bank serves its customers via an extensive branch network in major Russian cities.

At 30 June 2010 and 31 December 2009, the Group also included Macquarie Renaissance Infrastructure Fund, Closed-end Mutual Hedge Fund, and Macquarie Renaissance Infrastructure Fund-II, Closed-end Mutual Fund. In November and December 2009, the Bank purchased 99.92% of units in each of Macquarie Renaissance Infrastructure Fund, Closed-end Mutual Hedge Fund ("Mutual Hedge Fund MRIF") and Macquarie Renaissance Infrastructure Fund-II, Closed-end Mutual Fund ("Mutual Equity Fund MRIF-II") managed by LLC "Management Company "Renaissance Capital". At 30 June 2010 and 31 December 2009, the Bank invested RUB 25 million in each of the above funds. The Bank will gradually increase the resources of the mutual funds, which will be invested in cooperation with the foreign Macquarie Renaissance Infrastructure Fund, in infrastructure projects in the territory of Russia and other CIS countries, including projects in the field of motor roads and ports construction, railway transportation, utilities and telecommunication infrastructure.

In December 2009, a specialized subsidiary, LLC "VEB Capital", was established for the purpose of managing the Group's certain assets efficiently. The Bank contributed RUB 400 million to the charter capital of the subsidiary (100% interest). Primary areas of operation of the newly established subsidiary will include transactions in financial markets, management of the assets, including construction projects and production facilities, management of industrial and financial groups and holding companies.

LLC "VEB Engineering", an engineering company, was registered in March 2010, and VEB is among the founders of the company. The Bank's interest in the charter capital of LLC "VEB Engineering" is 51% and amounts to RUB 100 million. At 30 June 2010, the Bank paid 100% of its interest value. One of the core areas of the company's business will be the performance of work and services relating to implementation of investment projects.

Other subsidiaries of the Bank included in the consolidated financial statements at 30 June 2010 and 31 December 2009 are A.F.C. s.r.l. (100%), CJSC "Kraslesinvest" (100%).

(in millions of Russian Rubles)

2. Basis of preparation (continued)

Associates

At 30 June 2010 and 31 December 2009, the following associates were accounted for under the equity method:

Associates	Ownership/ Voting, %	Country	Industry	Date of acquisition
OJSC "Ilyushin Finance Co."	21.4	Russia	Leasing	August 2006
LLC "Interbank Trading House"	50	Russia	Trade and investment	June 2006
LLC "Interfax – Center of Economic Analysis"	49	Russia	Media	August 2005
OJSC "Corporation of development of Krasnoyarsk Territory"	25	Russia	Finance intermediary	December 2006
CJSC "KONSULTBANKIR"	34	Russia	Publishing	October 1996
CJSC "CentrEnergoStroyMontazh"	25	Russia	Construction	March 2007
LLC "PROMINVEST"	25	Russia	Foreign trade	November 2001
LLC "Managing Company "Bioprocess Capital Partners"	25.1	Russia	Finance intermediary	April 2008
LLC "VEB-Invest"	19	Russia	Investment	December 2008
CMIF "Bioprocess Capital Ventures"	Share of assets: 50	Russia	Investment	April 2008

3. Adjustment to financial statements of the prior period

The previously issued financial statements for the six-month period ended 30 June 2009 (respective review report was issued on 9 October 2009) were adjusted during the preparation of the Group's financial statements for the six-month period ended 30 June 2010. In March 2009, Vnesheconombank attracted a deposit from the Bank of Russia on a non-arms' length basis. It resulted in gains on initial recognition of financial instruments in the amount of RUB 7,778 million that were recognized in the financial statements for the six-month period ended 30 June 2009.

The data included in the financial statements for the six-month period ended 30 June 2009 were restated to reflect the said adjustment. The effect of this restatement on the financial statement items for the six-month period ended 30 June 2009 is presented below.

	According to previously issued financial statements	Effect of adjustment	As restated
Statement of financial position at 30 June 2009			
Due to the Russian Government and the Bank of Russia	983,671	(6,261)	977,410
Accumulated deficit	(31,630)	6,261	(25,369)
Income statement for the six-month period ended 30 June 2009			
Interest expense on amounts due to credit institutions and the Bank of Russia	(18,537)	(1,517)	(20,054)
Gains on initial recognition of financial instruments	–	7,778	7,778
Net income for the period	11,940	6,261	18,201
Statement of comprehensive income for the six-month period ended 30 June 2009			
Total comprehensive income for the period	70,892	6,261	77,153

(in millions of Russian Rubles)

4. Summary of significant accounting policies and significant accounting estimates

Accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except for the adoption of new Standards and Interpretations as of 1 January 2010, noted below:

IFRS 3, Business Combinations (revised), and IAS 27, Consolidated and Separate Financial Statements (revised)
The revised IFRS 3 and IAS 27 were issued in January 2008 and become effective for annual reporting periods beginning on or after 1 July 2009. The revised IFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The revised IAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by a subsidiary as well as the loss of control of a subsidiary. The revised IFRS 3 and IAS 27 are to be applied prospectively.

Improvements to IFRS
In April 2009, the IASB issued the second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. Amendments included in the April 2009 "Improvements to IFRS" had no impact on the accounting policies, financial position or performance of the Group, except the following amendments resulting in changes to accounting policies, as described below.

- IFRS 8, *Operating Segments,* clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets, the Group continued to disclose this information.
- IAS 7, *Statement of Cash Flows,* explicitly states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities.
- Amendment to IAS 36, *Impairment of Assets,* clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment had no impact on the Group's financial statements as the annual impairment test is performed before aggregation.

The following new or revised standards and interpretations effective from 2010 did not have any impact on the accounting policies, financial position or performance of the Group:

- Amendment to IAS 39, *Financial Instruments: Recognition and Measurement* – Eligible Hedged Items
- Amendment to IFRS 2, *Share-based Payment* – Group Cash-settled Share-based Payment Transactions
- IFRIC 17, *Distribution of Non-Cash Assets to Owners.*

(in millions of Russian Rubles)

4. Summary of significant accounting policies and significant accounting estimates (continued)

Significant accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts. These estimates are based on the information available as of the date of the financial statements. The actual results may differ from these estimates and it is possible that these differences may have a material effect on the financial statements.

The key assumptions concerning the future and other key sources of estimation uncertainty regarding allowance for impairment of loans and receivables and taxation estimates are consistent with those used in preparing the annual consolidated financial statements for the year ended 31 December 2009.

5. Segment information

For the management purposes the Group has five operating business segments:

Segment 1	Vnesheconombank, OJSC "Russian Bank for Development", CJSC ROSEXIMBANK
Segment 2	OJSC Sviaz-Bank, CJSC "GLOBEXBANK"
Segment 3	PSC Prominvestbank (Ukraine)
Segment 4	OJSC "Belvnesheconombank" (Belarus)
Segment 5	Other subsidiaries

Management monitors the operating results of each unit separately to make decisions on allocation of resources and to assess operating performance. Segments results are defined in a different way from that used for the purposes of the consolidated financial statements, as shown in the table below.

During the six months ended 30 June 2010 and 30 June 2009, the Group received no income from transactions with one external client or counterparty, which amounted to 10% or more percent of the Group's total income.

(in millions of Russian Rubles)

5. Segment information (continued)

Revenue and profit information for the operating segments of the Group is presented below:

	For the six-month period ended 30 June 2010 (Unaudited)					
	Segment 1	**Segment 2**	**Segment 3**	**Segment 4**	**Segment 5**	**Total**
Income/ (expense) on transactions with external clients						
Interest income	53,381	9,473	7,384	1,220	1,433	72,891
Interest expenses	(32,110)	(3,702)	(3,823)	(354)	(368)	(40,357)
Net interest income	**21,271**	**5,771**	**3,561**	**866**	**1,065**	**32,534**
Reversal of / (provision for) impairment of interest earning assets	(11,338)	(1,921)	137	(153)	(65)	(13,340)
Net interest income after provision for impairment of interest-earning assets	**9,933**	**3,850**	**3,698**	**713**	**1,000**	**19,194**
Net fee and commission income / (expense)	1,332	528	690	278	(8)	2,820
Other non-interest income / (expense)	1,607	2,702	632	528	224	5,693
Non-interest expenses	(3,832)	(3,625)	(1,957)	(833)	(605)	(10,852)
Segment income	**9,040**	**3,455**	**3,063**	**686**	**611**	**16,855**
Income tax expense	(166)	(211)	(925)	(174)	(163)	(1,639)
Income after taxation from continued operations	**8,874**	**3,244**	**2,138**	**512**	**448**	**15,216**
Loss from discontinued operations	–	–	–	–	(968)	(968)
Net income / (loss) for the period	**8,874**	**3,244**	**2,138**	**512**	**(520)**	**14,248**
Intersegment income / (expense)						
Interest income	1,875	98	–	1	4	1,978
Interest expenses	(12)	(1,192)	(892)	(64)	(256)	(2,416)
Provision for impairment of interest-earning assets	(63)	–	–	–	–	(63)
Net fee and commission income/(expense)	9	(6)	–	(2)	(1)	–
Other non-interest income	591	(455)	(197)	6	10	(45)
Total intersegment income / (expense)	**2,400**	**(1,555)**	**(1,089)**	**(59)**	**(243)**	**(546)**

(in millions of Russian Rubles)

5. Segment information (continued)

	For the six-month period ended 30 June 2009 (Unaudited, restated)						
	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Other adjustments	Total
Income/ (expense) on transactions with external clients							
Interest income	49,568	6,011	8,006	1,120	978	–	65,683
Interest expenses	(33,210)	(2,917)	(4,779)	(456)	(122)	–	(41,484)
Net interest income	**16,358**	**3,094**	**3,227**	**664**	**856**	–	**24,199**
Provision for impairment of interest-earning assets	(24,368)	(17,020)	(1,450)	(115)	(10)	–	(42,963)
Net interest income / (expense) after provision for impairment of interest-earning assets	**(8,010)**	**(13,926)**	**1,777**	**549**	**846**	–	**(18,764)**
Net fee and commission income/(expense)	1,690	132	577	282	(2)	–	2,679
Other non-interest income	17,681	3,261	91	534	133	–	21,700
Non-interest expense	(3,484)	(2,887)	(2,867)	(775)	(913)	–	(10,926)
Profit / (loss) before income tax	**7,877**	**(13,420)**	**(422)**	**590**	**64**	–	**(5,311)**
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	–	–	–	–	–	23,375	23,375
Profit / (loss) before income tax	**7,877**	**(13,420)**	**(422)**	**590**	**64**	**23,375**	**18,064**
Income tax (expense)/benefit	(76)	(32)	439	(207)	13	–	137
Net income / (loss) for the period	**7,801**	**(13,452)**	**17**	**383**	**77**	**23,375**	**18,201**
Intersegment income / (expense)							
Interest income	1,955	78	–	–	–	–	2,033
Interest expenses	(17)	(903)	(1,075)	(52)	(54)	–	(2,101)
Provision for impairment of interest-earning assets	(17)	–	–	–	–	–	(17)
Net fee and commission income/(expense)	6	–	–	–	(8)	–	(2)
Other non-interest income /(expense)	(22)	–	(18)	1	(7)	–	(46)
Total intersegment income / (expense)	**1,905**	**(825)**	**(1,093)**	**(51)**	**(69)**	–	**(133)**

Reconciliation of the total segment assets to total assets of the Group according to IFRS is presented below:

	30 June 2010 (Unaudited)	31 December 2009
Segment assets		
Segment 1	1,643,587	1,668,005
Segment 2	199,076	186,259
Segment 3	109,716	106,136
Segment 4	22,653	21,645
Segment 5	61,266	19,394
Total before deducting intersegment assets	**2,036,298**	**2,001,439**
Intersegment assets	(60,466)	(62,225)
Total assets	**1,975,832**	**1,939,214**

(in millions of Russian Rubles)

6. Operations with the Russian Government, its authorized institutions and the Bank of Russia

Amounts due to the Russian Government, its authorized institutions and the Bank of Russia consisted of the following:

	30 June 2010 (Unaudited)	31 December 2009
Interest-bearing loans and deposits from the Ministry of Finance of the Russian Federation	529,058	501,455
Interest-bearing deposits from the Bank of Russia	427,583	446,151
Settlements related to redemption of Russian Government loans	41,082	38,005
Special purpose funds	921	771
Current accounts of the Russian Government	649	319
Current accounts in precious metals	180	166
External debt payment funds	177	696
Due to the Russian Government, its authorized institutions and the Bank of Russia	**999,650**	**987,563**

At 30 June 2010 and 31 December 2009, the interest-bearing loans and deposits from the Russian Ministry of Finance included RUB-denominated funds of the National Welfare Fund of the Russian Federation ("NWF") deposited with Vnesheconombank pursuant to Federal Law No. 173-FZ.

In addition, at 30 June 2010 and 31 December 2009, interest-bearing loans and deposits from the Ministry of Finance included funds intended to finance credit institutions and legal entities supporting small and medium enterprises. The funds are denominated in Russian Rubles. OJSC "Russian Bank for Development", a subsidiary bank, is responsible for implementing the government financial support.

In addition to the above, at 30 June 2010 and 31 December 2009, interest-bearing loans and deposits from the Russian Ministry of Finance included USD-denominated funds intended to finance investment projects. In April 2010 the Bank received USD 750 million of such funds subject to market conditions and with maturity in October 2011.

At 30 June 2010 and 31 December 2009, interest bearing deposits from the Bank of Russia included USD-denominated deposits intended to support the financial system of the Russian Federation pursuant to Federal Law No. 173-FZ.

At 30 June 2010 and 31 December 2009, the interest bearing deposits from the Bank of Russia also included special RUB-denominated deposits for the purposes of implementing the program of financial support to OJSC Sviaz-Bank (30 June 2010 and 31 December 2009 – RUB 125,075 million and RUB 121,383 million, respectively) and CJSC "GLOBEXBANK" (30 June 2010 and 31 December 2009 – RUB 87,823 million and RUB 87,835 million, respectively) to stabilize the banks' operations and ensure implicit compliance with all obligations to customers and counterparties. These deposits have been secured at interest rates below the market level.

At 30 June 2010 and 31 December 2009, settlements related to redemption of Russian Government loans represent funds received from borrowers as repayment for loans granted by the Russian Government. These funds and the processing of payments are managed and conducted by the Bank in accordance with the Agency Agreements.

At 30 June 2010 and 31 December 2009, special purpose funds included proceeds from export sales and other funds subject to further negotiation between the Russian Ministry of Finance and Vnesheconombank.

Current accounts in precious metals include funds of the Russian Government transferred to the statement of financial position of Vnesheconombank in the process of reorganization.

(in millions of Russian Rubles)

6. Operations with the Russian Government, its authorized institutions and the Bank of Russia (continued)

London Club

As a legal successor of the Vnesheconombank of the USSR the Bank is a party to certain rescheduling agreements with various foreign commercial bank creditors (the "London Club"). The London Club debt represents liabilities of the former USSR due to foreign banks and financial institutions. These liabilities were primarily reconciled and restructured under a series of agreements and other legal documentation between the Bank and foreign creditors dated 6 October 1997, which became effective on 2 December 1997. These agreements required the original debts and the accrued interest thereon, denominated in various currencies, to be converted into Restructured Loans ("PRINs") and Interest Arrears Notes ("IANs") in base currencies (Swiss Francs, Japanese Yens, Deutsche Marks, European Currency Units and US Dollars).

The London Club debt was issued as a legal obligation of the Vnesheconombank of the USSR. Based on Russian Government resolution No. 1167 "On the Settlement of the Indebtedness of the Former USSR to Foreign Commercial Banks and Financial Institutions (the London Club)" dated 15 September 1997 and the Declaration of Support dated 28 November 1997, the Russian Government expressed its willingness, without right of legal recourse from creditors or specific commitment, to provide financial resources to enable the Vnesheconombank of the USSR to honor its London Club obligations as they became due. The Declaration of Support remains in force as long as any debt under the London Club restructuring agreements remains outstanding.

Statement of financial position of the Group includes liabilities only to those PRIN and IAN holders, who have not changed these instruments on the Russian Federation Eurobonds maturing in 2010 and 2030 under the agreement between the Russian Government and representatives of the London Club of creditors as at 11 February 2000.

The London Club debt comprises:

	30 June 2010 (Unaudited)	31 December 2009
IANs	1,044	1,012
PRINs	17	16
Interest accrued on the PRINs and IANs, including overdue and default interest	89	87
Due to London Club creditors	**1,150**	**1,115**

7. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 June 2010 (Unaudited)	31 December 2009
Cash on hand	9,670	11,037
Current accounts with the Bank of Russia	7,654	12,785
Correspondent nostro accounts with credit institutions and current stock broker accounts		
- Russian Federation	13,649	13,549
- other countries	14,843	31,306
Interest-bearing loans and deposits maturing within 90 days	73,905	86,799
Reverse repurchase agreements with credit institutions for up to 90 days	7,127	13,440
Cash and cash equivalents	**126,848**	**168,916**

(in millions of Russian Rubles)

7. Cash and cash equivalents (continued)

At 30 June 2010, reverse repurchase agreements included loans of RUB 6,587 million (31 December 2009: RUB 12,945 million) issued to credit institutions and secured by bonds issued by the companies with the fair value of RUB 7,076 million (31 December 2009: RUB 14,143 million), as well as loans in the amount of RUB 540 million (31 December 2009: RUB 495 million) issued to Russian credit institutions and secured by shares of companies with the fair value of RUB 651 million (31 December 2009: RUB 664 million).

8. Financial assets and liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise:

	30 June 2010 (Unaudited)	31 December 2009
Trading securities	40,141	47,546
Derivative financial assets	2,161	2,214
Financial assets designated as at fair value through profit or loss	25,947	1,747
Financial assets at fair value through profit or loss	**68,249**	**51,507**

Trading securities comprise:

	30 June 2010 (Unaudited)	31 December 2009
Debt securities:		
Eurobonds issued by the Russian Federation	14,496	13,374
Corporate, municipal and sub-federal bonds	11,825	11,228
Eurobonds of Russian and foreign issuers	1,935	3,145
Federal Loan Bonds (OFZs)	274	640
Promissory notes	–	140
Debt instruments issued by foreign government bodies	–	94
	28,530	**28,621**
Equity securities:		
Shares	11,611	18,925
Trading securities	**40,141**	**47,546**

Nominal interest rates and maturities of these debt securities are as follows:

	30 June 2010 (Unaudited)		31 December 2009	
	%	*Maturity*	*%*	*Maturity*
Eurobonds issued by the Russian Federation	3.6%–12.8%	April 2015 – March 2030	7.5%–12.8%	June 2028 – March 2030
Corporate, municipal and sub-federal bonds	6.5%–18.0%	July 2011 – June 2022	7.4%–18.0%	March 2010 – November 2019
Eurobonds of Russian and foreign issuers	3.7%–8.6%	October 2010 – July 2035	6.3%–9.3%	February 2010 – July 2035
OFZs	6.1%–12.0%	July 2013 – August 2014	6.1%–8.5%	July 2013 – February 2036
Debt instruments issued by foreign government bodies	–	–	3.8%	January 2017

At 30 June 2010 and 31 December 2009, financial assets designated as at fair value through profit or loss included primarily equity securities of Russian companies. At 30 June 2010 and 31 December 2009, financial assets designated as at fair value through profit or loss also included units in the closed-end mutual real estate fund held by a subsidiary bank.

(in millions of Russian Rubles)

8. Financial assets and liabilities at fair value through profit or loss (continued)

Financial assets at fair value through profit or loss (continued)

The Group entered into an option agreement which is economically related to its purchase of a Russian company's shares in 2010; changes in the fair value of that agreement are recorded in the consolidated income statement as gains less losses arising from financial instruments at fair value through profit or loss. To avoid accounting inconsistencies, those securities were classified as designated at fair value through profit or loss, thus excluding inconsistency in recognition of the respective gains and losses. At 30 June 2010, the fair value of these shares and gains from its change during the period (as recorded in the income statement) amount to RUB 24,083 million and RUB 2,805 million, respectively.

Other securities included in this category meet the criteria to be classified as at fair value through profit or loss since the Group management measures the performance of these investments in terms of changes in their fair value based on quoted prices in an open market, valuation models, using both observable and non-observable market data.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivative financial liabilities which at 30 June 2010 amounted to RUB 6,364 million (31 December 2009: RUB 2,599 million).

9. Due from credit institutions

Amount due from credit institutions comprise:

	30 June 2010 (Unaudited)	31 December 2009
Obligatory reserve with the central banks	2,450	1,826
Non-interest bearing deposits with other banks	37,320	37,020
Subordinated loans	388,209	388,208
Term interest-bearing deposits with credit institutions	40,956	41,787
	468,935	**468,841**
Less: Provision for impairment	(1,470)	(1,533)
Due from credit institutions	**467,465**	**467,308**

Obligatory reserve with the central banks includes cash non-interest bearing deposits (obligatory reserve) maintained by the Group's subsidiary banks with the Central Bank of Russia, the National Bank of the Republic of Belarus and the National Bank of Ukraine. The amount of this reserve depends on the level of funds attracted by the credit institutions. The banks' ability to withdraw such deposits is significantly restricted by the statutory legislation. Pursuant to the law, Vnesheconombank creates no obligatory reserve to be maintained with the CBR.

Non-interest bearing deposits include non-interest-bearing deposits in clearing currencies in the amount of RUB 37,237 million (31 December 2009: RUB 36,978 million), gross. The use of these deposits is subject to certain restrictions as stipulated by agreements between governments of the respective countries. The funds can be used for purchase of goods and services by Russian importers who purchase clearing currencies in tenders organized by the Group under the supervision of the Russian Ministry of Finance.

At 30 June 2010 and 31 December 2009, subordinated loans comprised RUB-denominated loans in the amount of RUB 387,999 million and RUB 387,998 million, respectively, issued to 16 Russian credit institutions in accordance with Federal Law No. 173-FZ carrying interest from 8.0% to 9.5% p.a. and maturing from December 2014 to December 2020.

(in millions of Russian Rubles)

10. Loans to customers

Loans to customers comprise:

	30 June 2010 (Unaudited)	31 December 2009
Commercial loans	359,868	307,082
Project finance	348,235	313,250
Back-to-back finance	213,997	237,497
Pre-export finance	54,374	80,712
Promissory notes	14,789	7,881
Financing of operations with securities	7,006	8,286
Reverse repurchase agreements	998	4,606
Other	3,152	5,385
	1,002,419	**964,699**
Less: Provision for impairment	(130,359)	(121,161)
Loans to customers	**872,060**	**843,538**

Back-to-back finance represents loans issued to entities to repay and maintain loans raised from foreign entities against securities portfolios, using funds deposited by the Bank of Russia with Vnesheconombank, in accordance with Federal Law No. 173-FZ.

At 30 June 2010, reverse repurchase agreements were signed primarily in respect of marketable securities with the fair value of RUB 1,100 million. At 31 December 2009, reverse repurchase agreements were in respect of marketable corporate bonds, RF constituent entities' bonds and Federal Loan Bonds (OFZs) with fair value of RUB 4,674 million.

At 30 June 2010, the annual interest rates charged by the Group on loans to customers ranged from 3.15% to 30.0% for RUB-denominated loans (31 December 2009: from 6.3% to 30.0%), from one-month LIBOR plus 0.7% to 26.0% for USD-denominated loans (31 December 2009: from one-month LIBOR plus 0.7% to 26.0%), from six-month EURIBOR plus 3.2% to 17.0% for EUR-denominated loans (31 December 2009: from six-month EURIBOR plus 3.2% to 25.0%), from 8.9% to 10.8% for GBP-denominated loans (31 December 2009: from 8.9% to 10.8%) and from 3.0% to 32.0% for loans in other currencies (31 December 2009: from 3.0% to 52.0%).

Loans are extended principally to Russian customers operating in the following industry sectors:

	30 June 2010 (Unaudited)	%	31 December 2009	%
Construction and reconstruction	221,424	22	196,561	20
Manufacturing, heavy machinery and military	160,739	16	153,786	16
Metallurgy	151,283	15	174,319	18
Finance companies	95,263	10	77,047	8
Telecommunication	74,426	8	65,645	7
Oil and gas	71,200	7	89,129	9
Trade	56,716	6	48,351	5
Agriculture	43,452	4	41,527	4
Energy	41,354	4	37,922	4
Transportation	23,790	2	23,978	2
Individuals	12,493	1	13,835	2
Regional authorities	8,444	1	6,562	1
Logistics	6,484	1	5,988	1
Foreign states	2,712	0	2,723	0
Mass media	139	0	105	0
Other	32,500	3	27,221	3
	1,002,419	**100**	**964,699**	**100**

(in millions of Russian Rubles)

10. Loans to customers (continued)

At 30 June 2010, the total outstanding amount of loans to three major borrowers/groups of related borrowers is RUB 331,727 million, equivalent to 33% of the Group's gross loan portfolio (31 December 2009: RUB 311,696 million or 32.3% of the gross loan portfolio). At 30 June 2010, an impairment provision of RUB 41,236 million was made against these loans (31 December 2009: RUB 37,583 million). At 30 June 2010, these loans included loans issued to an associate of the Group, which accounted for 13.4% of the gross loan portfolio (31 December 2009: 12.6%).

Apart from these three largest borrowers of the Group, at 30 June 2010 and 31 December 2009, loans issued to the next ten largest borrowers/groups of related borrowers amounted to RUB 204,598 million and RUB 240,050 million, respectively, which represents 20.4% and 24.9% of the Group's gross loan portfolio. At 30 June 2010 and 31 December 2009, a provision of RUB 15,206 million and RUB 7,946 million, respectively, was made against these loans.

Loans have been extended to the following groups of customers:

	30 June 2010 (Unaudited)	31 December 2009
Private companies	757,607	710,045
State-controlled entities	198,024	214,072
Companies under foreign state control	21,578	16,280
Individuals	12,493	13,835
Regional authorities	8,444	6,562
Foreign states	2,712	2,723
Individual entrepreneurs	1,561	1,182
	1,002,419	**964,699**

11. Disposal group held for sale

In April 2010 the Bank acquired 100% shares of AMURMETAL HOLDING LIMITED, shareholder of the group Amurmetall. The Group has calculated the fair values of the group's Amurmetall consolidated assets and liabilities at the acquisition date amounting to RUB 25,220 million and RUB 24,717 million, respectively. Amurmetall group has been classified as disposal group held for sale under provisions of IFRS 5 and included in the 5th operating segment.

At 30 June 2010, consolidated assets and liabilities of the group Amurmetall were RUB 25,097 million and RUB 25,562 million, respectively. Loss from discontinued operations related to disposal group held for sale, during the period from the date of acquisition till 30 June 2010 amounted to RUB 968 million.

(in millions of Russian Rubles)

12. Investment securities

Investment securities available for sale comprise:

	30 June 2010 (Unaudited)	31 December 2009
Debt securities:		
Corporate, municipal and sub-federal bonds	145,282	136,554
Eurobonds of Russian and foreign issuers	22,859	23,793
Promissory notes	13,324	10,154
Debt instruments issued by foreign government bodies	1,275	1,273
Russian MinFin bonds (OVGVZs)	380	317
OFZs	142	200
Eurobonds issued by the Russian Federation	1	1
	183,263	**172,292**
Equity securities:		
Shares	153,465	160,561
Less: Provision for impairment	(244)	(114)
	153,221	**160,447**
Securities pledged under repurchase agreements:		
Russian MinFin bonds (OVGVZs)	2,309	–
Eurobonds issued by Russian entities	1,198	–
Corporate, municipal and sub-federal bonds	503	951
Shares	169	12,377
	4,179	**13,328**
Securities available for sale	**340,663**	**346,067**

At 31 December 2009 investment securities available for sale included Eurobonds of Russian and foreign issuers with the fair value RUB 71 million pledged as additional collateral under a currency swap agreement with a foreign counterparty.

Nominal interest rates and maturities of these debt securities are as follows:

	30 June 2010 (Unaudited)		31 December 2009	
	%	*Maturity*	%	*Maturity*
Corporate, municipal and sub-federal bonds	6.5% – 19.0%	July 2010 – September 2028	7.0% – 25.0%	January 2010 – September 2028
Eurobonds of Russian and foreign issuers	2.1% – 10.8%	August 2010 – August 2037	2.3% – 11.2%	January 2010 – August 2037
Promissory notes	0% – 14.1%	July 2010 - October 2011	8.2% – 18.0%	January 2010 – December 2010
Debt instruments issued by foreign government bodies	12.5%	September 2013	3.1% – 4.0%	January 2015 – November 2018
OVGVZs	3.0%	May 2011	3.0%	May 2011
OFZs	7.0% – 10.0%	July 2010 – August 2018	5.8% – 10.0%	January 2010 – August 2018
Eurobonds issued by the Russian Federation	7.5%	March 2030	7.5% – 8.3%	March 2010 – March 2030

For the six-month period, ended 30 June 2010, the Group recognized a RUB 21,891 million loss from impairment of available-for-sale-securities (for the six-month period ended 30 June 2009: RUB 7,950 million) by transferring the negative revaluation earlier recorded in comprehensive income to gains less losses from investment securities available for sale of the consolidated income statement.

(in millions of Russian Rubles)

12. Investment securities (continued)

Investment securities held to maturity comprise:

	30 June 2010 (Unaudited)	31 December 2009
Eurobonds of Russian and foreign issuers	17,917	19,506
Corporate, municipal and sub-federal bonds	3,342	824
Debt instruments issued by foreign government bodies	2,273	1,920
OFZs	51	51
Promissory notes	29	342
	23,612	**22,643**
Less: Provision for impairment	(82)	(277)
	23,530	**22,366**
Held-to-maturity securities pledged under repurchase agreements:		
Corporate, municipal and sub-federal bonds	453	–
Securities held to maturity	**23,983**	**22,366**

Nominal interest rates and maturities of these debt securities are as follows:

	30 June 2010		31 December 2009	
	%	Maturity	%	Maturity
	(Unaudited)			
Eurobonds of Russian and foreign issuers	2.4% – 9.6%	February 2011 – January 2013	2.6% – 9.6%	May 2010 – February 2016
Corporate, municipal and sub-federal bonds	7.4% – 13.0%	October 2011 – September 2020	7.4% –13.0%	February 2009 – June 2013
Debt instruments issued by foreign government bodies	9.6%	July 2010 – August 2010	–	January 2010
OFZs	8.0%	August 2012	8.0%	August 2012
Promissory notes	–	October 2010 – February 2011	0.0% – 8.7%	January 2010 – December 2010

13. Other assets

At 30 June 2010, other assets of the Group include advances to suppliers of leased equipment in the amount RUB 8,505 million (at 31 December 2009: RUB 2,588 million).

14. Due to credit institutions

Amounts due to credit institutions comprise:

	30 June 2010 (Unaudited)	31 December 2009
Correspondent loro accounts of credit institutions	14,111	13,795
Loans and other placements from credit institutions	202,236	186,352
Repurchase agreements with credit institutions	2,705	960
Fiduciary deposits from Russian credit institutions	34	30
Due to credit institutions	**219,086**	**201,137**

In January 2010, the Group entered into a syndicated loan agreement with a number of leading international credit institutions of OECD countries. The loan proceeds amounted to USD 700 million and EUR 100 million. The loan matures in three years.

(in millions of Russian Rubles)

15. Amounts due to customers

Amounts due to customers comprise:

	30 June 2010 (Unaudited)	31 December 2009
Current accounts	118,324	101,384
Term deposits	106,831	92,772
Repurchase agreements	1,342	8,067
Amounts due to customers	**226,497**	**202,223**
Held as security against guarantees	1,392	1,572
Held as security against letters of credit	1,299	846

At 30 June 2010 and 31 December 2009, term deposits are denominated in RUB, USD, EUR, BYR and UAH.

16. Debt securities issued

At 30 June 2010, debt securities issued include interest-bearing documentary non-convertible registered bonds of Vnesheconombank, Series 02, in the amount of RUB 31,030 million. The bonds with par value of USD 1,000 each for a total amount of USD 1 billion were placed via a private subscription on the Moscow Interbank Currency Exchange in April 2010 for 1 year. The coupon rate is six-month LIBOR plus 1.0%.

At 31 December 2009, debt securities issued included interest-bearing documentary non-convertible registered bonds of Vnesheconombank, Series 01, in the amount of RUB 60,359 million. The bonds with par value of USD 1,000 each for a total amount of USD 2 billion were placed via a private subscription on the Moscow Interbank Currency Exchange in June 2009 for 1 year. The coupon rate was six-month LIBOR plus 1.0%.

17. Taxation

Income tax assets and liabilities comprise:

	30 June 2010 (Unaudited)	31 December 2009
Current income tax assets	543	776
Deferred income tax assets	239	80
Income tax assets	**782**	**856**
Current income tax liabilities	92	13
Deferred income tax liabilities	3,041	1,935
Income tax liabilities	**3,133**	**1,948**

(in millions of Russian Rubles)

17. Taxation (continued)

The income tax charged to the consolidated income statement comprises:

	For the six-month period ended 30 June	
	2010	**2009**
	(Unaudited)	**(Unaudited)**
Current income tax expense	930	353
Deferred income tax expense / (benefit)	709	(490)
	1,639	**(137)**

In accordance with federal legislation, effective from the reorganization date, income and expenses generated or incurred by Vnesheconombank are not accounted when determining taxable base for income tax purposes.

18. Allowance for impairment and provisions

The movements in the allowance for impairment of interest-earning assets were as follows:

	Due from credit institutions	**Loans to customers**	**Total**
31 December 2009	**1,533**	**121,161**	**122,694**
Charge/(reversal) (unaudited)	(63)	13,403	**13,340**
Write-off (unaudited)	–	(181)	**(181)**
Reversal of allowance previously written off (unaudited)	–	3	**3**
Interest accrued on impaired loans (unaudited)	–	(4,027)	**(4,027)**
30 June 2010 (Unaudited)	**1,470**	**130,359**	**131,829**
31 December 2008	**133**	**11,846**	**11,979**
Charge (unaudited)	23	42,940	**42,963**
Write-off (unaudited)	–	(359)	**(359)**
Interest accrued on impaired loans (unaudited)	–	(349)	**(349)**
30 June 2009 (unaudited)	**156**	**54,078**	**54,234**

(in millions of Russian Rubles)

18. Allowance for impairment and provisions (continued)

The movements in the allowance for impairment of other assets and provisions were as follows:

	Other assets	Investment securities	Investments in associates	Claims	Credit related commit-ments	Total
31 December 2009	927	391	38	27	2,440	3,823
Charge/(reversal) (unaudited)	(60)	(34)	–	–	(859)	(953)
Write off	–	(31)	–	–	(1,295)	(1,326)
30 June 2010 (unaudited)	867	326	38	27	286	1,544
31 December 2008	592	97	39	–	1,362	2,090
Charge (unaudited)	256	245	0	–	118	619
Effect of acquisition of subsidiary	–	–	–	–	564	564
Write-off (unaudited)	(3)	–	(1)	–	–	(4)
30 June 2009 (unaudited)	845	342	38	–	2,044	3,269

Allowance for impairment of assets is deducted from the carrying amounts of the related assets. Provisions for guarantees and claims are recorded within liabilities.

19. Charter capital

In accordance with Federal Law No. 82-FZ, the Bank's charter capital is formed from asset contributions of the Russian Federation made upon decision of the Russian Government.

In accordance with Resolution of the Russian Government No. 1687-r dated 27 November 2007, pursuant to Federal Law No. 246-FZ dated 2 November 2007, "On Introducing Amendments to Federal Law "On the Federal Budget for 2007", the Russian Federation contributed RUB 180,000 million to the charter capital of Vnesheconombank in November 2007.

In accordance with Resolution of the Russian Government No. 1766-r dated 7 December 2007, a total of 100% of state-owned shares of OJSC "Russian Bank for Development" and 5.2% of state-owned shares of CJSC State Specialized Russian Export-Import Bank (CJSC ROSEXIMBANK) were contributed to the charter capital of Vnesheconombank. The transfer of shares was completed in 2008.

In accordance with Resolution of the Russian Government No. 1665-r dated 19 November 2008, issued pursuant to Federal Law No. 198-FZ dated 24 July 2007, "On Federal Budget for 2008 and for the 2009 and 2010 Budget Period", the Russian Federation contributed RUB 75,000 million to the charter capital of Vnesheconombank in November 2008.

In accordance with Resolution of the Russian Government No. 854-r dated 23 June 2009, issued pursuant to Federal Law No. 204-FZ dated 31 October 2008, "On Federal Budget for 2009 and for the 2010 and 2011 Budget Period", the Russian Federation contributed RUB 100,000 million to the charter capital of Vnesheconombank in June 2009.

In accordance with Resolution of the Russian Government No. 1891-r dated 10 December 2009, the Russian Federation contributed RUB 21,000 million to the charter capital of Vnesheconombank in December 2009 for further acquisition by the Bank of shares additionally issued by JSC "United Aircraft Corporation".

(in millions of Russian Rubles)

19. Charter capital (continued)

On the basis of Resolution of the Russian Government No. 603-r dated 21 April 2010, the Russian Federation will transfer 100% of the state-owned shares in Open Joint-Stock Company "Federal Center for Project Finance" as an additional asset contribution to the charter capital of Vnesheconombank. As at reporting date no additional asset contribution was made.

No shares have been issued with respect to the charter capital of the Bank. The Bank is not required to accrue or pay dividends.

20. Commitments and contingencies

Legal issues

In November 2009, based on a suit filed by one of the minority shareholders of PSC Prominvestbank, the Commercial court of Kiev annulled decisions of the general meetings of shareholders of PSC Prominvestbank, held in September and November 2009. Based on the said decisions, PSC Prominvestbank issued additional shares which resulted in an increase of Vnesheconombank's interest in the Ukrainian bank from 75% plus three shares to 93.8%. The cost of additional shares acquired by Vnesheconombank totaled RUB 14,127 million (equivalent of USD 500 million). In April 2010, based on the decision of the Commercial Court of Kiev, the Securities and Stock Market State Commission of Ukraine (SSMSC) annulled the additional issue of shares by PSC Prominvestbank. Currently the matter is in the process of correspondence and reconcilement.

At the moment, the Group's management assumes that there is no need for an allowance in the consolidated financial statements in respect of the above court proceedings.

In the ordinary course of business, the Group is also subject to other legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial position or performance of the Group in future. Movement in provisions for legal claims is presented in Note 18.

Credit related commitments and contingencies

Outstanding credit related commitments and contingencies comprise the following:

	30 June 2010 (Unaudited)	31 December 2009
Undrawn loan commitments	255,931	231,321
Guarantees	85,425	131,577
Import letters of credit	13,584	34,549
	354,940	**397,447**
Less: Provisions	(286)	(2,440)
Credit related commitments and contingencies	**354,654**	**395,007**
Less: Cash and promissory notes held as security under guarantees and letters of credit	(5,194)	(4,202)
	349,460	**390,805**

(in millions of Russian Rubles)

20. Commitments and contingencies (continued)

Credit related commitments and contingencies (continued)

At 30 June 2010, the Group advised export letters of credit to total RUB 62,569 million (31 December 2009: RUB 73,485 million) and received reimbursement authorization from the issuing credit institutions to total RUB 2,709 million (31 December 2009: RUB 4,010 million). The Group bears no credit risks under export letters of credit and reimbursement authorization.

21. Related party transactions

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Related parties include the state, key management of the Group and associated companies. Since Vnesheconombank is a state corporation, all state-controlled entities are considered to be related parties of the Group and all transactions and outstanding balances with such entities should be disclosed.

Outstanding balances of transactions with related parties as at 30 June 2010 and 31 December 2009 are as follows:

	30 June 2010 (Unaudited)			
	State	**State-controlled entities**	**Associates**	**Key management personnel**
Assets				
Cash and cash equivalents	14,105	37,422	–	–
Precious metals	–	180	–	–
Financial assets at fair value through profit or loss	18,149	38,902	–	–
Due from credit institutions	955	338,036	–	–
Loans to customers	8,317	179,122	105,708	16
Investment securities:				
- available-for-sale	6,339	225,127	–	–
- held-to-maturity	1,404	4,980	–	–
Due from the Russian Government	128	–	–	–
Receivable from the Russian Government under London Club Arrangement	1,150	–	–	–
Other assets	147	6,140	26	–
Liabilities				
Due to credit institutions	101	34,101	–	–
Financial liabilities at fair value through profit or loss	–	1,622	–	–
Due to the Russian Government and the Bank of Russia	999,650	–	–	–
Due to London Club creditors	1,150	–	–	–
Due to customers	410	80,174	2,182	848
Debt securities issued	–	14,052	–	–
Other liabilities	25	1,207	0	23
Credit related commitments and contingencies	**6,250**	**161,992**	**1,907**	**3**

(in millions of Russian Rubles)

21. Related party transactions (continued)

	31 December 2009			
	State	State-controlled entities	Associates	Key management personnel
Assets				
Cash and cash equivalents	20,912	25,095	1,416	–
Precious metals	–	166	–	–
Financial assets at fair value through profit or loss	16,704	20,083	–	–
Due from credit institutions	409	340,986	969	–
Loans to customers	6,211	201,239	87,758	22
Investment securities:				
- available-for-sale	5,699	245,736	–	–
- held-to-maturity	122	3,401	–	–
Due from the Russian Government	207	–	–	–
Receivable from the Russian Government under London Club Arrangement	1,115	–	–	–
Other assets	484	569	31	–
Liabilities				
Due to credit institutions	–	41,160	1,082	–
Financial liabilities at fair value through profit or loss	–	25	–	–
Due to the Russian Government and the Bank of Russia	987,563	–	–	–
Due to London Club creditors	1,115	–	–	–
Due to customers	377	69,062	5,186	680
Debt securities issued	21,126	11,034	–	–
Other liabilities	45	1,062	–	8
Credit related commitments and contingencies	**1,635**	**149,061**	**25,139**	**10**

(in millions of Russian Rubles)

21. Related party transactions (continued)

The related income and expense from transactions with related parties for the six-month period ended 30 June 2010 and 2009 are as follows:

	For the six-month period ended 30 June 2010 (Unaudited)			
	State	**State controlled entities**	**Associates**	**Key management personnel**
Interest income:				
Due from credit institutions and cash equivalents	19	14,510	–	–
Loans to customers	373	7,819	4,999	1
Investment securities	180	6,722	–	–
	572	**29,051**	**4,999**	**1**
Financial assets at fair value through profit or loss	599	234	–	–
	1,171	**29,285**	**4,999**	**1**
Interest expense:				
Due to credit institutions and the Bank of Russia	(16,257)	(234)	–	–
Due to customers and the Russian Government	(17,250)	(1,599)	(73)	(48)
Debt securities issued	(202)	(202)	–	–
	(33,709)	**(2,035)**	**(73)**	**(48)**
Net interest income / (expense)	**(32,538)**	**27,250**	**4,926**	**(47)**
(Provision for) / reversal of impairment of interest-earning assets	(33)	(916)	(3,706)	–
Net interest income / (expense) after (provision for) / reversal of impairment of interest-earning assets	**(32,571)**	**26,334**	**1,220**	**(47)**

(in millions of Russian Rubles)

21. Related party transactions (continued)

	For the six-month period ended 30 June 2009 (Unaudited, restated)			
	State	State controlled entities	Associates	Key management personnel
Interest income:				
Due from credit institutions and cash equivalents	101	11,820	325	–
Loans to customers	225	4,530	1,629	1
Investment securities	100	3,156	–	–
	426	**19,506**	**1,954**	**1**
Financial assets at fair value through profit or loss	695	207	–	–
	1,121	**19,713**	**1,954**	**1**
Interest expense:				
Due to credit institutions and the Bank of Russia	(14,049)	(521)	(6)	–
Due to customers and the Russian Government	(14,674)	(1,422)	(101)	(122)
Debt securities issued	–	(203)	–	–
	(28,723)	**(2,146)**	**(107)**	**(122)**
Net interest income / (expense)	**(27,602)**	**17,567**	**1,847**	**(121)**
(Provision for) / reversal of impairment of interest-earning assets	–	(677)	(16,378)	(0)
Net interest income / (expense) after (provision for) / reversal of impairment of interest-earning assets	**(27,602)**	**16,890**	**(14,531)**	**(121)**

Compensation to key management personnel comprises the following:

	For the six-month period ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)
Salaries and other short-term benefits	385	222
Social security costs	27	42
Key management compensation	**412**	**264**

22. Events after the reporting period

On 24 June 2010, a program of issue of the loan participation notes (Eurobonds) of Vnesheconombank for the total of USD 30 billion was registered. On 9 July 2010, within the framework of the Program the Bank issued Series 1 of 10-year Eurobonds for the total of USD 1 billion. The coupon rate is 6.9% p.a. Later, on 22 July 2010, an additional issue of the Series 1 Eurobonds was placed for the total of USD 600 million at a rate of 6.9% p.a.

In July 2010, the Bank purchased 440,000,000 ordinary registered shares of CJSC "Terminal Vladivostok" for a total of RUB 440 million (additional issue). Due to the placement of the additional issue of shares the Group's share in the charter capital amounted to 48.62%.

(in millions of Russian Rubles)

22. Events after the reporting period (continued)

In July 2010, the Bank paid RUB 5,000 million for 49,999,405 ordinary registered shares additionally issued by CJSC "GLOBEXBANK". The report on the additional issue of securities was registered by the Bank of Russia in August 2010. Following the results of the additional issue, the Group's interest in the charter capital of CJSC "GLOBEXBANK" increased up to 99.16%.

In July 2010, CJSC "GLOBEXBANK" placed traded bonds series BO-02 in total of RUB 5 billion. The issue includes 5,000,000 of securities with par value of RUB 1 thousand. Maturity is 3 years. Coupon rate is 8.1% p.a. for the 1, 2 and 3 coupon periods.

In July 2010, OJSC "VEB-Leasing" placed its first series of bonds in total of RUB 5 billion. Maturity is 5 years since the placement date. The principal amount will be repaid semiannually with 5 equal tranches, starting July 2013. The coupon rate for the issue is 8.5% p.a.

In August 2010, a Representative Office of Vnesheconombank was opened in Ekaterinburg (Russia). In September 2010 a Representative Office of Vnesheconombank was opened in Pyatigorsk (Russia).

In October 2010, the Federal Service of Financial Markets registered issues and prospectus of documentary interest-bearing non-convertible bonds of the Bank payable to bearer, series 06-17, in total of RUB 190 billion.

ISSUER

VEB Finance Limited
53 Merrion Square
Dublin 2
Ireland

BORROWER

State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)"
9 Akademika Sakharova
Moscow B-78, GSP-6, 107996
Russian Federation

LEGAL ADVISERS TO VEB

As to U.S. and English law

Dewey & LeBoeuf
No. 1 Minster Court
Mincing Lane
London EC3R 7YL
United Kingdom

As to Russian law

Dewey & LeBoeuf LLP
Nikitsky Pereulok, 5
125009 Moscow,
Russian Federation

LEGAL ADVISERS TO THE ARRANGERS AND THE PERMANENT DEALERS

As to U.S. and English law

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

As to Russian law

Linklaters CIS
Paveletskaya Square 2, Bld. 2
Moscow 115054
Russian Federation

LEGAL ADVISERS TO THE ISSUER

Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2, Ireland

LEGAL ADVISERS TO THE TRUSTEE

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

PRINCIPAL PAYING AGENT, CALCULATION AGENT AND TRANSFER AGENT

The Bank of New York Mellon, London Branch
On Canada Square
London EC14 4AL
United Kingdom

U.S. PAYING AGENT AND TRANSFER AGENT

The Bank of New York Mellon, New York Branch
101 Barclay Street
New York, NY 10286
United States of America

IRISH PAYING AGENT

Bank of New York Mellon (Ireland) Limited
4th floor, Hanover Building
Windmill Lane
Dublin 2
Ireland

TRUSTEE

BNY Corporate Trustee Services Limited
One Canada Square
London EC14 5AL
United Kingdom

REGISTRAR

The Bank of New York Mellon (Luxembourg) S.A
Vertigo Building – Polaris
2-4 Rue Engène Ruppert
L-2453 Luxembourg.

LISTING AGENT

Arthur Cox Listing Services Limited
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

AUDITORS TO VEB
Ernst & Young LLC
Sadovnicheskaya Nab. 77, bld. 1
Moscow 115035
Russian Federation