IMPORTANT NOTICE

IMPORTANT: You must read the following before continuing. The following disclaimer applies to the base prospectus supplement dated 22 November 2011 attached to this electronic transmission (the "**Base Prospectus Supplement**") to the base prospectus dated 30 June 2011, as supplemented by the Base Prospectus Supplement dated 28 September 2011 (together, the "**Base Prospectus**"), and you are 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 as at 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 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, as 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 attached Base Prospectus Supplement does 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 an offer or solicitation 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, such offer or solicitation shall be deemed to be made by the underwriters or such affiliate on behalf of VEB Finance plc 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 plc 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 plc or any Dealer or Arranger.

BASE PROSPECTUS SUPPLEMENT

Dated 22 November 2011

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 plc

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 plc (the "**Issuer**") for the purpose of financing loans to State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" ("**VEB**" or the "**Borrower**") and amends and supplements, and should be read in conjunction with, the base prospectus dated 30 June 2011, as supplemented by the Base Prospectus Supplement dated 28 September 2011 (together, 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.

This 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:

- amend certain risk factors in the sections of the Base Prospectus entitled "*Risk Factors—Risks Relating to the Notes and the Trading Market*" and "*Risk Factors—Risks Relating to Taxation in the Russian Federation*" and to insert an additional risk factor in the section of the Base Prospectus entitled "*Risk Factors—Risks Relating to Taxation in the Russian Federation*";

- reflect certain recent developments in relation to VEB since the date of the Base Prospectus; and

- disclose VEB's reviewed unaudited interim condensed consolidated financial statements as at and for the six-month period ended 30 June 2011 (which include comparative data as at 31 December 2010 and for the six months ended 30 June 2010) (the "**Unaudited Interim IFRS Financial Statements**") (including the review report thereon and notes thereto), which are set out on pages F-2 to F-42 (inclusive) of this Base Prospectus Supplement and which have been prepared in accordance with International Accounting Standard 34, "International Financial Reporting" and have been reviewed by Ernst & Young LLC.

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 the Base Prospectus (as supplemented prior to the date hereof).

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 after 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 plc. 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 change, or any event reasonably likely to involve any 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 by such prospective purchasers. None of the Issuer, VEB, the Group, the Trustee, the Agents, the Dealers or the Arrangers, nor any of their respective directors, affiliates, advisors or agents, is 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.

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RISK FACTORS

Amendments to Risk Factors

Risks Relating to the Notes and the Trading Market—VEB's payments under any Loan may be subject to Russian withholding tax.

The risk factor entitled "*VEB's payments under any Loan may be subject to Russian withholding tax.*" on pages 30 and 31 of the Base Prospectus is hereby deleted in its entirety and replaced with the following:

"VEB's payments under any Loan may be subject to Russian withholding tax.

In general, interest or other payments akin to interest on borrowed funds made by a Russian entity to a non-resident legal entity or organisation having no registered presence and/or no permanent establishment in the Russian Federation are subject to Russian withholding tax at a rate of 20%, unless tax is reduced or eliminated pursuant to the terms of an applicable double taxation treaty. Based on professional advice VEB has received from its tax counsel, VEB believes that interest payments on the relevant Loan made to the Issuer should not be subject to Russian withholding tax under the terms of the Agreement between the Government of Ireland and the Government of the Russian Federation for the Avoidance of Double Taxation with respect to Taxes on Income signed on 29 April 1994 (the "**Convention**"). However, there can be no assurance that such relief will be available in practice or will continue to be available throughout the term of any Loan. VEB is aware of at least one instance when the Russian tax authorities tried to challenge the application of double tax treaty benefits in similar structures. The Federal Arbitrazh Court of the Moscow District upheld the position of the taxpayer. At this stage it is difficult to predict whether the above-mentioned dispute would remain an isolated case or whether there might be other similar disputes in the future.

In particular, there is a risk that the Russian tax authorities may disallow application of the Convention if they do not view the Issuer as the beneficial owner, and, instead, look at the tax residence of the Noteholders. A draft law envisaging the introduction of the concept of "actual recipient of income" to the Tax Code of the Russian Federation became available in December 2009. Although the draft law neither uses the term "beneficial owner" nor defines the term "actual recipient of income" (which is used in the Russian versions of double taxation treaties), it is likely that the intent of the proposed amendments is to introduce a concept of beneficial ownership in the Russian tax legislation and to combat the abuse of double taxation treaties where the beneficiary of income resides in a jurisdiction which has not concluded a double taxation treaty with the Russian Federation. This draft law, if enacted as currently drafted, would increase the existing uncertainty and inconsistency in the application of double tax treaties in the Russian Federation. It may result in the inability for foreign entities to claim benefits under a double taxation treaty through structures which historically were subject to double taxation treaty protection in the Russian Federation. It is currently uncertain if and when this draft law may be introduced, as well as how it would be interpreted and applied by the tax authorities and/or courts in practice and what effect it may have on taxpayers, including VEB. In fact, there has been no progress with this legislation since late 2009. Further, in August 2011 the Russian Government also proposed in its Main Directions of Russian Tax Policy for 2012 and planned for 2013-2014 (the "**Directions**") legislative changes concerning an anti-avoidance mechanism with respect to double tax treaty benefits in cases where ultimate beneficiaries of income do not reside in the relevant double tax treaty country. The introduction of such concept may result in the inability of foreign entities to claim benefits under double tax treaties through structures which historically were subject to double tax treaty protection in Russia, including the structure of the Programme as described in the Base Prospectus under consideration.

In circumstances where payments under any Loan Agreement become payable to the Trustee pursuant to the Trust Deed, any benefits of the Convention will cease and payments of interest under such Loan Agreement to the Trustee should be subject to Russian withholding tax at the rate of 20% (or such other rate as may be in force at the time of payment). It is not expected that the Trustee will, or will be able to claim a withholding tax exemption under any double taxation treaty under such circumstances. In such cases, the Noteholders may seek reduction or refund of withholding tax under applicable double taxation treaties entered into between their countries of residence and the Russian Federation, where such treaties exist and to the extent they are applicable. However, there is no assurance that the treaty relief will be available in practice in this case.

If payments under the relevant Loan are subject to any Russian withholding tax (as a result of which the Issuer would reduce payments under the Notes in the amount of such withholding taxes), VEB will be obliged to increase the amounts payable as may be necessary to ensure that the Issuer and/or the Noteholders receive a net amount that will not be less than the amount they would have received in the absence of such withholding taxes.

It should be noted, however, that the tax gross-up provisions may not be enforceable under Russian law. In the event that VEB fails to make increased payments, such failure would constitute an Event of Default pursuant to the Loan Agreement. If VEB is obliged to increase payments under any Loan Agreement, it may (without premium or penalty), subject to certain conditions, prepay the relevant Loan in full. In such case, all outstanding Notes would be redeemable at par together with accrued and unpaid interest and additional amounts, if any, to the date of redemption."

Risks Relating to the Notes and the Trading Market—Vaguely drafted Russian transfer pricing rules and lack of reliable pricing information may impact VEB's results of operations.

The risk factor entitled "*Vaguely drafted Russian transfer pricing rules and lack of reliable pricing information may impact VEB's results of operations.*" on pages 33 and 34 of the Base Prospectus is hereby deleted in its entirety and replaced with the following:

"Vaguely drafted Russian transfer pricing rules and lack of reliable pricing information may impact VEB's results of operations.

Transfer pricing legislation in the Russian Federation allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all "controlled" transactions (except for those conducted at state regulated prices and tariffs), provided that the transaction price of goods, works or services differs upwards or downwards from the market price of identical or similar goods, works or services by more than 20%. "Controlled" transactions include transactions with related parties, barter transactions, foreign trade transactions and transactions with unrelated parties with significant price fluctuations (i.e., if the price of goods, works or services in such transaction differs from prices applied to identical or similar goods, works or services within a short period of time by more than 20%). Special transfer pricing rules apply to securities transactions and derivatives. The Tax Code has no direct provisions on the application of transfer pricing rules to interest on loans, and differing interpretations have been given on this issue by the Russian tax authorities and courts.

The transfer pricing rules as currently in effect are vaguely drafted, generally leaving wide scope for interpretation by the tax authorities and courts. Moreover, in the event that a transfer pricing adjustment is assessed by the tax authorities, the transfer pricing rules do not provide for an offsetting adjustment to the related counterparty in the transaction.

The new law introducing substantial amendments to the Russian transfer pricing legislation, which would considerably toughen the existing law and bring it more in line with international transfer pricing rules, will become effective on 1 January 2012. The list of the "controlled" transactions under the amended transfer pricing legislation includes transactions with related parties and certain types of cross-border transactions. The new transfer pricing rules may have a potential impact on tax costs of the Group arising from the pricing mechanism applied in "controlled" transactions, in particular, transactions with related parties located in and outside of Russia. However, it is still unclear what effect these changes may have on taxpayers, including VEB.

Accordingly, due to the uncertainties in the interpretation of transfer pricing legislation, no assurance can be given that the tax authorities will not challenge the level of prices applied by the Group and make adjustments, which could affect the Group's tax position. Unless such tax adjustments are successfully contested in court, the resulting increase in tax due could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The above factors increase the risk of the imposition of additional taxes on the Group. The introduction of new taxes or amendments to current taxation rules may have a substantial impact on the overall amount of tax liabilities of the Group.

In addition, factors described above may result in tax risks in the Russian Federation that may be substantially more significant than typically found in countries with more developed tax systems."

Additional Risk Factor

The section of the Base Prospectus entitled "*Risk Factors—Risks Relating to Taxation in the Russian Federation*" is hereby amended by the insertion of the following additional risk factor at the end of such section on page 34 of the Base Prospectus:

"The newly introduced Russian tax law regarding consolidated taxpayers may be differently interpreted by the tax authorities in practice.

Russian law, as currently in effect, does not provide for a possibility of group relief or fiscal unity. Consequently, tax losses incurred by any Russian legal entity of the Group may not be surrendered to reduce the tax liability of any other Russian legal entity of the Group, which complicates the tax planning within the Group. A new law introducing a group relief or fiscal unity concept was signed by the Russian President on 16 November 2011 and will become effective on 1 January 2012. Although the Group may be generally entitled to form the consolidated tax group under the new law provided the requirements of the new law are met, at this stage it cannot be predicted how this law will be interpreted and applied in practice."

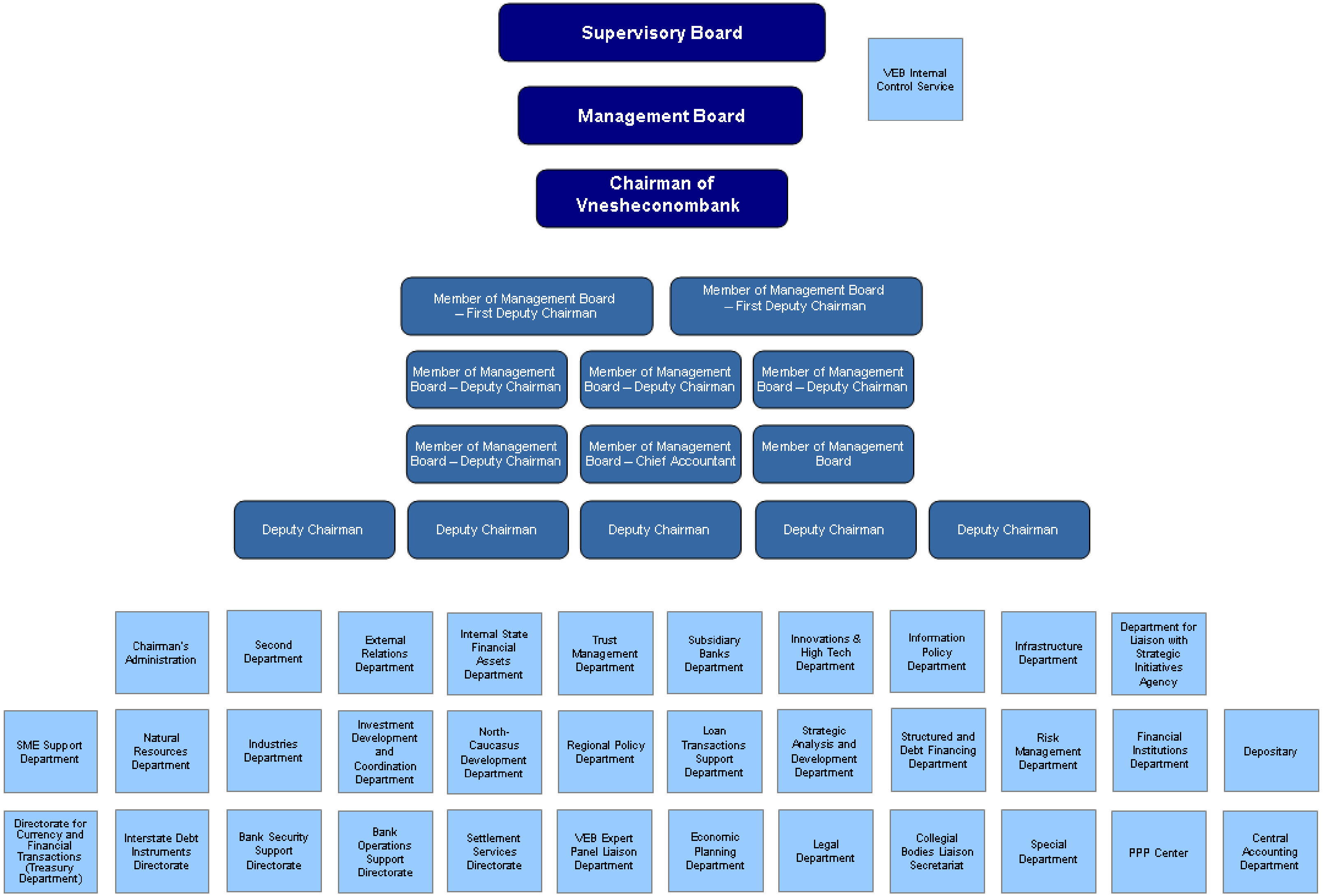
RECENT DEVELOPMENTS

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 30 June 2011, VEB has continued to focus on its core development banking activities. The following discussion sets forth certain key recent developments affecting VEB's business, financial condition, results of operations and prospects, including information regarding certain organisational changes, new projects and investments.

GENERAL

The following structure chart outlines the corporate organisational and management structure of VEB as at the date of this Base Prospectus Supplement:



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

Since 30 June 2011, VEB has continued to finance strategically important, large-scale projects. The most significant new projects currently being financed by VEB through debt include:

- further to its ongoing financing of the construction of a cattle farm, slaughterhouse and meat processing plant in the Bryansk region, pursuant to a new credit agreement entered into in September 2011, VEB has committed to lend a further U.S$183.3 million over an 8 year period until 1 September 2019 (in addition to its previous commitment to lend U.S.$110 million over an 8 year period beginning on 3 December 2010 and U.S.$37 million over a 10 year period beginning on 29 December 2010 pursuant to credit agreements entered into on such dates); as at 28 October 2011, there was no outstanding principal amount under this credit agreement, although the outstanding principal amount financed by VEB in relation to the project, financed under the previous credit agreements, was U.S.$76.68 million as at such date;

- the development of automobile construction in the Republic of Tartarstan and the Leningrad region (including the manufacturing of cars, commercial vehicles and off-road vehicles), in respect of which VEB has committed to lend, in aggregate, RUB 33.7 billion in several tranches to be drawn down over a period until 31 December 2014, with scheduled repayments over a period from 30 September 2016 to 30 June 2021; as at 28 October 2011, there was no outstanding principal amount financed by VEB for this project;

- the construction of an integrated facility producing and processing poultry in the Samara region, at a total anticipated cost of RUB 6.5 billion, of which VEB has committed to lend RUB 5 billion over a period of 8 years until 27 October 2019; as at 28 October 2011, there was no outstanding principal amount financed by VEB; and

- the construction of an innovative pharmaceutical research and manufacturing complex in the City of Ryazan at a total anticipated cost of RUB 4.8 billion, of which VEB has committed to lend RUB 4.3 billion over a period from 44 to 79 months after the first drawdown; as at 28 October 2011, there was no outstanding principal amount financed by VEB for this project.

Direct Infrastructure Investment Funds

Sovereign Investment Fund

In June 2011, VEB established a new wholly-owned subsidiary, the Management Company of the Russian Direct Investments Fund, with a charter capital of RUB 300 million. This company will manage Russia's new sovereign investment fund, the Russian Direct Investments Fund ("**RDIF**"), which will receive RUB 62.6 billion from the Russian State budget by the end of 2011. The purpose of RDIF will be to provide co-financing, along with sovereign funds of other States, credit institutions and other leading investment funds for projects with a Russian focus.

Far East and Baikal Region Development Fund

In November 2011, VEB established a new wholly-owned subsidiary, the Far East and Baikal Region Development Fund, with an anticipated charter capital of RUB 500 million. The objective of this fund is to support the implementation of investment projects in the Far East and Baikal regions, including projects aimed at developing economic and social infrastructure and innovations.

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

Pre-export Financing – Establishment of Russian Export Credit and Insurance Agency

In October 2011, OJSC "EXIAR", Russia's Export Credit Insurance and Investment Agency (the "**Export Credit Agency**"), was registered, with VEB as its sole shareholder, whose charter capital will amount to RUB 30 billion. The Export Credit Agency, whose activities will be supplemental and complementary to, and not intended to replace or compete with, VEB's existing export finance activities, will specialise in insuring export credits and investments against credit and political risks.

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

In June 2011, VEB and IFC signed a memorandum of understanding to cooperate in the creation of a fund, the purpose of which will be to support, among other matters, Russian regional banks. The target size of the fund is US$1.5 billion of which VEB may, but has not committed to, contribute up to U.S.$250 million.

In July 2011, VEB and Kreditanstalt für Wiederaufbau ("**KfW**") signed a memorandum of understanding to cooperate in assessing the feasibility of establishing an international fund to support entrepreneurship. The parties intend to complete the related feasibility study by the end of 2011. Based on the results of the study, VEB and KfW will decide, among other matters, whether to establish this fund and, if so, its legal form. If established, the purpose of the fund will be to expand the range of existing instruments intended to provide financing and support for small and medium-sized innovative enterprises ("**SMEs**") in Russia.

In October 2011, a memorandum of intent to create the Russia-China Investment Fund (the "**RCIF**") was signed between VEB, the RDIF, and China Investment Corporation ("**CIC**"). The purpose of the RCIF is to: (i) promote bilateral economic cooperation and trade between Russia and China; (ii) develop infrastructure in both countries; (iii) facilitate access to long-term capital in both countries by companies that are engaged in economic cooperation between Russia and China; and (iv) develop and improve the quality of the economy of both countries. The RCIF's investment policy will allow investment of up to 30.0% of the RCIF in China, with the remainder in Russia. The target size of the RCIF is between U.S.$3 billion and U.S.$4 billion.

VEB AS THE KEY STATE-OWNED VEHICLE FOR THE STABILISATION OF THE RUSSIAN ECONOMY AND FINANCIAL SYSTEM

Recovery Finance

Support for the Mortgage Lending Market

In July 2009 and May 2010, the Financial System Support Law was amended to provide support for the Russian mortgage financing market an additional strategic priority for VEB and, accordingly, VEB has the right to receive from the National Wealth Fund ("**NWF**") an additional deposit of RUB 40 billion at a rate of 6.25% per annum, which VEB is authorised to utilise to make loans to the Agency for Housing Mortgage Lending ("**AHML**") until 1 December 2011 at an interest rate of 6.5% per annum with a maturity date of up to 1 June 2020.

In addition, VEB's Supervisory Board has approved an investment programme to finance the construction of affordable housing and help lower the average mortgage rates offered in the Russian mortgage market (the "**Mortgage Investment Programme**"). Under the Mortgage Investment Programme, VEB, together with STMC, intends to purchase or arrange for the purchase of up to RUB 210 billion of mortgage bonds to support the mortgage lending market until the end of 2013. In particular, VEB intends, before the end of 2013, to use its own capital to purchase up to RUB 50 billion of mortgage bonds issued by the AHML and other financial institutions bearing interest at a rate of 3.0% per annum. STMC also intends to invest pension funds under its management to purchase up to RUB 100 billion of similar mortgage bonds bearing interest at a rate of no more than 9.0% per annum.

In September and October 2011, the Russian Ministry of Finance placed NWF funds of RUB 4 billion and RUB 14 billion, respectively, in the form of interest-bearing deposits with VEB, pursuant to the Financial System Support Law. These funds were fully utilised for further lending to AHML in accordance with the Financial System Support Law.

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

Domestic Banking Subsidiaries

OJSC "Russian Bank for Small and Medium Enterprises Support" (SME Bank)

In August 2011, OJSC "Russian Bank for Small and Medium Enterprises Support" bank changed its name to JSC "SME Bank" and in the same month completed its re-branding exercise.

CJSC "GLOBEXBANK"

In September 2011, the General Shareholders Meeting approved the reorganisation of GLOBEXBANK through a merger with the National Trade Bank ("**NTB**"), which is a wholly-owned subsidiary of GLOBEXBANK. The accession agreement for the merger was signed on 14 October 2011 with completion of the merger expected in April 2012, subject to anti-monopoly approval.

In September 2011, GLOBEXBANK moved its principal office to Building 59/2, Zemlyanoi Val Street, Moscow, 109004, Russian Federation.

Other Domestic Subsidiaries

OJSC "VEB-Leasing"

Following the completion of the acquisition of 2 million newly issued shares of VEB-Leasing in October 2011, VEB's ownership interest in VEB-Leasing increased from 98.6% to 99.0%.

In June 2011, VEB-Leasing moved its principal office to Building 10, Vozdvizhenka Street, Moscow, 125009, Russian Federation.

LLC "VEB Engineering"

In November 2011, the charter capital of VEB Engineering decreased from RUB 196.0 million to RUB 148.0 million as a result of the non-payment of charter capital by another participant. This decrease was registered on 14 November 2011. As a result of this decrease, VEB's ownership interest in VEB Engineering increased from 51.0% to 67.6%.

In October 2011 VEB Engineering moved its principal office to 7, Mashi Poryvaevoj Street, Moscow, 107078, Russian Federation.

Foreign Subsidiaries

OJSC "Belvnesheconombank"

Following the acquisition of 1,500 million newly issued shares of Belvnesheconombank in September 2011, VEB's ownership interest in Belvnesheconombank increased from 97.4% to 97.5%.

PSC Prominvestbank (Ukraine)

Following the acquisition of 21,247,294 shares of Prominvestbank in the secondary market in August 2011, VEB's ownership interest in Prominvestbank increased from 93.8% to 97.9%.

In September 2011, VEB opened a three-year multi-currency credit line for a principal amount of U.S.$800 million for Prominvestbank. As at 28 October 2011, the amount drawn down under this credit line was U.S.$480 million.

LITIGATION

In September 2009, VEB acquired additional newly-issued shares in Prominvestbank for an aggregate purchase price of U.S.$500 million in connection with a capital increase. As a result of this acquisition, VEB increased its ownership interest in Prominvestbank from 75% of the total share capital plus three shares up to 93.8% of the total share capital. As required by applicable Ukrainian law, the capital increase and the related issuance of the new shares purchased by

VEB were approved by General Meetings of the Shareholders of Prominvestbank held in September and October 2009 and registered with the relevant Ukrainian regulatory authorities.

In October 2009, an individual minority shareholder of Prominvestbank challenged the decisions of the General Meetings of Shareholders in the Commercial Court of Kiev (the "**Commercial Court**"); VEB was not a party to this litigation. In November 2009, the Commercial Court declared the decisions of the General Meetings of Shareholders to be invalid.

Based on the above declaration by the Commercial Court, in April 2010, the State Commission on Securities and Stock Market (the "**Commission**") cancelled the Prominvestbank registration of issuance of new shares to VEB. In May 2010, Prominvestbank filed a claim with the District Administrative Court in Kiev to annul the aforementioned decision of the Commission. This claim was rejected in the first instance. In February 2011, however, the Kiev Administrative Court of Appeal ruled against the Commission and declared its decision unlawful. The Commission then filed its own appeal against the decision of the Kiev Administrative Court of Appeal with Ukraine's Highest Administrative Court on 27 February 2011.

In July 2011, Ukraine's Highest Administrative Court (the Supreme Administrative Court of Ukraine) legitimised the decision of the Kiev Administrative Court of Appeal, which came into effect on 1 February 2011, and the Commission's appeal was dismissed. This brought an end to the litigation relating to the registration of additional shares of Prominvestbank.

MANAGEMENT AND EMPLOYEES

On 27 September 2011, the appointment of Petr Fradkov as General Director of the Export Credit Agency was approved by a decision of VEB's Supervisory Board. On 14 October 2011, he resigned his role as Deputy Chairman of VEB, although he remains as a member of the Management Board.

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 SME Bank, ROSEXIMBANK and FCPF 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 2011, which has been derived from VEB's Unaudited Interim IFRS Financial Statements. 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 2011	
	(U.S.$ millions)[1]	*(RUB millions)*
	(Unaudited)	
Long-term debt[2]		
Senior long-term debt	41,005	1,151,240
Total long-term debt	**41,005**	**1,151,240**
Equity		
Charter capital	13,626	382,571
Retained earnings	1,724	48,385
Unrealised gains on investment securities available for sale	3,577	100,436
Foreign currency translation reserve	(158)	(4,438)
Equity attributable to the Russian Government	**18,769**	**526,954**
Non-controlling interests	40	1,130
Total equity	**18,809**	**528,084**
Total capitalisation	**59,814**	**1,679,324**

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 2011, which was RUB 28.0758 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 the CBR and debt securities issued, all with remaining contractual maturities of over one year.

Except as described below, there have been no material changes in VEB's capitalisation since 30 June 2011.

Since 30 June 2011, VEB has incurred the following long-term debt:

- On 1 August 2011, GLOBEXBANK placed two series of Rouble-denominated bonds on the Moscow Interbank Stock Exchange with an aggregate principal amount of RUB 5 billion and with a final maturity in August 2014, subject to the exercise by holders of a put option after one year;
- On 5 August 2011, VEB entered into a facility agreement with HSBC Bank Plc for a principal amount of U.S.$115 million and with a final maturity in August 2018; and
- On 14 October 2011, VEB placed Rouble-denominated notes listed on the Moscow Interbank Stock Exchange with a principal amount of RUB 15 billion and with a final maturity in October 2021, subject to the exercise by holders of a put option after five years.

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**		
	2011	**2011**	**2010**
	(U.S.$ millions)[1] *(Unaudited)*	*(RUB millions) (Unaudited)*	*(RUB millions) (Unaudited)*
Interest income	**2,623**	**75,098**	**72,891**
Interest expense	**(1,542)**	**(44,164)**	**(40,357)**
Net interest income	**1,081**	**30,934**	**32,534**
Provision for impairment of interest earning assets	(362)	(10,372)	(13,340)
Net interest income after provision for impairment of interest-earning assets	**719**	**20,562**	**19,194**
Net fee and commission income	**97**	**2,794**	**2,820**
Gains less losses arising from financial instruments at fair value through profit or loss	(86)	(2,474)	28
Gains less losses from investment securities available for sale	531	15,199	3,890
Net gains/(losses) from foreign currencies:			
- dealing	662	18,962	1,342
- translation differences	(603)	(17,273)	(902)
Gains less losses on initial recognition of financial instruments	(33)	(947)	—
Share in net income / (loss) of associates	4	118	(42)
Dividends	13	381	284
Other operating income	61	1,756	1,093
Non-interest income / (expenses)	**549**	**15,722**	**5,693**
Non-interest expenses	**(542)**	**(15,533)**	**(10,852)**
Profit before income tax	**823**	**23,545**	**16,855**
Income tax (charge) / benefit	(12)	(334)	(1,639)
Profit after taxation from continued operations	**811**	**23,211**	**15,216**
Loss from discontinued operations	—	—	(968)
Profit for the period	**811**	**23,211**	**14,248**

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 2011, which was RUB 28.6344 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**	
	2011	**2011**	**2010**	**2010**
	(U.S.$ millions)[1]	*(RUB millions*	*(U.S.$ millions)*[2]	*(RUB millions)*
	(Unaudited)			
Assets:				
Cash and cash equivalents	8,655	242,991	6,453	196,672
Precious metals	11	320	10	293
Financial assets at fair value through profit or loss	3,266	91,695	2,498	76,144
Due from credit institutions	15,418	432,864	13,638	415,641
Loans to customers	32,125	901,933	25,853	787,926
Investment securities:				
- available-for-sale	16,991	477,050	15,479	471,755
- held-to-maturity	642	18,036	707	21,536
Investment securities pledged under repurchase agreements:				
- available-for-sale	53	1,476	158	4,828
Due from the Russian Government	4	111	4	119
Receivable from the Russian Government under London Club Arrangement	37	1,035	37	1,123
Income tax assets	85	2,382	77	2,350
Investments in associates	204	5,735	185	5,638
Property and equipment	865	24,302	773	23,550
Other assets	2,099	58,920	1,178	35,897
Total assets[3]	**80,455**	**2,258,850**	**67,050**	**2,043,472**
Liabilities:				
Due to credit institutions	12,243	343,732	7,712	235,027
Financial liabilities at fair value through profit or loss	134	3,763	178	5,416
Due to the Russian Government and the CBR	29,680	833,281	26,738	814,901
Due to London Club creditors	37	1,035	37	1,123
Amounts due to customers	11,235	315,443	9,519	290,098
Debt securities issued	7,796	218,895	6,134	186,947
Income tax liabilities	25	710	34	1,042
Provisions	11	298	6	203
Other liabilities	485	13,609	447	13,611
Total liabilities[3]	**61,646**	**1,730,766**	**50,805**	**1,548,368**
Equity:				
Charter capital	13,626	382,571	12,553	382,571
Retained earnings	1,724	48,385	822	25,043
Unrealised gains on investment securities available-for-sale	3,577	100,436	2,811	85,679
Foreign currency translation reserve	(158)	(4,438)	12	373
Equity attributable to the Russian Government	**18,769**	**526,954**	**16,198**	**493,666**
Non-controlling interests	**40**	**1,130**	**47**	**1,438**
Total equity	**18,809**	**528,084**	**16,245**	**495,104**
Total equity and liabilities	**80,455**	**2,258,850**	**67,050**	**2,043,472**

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 2011, which was RUB 28.0758 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 2010, which was RUB 30.4769 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
	2011	2010	2010
	(Unaudited)		
Profitability Ratios:			
Net interest margin[(1)]	3.3%	3.6%	3.8%
Operating expenses[(2)] as a percentage of net interest income before provisions for impairment losses	48.5%	36.3%	41.4%
Operating expenses[(2)] as a percentage of average total assets	0.7%	0.6%	1.4%
Return on average assets[(3)]	1.1%	0.7%	1.4%
Liquidity Ratios:			
Loans to customers as a percentage of total assets[(4)]	39.9%	44.1%	38.6%
Equity Ratios:			
Capital adequacy ratio[(5)]	20.1%	19.6%	20.1%
Single borrower (or group of related borrowers) exposure[(6)]	74.8%	68.6%	76.8%
Maximum exposure to large credit risk[(7)]	329.0%	344.7%	355.8%

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 off and provision for other impairment.

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

(4) Loans to customers as a percentage of total assets is calculated as total loans to customers net of allowance divided by total assets.

(5) The capital adequacy ratio is calculated in accordance with methodology approved by VEB's Supervisory Board, which is based on approaches set out in regulations issued by the CBR and the Basel Accord.

(6) 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.

(7) 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 purpose, 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 (although, as at the date of this Base Prospectus Supplement, no new recovery finance is being provided); (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. Beginning in late 2009 and in 2010 and 2011, as the global economic crisis has eased and the Russian economy has shown signs of improvement and increased stability, although a number of VEB's recovery finance programmes continue to remain in effect, VEB has refocused on its development bank activities and has ceased to provide new recovery finance and reduced its exposure to borrowers who had received recovery finance pursuant to programmes established by VEB under the Financial System Support Law. VEB expects that this change in the mix of its business will continue at least in the near to medium term.

VEB has four banking subsidiaries in the Russian Federation (SME Bank, 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. In late 2010, VEB acquired OJSC "Federal Centre for Project Finance" ("**FCPF**") (by way of a contribution to its charter capital), which is primarily engaged in VEB's programme of providing financial assistance for the implementation of projects aimed at regional and urban development in Russia with the participation of regional and municipal authorities and, in November 2010, VEB established OJSC "Corporation for the Development of North Caucasus" ("**NCDC**"), whose principal activities include supporting investment projects implemented (or to be implemented) in the North Caucasus and advising regional authorities in connection therewith. See "*Description of VEB's Business—Principal Subsidiaries and Associates*" in the Base Prospectus. In June 2011, VEB established a new, wholly-owned fund management company, the Management Company of the Russian Direct Investments Fund, with a charter capital of RUB 300 million. On 27 September 2011, VEB's Supervisory Board approved the establishment of the Export Credit Agency as a wholly-owned subsidiary of VEB whose charter capital will amount to RUB 30 billion and which was registered in October 2011. The Export Credit Agency, whose activities will be supplemental and complementary to, and not intended to replace or compete with, VEB's existing export finance activities, will specialise in insuring export credits and investments against credit and political risks. On 3 November 2011, VEB established The Far East and Baikal Region Development Fund as a wholly-owned subsidiary of VEB, with an anticipated charter capital of RUB 500 million. The objective of this fund is to support the implementation of investment projects in the Far East and Baikal Region, including projects aimed at developing economic and social infrastructure and innovations.

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 and projects focusing on technological and industrial innovation, 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 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 eased in late 2009 and 2010, these subsidiaries 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. Although a number of VEB's recovery finance programmes continue to remain in effect, 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 and also reduced its exposure to borrowers who had received recovery finance pursuant to programmes established by VEB under the Financial System Support Law. Whilst the subordinated loans that VEB extended to Russian banks pursuant to such programmes, as well as some amounts extended under other recovery finance programmes, remain outstanding as at the date of this Base Prospectus Supplement, as at 2 October 2010, all of the back-to-back (recovery) finance loans that VEB had extended to Russian corporate borrowers to refinance claims of foreign creditors have been repaid and, consequently, VEB has repaid all of the deposits it had received from the CBR to provide such recovery finance.

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, as well as those who have selected VEB as their pension fund manager. 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 for investors and professional participants in the Russian securities and foreign exchange markets. See "*Description of VEB's Business—Depositary Operations*".

VEB operates out of its principal office in Moscow, six representative offices within the Russian Federation (in St. Petersburg, Khabarovsk, Pyatigorsk (opened in 2010), Ekaterinburg (opened in 2010), Rostov on Don (opened in 2011) and Krasnoyarsk (opened in 2011)) and ten representative offices outside the Russian Federation (in the United States of America, France (opened in 2010), India (two), Switzerland (opened in January 2011), 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 2011, VEB had total assets of RUB 2,258,850 million and total loans (defined as the sum of amounts due from credit institutions and loans to customers) of RUB 1,334,797 million, whilst VEB had net interest income of RUB 30,934 million and net income of RUB 23,211 million for the six-month period ended 30 June 2011.

VEB continues to receive the largest portion 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 2011, VEB had charter capital of RUB 382,571 million, 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 213,406 million (as compared to

RUB 211,647 million as at 31 December 2010) and RUB 606,466 million (as compared to RUB 594,028 million as at 31 December 2010), respectively. As at 30 June 2011, total funding from the Russian Government and the CBR as a percentage of VEB's total equity and liabilities was 36.9% (as compared to 39.9% as at 31 December 2010). Following the repayment of all of the 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.$7,947 million (including all accrued interest), which it had received from the CBR to provide such recovery finance. See "*Certain Statistical Data and Other Information—Sources of Funding—Amounts Due to the CBR*" in the Base Prospectus. VEB also raises funds through the issuance of bonds and other securities in the domestic and international capital markets, as well as pursuant to bilateral and syndicated loans, in each case, in Roubles and foreign currencies, principally U.S. Dollars. See "—*Liquidity and Capital Resources*" in this Base Prospectus Supplement. 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.

Since 30 June 2011, VEB and various of its subsidiaries have also incurred certain new debt. See "*Capitalisation*".

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 period ended 30 June 2011, and that can be expected to affect VEB's results of operations in the future, include: (i) the current conditions characterising the Russian and international economies and financial systems, including, without limitation, the effects of the global financial crisis the recent economic recovery; (ii) changes in the mix of business activities conducted by VEB, particularly reflecting VEB refocusing on its core development bank activities as the global financial crisis has eased and the Russian economy has shown signs of improvement and increased stability such that VEB has ceased to provide new recovery finance and reduced its exposure to borrowers who had received recovery finance pursuant to the programmes established by VEB under the Financial System Support Law; (iii) the overall growth of VEB's assets and liabilities; (iv) fluctuations in the value and composition of VEB's securities portfolio, including as a result of recent decisions to acquire strategic stakes in certain key Russian companies, such as Gazprom; and (v) the impact of the interest rate and exchange rate environment in which VEB operates.

The Russian and International Economies and Financial Systems

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 was severely impacted by the weak global economic conditions and turmoil in the global financial markets. The Russian Federation's economy is to a significant degree dependent on exports of key commodities, such as oil, gas, iron ore and other raw materials. Dramatic falls in the prices of these commodities in the international market in the second half of 2008 resulted in sharp decreases in the revenues of the Russian Government and of privately held Russian companies operating in these sectors, which, in turn, had a severely negative effect on the overall Russian economy. In particular, world prices for oil have been and are 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. Whilst, as compared to prices in December 2008, oil prices increased overall in 2009 by 86.4% to U.S.$74/bbl in December 2009 and oil prices further increased in late 2010 and early 2011, in part due to the turmoil in the Middle East, as at the date of this Base Prospectus Supplement, the price of crude oil remains significantly below the record high prices of U.S.$145/bbl in July 2008.

Whilst the Russian Federation experienced significant economic growth in 2008, the worsening effects of the global financial crisis contributed to a slowdown in growth in the fourth quarter of 2008 and a downturn in 2009, which resulted in lower GDP levels, continued capital markets instability, a deterioration in liquidity, tighter credit conditions and a contraction in private-sector consumption and gross investments in 2009 within the Russian Federation and other countries where VEB conducts its business. Due to these effects, the Russian economy contracted by 7.9% in 2009. As the effects of the global financial crisis eased, Russian and international capital markets and economies began a general recovery in 2010, resulting in a 4.0% growth in the Russian economy in 2010 according to Rosstat statistics. In the first six months of 2011, the Russian economy grew by a further 3.6% (on an annual basis), according to the same source. Net exports (being the value of total exports less total imports) also increased in the first six months of 2011, although the Russian economy experienced a significant capital outflow, in particular, in the fourth quarter of 2010, which continued the first nine months of 2011. According to CBR statistics, net exports increased by 34.9% from 1 January 2011 to 30 June 2011, as compared to the same period in 2010. According to the same source, net exports increased by 30.9% in 2010, compared to 2009, resulting largely from a recovery in prices for export commodities (primarily oil and natural gas), despite increasing imports. Net exports also increased in 2009, as compared to earlier years, primarily, however, as a result of a disproportionate decline in imports resulting from lower domestic demand and the depreciation of the Rouble. For an overview of the changes in the exchange rate of the Rouble against the U.S. Dollar and the Euro, see "*—Fluctuations in Interest Rates and Exchange Rates*".

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. In addition, for the most part upon the request of the Russian Government, initially as a part of its recovery finance activities, but thereafter for strategic and liquidity management purposes, VEB has acquired shares in certain Russian entities considered to have strategic importance to the Russian economy. For example, in late 2010, VEB acquired a 2.7% stake in OAO Gazprom for a purchase price of approximately U.S.$3.5 billion. See "*Description of VEB's Business—Key State-owned Vehicle for the Stabilisation of the Russian Economy and Financial System—Recovery Finance—Equity Investments*" and "*Description of VEB's Business—Securities Markets and Treasury Operations*" in the Base Prospectus. VEB recorded significant negative fair value revaluations following its acquisitions of certain 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. The Russian securities market has been significantly impacted by the global financial crisis and its long-term consequences, including continued sluggish economic activity and the Sovereign debt crisis in Europe, both of which have intensified since May 2011. While securities prices have generally recovered from their depressed levels in late 2008 and early 2009, any possible further worsening of the debt crisis in Europe could lead to a general weakening in the Russian securities markets, which, could, in turn, result in further losses. See "*—Fluctuations in the Value of Securities*" below.

Although the current debt crisis in Europe has not affected VEB's overall borrowing costs, given that VEB has not issued any debt instruments on the international markets since February 2011, if market conditions fail to improve, VEB's cost of funding may be adversely affected in the future, which may, in turn, negatively impact VEB's net interest margin. See "*—Fluctuations in Interest Rates and Exchange Rates*" below and "*Risk Factors—Risks Related to VEB's Business and Industry—VEB is subject to interest rate risk*" in the Base Prospectus.

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 access to and the cost of capital for certain of VEB's borrowers, which, in turn, may affect their ability to repay amounts due to VEB. These factors 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 to perform by the underlying counterparty. In addition, changes in economic conditions resulted in deterioration in the value of collateral held against loans and other obligations. 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 banking subsidiaries, and took additional allowances for impairment in 2010 and in the six months ended 30 June 2011. See "*—Changes in the Mix of Business Activities*". VEB may be required to make additional allowances in the future.

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 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. Beginning in late 2009 and in 2010, as the global financial crisis eased and the Russian economy began to show signs of improvement and increased stability, VEB 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. This difference in the focus of VEB's activities in 2009 through to the date of this Base Prospectus Supplement has 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-to-period basis, and is expected to continue to affect the nature and rate of VEB's growth and its overall results in the near to medium term.

Since late 2009, the composition of VEB's loan portfolio has increasingly shifted toward development bank finance, as VEB has ceased to provide recovery finance and reduced its exposure to borrowers who had received recovery finance pursuant to programmes established by VEB under the Financial System Support Law, and VEB expects this trend to continue. By their nature, VEB's recovery finance loans tended to be characterised by a higher credit quality than VEB's ordinary course development bank loans. In the course of VEB's development bank activities, 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. Furthermore, loans and investments made by VEB in the course of its development bank activities often involve relatively large principal amounts, have longer-term maturities, are not secured by liquid collateral and are extended at preferential rates, all of which make these activities of relatively high risk and low return. Allowance for impairment of total loans was RUB 151,251 million as at 30 June 2011, representing 10.2% of VEB's total gross loans as at 30 June 2011, as compared to RUB 145,930 million as at 31 December 2010, representing 10.8% of VEB's total loans as at 31 December 2010.

Overall Growth

VEB's total assets have grown to RUB 2,258,850 million as at 30 June 2011, from RUB 2,043,472 million as at 31 December 2010. The growth in VEB's total assets in the first six months of 2011 was primarily as a result of VEB's continued focus on its core development bank activities and the related provision of significant financing for several large-scale infrastructure and investment projects, as well as VEB's strategic investments in Russian banks and corporates.

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 adverse impact on VEB's net profit in 2009 as VEB was required to record significant one-time provisions for impairment of bad loans acquired through 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 months ended 30 June 2011, GLOBEXBANK and Sviaz-Bank provided RUB 482 million and RUB 826 million of net income to VEB, respectively, compared with RUB 1,067 million and RUB 2,234 million of net income, respectively, for the six months ended 30 June 2010. The contribution of these entities to VEB's consolidated assets and liabilities and net income is expected to grow in the near to medium term.

Fluctuations in the Value of Securities

The aggregate value of financial assets at fair value through profit or loss and investment securities held by VEB was RUB 588,257 million as at 30 June 2011 (as compared to RUB 574,263 million as at 31 December 2010). 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 of RUB 70,464 in the overall value of its securities portfolio in 2009. For the six months ended 30 June 2010, VEB recorded a net gain of RUB 28 million on its securities portfolio reassessed at fair value through profit or loss and a net gain of RUB 3,890 million on its investment securities available for sale. For the six months ended 30 June 2011, VEB recorded a net loss of RUB 2,474 million on its securities portfolio reassessed at fair value through profit or loss and a net gain of RUB 15,199 million on its investment securities available-for-sale. See "*—Results of Operations for the Six-Month Periods Ended 30 June 2011 and 2010—Non–Interest Income—Gains Less Losses from Securities*".

As the Russian securities market continued to improve between January and April 2011, in line with its mandate to focus on development banking activities rather than securities trading and investment operations, VEB sold down many of its positions in the securities that it had previously acquired in connection with its role as the key State-owned vehicle for the stabilisation of the Russian securities market. The deep market downturn in August and September 2011, however, has, generally, negatively impacted the value of VEB's securities portfolio.

At the same time, for the most part upon the request of the Russian Government, initially as a part of its recovery finance activities, but thereafter for strategic and liquidity management purposes, VEB has acquired equity positions or other investment securities to provide liquidity to, or otherwise support the equity or financial position of, Russian companies, which acquisitions have contributed to growth in the aggregate size of VEB's securities portfolio. VEB considers these acquisitions to be strategic investments and intends to hold these securities in the longer term in line with its liquidity management policies and practices. See "*Description of VEB's Business—Securities Markets and Treasury Operations*" of the Base Prospectus. 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 liquidity management activities. Accordingly, 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 high interest rates in line with international funding rates and reflecting the overall illiquidity in the market, whilst its development bank lending activities, on which it has refocused since late 2009, 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 and may have a negative impact on VEB's net interest margin. 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, the maturities and pricing of VEB's assets and liabilities are not balanced. In particular, during 2010, the interest rates on the subordinated loans provided by VEB pursuant to the Financial System Support Law to Russian banks were reduced pursuant to amendments made to the Financial System Support Law adopted on 27 July 2010 from 8.0% to 6.5% and from 9.5% to 7.5%, whilst the interest rates on the matching deposits received from the CBR were reduced by a smaller amount from 7.0% to 6.25% and 8.5% to 7.25%, resulting in a negative impact on net interest margin. 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. Although volatility of inter-bank interest rates substantially decreased in 2010 due to excess liquidity, in the first half of 2011, risks of liquidity shortages in the domestic financial markets during tax periods (being periods in which Russian companies are required to make payments in respect of their tax liabilities) emerged from time to time and became persistent in September 2011. In order address the unfavourable money market conditions, the CBR resumed its overnight repo transactions on 29 April 2011, following a four month break in such operations. These operations were then significantly expanded in September and November 2011. Although the domestic money market continues to experience significant tension from time-to time and inter-bank interest rates remain relatively high, the CBR has stated that there is no need to employ the extraordinary measures used during the liquidity shortage in 2008 and 2009. 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. To mitigate these risks, VEB intends to continue to diversify its funding sources, by continuing to access the domestic and international capital markets and borrow under bilateral and syndicated loan facilities. To the extent that VEB's liabilities reprice significantly 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 the end of the year. Whilst the Rouble demonstrated significant volatility against the U.S. Dollar in nominal terms during 2010, the Rouble appreciated overall against the U.S. Dollar by 9.7% and against the Euro by 15.5%, during such year, in each case, due, in part, to a stabilisation in prices of oil and commodities that are an important part of the Russian Federation's export earnings. In 2011, the Rouble appreciated against the U.S. Dollar from January to May as a result of the general trend of increasing oil prices. As at 1 July 2011, the official exchange rate of the Rouble to the U.S. Dollar as published by the CBR was RUB 27.8726 per U.S. Dollar, which represented an appreciation of the Rouble relative to the U.S. Dollar of 9.6% since 31 December 2010. Since August 2011, however, the Rouble has significantly depreciated against the U.S. Dollar as a result of increased uncertainty on the global market caused by the sovereign debt crisis in Europe. As at 21 November 2011, the official exchange rate of the Rouble to the U.S. Dollar as published by the CBR was RUB 30.9190 per U.S. Dollar, representing a depreciation of RUB 10.93% since 1 July 2011. For a presentation on developments in the Rouble to U.S. Dollar exchange rates from 2008 through 24 June 2011, 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 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. 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 3 to the IFRS Financial Statements in the Base Prospectus for further information on VEB's financial assets and their value through profit or loss.

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. The carrying value of goodwill amounted to RUB 1,381 million as at 31 December 2010. VEB does not calculate goodwill or impairment of goodwill on an interim basis, but only as at the year-end.

RESULTS OF OPERATIONS FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2011 AND 2010

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	
	2011	2010
	(RUB millions) *(Unaudited)*	
Interest income	75,098	72,891
Interest expense	(44,164)	(40,357)
Net interest income before provision for impairment	**30,934**	**32,534**

Net interest income before provision for impairment is 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 decreased by 4.9% to RUB 30,934 million for the six months ended 30 June 2011 from RUB 32,534 million for the six months ended 30 June 2010, primarily due to the increases in interest expense on amounts due to customers and the Russian Government and on debt securities issued for the six months ended 30 June 2011, which in turn reflected higher average balances of such amounts for the six months ended 30 June 2011, as compared to the same period in 2010, as well as the higher average rate paid on debt securities issued. These increases were partially offset by a decrease in interest expense on amounts due to credit institutions and the CBR, as a result of the decrease in the average balance of such amounts, as well as the lower average rate paid on such amounts for the six months ended 30 June 2011, as compared to the same period in 2010.

Interest Income

VEB generates interest income primarily from (i) loans to customers, (ii) amounts due from credit institutions and cash equivalents and (iii) its investment securities portfolio, as well as increasingly from finance leasing. 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	
	2011	2010
	(RUB millions) *(Unaudited)*	
Interest income		
Loans to customers	41,529	41,056
Due from credit institutions and cash equivalents	19,485	20,159
Investment securities	8,401	9,294
Finance leasing	4,404	1,358
Financial assets at fair value through profit or loss	1,279	1,024
Total interest income	**75,098**	**72,891**

Total interest income increased by 3.0% to RUB 75,098 million for the six months ended 30 June 2011 from RUB 72,891 million for the six months ended 30 June 2010, principally due to the increases in interest income on finance leasing as a result of the growth of VEB-Leasing's finance leasing operations. This increase was partially offset by decreases in interest income on amounts due from credit institutions and cash equivalents and investment securities as a result of the decrease in the average rates received on the balances of such securities.

Interest Income on Loans to Customers

For each of the six-month periods ended 30 June 2011 and 2010, a signification portion of VEB's interest income was attributable to interest income on loans to customers. Interest income on loans to customers increased by 1.2% to RUB 41,529 million for the six months ended 30 June 2011 from RUB 41,056 million for the six months ended 30 June 2010, primarily due to the increase in the average rates received on the balances of loans to customers. See "*Certain Statistical Data and Other Information—Loans to Customers*" and "*Certain Statistical Data and Other Information—Average Balances and Interest Rates*" in this Base Prospectus Supplement.

Notwithstanding the increase in absolute terms in the amount of interest income on loans to customers between the periods, for the six-month period ended 30 June 2011, interest income on loans to customers decreased as a percentage of total interest income to 55.3%, as compared to 56.3% for the six-month period ended 30 June 2010, principally reflecting the increase in both absolute and relative terms of interest income from finance leasing.

Interest Income on Amounts due from Credit Institutions and Cash Equivalents

Interest income on amounts due from credit institutions and cash equivalents represented 26.0% and 27.7% of total interest income for the six months ended 30 June 2011 and 2010, respectively. Interest income on amounts due from credit institutions and cash equivalents decreased by 3.3% to RUB 19,485 million for the six months ended 30 June 2011 from RUB 20,159 million for the six months ended 30 June 2010. These period-on-period decreases in interest income on amounts due from credit institutions and cash equivalents, both in absolute terms and as a percentage of total interest income, primarily reflected the decrease in the average rates on the balance of amounts due from credit institutions and cash equivalents. See "*Certain Statistical Data and Other Information—Amounts due from Credit Institutions*" in this Base Prospectus Supplement.

Interest Income on Investment Securities and Interest Income on 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 12.9% and 14.2% of total interest income for the six-month periods ended 30 June 2011 and 2010, respectively. The decrease in interest income on investment securities for the six months ended 30 June 2011, as compared to the six months ended 30 June 2010, both in absolute terms and as a percentage of total interest income, primarily reflected the decrease in average rates received on the balances of such securities in line with domestic and international trends.

Interest Income on Finance Leasing

Interest income on VEB's finance leasing, represented 5.8% and 1.8% of total interest income for the six-month periods ended 30 June 2011 and 2010, respectively. The increase in interest income on finance leasing for the six months ended 30 June 2011, as compared to the six months ended 30 June 2010, both in absolute terms and as a percentage of total interest income, primarily reflected the growth of VEB-Leasing's finance leasing operations.

Interest Expense

VEB's interest expense consists 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	
	2011	**2010**
	(RUB millions) *(Unaudited)*	
Interest expense		
Due to credit institutions and the CBR	(10,261)	(14,038)
Amounts due to customers and the Russian Government	(27,686)	(24,609)
Debt securities issued	(6,217)	(1,710)
Total interest expense	**(44,164)**	**(40,357)**

Total interest expense increased by 9.4% to RUB 44,164 million for the six months ended 30 June 2011 from RUB 40,357 million for the six months ended 30 June 2010, principally due to the increases in interest expense on debt securities, and on amounts due to customers and the Russian Government, which were only partially offset by the decrease in interest expense on amounts due to credit institutions and the CBR.

Interest Expense on Amounts due to Credit Institutions and the CBR

Interest expense on amounts due to credit institutions and the CBR decreased by 26.9% to RUB 10,261 million for the six months ended 30 June 2011 from RUB 14,038 million for the six months ended 30 June 2010, 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 2011, as compared to the six months ended 30 June 2010, which was, in turn, primarily due to the repayment, as of 2 October 2010, of the deposits VEB had received from the CBR under the Financial System Support Law to provide recovery finance to Russian corporates for the purpose of refinancing claims of foreign creditors. See "*Certain Statistical Data and Other Information—Sources of Funding—Amounts Due to Credit Institutions*" in the Base Prospectus.

As a percentage of total interest expense, interest expense due to credit institutions and the CBR also decreased to 23.2% of total interest expense for the six months ended 30 June 2011, as compared to 34.8% for the corresponding period in 2010. This decrease primarily reflected the continued expansion of VEB's funding sources to include, in addition to deposits from the CBR, deposits placed by the Russian Government (principally using the funds of the NWF), the consolidation of deposits held by VEB's banking subsidiaries, the raising of funds in the domestic and international capital markets.

Interest Expense on Amounts due to Customers and the Russian Government

Interest expense on amounts due to customers and the Russian Government represented 62.7% and 61.0% of VEB's total interest expense for the six months ended 30 June 2011 and 2010, respectively. Interest expense on amounts due to customers and the Russian Government increased by 12.5% to RUB 27,686 million for the six months ended 30 June 2011 from RUB 24,609 million for the six months ended 30 June 2010. 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, primarily reflected the increase in the average balance of amounts due to customers and the Russian Government for the six months ended 30 June 2011, as compared to the same period in 2010. "*Certain Statistical Data and Other Information—Sources of Funding*"

Interest Expense on Debt Securities Issued

Interest expense on debt securities issued increased by 263.6% to RUB 6,217 million for the six months ended 30 June 2011 from RUB 1,710 million for the six months ended 30 June 2010. This increase in interest expense on debt securities issued reflected new issues of debt securities by VEB and its subsidiaries since 30 June 2010, including, in particular, Notes issued under the Programme. See "*Certain Statistical Data and Other Information—Sources of Funding—Debt Securities Issued*". The increase in interest expense on debt securities issued for the six months ended 30 June 2011, as compared to the six months ended 30 June 2010, also reflected the higher average rates paid on these securities in six months ended 30 June 2011. See "*Certain Statistical Data and Other Information—Average Balances and Interest Rates*".

Provision for Impairment

For the six months ended 30 June 2011, VEB recorded provisions for impairment of interest-earning assets of RUB 10,372 million, as compared to provisions of RUB 13,340 million for the six months ended 30 June 2010. The decrease in the absolute amount of provisions for impairment of interest-earning assets recorded in the six months ended 30 June 2011, as compared to the six months ended 30 June 2010, primarily reflected the improvement in the credit quality of the loan portfolio, notwithstanding VEB's continuing provisioning policy.

Net Fee and Commission Income

Net fee and commission income decreased by 0.9% to RUB 2,794 million for the six months ended 30 June 2011 from RUB 2,820 million for the six months ended 30 June 2010, principally as a result of fluctuations arising in VEB's ordinary course of business.

Non-Interest Income

VEB's total non-interest income for the six months ended 30 June 2011 was RUB 15,722 million, as compared to RUB 5,693 million for the six months ended 30 June 2010. For each of the six-month periods ended 30 June 2011 and 2010, VEB generated non-interest income principally from net gains from investment securities and net gains from dealing in foreign currencies. During each of the six-month periods ended 30 June 2011 and 2010, VEB recognised net gains from the sale of securities.

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	
	2011	**2010**
	(RUB millions) *(Unaudited)*	
Gains less losses arising from financial instruments at fair value through profit or loss	(2,474)	28
Gains less losses from investment securities available for sale	15,199	3,890
Dividends	381	284
Total gains less losses from financial instruments at fair value through profit or loss and investment securities available for sale	**13,106**	**4,202**

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 13,106 million for the six months ended 30 June 2011, as compared to a net gain of RUB 4,202 million for the six months ended 30 June 2010. In each of the six-month periods ended 30 June 2011 and 30 June 2010, gains less losses from securities comprised both (i) unrealised and realised gains less losses arising from financial instruments at fair value through profit or loss, which arise from trading securities, derivative financial instruments and securities treated as financial instruments at fair value through profit or loss based on certain specified criteria, (ii) realised gains less losses on sale of investment securities available for sale, previously recognised in other comprehensive income, net of impairment; and (iii) dividends.

As at 30 June 2011 and 31 December 2010, financial instruments at fair value through profit or loss comprised trading securities, financial assets designated as at fair value through profit or loss and derivative financial instruments.

For the six months ended 30 June 2011, VEB recorded a net loss of RUB 2,474 million on gains less losses arising from financial instruments at fair value through profit or loss comprised of (i) losses on sales of trading securities; (ii) unrealised negative revaluation of trading securities, principally as a result of the overall decline in the Russian stock market during the period; (iii) gains less losses from operations with derivative financial instruments; and (iv) a loss on the change in the fair value of financial assets designated at fair value at profit or loss as a result of VEB's exposure under an option agreement to purchase the shares of a Russian entity to finance a large scale infrastructure project, which net loss was partially offset by unrealised gains 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 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; (ii) unrealised negative revaluation of trading securities, principally as a result of the overall decline in the Russian stock market during the period; (iii) gains less losses from operations with derivative financial instruments; and (iv) a gain on the change in the fair value of financial assets designated at fair value at profit or loss as a result of VEB's entry into the option agreement referred to above, which net 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.

VEB recorded a net gain of RUB 15,199 million on the sale of investment securities available for sale, previously recognised in other comprehensive income, for the six months ended 30 June 2011, as compared to a net gain of RUB 3,890 million on the sale of investment securities available for sale, for the six months ended 30 June 2010. This increased gain primarily reflected realised gains from the sale of securities out of VEB's investment securities portfolio, as the market value of these securities continued to increase in the first half of 2011 following the recovery and stabilisation of share prices as the global financial crisis eased, although in the second half of 2011 there has been renewed volatility in the price of such securities.

Gains Less 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	
	2011	2010
	(RUB millions) *(Unaudited)*	
Net gains/(losses) from foreign currencies:		
- dealing	18,962	1,342
- translation differences	(17,273)	(902)
Total gains less losses arising from foreign currencies	**1,689**	**440**

Total gains less losses from foreign currencies increased by 283.9% to RUB 1,689 million for the six months ended 30 June 2011 from RUB 440 million for the six months ended 30 June 2010. This period-on-period increase primarily reflected a higher level of gains in dealing transactions than losses in translation differences.

Gains Less Losses on Initial Recognition of Financial Instruments

During the six months ended 30 June 2011, VEB recognised a loss on initial recognition of financial instruments of RUB 947 million, which primarily reflected the negative loss initially recognised on loans placed by SME Bank as a measure to support SMEs. No similar amounts were recorded during the six months ended 30 June 2010.

Non-Interest Expenses

For each of the six-month periods ended 30 June 2011 and 2010, 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	
	2011	2010
	(RUB millions) *(Unaudited)*	
Payroll and other staff costs	(7,690)	(5,528)
Occupancy and equipment	(2,026)	(1,812)
Depreciation	(627)	(617)
Taxes other than income taxes	(962)	(758)
Reversal of / (provision for) other impairment and provisions	(525)	953
Other operating expenses	(3,703)	(3,090)
Total non-interest expenses	**(15,533)**	**(10,852)**

Non-interest expenses increased by 43.1% to RUB 15,533 million for the six months ended 30 June 2011 from RUB 10,852 million for the six months ended 30 June 2010. This increase in non-interest expenses for the six months ended 30 June 2011, as compared to the six months ended 30 June 2010, principally reflected the increase in payroll and other staff costs, as well as smaller increases in all components of non-interest expenses.

Payroll and Other Staff Costs

Payroll and other staff costs increased by 39.1% to RUB 7,690 million for the six months ended 30 June 2011 from RUB 5,528 million for the six months ended 30 June 2010. This increase in payroll and other staff costs for the six months ended 30 June 2011, as compared to the six months ended 30 June 2010, principally reflected the increase in the number of employees, primarily as a result of the consolidation of new subsidiaries in VEB's financial statements including, among others, NTB. The increase in payroll and other staff costs was also due to an increase in social welfare contributions in the Russian Federation.

Reversal of / (provision for) other impairment and provisions

During the six months ended 30 June 2010, VEB recognised a reversal of a provision for other impairment and provisions of RUB 953 million, which primarily reflected a reversal of provisions created for credit-related commitments of VEB's subsidiaries.

During the six months ended 30 June 2011, VEB recognised a provision for other impairment and provisions of RUB 525 million, which primarily reflected an increase in allowances for investment securities and provisions for credit-related commitments of VEB's subsidiaries.

Other Operating Expenses

Other operating expenses increased by 19.8% to RUB 3,703 million for the six months ended 30 June 2011 from RUB 3,090 million for the six months ended 30 June 2010, principally reflecting expenses related to the increase in leasing activities of VEB-Leasing in the six months ended 30 June 2011.

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 2011 and 2010 was not significant.

Net Income

As a result of the combined effects of all of the foregoing, VEB had net income of RUB 23,211 million for the six months ended 30 June 2011, as compared to net income of RUB 14,248 million for the six months ended 30 June 2010.

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 2011 *(Unaudited)*	**As at 31 December 2010**
	(RUB millions)	
Cash on hand	9,367	12,450
Current accounts with the CBR	6,716	19,127
Correspondent nostro accounts with credit institutions and current stock broker accounts		
- Russian Federation	12,765	11,981
- other countries	51,220	45,361
Interest-bearing loans and deposits maturing within 90 days		
- due from the CBR	32,406	195
- due from credit institutions	110,101	83,748
Reverse purchase agreements with credit institutions for up to 90 days	20,416	23,810
Total cash and cash equivalent, net	**242,991**	**196,672**

VEB's total net cash and cash equivalent positions increased by 23.6% to RUB 242,991 million as at 30 June 2011 from RUB 196,672 million as at 31 December 2010. This increase in net cash and cash equivalents as at 30 June 2011, as compared to 31 December 2010, primarily reflected the increase in interest-bearing loans and deposits due from the CBR and from credit institutions maturing within 90 days, which was, in turn, due to the placement of funds from the issuance of Rouble-denominated bonds in Spring 2011 with the CBR and certain credit institutions in order to accumulate liquid assets to finance investment projects. See "*Certain Statistical Data and Other Information—Sources of Funding—Debt Securities Issued*". This increase was partially offset by the decreases in cash on hand and current accounts with the CBR, which were, in turn, primarily due to the placement of larger amounts of funds on deposits with the CBR.

Cash Flows

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

	For the six months ended 30 June	
	2011	2010
	(RUB millions) (Unaudited)	
Net cash from/(used in) operating activities	(93,825)	(10,886)
Net cash from/(used in) investment activities	17,364	(25,205)
Net cash from/(used in) financing activities	124,506	(6,982)

Net Cash Flows used in Operating Activities

Net cash flows used in operating activities were RUB 93,825 million for the six months ended 30 June 2011, as compared to net cash flows used in operating activities of RUB 10,886 million for the six months ended 30 June 2010. The higher level of cash used in operating activities in the six months ended 30 June 2011, as compared to the six months ended 30 June 2010, primarily reflected the increased cash flow used to extend loans to customers during the six months ended 30 June 2011 due to the growth of VEB's development loan portfolio.

Net Cash Flows from Investment Activities

Net cash flows from investment activities were RUB 17,364 million for the six months ended 30 June 2011, as compared to net cash flows used in investment activities of RUB 25,205 million for the six months ended 30 June 2010. The net cash flows from investment activities in the six months ended 30 June 2011 primarily reflected the lower level of cash out flow used to purchase investment securities, as VEB has ceased its recovery finance activities and has not made further strategic acquisitions of equity positions to support Russian companies.

Net Cash Flows from Financing Activities

Net cash flows from financing activities were RUB 124,506 million for the six months ended 30 June 2011, as compared to net cash flows used in financing activities of RUB 6,982 million for the six months ended 30 June 2010. Cash flows from financing activities in the six months ended 30 June 2011 represented additional long-term interbank financing raised in order to fund growth of VEB's loan portfolio, as well as the placement of additional bonds, partially off set by payments in respect of debt service. Cash flows used in financing activities in the six months ended 30 June 2010 primarily reflected the redemption of securities by VEB during such period and payments in respect of debt service exceeding financing raised during such period.

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 2011 (Unaudited)	As at 31 December 2010
	(RUB millions)	
Undrawn loan commitments	453,356	436,271
Guarantees	149,911	156,237
Letters of credit	50,065	49,806
Total credit-related commitments	**653,332**	**642,314**

As at 30 June 2011, credit-related commitments in relation to undrawn loan commitments were RUB 453,356 million, as compared to RUB 436,271 million as at 31 December 2010. This increase was primarily due to the continued growth in VEB's development bank activities.

As at 30 June 2011, VEB had issued 181 guarantees for a total amount of RUB 149,911 million, as compared to 200 guarantees for a total amount of RUB 156,237 million as at 31 December 2010. This decrease reflects fluctuations occurring as a result of VEB's ordinary course of business.

CERTAIN STATISTICAL DATA AND OTHER INFORMATION

The following discussion comprises an analysis of VEB's statement of financial position as at 30 June 2011, as compared to 31 December 2010. Comparative figures as at 31 December 2009 and 2008 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 BALANCES 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 data of the statement of financial position has been prepared for the six-month periods ended 30 June 2011 and 2010 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 balances may not be representative of VEB's daily average balances (determined in accordance with IFRS) during the periods indicated. In order to present what VEB believes is a more meaningful calculation of average balance and interest rate data, the balances of the subsidiaries acquired during each period were included into calculations as at previous period end dates, so that the consolidated net interest income figure corresponds to the period beginning balances.

	For the six months ended 30 June 2011			**For the six months ended 30 June 2010**		
	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[3]	979,050	9.4	45,933	981,877	8.6	42,414
Due from credit institutions and cash equivalents	629,543	6.2	19,485	574,982	7.0	20,159
Securities[4]	241,148	8.0	9,680	227,500	9.1	10,318
Total interest-earning assets	**1,849,741**	**8.1**	**75,098**	**1,784,359**	**8.2**	72,891
Interest-bearing liabilities						
Amounts due to credit institutions and the CBR	474,715	4.3	(10,261)	640,631	4.4	(14,038)
Amounts due to customers and the Russian Government (Ministry of Finance)	323,296	5.6	(8,996)	220,353	6.7	(7,360)
Debt securities issued	207,943	6.0	(6,217)	79,882	4.3	(1,710)
NWF deposits	585,351	6.4	(18,690)	508,256	6.8	(17,249)
Total interest-bearing liabilities	**1,591,305**	**5.6**	**(44,164)**	**1,449,122**	**5.6**	**(40,357)**
Net interest income			**30,934**			**32,534**

Notes:

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

(2) Prior to deducting allowance for impairment.

(3) Includes finance leasing.

(4) Securities comprise investment securities, plus financial assets at fair value through profit or loss and exclude equity securities, that are not interest-earning.

The average interest rate on interest-earning assets decreased to 8.1% for the six months ended 30 June 2011 from 8.2% for the six months ended 30 June 2010, principally due to the impact of the decrease in the average interest rate on amounts due from credit institutions and cash equivalents to 6.2% for the six months ended 30 June 2011 from 7.0% for the six months ended 30 June 2010, partially off set by the increase in the average interest rate on loans to customers to 9.4% for the six months ended 30 June 2011 from 8.6% for the six months ended 30 June 2010.

The average interest rate on interest-bearing liabilities remained constant at 5.6%.

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 2011 (Unaudited)	As at 31 December 2010	2009	2008
		(RUB millions)		
Obligatory reserve with the central banks	3,911	1,499	1,826	473
Non-interest-bearing deposits	10,955	9,602	37,020	22,329
Subordinated loans	348,364	347,090	388,208	225,210
Term interest-bearing deposits with credit institutions	71,306	59,169	41,787	63,631
	434,536	**417,360**	**468,841**	**311,643**
Less: Allowance for impairment	(1,672)	(1,719)	(1,533)	(133)
Amounts due from credit institutions	**432,864**	**415,641**	**467,308**	**311,510**

As at each of 30 June 2011 and 31 December 2010, 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 2011, VEB had subordinated loans outstanding to 16 Russian banks in an aggregate principal amount of RUB 348,364 million (as compared to RUB 346,880 million as at 31 December 2010), 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, however, 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 12.8% to RUB 1,051,512 million as at 30 June 2011 from RUB 932,137 million as at 31 December 2010, principally due to the increased activity of VEB as the principal development bank in the Russian Federation.

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 2011 (Unaudited)		As at 31 December					
			2010		2009		2008	
	(RUB millions)	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*% of total*
Commercial loans, including loans to individuals	529,894	50.4	437,482	46.9	294,008	30.5	131,506	17.9
Project finance	378,163	36.0	372,547	40.0	313,250	32.5	199,450	27.0
Net investments in leases	78,579	7.5	47,916	5.2	13,074	1.3	7,388	1.0
Financing of operations with securities	18,715	1.8	20,918	2.2	8,286	0.9	1,668	0.2
Promissory notes	15,558	1.5	19,606	2.1	7,881	0.8	4,000	0.5
Pre-export finance	11,911	1.1	18,595	2.0	80,712	8.4	110,520	15.0
Reverse repurchase agreements	5,732	0.5	3,899	0.4	4,606	0.5	57	0.0
Back-to-back finance	2,617	0.2	2,604	0.3	237,497	24.6	269,668	36.6
Other	10,343	1.0	8,570	0.9	5,385	0.5	13,229	1.8
Total	**1,051,512**	**100.0**	**932,137**	**100.0**	**964,699**	**100.0**	**737,486**	**100.0**

As at 30 June 2011, VEB had commercial loans of RUB 529,894 million, representing 50.4% of all loans to customers, as compared to RUB 437,482 million, representing 46.9% of all loans to customers, as at 31 December 2010. 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 2011, as compared to 31 December 2010, the increase in VEB's ownership levels of its banking subsidiaries and the continued overall growth in the activities of these banking subsidiaries as their profitability grew and their lending activities increased accordingly. See "*Business Description of VEB—Principal Subsidiaries and Affiliates*" in the Base Prospectus.

Project finance loans increased by 1.5% to RUB 378,163 million as at 30 June 2011, as compared to RUB 372,547 million as at 31 December 2010. As a percentage of total loans to customers, project finance loans represented 36.0% and 40.0% of total loans as at 30 June 2011 and 31 December 2010, respectively. The increase in project finance loans, in absolute terms, 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. The lower percentage of project finance loans as at 30 June 2011, as compared to 31 December 2010, reflected the larger increases in commercial loans and net investments in leases since 31 December 2010.

Net investments in leases increased by 64.4% to RUB 78,759 million as at 30 June 2011 from RUB 47,916 million as at 31 December 2010. As a percentage of total loans to customers, net investments in leases represented 7.5% and 5.2% of total loans as at 30 June 2011 and 31 December 2010, respectively. The increase in net investments in leases, both in absolute terms and as a percentage of total loans to customers, primarily reflected the increase in the leasing activities of VEB-Leasing since 31 December 2010.

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 2011 (Unaudited)		As at 31 December					
			2010		2009		2008	
	(RUB millions)	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*% of total*
Private companies	865,849	82.3	731,254	78.4	710,045	73.6	497,798	67.5
State-controlled companies	131,068	12.5	153,395	16.4	214,072	22.2	225,343	30.6
Companies under foreign state control	32,554	3.1	27,566	3.0	16,280	1.7	5,194	0.7
Individuals	15,534	1.5	11,017	1.2	13,835	1.4	4,129	0.5
Regional authorities	4,629	0.4	7,051	0.8	6,562	0.7	3,773	0.5
Individual entrepreneurs	1,813	0.2	1,196	0.1	1,182	0.1	451	0.1
Foreign states	65	0.0	658	0.1	2,723	0.3	798	0.1
Total	**1,051,512**	**100.0**	**932,137**	**100.0**	**964,699**	**100.0**	**737,486**	**100.0**

As at each of 30 June 2011 and 31 December 2010, 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. Fluctuations in the level of loans provided to different types of customers occur in the ordinary course of VEB's business. Loans to private companies continue to comprise a significant portion of total loans to customers and increased by 18.4% to RUB 865,849 million as at 30 June 2011 from RUB 731,254 million as at 31 December 2010, principally as a result of the continued overall growth in VEB's banking subsidiaries as their profitability grew and their lending activities increased accordingly.

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. Loans to State-controlled companies decreased by 14.6% to RUB 131,068 million as at 30 June 2011 from RUB 153,395 million as at 31 December 2010, primarily due to the repayment of loans by State-controlled entities in accordance with their terms. As a percentage of total loans, this type of finance also decreased to 12.5% of total loans as at 30 June 2011 from 16.4% of total loans as at 31 December 2010, primarily as a result of VEB's continued focus on its core development bank activities and the related extension 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 increased by 41.0% as at 30 June 2011 to RUB 15,534 million from RUB 11,017 million as at 31 December 2010, principally due to the increased lending activities of VEB's banking 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 2011 (Unaudited)		As at 31 December 2010		2009		2008	
	(RUB millions)	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*% of total*
Real estate and construction	260,605	24.8	251,558	26.9	196,561	20.4	140,606	19.1
Manufacturing, heavy machinery and military-related goods production	178,833	17.0	158,056	17.0	148,422	15.4	111,111	15.1
Financing	172,218	16.4	157,966	16.9	77,047	8.0	37,535	5.1
Transportation	91,170	8.7	57,117	6.1	23,978	2.5	15,477	2.1
Trade	72,730	6.9	58,914	6.3	48,351	5.0	13,812	1.9
Energy	62,795	6.0	51,832	5.6	37,922	3.9	10,719	1.5
Agriculture	61,289	5.8	51,137	5.5	41,527	4.3	15,122	2.1
Oil and gas	42,168	4.0	41,307	4.4	89,129	9.2	129,257	17.5
Metallurgy	34,069	3.2	28,223	3.0	174,319	18.1	163,623	22.2
Telecommunication	22,141	2.1	27,299	2.9	65,645	6.8	74,824	10.1
Individuals	15,535	1.5	11,017	1.2	13,835	1.4	4,129	0.5
Logistics	4,719	0.5	5,295	0.6	5,988	0.6	2,564	0.3
Regional authorities	4,629	0.4	7,051	0.8	6,562	0.7	3,773	0.5
Mining	2,335	0.2	3,287	0.4	5,364	0.6	203	0.0
Mass media	268	0.0	276	0.0	105	0.0	2,295	0.3
Foreign state	65	0.0	658	0.1	2,723	0.3	798	0.1
Other	25,943	2.5	21,144	2.3	27,221	2.8	11,638	1.6
Total loans to customers	**1,051,512**	**100.0**	**932,137**	**100.0**	**964,699**	**100.0**	**737,486**	**100.0**

Loans to customers show concentrations in the real estate and construction, manufacturing, heavy machinery and military-related goods production and financing sectors. As a percentage of total loans to customers, as at 30 June 2011, as compared to 31 December 2010, loans to customers in the manufacturing, heavy machinery and military-related goods production, transportation, trade, energy, agriculture, metallurgy and individuals sectors have increased, whilst loans to customers in the real estate and construction, financing, oil and gas and telecommunications sectors have decreased. Such fluctuations in loans to customers by economic sector, for the most part, occur in the ordinary course of VEB's business.

Loans to the real estate and construction sector increased, in absolute terms, by 3.6% to RUB 260,605 million, as at 30 June 2011 from RUB 251,558 million as at 31 December 2010, principally due to VEB's continued focus in 2011 on its core development bank lending activities, which involve the extension of significant financing for several large-scale infrastructure and investment projects that are included in the real estate and construction sector, although loans to the real estate and construction sector decreased as a percentage of total loans to customers to 24.8% as at 30 June 2011, as compared to 26.9% as at 31 December 2010, primarily due to the increase in the share of loans granted to the transportation sector.

Loans to the manufacturing, heavy machinery and military-related goods production sector increased by 13.2% to RUB 178,833 million as at 30 June 2011 from RUB 158,056 million as at 31 December 2010. This increase in loans to the manufacturing, heavy machinery and military sector, in absolute terms, was principally due to VEB's continued focus in 2011 on its core development bank lending activities, which involve the extension of financing to large industrial companies. Loans to the manufacturing, heavy machinery and military-related goods production sector were relatively stable as a percentage of total loans to customers, representing 17.0% of total loans to customers as at both 30 June 2011 and 31 December 2010.

Loans to the financing sector increased by 9.0% to RUB 172,218 million as at 30 June 2011 from RUB 157,966 million as at 31 December 2010, principally due to the extension of an increased level of project financing through intermediary finance companies in line with VEB's overall growth and continued focus on its development bank activities, although loans to the financing sector decreased as a percentage of total loans to customers, representing 16.4% of total loans to customers as at 30 June 2011, as compared to 16.9% of total loans to customers as at 31 December 2010.

Loans to the transportation sector increased by 59.6% to RUB 91,170 million, representing 8.7% of total loans to customers, as at 30 June 2011 from RUB 57,117 million, representing 6.1% of total loans to customers, as at 31 December 2010. The increases in loans to the transportation sector, both in absolute terms and as a percentage of total loans to customers, for the six months ended 30 June 2011, compared to the six months ended 30 June 2010, were primarily due to the increase in the leasing activities of VEB-Leasing since 31 December 2010.

Loans to the trade sector increased by 23.5% to RUB 72,730 million, representing 6.9% of total loans to customers, as at 30 June 2011 from RUB 58,914 million representing 6.3% of total loans to customers as at 31 December 2010. These increases, 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 their profitability grew and their lending activities increased accordingly.

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 2011 (Unaudited)		As at 31 December 2010		2009		2008	
	(RUB millions)	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*% of total*
Rouble	575,658	54.7	464,764	49.9	321,711	33.3	205,728	27.9
U.S. Dollar	337,409	32.1	328,854	35.3	516,558	53.5	482,663	65.4
Euro	79,231	7.6	70,165	7.5	61,147	6.3	42,766	5.8
Other currencies	59,214	5.6	68,354	7.3	65,283	6.9	6,329	0.9
Total loans to customers	**1,051,512**	**100.0**	**932,137**	**100.0**	**964,699**	**100.0**	**737,486**	**100.0**

As at 30 June 2011, VEB's loan portfolio was denominated 32.1% in U.S. Dollars and 54.7% in Roubles, as compared to 35.3% in U.S. Dollars and 49.9% in Roubles as at 31 December 2010. The high percentage of U.S. Dollar loans as at both 30 June 2011 and 31 December 2010 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 in absolute terms as at 30 June 2011, as compared to 31 December 2010, primarily due to the growth in VEB's development bank lending activities in the Russian Federation and the increase in customer demand for Rouble-denominated loans.

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 2011 (Unaudited)		As at 31 December 2010		2009		2008	
	(RUB millions)	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*% of total*
Up to 1 month	30,869	3.4	22,001	2.8	24,368	2.9	9,692	1.3
1 to 6 months	139,357	15.5	88,535	11.2	88,636	10.5	89,836	12.4
6 to 12 months	96,520	10.7	114,832	14.6	285,608	33.9	303,689	41.9
Over 1 year	635,187	70.4	562,558	71.4	444,841	52.7	322,423	44.4
No stated maturity	—	—	—	—	85	0.0	—	—
Total loans to customers, net	**901,933**	**100.00**	**787,926**	**100.0**	**843,538**	**100.0**	**725,640**	**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 70.4% and 71.4% of all loans to customers as at 30 June 2011 and 31 December 2010, respectively.

Loans with a maturity from 1 to 6 months increased by 57.4% to RUB 139,357 million as at 30 June 2011 from RUB 88,535 million as at 31 December 2010, and comprised 15.5% and 11.2% of total loans to customers, as at 30 June 2011 and 31 December 2010, respectively, while loans with a maturity from 6 to 12 months decreased by 15.9% to RUB 96,520 million as at 30 June 2011 from RUB 114,832 million as at 31 December 2010, and comprised 10.7% and 14.6% of total loans to customers, as at 30 June 2011 and 31 December 2010, 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 and VEB having ceased providing new recovery finance loans.

Borrower Concentration

Loans outstanding to VEB's three largest borrowers aggregated to RUB 211,974 million and RUB 210,585 million, and comprised 20.2% and 22.6% of total loans to customers, as at 30 June 2011 and 31 December 2010, respectively. As at 30 June 2011, an allowance of RUB 40,016 million was made for these loans, as compared to an allowance of RUB 41,359 million as at 31 December 2010.

As at 30 June 2011, the loans to VEB's three largest borrowers included (i) a group of loans to an associate of VEB, in the amount of RUB 133,835 million and comprising 12.7% of total 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; (ii) a loan, made by VEB in the ordinary course of its development bank activities, to a finance company to implement a development project in the metallurgy sector, in the amount of RUB 56,292 million and comprising 5.4% of total loans to customers; and (iii) a group of loans, also made by VEB in the ordinary course of its development bank activities, to implement a development project in the agriculture sector, in the amount of RUB 21,847 million and comprising 2.1% of total loans to customers. As at 30 June 2011, VEB recorded an allowance for impairment of loans to its three largest borrowers in an aggregate amount of RUB 40,016 million, of which RUB 36,836 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. See "*Description of VEB's Business—Key State-owned Vehicle for the Stabilisation of the Russian Economy and Financial System—Recovery Finance—Refinancing of Foreign Loans*" in the Base Prospectus.

As at 31 December 2010, the loans to VEB's three largest borrowers included (i) a group of loans to an associate of VEB, in the amount of RUB 135,415 million and comprising 14.4% of total 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; (ii) a loan, made by VEB in the ordinary course of its development bank activities, to a finance company to implement a development project in the metallurgy sector, in the amount of RUB 54,563 million and comprising 5.9% of total loans to customers; and (iii) a group of loans, also made by VEB in the ordinary course of its development bank activities, to implement a development project in the agriculture sector, in the amount of RUB 20,607 million and comprising 2.2% of total loans to customers. As at 31 December 2010, VEB recorded an allowance for impairment of loans to its three largest borrowers in an aggregate amount of RUB 41,359 million, of which RUB 38,586 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. See "*Description of VEB's Business—Key State-owned Vehicle for the Stabilisation of the Russian Economy and Financial System—Recovery Finance—Refinancing of Foreign Loans*" in the Base Prospectus.

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 161,138 million and RUB 147,587 million, and comprising 15.3% and 15.8% of total loans to customers, as at 30 June 2011 and 31 December 2010, respectively. As at 30 June 2010 and 31 December 2010, VEB had recorded allowance for impairment of these loans to its ten next largest borrowers in a total amount of RUB 15,851 million and RUB 12,878 million, respectively.

Loans by Geographic Location

As at each of 30 June 2011 and 31 December 2010, 84.6% and 82.4% 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 26.0% and 28.1% of VEB's total assets as at 30 June 2011 and 31 December 2010, 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 IFRS Financial Statements in the Base Prospectus and Note 10 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 2011 (Unaudited)	As at 31 December 2010	2009	2008
		(RUB millions)		
Trading securities	49,023	37,277	47,546	48,056
Trading securities pledged under repurchase agreements	—	—	—	3,444
Financial assets designated as at fair value through profit or loss	22,637	27,582	1,747	1,063
Derivative financial assets	20,035	11,285	2,214	2,970
Financial assets at fair value through profit or loss	**91,695**	**76,144**	**51,507**	**55,533**

As at 30 June 2011, financial assets at fair value through profit or loss were comprised 53.5% by trading securities, 24.7% by financial assets designated at fair value through profit or loss and 21.8% by derivative financial assets. As at 31 December 2010, financial assets at fair value through profit or loss were comprised 49.0% by trading securities, 36.2% by financial assets designated at fair value through profit or loss and 14.8% by derivative financial assets.

Trading Securities

The following table sets forth a breakdown of VEB's trading securities as at the dates indicated:

	As at 30 June 2011 (Unaudited)	As at 31 December 2010	2009	2008
		(RUB millions)		
Debt securities:				
Corporate bonds	19,754	10,839	8,538	1,453
Federal Loan Bonds (OFZ)	1,936	513	640	783
Municipal and sub-federal bonds, bonds of the CBR	917	2,501	2,690	—
Other	698	—	—	—
	23,305	**13,853**	**11,868**	**2,236**
Eurobonds issued by the Russian Federation	10,322	10,481	13,374	19,153
Eurobonds of Russian and foreign issuers	960	1,875	3,145	2,679
Debt instruments issued by foreign government bodies	—	—	94	91
	34,587	**26,209**	**28,481**	**24,159**
Promissory notes	—	—	140	—
	34,587	**26,209**	**28,621**	**24,159**
Equity securities:				
Shares	14,436	11,068	18,925	23,897
Trading securities	**49,023**	**37,277**	**47,546**	**48,056**

As at 30 June 2011, trading securities were comprised of 70.6% debt securities (as compared to 70.3% as at 31 December 2010) and 29.4% of equity securities (as compared to 29.7% as at 31 December 2010). Historically, debt trading securities, in turn, have included principally Russian sovereign Eurobonds, which comprised 29.8% of total debt securities as at 30 June 2011 (as compared to 40.0% as at 31 December 2010), as well as corporate bonds, which comprised 57.1% of total debt securities as at 30 June 2011 (as compared to 41.4% as at 31 December 2010). The fluctuations in the composition of VEB's trading securities as at 30 June 2011, as compared to 31 December 2010, represented VEB's ordinary course of business liquidity management activities.

Derivative financial assets

Derivative financial assets include forwards, swaps and options. As at 30 June 2011, VEB had derivative financial assets of RUB 20,035 million, as compared to RUB 11,285 million as at 31 December 2010. This increase in derivative financial assets was primarily due to the change in value of foreign currency derivatives and option agreements entered into since 31 December 2010.

Financial Assets Designated at Fair Value through Profit or Loss

Financial assets designated as at fair value through profit or loss include primarily equity securities of Russian and foreign companies, as well as units in the closed-end mutual real estate fund held by one of VEB's banking subsidiaries. As at 30 June 2011, VEB had financial assets designated as at fair value through profit or loss of RUB 22,637 million, of which RUB 19,749 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. The losses from the change in the fair value of the shares during the period amounted to RUB 5,076 million.

Available-for-Sale Securities

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

	As at 30 June 2011 (Unaudited)		As at 31 December					
			2010		2009		2008	
	(RUB millions)	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*% of total*	*(RUB millions)*	*% of total*
Debt Securities								
Corporate bonds	155,652	76.6	147,824	79.0	134,070	77.8	57,456	76.1
Eurobonds of the Russian Federation, Russian and foreign issuers	22,307	10.9	18,782	10.0	23,794	13.8	13,768	18.2
Federal Loan Bonds (OFZs)	11,085	5.5	135	0.1	200	0.1	229	0.3
Promissory notes	9,742	4.8	10,600	5.7	10,154	5.9	1,322	1.8
Debt instruments issued by foreign government bodies	4,088	2.0	7,958	4.3	1,273	0.7	2,729	3.6
Municipal and sub-federal bonds	364	0.2	1,678	0.9	2,484	1.5	—	—
Russian MinFin bonds	—	—	—	—	317	0.2	—	—
	203,238	**100.0**	**186,977**	**100.0**	**172,292**	**100.0**	**75,504**	**100.0**
Equity Securities								
Shares	274,144		284,898		160,561		153,105	
Less: Allowance for impairment	(332)		(120)		(114)		(2)	
	273,812		**284,778**		**160,447**		**153,103**	
Securities pledged under repurchase agreements								
Shares	1,476	100.0	144	3.0	12,377	92.9	—	—
Corporate bonds	—	—	2,245	46.5	951	7.1	—	—
Russian MinFin bonds (OVGVZ)	—	—	2,222	46.0	—	—	—	—
Eurobonds of Russian and foreign issuers	—	—	162	3.4	—	—	—	—
Municipal and sub-federal bonds	—	—	55	1.1	—	—	—	—
	1,476	**100.0**	**4,828**	**100.0**	**13,328**	**100.0**	**—**	**—**
Available-for-sale securities	**478,526**		**476,583**		**346,067**		**228,607**	

VEB's portfolio of available-for-sale securities also includes both debt and equity securities. As at 30 June 2011 and 31 December 2010, debt securities available-for-sale included predominantly corporate bonds, whilst equity securities were largely comprised of shares of leading Russian corporates and banks.

For the six months ended 30 June 2011 and 2010, VEB recognised losses of RUB 2,067 million and RUB 21,891 million, respectively, from impairment of available-for-sale securities by transferring the negative revaluation previously recorded in comprehensive income.

Investment Securities Held-to-Maturity

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

	As at 30 June 2011 (Unaudited)	**As at 31 December**		
		2010	**2009**	**2008**
	Book Value	*Book Value*	*Book Value*	*Book Value*
		(RUB millions)		
Eurobonds of Russian and foreign issuers	15,653	17,860	19,506	10,086
Corporate bonds	1,084	2,368	754	1,407
Municipal and sub-federal bonds	1,315	1,338	70	—
Federal Loan Bonds (OFZs)	38	51	51	52
Promissory notes	26	—	342	302
Debt instruments issued by foreign government bodies	—	—	1,920	—
Total	**18,116**	**21,617**	**22,643**	**11,847**
Less allowance for impairment	(80)	(81)	(277)	(95)
Held-to-maturity securities	**18,036**	**21,536**	**22,366**	**11,752**

Held-to-maturity securities decreased by 16.3% to RUB 18,036 million as at 30 June 2011 from RUB 21,536 million as at 31 December 2010, principally as a result of the repayment of securities in the six months ended 30 June 2011 in accordance with their terms.

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. Whilst 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, VEB has continued to diversify its funding sources. 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. As at 28 October 2011, U.S.$3,200 million in aggregate nominal amount of U.S. Dollar-denominated Notes and CHF 500 million in aggregate nominal amount of Swiss Franc-denominated Notes were outstanding under the Programme. VEB has also issued debt securities in the Russian domestic capital markets and entered into several bilateral and syndicated loans. See "*—Debt Securities Issued*", "*—Bilateral and Syndicated Loans*" and "*—Capitalisation*" in this Base Prospectus Supplement.

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 2011 (Unaudited)	As at 31 December		
		2010	2009	2008
		(RUB millions)		
Correspondent loro accounts of Russian credit institutions	6,269	7,216	6,856	141,887
Correspondent loro accounts from other credit institutions	6,801	7,142	6,939	6,474
Loans and other placements from OECD-based credit institutions	216,274	123,114	76,666	108,629
Loans and other placements from Russian credit institutions	66,551	62,450	42,391	27,523
Loans and other placements from other credit institutions	44,532	21,987	67,295	86,282
Repurchase agreements with OECD-based credit institutions	1,278	13,107	960	2,361
Trust management of pension funds	2,027	—	—	—
Deposits from Russian credit institutions - fiduciaries	—	11	30	304
Total due to credit institutions	**343,732**	**235,027**	**201,137**	**373,460**

Amounts due to credit institutions represented 19.9% and 15.2% of VEB's total liabilities as at 30 June 2011 and 31 December 2010, respectively. In absolute terms, amounts due to credit institutions increased by 46.3% to RUB 343,732 million as at 30 June 2011 from RUB 235,027 million as at 31 December 2010, primarily as a result of the continued overall growth in VEB's development bank activities through its banking subsidiaries as their profitability grew and their lending activities increased accordingly. The increase in amounts due to credit institutions as at 30 June 2011, as compared to 31 December 2010, primarily reflected the increase by 75.7% in loans and other placements from OECD-based credit institutions, which, in turn, primarily reflected growth in VEB's direct lending activities, and the increase by 102.5% in loans and other placements from other credit institutions for the same reason. These increases were only partially offset by the 90.2% decrease in repurchase agreements with OECD-based credit institutions as at 30 June 2011, as compared to 31 December 2010, which reflected the absence of the need to conclude repurchase agreements for liquidity management purposes in line with the ordinary course of VEB's treasury activities.

Bilateral and Syndicated Loans

Bilateral and syndicated loans are a key source of funding for VEB, with amounts outstanding under such loans representing 18.9% and 13.4% of total liabilities as at 30 June 2011 and 31 December 2010, 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 with VEB from the Russian Government (principally comprising funds of the NWF) and from the CBR continue to comprise VEB's primary sources of funding, together representing 48.1% and 52.6% of total liabilities as at 30 June 2011 and 31 December 2010, 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 2011 (Unaudited)		As at 31 December 2010		2009		2008	
	(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	606,466	72.8	594,028	72.9	501,455	50.8	404,187	44.2
Interest-bearing deposits from the CBR	213,406	25.6	211,647	26.0	446,151	45.2	482,140	52.8
Settlements related to redemption of Russian Government loans	11,848	1.4	7,438	0.9	38,005	3.8	25,245	2.8
Current accounts in precious metals	180	0.0	201	0.0	166	0.0	1,141	0.1
External debt payment funds	184	0.0	575	0.1	696	0.1	780	0.1
Special purpose funds	1,153	0.2	996	0.1	771	0.1	302	0.0
Current accounts of the Russian Government	15	0.0	16	0.0	319	0.0	94	0.0
Other	29	0.0	—	—	—	—	—	—
Total	**833,281**	**100.0**	**814,901**	**100.0**	**987,563**	**100.0**	**913,889**	**100.0**

Amounts Due to the Ministry of Finance and the Russian Government

As at 30 June 2011 and 31 December 2010, interest-bearing loans and deposits from the Ministry of Finance of the Russian Federation included Rouble-denominated deposits (principally comprised of funds of the NWF) placed with VEB pursuant to the Financial System Support Law in the amount of RUB 373,641 million and RUB 372,270 million, respectively. Additionally, interest-bearing loans from the Ministry of Finance of the Russian federation included funds intended to finance credit institutions and legal entities supporting SMEs and funds to finance certain investment projects. In the six months ended 30 June 2011, the Ministry of Finance placed Rouble-denominated short-term deposits of an aggregate amount of RUB 23,397 million with VEB's subsidiary banks, which mature between July and December 2011.

Interest-bearing deposits from the CBR

Interest-bearing deposits due to the CBR increased by 0.8% to RUB 213,406 million as at 30 June 2011 from RUB 211,647 million as at 31 December 2010, primarily due to fluctuations occurring in VEB's ordinary course of business.

As at 30 June 2011, interest-bearing deposits from the CBR included:

- special purpose Rouble-denominated deposits in the aggregate amount of RUB 87,265 million (as compared to RUB 86,682 million as at 31 December 2010), maturing in 2012, which VEB utilised to provide financial support to GLOBEXBANK; and

- special purpose Rouble-denominated deposits in the aggregate amount of RUB 125,388 million (as compared to RUB 124,462 million as at 31 December 2010), maturing in 2012, which VEB utilised to provide financial support to Sviaz-Bank.

Amounts Due to Customers

Amounts due to customers increased by 8.7% to RUB 315,443 million as at 30 June 2011, as compared to RUB 290,098 million as at 31 December 2010, primarily reflecting the increase in customers resulting from the acquisition of the remaining outstanding shares of NTB in February 2011, which increased VEB's ownership interest in NTB (held through GLOBEXBANK) from 16.3% to 100%.

Type of Account

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 2011 (Unaudited)	As at 31 December 2010	2009	2008
		(RUB millions)		
Customer current accounts	117, 350	127,443	101,384	76,929
Term deposits	196,951	162,384	92,772	34,158
Repurchase agreements	1,142	271	8,067	254
Total due to customers	**315,443**	**290,098**	**202,223**	**111,341**

Customer current accounts decreased by 7.9% to RUB 117,350 million as at 30 June 2011 from RUB 127,443 million as at 31 December 2010, primarily reflecting fluctuations occurring in VEB's ordinary course of business. Term deposits increased by 21.3% to RUB 196,951 million as at 30 June 2011, as compared to RUB 162,384 million as at 31 December 2010, primarily reflecting the overall growth in VEB's business activities.

As at 30 June 2011 and 31 December 2010, term deposits included deposits of individuals in the aggregate amounts of RUB 77,171 million and RUB 65,745 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.

Type of Customer

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 2011 (Unaudited)	As at 31 December 2010	2009	2008
		(RUB millions)		
State and State-controlled companies........................	112,531	112,986	69,486	61,715
Private companies..	100,317	89,696	64,315	36,157
Employees and other individuals...............................	95,063	82,417	65,738	11,336
Companies under foreign state control	7,532	4,999	2,684	2,133
Total...	**315,443**	**290,098**	**202,223**	**111,341**

Amounts due to State entities and State-controlled companies decreased by 0.4% to RUB 112,531 million as at 30 June 2011, as compared to RUB 112,986 million as at 31 December 2010, primarily due to fluctuations occurring in VEB's ordinary course of business. Amounts due to private companies increased by 11.8% to RUB 100,317 million as at 30 June 2011 from RUB 89,696 million as at 31 December 2010. This increase primarily reflected the overall growth in VEB's business and the increase in the number of its customers due to its continued 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 2011, as compared to 31 December 2010, is primarily a result of the continued overall growth in VEB's development bank activities through its banking subsidiaries as these subsidiaries continued profitability and increased their lending activities.

__Ten Largest Customers__

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

	As at 30 June 2011 (Unaudited)	As at 31 December		
		2010	**2009**	**2008**
	(RUB millions)			
Infrastructure development	41,158	30,114	17,495	17,115
Telecommunication	31,722	39,408	34,957	36,242
Energy	14,867	7,254	—	—
Manufacturers of heavy machinery and military-related goods	8,841	11,786	3,773	7,305
Financial organisations	7,964	—	8,067	6,019
Transportation	7,636	16,592	—	—
Non-commercial organisations	6,454	—	2,716	4,407
Metallurgy	2,956	4,715	7,343	—
Trade	—	—	4,685	3,767
Construction	—	—	2,937	—
Total due to customers	**121,598**	**109,869**	**81,973**	**74,855**

As at 30 June 2011 and 31 December 2010, amounts due to VEB's four largest customers were RUB 95,711 million and RUB 83,567 million, and comprised 30.3% and 28.8% of the total amount due to customers, respectively.

Amounts due to infrastructure development companies within VEB's ten largest customers increased by 36.7% to RUB 41,158 million as at 30 June 2011 from RUB 30,114 million as at 31 December 2010, primarily due to the increase in the amount of deposits received from one of VEB's largest customers in this sector.

Amounts due to customers in the telecommunications sector within VEB's ten largest customers decreased by 19.5% to RUB 31,722 million as at 30 June 2011 from RUB 39,408 million as at 31 December 2010, primarily reflecting the decrease in current accounts and minimum account balances of one of the Group's largest customers, operating in the telecommunications sector. This decrease reflected ordinary course business activities.

Amounts due to customers in the energy sector within VEB's ten largest customers increased by 104.9% to RUB 14,867 million as at 30 June 2011 from RUB 7,254 million as at 31 December 2010, primarily due to the increase in the amount of deposits received from one VEB's largest customers in this sector, reflecting VEB's continued focus on its development banking activities.

Amounts due to manufacturers of heavy machinery and military-related goods within VEB's ten largest customers decreased by 25.0% to RUB 8,841 million as at 30 June 2011 from RUB 11,786 million as at 31 December 2010, primarily due to changes in composition of the top ten customers during the six-month period ended 30 June 2011, reflecting ordinary course business activities.

Amounts due to financial organisations within VEB's ten largest customers were RUB 7,964 million as at 30 June 2011 compared to nil as at 31 December 2010, primarily due to significant deposits attracted mainly by the Group's banking subsidiaries with one company in the financial sector during the six month period ended 30 June 2011.

Amounts due to customers in the transportation sector within VEB's ten largest customers decreased by 54.0% to RUB 7,636 million as at 30 June 2011 from RUB 16,592 million as at 31 December 2010, primarily due to the decrease in current account balances and minimum balance value of one of the largest transportation customers of the Group, reflecting ordinary course business activities.

Amounts due to non-commercial organisations within VEB's ten largest customers were RUB 6,454 million as at 30 June 2011 from nil as at 31 December 2010, primarily due to the reallocation of top ten customers, caused by newly received deposits from a non-commercial customer, reflecting ordinary course business activities.

Debt Securities Issued

As at 28 October 2011, U.S.$3,200 million in aggregate nominal amount of U.S. Dollar-denominated Notes and CHF 500 million in aggregate nominal amount of Swiss Franc-denominated Notes were outstanding under the Programme.

The Russian domestic capital markets are also a growing source of funding for VEB, representing 5.7% and 5.6% of total liabilities as at 30 June 2011 and 31 December 2010, respectively.

The following table sets forth a breakdown of the principal components of VEB's debt securities issued as at the dates indicated:

	As at 30 June 2011 (Unaudited)	**As at 31 December**		
		2010	**2009**	**2008**
		(RUB millions)		
Eurobonds	119,173	99,546	—	—
Bonds	74,225	71,423	60,425	2,023
Promissory notes	24,744	15,976	18,429	6,185
Certificates of deposit and saving certificates	753	2	42	17
Total debt securities issued	**218,895**	**186,947**	**78,896**	**8,225**

Debt securities issued increased by 17.1% to RUB 218,895 million as at 30 June 2011 from RUB 186,947 million as at 31 December 2010. In line with VEB's strategy to increase its funding sources, the increase in debt securities issued as at 30 June 2011, as compared to 31 December 2010, was principally due to new issuances since 31 December 2010 of debt securities by VEB, its subsidiaries and the Issuer, including: (i) Swiss Franc-denominated Notes issued under the Programme (Series 4) in a nominal principal amount of CHF 500 million, which were placed in the international capital markets; (ii) Rouble-denominated non-convertible documentary bearer bonds issued by VEB in a nominal principal amount of RUB 15 billion, which were placed in the domestic capital market; (iii) Rouble-denominated non-convertible documentary bearer bonds issued by a subsidiary of VEB with a variety of fixed rates in an aggregate nominal amount of RUB 15 billion, which were placed in the domestic market; (iv) Rouble-denominated bonds issued by a non-resident subsidiary bank of VEB with a variety of fixed rates in an aggregate nominal amount of RUB 5,268 million, which were placed in the domestic market; and (v) U.S. Dollar notes placed by VEB-Leasing in a nominal principal amount of U.S.$400 million, which were placed in the international capital markets (U.S.$20 million of which were purchased by members of the Group). The increase in debt securities issued was only partially offset by the repayment by VEB of its domestic U.S. Dollar-denominated interest-bearing, non-convertible bearer bonds (series 2) on 27 April 2011 in the aggregate principal amount of U.S.$1 billion in accordance with their terms.

Debt securities issued as at 30 June 2011 also included interest-bearing promissory notes denominated in Roubles, U.S. Dollars and Euros maturing in 2049 with interest rates ranging from 0.1% to 10.0% for Rouble-denominated promissory notes (as compared to a rates ranging from 0.1% to 7.8% as at 31 December 2010), from 0.2% to 4.9% for U.S. Dollar-denominated promissory notes (which were also the rates applied as at 31 December 2010) and from 2.4% to 5.0% for Euro-denominated promissory notes (as compared to rates ranging from 2.4% to 4.9% as at 31 December 2010).

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

Unaudited Interim Condensed Consolidated Financial Statements

30 June 2011

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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 2011, comprising interim condensed consolidated statement of financial position as at 30 June 2011 and the related interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income for the three-month and six-month periods then ended, interim condensed statements of changes in equity and cash flows for the six-month period then ended and selected explanatory notes. Management is responsible for the preparation and 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.

Ernst & Young LLC

28 October 2011

Interim Condensed Consolidated Statement of Financial Position
As at 30 June 2011
(in millions of Russian Rubles)

	Notes	30 June 2011 (Unaudited)	31 December 2010
Assets			
Cash and cash equivalents	6	242,991	196,672
Precious metals		320	293
Financial assets at fair value through profit or loss	7	91,695	76,144
Due from credit institutions	8	432,864	415,641
Loans to customers	9	901,933	787,926
Investment securities:	10		
- available-for-sale		477,050	471,755
- held-to-maturity		18,036	21,536
Investment securities pledged under repurchase agreements:	10		
- available-for-sale		1,476	4,828
Due from the Russian Government		111	119
Receivable from the Russian Government under London Club Arrangement	5	1,035	1,123
Income tax assets	15	2,382	2,350
Investments in associates		5,735	5,638
Property and equipment		24,302	23,550
Other assets	11	58,920	35,897
Total assets		**2,258,850**	**2,043,472**
Liabilities			
Due to credit institutions	12	343,732	235,027
Financial liabilities at fair value through profit or loss	7	3,763	5,416
Due to the Russian Government and the Bank of Russia	5	833,281	814,901
Due to London Club creditors	5	1,035	1,123
Amounts due to customers	13	315,443	290,098
Debt securities issued	14	218,895	186,947
Income tax liabilities	15	710	1,042
Provisions	16	298	203
Other liabilities		13,609	13,611
Total liabilities		**1,730,766**	**1,548,368**
Equity			
Charter capital	17	382,571	382,571
Retained earnings		48,385	25,043
Unrealized gains on investment securities available for sale		100,436	85,679
Foreign currency translation reserve		(4,438)	373
Equity attributable to the Russian Government		**526,954**	**493,666**
Non-controlling interests		**1,130**	**1,438**
Total equity		**528,084**	**495,104**
Total liabilities and equity		**2,258,850**	**2,043,472**

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

27 October 2011

The accompanying selected notes 1 – 20 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) 2011	2010	For the six-month period ended 30 June (Unaudited) 2011	2010
Interest income					
Loans to customers		20,642	20,659	41,529	41,056
Due from credit institutions and cash equivalents		9,959	10,053	19,485	20,159
Investment securities		4,250	4,575	8,401	9,294
		34,851	**35,287**	**69,415**	**70,509**
Finance leasing		2,066	643	4,404	1,358
Financial assets at fair value through profit or loss		713	504	1,279	1,024
		37,630	**36,434**	**75,098**	**72,891**
Interest expense					
Due to credit institutions and the Bank of Russia		(5,047)	(6,682)	(10,261)	(14,038)
Amounts due to customers and the Russian Government		(14,055)	(12,458)	(27,686)	(24,609)
Debt securities issued		(3,335)	(871)	(6,217)	(1,710)
		(22,437)	**(20,011)**	**(44,164)**	**(40,357)**
Net interest income		**15,193**	**16,423**	**30,934**	**32,534**
Provision for impairment of interest-earning assets	16	(7,775)	(12,163)	(10,372)	(13,340)
Net interest income after provision for impairment of interest-earning assets		**7,418**	**4,260**	**20,562**	**19,194**
Fee and commission income		2,098	1,841	3,815	3,587
Fee and commission expense		(367)	(268)	(1,021)	(767)
Net fee and commission income		**1,731**	**1,573**	**2,794**	**2,820**
Gains less losses arising from financial instruments at fair value through profit or loss		(161)	(1,456)	(2,474)	28
Gains less losses from investment securities available for sale		3,720	(14,304)	15,199	3,890
Net gains / (losses) from foreign currencies:					
- dealing		6,682	(4,013)	18,962	1,342
- translation differences		(9,805)	6,434	(17,273)	(902)
Gains less losses on initial recognition of financial instruments		(404)	–	(947)	–
Share in net income / (loss) of associates		(134)	(87)	118	(42)
Dividends		379	36	381	284
Other operating income		884	676	1,756	1,093
Non-interest income / (expenses)		**1,161**	**(12,714)**	**15,722**	**5,693**

The accompanying selected notes 1 – 20 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) 2011	For the three-month period ended 30 June (Unaudited) 2010	For the six-month period ended 30 June (Unaudited) 2011	For the six-month period ended 30 June (Unaudited) 2010
Payroll and other staff costs		(3,939)	(3,048)	(7,690)	(5,528)
Occupancy and equipment		(1,090)	(959)	(2,026)	(1,812)
Depreciation		(321)	(377)	(627)	(617)
Taxes other than income tax		(535)	(341)	(962)	(758)
Reversal of / (provision for) other impairment and provisions	16	(418)	865	(525)	953
Other operating expenses		(2,114)	(1,928)	(3,703)	(3,090)
Non-interest expenses		**(8,417)**	**(5,788)**	**(15,533)**	**(10,852)**
Profit / (loss) before income tax		**1,893**	**(12,669)**	**23,545**	**16,855**
Income tax (charge) / benefit	15	447	(535)	(334)	(1,639)
Profit / (loss) after taxation from continuing operations		**2,340**	**(13,204)**	**23,211**	**15,216**
Loss from discontinued operations		–	(968)	–	(968)
Profit / (loss) for the period		**2,340**	**(14,172)**	**23,211**	**14,248**
Attributable to:					
- The Russian Government		2,365	(14,188)	23,337	14,165
- Non-controlling interests		(25)	16	(126)	83
		2,340	**(14,172)**	**23,211**	**14,248**

The accompanying selected notes 1 – 20 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Statement of Comprehensive Income

(in millions of Russian Rubles)

	Notes	For the three-month period ended 30 June (Unaudited) 2011	For the three-month period ended 30 June (Unaudited) 2010	For the six-month period ended 30 June (Unaudited) 2011	For the six-month period ended 30 June (Unaudited) 2010
Profit / (loss) for the period		**2,340**	**(14,172)**	**23,211**	**14,248**
Other comprehensive income / (loss)					
Net (losses) / gains from change in unrealized revaluation of investment securities available for sale	10	(24,360)	(12,060)	14,782	(28,847)
Translation differences		(3,229)	1,523	(4,975)	688
Income tax relating to components of other comprehensive income		(7)	86	(22)	(4)
Other comprehensive income / (loss) for the period, net of tax		**(27,596)**	**(10,451)**	**9,785**	**(28,163)**
Total comprehensive income / (loss) for the period		**(25,256)**	**(24,623)**	**32,996**	**(13,915)**
Attributable to:					
- The Russian Government		(25,145)	(24,719)	33,283	(14,051)
- Non-controlling interests		(111)	96	(287)	136
		(25,256)	**(24,623)**	**32,996**	**(13,915)**

The accompanying selected notes 1 – 20 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 2011
(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 2009	**382,489**	**(3,809)**	**73,940**	**382**	**453,002**	**2,234**	**455,236**
Total 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**
31 December 2010	**382,571**	**25,043**	**85,679**	**373**	**493,666**	**1,438**	**495,104**
Total comprehensive income / (loss) for the period (Unaudited)	–	23,337	14,757	(4,811)	33,283	(287)	32,996
Change in interest in subsidiaries (Unaudited) (Note 3)	–	5	–	–	5	(13)	(8)
Dividends from subsidiaries (Unaudited)	–	–	–	–	–	(8)	(8)
30 June 2011 (Unaudited)	**382,571**	**48,385**	**100,346**	**(4,438)**	**526,954**	**1,130**	**528,084**

The accompanying selected notes 1 – 20 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Statement of Cash Flows

(in millions of Russian Rubles)

	Notes	For the six-month period ended 30 June (Unaudited) 2011	2010
Cash flows from operating activities			
Income for the period		23,211	14,248
Adjustments for:			
Depreciation and amortization		845	808
Change in interest accruals		(6,201)	2,394
Deferred income tax		(264)	709
Impairment allowance and other provisions		10,897	12,387
Share in net (income) / loss of associates		(118)	42
Changes in unrealized revaluation of trading securities and derivative financial instruments		(3,660)	8,302
Changes in translation differences		17,273	902
Gains less losses from investment securities available for sale, net of impairment loss		(17,266)	(25,781)
Impairment of investment securities available for sale		2,067	21,891
Gains less losses on initial recognition of financial instruments		947	–
Loss from discontinued operations		–	968
Other changes		(5,407)	2,354
Cash flows from operating activities before changes in operating assets and liabilities		**22,324**	**39,224**
(Increase) / decrease in operating assets:			
Due from credit institutions		(20,049)	748
Precious metals		(48)	(47)
Financial assets at fair value through profit or loss		(12,972)	(20,808)
Loans to customers		(106,863)	(29,368)
Due from the Russian Government		(20)	83
Other assets		(17,477)	(9,715)
Increase / (decrease) in operating liabilities:			
Due to credit institutions, net of long-term interbank financing		4,365	9,803
Due to the Russian Government and the Bank of Russia, net of long-term special purpose financing		28,706	(17,836)
Amounts due to customers		(444)	25,299
Debt securities issued, net of eurobonds and bonds		8,766	(8,391)
Other liabilities		(113)	122
Net cash used in operating activities		**(93,825)**	**(10,886)**

The accompanying selected notes 1 – 20 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Statement of Cash Flows (continued)

(in millions of Russian Rubles)

	Notes	For the six-month period ended 30 June (Unaudited) 2011	2010
Cash flows from investing activities			
Purchase of property and equipment		(2,318)	(1,715)
Proceeds from sale of property and equipment		109	46
Purchase of investment securities		(115,955)	(162,890)
Sale and redemption of investment securities		137,706	139,760
Acquisition of disposal group held for sale		–	(406)
Acquisition of subsidiaries less cash acquired with subsidiaries		(2,178)	–
Net cash from / (used in) investing activities		**17,364**	**(25,205)**
Cash flows from financing activities			
Long-term interbank financing raised		117,048	36,324
Long-term interbank financing redeemed		(22,495)	(24,339)
Placement of bonds		61,055	34,088
Redemption of bonds		(27,923)	(62,433)
Purchase of bonds issued by the Bank		(8,119)	–
Proceeds from sale of previously purchased bonds		4,948	–
Long-term special purpose financing raised from the Russian Ministry of Finance		–	22,035
Long-term financing repaid to the Bank of Russia		–	(12,654)
Dividends paid by subsidiaries		(8)	(3)
Net cash from / (used in) financing activities		**124,506**	**(6,982)**
Effect of changes in foreign exchange rates against the ruble on cash and cash equivalents		(1,726)	1,005
Net increase / (decrease) in cash and cash equivalents		**46,319**	**(42,068)**
Cash and cash equivalents at beginning of period		**196,672**	**168,916**
Cash and cash equivalents at end of period	6	**242,991**	**126,848**
Supplemental information:			
Income tax paid		(637)	(475)
Interest received		62,951	67,481
Interest paid		(36,662)	(33,843)
Dividends received		381	284

The accompanying selected notes 1 – 20 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"), Russian banks, CIS-based banks, and 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" (the "Federal Law"), by means of reorganization of Bank for Foreign Economic Affairs 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 the Federal Law and the Memorandum on the Bank's Financial Policies, approved by Resolution of the Russian Government No. 1007-r 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 17, 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" (in 2011 renamed to – OJSC "Russian Bank for Small and Medium Enterprises Support"), CJSC State Specialized Russian Export-Import Bank (CJSC ROSEXIMBANK) and OJSC "Federal Center for Project Finance" to the charter capital.

Vnesheconombank performs the functions of an agent of the Russian Government for the purpose of servicing and repaying the foreign national debt, managing state foreign financial assets of the internal debt of the former USSR nominated in foreign currency, including debt securities issued instead of blocked funds of the Russian legal entities in Vnesheconombank (OVGVZ), collecting debts from legal entities, constituent entities of the Russian Federation and municipal governments under cash liabilities to the Russian Federation, providing and executing state guarantees of the Russian Federation and monitoring projects implemented by the Russian Federation with involvement of international financial institutions.

Vnesheconombank performs the functions of an agent of the Russian Government under the Agreement entered into with the Russian Ministry of Finance on 25 December 2009 and the Additional Agreement dated 23 December 2010. In 2011, the Russian Ministry of Finance expects to enter into a new additional agreement.

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.

(in millions of Russian Rubles)

1. Principal activities (continued)

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-month period of 2011, the Bank, as the state trust management company, mainly invested in state securities denominated in Russian rubles. At 30 June 2011, total funds of the State Pension Fund of the Russian Federation placed in management to the state management company amounted to RUB 1,059,021 million (31 December 2010: RUB 740,219 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.

As detailed in Note 5, at 30 June 2011 and 31 December 2010, the Russian Government owed Vnesheconombank RUB 1,035 million and RUB 1,123 million, respectively, relating to the London Club debt obligation of Vnesheconombank. These amounts have been presented in the Bank's statement of financial position and are not subject to offsetting. No allowance has been provided with respect to the Russian Government receivable under the London Club debt.

The Bank performs functions of the agent servicing the foreign debt of the former USSR and of the Russian Federation, including maintenance of accounting records, settlements and reconciliation of above debt until the date determined by the Russian Government.

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 8 and 9, the Bank extended unsecured subordinated loans to Russian banks, and starting from the end of December 2010, the Bank acts as a lender for operations to enhance affordability of mortgage loans through extending loans to OJSC "The Agency for Housing Mortgage Lending" (AHML).

The Bank's head office is located in Moscow, Russia. The Bank has representative offices in St. Petersburg (Russia), Khabarovsk (Russia), Yekaterinburg (Russia), Pyatigorsk (Russia), Rostov-on-Don (Russia), the United States of America, the UK, Italy, Germany, the Republic of South Africa, India, the People's Republic of China, the French Republic and the Swiss Confederation. 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 2011 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 2010. Operating results for the six-month period ended 30 June 2011 are not necessarily indicative of the results that may be expected for the year ending 31 December 2011.

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

(in millions of Russian Rubles)

2. Basis of preparation (continued)

General (continued)

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. 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.

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 2010, except for the adoption of new Standards and Interpretations as of 1 January 2011, noted below:

Changes in accounting policies

IAS 24 Related Party Disclosures (Revised)

The revised IAS 24, issued in November 2009, simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. Previously, an entity controlled or significantly influenced by a government was required to disclose information about all transactions with other entities controlled or significantly influenced by the same government. The revised standard requires disclosure about these transactions only if they are individually or collectively significant. The revised IAS 24 is effective for annual periods beginning on or after 1 January 2011. The disclosure of transactions with related parties in accordance with the revised IAS 24 is presented in Note 19.

Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues

In October 2009, the IASB issued amendments to IAS 32. Entities shall apply these amendments for annual periods beginning on or after 1 February 2010. The amendments alter the definition of a financial liability in IAS 32 to classify rights issues and certain options or warrants as equity instruments. This is applicable if the rights are given pro rata to all of the existing owners of the same class of entity's non-derivative equity instruments, in order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendments had no impact on the Group's consolidated financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC Interpretation 19 was issued in November 2009 and is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies the accounting when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. This interpretation had no impact on the Group's consolidated financial statements.

Improvements to IFRS

In May 2010, the IASB issued the third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the amendments are effective for annual periods beginning on or after 1 January 2011. There are separate transitional provisions for each standard. Amendments included in May 2010 "Improvements to IFRS" had impact on the accounting policies, financial position or performance of the Group, as described below.

- *IFRS 3 Business Combinations*: restricts the application of the measurement choices that only the components of NCI that present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets.

(in millions of Russian Rubles)

2. Basis of preparation (continued)

Changes in accounting policies (continued)

- *IFRS 7 Financial Instruments*: *Disclosures*: introduces the amendments to quantitative and credit risk disclosures. The additional requirements will be taken into account in the preparation of the annual financial statements.
- *IAS 34 Interim Financial Reporting*: adds disclosure requirements about the circumstances affecting fair values and classification of financial instruments, about transfers of financial instruments between levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets.
- Amendments to IFRS 1, IAS 1, IAS 27 and IFRIC 13 had no impact on the accounting policies, financial position or performance of the Group.

Significant accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts. These estimates and assumptions 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 2010.

Subsidiaries

The main subsidiaries of the Group are OJSC "SME Bank", CJSC ROSEXIMBANK, OJSC "Belvnesheconombank" (Belarus), OJSC "VEB-leasing", OJSC "Sviaz-Bank", PSC "Prominvestbank" (Ukraine), CJSC "GLOBEXBANK", LLC "VEB Capital", LLC "VEB Engineering", OJSC "Federal Center for Project Finance" and OJSC "North Caucasus Development Corporation" and LLC "Management Company RDIF".

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 (the transition period for adopting the new name – OJSC "Russian Bank for Small and Medium Enterprises Support", OJSC “SME Bank" – expired on 1 August 2011). In September 2009, Vnesheconombank paid a total of RUB 10 billion for an additional issue of 10,000 ordinary non-documentary shares of the specified bank (100% of the issue at nominal value) at RUB 1 million each. The core activity of OJSC "SME Bank" is to provide financial support to small and medium-sized businesses. Activities of OJSC "SME Bank" include banking operations, transactions in securities, foreign currency and derivative financial instruments. Financial statements of OJSC "SME Bank" 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.

At 30 June 2011 and 31 December 2010, the Group owned 100% of the equity of 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.

(in millions of Russian Rubles)

2. Basis of preparation (continued)

Subsidiaries (continued)

At 30 June 2011 and 31 December 2010, 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 0.6). Out of these shares, 129,389,851 shares were acquired mainly during 2007 at BYR 403 per share (about RUB 4.5 as of the date of purchase). 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 2011 and 31 December 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 and other 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 2011, the Group owned 98.64% in the equity of OJSC "VEB-leasing" (31 December 2010 – 97.97%). 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. In March 2011, the Bank purchased 2,000,000 additionally issued ordinary registered shares of OJSC "VEB-leasing" to the amount of RUB 5,000 million. In accordance with the purchase agreement, the Bank is required to additionally purchase 2,000,000 additionally issued ordinary registered shares of OJSC “VEB-leasing” to the amount of RUB 5,000 million not later than 30 September 2011. 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, aircraft, motor vehicles and special machinery to companies 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 totaling 9,000,000,000,000 ordinary shares with a par value of RUB 0.01 each, thus increasing the Group's interest in Sviaz-Bank up to 99.47% as at 30 June 2011 and 31 December 2010. In December 2009, the subsidiary bank aligned the charter 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, PSC Prominvestbank), the Group became owner of 97,513,128 shares with a par value of UAH 10 each (around RUB 35.1). 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. Following the results of the additional issue, the Group's share in the charter capital of the Ukrainian bank rose to 93.84%. The total cost of all purchased shares of the bank was RUB 21,030 million. As at 30 June 2011 and 31 December 2010, the share was 93.84%. 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 2011 and 31 December 2010, the Group owned 99.16% of the equity of CJSC "GLOBEXBANK". The Group owns 249,579,325 ordinary shares. 199,547,920 ordinary shares were purchased in April through May 2009. Additionally, the Group purchased in the secondary market 32,000 shares in June 2010, and in July 2010 – 49,999,405 shares of additional issue. At 30 June 2011 and 31 December 2010, the aggregate cost of all purchased shares was RUB 5,003 million. 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 2011 and 31 December 2010, the Group also included Macquarie Renaissance Infrastructure Fund, Closed-end Mutual Hedge Fund, and Macquarie Renaissance Infrastructure Fund-II, Closed-end Mutual Equity 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 (hereinafter "Mutual Hedge Fund MRIF") and Macquarie Renaissance Infrastructure Fund-II, Closed-end Mutual Equity Fund (hereinafter "Mutual Equity Fund MRIF-II") managed by LLC "Management Company "Renaissance Capital". In December 2010, the Bank purchased additional units in Mutual Equity Fund MRIF-II for the amount of RUB 770 million, thus increasing its interest in the Fund to 99.9975%. At 30 June 2011 and 31 December 2010, the Bank invested RUB 25 million and RUB 795 million in Mutual Hedge Fund MRIF and Mutual Equity Fund MRIF-II, respectively. 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, railways and ports construction, utilities and telecommunication infrastructure.

In December 2009, a specialized subsidiary, LLC "Investment Company of Vnesheconombank "VEB Capital", was established for the purpose of managing the Group's certain assets efficiently. In 2009, the Bank contributed RUB 400 million to the charter capital of the subsidiary (100% interest). In December 2010, Vnesheconombank made additional contributions to the charter capital of LLC "VEB Capital" for the total amount of RUB 5,634 million. In April 2011, Vnesheconombank made additional contributions to the charter capital of LLC "VEB Capital" for the amount of RUB 300 million. Primary areas of operation of the newly established subsidiary 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 Vnesheconombank 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. The principal activity of the company is the performance of work and services relating to implementation of investment projects.

(in millions of Russian Rubles)

2. Basis of preparation (continued)

Subsidiaries (continued)

In the end of 2010, pursuant to Resolution of the Russian Government No. 603-r dated 21 April 2010, 100% (27,800) shares of state-owned OJSC "Federal Center for Project Finance" were contributed to the charter capital of Vnesheconombank. The company is an operator for the program of financing regional and urban development projects. Financial statements of OJSC "Federal Center for Project Finance" have been consolidated into the Group's financial statements since December 2010 using the pooling of interest method since this transaction involved entities under common control of the Russian Government.

In March 2011, the report on issue of shares of OJSC "North Caucasus Development Corporation" was officially registered. The founder of the Corporation was Vnesheconombank. The Bank contributed RUB 500 million to the charter capital of the subsidiary (100% shares). The principal activities of the subsidiary include supporting investment projects implemented in the North Caucasus and providing advice to regional authorities.

In June 2011, Vnesheconombank established its subsidiary, Management Company of the Russian Direct Investment Fund (LLC "Management Company of RDIF"). The Bank contributed RUB 300 million to its charter capital (100% interest). The principal activities of the company will include creation of an environment that would encourage foreign investments in high-tech sectors of the Russian economy.

Other subsidiaries of the Bank included in the consolidated financial statements at 30 June 2011 and 31 December 2010 are A.F.C. s.r.l. (100%) and CJSC "Kraslesinvest" (100%).

Associates

At 30 June 2011 and 31 December 2010, 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	Finance intermediary	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

(in millions of Russian Rubles)

3. Business combinations

Acquisition of OJSC NTB

On 18 February 2011, the Group's subsidiary bank acquired 83.7% of voting shares in OJSC "National Trade Bank" (OJSC NTB). OJSC NTB was formed on 7 September 1994 as an open joint stock company under the laws of the Russian Federation. OJSC NTB extends credit and accepts deposits from individuals and legal entities, deals in securities, transfers payments in the Russian Federation and abroad, exchanges currencies and provides other banking services to its corporate and retail customers. The head office of OJSC NTB is in Togliatti.

The Group intends to use OJSC NTB's extended regional network to develop banking operations in the Povolzhsky region, including the small and medium business sector. In addition, the Group plans to use OJSC NTB's retail banking framework, including the range of products, scoring and risk management technologies and IT systems, to develop and offer a new line of retail products for the purpose of expanding its own retail banking business. New retail products will include deposits, mortgage loans and, possibly, car loans.

Immediately before the acquisition date, the Group owned 16.3% of voting shares in OJSC NTB, which were recorded as investment securities available for sale. As a result of acquiring control over OJSC NTB, the Group recognized an income of RUB 29 million from revaluation of the previously existing interest at the fair value in the interim condensed consolidated income statement.

The fair values of the identifiable assets and liabilities acquired were determined provisionally and did not differ significantly from the carrying values of the respective assets and liabilities. As at the date of these consolidated financial statements, the Group is in the process of completing its estimation of the fair value of identifiable assets, liabilities and contingent liabilities of OJSC NTB at the acquisition date.

	Provisional fair value recognized on acquisition
Cash and cash equivalents	961
Financial assets at fair value through profit or loss	1,651
Due from credit institutions	342
Loans to customers	22,437
Investment securities available for sale	51
Deferred income tax assets	234
Property and equipment	390
Other assets	4,449
	30,515
Due to credit institutions	5,013
Amounts due to customers	21,406
Debt securities issued	1,733
Provisions	7
Other liabilities	265
	28,424
Total identifiable net assets	**2,091**
Less fair value of the previously existing interest	(336)
Goodwill arising on acquisition	1,384
Consideration transferred on acquisition of control in 2011	**3,139**

(in millions of Russian Rubles)

3. Business combinations (continued)

Acquisition of OJSC NTB (continued)

The above goodwill of RUB 1,384 million includes the expected improvement of performance as a result of business combination. It is expected that the goodwill recognized will be non-deductible for taxation purposes.

The provisional fair value of loans to customers was RUB 22,437 million. The contracted amount of loans to customers before allowance for impairment as at the date of acquisition of OJSC NTB was RUB 24,662 million. The best estimate of contracted cash flows not expected to be received as at the date of acquisition was RUB 1,469 million.

Since the date of acquisition, contribution of OJSC NTB to the Group's interest income, non-interest income and net profit amounted to RUB 1,801 million, RUB 51 million and RUB 345 million, respectively. If the combination had occurred at the beginning of the year, the Group's net income for the period, interest income and non-interest income, including fee and commission income, would have been RUB 23,333 million, RUB 75,203 million and RUB 18,516 million, respectively.

Cash flows at acquisition were as follows:

Net cash acquired with the subsidiary (included in cash flows from investing activities)	(961)
Cash paid at acquisition (included in cash flows from investing activities)	3,139
Net cash outflow	**2,178**

Changes in ownership interests in subsidiaries

Acquisition of non-controlling interests

During the first six months of 2011, PSC Prominvestbank purchased 260,169 shares from non-controlling shareholders. The reallocation of interests between Vnesheconombank and the remaining non-controlling shareholders resulted in a RUB 13 million decrease in the value of non-controlling interests and a simultaneous RUB 3 million increase in the Group’s retained earnings.

Disposal of non-controlling interests

In the first quarter of 2011, 2,370,077 shares of OJSC "Belvnesheconombank" held by the bank itself were disposed. The reallocation of interests resulted in an increase of the Group’s retained earnings by RUB 2 million.

Acquisition of additional shares

In March 2011 the Bank purchased an additional issue of 2,000,000 ordinary shares of OJSC "VEB-leasing" for a total consideration of RUB 5,000 million. As a result of increase of the ownership share in the subsidiary’s equity, retained earnings of the Group changed insignificantly.

(in millions of Russian Rubles)

4. Segment information

For the management purposes the Group has five operating segments:

Segment 1 Vnesheconombank, OJSC "SME Bank", CJSC ROSEXIMBANK.

Segment 2 OJSC "Sviaz-Bank", CJSC "GLOBEXBANK", OJSC NTB.

Segment 3 PSC Prominvestbank (Ukraine).

Segment 4 OJSC "Belvnesheconombank" (Belarus).

Segment 5 OJSC "VEB-leasing", LLC "VEB Capital", LLC "VEB Engineering", OJSC "Federal Center for Project Finance", Mutual Hedge Fund MRIF, Mutual Equity Fund MRIF-II and other subsidiaries.

Management of the Group monitors the operating results of each unit separately to make decisions on allocation of resources and to assess operating performance. Segment 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-month periods ended 30 June 2011 and 30 June 2010, the Group received no income from transactions with one external client or counterparty, which would have amounted to 10% or more percent of the Group's total income.

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

	For the six-month period ended 30 June 2011 (Unaudited)							
	Segment 1	**Segment 2**	**Segment 3**	**Segment 4**	**Segment 5**	**Total before adjustments**	**Adjustments**	**Total**
Interest income on transactions with external clients	48,506	12,388	7,615	1,984	4,605	75,098	–	75,098
Interest expense on transactions with external clients	(32,995)	(5,546)	(3,224)	(485)	(1,914)	(44,164)	–	(44,164)
Net interest income on transactions with external clients	**15,511**	**6,842**	**4,391**	**1,499**	**2,691**	**30,934**	–	**30,934**
Intersegment net interest income / (expense)	**2,841**	**(925)**	**(878)**	**(557)**	**(527)**	**(46)**	**46**	–
(Provision for) / reversal of impairment of interest-earning assets	(7,777)	(891)	(1,415)	(380)	(115)	(10,578)	206	(10,372)
Net interest income after provision for impairment of interest-earning assets	**10,575**	**5,026**	**2,098**	**562**	**2,049**	**20,310**	**252**	**20,562**
Net fee and commission income on transactions with external clients	1,404	630	403	261	96	2,794	–	2,794
Intersegment net fee and commission income / (expense)	21	(8)	–	(6)	(8)	(1)	1	–
Other non-interest income / (expense) on transactions with external clients	16,085	313	(443)	(429)	196	15,722	–	15,722
Non-interest expense on transactions with external clients	(4,825)	(5,221)	(2,544)	(1,014)	(1,929)	(15,533)	–	(15,533)
Other intersegment non-interest income / (expense)	(895)	818	46	144	87	200	(200)	–
Segment income before income tax	**22,365**	**1,558**	**(440)**	**(482)**	**491**	**23,492**	**53**	**23,545**
Income tax (expense) / benefit	83	(396)	(38)	81	(64)	(334)	–	(334)
Profit / (loss) for the period	**22,448**	**1,162**	**(478)**	**(401)**	**427**	**23,158**	**53**	**23,211**

(in millions of Russian Rubles)

4. Segment information (continued)

	For the six-month period ended 30 June 2010 (Unaudited)							
	Segment 1	**Segment 2**	**Segment 3**	**Segment 4**	**Segment 5**	**Total before adjustments**	**Adjustments**	**Total**
Interest income on transactions with external clients	53,381	9,473	7,384	1,220	1,433	72,891	–	72,891
Interest expense on transactions with external clients	(32,110)	(3,702)	(3,823)	(354)	(368)	(40,357)	–	(40,357)
Net interest income on transactions with external clients	**21,271**	**5,771**	**3,561**	**866**	**1,065**	**32,534**	–	**32,534**
Intersegment net interest income / (expense)	**1,863**	**(1,094)**	**(892)**	**(63)**	**(252)**	**(438)**	**438**	–
(Provision for) / reversal of impairment of interest-earning assets	(11,401)	(1,921)	137	(153)	(65)	(13,403)	63	(13,340)
Net interest income after provision for impairment of interest-earning assets	**11,733**	**2,756**	**2,806**	**650**	**748**	**18,693**	**501**	**19,194**
Net fee and commission income / (expense) on transactions with external clients	1,332	528	690	278	(8)	2,820	–	2,820
Intersegment net fee and commission income / (expense)	9	(6)	–	(2)	(1)	–	–	–
Other non-interest income on transactions with external clients	1,607	2,702	632	528	224	5,693	–	5,693
Non-interest expense on transactions with external clients	(3,832)	(3,625)	(1,957)	(833)	(605)	(10,852)	–	(10,852)
Other intersegment non-interest income / (expense)	591	(455)	(197)	6	10	(45)	45	–
Segment income before income tax	**11,440**	**1,900**	**1,974**	**627**	**368**	**16,309**	**546**	**16,855**
Income tax expense	(166)	(211)	(925)	(174)	(163)	(1,639)	–	(1,639)
Income after taxation from continued operations	**11,274**	**1,689**	**1,049**	**453**	**205**	**14,670**	**546**	**15,216**
Loss from discontinued operations	–	–	–	–	(968)	(968)	–	(968)
Income for the period	**11,274**	**1,689**	**1,049**	**453**	**(763)**	**13,702**	**546**	**14,248**

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

	30 June 2011	**31 December 2010**
	(Unaudited)	
Segment assets		
Segment 1	1,747,700	1,631,391
Segment 2	336,145	274,192
Segment 3	112,583	126,863
Segment 4	35,951	36,994
Segment 5	145,245	87,082
Total before deducting intersegment assets	**2,377,624**	**2,156,522**
Intersegment assets	(119,730)	(113,638)
Adjustments	956	588
Total assets	**2,258,850**	**2,043,472**

(in millions of Russian Rubles)

4. Segment information (continued)

The adjustments of intersegment income and expenses, and Group's assets, are related to the accounting differences due to the following reasons:

- as a result of transactions made with foreign subsidiaries of the Group in currencies other than the reporting currency of the Group;
- due to repurchase of debt securities issued by the Group entities, acquisitions or other deals with the financial instruments between the Group entities;
- due to reversal of allowances for impairment of intersegment assets, created by the Group entities.

5. 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 2011 (Unaudited)	31 December 2010
Interest-bearing loans and deposits from the Russian Ministry of Finance	606,466	594,028
Interest-bearing deposits from the Bank of Russia	213,406	211,647
Settlements related to redemption of Russian Government loans	11,848	7,438
Special purpose funds	1,153	996
Current accounts in precious metals	180	201
External debt payment funds	184	575
Current accounts of the Russian Government	15	16
Other	29	–
Due to the Russian Government and the Bank of Russia	**833,281**	**814,901**

At 30 June 2011 and 31 December 2010, the interest-bearing deposits from the Russian Ministry of Finance included primarily 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 2011 and 31 December 2010, interest-bearing deposits from the Russian Ministry of Finance included RUB-denominated funds intended to finance credit institutions and legal entities supporting small and medium enterprises. OJSC "SME Bank", a subsidiary bank, is responsible for implementing the government financial support.

In addition to the above, at 30 June 2011 and 31 December 2010, interest-bearing deposits from the Russian Ministry of Finance included USD-denominated funds used to finance investment projects.

For the six-month period the Russian Ministry of Finance placed temporarily available funds on RUB-denominated short-term deposits with the Group’s subsidiary banks, amounting to RUB 23,397 million and maturing from July through December 2011.

At 30 June 2011 and 31 December 2010, the interest-bearing deposits from the Bank of Russia included special RUB-denominated deposits for the purposes of implementing the program of financial support to OJSC "Sviaz-Bank" (30 June 2011 and 31 December 2010: RUB 125,388 million and RUB 124,462 million, respectively) and CJSC "GLOBEXBANK" (30 June 2011 and 31 December 2010: RUB 87,265 million and RUB 86,682 million, respectively) to arrange development of these organizations.

(in millions of Russian Rubles)

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

At 30 June 2011 and 31 December 2010, 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 2011 and 31 December 2010, 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.

London Club

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

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

Pursuant to Resolution of the Russian Government No. 1047-r dated 30 July 2009 concerning final settlement of the external debt obligations of the Russian Government and former USSR to the London Club of Creditors, claims in the amount of RUB 31 million were settled in December 2009. The obligations settled and claims not presented for settlement by creditors shall be removed from the consolidated statement of financial position of Vnesheconombank Group based on the instructions of the Russian Ministry of Finance. At 30 June 2011, no respective instructions were received by Vnesheconombank.

(in millions of Russian Rubles)

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

London Club (continued)

The London Club debt comprises:

	30 June 2011 (Unaudited)	31 December 2010
IANs	940	1,020
PRINs	15	16
Interest accrued on the PRINs and IANs, including overdue and default interest	80	87
Due to London Club creditors	**1,035**	**1,123**

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 June 2011 (Unaudited)	31 December 2010
Cash on hand	9,367	12,450
Current accounts with the Bank of Russia	6,716	19,127
Correspondent nostro accounts with credit institutions and current stock broker accounts:		
- Russian Federation	12,765	11,981
- other countries	51,220	45,361
Interest-bearing loans and deposits maturing within 90 days		
- due from the Bank of Russia	32,406	195
- due from credit institutions	110,101	83,748
Reverse repurchase agreements with credit institutions for up to 90 days	20,416	23,810
Cash and cash equivalents	**242,991**	**196,672**

At 30 June 2011, reverse repurchase agreements included loans of RUB 19,769 million (31 December 2010: RUB 23,350 million) issued to credit institutions and secured by corporate bonds with a fair value of RUB 20,999 million (31 December 2010: RUB 25,490 million), as well as loans in the amount of RUB 647 million (31 December 2010: RUB 460 million) issued to credit institutions and secured by corporate shares with a fair value of RUB 743 million (31 December 2010: RUB 648 million).

7. 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 2011 (Unaudited)	31 December 2010
Trading securities	49,023	37,277
Derivative financial assets	20,035	11,285
Financial assets designated as at fair value through profit or loss	22,637	27,582
Financial assets at fair value through profit or loss	**91,695**	**76,144**

(in millions of Russian Rubles)

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

Trading securities held by the Group comprise:

	30 June 2011 (Unaudited)	31 December 2010
Debt securities:		
Corporate bonds	19,754	10,839
Federal Loan Bonds (OFZs)	1,936	513
Municipal and sub-federal bonds, bonds of the Bank of Russia	917	2,501
Other	**698**	–
	23,305	**13,853**
Eurobonds issued by the Russian Federation	10,322	10,481
Eurobonds of Russian and foreign issuers	960	1,875
	34,587	**26,209**
Equity securities:		
Shares	14,436	11,068
Trading securities	**49,023**	**37,277**

At 30 June 2011 and 31 December 2010, financial assets designated as at fair value through profit or loss were represented primarily by shares of Russian and foreign companies, as well as by units in the closed-end mutual real estate fund held by a subsidiary bank.

The Bank entered into an option agreement which is economically related to its purchase of Russian company's shares in the second quarter of 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 mismatch', these 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 2011, the fair value of these shares and losses from its change during the period (as recorded in the consolidated income statement) amount to RUB 19,749 million (31 December 2010: RUB 24,825 million) and RUB 5,076 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 2011 amounted to RUB 3,763 million (31 December 2010: RUB 5,416 million).

8. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	30 June 2011 (Unaudited)	31 December 2010
Obligatory reserve with the central banks	3,911	1,499
Non-interest-bearing deposits	10,955	9,602
Subordinated loans	348,364	347,090
Term interest-bearing deposits with credit institutions	71,306	59,169
	434,536	**417,360**
Less: Allowance for impairment (Note 16)	(1,672)	(1,719)
Amounts due from credit institutions	**432,864**	**415,641**

(in millions of Russian Rubles)

8. Amounts due from credit institutions (continued)

Obligatory reserve with the central banks includes cash non-interest-bearing deposits (obligatory reserves) 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 these reserves 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 law, Vnesheconombank creates no obligatory reserve to be maintained with the CBR.

At 30 June 2011, non-interest-bearing deposits include non-interest-bearing deposits in clearing currencies in the amount of RUB 9,427 million (31 December 2010: RUB 8,113 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 at tenders organized by the Group under the supervision of the Russian Ministry of Finance.

At 30 June 2011, subordinated loans issued to Russian credit institutions comprised loans in the amount of RUB 348,364 million (31 December 2010: RUB 346,880 million) issued to 16 Russian credit institutions in accordance with Federal Law No. 173-FZ, carrying interest from 6.5% to 7.5% p.a. (31 December 2010: from 6.5% to 7.5% p.a.) and maturing from December 2014 to December 2020.

9. Loans to customers

Loans to customers comprise:

	30 June 2011 (Unaudited)	31 December 2010
Commercial loans, including loans to individuals	529,894	437,482
Project finance	378,163	372,547
Net investments in leases	78,579	47,916
Financing of operations with securities	18,715	20,918
Promissory notes	15,558	19,606
Pre-export finance	11,911	18,595
Reverse repurchase agreements	5,732	3,899
Back-to-back finance	2,617	2,604
Other	10,343	8,570
Gross loans to customers	**1,051,512**	**932,137**
Less: Allowance for impairment (Note 16)	(149,579)	(144,211)
Loans to customers	**901,933**	**787,926**

At 30 June 2011 and 31 December 2010, back-to-back finance represented an unsecured loan issued to AHML, using funds deposited by the Russian Ministry of Finance with Vnesheconombank, in accordance with Federal Law No. 173-FZ (Note 5).

At 30 June 2011, reverse repurchase agreements were signed primarily in respect of marketable securities with the fair value of RUB 6,660 million. At 31 December 2010, reverse repurchase agreements were in respect of marketable corporate bonds, RF constituent entities' bonds and Federal Loan Bonds (OFZs) with fair value of RUB 4,631 million.

(in millions of Russian Rubles)

9. Loans to customers (continued)

Loans are made principally in the following industry sectors:

	30 June 2011 (Unaudited)	%	31 December 2010	%
Real estate and construction	260,605	25	251,558	27
Manufacturing, heavy machinery and military-related goods production	178,833	17	158,056	17
Financing	172,218	17	157,966	17
Transportation	91,170	9	57,117	6
Trade	72,730	7	58,914	6
Energy	62,795	6	51,832	6
Agriculture	61,289	6	51,137	5
Oil and gas	42,168	4	41,307	4
Metallurgy	34,069	3	28,223	3
Telecommunication	22,141	2	27,299	3
Individuals	15,535	1	11,017	1
Logistics	4,719	0	5,295	1
Regional authorities	4,629	0	7,051	1
Mining	2,335	0	3,287	0
Foreign states	65	0	658	0
Mass media	268	0	276	0
Other	25,943	3	21,144	3
	1,051,512	**100**	**932,137**	**100**

At 30 June 2011, the total outstanding amount of loans to three major borrowers/groups of related borrowers is RUB 211,974 million, equivalent to 20.2% of the Group's gross loan portfolio (31 December 2010: RUB 210,585 million, or 22.6% of the gross loan portfolio). At 30 June 2011, an impairment allowance of RUB 40,016 million was made against these loans (31 December 2010: RUB 41,359 million). At 30 June 2011, these loans included loans issued to an associate of the Group involved in the real estate business, which accounted for 12.7% of the gross loan portfolio (31 December 2010: 14.4%).

Apart from these three largest borrowers of the Group, at 30 June 2011 and 31 December 2010, loans issued to the next ten largest borrowers/groups of related borrowers amounted to RUB 161,138 million and RUB 147,587 million, respectively, which represents 15.3% and 15.8% of the Group's gross loan portfolio. At 30 June 2011 and 31 December 2010, an impairment allowance of RUB 15,851 million and RUB 12,878 million, respectively, was made against these loans.

Loans have been extended to the following groups of customers:

	30 June 2011 (Unaudited)	31 December 2010
Private companies	865,849	731,254
State-controlled entities	131,068	153,395
Companies under foreign state control	32,554	27,566
Individuals	15,534	11,017
Regional authorities	4,629	7,051
Individual entrepreneurs	1,813	1,196
Foreign states	65	658
	1,051,512	**932,137**

(in millions of Russian Rubles)

10. Investment securities

Investment securities available for sale comprise:

	30 June 2011 (Unaudited)	31 December 2010
Debt securities:		
Corporate bonds	155,652	147,824
Eurobonds of the Russian Federation, Russian and foreign issuers	22,307	18,782
Federal Loan Bonds (OFZs)	11,085	135
Promissory notes	9,742	10,600
Debt instruments issued by foreign government bodies	4,088	7,958
Municipal and sub-federal bonds	364	1,678
	203,238	**186,977**
Equity securities:		
Shares	274,144	284,898
Less: Allowance for impairment (Note 16)	(332)	(120)
	273,812	**284,778**
Investment securities available for sale	**477,050**	**471,755**
Securities pledged under repurchase agreements:		
Shares	**1,476**	**144**
Corporate bonds	–	**2,245**
Russian MinFin bonds (OVGVZs)	–	2,222
Eurobonds of Russian and foreign issuers	–	162
Municipal and sub-federal bonds	–	55
Investment securities available for sale pledged under repurchase agreements	**1,476**	**4,828**

For the six-month period ended 30 June 2011, the Group recognized significant increase of the fair value of some equity investment securities available for sale due to favorable price movements during the first quarter of 2011, in the open market.

As a result of sale of the available-for-sale investment securities for the six-month period ended 30 June 2011, the Group realized part of revaluation result previously recorded in equity and transferred it to gains less losses from investment securities available for sale in the consolidated income statement. The amount of RUB 17,763 million was transferred for the six-month period ended 30 June 2011 (for the six-month period ended 30 June 2010: RUB 26,252 million).

In addition, for the six-month period ended 30 June 2011, the Group recognized a RUB 2,067 million loss from impairment of available-for-sale securities (for the six-month period ended 30 June 2010: RUB 21,891 million) by transferring the negative revaluation previously recorded in equity to gains less losses from investment securities available for sale in the consolidated income statement.

Investment securities held to maturity comprise:

	30 June 2011 (Unaudited)	31 December 2010
Eurobonds of Russian and foreign issuers	15,653	17,860
Corporate bonds	1,084	2,368
Municipal and sub-federal bonds	1,315	1,338
Federal Loan Bonds (OFZs)	38	51
Promissory notes	26	–
	18,116	**21,617**
Less: Allowance for impairment (Note 16)	(80)	(81)
Investment securities held to maturity	**18,036**	**21,536**

(in millions of Russian Rubles)

11. Other assets

At 30 June 2011, other assets of the Group include advances to suppliers of leased equipment in the amount RUB 21,510 million (31 December 2010: RUB 11,421 million).

12. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 June 2011 (Unaudited)	31 December 2010
Correspondent loro accounts of Russian credit institutions	6,269	7,216
Correspondent loro accounts of other credit institutions	6,801	7,142
Loans and other placements from OECD-based credit institutions	216,274	123,114
Loans and other placements from Russian credit institutions	66,551	62,450
Loans and other placements from other credit institutions	44,532	21,987
Repurchase agreements with credit institutions	1,278	13,107
Trust management of pension funds	2,027	–
Deposits from Russian credit institutions - fiduciaries	–	11
Amounts due to credit institutions	**343,732**	**235,027**

At 30 June 2011, loans and other placements from OECD-based credit institutions include loans primarily denominated in RUB, USD, EUR and GBP with interest rates ranging from 5.5% to 7.1% for RUB placements (31 December 2010: from 6.6% to 7.1%), from three-month LIBOR plus 0.2% to 9.03% for USD placements (31 December 2010: from three-month LIBOR plus 0.2% to 7.6%), from six-month EURIBOR plus 0.25% to 6.5% for EUR placements (31 December 2010: from six-month EURIBOR plus 0.3% to 6.5%) and from 5.7% to 7.9% for GBP placements (31 December 2010: from 5.7% to 7.9%).

At 30 June 2011, loans and other placements from Russian credit institutions include loans denominated in RUB, USD and EUR with annual interest rates ranging from 3.15% to 10.09% for RUB-denominated loans (31 December 2010: from 0.5% to 15%), from 0.10% to 6.0% for USD-denominated loans (31 December 2010: from 0.2% to 7%), from 0.6% to 6.0% for EUR-denominated loans (31 December 2010: from 0.6% to 7.5%). At 30 June 2011 and 31 December 2010, this item includes deposits held as security against letters of credit and minimum balances on correspondent loro accounts.

At 30 June 2011, loans and other placements from non-OECD credit institutions include loans primarily denominated in USD, EUR, GBP and BYR with interest rates ranging from 0.2% to six-month LIBOR plus 3.8% for USD-denominated loans (31 December 2010: from one-month LIBOR plus 0.7% to six-month LIBOR plus 3.8%), from 0.8% to 7.7% for EUR-denominated loans (31 December 2010: from 0.6% to 11%), 0.5% for GBP-denominated loans (31 December 2010: 0.5%) and 16.5% for BYR-denominated loans (31 December 2010: from 2% to 3%). At 30 June 2011 and 31 December 2010, this item also included minimum balances on correspondent loro accounts of non-OECD credit institutions.

At 30 June 2011, repurchase agreements with credit institutions include loans of RUB 1,278 million received from Russian and foreign credit institutions and collaterized by debt securities under repurchase agreements with the fair value of RUB 1,359 million and equity securities available for sale with the fair value of RUB 37 million (Notes 6, 10). At 31 December 2010, repurchase agreements with credit institutions include loans of RUB 13,107 million received from Russian and foreign credit institutions and collaterized by debt securities available for sale with the fair value of RUB 4,522 million (Note 10) and securities acquired under reverse repurchase agreements with the fair value of RUB 10,226 million.

(in millions of Russian Rubles)

12. Amounts due to credit institutions (continued)

For the six-month period of 2011 the Bank raised long-term financing on market terms from OECD-based credit institutions totaling RUB 100,261 million and repaid long-term financing of RUB 13,882 million in accordance with contractual terms.

In addition, for the six-month period of 2011 the Group's leasing company raised long-term financing from Russian and foreign credit institutions totaling RUB 14,504 million and repaid long-term financing of RUB 5,287 million in accordance with contractual terms.

13. Amounts due to customers

Amounts due to customers comprise:

	30 June 2011 (Unaudited)	31 December 2010
Current accounts	117,350	127,443
Term deposits	196,951	162,384
Repurchase agreements	1,142	271
Amounts due to customers	**315,443**	**290,098**
Amounts due to customers held as security against guarantees	649	2,118
Amounts due to customers held as security against letters of credit	3,913	3,695

Included in term deposits are deposits of individuals in the amount of RUB 77,171 million (31 December 2010: RUB 65,745 million). In accordance with the Russian Civil Code the Bank and its Russian subsidiaries are obliged to repay term deposits of individuals upon demand of a depositor. In accordance with the banking legislation of the Ukraine and the Republic of Belarus, Ukrainian and Belarusian subsidiaries are obliged to repay term deposits of individuals within five days upon demand of a depositor. 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.

14. Debt securities issued

Debt securities issued comprise:

	30 June 2011 (Unaudited)	31 December 2010
Eurobonds	119,173	99,546
Bonds	74,225	71,423
Promissory notes	24,744	15,976
Certificates of deposit and saving certificates	753	2
Debt securities issued	**218,895**	**186,947**
Promissory notes held as security against guarantees	**1,852**	**1,856**

At 30 June 2011 the Group's debt securities issued include:

- loan participation notes (Eurobonds) of Series 4 with a 5-year maturity period for a total amount of RUB 16,702 million placed by Vnesheconombank in 2011 through a special purpose entity under a fixed rate for the nominal amount of CHF 500 million.
- Eurobonds with a 5-year maturity period for a total amount of RUB 10,758 million placed by a subsidiary in 2011 through a special purpose entity under a fixed rate for the nominal amount of USD 400 million (bonds for the nominal amount of USD 20 million were purchased by members of the Group).

(in millions of Russian Rubles)

14. Debt securities issued (continued)

At 30 June 2011 the Group's debt securities issued also include:

- non-convertible interest-bearing documentary bearer bonds, Series 09, in the amount of RUB 12,844 million. In 2011, the bonds were placed by Vnesheconombank through a private subscription at the Moscow Interbank Currency Exchange in the nominal value of RUB 15,000 million under a fixed interest rate for 10 years with a black out period of 5 years (the bonds with nominal value of RUB 2,388 million were purchased by members of the Group);
- non-convertible interest-bearing documentary bearer bonds, Series 03, 04, 05 in the total amount of RUB 15,158 million. In 2011, the bonds were placed by a subsidiary through an open subscription in the nominal value of RUB 15,000 million under a fixed interest rate for 3 to 5 years;
- bonds, Series A, B and C, issued in 2011 in the total amount of RUB 5,410 million. In 2011, the bonds in the nominal value of RUB 5,268 million were placed by a non-resident subsidiary bank under a fixed interest rate for 2 to 3 years.

In April 2011, the Bank redeemed non-convertible interest-bearing bearer bonds, Series 02, in the amount of USD 1,000 million (RUB 27,896 million at the date of redemption) in accordance with the terms of issue.

The Group's debt securities issued at 30 June 2011 include interest-bearing promissory notes denominated in RUB, USD and EUR maturing in 2049 (31 December 2010: maturing before 2049). Interest rates are from 0.1% to 10% for RUB-denominated promissory notes (31 December 2010: from 0.1% to 7.8%), from 0.2% to 4.9% for USD-denominated promissory notes (31 December 2010: from 0.2% to 4.9%) and from 2.4% to 5% for EUR-denominated promissory notes (31 December 2010: from 2.4% to 4.9%).

15. Taxation

Income tax assets and liabilities comprise:

	30 June 2011 (Unaudited)	31 December 2010
Current income tax assets	782	712
Deferred income tax assets	1,600	1,638
Income tax assets	**2,382**	**2,350**
Current income tax liabilities	86	27
Deferred income tax liabilities	624	1,015
Income tax liabilities	**710**	**1,042**

The income tax charged to the consolidated income statement comprises:

	For the six-month period ended 30 June	
	2011 (Unaudited)	**2010 (Unaudited)**
Current income tax expense	598	930
Deferred tax expense / (benefit)	(264)	709
	334	**1,639**

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

(in millions of Russian Rubles)

16. Allowance for impairment and provisions

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

	Due from credit institutions	Loans to customers	Total
31 December 2010	**1,719**	**144,211**	**145,930**
Charge / (reversal) (Unaudited)	(47)	10,419	**10,372**
Write-off (Unaudited)	–	(1,463)	**(1,463)**
Reversal of allowance previously written off (Unaudited)	–	572	**572**
Interest accrued on impaired loans (Unaudited)	–	(4,160)	**(4,160)**
30 June 2011 (Unaudited)	**1,672**	**149,579**	**151,251**
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	–	3	**3**
Interest accrued on impaired loans (Unaudited)	–	(4,027)	**(4,027)**
30 June 2010 (Unaudited)	**1,470**	**130,359**	**131,829**

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

	Other assets	Investment securities	Investments in associates	Claims	Credit related commitments	Total
31 December 2010	**1,307**	**201**	–	**51**	**152**	**1,711**
Charge / (reversal) (Unaudited)	60	231	–	(5)	239	**525**
Write-off	(52)	(42)	–	(17)	(122)	**(233)**
Reversal of amounts previously written off	–	22	–	–	–	**22**
30 June 2011 (Unaudited)	**1,315**	**412**	–	**29**	**269**	**2,025**
31 December 2009	**927**	**391**	**38**	**27**	**2,440**	**3,823**
Reversal (Unaudited)	(60)	(34)	–	–	(859)	**(953)**
Write-off (Unaudited)	–	(31)	–	–	(1,295)	**(1,326)**
30 June 2010 (Unaudited)	**867**	**326**	**38**	**27**	**286**	**1,544**

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

17. 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 millions of Russian Rubles)

17. Charter capital (continued)

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 "RosBR" (new name OJSC "SME Bank") and 5.2% of state-owned shares of 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 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 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 OJSC "United Aircraft Corporation".

At the end of 2010 in accordance with Resolution of the Russian Government No. 603-r dated 21 April 2010, the Russian Federation contributed 100% of state-owned shares of OJSC "Federal Center for Project Finance" to the charter capital of Vnesheconombank.

18. Commitments and contingencies

Operating environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The global financial crisis had an impact on the Russian economy. Despite certain signs of economic recovery, there continues to be uncertainty regarding future economic growth and stability of financial markets, which could adversely affect the Group's financial position, results of operations and business prospects.

Also, the economic downturn has affected the ability of the Group's borrowers to repay the amounts due to the Group and the value of collateral held against loans and other liabilities. To the extent that information is available, the Group has reflected revised estimates of expected future cash flows in its impairment assessment.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

(in millions of Russian Rubles)

18. Commitments and contingencies (continued)

Legal

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.

PSC Prominvestbank filed a claim with Kiev County Administrative Court requesting to annul the decision of the Securities and Stock Market State Commission (SSMSC). The court of the first instance dismissed the claim.

PSC Prominvestbank appealed the decision of Kiev County Administrative Court with the appeal instance. After review of the complaint Kiev Administrative Court of Appeal cancelled the decision of the court of the first instance as illegal by its Resolution dated 1 February 2011. The Resolution came into effect on 1 February 2011.

On 27 February 2011 SSMSC filed a cassation appeal against the Resolution of Kiev Administrative Court of Appeal dated 1 February 2011 with the Supreme Administrative Court of Ukraine.

The Group's management assumes that there is no need for an allowance in the consolidated financial statements at 30 June 2011 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 16.

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations and changes which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may take a more assertive position in their interpretation of the legislation and assessments. As a result, it is possible that transactions and accounting methods that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As of 30 June 2011, management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax, currency and customs positions will be sustained.

(in millions of Russian Rubles)

18. Commitments and contingencies (continued)

Credit related commitments and contingencies

The Group's credit related commitments and contingencies comprise the following:

	30 June 2011 (Unaudited)	**31 December 2010**
Undrawn loan commitments	453,356	436,271
Guarantees	149,911	156,237
Letters of credit	50,065	49,806
	653,332	**642,314**
Less: Provisions	(269)	(152)
Credit related commitments and contingencies before deducting collateral	**653,063**	**642,162**
Less: Cash and promissory notes held as security against guarantees and letters of credit	(6,414)	(7,752)
Credit related commitments and contingencies	**646,649**	**634,410**

At 30 June 2011, the Group advised export letters of credit to total RUB 51,532 million (31 December 2010: RUB 72,416 million) and received reimbursement authorization from the issuing credit institutions to total RUB 2,790 million (31 December 2010: RUB 2,956 million). The Group bears no credit risks under export letters of credit and reimbursement authorization.

At 30 June 2011, credit related commitments include liabilities in favor of one counterparty, a state company, in the amount of RUB 43,290 million, which accounts for 7% (31 December 2010: RUB 44,846 million, 7%) of all credit related commitments.

19. 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, and 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, on which the state has a significant influence (collectively - state-related entities), are considered to be related parties of the Group.

(in millions of Russian Rubles)

19. Related party transactions (continued)

Transactions with associates and key management personnel

Outstanding balances of transactions with associates and key management personnel as at 30 June 2011 and 31 December 2010 are as follows:

	30 June 2011 (Unaudited)		31 December 2010	
	Associates	**Key management personnel**	**Associates**	**Key management personnel**
Assets				
Loans to customers	103,057	99	106,819	17
Other assets	152	0	61	–
Liabilities				
Amounts due to customers	2,730	1,857	1,685	970
Other liabilities	0	29	–	36
Credit related commitments and contingencies	**911**	**8**	**991**	**8**

The related income and expense from transactions with associates and key management personnel for the six-month periods ended 30 June 2011 and 2010 are as follows:

	For the six-month period ended 30 June 2011 (Unaudited)		For the six-month period ended 30 June 2011 (Unaudited)	
	Associates	**Key management personnel**	**Associates**	**Key management personnel**
Interest income on loans to customers	3,834	3	4,999	1
Interest expense on amounts due to customers and the Russian Government	(66)	(83)	(73)	(48)
Net interest income / (expense)	**3,768**	**(80)**	**4,926**	**(47)**
Provision for impairment of interest-earning assets	(30)	–	(3,706)	–
Net interest income / (expense) after (provision for) / reversal of impairment of interest-earning assets	**3,738**	**(80)**	**1,220**	**(47)**

Compensation to key management personnel comprises the following:

	For the six-month period ended 30 June	
	2011 (Unaudited)	**2010 (Unaudited)**
Salaries and other short-term benefits	822	385
Social security costs	35	27
Compensation to key management personnel	**857**	**412**

(in millions of Russian Rubles)

19. Related party transactions (continued)

Transactions with the state, state institutions and state-related entities

The information about transactions with the Russian Government, its authorized institutions and the Bank of Russia is provided in Notes 5.

In addition, at 30 June 2011 transactions with state-related entities include Group's deposits with the CBR that mature within 90 days totaling RUB 32,406 million (31 December 2010: RUB 195 million) and cash non-interest-bearing deposits (obligatory reserves) maintained by the Group's subsidiary banks with the CBR in the amount of RUB 3,485 million (31 December 2010: RUB 1,137 million) (Note 6).

In the normal course of its business the Bank and Group's subsidiaries grant loans to state-related credit institutions, as well as raise financing and issue guarantees in regard to these institutions (the list of transactions with the credit institutions is not complete). These transactions are carried out primarily under market conditions. Transaction with state-related credit institutions account for the major portion of all Group's operations on granting loans to credit institutions and the minor portion of financing raised from credit institutions and guarantees issued. Balances with significant transactions with state-related credit institutions at 30 June 2011 and 31 December 2010 are stated in the tables below:

		Amounts due from credit institutions	
Credit institution	**Types of transactions**	**30 June 2011**	**31 December 2010**
Credit institution 1	Subordinated loans	181,352	180,609
Credit institution 2	Subordinated loans	86,159	86,014
Credit institution 3	Subordinated loans	22,669	22,576
Credit institution 4	Subordinated loans	10,094	10,052
Credit institution 5	Interest-bearing loans and deposits with credit institutions maturing within 90 days	9,967	–
Credit institution 6	Interest-bearing loans and deposits with credit institutions maturing within 90 days	8,438	–
Credit institution 7	Interest-bearing loans and deposits with credit institutions maturing within 90 days	6,446	4,572
Credit institution 8	Term interest-bearing deposits with credit institutions	4,651	4,602
Credit institution 3	Term interest-bearing deposits with credit institutions	3,817	3,754
Credit institution 9	Term interest-bearing deposits with credit institutions	3,651	–
Credit institution 5	Term interest-bearing deposits with credit institutions	2,117	4,003
Credit institution 4	Interest-bearing loans and deposits with credit institutions maturing within 90 days	–	7,318
		339,361	**323,500**

		Amounts due to credit institutions	
Credit institution	**Types of transactions**	**30 June 2011**	**31 December 2010**
Credit institution 7	Loans and other placements from Russian credit institutions	10,515	–
Credit institution 5	Loans and other placements from Russian credit institutions	7,636	11,193
Credit institution 10	Loans and other placements from OECD-based credit institutions	4,882	5,292
Credit institution 2	Loans and other placements from Russian credit institutions	0	21,764
		23,033	**38,249**

(in millions of Russian Rubles)

19. Related party transactions (continued)

At 30 June 2011, the Bank issued guarantees to a state-related credit institution in the amount of RUB 6,834 million (31 December 2010: RUB 2,017 million).

At 30 June 2011 and 31 December 2010, there were no significant liabilities on granting loans to state-related credit institutions.

In the normal course of business the Bank and Group's subsidiaries grant loans to state-related customers, as well as raise deposits, issue guarantees to these customers, maintain their current accounts and raise deposits from them (the list of transactions with the customers is not complete). These transactions are carried out primarily under market conditions. Transactions with state-related customers account for the major portion of all Group's operations with customers. Balances of significant transactions with state-related institutions and entities at 30 June 2011 and 31 December 2010 are stated in the tables below:

		Loans to customers	**Undrawn loan commitments**	**Loans to customers**	**Undrawn loan commitments**
Borrower	**Industry**	**30 June 2011**		**31 December 2010**	
Customer 1	Real estate and development	17,975	–	19,705	–
Customer 2	Telecommunications	16,145	3,996	0	–
Customer 3	Oil and gas	14,115	–	14,041	–
Customer 4	Electric power	10,075	9,725	6,590	12,904
Customer 5	Electric power	7,302	–	7,945	–
Customer 6	Electric power	6,298	1,000	5,297	–
Customer 7	Financing	5,516	1,755	5,431	–
Customer 8	Electric power	4,942	23,113	0	27,469
Customer 9	Manufacturing, including heavy machinery and military production	4,645	–	4,653	–
Customer 10	Transport	3,153	–	3,477	–
Customer 11	Transport	3,140	–	3,464	–
Customer 12	Financing	2,617	37,000	2,604	37,000
Customer 13	Manufacturing, including heavy machinery and military production	2,257	3,118	1,896	–
Customer 14	Manufacturing, including heavy machinery and military production	1,744	1,404	6,201	1,829
Customer 15	Telecommunications	1,010	2,500	4,845	2,500
Customer 16	Manufacturing, including heavy machinery and military production	–	35,712	–	–
Customer 17	Manufacturing, including heavy machinery and military production	0	18,662	0	21,087
Customer 18	Electric power	–	12,000	–	12,000
Customer 19	Real estate and development	–	10,000	–	10,000
Customer 20	Electric power	–	3,500	–	1,510
Customer 21	Manufacturing, including heavy machinery and military production	–	–	7,620	–
Customer 22	Telecommunications	–	–	3,820	–
Customer 23	Telecommunications	0	–	3,496	–
Customer 24	Telecommunications	–	–	3,403	–
Customer 25	Telecommunications	–	–	3,379	–
Customer 26	Oil and gas	–	–	3,354	–
		100,934	**163,485**	**111,221**	**126,299**

(in millions of Russian Rubles)

19. Related party transactions (continued)

Customer	Industry	Amounts due to customers 30 June 2011	31 December 2010
Customer 27	Infrastructure development	41,158	30,114
Customer 15	Telecommunications	31,722	32,667
Customer 28	Electric power	14,867	–
Customer 12	Financing	7,914	–
Customer 29	Transport	7,636	16,591
Customer 30	Manufacturing, including heavy machinery and military production	5,214	2,755
Customer 31	Other services	3,532	–
Customer 32	Construction and reconstruction	3,520	3,371
Customer 2	Telecommunications	–	6,704
Customer 9	Manufacturing, including heavy machinery and military production	–	4,001
		115,563	**96,203**

Customer	Industry	Guarantees issued 30 June 2011	31 December 2010
Customer 30	Manufacturing, including heavy machinery and military production	43,290	44,846
Customer 33	Manufacturing, including heavy machinery and military production	10,367	12,351
		53,657	**57,197**

At 30 June 2011 and 31 December 2010, the Group's investments in debt securities issued by the Russian Government comprised:

	30 June 2011 (Unaudited)	At 31 December 2010
Financial assets at fair value through profit or loss	13,175	13,495
Investment securities		
- available-for-sale	13,538	4,258
- held to maturity	1,353	1,389
Investment securities available for sale pledged under repurchase agreements	–	2,277

At 30 June 2011 and 31 December 2010, there were no transactions involving derivative financial instruments with the Russian Government.

(in millions of Russian Rubles)

19. Related party transactions (continued)

In the normal course of business the Group invests in securities issued by state-related issuers and enters into derivative contracts. At 30 June 2011 and 31 December 2010, the Group's investments into securities issued by state-related issuers, as well as derivative transactions with such counterparties comprised:

	30 June 2011 (Unaudited)			31 December 2010		
	Equity securities	**Debt securities**	**Derivative financial instruments**	**Equity securities**	**Debt securities**	**Derivative financial instruments**
Financial assets at fair value through profit or loss	12,769	7,535	9,074	34,141	5,662	7,232
Investment securities						
- available-for-sale	196,527	133,647	–	206,670	125,407	–
- held to maturity	–	1,314	–	–	4,854	–
Investment securities available for sale pledged under repurchase agreements	963	–	–	–	749	–
Financial liabilities at fair value through profit or loss	–	–	275	–	–	2,090

20. Events after the reporting period

In July 2011, the maturity of deposits raised by Vnesheconombank from the Russian Ministry of Finance (Note 5) was extended by 1.5 years.

In July 2011 and September 2011, the maturity of deposits raised by Vnesheconombank from the Bank of Russia (Note 5) was extended by 1 year.

In July 2011, the Bank signed a credit line agreement in the amount of RUB 20,617 million with a manufacturing company to provide a credit line under a project financing program.

In July 2011, the Bank signed a credit line agreement in the amount of RUB 4,305 million with a manufacturing company to provide a credit line under a project financing program.

In July 2011, the Supreme Administrative Court of Ukraine legitimated the Resolution of Kiev Administrative Court of Appeal that came into effect on 1 February 2011 (Note 18), and the cassation appeal of the Securities and Stock Market State Commission of Ukraine was dismissed.

In July 2011, the Bank paid for an additional issue of 1,500,000,000 shares of OJSC "Belvnesheconombank" at nominal value (equivalent to RUB 844 million at the date of payment). Following the results of the additional issue, the Group's interest in the charter capital of OJSC "Belvnesheconombank" totaled 97.49%.

In August 2011, the Bank established an office in Krasnoyarsk.

In August 2011, the Bank purchased in the secondary market 21,247,294 ordinary shares of PSC Prominvestbank increasing its share in the subsidiary bank up to 97.85%. The cost of the purchased stake was USD 150 million (RUB 4,251 million at the date of purchase).

In August 2011, the Group's subsidiary credit institution placed Series 4 and 6 exchange bonds totaling RUB 5,000 million. The bonds mature in 3 years, annual offer is granted.

(in millions of Russian Rubles)

20. Events after the reporting period (continued)

In August 2011, Vnesheconombank received a loan from a foreign bank in the amount of USD 115 million (RUB 3,324 million at the date of issue). The loan bears a variable interest rate and matures in 7 years. The funds will be used to finance the real sector.

In September 2011, Vnesheconombank purchased mortgage bonds for the total amount of RUB 1,667 million at a fixed interest rate maturing in 2043. The bonds were issued under the Vnesheconombank's 2010-2013 Investment Program to support affordable housing construction and mortgage projects.

In September 2011, pursuant to Federal Law No. 173-FZ, the Russian Ministry of Finance placed with Vnesheconombank NWF-funds of RUB 4,000 million in a form of an interest-bearing deposit. These funds were fully used for further lending to AHML in accordance with Federal Law No. 173-FZ.

In September 2011, pursuant to the purchase agreement the Bank paid up 2,000,000 additionally issued ordinary registered shares OJSC "VEB-leasing" to the amount of RUB 5,000 million. Placing of additionally issued shares of OJSC "VEB-leasing" was finalized in early October 2011. As a result of additional placement of shares ownership of the Group in the equity of OJSC "VEB-leasing" increased to 98.9627%.

In September 2011 general shareholders meeting of CJSC "GLOBEXBANK" made a decision on reorganization in a form of affiliation of OJSC NTB to CJSC "GLOBEXBANK" (with a full transfer of OJSC NTB's rights and obligations to CJSC "GLOBEXBANK").

In October 2011, Vnesheconombank placed Series 10 bonds in the amount of RUB 15,000 million on the Moscow Interbank Currency Exchange. The bonds mature in 10 years and are subject to a 5-year offer.

In October 2011, OJSC EKSAR, the Russia's Export Credit and Investment Insurance Agency, was registered. Vnesheconombank is the sole founder of the Agency. The Agency's charter capital will amount to RUB 30,000 million. The Agency will specialize in insuring export credits and investments from credit and political risks.

In October 2011, pursuant to Federal Law No. 173-FZ, the Russian Ministry of Finance placed with Vnesheconombank NWF-funds of RUB 14,000 million in a form of an interest-bearing deposits. These funds were fully used for further lending to AHML in accordance with Federal Law No. 173-FZ.

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