

## IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES.

**IMPORTANT: You must read the following before continuing.** The following disclaimer applies to the base prospectus supplement dated 5 February 2013 attached to this electronic transmission (the “**Base Prospectus Supplement**”) to the base prospectus dated 25 June 2012 (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. 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 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 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.



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 25 June 2012 (the “**Base Prospectus**”). Capitalised terms used, but not otherwise defined in this Base Prospectus Supplement, shall have the meanings ascribed to them 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:

- 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 nine month period ended 30 September 2012 (which include comparative data as at 31 December 2011 and for the nine months ended 30 September 2011) (the "**Unaudited Interim IFRS Financial Statements**") (including the review report thereon and notes thereto), which are set out on pages F-2 to F-44 (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.

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.

This Base Prospectus Supplement has been filed with and approved by the Central Bank of Ireland as required by the Prospectus (Directive 2003/71/EC) Regulations 2005 (the “**Prospectus Regulations**”). This Base Prospectus Supplement, as approved by the Central Bank of Ireland, will be filed with the Companies Registration Office in accordance with Regulation 38(1)(b) of the Prospectus Regulations.

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

### Risks Relating to the Notes and the Trading Market

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

In general, interest payments on borrowed funds made by a Russian legal entity to a foreign legal entity or organisation which are connected with the entrepreneurial activities of such foreign legal entity or organisation in the Russian Federation not leading to a permanent establishment in Russia are subject to Russian withholding tax at a rate of 20% (or such other rate as may be effective at the time of payment). This tax can be reduced or eliminated under the terms of an applicable double taxation treaty subject to treaty clearance formalities to be satisfied by the foreign legal entity in a timely fashion. In particular, 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**”) generally exempts interest income from Russian withholding tax provided certain requirements are satisfied by the recipient of the income in a timely manner.

The application of the tax benefits under the Convention could be affected by a change in the interpretation by the Russian tax authorities of the concept of factual/ beneficial owner of income. Specifically, on 30 December 2011 the Ministry of Finance of the Russian Federation issued letter No. 03-08 13/1 (the “**Letter**”) addressed to the Federal Tax Service, in which the Ministry of Finance of the Russian Federation asserted that in the context of a very specific eurobond structure which is not identical to the transaction described in the Base Prospectus a foreign issuer of eurobonds cannot benefit from the provisions of the Convention in respect of interest paid by the Russian borrower because, in the view of the Ministry of Finance of the Russian Federation, the foreign issuer of eurobonds may not be considered as the beneficial owner of the interest income. Conversely the Letter says that holders of the notes could apply provisions of the respective tax treaty (if any) concluded between Russia and the country of residency of each holder of the notes. VEB cannot preclude the possibility that the Russian tax authorities might apply the same approach to the payments made under the structure as described in the Base Prospectus. Notwithstanding anything to the contrary above, no withholding tax should arise in eurobond structures by virtue of the exemption envisaged by Federal Law No. 97-FZ dated 29 June 2012 “On introduction of amendments in part one and two of the Tax Code of the Russian Federation and Article 26 of Federal law on banks and banking activity” (“**Law No. 97-FZ**”). Law No. 97-FZ provides that Russian borrowers should be fully released from the obligation to withhold tax from interest and other payments made to foreign entities provided that certain conditions are met. See “*Taxation—Russian Federation.*”

The release from the obligation to withhold tax from interest and other payments described herein will apply retrospectively to income paid since 2007 and will continue to be available in respect of issued bonds (such as the Notes) that are placed before 1 January 2014.

VEB believes that it should be possible to satisfy the conditions established by Law No. 97-FZ and obtain a release from the obligation to withhold tax from payments of interest and certain other amounts, as the case may be, on any Loan from the Issuer.

Importantly, Law No. 97-FZ does not provide an exemption to foreign interest income recipients from Russian withholding tax, although currently there is no requirement in the Russian tax legislation for foreign income recipients that are legal entities to self-assess and pay tax to the Russian tax authorities. The Ministry of Finance of the Russian Federation acknowledged in its information letter published on its website that the release from obligation to act as a tax agent means, in effect, that tax at source within Russia should not arise in connection with eurobonds, since there is neither a mechanism nor obligation for a non-resident to independently calculate and pay such tax. There can be no assurance that such rules will not be introduced in the future or that the Russian tax authorities would not make attempts to collect the tax from the foreign income recipients, including the Issuer or the Noteholders.

If interest and/or any other amounts due under any Loan Agreement become payable to the Trustee pursuant to the Trust Deed, there is some residual uncertainty whether the release from the obligation to withhold tax under Law No. 97-FZ is available to the Trustee. There is a potential risk that Russian withholding tax in respect of payments of interest and certain other amounts under such Loan Agreement to the Trustee at the rate of 20% (or such other rate as may be effective at the time of payment) or Russian personal income tax at the rate of 30% (or such other tax rate that may be effective at the time of payment) may be deducted by VEB upon making such payments to the Trustee. It is not expected that the Trustee will, or will be able to, claim a Russian withholding tax exemption or reduction under any applicable double tax treaty under such circumstances. In addition, while some Noteholders that are foreign persons not residing in Russia for tax purposes may seek a reduction or elimination of Russian withholding tax or personal income tax, as applicable, or a refund of the respective taxes under applicable double tax treaties entered into between their countries of tax residence and the Russian Federation, there is no assurance that any treaty relief will be available to them in practice in such circumstances.



If interest payments or any other amounts due under any Loan become subject to any Russian withholding tax (as a result of which the Issuer would reduce payments made under the corresponding Series of the Notes by the amount of such withholding tax), VEB will be obliged to increase its payments or to make such additional payments under the relevant Loan as may be necessary to ensure that the Issuer and/or Noteholders receive a net amount equal to the amount they would have received in the absence of such withholding taxes.

While any Loan Agreement will provide for VEB to pay increased or additional amounts in these circumstances, there is a risk that tax gross-up provisions set out in the relevant Loan Agreement may not be enforceable under Russian law. If gross-up for withholding tax is not enforceable under Russian law, there is a risk that interest payments made by VEB under each Loan Agreement will be reduced by the amount of Russian income tax withheld by VEB at the rate of 20% (or at the rate of 30% with respect to Russian personal income tax for Russian non-resident Noteholders) or such other rate effective at the time of payment. See *“Taxation—Russian Federation”*.

If VEB is obligated to increase any payments on any or all Loans or to make additional payments on any or all Loans as described above, VEB may be permitted pursuant to the terms of the relevant Loan Agreement (without premium or penalty), subject to certain conditions, to prepay the relevant Loan in full. In such case, all outstanding Notes of the corresponding Series will be redeemable at par together with accrued and unpaid interest and additional amounts, if any, to the date of repayment. See *“Taxation—Russian Federation.”*

### **Risks Relating to Taxation in the Russian Federation**

#### ***A Non-Resident Noteholder’s disposal of Notes in the Russian Federation may be subject to Russian withholding tax.***

If a Non-Resident Noteholder that is a legal entity or organisation that holds the Notes other than through its permanent establishment in the Russian Federation sells any Notes and receives proceeds from a source within the Russian Federation, there is a risk that the part of the payment, if any, representing accrued interest may be subject to a 20% (or such other rate as may be effective at the time of payment) Russian withholding tax, although such tax may be reduced or eliminated under an applicable double tax treaty subject to compliance with the treaty clearance formalities. There can be no assurance that such reduction or elimination will be available in practice.

Where proceeds from the disposition of Notes (including accrued and paid interest on the Notes) are deemed to be received from a source within the Russian Federation by an individual Noteholder that is not a Russian resident for the tax purposes, a withholding personal income tax would be charged at a rate of 30% (or such other tax rate as may be effective at the time of payment) on gross proceeds from such disposition of the Notes less any available documented cost deductions (including the acquisition cost of the Notes and other documented expenses related to the acquisition, holding and the sale or other disposal of the Notes), provided that the documentation supporting cost deductions is available to the person obliging to calculate and withhold Russian personal income tax in a timely manner. Although such tax may be reduced or eliminated under an applicable double tax treaty subject to compliance with the treaty clearance formalities, in practice, individuals may be unable to obtain advance treaty relief on the receipt of proceeds from a source within the Russian Federation, and obtaining a refund of the taxes withheld can be extremely difficult, if not impossible.

In addition, whilst some Noteholders might be eligible for an exemption from or a reduction in Russian withholding tax under applicable double taxation treaties, there is no assurance that such exemption or reduction will be available in practice under such circumstances.

## 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 "Financial Review" and "Certain Statistical Data and Other Information" included elsewhere in this Base Prospectus Supplement.

### Key Ratios

	As at and for the nine months ended 30 September		As at and for the year ended 31 December
	2012	2011	2011
	(Unaudited)		
<b>Profitability Ratios:</b>			
Net interest margin <sup>(1)</sup> .....	3.4%	3.3%	3.2%
Operating expenses <sup>(2)</sup> as a percentage of net interest income before provisions for impairment losses .....	50.3%	50.4%	59.0%
Operating expenses as a percentage of average total assets <sup>(2)</sup> .....	1.5%	1.5%	1.7%
Return on average assets <sup>(3)</sup> .....	1.6%	0.8%	0.3%
<b>Liquidity Ratios:</b>			
Loans to customers as a percentage of total assets <sup>(4)</sup> .....	50.9%	45.6%	48.5%
<b>Equity Ratios:</b>			
Capital adequacy ratio <sup>(5)</sup> .....	11.3%	13.9%	14.5%
Maximum single borrower (or group of related borrowers) exposure <sup>(6)</sup> .....	87.1%	89.5%	75.1%
Maximum exposure to large credit risk <sup>(7)</sup> .....	567.1%	508.2%	480.1%

#### Notes:

- (1) For the year ended 31 December 2011, net interest margin is calculated as net interest income before provision for impairment of interest-earning assets divided by average interest-earning assets. For the nine months ended 30 September 2012 and 2011, net interest margin is calculated as net interest income before provision for impairment of interest-earning assets divided by average interest-earning assets multiplied by 4/3. See "Certain Statistical Data and Other Information – Average Balances and Interest Rates".
- (2) Operating expenses include non-interest expenses less expenses on goodwill write off and provision for other impairment. For the nine months ended 30 September 2012 and 2011, operating expenses as a percentage of average total assets is multiplied by 4/3. Average total assets is an average for the relevant period, which is the sum of half of the opening balance, the full amount of each quarterly interim balance and half of the ending balance, divided by the number of quarters in the relevant period.
- (3) For the year ended 31 December 2011, return on average assets is calculated as net income for the period divided by average total assets. For the nine months ended 30 September 2012 and 2011, return on average assets is calculated as net income for the period divided by average total assets multiplied by 4/3. Average total assets is an average for the relevant period, which is the sum of half of the opening balance, the full amount of each quarterly interim balance and half of the ending balance, divided by the number of quarters in the relevant period.
- (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 the Supervisory Board, which is principally based on approaches set out in regulations issued by the CBR.
- (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 methodology approved by the Supervisory Board. Mostly as part of VEB's recovery activities and as approved by VEB's Supervisory Board, VEB made an exception to this rule in respect of three state-owned borrowers.
- (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 methodology approved by the Supervisory Board.

## FINANCIAL REVIEW

*The following financial review should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations in the Base Prospectus, the Unaudited Interim IFRS Financial Statements included in this Base Prospectus Supplement and the notes thereto and the Financial Statements included in the Base Prospectus. This financial review includes forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in the forward-looking statements as a result of numerous factors, including the risks discussed in "Risk Factors" appearing in the Base Prospectus.*

### Statement of Financial Position

As at 30 September 2012, VEB's total assets were RUB 2,723 billion, representing an increase of RUB 191 billion or 8% as compared with total assets as at 31 December 2011. The increase in total assets was mainly due to an increase in loans to customers to RUB 1,387.1 billion, representing a RUB 158.2 billion or 13% increase as compared to loans to customers as at 31 December 2011. Loans to customers as a percentage of total assets increased to 51% as at 30 September 2012 from 49% as at 31 December 2011.

As at 30 September 2012, investment financial assets available-for-sale were RUB 517.0 billion, representing a 13% increase from RUB 459.0 billion as at 31 December 2011. The increase was mainly due to the acquisition by VEB during the first half of 2012 of Gazprombank shares in respect of which VEB has an obligation to sell the shares back to Gazprombank pursuant to a call option exercisable by Gazprombank at any time over a period of eight years. These shares (together with the associated obligation of VEB under the call option), which VEB classified as other available-for-sale financial assets, had a fair value of RUB 47.8 billion as at 30 September 2012. For more details on these transactions, see "*Recent Developments – VEB as the Key State-Owned Vehicle for the Stabilisation of the Russian Economy and Financial System – Recovery Finance – Subordinated Loans*". Investment financial assets available-for-sale as at 30 September 2012 included RUB 0.7 billion of available-for-sale assets pledged under repurchase agreements, as compared to RUB 4.7 billion as at 31 December 2011.

Amounts due from credit institutions decreased in the nine months ended 30 September 2012 by RUB 56.7 billion to RUB 401.0 billion as at 30 September 2012 mainly due to the early repayment during the first half of 2012 of VEB's subordinated loan to Gazprombank with a nominal value of RUB 50 billion. The subordinated loan was converted into Gazprombank shares acquired by VEB in the first half of 2012 as described in the preceding paragraph.

As at 30 September 2012, VEB's total liabilities were RUB 2,173 billion, representing an increase of RUB 173.8 billion or 9% as compared with total liabilities as at 31 December 2011. The main reasons for the increase were an increase in debt securities issued to RUB 363.3 billion, representing an increase of RUB 102.3 billion or 39% compared to 31 December 2011, and an increase in amounts due to the Russian Government and the CBR to RUB 1,007.6 billion, representing an increase of RUB 123.0 billion or 14% as compared to 31 December 2011. The amount of the increase in amounts due to the CBR was RUB 106.7 billion and was primarily due to an increase in short-term interest-bearing deposits and liabilities under repurchase agreements. The amount of the increase in amounts due to the Russian Government was RUB 16.4 billion and was due to increased volumes of short-term deposits raised by VEB's subsidiary banks from the Ministry of Finance of Russia.

As at 30 September 2012, amounts due to customers were RUB 325.4 billion, representing a decrease of RUB 27.0 billion or 8% as compared with amounts due to customers as at 31 December 2011. The decrease was caused by a decrease in term deposits and customer current accounts. Amounts due to credit institutions decreased to RUB 448.3 billion as at 30 September 2012, or by 5%, as compared to 31 December 2011.

VEB's capital increased by RUB 17.2 billion from 31 December 2011 to 30 September 2012, mainly due to an increase in reserves by RUB 31.8 billion of profit for the nine months ended 30 September 2012, which was offset in part by a decrease of RUB 13.4 billion in unrealised gains on investment financial assets available-for-sale.

## Statement of Income

For the nine months ended 30 September 2012, VEB had profit of RUB 31.8 billion, an increase by 147% as compared to VEB's profit for the nine months ended 30 September 2011.

Interest income for the nine months ended 30 September 2012 increased to RUB 149.9 billion, or by RUB 34.4 billion or 30% as compared to the corresponding period of 2011. The main reason for the increase was an increase in interest income from loans to customers and finance leases as a result of an increase in the volume of such transactions.

For the nine months ended 30 September 2012, interest expense was RUB 90.4 billion, an increase of RUB 22.8 billion or 34% as compared to the corresponding period of 2011. Interest expense on amounts due to credit institutions and the CBR increased by RUB 10.0 billion due to increased volumes and interest rates. The increase in interest expense on amounts due to customers and the Russian Government was RUB 5.8 billion, and the increase in interest expense on debt securities issued was RUB 6.9 billion.

For the nine months ended 30 September 2012, net interest income was RUB 59.5 billion, an increase of RUB 11.6 billion or 24% compared with the corresponding period of 2011.

For the nine months ended 30 September 2012, provision for impairment was RUB 21.0 billion, representing a decrease of RUB 8.3 billion or 28% compared to the corresponding period of 2011.

For the nine months ended 30 September 2012, gains less losses from investment financial assets available-for-sale decreased to a net loss of RUB 0.6 billion, representing a decrease of RUB 13.7 billion or 105% as compared to the corresponding period of 2011.

Gains less losses from dealing in foreign currency and translation differences increased to RUB 12.7 billion for the nine months ended 30 September 2012, an increase of RUB 17.2 billion as compared to the corresponding period of 2011.

Non-interest expense for the nine months ended 30 September 2012 increased to RUB 30.3 billion, an increase of RUB 5.7 billion or 23% as compared to the corresponding period of 2011. This increase was strongly influenced by an increase in other operating expenses by RUB 3.1 billion between the two periods.

## Sources of Funding

### *Bilateral and Syndicated Loans*

Since 25 June 2012, VEB has obtained the following new bilateral and syndicated loans:

- On 31 July 2012, VEB signed a five-year U.S.\$240 million loan agreement with Sumitomo Mitsui Banking Corporation Europe Limited ("SMBCE") and received the loan on 9 August 2012. The loan is part of funding a project aimed at reconstruction and modernisation of an oil refinery in the Republika Srpska, one of the two main political entities of Bosnia and Herzegovina. The project is being implemented by JSC Neftegazinkor.
- On 12 December 2012, VEB and HSBC Bank Plc signed a loan agreement as part of funding a project aimed at producing and processing cattle meat in the Bryansk region. The project is being implemented by Bryansk Meat Company LLC. Under the agreement, HSBC is to provide VEB with a seven-year U.S.\$150 million loan to fund advance payments under contracts of Bryansk Meat Company LLC with a number of foreign cattle exporters for a period of seven years. The loan has not yet been received by VEB.
- On 14 December 2012, VEB signed a four-year U.S.\$110.2 million loan agreement with Bank of America N.A. and received the loan on 28 December 2012. The loan is part of the funding for the construction of a flat glass production plant in the Caspian region. The project is being implemented by JSC Caspian Flat Glass Factory.
- On 18 December 2012, VEB signed a U.S.\$800 million three-year syndicated loan agreement and received the loan on 15 January 2013. The loan has an interest rate of six-month LIBOR plus 1.4%. The lead-arrangers and book-runners for the loan were The Bank of Tokyo-Mitsubishi UFJ, Barclays Bank, BNP Paribas, Citibank, Commerzbank AG, Credit Agricole, Deutsche Bank, HSBC, ING Bank, J.P. Morgan and Mizuho Corporate Bank. VEB plans to use the funds from the loan for refinancing a syndicated loan that it obtained in 2010, as well as for financing VEB's current investment projects.

### ***Debt Securities Issued***

VEB or its subsidiaries have placed the following new issues of debt securities since 25 June 2012:

- In July 2012, VEB placed 10-year eurobonds of Series 6 with par value of U.S.\$1.0 billion (RUB 32,207 million based on the official exchange rate of the CBR as of the date of placement).
- In July 2012, VEB-Leasing, a subsidiary of VEB, placed four series of non-convertible interest-bearing documentary bearer bonds, Series 01 through 04, each series with a nominal value of U.S.\$100 million and each series maturing in June 2017. Each issue was acquired in full by VEB in the initial offering.
- In August 2012, SME Bank, a subsidiary of VEB, placed Russian domestic bonds in an amount of RUB 5.0 billion. The bonds mature in 10 years and are subject to a two-year put option.
- In September 2012, Globexbank, a subsidiary of VEB, placed two issues of European commercial paper with par value of U.S.\$50 million each. The placement prices were 96.61% and 95.67% of the par value (equivalent to RUB 1,521 million and RUB 1,510 million based on the official exchange rate of the CBR at respective dates of placement), respectively.
- In October 2012, VEB-Leasing placed two series of non-convertible interest-bearing documentary bearer bonds, Series 05 and 06, each with a nominal value of U.S.\$100 million and each maturing in October 2017. Both issues were acquired in full by VEB in the initial offering.
- In October 2012, VEB placed two issues of RUB-denominated domestic bonds with a nominal value of RUB 10 billion each, maturing in October 2032. These bond issues are subject to a three-year put option.
- In November 2012, Sviaz Bank, a subsidiary of VEB, placed RUB 5 billion of exchange-traded RUB-denominated domestic bonds. RUB 3.65 billion of these bonds were purchased in the offering by VEB. The bonds mature in November 2015 and are subject to a one-year put option.
- In December 2012, Globexbank placed RUB 5 billion of domestic bonds maturing in December 2015. RUB 825 million of these bonds were purchased in the offering by VEB. This bond issue is subject to a one-year put option.

### ***Amounts Due to the CBR***

In June and September 2012, interest-bearing deposits with a principal amount of RUB 125.6 billion received by VEB from the CBR were extended by one year. In October 2012, interest-bearing deposits with a principal amount of RUB 87 billion received by VEB from the CBR were extended by one year.

## CERTAIN STATISTICAL DATA AND OTHER INFORMATION

### 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 has been prepared for the nine months ended 30 September 2012 and 2011 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, with the exception of certain significant transactions in respect of which the average of daily balances is used. 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 any 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 nine months ended 30 September 2012			For the nine months ended 30 September 2011		
	Average Balance	Average interest rate, % <sup>(1)</sup>	Interest Income/ Expense	Average Balance	Average interest rate, % <sup>(1)</sup>	Interest Income/ Expense
	<i>(RUB millions, except for percentages)</i>					
<b>Interest-earning assets<sup>(2)</sup></b>						
Loans to customers <sup>(3)</sup> .....	1,453,048	9.4%	102,018	1,036,005	9.1%	70,901
Due from credit institutions and cash equivalents.....	564,697	7.2%	30,309	631,864	6.3%	29,647
Securities <sup>(4)</sup> .....	293,235	8.0%	17,578	247,030	8.1%	14,967
<b>Total interest-earning assets .....</b>	<b>2,310,980</b>	<b>8.6%</b>	<b>149,905</b>	<b>1,914,899</b>	<b>8.0%</b>	<b>115,515</b>
<b>Interest-bearing liabilities</b>						
Amounts due to credit institutions and the CBR .....	717,190	4.8%	25,840	524,228	4.0%	15,808
Amounts due to customers and the Russian Government (Ministry of Finance) .....	342,128	5.9%	15,258	329,475	5.6%	13,782
Debt securities issued .....	324,575	6.9%	16,745	214,942	6.1%	9,820
NWF deposits.....	641,168	6.8%	32,586	589,275	6.4%	28,249
<b>Total interest-bearing liabilities .....</b>	<b>2,025,061</b>	<b>6.0%</b>	<b>90,429</b>	<b>1,657,920</b>	<b>5.4%</b>	<b>67,659</b>
<b>Net interest income .....</b>			<b>59,476</b>			<b>47,856</b>

Notes:

(1) Represents annualised 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 financial assets at fair value through profit or loss plus investment financial assets, and exclude equity securities, which are not interest-earning.

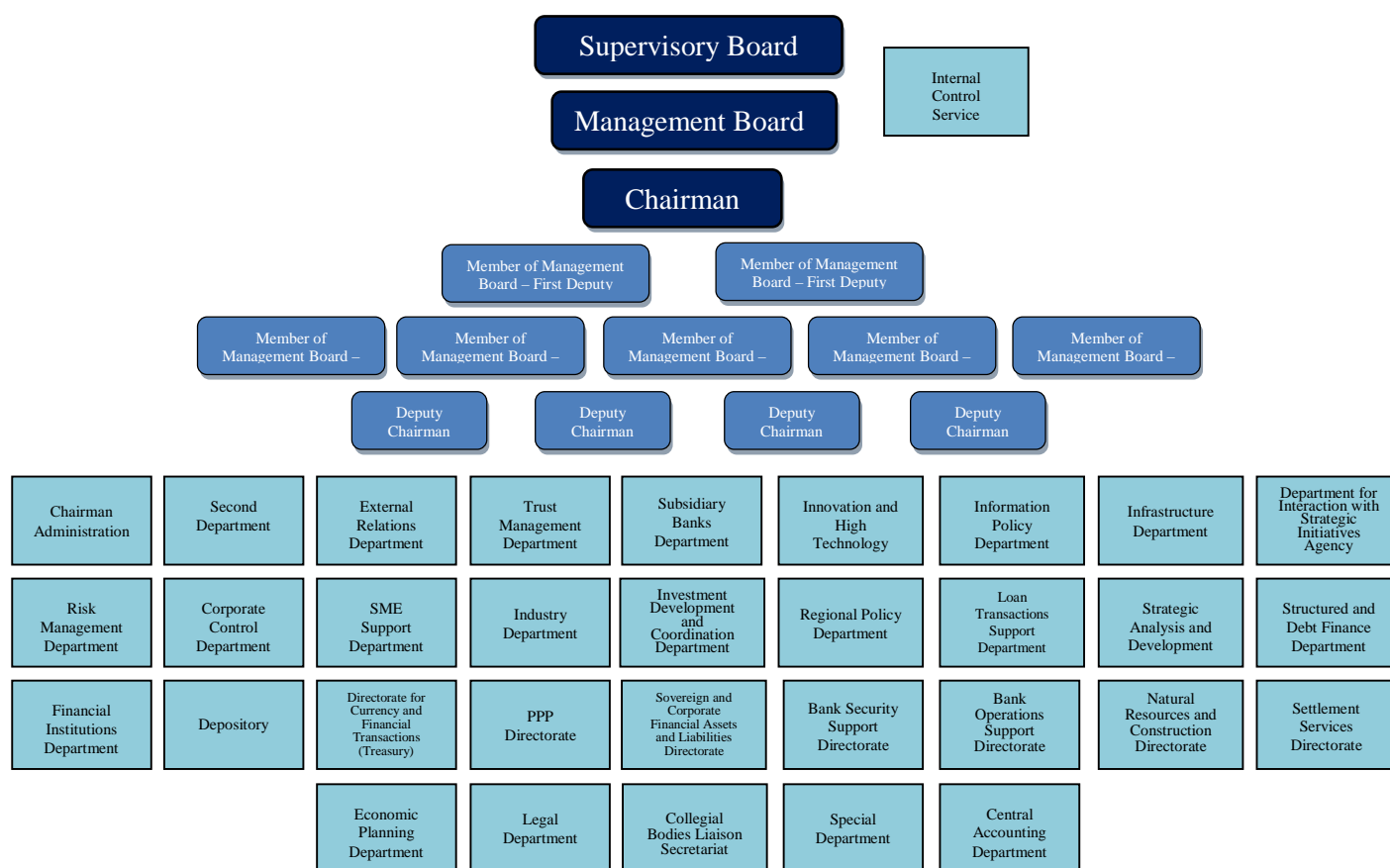
## RECENT DEVELOPMENTS

*This section contains 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 25 June 2012, 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 established a representative office in Nizhny Novgorod in October 2012.

## **VEB as the Development Bank of the Russian Federation**

In September 2012 and December 2012, respectively, the 2007 Memorandum was amended to expand VEB's lending and investment business priorities to include the financing of heavy, transport and power machinery and the financing of the defense sector.

### ***Investment Lending and Project Finance***

#### *Acting as Lender or Equity Investor in Investment Projects*

##### *Certain Significant Investment Projects*

Since 25 June 2012, VEB has continued to finance strategically important, large-scale projects. The most significant new projects currently being financed by VEB include the following:

- On 11 December 2012, VEB increased the amount of its loan for a project to build the first stage of the Boguchansky aluminum smelter from the U.S. dollar equivalent of RUB 21.9 billion to the U.S. dollar equivalent of RUB 47.2 billion (in each case calculated based on the applicable exchange rate on the date of the respective agreement). The loan has a repayment schedule from 20 March 2016 through 20 December 2027. The aluminum smelter is part of the BEMO hydropower and aluminum project that is being implemented by RusHydro and UC RUSAL. The BEMO project also includes the construction of the Boguchanskaya hydropower plant. The amount of financing for the first stage of the smelter was increased because production plans were doubled to 300,000 tonnes per year.
- On 31 July 2012, VEB granted a U.S.\$1 billion credit facility to CJSC Sukhoi Civil Aircraft ("SCA") to refinance the principal owed by SCA on loans provided to it for the Sukhoi SuperJet-100 ("SSJ-100") program. The facility term is until 31 July 2024. SCA is controlled by the Russian company Sukhoi, which is part of the United Aircraft Corporation (UAC), a Russian state corporation. Italian company Alenia Aeronautica has a blocking stake in SCA.
- On 3 October 2012, VEB and Eurasian Development Bank ("EDB") provided a further tranche of their loan to Ekibastuz GRES 2 for the purchase of basic power equipment in the framework of a project to expand and reconstruct a power station in Kazakhstan, including the installation of Unit 3 of such station. The tranche was provided in Roubles and U.S. dollars in an amount equivalent to approximately U.S.\$200 million. These funds will be used to make prepayment under an agreement for the purchase of boiler and turbine equipment. The project is being financed under a loan agreement entered into on 23 June 2010. Under the agreement, VEB and EDB committed to provide a 15-year loan to Ekibastuz GRES 2 on a parity basis in an aggregate amount of approximately U.S.\$800 million. After the construction of Unit 3, electricity generation by the plant is expected to increase by 4.5 billion kWh per year. The project is expected to create up to 1,200 additional jobs during the construction period and up to 400 jobs for the unit operation going forward.
- On 30 October 2012, VEB completed its acquisition of common shares of CJSC Verkhnekamsk Potash Company ("VPC"), part of the Acron Group, for consideration of RUB 6.7 billion (U.S.\$213.3 million) pursuant to a transaction structure aimed at financing the development of the Talitsky area of the Verkhnekamsk potassium-magnesium salt deposit in the Perm region of Russia. The overall project costs are estimated to be U.S.\$2.8 billion. As of today, OJSC Acron has invested approximately U.S.\$700 million in the project. These funds were used for the acquisition of a mining licence. In the first stage, the project will be financed with funds contributed to VPC's authorised capital by VEB and foreign investors (namely, CJSC Raiffeisenbank and EDB). As a result of the share acquisition described above, VEB now owns 20% minus one share in VPC; EDB owns 9.1%; CJSC Raiffeisenbank owns 8.95%; and OJSC Acron owns 61.95%. VEB has committed to grant VPC a loan facility in 2014 in an amount of up to U.S.\$1.1 billion for the continued financing of the project.



## *Direct Infrastructure Investment Funds*

### *Russian Direct Investment Fund*

On 28 December 2012 VEB received a capital contribution of RUB 62 billion as a subsidy to be invested in RDIF. See “—*Status as a State Corporation and Related Regulatory Environment – Additional Paid-In Capital*”. On 15 January 2013, VEB invested the full amount of the subsidy in RDIF.

In June 2012, RDIF and the Kuwait Investment Authority (“**KIA**”) signed an agreement providing for co-investment in all RDIF projects. Under the agreement, KIA is contemplated to invest U.S.\$500 million into RDIF projects. Also in June 2012, a consortium of international investors including BlackRock, Goldman Sachs and Franklin Templeton signed an agreement with RDIF to launch a pre-IPO program for investments in leading Russian companies with annual revenues in excess of U.S.\$500 million that are planning an IPO on the Moscow Exchange within the next six to 18 months from the date of the agreement.

### *Far East and Baikal Region Development Fund*

On 29 October 2012, the Supervisory Board approved an increase in the charter capital of Far East and Baikal Region Development Fund for 2013 by way of an additional contribution from VEB in the amount of RUB 15 billion. On 28 December 2012, VEB received RUB 15 billion as a subsidy to be contributed to the charter capital of Far East and Baikal Region Development Fund. The Far East and Baikal Region Development Fund currently has 21 potential projects that are being examined and eight potential projects that are included on a complex examination list, which is a more advanced stage of examination. The aggregate value of such potential projects is RUB 793 billion. See “—*Status as a State Corporation and Related Regulatory Environment – Additional Paid-In Capital*”.

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

### *Export Support Financing*

On 3 December 2012, the CBR amended its rules on potential loss provisioning by Russian banks pursuant to CBR Regulation No № 254-P. As from 19 December 2012, guarantees issued by VEB and/or EXIAR are accounted for as a security of the first category, and as a result the required provisions on the loans secured by such guarantees are less than they were previously.

On 30 November 2012, VEB issued a guarantee in an amount of up to U.S.\$10 billion to secure fulfillment of EXIAR's obligations under its insurance agreements. VEB's obligations under the guarantee are in turn secured by a state guarantee of the Russian Federation in an amount of up to U.S.\$10 billion.

In accordance with Government Order No. 1302 “On Approval of Rules for Providing Federal Budget Subsidies in the Form of Asset Contribution by the Russian Federation into the State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank)” of 13 December 2012, an agreement was signed between VEB and the Ministry of Industry and Trade of the Russian Federation on 20 December 2012 in order to compensate VEB for its expenses incurred in connection with its support of the production of high-tech products in Russia. On 26 December 2012, a subsidy in the amount of RUB 3 billion was disbursed to VEB for the purpose of compensating VEB for expenses in connection with loans and credit lines VEB will provide to non-Russian entities under certain loan and credit line agreements. Such subsidy is applicable to loans with terms of up to 15 years provided by VEB beginning on 1 January 2013 to non-Russian entities.

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

In September 2012, VEB, SME Bank and SME Bank Malaysia signed a memorandum of understanding to cooperate and arrange support for SMEs in Russia and Malaysia. The main purposes are: informational and consultative support for SMEs in Malaysia and the Russian Federation utilising the experience of SME Bank Malaysia, VEB and SME Bank; SME support in both countries in trade activities between Malaysia and Russia; and information exchange related to development of SMEs in Malaysia and Russia.

In October 2012, VEB and German state development bank KfW signed a memorandum of understanding regarding the establishment of an International SME Finance Fund.

In November 2012, in the course of the First Moscow International Innovative Development Forum “Open Innovations”, VEB, venture capital firm Bright Capital and technology company Siluria technologies, Inc. entered into a cooperation agreement aimed at establishing a strategic partnership and promoting long-term, effective and mutually beneficial cooperation on implementing investment projects in the petrochemical and gas chemical sector. This cooperation could result in projects to create production facilities for manufacturing ethylene or liquid hydrocarbons from natural gas using the technology of Siluria Technologies, Inc. The project’s budget is approximately RUB 45 billion.

In November 2012, VEB and Industrial Bank of Korea signed a memorandum of understanding regarding the support of SMEs and the promotion of international banking business, including structured and trade finance, on a strategic business cooperation basis.

In November 2012, VEB and German state development bank KfW signed a long-term financing agreement to support the development of small and mid-sized innovation businesses in the Baltic Sea region of Russia. The agreement envisages a U.S.\$110 million loan to finance projects in the St. Petersburg and Leningrad, Kaliningrad and Pskov regions. The financing will focus on sustainable development and modernisation in the field of municipal and regional infrastructure, energy efficiency, ecology, climate protection and comprehensive development. This will be the first agreement made in the framework of the Pilot Financial Initiative (PFI) under the umbrella of the CBSS. KfW will loan the money to VEB, which will then distribute it to other banks under certain conditions.

On 10 January 2013, VEB joined the Association of Development Financing Institutions in Asia and the Pacific (“ADFIAP”) as a full member. VEB’s membership in ADFIAP will enable VEB to participate in co-financing with other ADFIAP members of various projects in such areas as infrastructure, environmental protection, energy efficiency, social development, micro-finance and SME projects. VEB first joined ADFIAP as an observer in September 2007.

### ***SME Lending and Development***

On 28 December 2012, by Order No. 1451, the Russian Government adopted rules that provide for state guarantees securing up to 50% of the total principal amount of guarantees by VEB of its wholly-owned banking subsidiaries’ guarantees of loans provided by other banks to medium-sized businesses. The new rules provide such state guarantees will be in effect for up to 20 years from the date of issue and will be applicable to an aggregate amount of up to RUB 40 billion in guarantees from VEB.

On 29 December 2012, VEB and SME Bank concluded a facility agreement under which VEB is to provide U.S.\$100 million to support the development of small and mid-sized innovation businesses in the Baltic Sea region of Russia.

## **VEB as the Key State-Owned Vehicle for the Stabilisation of the Russian Economy and Financial System**

### ***Recovery Finance***

#### ***Subordinated Loans***

In June 2012, VEB sold a stock option to Gazprombank, which is valid until June 2020, allowing Gazprombank to repurchase 2.5 million of the Gazprombank shares held by VEB for consideration of RUB 51.25 billion to be paid to VEB over eight years. The option term coincides with the maturity of a subordinated loan extended to Gazprombank by its shareholders and VEB as anti-crisis bank support. Prior to the sale of this stock option, VEB’s subordinated loan to Gazprombank in an amount of RUB 50 billion was converted into Gazprombank shares by way of subscription to additionally issued shares. As a result, VEB received 10.19% of Gazprombank’s shares for consideration of RUB 20,000 per share. Under the option, Gazprombank can repurchase the stake for RUB 20,500 per share. The option premium paid by Gazprombank to VEB will amount to approximately RUB 3.24 billion per year, which is recognisable by VEB as interest income. The first payment was made in December 2012 in the amount of RUB 1.6 billion. Under the terms of the transaction, if VEB were to sell its stake in Gazprombank, it would be required to give 80% of the profit it realised on such sale to Gazprombank.

#### ***Support for the Mortgage Lending Market***

In November 2012, VEB purchased mortgage bonds in the amount of RUB 1.587 billion, maturing in 2045 with a fixed interest rate under VEB’s 2010-2013 Mortgage Investment Programme to support affordable housing construction and mortgage projects.

## **VEB as Agent for the Russian Government**

### ***General***

On 23 July 2012, VEB signed Additional Agreement No. 3 to the Agreement on Performing the Functions of an Agent of the Russian Government, entered into between VEB and the Russian Ministry of Finance on 25 December 2009, which determined the procedures for VEB's performing agency functions on behalf of the Russian Government in 2012.

### ***Pension Funds Management (STMC)***

In addition to its role as manager of pension savings funds through State Trust Management Company ("STMC"), in July 2012 VEB was appointed pursuant to a Decree of the Russian Government as the manager of the State Pension Fund Payout Reserve. STMC's investment declaration in respect of the State Pension Fund Payout Reserve is substantially identical to that which is applicable to the other pension funds managed by STMC.

### ***Depository Operations***

On 1 October 2012, VEB introduced changes in its depository services regulations to allow foreign companies that are not beneficiaries to open depo accounts with VEB. The list of possible types of accounts has been extended to include nominal holders' accounts and authorised holders' accounts. Foreign companies are entitled to perform any legal or material actions with the securities in the accounts and exercise any rights under their own names and for the benefit of other persons.

## **Principal Subsidiaries and Associates**

### ***Domestic Banking Subsidiaries***

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

On 29 June 2012, VEB subscribed for 1,979 newly-issued ordinary shares of SME Bank for consideration of RUB 1.98 billion. VEB owns 100% of the share capital of SME Bank.

In August 2012, SME Bank placed Russian domestic bonds in an amount of RUB 5.0 billion. The bonds mature in 10 years and are subject to a two-year put option. See "*Financial Review – Sources of Funding – Debt Securities Issued*".

See also "*VEB as the Development Bank of the Russian Federation – Support of the Russian Export Sector and Foreign Trade Activities of Russian Companies – Agreements with International Financial Institutions, Foreign States, Regional Governments of the Russian Federation and Commercial Entities*".

#### ***Interregional Bank for Settlements of the Telecommunications and Postal Services (Sviaz-Bank)***

In November 2012, Sviaz Bank placed RUB 5 billion of exchange-traded RUB-denominated domestic bonds. RUB 3.65 billion of these bonds were purchased in the offering by VEB. The bonds mature in November 2015 and are subject to a one-year put option. See "*Financial Review – Sources of Funding – Debt Securities Issued*".

#### ***CJSC "GLOBEXBANK"***

In September 2012, Globexbank placed two issues of Euro commercial paper, each issue with a par value of U.S.\$50 million. The placement prices were 96.61% and 95.67% of the par value (equivalent to RUB 1.521 billion and RUB 1.510 billion based on the official exchange rate of the CBR at respective dates of placement), respectively.

In December 2012, Globexbank placed RUB 5 billion of domestic bonds maturing in December 2015. RUB 825 million of these bonds were purchased in the offering by VEB. This bond issue is subject to a one-year put option.

See "*Financial Review – Sources of Funding – Debt Securities Issued*".

## ***Other Principal Domestic Subsidiaries***

### ***LLC VEB Capital***

In August 2012, VEB made an additional contribution to the charter capital of LLC “VEB Capital” in a total amount of RUB 2.7 billion. VEB's interest in the charter capital of LLC “VEB Capital” remained unchanged at 100%.

### ***OJSC “VEB-Leasing”***

In July 2012, VEB-Leasing placed four series of non-convertible interest-bearing documentary bearer bonds, Series 01 through 04, each series with a nominal value of U.S.\$100 million and each series maturing in July 2017. Both issues were acquired in full by VEB in the initial offering.

In October 2012, VEB-Leasing placed two series of non-convertible interest-bearing documentary bearer bonds, Series 05 and 06, with a nominal value of U.S.\$100 million each, maturing in five years. Both issues were acquired in full by VEB in the initial offering. See “—*Financial Review – Sources of Funding – Debt Securities Issued*”.

### ***MRIF and MRIF-II***

In October 2012, VEB transferred funds in the amount of RUB 270 million to repay 17,436 additional investment units of Closed-end Mutual Equity Fund “MRIF-II”. Following registration of changes in the rules for trust management of the mutual fund that was completed in November 2012, VEB's share in the fund increased to 99.9991%.

### ***Russian Bank Capitalization Fund***

In June 2012, VEB, IFC and the Russian Government contributed to the capital of the Russian Bank Capitalization Fund, an investment fund focused on investments in Russian banks. VEB contributed U.S.\$250 million, IFC contributed U.S.\$250 million and the Ministry of Finance of Russia contributed U.S.\$50 million. The Russian Bank Capitalization Fund was established in June 2012 and is managed by IFC Asset Management Company LLC, a wholly-owned subsidiary of IFC.

### ***OJSC “Russian Agency for Export Credit and Investment Insurance” (EXIAR)***

See “— *VEB as the Development Bank of the Russian Federation – Support of the Russian Export Sector and Foreign Trade Activities of Russian Companies – Export Support Financing*”.

### ***OJSC “Far East and Baikal Region Development Fund”***

See “— *VEB as the Development Bank of the Russian Federation – Investment Lending and Project Finance – Direct Infrastructure Investment Funds – Far East and Baikal Region Development Fund*”.

## **Litigation**

Other than as set out below, VEB has not been involved in any material legal proceedings since 25 June 2012.

- In December 2009, VEB signed a loan agreement with OJSC Amurmetal, a Russian steel company. In 2010, VEB granted a RUB 2.2 billion credit line to OJSC Amurmetal under the loan agreement, and the amount of the credit line was subsequently increased to RUB 7.5 billion. The borrower's obligations were secured by a pledge of receivables from its export contracts. On 30 August 2012, the Khabarovsk Krai state arbitrazh court established a supervision procedure over OJSC Amurmetal in connection with its insolvency. The term of the supervision procedure was initially established until 14 January 2013 and was then extended until 14 February 2013. As at 20 June 2012, OJSC Amurmetal had drawn down RUB 5.30 billion under the credit line. In November 2012, a claim by VEB in the amount of RUB 5.38 billion (representing principal and accrued interest) was accepted in the insolvency proceedings and was included into the register of creditors' claims.
- In May 2010, VEB granted a €110 million credit line to United Pilsen S.A., Luxembourg, with the borrower's obligations secured by a guarantee from Czech steel company Pilsen Steel s.r.o. In September 2012, bankruptcy proceedings were initiated against Pilsen Steel s.r.o. VEB has filed a claim in the bankruptcy proceedings to recover €128 million, which is the amount of the outstanding debt of United Pilsen S.A. to VEB. Since 2012 VEB has been a member of the creditors' committee. Following the first creditors' meeting and a court hearing held on 4 January 2013, a reorganisation of Pilsen Steel s.r.o. has been initiated.

## Management and Employees

On 11 July 2012 Nikolai Kosov resigned from his position of the First Deputy Chairman of VEB (and member of the Management Board) and moved to International Investment Bank. In July 2012, Mikhail Poluboyarinov was appointed as a member of the Management Board and in October 2012 he was appointed as First Deputy Chairman of VEB. On 21 December 2012, Petr Fradkov resigned from his position as a member of the Management Board of VEB. On 17 December 2012, Alexander Ivanov was appointed as a member of the Management Board of VEB.

As at the date of this Base Prospectus Supplement, the members of the Management Board are:

<i><b>Name</b></i>	<i><b>Position</b></i>
<i>Vladimir Dmitriev</i>	<i>Chairman of VEB</i>
<i>Anatoly Tikhonov</i>	<i>First Deputy Chairman of VEB</i>
<i>Mikhail Poluboyarinov</i>	<i>First Deputy Chairman of VEB</i>
<i>Sergey Vasiliev</i>	<i>Deputy Chairman of VEB</i>
<i>Sergey Lykov</i>	<i>Deputy Chairman of VEB</i>
<i>Mikhail Kopeikin</i>	<i>Deputy Chairman of VEB</i>
<i>Alexander Ivanov</i>	<i>Deputy Chairman of VEB</i>
<i>Vladimir Shaprinsky</i>	<i>Chief Accountant of VEB</i>

### ***Mikhail Poluboyarinov – First Deputy Chairman of VEB***

Since July 2012, Mikhail Poluboyarinov has served as member of VEB's Management Board and since October 2012 he has served as First Deputy Chairman of VEB. From July 2011 to July 2012, Mr. Poluboyarinov was a Deputy Chairman of VEB but was not a member of the Management Board. Mr. Poluboyarinov was previously deputy CEO of OJSC Aeroflot – Russian Airlines from 2003 to 2009. Mr. Poluboyarinov was born in 1966 in Moscow. In 1988, he graduated from Moscow Financial Institute with a degree in credit and economics, and in 1998 he obtained a Ph.D in economics from Plekhanov Academy of Economics.

### ***Alexander Ivanov – Member of the Management Board of VEB***

Since December 2012, Alexander Ivanov has served as the member of the Management Board. From April 2012 to December 2012, he was a Deputy Chairman of VEB but was not a member of the Management Board. From 2003 to 2005, he served as the deputy department head, department head and deputy head of the Foreign Banks Cooperation Directorate at VTB Bank. In 2006, he served as the managing director of VTB Bank's Corporate Development and Financial Assets Department. From 2006 to 2007 he served as deputy director and then head of the Structured Finance Department of VEB's Investment Banking Transactions Directorate. From 2007 to 2012, Mr. Ivanov was director of the Structured and Debt Finance Department at VEB. He graduated from Moscow State Institute of International Relations in 2000 with a degree in world economics. Mr. Ivanov also earned two master of business administration degrees, one from the Finance Academy under the Russian Government in 2003 and the other from Stockholm School of Economics in 2012.

## Status as a State Corporation and Related Regulatory Environment

### ***Additional Paid-In Capital***

Since 25 June 2012, pursuant to amendments to the federal budget approved by Federal Law No. 247-FZ of 3 December 2012, VEB received the following subsidies:

- On 28 December 2012 VEB received RUB 62 billion as a subsidy to be invested in RDIF. On 15 January 2013, VEB invested the full amount of the subsidy in RDIF. See “—*VEB as the Development Bank of the Russian Federation – Investment Lending and Project Finance – Direct Infrastructure Investment Funds – Russian Direct Investment Fund*”. As a result of VEB's contribution of the subsidy to RDIF's charter capital, such subsidy will be recognised as additional paid-in capital of VEB under IFRS accounting rules.
- On 28 December 2012, VEB received RUB 15 billion as a subsidy to be contributed to the charter capital of Far East and Baikal Region Development Fund. To the extent that VEB contributes this subsidy to the charter capital Far East and Baikal Region Development Fund, the subsidy will be recognised as additional paid-in capital of VEB under IFRS accounting rules. See “—*VEB as the Development Bank of the Russian Federation – Investment Lending and Project Finance – Direct Infrastructure Investment Funds – Far East and Baikal Region Development Fund*”.

## TAXATION

### Russian Federation

#### General

The following is a summary of certain Russian tax considerations relevant to the purchase, ownership and disposition of any Series of Notes as well as the taxation of interest payments on any corresponding Loan. The summary is based on the laws of the Russian Federation in effect on the date of this Base Prospectus Supplement. The information and analysis contained within this section are limited to taxation issues, and prospective investors should not apply any information or analysis set out below to other areas, including (but not limited to) the legality of transactions involving any Series of Notes. The summary does not seek to address the applicability of, or procedures in relation to, taxes levied by regions, municipalities or other non-Federal level authorities of the Russian Federation, nor does the summary seek to address the availability of double tax treaty relief in respect of income payable on any Series of Notes, or practical difficulties involved in claiming such double tax treaty relief. The analysis set out herein does not include any comments on tax implications which could arise for Noteholders in connection with entering into REPO or stock lending transactions with any Series of the Notes or into term deals, derivatives and/or any similar types of transactions with any Series of the Notes.

Prospective investors should consult their own tax advisors regarding the tax consequences of investing in the Notes in their own particular circumstances. No representation with respect to the Russian tax consequences pertinent to any particular Noteholder is made hereby.

Many aspects of Russian tax law are subject to significant uncertainty and lack of interpretive guidance. Further, the substantive provisions of Russian tax law applicable to financial instruments may be subject to more rapid and unpredictable change (possibly with retroactive effect) and inconsistency than in jurisdictions with more developed capital markets and tax systems. In particular, the interpretation and application of such provisions will, in practice, rest substantially with local tax inspectorates and the meaning of the interpretations may constantly change.

In practice, interpretation of tax laws and regulations by different tax inspectorates may be inconsistent or contradictory, and may result in the imposition of conditions, requirements or restrictions that are not explicitly stated by the law. Similarly, in the absence of binding precedent, court rulings on tax or other related matters adopted by different courts relating to the same or similar circumstances may also be inconsistent or contradictory.

For the purposes of this summary, a “**Non-Resident Noteholder**” means:

- an individual Noteholder who does not satisfy the criteria for being a Russian tax resident. This means an individual not actually present in the Russian Federation for an aggregate period of 183 calendar days or more in any consecutive 12-month period who acquires, holds and disposes of the Notes (“**Non-Resident Noteholder-Individual**”); or
- a legal entity or an organisation in each case not organised under Russian law which holds and disposes of the Notes otherwise than through a permanent establishment in the Russian Federation (“**Non-Resident Noteholder-Legal Entity**”).

For the purposes of this summary, a “Resident Noteholder” means any Noteholder (including any individual and any legal entity or an organisation) not qualifying as a Non-Resident Noteholder.

For the purposes of this summary, the definitions of “Resident Noteholder” and “Non-Resident Noteholder” in respect of individuals are taken at face value based on the wording of the tax law as currently written. In practice however the application of the above formal residency definition may differ based on the position of the tax authorities. The law is currently worded in a way that implies the potential for a split year residency for individuals. However, both the Ministry of Finance of the Russian Federation and the tax authorities have expressed the view that an individual should be either resident or non-resident in the Russian Federation for the full year and consequently even where travel patterns dictate different residency statuses for different parts of the tax year, the application of the residency tax rate may in practice be disallowed. This situation may be altered by amendments to articles of the Russian Tax Code dealing with taxation of individuals, a change in the position of the authorities or by judgments of tax controversies in the courts. Tax residency rules and the Russian Federation’s rights with regard to taxation rules may be affected by an applicable double tax treaty.

The Russian tax treatment of interest payments made by VEB to the Issuer or to the Trustee under the Facility Agreement may affect the holders of the Notes. See “—*Taxation of Interest on the Loan*”.

## ***Taxation of the Notes***

### ***Non-Resident Noteholders***

A Non-Resident Noteholder generally should not be subject to any Russian taxes in respect of payments of interest and repayments of principal on the Notes received from the Issuer, subject to the following paragraph. Taxation of interest on the Notes may however be affected by the taxation treatment of interest on any Loan.

The acquisition of Notes by a Non-Resident Noteholder-Individual may constitute a taxable event pursuant to the provisions of the Russian Tax Code relating to the material benefit (deemed income) received as a result of the acquisition of securities. If the acquisition price of the Notes is below the lower margin of the fair market value calculated under a specific procedure for the determination of market prices of securities for Russian personal income tax purposes, the difference may be subject to Russian personal income tax at the rate of 30% (or such other tax rate as may be effective at the time of acquisition), which is arguably subject to reduction or elimination under the applicable double tax treaty. Although the Russian Tax Code does not contain any provisions in relation to how the material benefit should be sourced, it may be inferred that such income should be considered as Russian source income if the Notes are purchased “in the Russian Federation”. In the absence of any additional guidance as to what should be considered as a purchase “in the Russian Federation”, the Russian tax authorities may use various criteria to determine the source of any such material benefit, including looking at the place of conclusion of acquisition transaction, the location of the Issuer, or other similar criteria. There is, therefore, no assurance that as a result any material benefit received by the Non-Resident Noteholders—Individuals in connection with the acquisition of the Notes will not become taxed in Russia.

The acquisition of the Notes by Non-Resident Noteholder-Legal Entities should not constitute a taxable event and there should be no Russian tax implications for the Non-Resident Noteholder-Legal Entities associated with acquisition of the Notes.

A Non-Resident Noteholder also generally should not be subject to any Russian taxes in respect of any gain or other income realised on redemption, sale or other disposal of the Notes outside the Russian Federation, provided that the proceeds from such disposition are not received from a source within the Russian Federation.

In the event that proceeds from a disposition of the Notes are received from a source within the Russian Federation, a Non-Resident Noteholder-Legal Entity should not be subject to Russian withholding tax on any gain on sale or other disposition of the Notes, although there is some uncertainty regarding the treatment of the portion of the proceeds, if any, from disposition of the Notes that is attributable to accrued interest on the Notes. Subject to reduction or elimination under provisions of an applicable double tax treaty that are related to interest income, proceeds attributable to accrued interest may be taxed at a rate of 20% (or such other tax rate as may be effective at the time of disposal), even if the disposal results in a capital loss.

According to Russian tax legislation, taxation of income of Non-Resident Noteholder-Individuals will depend on whether this income is received from Russian or non-Russian sources. Russian tax law gives no clear indication as to how the sale of securities should be sourced, other than that income from the sale of securities “in the Russian Federation” should be considered as Russian-source income. As there is no further definition of what should be considered as a sale “in the Russian Federation”, the Russian tax authorities have a certain amount of freedom to conclude what transactions take place in or outside the Russian Federation, as discussed above.

In the event the proceeds from a disposal of the Notes by a Non-Resident Noteholder-Individual are classified as income from a source within the Russian Federation for Russian personal income tax purposes, the gain, as such, will be subject to Russian personal income tax at a rate of 30% (or such other tax rate as may be effective at the time of payment) unless such tax is reduced or eliminated under an applicable double tax treaty. The tax will apply to the gross amount of sales or disposal proceeds received upon the disposition of the Notes (including accrued and paid interest on the Notes) decreased by the amount of any available duly documented cost deductions (including the original acquisition costs and other documented expenses related to the acquisition, holding and the sale or other disposal of the Notes) provided that such documentation is duly executed and is available to the person obliging to calculate and withhold the tax in a timely manner. There is a risk that, if the documentation supporting the cost deductions is deemed insufficient by the Russian tax authorities or the person remitting the respective income to the Non-Resident Noteholders—Individuals (where such person is considered as the tax agent obliging to calculate and withhold Russian personal income tax and remit it to the Russian budget), the deduction will be disallowed and the tax will apply to the gross amount of the sales or disposal proceeds.

In certain circumstances, gains received and losses incurred by a Non-Resident Noteholder-Individual as a result of the sale or other disposal of the Notes and other securities of the same category occurring within the same tax year may be aggregated for Russian personal income tax purposes, which could affect the total amount of income of the Non-Resident Noteholder-Individual subject to taxation in Russia.

If the disposal proceeds are paid to the Non-Resident Noteholder-Individual by a licensed broker or an asset manager that is a Russian legal entity carrying out operations for the benefit of the Non-Resident Noteholder-Individual under an asset management agreement, a brokerage agreement, an agency agreement, a commission agreement or a commercial mandate agreement, the applicable Russian personal income tax at the rate of 30% (or such other tax rate as may be effective at the time of payment) will be withheld at the source by the person acting as the tax agent.

When a sale is made to other legal entities or individuals, generally no Russian personal income tax should be withheld at source by these persons and the Non-Resident Noteholder-Individual would be required to file a tax return individually on a self-assessment basis and report his or her income realised to the Russian tax authorities and, upon provision of relevant supporting documentation, able to apply for a deduction of acquisition expenses. The applicable tax would then have to be paid by the individual on the basis of the tax return.

There is also a risk that any gain derived from a disposition of the Notes may be affected by changes in the exchange rate between the currency used to acquire the Notes, the currency used to dispose of the Notes and Roubles.

Non-Resident Noteholders should consult their own tax advisors with respect to the tax consequences of the disposal of the Notes and on the tax consequences of the receipt of proceeds from a source within the Russian Federation in respect of a disposal of the Notes.

#### *Tax Treaty Relief*

The Russian Federation has concluded double tax treaties with a number of countries and honours some double tax treaties concluded by the former Union of Soviet Socialist Republics. These tax treaties may contain provisions that reduce or eliminate Russian tax due with respect to income received from a source within the Russian Federation by a Non-Resident Noteholder on a disposition of the Notes. To obtain the benefit of such tax treaty provisions, the Noteholder must comply with the certification, information, and reporting requirements in force in the Russian Federation (relating, in particular, to the confirmation of the entitlement and eligibility to treaty benefits).

For treaty relief from Russian withholding tax, preliminary approval from the Russian tax authorities is not required.

Currently, a Non-Resident Noteholder-Legal Entity should provide the payer of income with a certificate of tax residence issued by the competent tax authority of the relevant treaty country in advance of the first payment of income in a given year. This certificate should confirm that the respective Non-Resident Noteholder-Legal Entity is the tax resident of the relevant double tax treaty country for the purposes of the respective treaty. The Russian tax legislation does not provide any further guidance on the format of documents confirming tax residence of a foreign company in a foreign state. The Russian tax authorities provide some additional guidance on this matter in their Methodological Recommendations “Concerning Special Considerations Relating to the Taxation of Foreign Legal Entities” adopted by Order of the Ministry of the Russian Federation for Taxes and Levies No. BG-3-23/150@ of 28 March 2003 (the “**Recommendations**”). Although the Recommendations were abolished by Order of the Federal Tax Service No. MMB-7-3/980@ of 19 December 2012, the guidance on tax residency certificate form, timing for its provision contained in the Recommendations had been used for many years in practice and tax residency certificates prepared in accordance with this guidance were accepted by the tax authorities. Specifically, the Recommendations stated that the certificate should confirm that non-Russian legal entity is the tax resident of the relevant double tax treaty in particular calendar year during which income is paid, should be apostilled or legalised and needs to be renewed on an annual basis. A notarised Russian translation of the certificate was also required. Since the Recommendations were annulled there is no guarantee that the tax residency certificate prepared in accordance with the guidance contained in the Recommendations would be accepted by the Russian tax authorities, although it is possible to argue that the format proposed in the Recommendations became usual business practice and could be applied in the absence of any further guidance. In addition, the payer of income in practice may request additional documents confirming the eligibility of the Non-Resident Noteholder-Legal Entity to the benefits of the double tax treaty. There can be no assurance that advance treaty relief will be available in practice.

A Non-Resident Noteholder-Individual, in order to use the benefits of the double tax treaties, must provide to the Russian tax authorities a tax residency certificate issued by the competent authorities in his or her country of residence for tax purposes and a confirmation from the relevant foreign tax authorities of income received and the tax payment made outside the Russian Federation on income with respect to which treaty benefits are claimed. Such requirements may be imposed even though they could directly contradict the provisions of the respective double tax treaty. Technically, such requirements mean that a Non-Resident Noteholder-Individual cannot rely on the double tax treaty until he or she pays the tax in the jurisdiction of his or her tax residency. Individuals in practice may be unable to obtain advance treaty relief on receipt of proceeds from a source within the Russian Federation, as it is very unlikely that the supporting documentation for the treaty relief can be provided to the Russian tax authorities and, consequently, approval from the latter can be obtained before the receipt of income occurs.



Non-Resident Noteholders should consult their own tax advisors regarding possible tax treaty relief and procedures required to be fulfilled for obtaining such relief with respect to any Russian taxes imposed in respect of proceeds received in connection with the acquisition and disposition of the Notes.

#### *Refund of Tax Withheld*

If Russian withholding tax on income derived from Russian sources by a Non-Resident Noteholder - Legal Entity was withheld at source despite the domestic release of such income from Russian withholding tax or the right of such Non-Resident Noteholder - Legal Entity to rely on benefits of the applicable double tax treaty allowing it not to pay the tax or to pay the tax at a reduced tax rate in relation to such income, a claim for a refund of such tax that was excessively withheld at the source can be filed with the Russian tax authorities within three years from the end of the tax period in which the tax was withheld provided that such Non-Resident Noteholder - Legal Entity is entitled to the benefits of the applicable double tax treaty allowing it not to pay the tax or allowing it to pay the tax at a reduced tax rate in relation to such income.

If Russian personal income tax on income derived from Russian sources by a Non-Resident Noteholder—Individual was withheld at source despite the right of this Non-Resident Noteholder—Individual to rely on benefits of the applicable double tax treaty allowing not to pay the tax in Russia or allowing to pay the tax at a reduced tax rate in relation to such income, a claim for application of the benefits of the applicable double tax treaty should be filed with the Russian tax authorities together with the supporting documents envisaged by this double tax treaty confirming the right of the Non-Resident Noteholder-Individual to such benefits within one year following the year in which the tax was withheld. An application for a refund of Russian personal tax which was excessively withheld at source may be filed with the tax agent within three years following the date when the tax was withheld/ paid. In the absence of the tax agent who withheld the Russian personal income tax under consideration, e.g. when the tax has been paid on the basis of the tax return, such an application may be filed with the Russian tax authorities within the same period (three years) accompanied by the Russian tax return from the date when the tax was paid.

The Russian tax authorities may, in practice, require a wide variety of documentation confirming a Non-Resident Noteholder's right to obtain relief under an applicable double tax treaty. Such documentation may not be explicitly required by the Russian Tax Code.

Obtaining a refund of Russian taxes excessively withheld at the source is likely to be a time consuming process and no assurance can be given that such a refund will be granted in practice.

Non-Resident Noteholders should consult their own tax advisors regarding possible tax treaty relief and procedures required to be fulfilled for obtaining such relief with respect to any Russian taxes imposed in respect of proceeds received in connection with the acquisition and disposition of the Notes.

#### *Resident Noteholders*

A Resident Noteholder will be subject to all applicable Russian taxes in respect of income derived in connection with the acquisition, holding, disposition or redemption of the Notes by them. Resident Noteholders should consult their own tax advisors with respect to the effect that acquisition, holding and disposal of the Notes may have on their tax position.

#### *Taxation of Interest on the Loan*

In general, payments of interest on borrowed funds made by a Russian entity to a non-resident legal entity or organisation which are connected with the entrepreneurial activities of such foreign legal entity or organisation in Russia not leading to a permanent establishment in Russia are subject to Russian withholding tax at a rate of 20% (or such other rate as may be effective at the time of payment) which could be potentially reduced or eliminated under the terms of an applicable double tax treaty subject to timely compliance with the respective treaty clearance formalities by the interest recipient. In particular, 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**”) generally allows exempting interest income from Russian withholding tax provided certain requirements are satisfied by the recipient of interest income in a timely manner.

The application of the tax benefits under the Convention could be affected by the changes in the interpretation by the Russian tax authorities of the concept of factual/ beneficial owner of income. Specifically, on 30 December 2011 the Ministry of Finance of the Russian Federation issued letter No. 03-08 13/1 (the “**Letter**”) addressed to the Federal Tax Service, in which the Ministry of Finance of the Russian Federation asserted that in the context of a very specific eurobond structure which is not identical to the transaction described in this Base Prospectus a foreign issuer of eurobonds cannot benefit from the provisions of the Convention in respect of interest paid by the Russian borrower because, in view of the Ministry of Finance of the Russian Federation, the foreign issuer may not be considered as the beneficial owner of the interest income. Conversely the Letter says that holders of the notes could apply provisions of the respective tax treaty (if any) concluded between Russia and the country of residency of each holder of the notes. We cannot preclude the possibility that the Russian tax authorities might apply the same approach to the payments made under the structure of the Issue as described in this Base Prospectus.

Notwithstanding anything to the contrary above, no withholding tax should arise in eurobond structures by virtue of the exemption envisaged by Law No. 97-FZ. Law No. 97-FZ provides that Russian borrowers should be fully released from the obligation to withhold tax from interest and other payments envisaged by the relevant Loan Agreement made to foreign entities provided that the following two conditions are both met:

(1) Interest is paid on debt obligations of Russian entities that arose in connection with the placement by foreign entities of “issued bonds,” which are defined as bonds or other debt obligations (a) listed and/or admitted to trading on one of the specified foreign exchanges and/or (b) that have been registered in foreign depository/clearing organisations. The lists of qualifying foreign exchanges and foreign depository/clearing organisations were approved by the Federal Financial Markets Service of the Russian Federation in its Order № 12-91/pz-n dated 25 October 2012 (the “Order”). The Order was registered by the Ministry of Justice of the Russian Federation on 7 December 2012. The Order was published on 19 December 2012 and came into force on 30 December 2012. The Irish Stock Exchange and the clearing systems Euroclear and Clearstream, Luxembourg were included in the above-mentioned lists. The connection between the loan and the issued bonds should be evident and supported with certain documents, which are set forth in Law No. 97-FZ.

(2) There is a double tax treaty between the Russian Federation and the jurisdiction of tax residence of any Loan interest income recipient (i.e., the Issuer) which can be confirmed by a tax residency certificate.

The release from the obligation to withhold tax from interest and other payments envisaged by the relevant Loan Agreements described herein will apply retrospectively to income paid since 2007 and will continue to be available in respect of issued bonds (such as each and any Series of the Notes) that are issued before 1 January 2014.

VEB believes that it should be possible to satisfy conditions established by Law No. 97-FZ and obtain a release from the obligation to withhold tax from payments of interest and certain other amounts, as the case may be, made to the Issuer under any Loan.

Importantly, Law No. 97-FZ does not provide exemption to the foreign interest income recipients from Russian withholding tax, although currently there is no requirement in the Russian tax legislation for the foreign income recipients being the legal entities to self-assess and pay the tax to the Russian tax authorities. The Ministry of Finance of the Russian Federation acknowledged in its information letter published on its website that the release from obligation to act as a tax agent means, in effect, that tax at source within Russia should not arise in connection with eurobonds, since there is neither a mechanism nor obligation for a non-resident to independently calculate and pay such tax. There can be no assurance that such rules will not be introduced in the future or that the Russian tax authorities would not make attempts to collect the tax from the foreign income recipients, including the Issuer or the Noteholders.

If interest and/or any other amounts due under any Loan become payable to the Trustee pursuant to the Trust Deed, there is some residual uncertainty whether the release from the obligation to withhold tax under Law No. 97-FZ is available to the Trustee. There is a potential risk that Russian withholding tax in respect of payments of interest and certain other amounts at the rate of 20% (or such other tax rate as may be effective at the time of such payment) or Russian personal income tax at the rate of 30% (or such other tax rate that may be effective at the time of such payment) may be deducted by VEB upon making such payments to the Trustee. It is not expected that the Trustee will, or will be able to, claim a Russian withholding tax exemption or reduction under applicable double tax treaty under such circumstances. In addition, while some Noteholders that are foreign persons not residing in Russia for tax purposes may seek a reduction or elimination of Russian withholding tax or personal income tax, as applicable, or a refund of withholding tax under applicable double tax treaties entered into between countries of their tax residence and the Russian Federation, there is, however, no assurance that in such circumstances the treaty relief will be available for Noteholders in practice.

If any payments under any Loan are subject to any withholding of Russian tax (as a result of which the Issuer will be required to reduce payments made by it under the corresponding Series of Notes by the amount of such withholding), VEB is obliged (subject to certain conditions) to increase payments under the relevant Loan Agreement as may be necessary so that the net payments received by the Issuer and the Noteholders will be equal to the amounts they would have received in the absence of such withholding (“tax gross-up”). It should be noted, however, that tax gross-up provisions may be not enforceable under Russian law. There is a risk that tax gross-up for Russian withholding tax will not take place and that payments made by VEB under the relevant Loan will be reduced by the amount of the Russian income tax or Russian personal income tax withheld by VEB at source.

In the event that VEB fails to make increased payments, such failure would constitute an Event of Default pursuant to the relevant Loan Agreement. If VEB is obliged to increase payments under any Loan Agreement, it may (without premium or penalty), subject to certain conditions, prepay such Loan in full. In such a case, all outstanding Notes would be redeemable at par with accrued and unpaid interest and additional amounts, if any, to the date of redemption.

No value added tax will be payable in the Russian Federation in respect of interest and principal payments under each Loan.

## **Irish Taxation**

### ***Taxation of Noteholders***

#### ***Capital Acquisitions Tax***

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions tax (which, subject to available exemptions and reliefs, will be levied at 33 per cent. (assuming that the measures announced on 5 December 2012 by the Minister for Finance are enacted into law within the relevant statutory time frame) if either (i) the disponent or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponent is domiciled in Ireland irrespective of his residence or that of the donee/successor) on the relevant date or (ii) if the Notes are regarded as property situate in Ireland (i.e., if the Notes are physically located in Ireland or if the register of the Notes is maintained in Ireland).

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

Unaudited interim condensed consolidated financial statements

As of 30 September 2012

## Report on review of 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)" (hereinafter, the Bank) and its subsidiaries (collectively, the Group), which comprise the interim condensed consolidated statement of financial position as of 30 September 2012, and the related interim condensed consolidated statements of income and statements of comprehensive income for the three-month and the nine-month periods then ended, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine-month period then ended and selected explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### Scope of review

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

### Conclusion

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

A handwritten signature in blue ink that reads 'Ernst & Young LLC'.

11 December 2012

A member firm of Ernst & Young Global Limited

**Interim condensed consolidated statement of financial position**  
**As of 30 September 2012**  
*(in millions of Russian rubles)*

		<b>30 September 2012 (Unaudited)</b>	<b>31 December 2011</b>
	<b>Notes</b>		
<b>Assets</b>			
Cash and cash equivalents	7	192,982	178,028
Precious metals		500	260
Financial assets at fair value through profit or loss	8	86,959	94,362
Financial assets at fair value through profit or loss lent and pledged under repurchase agreements	8	344	–
Due from credit institutions	9	401,040	457,698
Loans to customers	10	1,387,060	1,228,923
Investment financial assets:	11		
- available-for-sale		516,246	454,285
- held-to-maturity		17,076	17,779
Investment financial assets available for sale pledged under repurchase agreements	11	719	4,715
Due from the Russian Government		120	124
Receivable from the Russian Government under London Club Arrangements	6	1,102	1,147
Investments in associates	3	9,288	5,894
Property and equipment		38,587	34,286
Income tax assets	15	3,197	3,332
Other assets		67,698	51,114
<b>Total assets</b>		<b>2,722,918</b>	<b>2,531,947</b>
<b>Liabilities</b>			
Due to credit institutions	12	448,250	472,014
Financial liabilities at fair value through profit or loss	8	3,719	6,945
Due to the Russian Government and the Bank of Russia	6	1,007,634	884,592
Due to London Club creditors	6	1,102	1,147
Amounts due to customers	13	325,412	352,424
Debt securities issued	14	363,291	261,030
Income tax liabilities	15	1,914	1,885
Provisions	16	352	206
Other liabilities		21,350	19,029
<b>Total liabilities</b>		<b>2,173,024</b>	<b>1,999,272</b>
<b>Equity</b>	17		
Charter capital		382,571	382,571
Additional paid-in capital		62,600	62,600
Retained earnings		60,638	28,845
Unrealized gains on investment financial assets available for sale		44,344	57,782
Foreign currency translation reserve		(1,123)	58
<b>Equity attributable to the Russian Government</b>		<b>549,030</b>	<b>531,856</b>
<b>Non-controlling interests</b>		<b>864</b>	<b>819</b>
<b>Total equity</b>		<b>549,894</b>	<b>532,675</b>
<b>Total equity and liabilities</b>		<b>2,722,918</b>	<b>2,531,947</b>

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

Vladimir A. Dmitriev

Chairman of the Bank

V. D. Shaprinsky

Chief Accountant

11 December 2012

*The accompanying selected notes 1-20 are an integral part of these interim condensed financial statements.*



## Interim condensed consolidated statement of income

(in millions of Russian rubles)

	Notes	For the three-month period ended 30 September (Unaudited)		For the nine-month period ended 30 September (Unaudited)	
		2012	2011	2012	2011
<b>Interest income</b>					
Loans to customers		30,837	21,367	87,311	62,896
Amounts due from credit institutions and cash equivalents		8,948	10,162	30,309	29,647
Investment securities		5,277	4,638	14,811	13,039
		<b>45,062</b>	<b>36,167</b>	<b>132,431</b>	<b>105,582</b>
Finance leases		5,441	3,601	14,707	8,005
Financial assets at fair value through profit or loss		579	649	1,755	1,928
Other investment financial assets available for sale		817	–	1,012	–
		<b>51,899</b>	<b>40,417</b>	<b>149,905</b>	<b>115,515</b>
<b>Interest expense</b>					
Due to credit institutions and the Bank of Russia		(9,099)	(5,547)	(25,840)	(15,808)
Due to customers and the Russian Government		(15,756)	(14,345)	(47,844)	(42,031)
Debt securities issued		(6,218)	(3,603)	(16,745)	(9,820)
		<b>(31,073)</b>	<b>(23,495)</b>	<b>(90,429)</b>	<b>(67,659)</b>
<b>Net interest income</b>		<b>20,826</b>	<b>16,922</b>	<b>59,476</b>	<b>47,856</b>
Provision for impairment of interest-earning assets	16	(10,217)	(18,494)	(20,652)	(28,866)
<b>Net interest income/(loss) after provision for impairment of interest-earning assets</b>		<b>10,609</b>	<b>(1,572)</b>	<b>38,824</b>	<b>18,990</b>
Fee and commission income		1,598	2,328	4,673	6,143
Fee and commission expense		(370)	(495)	(1,395)	(1,516)
<b>Net fee and commission income</b>		<b>1,228</b>	<b>1,833</b>	<b>3,278</b>	<b>4,627</b>
Gains less losses arising from financial instruments at fair value through profit or loss		(9,959)	(1,460)	(5,856)	(3,934)
Gains less losses from investment financial assets available for sale		(881)	(2,066)	(596)	13,133
Gains less losses from foreign currencies:					
- dealing		2,436	(11,709)	11,559	7,253
- translation differences		4,926	5,553	1,135	(11,720)
Gains less losses on initial recognition of financial instruments and restructuring		1,907	2,577	2,979	1,630
Share in net income of associates		167	45	361	163
Dividends		9,082	4,196	9,989	4,577
Other operating income		1,208	1,045	2,798	2,801
<b>Non-interest income/(expense)</b>		<b>8,886</b>	<b>(1,819)</b>	<b>22,369</b>	<b>13,903</b>

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

# **Interim condensed consolidated statement of income (continued)**

(in millions of Russian rubles)

	Notes	For the three-month period ended 30 September (Unaudited)		For the nine-month period ended 30 September (Unaudited)	
		2012	2011	2012	2011
Payroll and other staff costs		(4,207)	(3,468)	(12,488)	(11,158)
Occupancy and equipment		(1,268)	(1,143)	(3,668)	(3,169)
Depreciation of property and equipment		(424)	(361)	(1,280)	(988)
Taxes other than income tax		(888)	(1,032)	(2,565)	(1,994)
Reversal of/(Provision for) other impairment and provisions	16	1	49	(353)	(476)
Other operating expenses		(2,923)	(3,098)	(9,924)	(6,801)
<b>Non-interest expense</b>		<b>(9,709)</b>	<b>(9,053)</b>	<b>(30,278)</b>	<b>(24,586)</b>
<b>Profit/(loss) before income tax and hyperinflation effect</b>		<b>11,014</b>	<b>(10,611)</b>	<b>34,193</b>	<b>12,934</b>
Profit/(loss) on net monetary position resulting from hyperinflation		46	–	(263)	–
<b>Profit/(loss) before income tax</b>		<b>11,060</b>	<b>(10,611)</b>	<b>33,930</b>	<b>12,934</b>
Income tax benefit/(expense)	15	(822)	299	(2,122)	(35)
<b>Profit/(loss) for the period</b>		<b>10,238</b>	<b>(10,312)</b>	<b>31,808</b>	<b>12,899</b>
Attributable to:					
- the Russian Government		10,193	(10,262)	31,771	13,075
- non-controlling interests		45	(50)	37	(176)
		<b>10,238</b>	<b>(10,312)</b>	<b>31,808</b>	<b>12,899</b>

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

**Interim condensed consolidated statement of comprehensive income**  
*(in millions of Russian rubles)*

Notes	For the three-month period ended 30 September (Unaudited)		For the nine-month period ended 30 September (Unaudited)	
	2012	2011	2012	2011
<b>Profit/(loss) for the period</b>	<b>10,238</b>	<b>(10,312)</b>	<b>31,808</b>	<b>12,899</b>
<b>Other comprehensive income/(loss)</b>				
Change in unrealized gains/(losses) from investment financial assets available for sale	(2,723)	(59,356)	(13,398)	(44,574)
Translation differences	(2,253)	2,029	(1,244)	(2,946)
Income tax relating to components of other comprehensive income	(33)	36	(36)	14
<b>Other comprehensive loss for the period, net of tax</b>	<b>(5,009)</b>	<b>(57,291)</b>	<b>(14,678)</b>	<b>(47,506)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>5,229</b>	<b>(67,603)</b>	<b>17,130</b>	<b>(34,607)</b>
Attributable to:				
- the Russian Government	5,236	(67,574)	17,151	(34,291)
- non-controlling interests	(7)	(29)	(21)	(316)
	<b>5,229</b>	<b>(67,603)</b>	<b>17,130</b>	<b>(34,607)</b>

*The accompanying selected notes 1-20 are an integral part of these interim condensed financial statements.*

**Interim condensed consolidated statement of changes in equity**  
**For the nine-month period ended 30 September 2012**  
*(in millions of Russian rubles)*

	Attributable to the Russian Government					Total	Non- controlling interests	Total equity
	Charter capital	Additional paid-in capital	Retained earnings	Unrealized gains/ (losses) on investment financial assets available for sale	Foreign currency translation reserve			
<b>31 December 2010</b>	<b>382,571</b>	–	<b>25,043</b>	<b>85,679</b>	<b>373</b>	<b>493,666</b>	<b>1,438</b>	<b>495,104</b>
Total comprehensive income/(loss) for the period (Unaudited)	–	–	13,075	(44,540)	(2,826)	<b>(34,291)</b>	(316)	<b>(34,607)</b>
Change in interest in existing subsidiaries (Unaudited)	–	–	(3,672)	11	(16)	<b>(3,677)</b>	(562)	<b>(4,239)</b>
Dividends from subsidiaries (Unaudited)	–	–	–	–	–	–	(8)	<b>(8)</b>
<b>30 September 2011 (Unaudited)</b>	<b>382,571</b>	–	<b>34,446</b>	<b>41,150</b>	<b>(2,469)</b>	<b>455,698</b>	<b>552</b>	<b>456,250</b>
<b>31 December 2011</b>	<b>382,571</b>	<b>62,600</b>	<b>28,845</b>	<b>57,782</b>	<b>58</b>	<b>531,856</b>	<b>819</b>	<b>532,675</b>
Total comprehensive income/(loss) for the period (Unaudited)	–	–	31,771	(13,437)	(1,183)	<b>17,151</b>	(21)	<b>17,130</b>
Change in interest in existing subsidiaries (Unaudited) (Note 4)	–	–	22	(1)	2	<b>23</b>	66	<b>89</b>
<b>30 September 2012 (Unaudited)</b>	<b>382,571</b>	<b>62,600</b>	<b>60,638</b>	<b>44,344</b>	<b>(1,123)</b>	<b>549,030</b>	<b>864</b>	<b>549,894</b>

*The accompanying selected notes 1-20 are an integral part of these interim condensed financial statements.*

**Interim condensed consolidated statement of cash flows**  
*(in millions of Russian rubles)*

	<b>For the nine-month period ended 30 September (Unaudited)</b>	
	<b>Notes</b>	
<b>Cash flows from operating activities</b>		
Profit for the period		31,808
Adjustments:		12,899
Depreciation and amortization		1,779
Change in interest accruals		1,331
Deferred income tax		(15,200)
Impairment and other provisions		26
Share in income of associates		(757)
Changes in unrealized revaluation of trading securities and derivative financial instruments		21,005
Changes in translation differences		29,342
Gains less losses from investment financial assets available for sale, net of impairment loss		(361)
Impairment of investment financial assets available for sale		13,804
Gains less losses on initial recognition of financial instruments and restructuring		(1,135)
Loss on net monetary position resulting from hyperinflation		11,720
Other changes		(1,090)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>45,936</b>
<i>(Increase)/decrease in operating assets:</i>		
Financial assets at fair value through profit or loss		(10,188)
Precious metals		(214)
Due from credit institutions		89
Loans to customers		4,769
Due from the Russian Government		(29,310)
Other assets		(175,810)
<i>Increase/(decrease) in operating liabilities:</i>		
Due to credit institutions, net of long-term interbank financing		(1)
Due to the Russian Government and the Bank of Russia, net of long-term special purpose financing		58
Amounts due to customers		(18,699)
Debt securities issued, net of Eurobonds and bonds		126,536
Other liabilities		35,415
<b>Net cash flows used in operating activities</b>		<b>(104,327)</b>

*The accompanying selected notes 1-20 are an integral part of these interim condensed financial statements.*

**Interim condensed consolidated statement of cash flows (continued)**

(in millions of Russian rubles)

	Notes	For the nine-month period ended 30 September (Unaudited)	
		2012	2011
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(6,643)	(7,630)
Proceeds from sale of property and equipment		444	160
Purchase of investment financial assets available for sale		(292,520)	(199,912)
Sale and redemption of investment financial assets available for sale		224,111	208,388
Acquisition of subsidiaries, net of cash acquired		–	(2,178)
Investments in associates		(2,548)	–
Subordinated loans repaid by Russian credit institutions		50,000	–
<b>Net cash flows used in investing activities</b>		<b>(27,156)</b>	<b>(1,172)</b>
<b>Cash flows from financing activities</b>			
Long-term interbank financing raised		74,108	160,273
Long-term interbank financing repaid		(29,444)	(33,203)
Long-term financing raised from the Russian Ministry of Finance		50,000	4,000
Long-term financing repaid to the Russian Ministry of Finance		(50,000)	–
Placement of Eurobonds and bonds		112,925	66,496
Redemption of bonds		–	(27,923)
Purchase of bonds issued by the Group		(24,141)	(10,420)
Proceeds from sale of previously purchased bonds		14,156	8,251
Change in interest in existing subsidiaries		89	(4,239)
Dividends paid by subsidiaries		–	(8)
<b>Net cash flows from financing activities</b>		<b>147,693</b>	<b>163,227</b>
Effect of changes in foreign exchange rates against the ruble on cash and cash equivalents		(1,256)	7,492
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>14,954</b>	<b>(2,835)</b>
<b>Cash and cash equivalents, beginning</b>	7	<b>178,028</b>	<b>196,672</b>
<b>Cash and cash equivalents, ending</b>	7	<b>192,982</b>	<b>193,837</b>
<b>Supplemental information:</b>			
Income tax paid		(2,122)	(736)
Interest received		118,315	96,987
Interest paid		(75,849)	(57,029)
Dividends received		9,989	4,577

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

(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 (collectively, the "Group"). List of major subsidiaries and associates is presented in Note 3.

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 it does not contradict the 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" ("SME Bank"), CJSC "State Specialized Russian Export-Import Bank" (EXIMBANK OF RUSSIA) and Federal Center for Project Finance (FCPF) to the charter capital.

Vnesheconombank performs the functions of an agent of the Russian Government for the purpose of accounting, servicing and repaying the foreign national debt of the former USSR and the Russian Federation (including internal currency debt of the former USSR); accounting, servicing and repaying (using) government loans issued by the former USSR and the Russian Federation to foreign borrowers; collecting (recovering) 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 Ministry of Finance of the Russian Federation (the "Russian Ministry of Finance") on 25 December 2009 and Additional Agreement No. 1 dated 23 December 2010, Additional Agreement No.2 dated 8 December 2011 and Additional Agreement No. 3 dated 23 July 2012 (collectively, "Agency Agreements").

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 (the SPF). Vnesheconombank performs trust management of accumulated pension

*(millions of Russian rubles)*

savings of insured citizens who have not selected a private management company and who have selected the Bank as the management company.

On 2 August 2009, Federal Law No. 182-FZ dated 18 July 2009, "On Amendments to Federal Law "On Non-state Pension Funds" and Federal Law "On Investment of Funds to Finance the Funded Part of Labor Pensions in the Russian Federation", came into effect which provides that from 1 November 2009 the Bank as the state trust management company for the trust management of pension savings funds 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. 540 dated 1 September 2003 and No. 842 dated 24 October 2009.

During the nine-month period of 2012, the Bank, as the state trust management company, mainly invested in state securities denominated in Russian rubles, corporate bonds of highly credible Russian issuers, mortgage securities and bonds issued by international financial institutions. At 30 September 2012, total funds of the State Pension Fund of the Russian Federation placed in management to the state management company amounted to RUB 1,540,935 million. (as of 31 December 2011: RUB 1,334,042 million).

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

In accordance with Resolution of the Russian Government No. 658 dated 29 June 2012 "On Amendments to Resolution of the Russian Government No. 970 dated 22 December 2008," Vnesheconombank was appointed as state management company for funds in the salary reserve. The salary reserve is formed in accordance with Federal Law No. 360-FZ of 30 November 2011 "Concerning the Procedure for Using Pension Accruals to Finance Payments" for purposes of payments to the cumulative part of the old-age pension.

As detailed in Note 6, at 30 September 2012 and 31 December 2011, the Russian Government owed Vnesheconombank RUB 1,102 million and RUB 1,147 million, respectively, relating to the London Club debt obligation of Vnesheconombank. These amounts have been presented in the Group'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" ("Federal Law No.173-FZ"). As detailed in Notes 9 and 10, 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" (OJSC "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), Krasnoyarsk (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.



(millions of Russian rubles)

## 2. Basis of preparation

### *General*

These interim condensed consolidated financial statements for the nine-month period ended 30 September 2012 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 2011. Operating results for the nine-month period ended 30 September 2012 are not necessarily indicative of the results that may be expected for the year ending 31 December 2012.

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

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

### *Changes in accounting policies*

The accounting policies and calculation methods adopted in the preparation of these interim condensed consolidated financial statements are consistent with those adopted and described in the consolidated financial statements of the Group for the year ended 31 December 2011, except for the adoption of new and (or) revised standards and interpretations as at 1 January 2012, noted below:

#### *Amendments to IFRS 7 Financial Instruments: Disclosures*

In October 2010, the IASB issued the amendments to IFRS 7 effective for annual periods beginning on or after 1 July 2011. The amendment introduces additional disclosure requirements for transferred financial assets that are not derecognized to enable the users of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment introduces disclosure requirements for continuing participation in derecognized assets to enable the users of the financial statements to understand the nature of the entity's continuing participation in derecognized assets and evaluate the related risks. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

#### *Amendments to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets*

In December 2010, the IASB issued amendments to IAS 12 effective for annual periods beginning on or after 1 January 2012. The amendment clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax relating to investment property measured at fair value in accordance with IAS 40 must be determined based on the assumption that its carrying amount will be recovered through sale. The amendment also introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in IAS 16 should always be measured on a sale basis. The Group is now evaluating the possible impact of these amendments.

The mentioned new or revised standards and interpretations effective from 1 January 2012 did not have any impact on the accounting policies, financial position or performance of the Group, unless otherwise indicated.

(millions of Russian rubles)

## 2. Basis of presentation (continued)

### *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 at 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 2011.

## 3. Major subsidiaries and associates

### *Subsidiaries*

The Group's major subsidiaries included in the consolidated financial statements are presented in the table below:

Subsidiaries	Ownership		Country of registration	Type of activity
	30 September 2012 (Unaudited)	31 December 2011		
EXIMBANK OF RUSSIA	100%	100%	Russia	Banking
Bank BelVEB OJSC	97.52%	97.49%	Republic of Belarus	Banking
OJSC "VEB-Leasing"	98.96%	98.96%	Russia	Leasing
"SME Bank"	100%	100%	Russia	Banking
Sviaz-Bank	99.47%	99.47%	Russia	Banking
PSC Prominvestbank	97.85%	97.85%	Ukraine	Banking
CJSC "Kraslesinvest"	100%	100%	Russia	Production and processing of materials
CJSC "GLOBEXBANK"	99.99%	99.99%	Russia	Banking
LLC "VEB-Capital"	100%	100%	Russia	Financial intermediary
"VEB Engineering" LLC	67.55%	67.55%	Russia	Investment project implementation services
FCPF	100%	100%	Russia	Financial intermediary
OJSC "Development Corporation of North Caucasus"	100%	100%	Russia	Advisory services, investment project support
RDIF Management Company LLC	100%	100%	Russia	Management company
EXIAR	100%	100%	Russia	Insurance
OJSC "The Far East and Baikal Region Development Fund"	100%	100%	Russia	Investment project support
Share of assets:				
Closed-end Mutual Hedge Fund "MRIF"	99.92%	99.92%	Russia	Mutual fund
Closed-end Mutual Equity Fund "MRIF-II"	99.9990%	99.9975%	Russia	Mutual fund
Mutual Fund RDIF	100%	100%	Russia	Mutual fund

In January 2012, the reorganization of CJSC "GLOBEXBANK" in a form of affiliation of OJSC NTB was completed. As the successor of OJSC NTB, CJSC "GLOBEXBANK" shall undertake its liabilities in full and within the terms previously stipulated.

(millions of Russian rubles)

### 3. Principal subsidiaries and associates (continued)

#### *Subsidiaries (continued)*

In February 2012, under Bank BelVEB OJSC private subscription for additional shares, Vnesheconombank paid for 4,055,000,000 shares (equivalent to RUB 1,456 million as at the date of payment). As a result of state registration of the additional issue of shares completed in May 2012, the Bank's share in the charter capital of Bank BelVEB OJSC amounted to 97.52%.

In March 2012, the Bank transferred funds in the amount of RUB 1,703 million to repay 126,876 additional investment units of Closed-end Mutual Equity Fund "MRIF-II". Following registration of changes in the rules for trust management of the mutual fund that was completed in April 2012, the Bank's share in the fund increased up to 99.9990%.

In March and May 2012, Vnesheconombank made additional contributions to the charter capital of LLC "VEB Capital" for the total amount of RUB 1,269 million and RUB 49 million, respectively. The Bank's share in the charter capital of LLC "VEB Capital" remained unchanged at 100%.

In May 2012, Vnesheconombank purchased 3,100,000 ordinary registered shares additionally issued by OJSC "Development Corporation of North Caucasus" in the total amount of RUB 3,100 million. The Bank's share in the charter capital of its subsidiary remained unchanged at 100%.

In June 2012, the Bank purchased 1,979 ordinary registered shares additionally issued by "SME Bank" in the amount of RUB 1,979 million. Vnesheconombank's interest in the charter capital of its subsidiary remained unchanged at 100%.

In August 2012, the Bank made an additional contribution to the charter capital of LLC "VEB Capital" for the total amount of RUB 2,707 million. The Bank's share in the charter capital of its subsidiary remained unchanged at 100%.

#### *Associates*

The Group's major associates accounted for under the equity method in the consolidated financial statements are presented in the table below:

Associates	Ownership		Country of registration	Type of activity
	At 30 September 2012 (Unaudited)	31 December 2011		
OJSC "Ilyushin Finance Co."	21.40%	21.40%	Russia	Leasing
OJSC "Corporation of Development of Krasnoyarsk Territory"	25.00%	25.00%	Russia	Financial intermediary
LLC "PROMINVEST"	25.00%	25.00%	Russia	Financial intermediary
LLC "Managing Company "Bioprocess Capital Partners"	25.10%	25.10%	Russia	Financial intermediary
LLC "VEB-Invest"	19.00%	19.00%	Russia	Investments
CJSC "Leader"	27.62%	—	Russia	Management company
Share of assets:				
CMIF "Bioprocess Capital Ventures"	50.00%	50.00%	Russia	Investments

In March 2012, the Bank purchased 27.62% shares in CJSC "Leader" for the amount of RUB 2,071 million. Principal activities of the company include management of investment funds, mutual investment funds and non-government pension funds.

(millions of Russian rubles)

#### 4. Business combinations and changes in ownership interest in subsidiaries

##### *Disposal of non-controlling interests*

In the first quarter 2012, PSC Prominvestbank disposed 1,352,316 of its treasury shares. The reallocation of interests between the Bank and other shareholders resulted in a RUB 29 million increase in the value of non-controlling interests, a RUB 2 million increase in the foreign currency translation reserve, a RUB 1 million decrease in unrealized revaluation of investment securities available for sale and a simultaneous RUB 21 million increase in the Group's retained earnings.

In May 2012, the state registration of an additional issue of shares of Bank BelVEB OJSC was completed. As a result, the Bank's share increased to 97.52%. The amount of additionally issued shares acquired by the Bank totaled RUB 1,516 million. The contribution of minority shareholders amounted to RUB 38 million. As a result of the additional issue, the carrying value of the net assets of Bank BelVEB OJSC increased by RUB 1,554 million. The reallocation of interests between the Bank and the remaining non-controlling shareholders resulted in a RUB 37 million increase in the value of non-controlling interests and a simultaneous RUB 1 million increase in the Group's retained earnings.

#### 5. Segment information

For the management purposes the Group has five operating segments:

Segment 1 Vnesheconombank, "SME Bank", EXIMBANK OF RUSSIA

Segment 2 Sviaz-Bank, CJSC "GLOBEXBANK"

Segment 3 PSC Prominvestbank (Ukraine)

Segment 4 Bank BelVEB OJSC (Republic of Belarus)

Segment 5 OJSC "VEB-Leasing", LLC "VEB Capital", "VEB Engineering" LLC, FCPF, Closed-end Mutual Hedge Fund "MRIF", Closed-end Mutual Equity Fund "MRIF-II", OJSC "Development Corporation of North Caucasus", EXIAR, RDIF Management Company LLC, Mutual Fund RDIF, OJSC "The Far East and Baikal Region Development Fund" and other subsidiaries

Segment 1 comprises Vnesheconombank and major banks within the Group. Segment 2 comprises banks that were purchased in 2008 and 2009 to recover their financial stability, in line with anti-crisis measures developed by the RF Government. Segments 3 and 4 are responsible for the Group's banking operations in Ukraine and the Republic of Belarus, respectively. Segment 5 comprises other subsidiaries and funds in which the Group holds a controlling ownership interest.

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

During the nine-month periods ended 30 September 2012 and 30 September 2011, 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.

(millions of Russian rubles)

## 5. Segment information (continued)

Information on income and profit by the Group's operating segments is presented below:

	For the nine-month period ended 30 September 2012 (Unaudited)							
	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Total before adjustments	Adjustments	Total
Interest income on transactions with external clients	90,673	26,860	11,969	4,459	15,944	149,905	–	<b>149,905</b>
Interest expense on transactions with external clients	(64,320)	(12,735)	(4,615)	(1,587)	(7,172)	(90,429)	–	<b>(90,429)</b>
<b>Net interest income on transactions with external clients</b>	<b>26,353</b>	<b>14,125</b>	<b>7,354</b>	<b>2,872</b>	<b>8,772</b>	<b>59,476</b>	<b>–</b>	<b>59,476</b>
<b>Intersegment net interest income/(expense)</b>	<b>4,089</b>	<b>(3,517)</b>	<b>(2,373)</b>	<b>(878)</b>	<b>2,927</b>	<b>248</b>	<b>(248)</b>	<b>–</b>
(Provision for) impairment of interest-earning assets	(15,308)	(2,150)	(3,130)	(123)	(436)	(21,147)	495	<b>(20,652)</b>
<b>Net interest income after Provision for impairment of interest-earning assets</b>	<b>15,134</b>	<b>8,458</b>	<b>1,851</b>	<b>1,871</b>	<b>11,263</b>	<b>38,577</b>	<b>247</b>	<b>38,824</b>
Net fee and commission income on transactions with external clients	704	1,202	611	549	212	3,278	–	<b>3,278</b>
Intersegment net fee and commission income/(expense)	77	19	(38)	(44)	(52)	(38)	38	<b>–</b>
Non-interest income/(expense) on transactions with external clients	21,306	40	(764)	1,360	427	22,369	–	<b>22,369</b>
Non-interest expense on transactions with external clients	(10,320)	(8,027)	(3,725)	(1,999)	(6,207)	(30,278)	–	<b>(30,278)</b>
Other intersegment non-interest income/(expense)	(110)	251	1,018	(163)	97	1,093	(1,093)	<b>–</b>
<b>Segment income/(loss) before income tax and hyperinflation effect</b>	<b>26,791</b>	<b>1,943</b>	<b>(1,047)</b>	<b>1,574</b>	<b>5,740</b>	<b>35,001</b>	<b>(808)</b>	<b>34,193</b>
Loss on net monetary position resulting from hyperinflation	–	–	–	(263)	–	(263)	–	<b>(263)</b>
Income tax (expense)/benefit	(293)	(466)	28	(282)	(1,109)	(2,122)	–	<b>(2,122)</b>
<b>Profit/(loss) for the period</b>	<b>26,498</b>	<b>1,477</b>	<b>(1,019)</b>	<b>1,029</b>	<b>4,631</b>	<b>32,616</b>	<b>(808)</b>	<b>31,808</b>

(millions of Russian rubles)

## 5. Segment information (continued)

For the nine-month period ended 30 September 2011 (Unaudited)								
	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Total before adjustments	Adjustments	Total
Interest income on transactions with external clients	73,212	18,983	11,451	3,495	8,374	115,515	–	115,515
Interest expense on transactions with external clients	(49,430)	(9,008)	(4,829)	(780)	(3,612)	(67,659)	–	(67,659)
<b>Net interest income on transactions with external clients</b>	<b>23,782</b>	<b>9,975</b>	<b>6,622</b>	<b>2,715</b>	<b>4,762</b>	<b>47,856</b>	<b>–</b>	<b>47,856</b>
<b>Intersegment net interest income/(expense)</b>	<b>4,455</b>	<b>(1,440)</b>	<b>(1,390)</b>	<b>(883)</b>	<b>(863)</b>	<b>(121)</b>	<b>121</b>	<b>–</b>
(Provision for) impairment of interest-bearing assets	(21,305)	(1,710)	(5,114)	(1,067)	(168)	(29,364)	498	(28,866)
<b>Net interest income after provision for impairment of interest-earning assets</b>	<b>6,932</b>	<b>6,825</b>	<b>118</b>	<b>765</b>	<b>3,731</b>	<b>18,371</b>	<b>619</b>	<b>18,990</b>
Net fee and commission income on transactions with external clients	2,378	1,001	680	449	119	4,627	–	4,627
Intersegment net fee and commission income/(expense)	49	(8)	–	(22)	(13)	6	(6)	–
Non-interest income/(expense) on transactions with external clients	14,003	(98)	1,276	(1,304)	26	13,903	–	13,903
Non-interest expense on transactions with external clients	(8,657)	(7,765)	(3,553)	(1,478)	(3,133)	(24,586)	–	(24,586)
Other intersegment non-interest income/(expense)	(818)	745	106	76	91	200	(200)	–
<b>Segment income/(loss) before income tax</b>	<b>13,887</b>	<b>700</b>	<b>(1,373)</b>	<b>(1,514)</b>	<b>821</b>	<b>12,521</b>	<b>413</b>	<b>12,934</b>
Income tax (expense)/benefit	(62)	(168)	85	214	(104)	(35)	–	(35)
<b>Profit/(loss) for the period</b>	<b>13,825</b>	<b>532</b>	<b>(1,288)</b>	<b>(1,300)</b>	<b>717</b>	<b>12,486</b>	<b>413</b>	<b>12,899</b>

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

	30 September 2012 (Unaudited)	31 December 2011
<b>Segment assets</b>		
Segment 1	2,037,237	1,931,864
Segment 2	458,191	413,190
Segment 3	149,061	146,528
Segment 4	50,011	42,158
Segment 5	357,511	299,501
<b>Total before deducting intersegment assets</b>	<b>3,052,011</b>	<b>2,833,241</b>
Intersegment assets	(330,481)	(301,599)
Adjustments	1,388	305
<b>Total assets</b>	<b>2,722,918</b>	<b>2,531,947</b>

(millions of Russian rubles)

## 5. 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 in currencies other than the reporting currency of the Group;
- due to repurchase of debt securities issued by the Group entities 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.

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

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

	<b>30 September 2012 (Unaudited)</b>	<b>31 December 2011</b>
Interest-bearing loans and deposits from the Russian Ministry of Finance	658,625	647,319
Interest-bearing deposits from the Bank of Russia	249,527	225,664
Repurchase agreements with the Bank of Russia	82,817	–
Settlements related to redemption of Russian Government loans	11,353	10,092
Interest-bearing deposits from non-budgetary funds	4,821	–
Current accounts in precious metals	192	167
Special purpose funds	160	1,259
External debt payment funds	122	73
Current accounts of the Russian Government	15	16
Other amounts	2	2
<b>Due to the Russian Government and the Bank of Russia</b>	<b>1,007,634</b>	<b>884,592</b>

At 30 September 2012 and 31 December 2011, the interest-bearing loans and deposits from the Russian Ministry of Finance mainly include RUB-denominated funds of the National Welfare Fund of the Russian Federation ("NWF") deposited with Vnesheconombank pursuant to Federal Law No. 173-FZ, including for the purposes of extending loans to OJSC "AHML".

In addition, at 30 September 2012 and 31 December 2011, interest-bearing loans and deposits from the Russian Ministry of Finance included RUB-denominated funds of NWF intended to finance credit institutions and legal entities supporting small and medium enterprises. "SME Bank", a subsidiary bank, is responsible for implementing the government financial support.

In addition to the above, at 30 September 2012 and 31 December 2011, interest-bearing loans and deposits from the Russian Ministry of Finance included USD-denominated funds intended to finance investment projects.

Interest-bearing loans and deposits of the Russian Ministry of Finance include short-term RUB-denominated deposits attracted by subsidiaries (as of 30 September 2012: RUB 15,125 million maturing from October to December 2012, as of 31 December 2011: RUB 4,120 million maturing from January to March 2012).

(millions of Russian rubles)

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

As of 30 September 2012 and 31 December 2012, interest-bearing deposits from the Bank of Russia also included special RUB-denominated deposits for the purposes of implementing the program of financial support to Sviaz-Bank (as of 30 September 2012: RUB 122,577 million, as of 31 December 2011: RUB 123,925 million) and CJSC "GLOBEXBANK" (as of 30 September 2012: RUB 87,534 million, as of 31 December 2011: RUB 85,561 million) to ensure activities on development of business of the above entities. Deposits raised to implement the program of financial support to Sviaz-Bank were extended by 1 year in 2012 at the interest rate below the market level. The Group derecognized the initial liabilities and recognized new ones. For the nine-month period ended 30 September 2012, gain on initial recognition of the financial instruments in the amount of RUB 3,883 million was recognized in the consolidated statement of income (for the nine-month period ended 30 September 2011: RUB 3,135 million).

Interest-bearing deposits received from the Bank of Russia by subsidiaries include short-term RUB-denominated deposits (as of 30 September 2012: RUB 39,416 million maturing from October 2012 to September 2013, as of 31 December 2011: RUB 16,178 million maturing from March to November 2012).

As of 30 September 2012, interest-bearing deposits from non-budget funds attracted by a subsidiary include RUB-denominated short-term deposits amounting to RUB 4,821 million and maturing from October to December 2012.

As of 30 September 2012, under repurchase agreements with the Bank of Russia, the Group sold debt and equity securities with a fair value of RUB 119,043 million, subject to repurchase. As the Bank of Russia does not sell or pledge collateral received under repurchase agreements, the Group did not reclassify sold (pledged) securities in the consolidated statement of financial position. Pledged securities are treated as trading financial assets with a fair value of RUB 10,521 million, loans to customers with a fair value of RUB 1,181 million and investment financial assets available for sale with a fair value of RUB 107,106 million and investment financial assets held to maturity with a fair value of RUB 235 million.

At 30 September 2012 and 31 December 2011, 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 Agreement.

At 30 September 2012 and 31 December 2011, 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.



(millions of Russian rubles)

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

### *London Club (continued)*

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 as of 30 September 2012 and 31 December 2011 includes liabilities only to 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 London Club of Creditors, in December 2009, claims in the amount of RUB 31 million were settled. At 30 September 2012, the obligations settled and claims not presented for settlement by creditors, except for those mentioned above, were removed from the consolidated statement of financial position based on the letter of the Russian Ministry of Finance.

The London Club debt comprises:

	<b>30 September 2012 (Unaudited)</b>	<b>31 December 2011</b>
IAN	1,016	1,058
Interest accrued on the IANs, including overdue and default interest	86	89
<b>Due to London Club creditors</b>	<b>1,102</b>	<b>1,147</b>

## 7. Cash and cash equivalents

Cash and cash equivalents comprise:

	<b>30 September 2012 (Unaudited)</b>	<b>31 December 2011</b>
Cash on hand	9,768	13,293
Current accounts with the Bank of Russia	10,865	19,427
Correspondent nostro accounts with credit institutions and current accounts with other non-banking organizations, including		
- the Russian Federation	11,982	15,621
- other countries	43,342	36,923
Interest-bearing loans and deposits maturing within 90 days:		
- due from the Bank of Russia	–	120
- due from credit institutions	109,156	90,015
Reverse repurchase agreements with credit institutions for up to 90 days	7,868	2,535
Non-interest deposits with OECD credit institutions up to 90 days	1	94
<b>Cash and cash equivalents</b>	<b>192,982</b>	<b>178,028</b>

(millions of Russian rubles)

## 7. Cash and cash equivalents (continued)

At 30 September 2012, reverse repurchase agreements also included loans of RUB 7,868 million (as of 31 December 2011: RUB 2,385 million) issued to credit institutions and secured by corporate bonds with the fair value of RUB 8,666 million (as of 31 December 2011: RUB 2,786 million). At 31 December 2011, reverse repurchase agreements also included loans in the amount of RUB 150 million issued to credit institutions and secured by corporate shares with a fair value of RUB 217 million.

In February 2012, under the financing agreement with the Russia Bank Capitalization Fund (the RBCF) Vnesheconombank transferred USD 250 million (RUB 7,445 million at the date of transfer) to the International Finance Corporation (IFC). At 30 September 2012, the amounts were temporarily invested in money market instruments maturing in less than 90 days. The RBCF will invest in the capital of Russian universal second-echelon banks actively operating in the regions and funding small and medium-sized Russian businesses in the real sector.

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

Financial assets at fair value through profit or loss comprise:

	30 September 2012 (Unaudited)	31 December 2011
Trading financial assets	46,336	41,814
Derivative financial assets	16,443	29,468
Financial assets designated at fair value through profit or loss	24,180	23,080
<b>Financial assets at fair value through profit or loss</b>	<b>86,959</b>	<b>94,362</b>

### *Trading financial assets*

Trading financial assets held by the Group comprise:

	30 September 2012 (Unaudited)	31 December 2011
<b>Debt securities</b>		
Corporate bonds	25,206	17,006
Russian state bonds (OFZ)	3,374	3,650
Municipal and sub-federal bonds, bonds of the Bank of Russia	596	725
	<b>29,176</b>	<b>21,381</b>
Eurobonds issued by the Russian Federation	2,182	7,115
Eurobonds of Russian and foreign issuers	1,235	1,115
	<b>32,593</b>	<b>29,611</b>
<b>Equity securities</b>	<b>13,267</b>	<b>11,541</b>
<b>Other debt financial assets</b>	<b>476</b>	<b>662</b>
<b>Trading financial assets</b>	<b>46,336</b>	<b>41,814</b>

At 30 September 2012, financial assets lent and pledged under repurchase agreements, include Eurobonds issued by the Russian Federation with the fair value of RUB 302 million and corporate bonds with fair value of RUB 42 million (at 31 December 2011, there were no financial assets lent or pledged under repurchase agreements).

(millions of Russian rubles)

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

### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss comprise:

	30 September 2012 (Unaudited)	31 December 2011
Derivative financial liabilities	3,531	6,945
Short position in shares of Russian companies	188	–
	<b>3,719</b>	<b>6,945</b>

### *Derivative financial instruments*

As of 30 September 2012 and 31 December 2011, derivatives consist of:

	30 September 2012 (Unaudited) Fair value		31 December 2011 Fair value	
	Asset	Liability	Asset	Liability
<b>Foreign exchange contracts</b>				
Forwards and swaps – foreign	2,466	1,792	12,363	4,185
Forwards and swaps – domestic	815	524	1,465	530
<b>Interest rate swaps</b>				
Foreign contracts	–	815	13	1,953
Domestic contracts	–	226	–	–
<b>Forward contracts for securities</b>				
Debt securities	232	13	61	21
Equity securities and units	475	–	450	–
Option contracts	12,054	–	14,829	–
Cross-currency interest rate swap	401	158	287	256
Precious metals contracts	–	3	–	–
<b>Total derivative assets/liabilities</b>	<b>16,443</b>	<b>3,531</b>	<b>29,468</b>	<b>6,945</b>

### *Financial assets designated at fair value through profit or loss*

At 30 September 2012 and 31 December 2011, financial assets designated as at fair value through profit or loss included primarily shares of Russian and foreign companies, as well as 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 a Russian company's shares in the second quarter 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. The fair value of shares as of 30 September 2012 is RUB 14,027 million (as of 31 December 2011: RUB 18,314 million), loss from its change during the period (as recorded in the consolidated statement of income) – RUB 4,287 million.

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.

(millions of Russian rubles)

## 9. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	30 September 2012 (Unaudited)	30 December 2011
Obligatory reserve with central banks	3,696	4,774
Non-interest-bearing deposits	10,816	9,823
Subordinated loans	304,763	349,940
Interbank loans and term interest-bearing deposits with credit institutions	79,881	92,479
Mortgage bonds	2,327	1,079
	<b>401,483</b>	<b>458,095</b>
Less allowance for impairment (Note 16)	(443)	(397)
<b>Amounts due from credit institutions</b>	<b>401,040</b>	<b>457,698</b>

Obligatory reserve with the central banks includes cash non-interest-bearing deposits (obligatory reserves) maintained by the subsidiary banks with the 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 Bank of Russia.

At 30 September 2012, non-interest-bearing deposits include non-interest-bearing deposits in clearing currencies in the amount of RUB 10,552 million (as of 31 December 2011: RUB 9,498 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 September 2012, subordinated loans issued to Russian credit institutions comprise loans in the amount of RUB 304,763 million (as of 31 December 2011: RUB 349,940 million) issued to sixteen Russian credit institutions in accordance with Federal Law No. 173-FZ carrying interest at 6.5% and 7.5% p.a. (as of 31 December 2011: 6.5% and 7.5% p.a.) and maturing from December 2014 to December 2020.

In June 2012, one of the borrowers (a Russian credit institution) repaid a part of subordinated loans.

At 30 September 2012, mortgage bonds represent debt securities purchased by Vnesheconombank under the 2010-2013 Investment Program to support affordable housing construction and mortgage projects. The debt securities, issued by a Russian bank at a coupon rate below the market level, mature in 2043 and 2044. For the nine-month period ended 30 September 2012, the Group recognized a loss on initial recognition of financial instruments in the amount of RUB 592 million (for the nine-month period ended 30 September 2011: RUB 559 million) in the consolidated statement of income.

(millions of Russian rubles)

## 10. Loans to customers

Loans to customers comprise:

	30 September 2012 (Unaudited)	31 December 2011
Commercial loans, including loans to individuals	735,330	634,076
Project financing	550,577	464,659
Net investment in leases	156,136	123,635
Back-to-back finance	34,679	34,328
Financing of operations with securities	19,408	41,810
Pre-export financing	14,690	12,892
Promissory notes	13,554	21,325
Reverse repurchase agreements	13,503	19,339
Claims under letters of credit	11,984	11,003
Mortgage bonds	645	753
Other	10,098	28,412
<b>Total loans to customers</b>	<b>1,560,604</b>	<b>1,392,232</b>
Less allowance for impairment (Note 16)	(173,544)	(163,309)
<b>Loans to customers</b>	<b>1,387,060</b>	<b>1,228,923</b>

At 30 September 2012 and 31 December 2011, back-to-back finance represented an unsecured loan issued to OJSC "AHML", using funds deposited by the Russian Ministry of Finance with Vnesheconombank, in accordance with Federal Law No. 173-FZ (Note 6). The loan was placed at the rate below the market level.

At 30 September 2012, reverse repurchase agreements were signed primarily in respect of marketable shares with the fair value of RUB 5,497 million, marketable corporate bonds with the fair value of RUB 7,913 million and promissory notes of Russian credit institutions with the fair value of RUB 1,818 million. At 31 December 2011, reverse repurchase agreements were signed in respect of marketable shares with the fair value of RUB 19,871 million, and marketable corporate bonds with the fair value of RUB 4,758 million.

Loans are made principally in the following industry sectors:

	30 September 2012 (Unaudited)	%	31 December 2011	%
Real estate and development	346,270	22	308,815	22
Manufacturing, including heavy machinery and military-related goods production	304,852	20	255,600	18
Finance companies	259,582	17	259,426	19
Transport	168,492	11	138,405	10
Agriculture and food industry	110,527	7	85,973	6
Energy	98,973	6	69,170	5
Trade	89,355	6	82,777	6
Oil and gas	47,841	3	46,555	3
Metallurgy	42,852	3	40,459	3
Individuals	30,191	2	19,997	2
Telecommunications	16,445	1	18,946	1
Mining	14,089	1	9,656	1
Logistics	4,980	0	5,427	0
Regional authorities	2,056	0	2,794	0
Media	623	0	732	0
Foreign states	—	—	24,667	2
Other	23,476	1	22,833	2
	<b>1,560,604</b>	<b>100</b>	<b>1,392,232</b>	<b>100</b>

(millions of Russian rubles)

## 10. Loans to customers (continued)

At 30 September 2012, the total outstanding amount of loans to three major borrowers/groups of related borrowers was RUB 254,806 million, equivalent to 16.3% of the Group's gross loan portfolio (as of 31 December 2011: RUB 243,102 million or 17.5%). At 30 September 2012, an allowance for impairment of RUB 39,395 million was made against these loans (as of 31 December 2011: RUB 39,145 million). At 30 September 2012, these loans included loans issued to an associate of the Group involved in the real estate business, which accounted for 9.1% (as of 31 December 2011: 10.2%) of the gross loan portfolio.

In addition to the three major borrowers of the Group, at 30 September 2012 and 31 December 2011, loans were issued to ten major borrowers/groups of related borrowers in the amount of RUB 273,767 million and RUB 241,210 million, or 17.5% and 17.3% of the Group's gross loan portfolio, respectively. At 30 September 2012 and 31 December 2011, an allowance was made for those loans in the total amount of RUB 9,622 million and RUB 14,937 million, respectively.

Loans have been granted to the following types of customers:

	30 September 2012 (Unaudited)	31 December 2011
Private companies	1,280,591	1,131,991
State-controlled companies	197,869	173,120
Companies under foreign state control	46,461	37,098
Individuals	30,191	19,997
Individual entrepreneurs	3,436	2,565
Regional authorities	2,056	2,794
Foreign states	–	24,667
	<b>1,560,604</b>	<b>1,392,232</b>

## 11. Investment financial assets

Investment financial assets available for sale comprise:

	30 September 2012 (Unaudited)	31 December 2011
<b>Debt securities</b>		
Corporate bonds	155,202	139,549
Promissory notes	28,430	15,386
Federal loan bonds (OFZs)	15,738	22,557
Debt instruments issued by foreign government bodies	15,548	3,848
Eurobonds of Russian and foreign issuers	15,451	25,261
Eurobonds issued by the Russian Federation	2,061	2,124
Municipal and sub-federal bonds	647	549
	<b>233,077</b>	<b>209,274</b>
<b>Equity securities</b>	<b>235,382</b>	<b>245,011</b>
<b>Other available-for-sale financial assets</b>	<b>47,787</b>	<b>–</b>
<b>Investment financial assets available for sale</b>	<b>516,246</b>	<b>454,285</b>

(millions of Russian rubles)

## 11. Investment financial assets (continued)

Investment financial assets available for sale pledged as collateral under repurchase agreements comprise:

	30 September 2012 (Unaudited)	31 December 2011
<b>Equity securities</b>	<b>719</b>	<b>836</b>
<b>Debt securities</b>		
Debt instruments issued by foreign government bodies	–	3,217
Eurobonds of Russian and foreign issuers	–	662
	<b>–</b>	<b>3,879</b>
<b>Investment financial assets available for sale pledged under repurchase agreements</b>	<b>719</b>	<b>4,715</b>

For the nine-month period ended 30 September 2012, the Group recognized a RUB 1,686 million loss from impairment of investment financial assets available for sale (for the nine-month period ended 30 September 2011: RUB 4,649 million). The loss was recognized by transferring the negative revaluation earlier recorded in equity to gains less losses from investment financial assets available for sale, as well as by recognizing the continuing impairment directly within this item in the consolidated statement of income.

As a result of the sale of investment financial assets available for sale for the nine-month period ended 30 September 2012, the Group realized part of the revaluation result previously recorded in equity and transferred it to gains less losses from investment financial assets available for sale in the consolidated statement of income. The revaluation result realized for the nine-month period ended 30 September 2012 amounted to RUB 1,340 million (for the nine-month period ended 30 September 2011 amounted to RUB 15,068 million).

Investment financial assets held to maturity comprise:

	30 September 2012 (Unaudited)	31 December 2011
Eurobonds of Russian and foreign issuers	15,146	15,127
Municipal and sub-federal bonds	1,254	1,297
Corporate bonds	750	1,396
Federal loan bonds (OFZs)	–	25
Promissory notes	–	9
	<b>17,150</b>	<b>17,854</b>
Less allowance for impairment (Note 16)	(74)	(75)
<b>Investment financial assets held to maturity</b>	<b>17,076</b>	<b>17,779</b>

(millions of Russian rubles)

## 12. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	<b>30 September 2012 (Unaudited)</b>	<b>31 December 2011</b>
Correspondent loro accounts of Russian credit institutions	26,994	15,614
Correspondent loro accounts of other credit institutions	14,613	11,746
Loans and other placements from OECD-based credit institutions	258,924	258,417
Loans and other placements from Russian credit institutions	104,195	125,441
Loans and other placements from other credit institutions	43,176	51,318
Cash collateral on securities lent	310	–
Repurchase agreements with credit institutions	38	7,397
Deposits from Russian credit institutions – fiduciaries	–	2,081
<b>Amounts due to credit institutions</b>	<b>448,250</b>	<b>472,014</b>

At 30 September 2012, loans and other placements from OECD-based credit institutions include loans primarily denominated in RUB, USD, EUR and GBP with annual interest rates ranging from three-month MosPrime plus 1.1% to 9.7% for RUB placements (as of 31 December 2011: from 5.5% to 9.8%), from three-month LIBOR plus 0.2% to 8.7% for USD placements (as of 31 December 2011: from three-month LIBOR plus 0.2% to 7.6%), from three-month EURIBOR plus 0.9% to 6.5% for EUR placements (as of 31 December 2011: from 1.97% to 6.5%), from six-month LIBOR plus 1.5% to 7.9% for GBP placements (as of 31 December 2011: from 5.7% to 7.9%). Also, at 31 December 2011, loans and other placements from OECD-based credit institutions include CHF placements with the interest rate of 5.05%.

At 30 September 2012, loans and other placements from Russian credit institutions include loans denominated in RUB, USD and EUR with annual interest rates ranging from 5% to 13.8% for RUB placements (as of 31 December 2011: from 3.8% to 9.7%), from 0.1% to 8.9% for USD placements (as of 31 December 2011: from 0.2% to 7%), from 0.1% to 9% for EUR placements (as of 31 December 2011: from 0.7% to 1%). Also, at 30 September 2012 and 31 December 2011, this item includes deposits held as security against letters of credit and minimum balances on correspondent loro accounts.

At 30 September 2012, loans and other placements from non-OECD-based credit institutions include loans denominated in RUB, USD, EUR and UAH with the following annual interest rates: 9.2% for RUB placements (as of 31 December 2011: from 4% to 9.2%), from 1.8% to six-month LIBOR plus 4.9% for USD placements (as of 31 December 2011: from 0.2% to 11%), 6.5% for EUR placements (as of 31 December 2011: from 0.7% to 6.1%), 7.5% for UAH placements (as of 31 December 2011: from 11.2% to 18%). At 31 December 2011, loans and other placements from non-OECD-based credit institutions include loans denominated in GBP with annual interest rate of 0.6%. At 30 September 2012 and 31 December 2011, this item also included minimum balances on correspondent loro accounts of non-OECD credit institutions.

At 30 September 2012, repurchase agreements with credit institutions include loans of RUB 38 million received from Russian and foreign credit institutions and collateralized by debt securities at fair value through profit or loss with the fair value of RUB 42 million (Note 8). At 31 December 2011, repurchase agreements with credit institutions include loans of RUB 7,397 million received from foreign credit institutions and collateralized by debt securities available for sale with the fair value of RUB 3,217 million (Note 11) and securities acquired under reverse repurchase agreements with the fair value of RUB 4,035 million.

At 30 September 2012, amounts due to credit institutions include cash collateral on securities lent in the amount of RUB 310 million received from a Russian credit institution. The funds lent are represented by debt securities at fair value through profit or loss with the fair value of RUB 302 million (Note 8).



(millions of Russian rubles)

## 12. Amounts due to credit institutions (continued)

For the nine-month period of 2012, the Bank raised long-term financing on market terms from OECD-based credit institutions totaling RUB 38,051 million and repaid long-term financing of RUB 20,551 million in accordance with contractual terms. In addition, for the nine-month period of 2012, the Bank raised long-term financing on market terms from other credit institutions totaling RUB 18,664 million and repaid long-term financing of RUB 1,424 million in accordance with contractual terms.

In addition, for the nine-month period of 2012, the Group's leasing company raised long-term financing from Russian and foreign credit institutions totaling RUB 17,393 million and repaid long-term financing of RUB 7,469 million in accordance with contractual terms.

## 13. Amounts due to customers

Amounts due to customers comprise:

	30 September 2012 (Unaudited)	31 December 2011
Customer current accounts	109,591	122,294
Term deposits	214,410	228,771
Repurchase agreements	1,249	1,316
Other amounts due to customers	162	43
<b>Amounts due to customers</b>	<b>325,412</b>	<b>352,424</b>
Amounts due to customers held as security against guarantees (Note 18)	317	504
Amounts due to customers held as security against letters of credit (Note 18)	7,120	3,337

Included in term deposits are deposits of individuals in the amount of RUB 78,408 million (as of 31 December 2011: RUB 79,534 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 legislation of Ukraine and the Republic of Belarus, the Ukrainian and Belarusian subsidiaries are obliged to repay term deposits of individuals within 5 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.

At 30 September 2012, repurchase agreements with customers include loans of RUB 1,249 million received from Russian companies and collateralized by equity securities available for sale with the fair value of RUB 719 million (Note 11) and debt securities acquired under a reverse repurchase agreement with the fair value of RUB 1,126 million. At 31 December 2011, repurchase agreements with customers include loans of RUB 1,316 million received from a foreign company and collateralized by equity and debt securities available for sale with the fair value of RUB 1,498 million (Note 11).

(millions of Russian rubles)

#### 14. Debt securities issued

Debt securities issued comprise the following:

	30 September 2012 (Unaudited)	31 December 2011
Eurobonds	184,851	134,715
Bonds	156,304	107,430
Promissory notes	16,622	18,394
European commercial paper	5,429	–
Deposit and saving certificates	85	491
<b>Debt securities issued</b>	<b>363,291</b>	<b>261,030</b>
Promissory notes held as security against guarantees (Note 18)	1,178	1,289

In the nine-month period ended 30 September 2012, the Group issued the following debt securities:

- interest-bearing bonds with a nominal value of BYR 14,070 million (the equivalent of RUB 55 million as of the date of placement), placed by a subsidiary bank in January 2012 and maturing in December 2016;
- loan participation notes (Eurobonds) with a nominal value of USD 750 million (the equivalent of RUB 22,419 million as of the date of placement) placed by the Bank in February 2012 through a vehicle company and maturing in 2017;
- foreign-currency bonds with a nominal value of USD 500 million (the equivalent of RUB 14,890 million as of the date of placement) placed by the Bank in February 2012 and maturing in 2015;
- ruble bonds with a nominal value of RUB 10,000 million, placed by a leasing company in the Group in February 2012 and maturing in January 2017;
- ruble bonds with a nominal value of RUB 15,000 million placed by the Bank in March 2012 and maturing in 2032;
- ruble bonds with a nominal value of RUB 5,000 million, placed by a subsidiary bank in March 2012 and maturing in March 2022 (bonds with a nominal value of RUB 13 million were repurchased by members of the Group);
- two issues of ruble bonds with a nominal value of RUB 5,000 million each, placed by a subsidiary bank in April 2012 and maturing in April 2022 (bonds with a nominal value of RUB 4,000 million were repurchased by members of the Group);
- two issues of Eurocommercial paper with a nominal value of USD 50 million and USD 40 million, placed by a subsidiary bank in May 2012 and maturing in May 2013. The placement price was 95.69% and 95.67% of the nominal value (the equivalent of RUB 1,502 million and RUB 1,201 million as of the respective dates of placement, given the discount);
- interest-bearing bonds with a nominal value of BYR 57,250 million (the equivalent of RUB 229 million as of the date of placement), placed in June 2012 and maturing in August 2017;
- loan participation notes (Eurobonds) with a nominal value of USD 1,000 million (the equivalent of RUB 32,207 million as of the date of placement) placed by the Bank in July 2012 through a vehicle company and maturing in 2022;

(millions of Russian rubles)

#### 14. Debt securities issued (continued)

- bonds of four issues with a nominal value of USD 100 million each, placed by a leasing company in the Group in July 2012 and maturing in June 2017 (the equivalent of RUB 12,989 million as of the date of placement; the bonds were fully repurchased by the Bank upon initial public offering);
- ruble bonds with a nominal value of RUB 5,000 million, placed by a subsidiary bank in August 2012 and maturing in August 2022 (bonds with a nominal value of RUB 149 million were repurchased by members of the Group);
- BYR-denominated interest-bearing bonds with a nominal value of BYR 72,000 million (the equivalent of RUB 265 million as of the date of placement), placed in September 2012 and maturing in September 2017;
- two issues of Eurocommercial paper with a nominal value of USD 50 million each, placed by a subsidiary bank in September 2012 and maturing from June till September 2013. The placement price was 96.61% and 95.67% of the nominal value (the equivalent of RUB 1,521 million and RUB 1,510 million as of the respective dates of placement, given the discount; Eurocommercial paper with a nominal value of USD 8.5 million were repurchased by members of the Group).

Also during the reporting period, Group members repurchased own bonds under offers for a total of RUB 11,028 million.

At 30 September 2012, debt securities issued include Eurobonds placed at the market rate denominated in USD maturing from May 2016 to November 2025 (as of 31 December 2011: from May 2016 to November 2025) and in CHF maturing in February 2016 (as of 31 December 2011: in February 2016).

At 30 September 2012, included in debt securities issued are bonds placed at the market rate denominated in RUB maturing from February 2013 to February 2032 (as of 31 December 2011: from February 2013 to September 2021), denominated in USD maturing in February 2015 (at 31 December 2011: nil), denominated in UAH maturing from March 2013 to March 2014 (as of 31 December 2011: from March 2013 to March 2014), as well as bonds denominated in BYR maturing from September 2016 to September 2017 (as of 31 December 2011: from September to December 2016).

At 30 September 2012, the Group's debt securities issued include interest-bearing promissory notes denominated in RUB, USD and EUR maturing before 2049 (as of 31 December 2011: maturing before 2049). Interest rates are from 0.1% to 9.5% for RUB-denominated promissory notes (as of 31 December 2011: from 0.1% to 9.5%), from 0.2% to 8.5% for USD-denominated promissory notes (as of 31 December 2011: from 0.2% to 4.9%) and from 0.7% to 1.7% for EUR-denominated promissory notes (as of 31 December 2011: from 0.5% to 5%).

At 30 September 2012, debt securities issued include RUB-denominated saving certificates issued by a subsidiary bank at interest rates from 0.1% to 9% maturing in March 2022, as well as BYR-denominated deposit certificates placed by a subsidiary bank at an interest rate of 24% maturing in October 2012 (at 31 December 2011, interest rates for deposit and saving certificates are from 3% to 7.5% and from 0.1% to 9%, respectively, with deposit certificates maturing in May 2012 and saving certificates maturing in March 2022).

(millions of Russian rubles)

## 15. Taxation

Income tax assets and liabilities comprise:

	30 September 2012 (Unaudited)	31 December 2011
Current income tax assets	571	595
Deferred income tax assets	2,626	2,737
<b>Income tax assets</b>	<b>3,197</b>	<b>3,332</b>
Current income tax liabilities	192	167
Deferred income tax liabilities	1,722	1,718
<b>Income tax liabilities</b>	<b>1,914</b>	<b>1,885</b>

Income tax recorded in the consolidated statement of income comprises:

	For the nine-month period ended 30 September	
	2012 (Unaudited)	2011 (Unaudited)
Current income tax expense	2,096	792
Deferred income tax expense/(benefit)	26	(757)
	<b>2,122</b>	<b>35</b>

In accordance with federal legislation, effective from the date of Vnesheconombank's reorganization, income and expenses received and paid by Vnesheconombank are not accounted for when determining taxable base for income tax purposes.

## 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
<b>At 31 December 2011</b>	<b>397</b>	<b>163,309</b>	<b>163,706</b>
Charge (Unaudited)	48	20,604	<b>20,652</b>
Write-offs (Unaudited)	(2)	(5,186)	<b>(5,188)</b>
Reversal of allowance previously written off (Unaudited)	–	1,246	<b>1,246</b>
Interest accrued on impaired loans (Unaudited)	–	(6,429)	<b>(6,429)</b>
<b>At 30 September 2012 (Unaudited)</b>	<b>443</b>	<b>173,544</b>	<b>173,987</b>
<b>At 31 December 2010</b>	<b>1,719</b>	<b>144,211</b>	<b>145,930</b>
Charge/(reversal) (Unaudited)	(35)	28,901	<b>28,866</b>
Write-offs (Unaudited)	–	(4,202)	<b>(4,202)</b>
Reversal of allowance previously written off (Unaudited)	–	870	<b>870</b>
Interest accrued on impaired loans (Unaudited)	–	(6,472)	<b>(6,472)</b>
<b>At 30 September 2011 (Unaudited)</b>	<b>1,684</b>	<b>163,308</b>	<b>164,992</b>

(millions of Russian rubles)

## 16. Allowance for impairment and provisions (continued)

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

	Other assets	Investment financial assets	Claims	Credit related commitments	Total
<b>At 31 December 2011</b>	<b>1,355</b>	<b>75</b>	<b>59</b>	<b>147</b>	<b>1,636</b>
Charge/(reversal) (Unaudited)	179	(1)	(1)	176	<b>353</b>
Write-offs (Unaudited)	(64)	–	(29)	–	<b>(93)</b>
Hyperinflation effect (Unaudited)	(2)	–	–	–	<b>(2)</b>
<b>At 30 September 2012 (Unaudited)</b>	<b>1,468</b>	<b>74</b>	<b>29</b>	<b>323</b>	<b>1,894</b>
<b>At 31 December 2010</b>	<b>1,307</b>	<b>201</b>	<b>51</b>	<b>152</b>	<b>1,711</b>
Charge/(reversal) (Unaudited)	236	(19)	3	256	<b>476</b>
Write-offs (Unaudited)	(64)	(42)	(17)	(122)	<b>(245)</b>
Reversal of allowance previously written off (Unaudited)	–	22	–	–	<b>22</b>
<b>At 30 September 2011 (Unaudited)</b>	<b>1,479</b>	<b>162</b>	<b>37</b>	<b>286</b>	<b>1,964</b>

Allowance for impairment of assets is deducted from the amounts of the related assets. Provisions for guarantees and claims are recorded in liabilities. At 30 September 2012 and 30 September 2011, no allowance was made for impairment of investments in associates.

## 17. Equity

### *Charter capital*

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

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

In accordance with Resolution of the Russian Government No. 1766-r dated 7 December 2007, the Russian government contributed 100% of state-owned shares of "SME Bank" (when the shares were transferred to the Bank its name was OJSC "Russian Bank for Development") and 5.2% of state-owned shares of EXIMBANK OF RUSSIA 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.

(millions of Russian rubles)

## 17. Equity (continued)

### *Charter capital (continued)*

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, in December 2009 the Russian Federation contributed RUB 21,000 million to the charter capital of Vnesheconombank for further acquisition by the Bank of shares additionally issued by JSC "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 FCPF to the charter capital of Vnesheconombank.

### *Additional paid-in capital*

In December 2011, pursuant to Federal Law No. 357-FZ "On Federal Budget for 2011 and for the 2012 and 2013 Budget Period" dated 13 December 2010, the Bank received a grant from the Russian Ministry of Finance as an asset contribution in the amount of RUB 62,600 million for the purposes of creating the Russian direct investment fund, which was recognized in additional paid-in capital. Vnesheconombank used all funds to acquire units in Mutual Fund RDIF.

## 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 Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis resulted in uncertainty regarding future economic growth, availability of financing and cost of capital, which could adversely affect the Group's financial position, results of operations and business prospects in the future. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

### *Legal issues*

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group. Movement in provisions for legal claims is shown in Note 16.

(millions of Russian rubles)

## 18. Commitments and contingencies (continued)

### *Taxation*

Major part of the Group's business activity is carried out in the Russian Federation. Some provisions of the Russian tax, currency and customs legislation as currently in effect are vaguely drafted and are often subject to varying interpretations (which, in particular, may apply to legal relations retrospectively), selective and inconsistent application and changes which can occur frequently and, in some cases, at short notice. Therefore, 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 at any time in the future. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation and application of various provisions of this legislation, performing tax reviews and imposing additional tax requirements. It is therefore possible that the tax authorities may challenge transactions and operations of the Group that have not been challenged in the past. As a result, significant additional taxes, penalties and interest may be assessed by the relevant authorities.

Tax field audits of the accuracy of tax calculation and payments conducted by tax authorities may cover three calendar years preceding the year during which the tax audit decision was made. Under certain circumstances reviews may cover longer periods.

As of 30 September 2012, the Group's management believes that its interpretation of the relevant legislation was appropriate and that the Group's tax, currency and customs positions will be sustained.

### *Credit related commitments and contingencies*

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

	<b>30 September 2012 (Unaudited)</b>	<b>31 December 2011</b>
Undrawn loan commitments	527,574	568,066
Guarantees	124,549	103,049
Letters of credit	77,389	80,790
	<b>729,512</b>	<b>751,905</b>
Less provisions (Note 16)	(323)	(147)
<b>Credit related commitments and contingencies before deducting collateral</b>	<b>729,189</b>	<b>751,758</b>
Less: cash and promissory notes held as security against guarantees and letters of credit	(8,615)	(5,130)
<b>Credit related commitments and contingencies</b>	<b>720,574</b>	<b>746,628</b>

At 30 September 2012 the Group advised export letters of credit for a total amount of RUB 58,616 million (as of 31 December 2011: RUB 73,890 million) and received reimbursement authorization from the issuing credit institutions for a total amount of RUB 2,008 million (as of 31 December 2011: RUB 2,364 million). The Group bears no credit risks under export letters of credit and reimbursement authorization.

(millions of Russian rubles)

## 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 its substance not merely the legal form.

Related parties may enter into transactions which unrelated parties might not. 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 or entities on which the state has a significant influence (collectively – "state-related entities"), are considered to be related parties of the Group.

### *Transactions with associates and key personnel*

Outstanding balances of transactions with associates and key personnel as at 30 September 2012 and 31 December 2011 are as follows:

	<b>30 September 2012</b>		<b>31 December 2011</b>	
	<b>(Unaudited)</b>			
	<b>Associates</b>	<b>Key management personnel</b>	<b>Associates</b>	<b>Key management personnel</b>
<b>Assets</b>				
Loans to customers	116,288	89	113,694	118
Other assets	391	0	236	0
<b>Liabilities</b>				
Amounts due to customers	1,898	1,531	2,365	1,329
Other liabilities	28	40	32	25
<b>Credit related commitments and contingencies</b>	<b>5,642</b>	<b>11</b>	<b>6,567</b>	<b>2</b>

The related income and expense from transactions with associates and key personnel for the nine-month periods ended 30 September 2012 and 30 September 2011 are as follows:

	<b>For the nine-month period ended</b>		<b>For the nine-month period ended</b>	
	<b>30 September 2012</b>		<b>30 September 2011</b>	
	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Associates</b>	<b>Key management personnel</b>	<b>Associates</b>	<b>Key management personnel</b>
Interest income on loans to customers	5,772	8	5,630	4
Interest expense on amounts due to customers	(38)	(59)	(101)	(124)
<b>Net interest income/(expense)</b>	<b>5,734</b>	<b>(51)</b>	<b>5,529</b>	<b>(120)</b>
(Provision for) / reversal of impairment of interest-earning assets	(1,776)	1	(431)	–
<b>Net interest income/(expense) after provision for impairment of interest-earning assets</b>	<b>3,958</b>	<b>(50)</b>	<b>5,098</b>	<b>(120)</b>



(millions of Russian rubles)

## 19. Related party transactions (continued)

### *Transactions with associates and key personnel (continued)*

Compensation to key management personnel comprises the following:

	For the nine-month period ended 30 September (Unaudited)	
	2012	2011
Salaries and other short-term benefits	1,229	1,119
Social security contributions	121	48
<b>Compensation to key management personnel</b>	<b>1,350</b>	<b>1,167</b>

### *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 Note 6.

In addition, at 30 September 2012 transactions with state-related entities include cash non-interest-bearing deposits (obligatory reserves) maintained by the Vnesheconombank's subsidiary banks with the Bank of Russia in the amount of RUB 3,449 million (as of 31 December 2011: RUB 4,001 million) (Note 9).

In the normal course of its business the Bank and its 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. Transactions with state-related credit institutions account for the major portion of all of the Group's operations on granting loans to credit institutions and the minor portion of financing raised from credit institutions and guarantees issued.

(millions of Russian rubles)

## 19. Related party transactions (continued)

### *Transactions with the state, state institutions and state-related entities (continued)*

Balances of significant transactions with state-related credit institutions at 30 September 2012 and 31 December 2011 are stated in the tables below:

Credit institution	Types of transactions	Amounts due from credit institutions	
		30 September 2012 (Unaudited)	31 December 2011
Credit institution 1	Subordinated loans	183,399	182,140
Credit institution 2	Subordinated loans	38,852	86,318
Credit institution 3	Subordinated loans	22,925	22,767
Credit institution 4	Interest-bearing loans and deposits with credit institutions maturing within 90 days	21,696	–
Credit institution 1	Interest-bearing loans and deposits with credit institutions maturing within 90 days	15,005	14,006
Credit institution 5	Subordinated loans	10,206	10,135
Credit institution 2	Interbank loans and term interest-bearing deposits with credit institutions	5,357	2,893
Credit institution 6	Interbank loans and term interest-bearing deposits with credit institutions	4,750	4,691
Credit institution 7	Interest-bearing loans and deposits with credit institutions maturing within 90 days	4,547	–
Credit institution 3	Interbank loans and term interest-bearing deposits with credit institutions	3,925	3,861
Credit institution 6	Interest-bearing loans and deposits with credit institutions maturing within 90 days	3,501	–
Credit institution 4	Interbank loans and term interest-bearing deposits with credit institutions	–	22,565
Credit institution 8	Interest-bearing loans and deposits with credit institutions maturing within 90 days	0	3,866
Credit institution 9	Interest-bearing loans and deposits with credit institutions maturing within 90 days	0	3,300
		<b>314,163</b>	<b>356,542</b>

(millions of Russian rubles)

## 19. Related party transactions (continued)

### *Transactions with the state, state institutions and state-related entities (continued)*

Credit institution	Types of transactions	Amounts due to credit institutions	
		30 September 2012 (Unaudited)	31 December 2011
Credit institution 9	Loans and other placements from Russian credit institutions	35,179	28,971
Credit institution 2	Loans and other placements from Russian credit institutions	21,001	19,093
Credit institution 10	Loans and other placements from Russian credit institutions	5,742	5,954
Credit institution 7	Loans and other placements from Russian credit institutions	4,541	4,522
Credit institution 11	Loans and other placements from OECD-based credit institutions	3,386	4,423
Credit institution 1	Loans and other placements from Russian credit institutions	—	22,106
Credit institution 12	Loans and other placements from other credit institutions	—	3,220
		<b>69,849</b>	<b>88,289</b>

At 30 September 2012, the Group's significant commitments to extend loans to credit institutions 9 and 2 amounted to RUB 8,867 million and RUB 5,602 million, respectively. At 31 December 2011, significant commitments to extend loans to the same credit institutions amounted to RUB 10,000 million and RUB 7,000 million, respectively. These credit lines were opened under the Vnesheconombank's Investment Program to support affordable housing construction and mortgage projects.

At 30 September 2012 and 31 December 2011, there were no significant guarantees issued to state-related credit institutions.

(millions of Russian rubles)

## 19. Related party transactions (continued)

### *Transactions with the state, state institutions and state-related entities (continued)*

In the normal course of business the Bank and its subsidiaries grant loans to state-related customers, as well as 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 of the Group's operations with customers. Balances of significant transactions with state-related institutions and entities at 30 September 2012 and 31 December 2011 are stated in the tables below:

Borrower	Industry	Loans to customers	Undrawn loan commitments	Loans to customers	Undrawn loan commitments
		30 September 2012 (Unaudited)		31 December 2011	
Customer 1	Finance	34,679	–	35,081	–
Customer 2	Real estate and construction	17,859	–	20,613	–
Customer 3	Energy	17,713	10,786	10,448	17,563
Customer 4	Oil and gas	14,668	6,742	14,452	7,914
Customer 5	Energy	14,308	5,612	11,870	7,813
Customer 6	Transport	10,903	–	0	–
Customer 7	Manufacturing, heavy machinery and military-related goods production	10,414	11,130	4,653	17,816
Customer 8	Manufacturing, heavy machinery and military-related goods production	10,300	22,961	1,409	–
Customer 9	Manufacturing, heavy machinery and military-related goods production	10,221	40,383	6,925	46,210
Customer 10	Energy	7,089	–	7,392	–
Customer 11	Finance	6,682	–	5,820	1,343
Customer 12	Manufacturing, heavy machinery and military-related goods production	5,050	3,857	2,954	3,484
Customer 13	Energy	5,000	–	4,944	1,000
Customer 14	Manufacturing, heavy machinery and military-related goods production	4,380	0	1,621	–
Customer 15	Telecommunications	4,216	6,088	12,381	2,379
Customer 16	Telecommunications	4,193	0	0	2,199
Customer 17	Manufacturing, heavy machinery and military-related goods production	4,050	1,421	3,140	2,248
Customer 18	Energy	3,671	2,566	1,500	–
Customer 19	Telecommunications	3,525	–	2,413	–
Customer 20	Transport	3,329	–	3,558	–
Customer 21	Transport	3,309	–	3,541	–
Customer 22	Manufacturing, heavy machinery and military-related goods production	3,153	2,623	1,472	4,107
Customer 23	Energy	1,724	3,118	0	4,687
Customer 24	Transport	1,451	8,576	–	10,000
Customer 25	Energy	1,058	10,939	–	12,000
Customer 26	Energy	0	4,754	–	–
		<b>202,945</b>	<b>141,556</b>	<b>156,187</b>	<b>140,763</b>

(millions of Russian rubles)

## 19. Related party transactions (continued)

### *Transactions with the state, state institutions and state-related entities (continued)*

		<b>Amounts due to customers</b>	
		<b>30 September 2012 (Unaudited)</b>	<b>31 December 2011</b>
<b>Customer</b>	<b>Industry</b>		
Customer 19	Telecommunications	33,541	36,369
Customer 27	Infrastructure development	25,591	32,002
Customer 1	Finance	12,598	15,961
Customer 28	Finance	6,633	–
Customer 29	Manufacturing, heavy machinery and military-related goods production	4,510	4,439
Customer 30	Manufacturing, heavy machinery and military-related goods production	4,321	2,618
Customer 31	Finance	4,154	–
Customer 32	Manufacturing, heavy machinery and military-related goods production	1,892	3,000
Customer 33	Energy	–	8,293
Customer 34	Transport	–	4,294
		<b>93,240</b>	<b>106,976</b>

		<b>Guarantees issued</b>	
		<b>30 September 2012 (Unaudited)</b>	<b>31 December 2011</b>
<b>Customer</b>	<b>Industry</b>		
Customer 30	Manufacturing, heavy machinery and military-related goods production	33,889	33,846
Customer 35	Manufacturing, heavy machinery and military-related goods production	4,798	8,902
		<b>38,687</b>	<b>42,748</b>

At 30 September 2012 and 31 December 2011, the Group's investments in debt securities issued by the Russian Government comprised:

	<b>30 September 2012 (Unaudited)</b>	<b>31 December 2011</b>
Financial assets at fair value through profit or loss	6,152	11,490
Financial assets at fair value through profit or loss lent	302	–
Investment financial assets		
- available-for-sale	18,446	25,230
- held-to-maturity	1,254	1,322

At 30 September 2012 and 31 December 2011, there were no transactions involving derivative financial instruments with the Russian Government.

(millions of Russian rubles)

## 19. Related party transactions (continued)

### *Transactions with the state, state institutions and state-related entities (continued)*

In the normal course of business the Group invests in securities issued by state-related issuers and enters into derivative contracts with such counterparties. At 30 September 2012 and 31 December 2011, the Group's investments into securities issued by state-related issuers, as well as derivative transactions with such companies comprised:

	30 September 2012 (Unaudited)			31 December 2011		
	Equity securities	Debt securities	Derivative financial instruments	Equity securities	Debt securities	Derivative financial instruments
Financial assets at fair value through profit or loss	27,444	10,590	12,160	30,636	8,487	15,238
Investment financial assets						
- available for sale	154,591	137,428	—	172,072	119,571	—
- held to maturity	—	676	—	—	725	—
Financial assets at fair value through profit or loss pledged under repurchase agreements	—	—	—	—	—	—
Investment financial assets available for sale and pledged under repurchase agreements	550	—	—	649	—	—
Financial liabilities at fair value through profit or loss	—	—	487	—	—	152

Investment financial assets available for sale also include a financial asset issued by a state-related credit institution with fair value of RUB 47,787 million.

## 20. Subsequent events

In October 2012, the Bank placed two issues of RUB-denominated domestic bonds, Series 18 and 19, at MICEX-RTS, with a nominal value of RUB 10,000 million each, maturing in 2032. These bond issues are subject to a 3-year offer.

In October 2012, the Group's leasing company issued two issues of non-convertible interest-bearing documentary bearer bonds, Series 05 and 06, with a nominal value of USD 100 million each, maturing in 5 years. Both issues were acquired by the Bank upon initial public offering.

In October 2012, the Bank established a representative office in Nizhny Novgorod.

In October 2012, interest-bearing deposits received from the Bank of Russia were extended by one year (Note 6).

In October 2012, the Bank transferred funds in the amount of RUB 270 million to repay 17,436 additional investment units of Closed-end Mutual Equity Fund "MRIF-II". Following registration of changes in the rules for trust management of the mutual fund that was completed in November 2012, the Bank's share in the fund increased to 99.9991%.

*(millions of Russian rubles)*

## **20. Subsequent events (continued)**

In November 2012, a subsidiary bank placed exchange-traded bonds, Series BO-01, with a nominal value of RUB 5,000 million at MICEX-RTS. The bonds were repurchased by the Bank in the amount of RUB 3,650 million. The bonds mature in November 2015 and are subject to a 1-year offer.

In November 2012, the Bank purchased mortgage bonds in the amount of RUB 1,587 million, maturing in 2045 with the fixed interest rate under the 2010-2013 Investment Program to support affordable housing construction and mortgage projects.

In December 2012, a subsidiary bank placed RUB-denominated bonds, Series BO-07, with a nominal value of RUB 5,000 million, maturing in December 2015. The bonds were repurchased by the Bank in the amount of RUB 825 million. This bond issue is subject to a 1-year offer.

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