

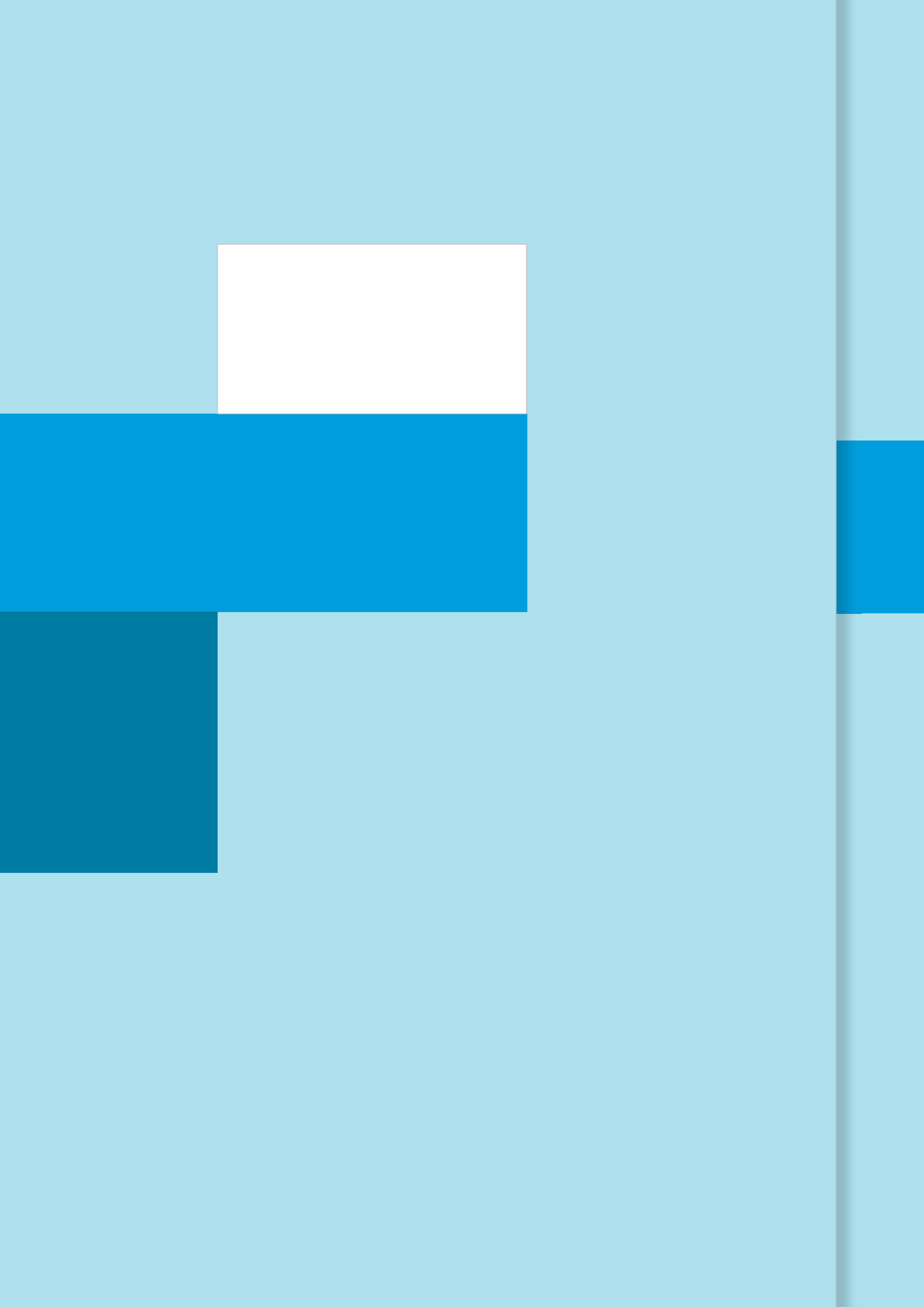


VNESHECONOMBANK

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

2008

Bank for
development
annual report





VNESHECONOMBANK

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

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Chairman's statement

Dear colleagues and partners!

We admit the year 2008 was the first year that Vnesheconombank was operating as a full-fledged bank for development. More importantly, the past year will be remembered for the fact that Russia's economy and the state withstood a severe test of the global crisis.

For us, the period of 2008 is sort of falling into two parts: the period of January-September was marked by sustained development and the remaining three months — characterised by exacerbating economic problems.

At Stage I, the Bank demonstrated active evolution as a development institution. We financed the construction of airports, machine-engineering enterprises, aircraft building and microelectronics businesses, credited the infrastructure of housing and public utilities and that of the industrial parks. At the same time, just as before, we acted in the agency capacity for the RF Government to manage the pension savings funds, the country's external and internal debts.

But as the crisis in the financial markets and in Russia's economy was unfolding, the Bank also undertook a mission of a major crisis manager acting on behalf of the state.

Encouragingly, the complexity and the quality difference of these 3 business lines would not



disorient the Bank or take it off the right business track. Not only would the Bank maintain its achievement standards, but would even deliver improved results. The Bank's assets grew almost 3-fold, the volume of income exceeded the respective figure of 2007 and reached RUB 9.3 billion. Vnesheconombank solidified its positions in the national banking sector. In terms of total assets, the Bank moved up from the 9th to the 4th place. It should be recognised that in the past year, the Bank's key performance indicators were on an upward trend. To illustrate.

Vnesheconombank ranked:

- 1st in terms of loan portfolio quality;
- 3rd in terms of volume of securities investment;
- 3rd in terms of capital (maintained position);
- 4th in terms of volume of loans extended to non-financial companies;
- 4th in terms of income before income taxes (maintained position).

Within the frames of the Government financial stimulus package, the Bank arranged financing of Russian companies' foreign debt, extended subordinated loans to banks. In the first case, Vnesheconombank helped preserve the country's strategic assets pledged with foreign banks. In the second case — provided long-term resources for Russian banks to ensure sustainability and to finance enterprises that play a key role in Russia's economy. Obviously, urgent recapitalization by Vnesheconombank of Svyaz Bank and Globex Bank staved off depositor 'run on the banks' and soothed nervous sentiments in the Russian interbank market. Vnesheconom-

bank's investment into securities market served as a leverage that, at a critical moment, helped unlock the stockmarket and prevent its overall collapse, thereby ensuring for the state an opportunity to effectively diversify the resources of the National Wealth Fund (NWF).

Notably, the Bank managed to professionally respond to the crisis challenges. Our professionals participated in preparing legislation designed to support the Russian financial system, devised tactics of priority action in the stock and bond market, made a concerted effort to clean up the banks' balance sheets and facilitated troubled banks' rehabilitation.

No matter what financial resources and human efforts the bail-out package provision would require of the Bank, it would invariably maintain focus on its core activities — investment into real economy. Over the year, the number of projects financed by the Bank increased from 35 to 54. The sum approximating to RUR 50 billion was allocated for implementation of 21 new projects. Another RUB 20 billion was appropriated to finance projects whose delivery had been started earlier. By a continued tradition, the Bank went on with the effort to support exports of high value-added goods. To this end, RUB 15.8 billion worth of long-term guarantees were issued.

We are happy to note that, while the crisis somewhat shattered the image of well-known banks, Vnesheconombank preserved its reputation, as well as trust and confidence of the Bank's partners. Thus, at the very peak of the crisis, Vnesheconombank managed to raise at most competitive rates Euro 335 million worth of a syndicated loan from major foreign banks.

We recognise that seeking to find the right solutions to efficiently resolve some problems, we were at the same time aiming to rise to new challenges. The Government engaged Vnesheconombank's capabilities to implement a program for construction of transport, energy and social infrastructure, as well as sports facilities in the run up to the Olympic games in Sochi in 2014. Vnesheconombank is to allocate more than RUB 40 billion for 5 projects on reconstruction of a seaport and an air terminal complex and on construction of a thermoelectric power station, a mountain skiing resort and a sports and tourist attraction complex. Clearly, this work requires making unique decisions when crediting private companies, building up an expressly formulated and explicitly defined legal and financial framework of relations with 'Olympstroy' state corporation. I am sure the Bank will be able to identify and establish well-tested and workable mechanisms of interaction.

We acknowledge that, while financing construction of facilities in the run up to the Olympic games is a task that will definitely take some time to materialise, the money invested by the Bank in other projects is already at work and about to deliver tangible value. In autumn 2009, the Sheremetievo-3 Moscow air terminal will welcome the first passengers. A year later, in the Omsk region, the production of more than 75 types of the highest quality propylene will be started by one of the plants of the petrochemical complex. These are only two examples of Vnesheconombank's participation in modernising the country's infrastructure and industry.

Some 3 years ago, there was much debate and arguing as to whether Russia needed a de-

velopment institution. And, at that time, it was just by referring to foreign experience that the advocates of that idea could make the case for creating such an institution in Russia. But I reckon that the past year practically removed all the questions. Now, we are fairly confident that the outcomes of the Bank's professionals' efforts in 2008 proved the urgency and significance of the Bank for Development for the Russian economy. More importantly, Vnesheconombank weathered the storm of 2008, firmly established itself as a viable development institution and successfully proved its ability to meet countrywide challenges.

The brand of the newly established Bank for Development has become easily recognisable, acquiring all the features and makings of a national brand. Nowadays, almost any event related to the Bank's activities immediately gets into the media spotlight. We admit that confronting a most complex and challenging environment, the Bank successfully addressed new challenges, promptly responded to the crisis that was moving at full speed, managed to resolve ever-piling up problems within the shortest timeframes possible. It could now be as much as stated that Vnesheconombank has successfully gone through a reorganisation procedure, actually the third in its long-standing history.



V. Dmitriev
Chairman of Vnesheconombank

Vnesheconombank's Supervisory Board

5

as of January 1, 2009

CHAIRMAN OF THE SUPERVISORY BOARD:

V. V. Putin	Chairman of the Government of the Russian Federation
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MEMBERS OF THE SUPERVISORY BOARD:

V. A. Zubkov	First Deputy Chairman of the Government of the Russian Federation
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S. B. Ivanov	Deputy Chairman of the Government of the Russian Federation
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D. N. Kozak	Deputy Chairman of the Government of the Russian Federation
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A. L. Kudrin	Deputy Chairman of the Government of the Russian Federation, Minister of Finance
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I. E. Levitin	Minister of Transport of the Russian Federation
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E. S. Nabiullina	Minister of Economic Development of the Russian Federation
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V. B. Khristenko	Minister of Industry and Trade of the Russian Federation
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V. A. Dmitriev	Chairman of Vnesheconombank
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Vnesheconombank's Board

V. A. Dmitriev	Chairman of the Bank
N. N. Kosov	First Deputy Chairman
A. V. Tikhonov	First Deputy Chairman
A. B. Ballo	Deputy Chairman
S. A. Vasilyev	Deputy Chairman
M. Yu. Kopeikin	Deputy Chairman
S. P. Lykov	Deputy Chairman
P. M. Fradkov	Deputy Chairman
V. D. Shaprin'skiy	Chief Accountant

Report on Vnesheconombank's activities

7

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Development dynamics: major financial highlights

Now a brief word on Vnesheconombank's major financial performance indicators in 2008:

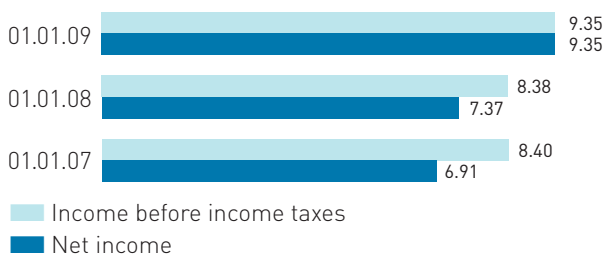
Income before income taxes made RUB **9.35** billion (+11.6% on 2007);

The Bank's capital stood at RUB **240.6** billion (+17.4% on 01.01.2008), a major factor ensuring an increase of the Bank's capital — an asset contribution of RUB 75 billion into Vnesheconombank's charter capital made by the Russian Federation.

The Bank's total assets reached RUB **1613.9** billion¹, posting a 3-fold rise on the start of the year 2008. That is directly attributable to

1. Since January 1, 2008, the accounting rules effective for banks on the RF territory (as compared to 2007) have been modified. For the purpose of data comparison, the total assets recorded on 01.01.2009, serve as a basic value (the total assets calculated in accordance with 0409101 format being taken as a reference, less revenue/expense volumes and positive/negative values of securities revaluation).

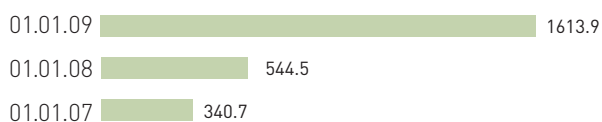
Income, RUB billion



Capital, RUB billion



Total assets, RUB billion

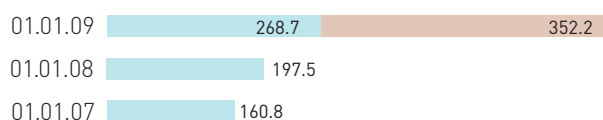


the growth of the Bank's operations within the frames of the stimulus package provided to shore up the Russian Federation financial system in a crisis environment.

The Bank's return on assets (ROA) was running at 1.2% (2007 — 1.8%), while return on capital (ROC) stood at 4.7% (2007 — 12.9%). The reduced ROC indicator could be attributed to a considerable rise in Vnesheconombank's charter capital due to asset contributions for the total sum of RUB 255 billion made by the Russian Federation in November 2007 and in November 2008.

The volume of the loan portfolio extended to customers totaled RUB 620.9 billion at the year-end 2008 (a more than 3-time rise on 01.01.2008), inclusive of:

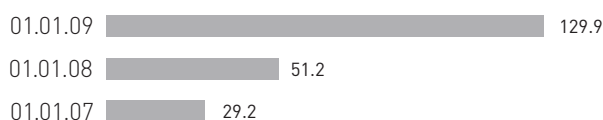
Loan portfolio, RUB billion



■ Loan portfolio of the Bank for Development
■ Loans extended to support the RF financial system

The volume of loans extended by Vnesheconombank as a bank for development for financing investment projects witnessed a 2.5 increase, comprising as of 01.01.2009, 54 investment projects, financed for the sum of RUB 129.9 billion, (as compared to 35 projects — RUB 51.2 billion as of 01.01.2008). In 2008, the Bank started financing 21 new projects, with the overall volume of financial resources extended by the Bank for project implementation standing at RUB 48.9 billion.

Portfolio of Investment Loans, RUB billion

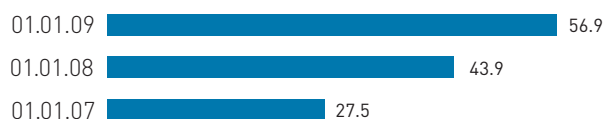


The volume of funds extended for redemption (servicing) of Russian corporates' indebtedness to foreign financial institutions² made RUB 266.4 billion (rouble equivalent of USD 9.1 billion).

The volume of funds extended to Russian banks in compliance with Federal Law №173 FZ: RUB 225 billion — subordinated loans; RUB 20.9 billion (rouble equivalent of USD 0.7 billion) — loans to redeem (service) indebtedness of banks to foreign financial institutions.

The volume of guarantees (as of 01.01.2009) reached RUB 56.9 billion (versus RUB 43.9 billion as of the year-start). Within the year

Guarantees, RUB billion



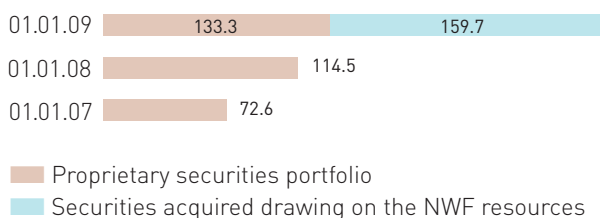
under review, Vnesheconombank issued 63 guarantees for the total amount of RUB 56.8 billion, including RUB 41.0 billion (rouble equivalent of USD 1.5 billion) worth of a short-term guarantee to secure the liabilities of a major telecommunications company (within the

2. In compliance with Federal Law N 173-FZ dated October 13, 2008 "On Additional Measures for Supporting the Financial System of the Russian Federation" [Article 1].

frames of a bail-out package designed to support the financial system of the Russian Federation).

*The total volume of the securities portfolio*³: amounted to RUB **293.0** billion (a **2.6** rise on the start of the year). The volume of the Bank's proprietary securities portfolio⁴ posted growth reflecting primarily an increase in investment into rouble-denominated corporate bonds and notes of the Russian residents, as well as investment into the Russian Federation Eurobonds. As of 01.01.2009, the volume of investment into shares and bonds of major Russian issuers purchased, drawing on the resources of the National Wealth Fund (NWF), reached RUB **155.8** billion (at purchase price).

Securities Portfolio, RUB billion



3. Debt securities (including notes) and equity securities (excluding equity investments).

4. Less securities purchased drawing on the NWF's resources.

*The volume of funds raised from banks*⁵ made RUB **240.6** billion (as compared to RUB 215.9 billion as of 01.01.2008). Remarkably, loans raised from foreign banks with maturities exceeding a 3-year term accounted for the bulk of the above resources (51% of the total volume of interbank loans).

Loans and Deposits from Banks, RUB billion



5. Less funds raised from the CBR to shore up the RF financial system and the balances on loro accounts.

2 Lending-investment and guarantee activities of the Bank for Development

Vnesheconombank: Enhanced Role as a Bank for Development

Admittedly, Vnesheconombank's role as a creditor, investor and guarantor called to assist the state in meeting the challenges of the country's socio-economic development is expressly and explicitly specified in Federal Law No.82-FZ dated May 17, 2007 «On Bank for Development»⁶, while the lending and investment business priorities of the Bank for Development for the period up to 2010 are defined in Memorandum on financial policies of Vnesheconombank⁷ (hereinafter referred to as the «Memorandum»).

Obviously, substantial enhancement of the volumes of financial and guarantee support for

the state measures to implement the country's domestic and foreign economic policies was the key task of Vnesheconombank as a bank for development in 2008. These measures were targeted on ultimately ensuring for Russia a role and place of an industrialised state that would create a most accommodating environment for Russian citizens and would also be attractive for foreign investors' businesses.

Principally, our efforts were aimed at concentration of resources to primarily address most important for Russia's economy development programs, implement various investment projects and export contracts, whose implementation, drawing solely on the funds of commercial organisations (banks and other off budget financing sources), could either be impeded for objective reason⁸ or else would not simply make commercial sense for these organisations.

6. Accordingly, the data presented in Section 2 of the Report reflect the results of Vnesheconombank's activities in the lending-investment and guarantee area in compliance with Federal Law No.82-FZ "On Bank for Development" (excluding activities envisaged by the Law, but related to the Bank's acting as an agent for the RF Government).

7. Approved by the RF Government Directive №1007-p dated 27.07.2007.

8. Also in view of huge volumes of the resources required, long payback periods, absence of liquid pledges and other factors that evidence high risks associated with potential investments, complexity of the required support instruments, etc.

The selected strategic areas of Vnesheconombank's lending-investment and guarantee activities (legally specified functions for a development institution) envisage support for the implementation of:

- projects designed to remove infrastructure restrictions on economic growth, namely projects on the development of new, reconstruction and/or modernisation of the existing facilities of the economic and social infrastructure;

- projects on creation/modernisation of industries that are not related to infrastructure sectors, but that are oriented towards introducing (commercialising) innovations;

- export contracts of Russian companies engaged in the production of high-tech goods and/or moving them to foreign markets;

- programs of SMEs development.

On November 19, 2008, by the Russian Government Directive №1697-p, the list of the Bank's lending-investment and guarantee priorities, as set forth by the Memorandum, was enhanced to include the agro-industrial complex. That enabled Vnesheconombank to resume its former activities⁹ in support of the respective sector projects.

In 2008, the Bank's primary focus was placed on arranging financing for small and medium-sized enterprises (hereinafter referred

to as "SMEs") development programs. The need to substantially increase financing volumes for SMEs was only too obvious. And we acknowledge it is the enterprising initiatives of SMEs entities and companies operating in the SMEs infrastructure that, given appropriate support, could well serve as a strong driving force for diversification of the economic structure and GDP growth, increase the level of employment/self-employment and hence improve the welfare of the citizens. Eventually, it would help remove disproportions and imbalances in the socio-economic development of the Russian regions.

By the year-end 2008, we planned (and that was expressly specified in the Bank's Development Strategy for the period of 2008–2012) to increase the volume of the portfolio of loans extended for implementing SMEs development programs to RUB 9 billion, while the volume of loans to be extended to legal entities representing the non-financial sector was to reach RUB 270 billion.

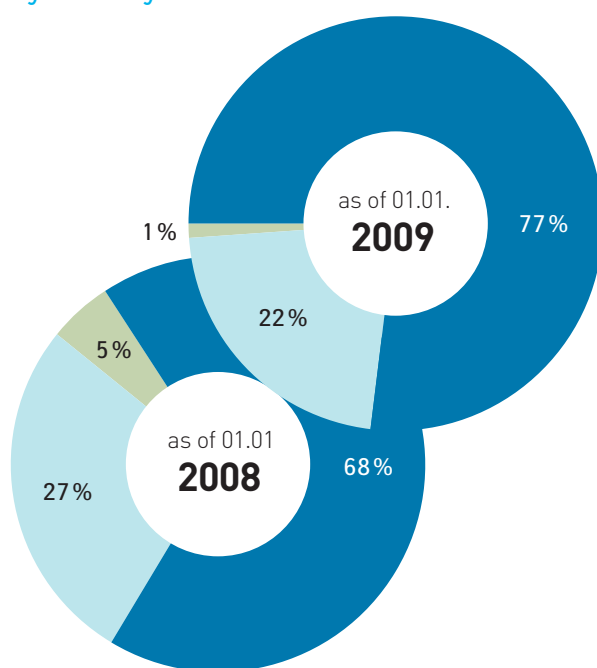
But, given the harsh realities of the year 2008, negatively impacted by the spill-over of the global economic crisis into Russia's economy (starting from H2 of the year under review), it became quite a challenging task.

We are confident that it was mainly due to special attention of the Bank's governing and working collegiate bodies to lending-investment and guarantee activities, as well as due to staff professionalism, enthusiasm and a good team spirit that the projected support targets for the development of the Russian economy in 2008 were successfully met.

9. Activities carried out prior to the transformation of Vnesheconombank of the USSR in 2007 into a state corporation in compliance with the Federal Law on "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" and the approval of the Bank's Memorandum.

The financial indicators of the year demonstrate that Vnesheconombank has successfully accomplished all the tasks set in the area of lending-investment and guarantee activities. Also, they are good evidence of the Bank's enhanced role in implementing state measures aimed at raising the level of Russia's socio-economic development and reinforcing its positions in the world.

Customer Loan Portfolio by Maturity



- Exceeding 3 years
- From 1 year to 3 years
- Up to 1 year

HOW COULD WE NOW,
OPERATING IN THE
CIRCUMSTANCES
OF A FINANCIAL CRISIS,
RAISE CREDITS
AT PRE-CRISIS RATES



ARRANGING SYNDICATION



New York



London



Tok

On October 24, 2008, Vnesheconombank signed with major international banks an agreement on raising Euro 335 million worth of a syndicated loan, the interest rate being EURIBOR (6 m) +0.75% per annum. (p. 32-33)

The major results delivered¹⁰ are as follows:

RUB 268.7 billion¹¹ — the volume of the portfolio of loans extended to legal entities of the non-financial sector as of 01.01.2009 (+36% as compared with the respective portfolio volume as of 01.01.2008), with an increased share of loans with more than 3-year maturities (up to 77%);

RUB 98.8 billion — the overall volume of loans extended by the Bank in 2008 (RUB 56.4 billion — 2007), inclusive of RUB 68.5 billion — to finance investment projects, the rest of the loans having been extended mainly for financing current activities of Russian exporters;

RUB 97.1 billion — the overall volume of undrawn loans under credit lines opened by the Bank for borrowers of the non-financial sector as of 01.01.2009 (as compared to RUB 27.0 billion as of 01.01.2008);

RUB 9 billion — the volume of the portfolio of interbank loans extended by Vnesheconombank to implement SMEs development programs;

RUB 56.9 billion — the overall volume of the portfolio of guarantees as of 01.01.2009 (+30% as compared to the start of the year 2008);

RUB 15.8 billion — the overall volume of guarantees extended by the Bank in 2008;

RUB 27.4 billion — the overall volume of equity investment into charter capitals of legal entities (as of 01.01.2009).

Participation in implementing investment projects

Within the period under review, preliminary expert evaluation of 86 investment projects was ensured, with the decisions on performing comprehensive expert evaluation of 71 projects made. The total value of the relevant projects makes RUB 1048.8 billion, the projected Vnesheconombank's commitment is estimated as standing at RUB 728.6 billion.

In 2008, Vnesheconombank started to finance new investment projects/programs delivered on the territory of Russia (total number — 21) Among the most important ones come:

Project on the development of transport infrastructure of the "Kusbas — Far Eastern Transport Hub" implemented by OJSC "Russian Railways". Total investment amount: RUB 27.1 billion, Vnesheconombank's commitment: RUB 6.3 billion (funds were extended in full volume). The economic effects and benefits of project implementation will ensure increased capacity of the railway segments and satisfy ever-growing demand for cargo and passenger transportations in the context of delivering major investment projects in the neighboring territories (these are the projects of "Corporation for Development of Zabaikalye", "Corporation for

10. Without taking into account operations effected in compliance with Federal Law N 173-FZ dated October 13, 2008 "On Additional Measures for Supporting the Financial System of the Russian Federation", as well as those effected with a view to bail out OJSC Svyaz-Bank and CJSC GLOBEXBANK.

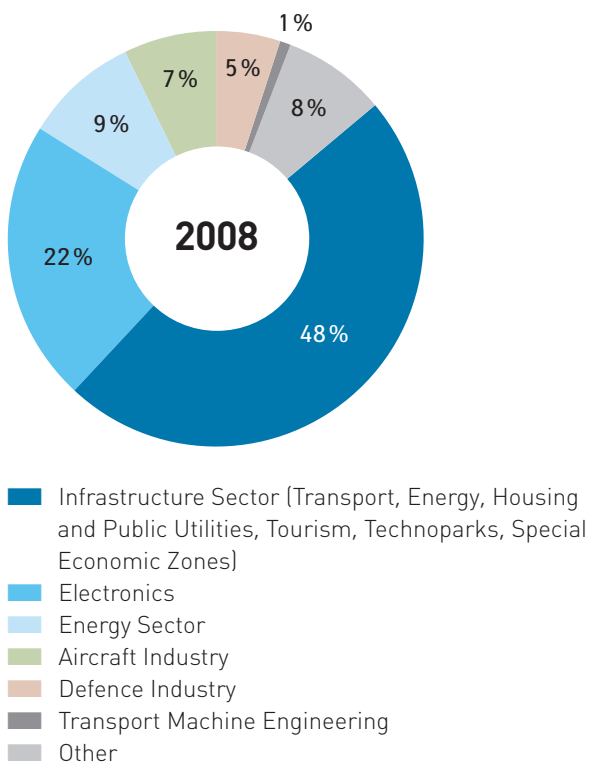
11. Here and henceforth, unless specified otherwise, all the data are presented in rouble equivalent.

Development of South Yakutia”, as well as the project on the construction of a railway branch Kyzyl-Kuragino, parallel with the development of a mineral-and-raw material base in the Republic of Tuva).

■ Project on the construction of a logistics terminal with elements of an industrial park (implemented by CJSC “Logopark Biek Tau”). The investment amount — USD 256 million, Vnesheconombank’s commitment — USD 225 million, with USD 72 million worth of loans already extended. The project envisages the construction of a logistics terminal with elements of a “Class A” industrial park in Visokogorniy district, Republic of Tatarstan. The projected industrial area — 258.7 thousand square kilometres. The economic benefits of project implementation will provide for the creation of a new infrastructure contributing to increased capacity of cargo traffic through the Russian territory along the international transport corridors “West-East” and “North-South”. The project, meeting advanced international standards of logistics and cargo transportation, will serve as a benchmark for the respective Russian market.

■ Project on the construction of a transport-logistics centre “Yanino” implemented by OJSC “Logistics Park “Yanino” The investment amount — USD 206.0 million, Vnesheconombank’s commitment — USD 144 million (USD 15.2 million already extended). The project provides for the construction of a facility designed to process and store different cargos, including container cargos. The economic benefits of the project will ensure increased revenues for budgets of all levels (about RUB 3.2 billion) and help create about 400 jobs in the Leningrad region.

Loans Extended in 2008 to Implement New Investment Projects (by Industry /Sector of Economy)



■ Project on the development of industrial parks infrastructure in the Kaluga region: creation of a cluster of automobile and automobile component production facilities. The project is implemented by OJSC “Development Corporation of the Kaluga region” with the support of the Kaluga region government and is intended to improve socio-economic development of the region. The investment amount — RUB 6.9 billion, Vnesheconombank’s commitment — RUB 4.95 billion. The economic benefits of project implementation are expected to provide: RUB 1 of state investment in industrial parks infrastructure will raise up to RUB 15 worth of private investment. As a consequence, around RUB 84.0 billion of additional tax revenues will be

delivered to the budgets of the Kaluga region and the city of Kaluga in the next 10 years. In the course of creating an automobile cluster production, more than 15 thousand new jobs will be created solely due to private investor funds. In 2008, Vnesheconombank, within the framework of Stage I of project delivery, extended funds in the amount of RUB 2.4 billion.

■ Project on the construction of the Kolomenskoye gas turbine power station within the framework of the Program for the development of power generating capacities in Moscow (the project is implemented jointly with CJSC "NaftaSib" and OJSC "VEB-leasing" (formerly — CJSC "Oboronpromleasing"), the controlling stake in OJSC "VEB-leasing" equity, formed in 2008, is now owned by Vnesheconombank. The total investment amount — USD 268.0 million, Vnesheconombank's commitment — USD 182.7 million. The funds are extended almost in full — 94% of the projected volume. Project implementation due to advanced technologies will help minimize a negative impact on the environment.

■ Project on the reconstruction of the Novgorod heat and power plant (TGC №2). The total investment amount — RUB 4.7 billion, Vnesheconombank's commitment — RUB 2.95 billion (RUB 1.27 billion of credit resources already extended). Project implementation will enhance efficiency of natural gas utilisation.

■ Project on launching a serial production of An-148, TU-204 civil aircraft by OJSC "United Aircraft Corporation". OJSC "UAC" acts a borrower under the loans extended by Vnesheconombank for financing capital invest-

ments in the production process. The aircraft serial production will be organized on the basis of the industrial enterprises of "Voronezh Aircraft Joint-stock Company" and CJSC "Aviastar-SP" within the approved by OJSC "UAC" program of supplies of new Russian aircraft up to the year 2015. The projected volume of investment — RUB 38.8 billion, Vnesheconombank's projected commitment — RUB 7.5 billion, with RUB 2.5 billion extended in 2008.

■ Project on the construction of a railway carriage-building factory in the city of Tikhvin, the Leningrad region (the projected capacity — 10 000 railway carriages per annum). The project is implemented by CJSC "Tikhvin Railway Carriage-Building Factory". The investment amount — USD 1 billion, Vnesheconombank's commitment — USD 215 million, with USD 3.8 million extended. The project co-financing is ensured by The "Eurasian Development Bank" and OJSC "NOMOS-BANK". Project implementation will allow for the construction of a modern enterprise (the project also entails the design of new types of carriages with upgraded and improved operational capacity and performance characteristics). It will help partially satisfy the demand of the domestic market for an upgraded carriage fleet, reduce carriage fleet maintenance costs, create new jobs and increase tax revenues to budgets of all levels.

■ Project on the launching in the city of Zelenograd of the first Russian facility to produce submicron semiconductor elements with the topological norms of 0,11–0,13 micrometers. The total investment amount — EUR 900 million, Vnesheconombank's commitment — EUR 815. The project is implemented by OJSC "Angstrom-T",

which in 2008 was granted EUR 288.6 million worth of a loan. The project is designed to ensure the creation of 1000 new well-paid jobs at the enterprise and more than 100 thousand jobs in interrelated high-tech industries.

Vnesheconombank continued to finance a number of investment projects (acting in an investor and/or creditor capacity), **participation in which had been started prior to the period under review.**

These are predominantly projects implemented on the RF territory that are aimed at developing infrastructure or at creating/modernising industrial production facilities in sectors/branches of Russia's economy unrelated to infrastructure proper. Among the investment projects, whose financing volumes in 2008 were increased (through loan extension), primarily come the following ones:

■ Construction and launching into operation of the "Sheremetyevo-3" air terminal complex (+RUB 4.37 billion)¹². The project is implemented by OJSC "Terminal". Prior to the period under review, with a view of financing the project, Vnesheconombank acquired a package of the company shares and in 2008 increased its equity investment into the company's charter capital to acquire a blocking stake. Once implemented, Sheremetyevo-3 project will increase the transit capacity by 12 million passengers per annum, providing principally new quality servicing of passengers and create about 1000 new jobs.

12. With respect to projects listed below, all the data related to increased financing in 2008 are presented in the rouble equivalent, which is defined based on exchange rates set by the CBR as of the date of the loan extension.

■ Construction and reconstruction of the city water supply and drainage facilities in the city of Rostov-on-Don and the South-West of the Rostov region (+RUB 2.2 billion) implemented, within the framework of a comprehensive investment program of a private investor – OJSC "Evraziyskiy". The project initiated by the above company is carried out on a PPP basis. Prior to 2008, with a view of co-financing the OJSC "Evraziyskiy" investment program, Vnesheconombank acquired a package of the company shares.

■ Construction of the "Nagatino-ZIL" Moscow city technopark (+ RUB 3.2 billion). The project is implemented by OJSC "Moscow Business Incubator".

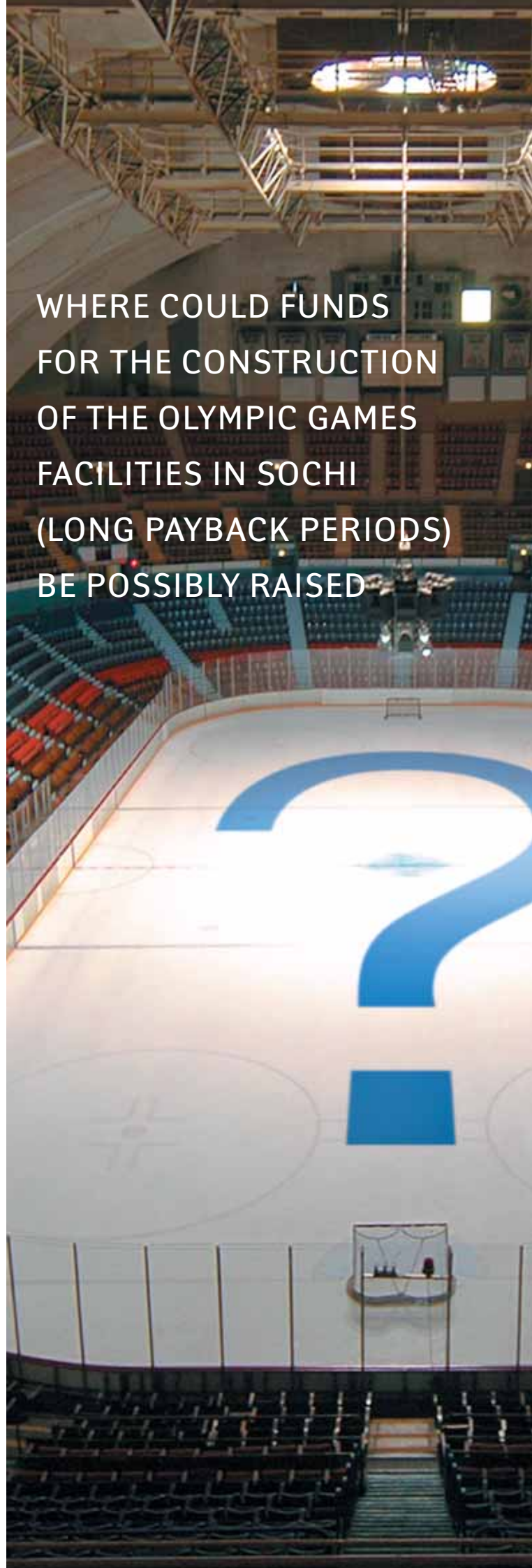
■ Construction of a timber-processing complex in the Boguchansk district of the Krasnoyarsk region within the framework of a regional investment program "Complex Development of Nizhneye Priangariye", implemented by CJSC "Kraslesinvest". To finance the pre-procurement stage of the project, the Bank in 2008 opened 2 credit lines for the total amount of RUB 2.1 billion, with RUB 1.2 billion worth of resources already extended. Project implementation will contribute to creating at least 3600 jobs, with 5000 vacancies to be opened within the period of the respective facility construction.

■ Investment projects/programs implemented by OJSC "Sukhoi" Aviation Holding Company, including the production of a 4++ generation multifunctional fighter SU-35 (+RUB 0.4 billion) and the Sukhoi Superjet 100 aircraft program (+RUB 1.1 billion). The Sukhoi Superjet 100 program is aimed at the development

of a new type “SSJ-100” aircraft, ensuring the respective certification, launching serial production, as well as creating a system of an after-sale servicing in Russia and abroad. The total Investment volume for Sukhoi Superjet 100 program — USD 1.4 billion, Vnesheconombank’s commitment — USD 60.5 million and EUR — 33.56 million.

Apart from it, the year saw continued financing of a project on acquisition and modernisation of industrial assets in the Republic of Serbia (Bosnia and Herzegovina). The project is implemented by OJSC “NeftegasInKor” jointly with OJSC “Zarubezhneft”. The investment amount makes EUR 350.5 million. In 2008, Vnesheconombank opened a credit line for the sum of EUR 40 million for OJSC “NeftegasInKor” to reconstruct an industrial production line of the “Bosanskiy brod” oil refinery (capacity 1.2 million tons of oil per annum), as well as 2 credit lines totaling EUR 72.55 million to settle the indebtedness of the enterprises (“RAFINERIJA NAFTE” A.D., “RAFINERIJA ULJA MODRICA” A.D. and “PETROL” A.D.). Within Q 4 of the period under review, rehabilitation and repair works at the ‘Bosanskiy brod’ oil refinery were carried out. At the end of November 2008, the reconstructed industrial line of the oil refinery was launched into operation. The top executives of Vnesheconombank and OJSC “Zarubezhneft”, the President and the Premier of the Republic of Serbia attended the ceremony. Apart from the investment value of these foreign assets, the project’s importance in terms of moving Russian industrial products and services to foreign markets could not be possibly disregarded.

WHERE COULD FUNDS
FOR THE CONSTRUCTION
OF THE OLYMPIC GAMES
FACILITIES IN SOCHI
(LONG PAYBACK PERIODS)
BE POSSIBLY RAISED





SOFT LOANS OF VNESHECONOMBANK

Contractors engaged in the construction of the Olympic facilities could obtain soft loans of Vnesheconombank for the sum of RUB 41.2 billion (p. 20–21)

Overall, at the year-end 2008, Vnesheconombank engaged in financing 54 investment projects in a creditor capacity (at the start of the year — 35 projects) including:

■ **3 projects — as a creditor and investor** (construction of the “Sheremetyevo-3” air terminal complex; construction and reconstruction of the city water supply and drainage infrastructure in Rostov-on-Don and the South-West of the Rostov region; a project on constructing a timber processing complex in the Boguchansk district of the Krasnoyarsk region).

■ **2 projects as a creditor, investor and guarantor** (financing projects on acquisition and modernisation of industrial assets in the Republic of Serbska, as well as on acquisition of the “Malev” Hungarian airline).

The volume of the portfolio of loans extended for financing investment projects (hereinafter referred to as “investment loans”) reached

as of January 1 2009, RUB 129.9 billion (as compared to RUB 51.2 billion, as of January 1, 2008).

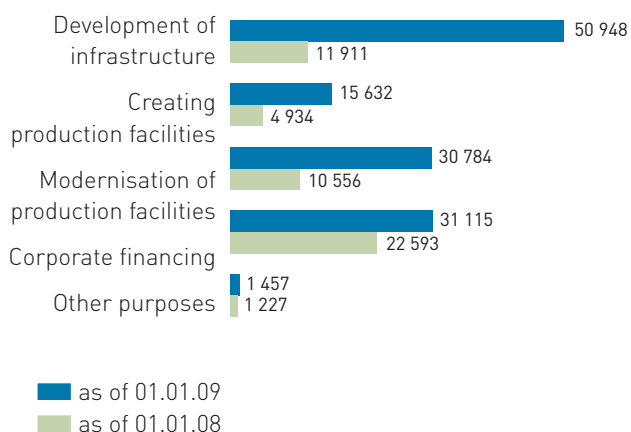
The year 2008 witnessed enhanced lending volumes procured for projects implemented on the principles of project finance, with the number of the respective projects in the Bank's portfolio increasing 2-fold, while the total volume of loans extended for this particular purpose rose by more than 3 times. To illustrate:

■ As of January 1, 2008 — 10 projects, the volume of loans extended — RUB 14.8 billion;

■ As of January 1, 2009 — 19 projects, the volume of loans extended — RUB 45.3 billion.

In its corporate financing activities, Vnesheconombank was aiming to facilitate deals effected within the frames of the state economic policy and aimed at developing external corporate structure of the companies that have an important role to play in Russia's economy.

Portfolio of Investment Loans (by category of projects classified in terms of delivery goals), RUB million



In 2008, a special focus was placed on the Bank's participation in delivery of investment projects on the construction of infrastructure facilities (transport, energy, social) in the run up to the Olympic games 2014.

The total value of the 5 projects that were subject to the Bank's assessment at various stages — RUB 78.0 billion, the projected Vnesheconombank's commitment — RUB 41.2 billion. These Olympic projects include:

1. Construction and operation of a mountain skiing resort “Rosa Khutor”. The project is imple-

mented by CJSC “Company for Development of the “Rosa Khutor” Mountain Skiing Resort”. The amount of project investment – RUB 50.7 billion, Vnesheconombank’s commitment – RUB 21.0 billion. The construction of a unique all-year-round operating health and sports resort, one of major sports facilities for 2014 Winter Olympic Games that will be best-equipped to accommodate all types of mountain skiing events, as well as serve as a good facility for both mountain and seaside holiday-making. Project implementation is envisaged by the Program for the construction of sports and tourist attraction facilities in the run up to the Olympic games, as well as for the development of Sochi as a mountain resort (project implementation is planned within the frameworks of a federal target program). Project benefits: creation of 1300 extra jobs.

2. Construction of a heat power station in Sochi (Unit II), the project being implemented by OJSC “Inter RAO UES”. The investment amount – RUB 5.5 billion, Vnesheconombank’s commitment – RUB 3.7 billion.

3. Reconstruction and modernisation of the Sochi airport infrastructure, the project being implemented by OJSC “Sochi International Airport”. The investment amount – RUB 5.7 billion, Vnesheconombank’s projected commitment – RUB 5.4 billion.

4. Construction of a sporting and tourist “Mountain Carousel” complex, the project being implemented by OJSC “Krasnaya Polyana”. The investment amount – RUB 9.0 billion, Vnesheconombank’s projected commitment – RUB 7.0 billion.

5. Construction of a cargo area in the seaport of Sochi in the delta of the Mzymta river with a subsequent re-positioning and transformation into a yacht marina. The project is implemented jointly with OJSC “Port Sochi Imeretinskiy”. The amount of project investment – RUB 7.1 billion, Vnesheconombank’s projected commitment – RUB 4.1 billion.

As of the end of the period under review, **a decision was made** on the Bank’s participation in implementing the Olympic projects mentioned in paragraphs 1-2, with the projected amount of investment expressly defined.

In respect of 3 other Olympic projects, the respective decision on the Bank’s participation was taken in 2009.

Apart from it, **in 2008, Vnesheconombank’s governing bodies approved decisions related to the Bank’s participation in a number of projects, whose financing, as of January 1, 2009 had not yet been started.** Among this project category fall the following projects:

■ Construction of the first in Russia high-tech complex for the production of ammonia, methanol and granulated carbamide in the city of Mendeleyevsk (Republic of Tatarstan). The project is implemented by OJSC “Ammonium” utilising the production facilities of a plant for the production of ammonium nitrate owned by the company. The investment amount – USD 972.7 million, Vnesheconombank’s commitment – USD 870 million.

■ Technical re-equipment of power-generating unit № 3 of the Kashira hydroelectric power

plant (Kashira, the Moscow region), the project being implemented by OJSC "OGK-1". The investment amount — RUB 8.8 billion, Vnesheconombank's commitment — RUB 1.3 billion.

By the start of 2009, a pipeline of potentially worthwhile projects was originated, with the total value standing at RUB 1.0 trillion. Vnesheconombank's projected commitment approximates to RUB 0.5 trillion. Among the most significant projects are:

■ Organisation of metallurgical production of ferromanganese alloys used for special steel production, (the Kemerov district, Krasnoyarsk region), the project to be implemented by CJSC "CHEK-SU. BK." also envisages extraction of manganese ore. The projected investment amount — RUB 21.9 billion, Vnesheconombank's projected commitment — RUB 16.6 billion. Project implementation will help remove 100% reliance of the Russian metallurgical industry on import supplies of manganese ore, thereby considerably contributing to Russia's economic security in respect of this strategic mineral resource absolutely indispensable for special steels production.

■ Construction of a cement plant (projected capacity 1.86 tons of cement per annum) in the town of Slantsy, the Leningrad region. The project will be implemented by OJSC "LSR Group". The investment amount — EUR 442 million, Vnesheconombank's projected commitment — EUR 237 million. It is envisaged that advanced cement production technology of "dry" method will be used to ensure the production of quality cement. The economic benefits of project implementation will mean increased revenues for budgets of all levels, better employment op-

portunities in the region (creation of more than 450 jobs). Besides, improvement of environmental protection in the region could also be expected (by way of utilising accumulated waste products of schist production as a raw material for cement production). Obviously, the projected volumes could help remove the respective production shortages in the North-Western federal region.

Development of Public-Private Partnership

Vnesheconombank is an active participant in the processes designed to contribute to the development of investment activities adopting the principles and forms/mechanisms of the public — private partnership (PPP) in areas/sectors/branches of the Russian economy that have traditionally come within the remit and competences of the state.

It primarily concerns general-purpose sectors of economic infrastructure (transport, energy, water supply, space communications), public utilities (including housing utilities) and social infrastructure of municipalities (predominantly, healthcare and education). These are also high-tech, capital-intensive sectors/branches of economy that come within the area of state interest and are viewed as key "generators" of innovative technologies (such as aircraft building and space and rocket complex, shipbuilding, nuclear industry).

Over the course of the reported period, special energies were devoted to drafting proposals for laws and regulations that could obviously

help address problems impeding the process of PPP projects selection, evaluation, delivery and/or hampering attraction of private capital.

With this end in view, Vnesheconombank participated in the work of the Expert Council for PPP under the Russian State Duma Committee on Economic Policy and Entrepreneurship. On a regular basis, interaction on regulatory issues with the respective Committee's sub-committees on PPP and investment legislation was ensured. Also, a tight focus was placed on interacting with the State Duma committees on property, transport and healthcare, with the Committee on Economic Policy and Entrepreneurship of the Council of Federation, as well as with the Russian Ministry for Economic Development.

Starting from H2 2008, the Bank would, on a regular basis, arrange meetings with representatives of a number of legal firms that demonstrated interest in debating issues on PPP legislation development. As a consequence, PPP development-related proposals were formulated and submitted to public authorities.

On the request of the Belgorod region's designated body, Vnesheconombank prepared a qualified opinion on a regional PPP draft law.

Apart from it, the Bank participated in addressing the tasks and goals that come within the competences of the designated federal executive bodies. Actually, these tasks were related to upgrading the instruments and mechanisms of state support. Vnesheconombank's participation in preparation of proposals in respect of amendments to the Rules of formation and utilisation of budget appropriations from the RF

investment Fund (hereinafter — "Investfund") is one of the illustrations of that activity.

Starting from October 2008, Vnesheconombank was actively engaged in work on evaluation of a number of projects, whose financing was to be ensured drawing on the Investfund's resources. The aim of the respective projects evaluations was assessing expediency for further financing in the context of enhanced global crisis impacts on the Russian economy.

By the Directive of the Russian Government¹³, Vnesheconombank was assigned the function of a financial consultant of the RF Government. That included performing evaluation of projects (those of state dimension and regional investment projects) and submitting to the Russian Ministry of Regional Development qualified opinions as to the relevant projects compliance with the established criteria of financial, budgetary and economic efficiency.

The Bank's participation in implementing measures to upgrade specialist training for PPP investment process participants (that, among other things, envisages capacity building in particular through disseminating in Russia of the best PPP projects procurement and delivery practice) was another critically important area of its activities.

Close networking with higher education institutions and universities (making the best use of educational materials prepared by Vnesheconombank) to provide further special-

13. Directive by the RF Government № 1064 dated 29.12.08. on "Amendments to the Rules of formation and utilisation of budget appropriations from the RF Investment Fund".

ist PPP training for public staff representing the state and municipal levels was established. In this respect, among the Bank's partners come: High School of Economics, the Russian Academy of State Service under the RF Government. Also, the Bank closely interacted with the UN Economic Commission for Europe (UN ECE). With the participation of the representatives of these organisations, PPP-oriented seminars were held in Moscow, Obninsk, Samara and Yakutsk.

The year 2008 saw the creation by the Bank of a system that would ensure comprehensive support for investment process participants who opt to implement projects on a PPP basis (hereinafter — "PPP projects"). The system, which is formed drawing on the best global PPP practice, is intended to provide methodological, information-analytical, consultative and all other support to the state and local public authorities of the Russian Federation and to private PPP project market participants with the aim to facilitate, among other things, the establishment of quality competition on the PPP projects market.

In this particular respect, the major highlights of the year 2008 were as follows:

■ approval by Vnesheconombank of a document that defines approaches to devising Programs for public infrastructure development (general purpose economic infrastructure, public utilities and social infrastructure of municipalities), whose financing, with Vnesheconombank's engagement, could best be arranged exercising a PPP option. Development of 3 Programs (in cooperation with federal executive bodies) was launched;

■ at the request of state and municipal bodies, as well as private investors, consultations on launching 34 projects, for which PPP-based procurement is projected (primarily in energy and public utilities infrastructure) were held;

■ preparation of a Concept on the establishment and organisation of regional PPP centres activities. The Concept, among other things, sets forth approaches to elaborating the respective methodological recommendations for regions (in respect of drafting a regional PPP law, a provision on the regional PPP centre, a procedure to apply to regulating its activities, PPP capacity building programs). A serious debate with the representatives of 40 regional administrations on proposals for regional PPP centres establishment was arranged. About 30 regions have already started setting up regional PPP centres. Moreover, with 10 regions and 1 interregional association, protocols of interaction between Vnesheconombank and the regional administrations on setting up regional PPP centres were signed. Encouragingly, the year-end 2008 witnessed the organisational start of establishing PPP centres in the Belgorod and Vladimir regions;

■ on the initiative of Vnesheconombank, acting as a co-arranger, (other conference arrangers included the RF Foreign Ministry, the RF Ministry for Economic Development and the United Nations Economic Commission for Europe), an international conference "Taking Public-Private Partnership Forward: New Opportunities for Infrastructure Development in Transition Economies" was arranged. This event, attended by more than 700 participants was held in Moscow (October 21-22, 2008);

Vnesheconombank's professionals made reports on PPP-related topics within the frames of more than 40 public events arranged both in Russia and abroad;

regular interaction with more than 20 consultative companies was upheld to establish and take a quality PPP projects market forward.

To ensure experience exchange, Vnesheconombank actively cooperates with international organisations. A Cooperation protocol with OJSC "PPP Centre of Kazakhstan" was signed. Cooperation with Partnership UK and European Investment Bank PPP Centre was bolstered. Cooperation with UN ECE was gaining momentum. Vnesheconombank's representative was elected co-chairman representing Russia in the Expert Group within UN ECE. Development of joint initiatives with the EBRD and UNDP on PPP-related topics was launched.

Financial and Guarantee Support for Activities of Legal Entities of the Non-banking Sector (beyond the frames of investment projects in whose delivery Vnesheconombank directly engages)

The target group of Russia's organisations rendering support for which is a strategic priority for Vnesheconombank includes the following categories of enterprises engaged in:

producing high-tech industrial goods for exports and/or contributing to moving Russian industrial production to foreign markets;

manufacturing industrial products, which are in high demand in the domestic market;

manufacturing goods with the use of imported raw materials and components, whose analogues are not available in Russia or the demand for which cannot possibly be met in the domestic market;

carrying out state defence contracts.

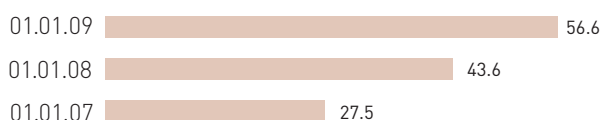
Within this business line, Vnesheconombank uses a wide spectrum of financial and guarantee support instruments, including extending loans, issuing/confirming L/Cs and issuing various types of guarantees. Apart from this, in order to provide support for foreign economic activities of Russian companies, Vnesheconombank makes equity investments in charter capitals of foreign banks in countries, which come among Russia's strategic partners in foreign economic activities.

In 2008, in pursuit of the task of ensuring support for the day-to-day activities of legal entities of the non-financial sector Vnesheconombank ensured:

extending loans for the total sum of RUB 30.3 billion (primarily to support industrial goods manufacturing and exports);

issuing guarantees for the total sum of RUB 15.7 billion (primarily to support exports of industrial goods manufactured by enterprises of the following economy branches/sectors/complexes: aircraft building, space and rocket complex, electronics, nuclear industry, transport, special purpose and power engineering.

Guarantees under Customer Liabilities, RUB billion



Vnesheconombank's professionals made a concerted effort to bolster cooperation with the businesses representing the defense industry of Russia. In terms of extending loans for pre-export financing, the target group of the Bank's partners, from among the above types of enterprises, includes major exporters of special-purpose machinery. Among them come: OJSC "RPC "URALVAGONZAVOD", OJSC "Company "Sukhoi", OJSC "PO "Sevmash", OJSC "Concern "Almaz-Antei", OJSC "MMP named after V.V. Chernyshev", OJSC "Ulyanovskiy Mechanical Plant", OJSC "YANTAR Shipyard", OJSC "MKB Fakel". As of 01.01.2009 the volume of the portfolio of the above loans extended by Vnesheconombank totaled RUB 28.2 billion, which is a tangible contribution to Russia's defense industry development.

The Bank is noted for its experience in extending export loans. To illustrate, in 2007-2008, loans were extended to the Aviaimport S.A. company (the Republic of Cuba) to purchase Russian-made aircraft. Also, in 2008, loans were extended to leasing JSC company "Astana-finance" (the Republic of Kazakhstan) to finance supplies of Russian-made agricultural machinery to Kazakhstan under a foreign trade contract concluded by this company with LLC "Combine harvester plant "Rostselmash".

Vnesheconombank views export loans as a highly potential financial instrument that could help move Russian-made machinery, equipment, technologies and control systems to foreign markets. In light of this, a special emphasis was placed on development of this particular form of lending, including making up by 2009 a portfolio of worthwhile export loans. This includes, by way of example, loans within the project for the construction of the "Tumangan-Radjin" railway branch in the People's Democratic Republic of Korea. The project is to be implemented by the "Russian Railways" OJSC. Another example is the loan to be extended to "Aviaimport S.A." company (the Republic of Cuba) for the purchase from OJSC "Ilyushin Finance Co." of TU-204CE aircraft and other equipment for the total sum of USD 44.5 million.

Vnesheconombank is a 100 % stake owner of OJSC "Roseximbank" that acts in the capacity of an agent for the Government of the Russian Federation in ensuring state financial (guarantee) support for exports of industrial goods. Vnesheconombank in cooperation with Roseximbank concluded a number of agreements on cooperation with foreign financial institutions aiming to arrange financing, as well as ensure guarantee support for Russian exporters.

In order to expand the volume of exports of Russian-made products to the markets of the Ukraine and Belarus and ensure sustainable operation of Russia's enterprises, technologically interrelated with the enterprises of the above mentioned foreign states, as well as to strengthen integration links with the CIS countries, the

Bank makes the best use of its capabilities as a shareholder of two foreign banks.

Throughout the period under review, Vnesheconombank increased its equity investment in the charter capital of OJSC “Belvneshconombank” (the Republic of Belarus) from 92.46 % to 97.24 % (a package of shares of an additional issue was purchased).

In late December 2008, a Memorandum on Cooperation was signed between State Corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)” and the Government of the Republic of Belarus. In line with the Memorandum, Vnesheconombank will assist it in delivering projects that envisage, among other things, exports of Russian industrial equipment, goods, works and services, development of communications and electrical energy sectors of the Republic of Belarus, transport infrastructure (including the construction of railways and highways), creation of logistics centres. In 2009, Vnesheconombank is intent on introducing a set of measures designed to help practically implement the provisions of the Memorandum.

Given a high level of the trade turnover between Russia and the Ukraine, as well as both parties' interest in strengthening foreign economic relations, Vnesheconombank acquired a package of shares of the Ukrainian Commercial Industrial-Investment Bank JSC (hereinafter referred to as “Prominvestbank”). The transaction, as a result of which Vnesheconombank became an owner of 75% + 3 shares stake of the Ukrainian bank, was made in the period of

December 2008 — January 2009. A key factor underlying and underpinning Vnesheconombank's decision to make an equity investment in Prominvestbank's charter capital was its function of servicing the Ukrainian enterprises exporting high-tech goods to Russia. As a strategic investor, Vnesheconombank plans to extend to Prominvestbank up to USD 1 billion worth of a loan intended for further development of the bank's activities.

In 2009, Vnesheconombank plans to make a concerted effort in bolstering cooperation between different organisations of the Russian Federation and the Republic of Kazakhstan. This could be best achieved through the opportunities offered by Memorandum of Understanding between Vnesheconombank and JSC Samruk-Kazyna National Welfare Fund (the Republic of Kazakhstan) and by the Agreement on the intention to establish a long-term credit line signed by Vnesheconombank and JSC Development Bank of Kazakhstan in 2008.

The Agreement sets forth general terms and conditions of opening a credit line, as well as specifies a targeted purpose of the resources to be extended by Vnesheconombank to the Development Bank of Kazakhstan within the credit line. The resources will be used to enhance support for exports of Russian industrial production (goods, works and services), including that within the investment projects which envisage the construction of industrial-purpose facilities on the territory of the Republic of Kazakhstan with the participation of Russian exporters.

Support for SMEs

To date, SMEs development is viewed by the Russian leadership as a major priority. Thus, in the period under review, alongside financing SMEs development programs, Vnesheconombank's activities were focused on devising an approach to systemic development of SMEs in Russia. In pursuit of the goal, the Bank's professionals were taking full account of the state policy priorities in this business area.

To better deliver SMEs support goal, the Bank's specialists made a comprehensive analysis of the best global practices and experience of foreign development institutions in the area of SMEs support, as well pressed ahead with bolstering cooperation with these organisations.

In November 2008, the German banking group KfW (KfW Bankengruppe)¹⁴ came up with the initiative to conclude an agreement with Vnesheconombank "On German-Russian Initiative on Financing SMEs"¹⁵. Vnesheconombank together with the KfW Bankengruppe representatives ensured devising and preparing the respective document, defining, among other things, major terms and conditions of transactions and the list of criteria to be met by actual borrowers — SMEs (the agreement was signed in February 2009).

The goal of the agreement is to facilitate the development of SMEs in the Russian Federation through arranging medium-term financing, as

14. Kreditanstalt für Wiederaufbau — a German state development bank.

15. The aim is to further develop the cooperation agreement concluded between Vnesheconombank and KfW in 2007.



WHAT COULD POSSIBLY
HELP MOVE THE RUSSIAN
INDUSTRIAL PRODUCTS
AND SERVICES INTO
FOREIGN MARKETS



A PROGRAM OF SUPPORT FOR HIGH-TECH EXPORTS

Vnesheconombank's guarantees and export financing would facilitate the development of the Russian exporters' capabilities and offer them new opportunities for moving into foreign markets.
(p. 25–27)

well as stimulating entrepreneurship in the regions and ensuring support for banks engaged in financing SMEs.

In line with the agreement, the KfW Bankengruppe in order to finance SMEs will extend target loans to Russian commercial banks for the total sum of EUR 200 million under Vnesheconombank's guarantees for a term of up to 5 years. It should be noted that, in financing SMEs, priority would be given to businesses implementing projects aimed at developing and introducing energy efficient and energy saving technologies. Implementing the agreement will contribute to improving efficient natural resources utilisation.

Vnesheconombank's professionals worked intensively to upgrade internal legislative and regulatory framework. In particular, a new edition of procedures and terms to apply to extending guarantees, sureties and loans to banks and other legal entities that engage in rendering support for SMEs was prepared for consideration by the Supervisory Board of the Bank (the document was approved in 2009).

In the period under review, within the framework of the agreement concluded in 2006 between Vnesheconombank and UNDP¹⁶ that, among other things, envisages interaction of the parties in the area of SMEs support, special energies were devoted to devising approaches to ensuring systemic development of the SMEs support infrastructure in the regions of the Russian Federation. In this context, standard approaches to creating (developing) and financing

organisations of SMEs support infrastructure were being devised. Also, approaches to standardisation of services, delivered by the respective organisations, were being elaborated. Implementing proposals, derived from these efforts, will allow to use economically well-grounded models when creating and financing infrastructure organisations. This will also make it possible to appropriate and allocate budget funds to effectively meet the actual target needs of SMEs development.

Throughout the period under review, Vnesheconombank together with OJSC "Russian Development Bank" (hereinafter referred to as "RDB") was at the forefront of implementing the state policies of support for SMEs.

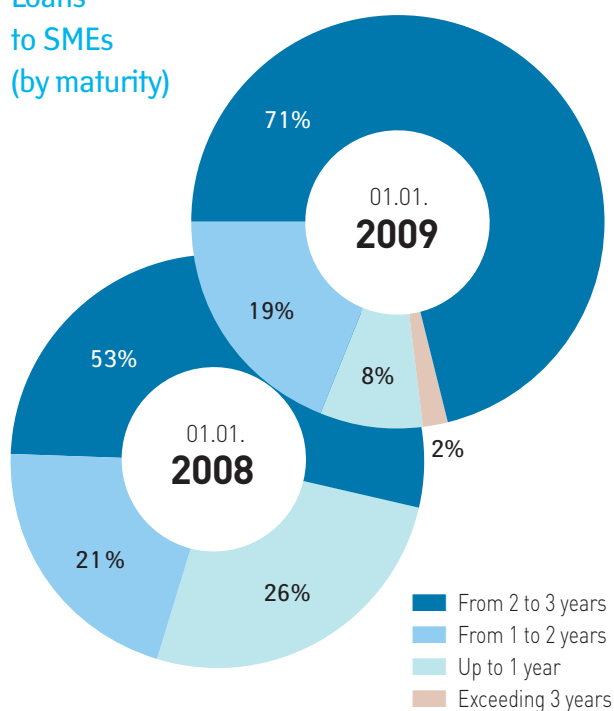
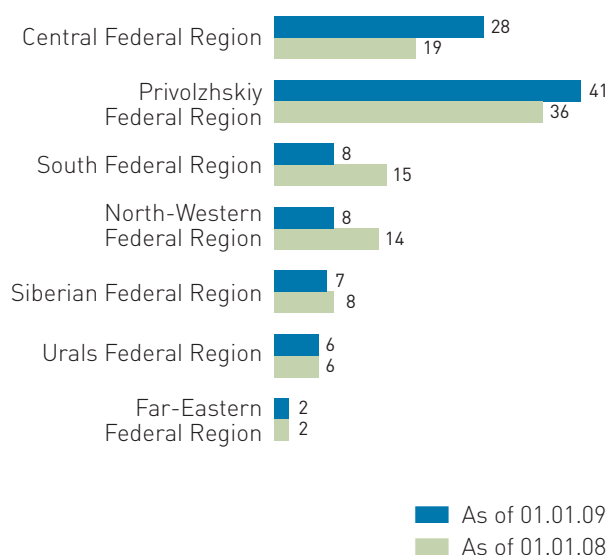
Priority was given to projects whose implementation aims to enhance scientific-technical and innovative potential of SMEs, create new and modernise operating SMEs production facilities, develop exports and imports-substitution.

The Bank's major SMEs-related goals embraced ensuring affordability and accessibility of credit resources for SMEs (primarily, by providing favourable lending terms and diversifying geography of SMEs support through partner-banks, having an extensive network of affiliates in the regions), as well as facilitating the development of SMEs support infrastructure.

To deliver support for SME, Vnesheconombank, within the period under review, extended to RDB RUB 9 billion worth of loans.

The volume of support for SMEs totaled RUB 7.8 billion (more than 1.6 thousand loans at an av-

16. The leading organisation of the UN system engaged in rendering technical assistance to emerging economies and countries with transitional economies.

Loans
to SMEs
(by maturity)Loans to SMEs
(by regions), %

average weighted rate of 16% per annum were extended). Loans and guarantees for the total sum of RUB 1.4 billion were provided to organisations of SMEs support infrastructure.

Financing to develop SMEs was provided for 54 constituent regions of the Russian Federation, with the largest volume of loans extended to legal entities on the territories of the RF constituent regions that are part of the Privolzhskiy and Central federal regions.

SMEs engaged in industrial production were major borrowers. This borrower category includes businesses operating in the production of construction materials, textiles and sewing industry, timber processing, as well as pulp-and-paper, chemicals and foodstuff production. As compared with the results of 2007, the share of loans extended to these businesses increased by

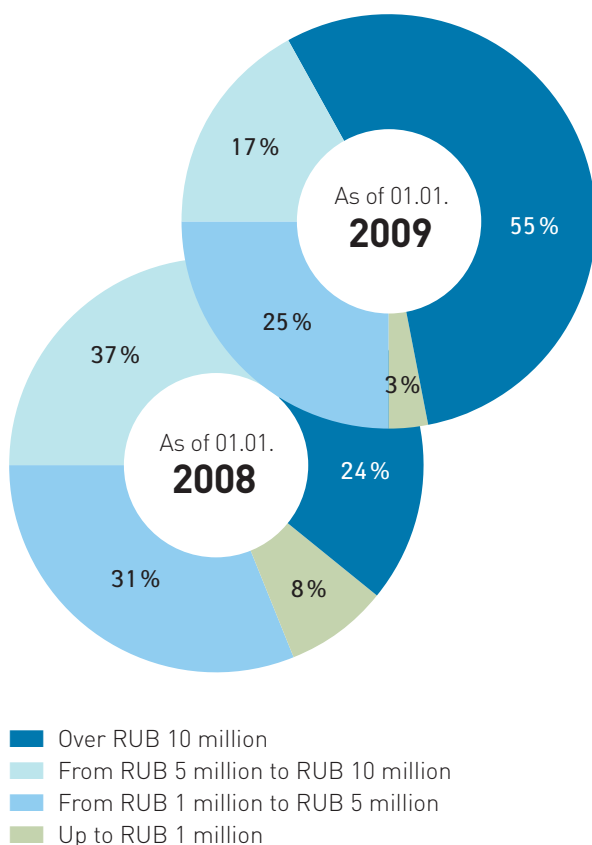
11% (in the total volume of resources extended for the purposes of SMEs support).

Notably, it is loans with the sums exceeding RUB 10 million that are prevailing in the overall volume of funds extended (as a rule, for the purposes of renewing fixed assets). On the outcomes of 2008, the share of such loans significantly increased (+31 percentage points on the respective figure of 2007).

In 2008, in order to ensure information support for activities related to financing SMEs, an information internet portal of RDB (www.rosbr.ru) was created on a joint initiative of Vnesheconombank and the International Finance Corporation.

To render information and consulting support for the internet-resource, the opportunities offered by the Association of Russian banks, the all-

Loans extended to SMEs (by loan categories in terms of volumes)



Russia public organisation "OPORA Russia", the Association "Business Russia", Russian Agency for Support for SMEs were used.

In 2009, Vnesheconombank intends to substantially enhance the scope and scale of support for SMEs development programs.

The volume of financial support alone, rendered directly by Vnesheconombank in the form of loans extended to Russian banks to finance the activities of SMEs and SMEs infrastructure organisations is planned to be increased by RUB 20 billion.

Apart from this, substantial benefits and effects from implementing practical measures envisaged by the agreement "On German-Russian Initiative on Financing SMEs" could well be expected. The measures are designed to encourage Russian commercial banks to step up SMEs financing activities.

Borrowing in Capital Markets

Admittedly, extension of mainly mid- and long-term loans intended for financing investment projects implemented by external organisations, SMEs programs, as well as for exporters support was a distinctive feature of the Bank's credit policy.

It was for this particular reason that extending maturities of resources (alongside the task to replenish resources withdrawn to fulfill the Bank's commitments related to repayments of principal amounts under the loans raised), borrowed in capital markets, became one of the priority goals in 2008. The following results are good evidence that the Bank has successfully accomplished that goal.

Over the period under review, raising loans with maturities exceeding a 1-year term for the total amount equivalent to RUB 40.5 billion was ensured. This by 75% exceeds the amount of 2007 (RUB 23.1 billion). Actually, the funds of the given maturity borrowed in 2008 include a loan obtained by Vnesheconombank from a syndicate of foreign banks, as well as resources raised from foreign banks within the frames of bilateral loan agreements.

Among them are loan agreements with foreign banks for the total sum of USD 1.2 billion that stipulate raising mid- and long-term “tied” resources with a view of financing specific projects and/or the Bank’s borrowers. Among Vnesheconombank’s creditors under these agreements are such major foreign banks from Europe and Asia Pacific as BNP Paribas, China Development Bank, Deutsche Bank, Intesa Sanpaolo, HSBC Bank plc., Mediobanca, Nordic Investment Bank, Sumitomo Mitsui Banking Corporation and WestLB.

The end of October 2008 saw the signing of an agreement on raising by Vnesheconombank EUR 335 million worth of a syndicated loan (3-year maturity), the loan interest rate — EURIBOR (6m) +0.75% per annum.

Barclays Capital, ING Wholesale Banking, Intesa Sanpaolo Bank Ireland plc., Mizuho Corporate Bank Ltd., Societe Generale, Sumitomo Mitsui Banking Corporation Europe Ltd. acted as Mandated Lead Arrangers of the deal, ZAO KB Citibank and JP Morgan Chase Bank were Lenders, while Barclays Capital acted as a Co-ordinator and Documentation Agent and Societe Generale — as a Payment Agent.

In our judgment, raising funds on the above terms in the form of a syndicated loan¹⁷ in times of most negative trends in the global financial markets (to be more precise, in the period when the capital market was practically locked) is solid evidence that Vnesheconombank com-

mands the trust and confidence of foreign creditors.

In 2009, the Bank plans to:

- ensure origination and subscription in the domestic currency market of 5 tranches of Vnesheconombank’s bonds for the total amount of USD 10 billion, the rate standing at LIBOR (USD 6 m) +1% per annum, 1-year maturity;

- should the situation in the capital market in 2009 improve, the launch of a Notes Issuance Program (144A/RegS format) would be prepared to ensure a debut origination and subscription for Vnesheconombank’s Eurobonds with maturities exceeding 5 years;

- complete work aimed at raising from China Development bank and China Eximbank USD 500 million worth of a loan (mainly to finance projects on the construction of cement production plants, delivered on the territory of Russia with participation of Chinese subcontractors and equipment suppliers).

Development of Partnership Relations

With the view to establish new partnership relations and give a fresh impetus to the ongoing business contacts in the area of investment-lending activities, Vnesheconombank, throughout 2008, signed 14 memorandums of understanding and cooperation agreements with international financial institutions, intergovernmental banks,

17. In compliance with the established banking business practice, an agreement on loan syndication envisages extension of untargeted resources, with no pledge to secure borrower obligations required.

foreign export-import banks, as well as export credit agencies, inclusive of:

■ a Memorandum of understanding with the European Bank for Reconstruction and Development — on co-financing infrastructure projects and the projects that will help diversify Russia's economy and facilitate its innovative development;

■ a Memorandum of understanding with the International Bank for Reconstruction and Development and the International Finance Corporation that are members of the World Bank Group — on cooperation in the area of financing infrastructure projects, inclusive of developing PPP mechanisms;

■ a Memorandum of understanding with the Black Sea Trade and Development Bank — on developing cooperation in the area of trade and project finance, including joint financing of projects implemented in the Black sea region (including those designed to support SMEs), as well as projects, whose delivery will facilitate the development of Russia's transport infrastructure, energy sector and encourage innovation;

■ a Framework agreement with the China Development Bank on co-financing investment projects and a Cooperation agreement with the Export-Import Bank of China. Special attention, as it is indicated in the agreements, is devoted to projects designed to develop transport, housing and public utilities infrastructure, as well as to projects to be implemented in the area of energy sector, aircraft- and shipbuilding, as well as timber processing industry;



IN WHAT WAY COULD
WE RAISE INVESTMENT
FOR NON-COMMERCIAL
INFRASTRUCTURE
PROJECTS?
WHAT'S YOUR IDEA



ESTABLISHING A FUND FOR DIRECT INFRASTRUCTURE INVESTMENT

On June 7, 2008, Memorandum of Understanding between Vnesheconombank, Evraziyskiy Development Bank, Kazyna Capital Management, Renaissance Capital Holding Limited and Macquarie Capital Group Limited on joint investment in infrastructure projects was signed.
(p. 36)

■ a framework agreement with the Export-Import Bank of Korea on cooperation in arranging joint financing of investment projects (in the area of energy sector, transport and other areas that are of mutual interest). Apart from this, to further develop the provisions of the given agreement, a framework loan agreement was signed. It envisages the extension of resources to Vnesheconombank for the total sum of up to USD 200 million to finance long-term projects to be delivered on the territory of the Russian Federation;

■ a Memorandum of understanding with the Eurasian Development Bank, Kazyna Capital Management, Renaissance Capital Holding Limited and Macquarie Capital Group Limited – on the intention to invest into the joint infrastructure fund, which is set up to finance projects to be delivered on the territory of the CIS countries;

■ a Trilateral Joint Statement by Vnesheconombank, the French export credit agency COFACE and the Italian export credit agency SACE aiming to establish an integrated financing scheme for the Sukhoi Superjet 100 international sales.

To address the priority tasks set out by Strategies for the development of Russia's regions that, among other things, envisage strengthening their industrial potential, Vnesheconombank signed 14 cooperation agreements with the governments and administrations of the Russian Federation constituent regions, inclusive of: the Komi Republic, the Altay, the Krasnoyarsk and

Khabarovsk territories, the Volgograd, Lipetsk, Novgorod, Rostov, Omsk and Tambov regions, the city of St.Petersburg.

Apart from the above, a number of memorandums and agreements was signed with Russian and foreign companies. Practical implementation of the provisions, envisaged by the documents, would facilitate the creation of new production facilities, reconstruction and modernisation of the operating ones and would encourage innovation in strategically important for Russia sectors/industries of economy. To this end, memorandums/agreements on cooperation were signed with the following companies:

■ OJSC "Modern Commercial Fleet" (OJSC "Sovcomflot") – on Vnesheconombank's participation in devising financing schemes and in implementing infrastructure projects in shipbuilding and shipping including sea transportation, purchase and operation of ships;

■ OJSC "United Shipbuilding Corporation" – on cooperation in the area of facilitating the implementation of investment projects that envisage technological re-equipment, modernisation of the existing and creation of new shipbuilding and back-up production facilities, acquiring core business assets and advanced technologies, as well as application of leasing schemes in shipbuilding industry;

■ OJSC "Rosneft" – on joint participation in delivery of projects designed to develop infrastructure and innovation, diversify activities re-

lated to production and exports of high-degree processed oil and oil products;

■ United Industrial Corporation — on co-operation in implementation of state dimension projects adopting a PPP mechanism;

■ construction of the Kyzyl-Kuragino railway branch, as well as stage-by-stage development of the Elegetsk coking-coal fields;

■ construction of an advanced shipbuilding complex on the basis of production facilities of the shipbuilding plant "Severnaya Verf";

■ OJSC "Russian Railways" — on cooperation to implement investment projects designed to develop infrastructure of major transport routes, as well as to phase out the obsolete vehicles with new ones and modernise the operating vehicles;

■ State Corporation "Russian Technologies" ("Rostekhnologii") — on cooperation in implementing investment projects designed to facilitate manufacture of products (goods and services) on the basis of innovative technologies, as well as ensure support for Russia's exports of high-tech goods.

3

Vnesheconombank's
activities in support
of the Russian Federation
financial system in a crisis
environment

In 2008, Vnesheconombank became an active participant in accomplishing the task of overcoming the negative impacts of a global financial crisis on the Russian economy.

In compliance with Federal Law N 173-FZ dated October 13, 2008 "On Additional Measures for Supporting the Financial System of the Russian Federation" (hereinafter referred to as "Federal Law N 173-FZ"), Vnesheconombank started to act as a key instrument of the state crisis management policy along two major lines:

■ effecting, drawing on the CBR funds, placed on deposits with Vnesheconombank, transactions related to extending to companies and organisations foreign-currency-denominated loans to repay (service) loans obtained by the above-mentioned entities from foreign creditors prior to 25 September 2008, purchasing from foreign creditors claims against the above-mentioned entities under liabilities taken on prior to 25 September 2008, as well as performing,

to this end, other transactions in line with the decisions of Vnesheconombank's Supervisory Board. In accordance with the established by the Supervisory Board procedures to secure the loans and purchased claims, Vnesheconombank undertook to accept as a pledge the same assets and guarantees (sureties), which were formerly provided by borrowers as a collateral to foreign creditors. Should a need arise, additional security would be required;

■ providing to banks subordinated unsecured loans with maturities for up to 31 December 2019. The source of financing — the resources of the National Wealth Fund (NWF) placed on term deposit accounts with Vnesheconombank.

To accomplish these goals, within the shortest timeframes possible after the Federal Law N 173-FZ adoption, Vnesheconombank's professionals elaborated and put in place an appropriate internal regulatory framework that defined the procedure of implementing the provisions of

the Law, with the respective documents having been duly approved by the Bank's Supervisory Board by October 20, 2008.

To ensure decision-making transparency a Committee on examining borrower applications for refinancing liabilities under foreign loans was established under the auspices of Vnesheconombank's Supervisory Board. The Committee comprises representatives of federal executive bodies, as well as representatives of major banks with state participation. A Committee on subordinated loans was also set up.

Obviously, due and prompt actions undertaken by the Bank enabled it by the year-end 2008 to substantially implement the measures envisaged by the Law. The volume of the loan portfolio extended for refinancing indebtedness owed to foreign creditors (Article 1 of Federal Law №173-FZ) reached USD 9.78 billion, while the portfolio of subordinated loans (Article 6 of Federal Law №173-FZ) made RUB 225 billion. Besides, by the end of 2008, Vnesheconombank's Supervisory Board approved RUB 10 billion worth of a subordinated loan (with the respective funds extended in January 2009). Overall, at the year-end 2008, applications for the sum exceeding RUB 70 billion were subject to the Bank's consideration.

Apart from implementing the measures specified in Federal Law №173-FZ, Vnesheconombank, aiming to deliver state level decisions, invested

part of the NWF's resources (RUB 175 billion) into Russian securities. This was primarily done to diversify the structure of the NWF's funds and enhance investment efficiency, making the best use of the securities market instruments.

Alongside that, seeking to shore up and stabilise the Russian financial system, Vnesheconombank participated in an effort to rehabilitate certain banks, whose financial sustainability was badly damaged by the crisis. The Bank undertook a package of bail-out measures to ensure financial rehabilitation of troubled banks that were socially important and, once in distress, could produce a most negative spill-over effect on the Russian banking system as such. The matter is that CJSC GLOBEXBANK, for example, had concentrated considerable funds on individual accounts, while OJSC Svyaz-Bank was servicing the Federal Post of Russia's accounts used to make pension payments to 14 million of Russian citizens.

It should be noted that it was mainly the CBR that provided financial resources for the stimulus packages. As of January 1, 2009, these funds made USD 2.5 billion and RUB 87.0 billion for Svyaz-Bank and GLOBEXBANK Bank respectively. Clearly, Vnesheconombank's bail-out package enabled these banks to primarily restore their current liquidity and address financial sustainability and resilience problems. Eventually, that brought them back to normal functioning.

4

FX and
money market
operations

Admittedly, prior to July 2008, while the situation in global financial markets was estimated as being relatively stable, the FX market, in view of an expected further rise in the ECB's base interest rate, was characterized by a prevailing long-term trend of dollar weakening.

But in H2 of 2008, as the crisis in financial markets was unfolding, a downward trend for the dollar, in view of a growing demand for it as a currency associated with fundamentally less risk (as compared to euro), got reversed. Besides, the problems experienced by the European economy forced the ECB to switch over to a policy of base interest rate cuts. The above factors, as well as the need for many market participants to respond to margin calls and fulfill credit default swaps (CDS) commitments, the bulk of them being US dollar-denominated, brought about a rise in the US currency rate.

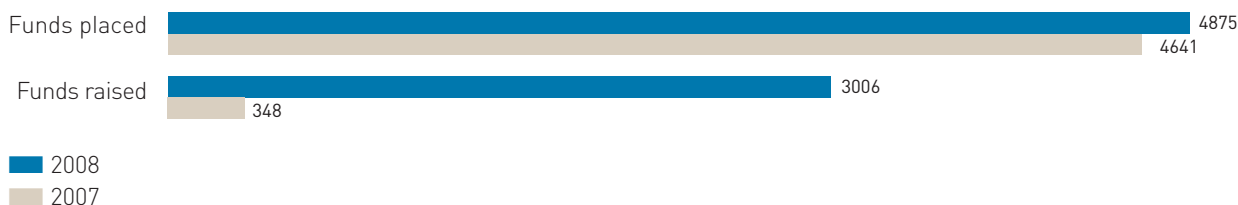
Largely as a consequence, at the start of the year, the EUR/USD market exchange rate post-

ed growth from 1.46 to 1.60 to get stabilized in April-July in the range of 1.55–1.6 to later fall in November to 1.24 and rise by the year-end to 1.42.

In the circumstances of oil price hikes, till August, the Russian rouble rate remained stable and was set reflecting the CBR's bi-currency basket structure (USD/EUR weight ratio standing at 55:45) within the established band of RUB 29.6–29.9.

A decrease in August in prices for energy products took the rouble rate against the bi-currency basket to its upper fluctuation range limit of 30.4–30.7, which was comparable with the level of the first 9 months of 2007. But starting from November 2008, against the backdrop of an increased capital outflow and fears of a possibility of Russia developing a negative trading balance and Russia's speedily dwindling gold and foreign currency reserves, rapid growth of the bi-currency basket value

Turnovers of Money Market Operations (Short-Term Interbank Loans), *RUB billion*



started, rising by the end of December to RUB 34.8. A slide in the official RUB exchange rate against USD within a year made 19.7% (from RUB 24.55 to RUB 29.38), RUB exchange rate against EUR — 15.3% (from RUB 35.93 to RUB 41.44).

The above market dynamics was one of the causes underlying a rise in the overall turnover under the Bank's FX operations from RUB 3 trillion in 2007 to RUB 7.1 trillion (+137%).

In the circumstances of the liquidity crunch over 2008 that was caused by the global financial crisis, interest rates in the Russian interbank money market by far exceeded the market interest rates posted in 2007. The market situation was marked by wider fluctuation ranges with high peak values (more than 20% per annum for overnight loans in October).

Starting from November, enhanced demand for interbank rouble-denominated loans was sustained mainly due to investment into foreign currency in the course of the CBR's campaign designed to "correct the limits of the technical band" of the foreign currency basket.

Vnesheconombank considerably contributed to regulating the rouble liquidity of the Russian banking system, having overall built up in

2008 the total turnover of rouble-denominated placements in the interbank money market up to RUB 3.8 trillion (+74% on 2007), while the overall volume of placements in all currencies (in rouble equivalent calculated on an average annual exchange rate) reached RUB 4.9 trillion. The total turnover of rouble-denominated funds raised by the Bank in the interbank market saw more than a 9-time rise to RUB 2.6 trillion (the total amount for all the currencies making RUB 3 trillion).

In 2008, the Bank was continuously seeking to foster cooperation with the commercial banks through expanding the range of the Bank's counterparties from among medium-and small-sized Russian banks. It is worth noting that, within the year, 6 new agreements on general provisions related to effecting operations in the domestic FX and money markets were signed. Limits on deposit operations with a number of Russian commercial banks were set, as well as limits on most major Russian and foreign banks were reviewed and enhanced. By the year-end 2008, the total amount of limits set by Vnesheconombank on deposit operations with the Russian banks exceeded RUB 350 billion.

5

Securities
market
operations

Throughout the period under review, Eurobond markets of emerging countries experienced the pressures of a declining demand, while investors demonstrated strong risk aversion sentiments. In H1 of 2008, the above factor was partially off-set by upgraded ratings of a number of emerging economies, but starting from August, withdrawal of funds from all risky assets acquired a massive and panicky dimension. Within a year, the yield spread of emerging economies Eurobonds against the US Treasury bills, calculated on JP Morgan EMBI+ index, grew from 240 to 690 basis points to reach in October 865 basis points. On the data offered by EPFR Global, in 2008 the net outflow of capital from funds investing in the emerging market equity and bonds approximated to USD 67 billion (as compared to USD 62 billion worth of capital inflow posted in 2007).

Starting from August 2008, the Russian market of corporate rouble-denominated bonds was under the pressures of a liquidity squeeze that brought about the need for market participants

to close long positions through, among other things, submitting bonds for redemption subject to effective offers. The stimulus package offered by the Russian Government and the CBR somewhat eased the situation with short-term rouble liquidity deficit, but failed to ensure increased demand for bonds. An upward yield trend of rouble-denominated bonds (up to 11%-16% per annum for 'first line' bonds), witnessed against the back-drop of the CBR's policy of gradual rouble depreciation against the bi-currency basket, prevailed till the year-end 2008.

In managing its securities portfolio, the Bank's policy was based on the estimates of the current and future market environment and characterised by the principles of a well-measured and conservative decision-making policy in respect of changes in investment volumes and structure.

Proprietary¹⁸ Securities Portfolio Volume, RUB billion

01.01.09	133.3
01.01.08	114.5

As to the Bank's equity portfolio, whose share in the overall securities portfolio by the year-end 2008 posted a substantial decrease (from 56% to 32%), a package of shares of a major European concern EADS, acquired by Vnesheconombank in December 2007¹⁹, now accounted for a considerable part of it.

18. Securities purchased drawing on the resources of the NWF, as well as the Bank's equity investments into charter capitals (shares) of other legal entities are not included into the Bank's "proprietary" portfolio volume.

19. When preparing the analytical structure of the Bank's balance sheet for 2007, a package of shares of concern EADS was not included in the securities portfolio, classified as equity

Within 2008, Vnesheconombank continued to redistribute securities investments in favour of fixed income instruments. To illustrate: if at the start of the period under review, fixed income instruments accounted for 44% of the portfolio book value²⁰, then by the year-end 2008, they already made the bulk (68%) of its value.

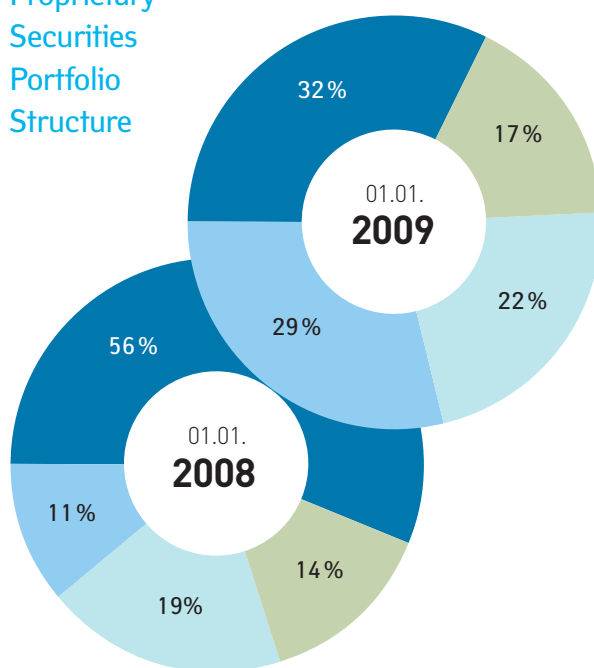
Also, the year 2008 saw increased volumes of investment in rouble-denominated corporate bonds, the bulk of which was represented by securities issued by the so called system-forming Russian organisations (major companies and banks, including those with state participation).

In the circumstances of the financial crisis and unstable situation witnessed in the securities market, Vnesheconombank devoted special attention to effecting operations with the most liquid Russian securities. It primarily concerns the Russian government Eurobonds. Just as in 2007, the Russian Federation Eurobonds with the final maturities falling in 2030 made the bulk of the Bank's investment into the above securities.

The share of other foreign currency-denominated bonds in the Bank's securities portfolio was somewhat increased. Such a change could be attributed to 2 tasks set by the Bank operating in the realities of the year 2008. The first task was to partially transform the structure of the securities portfolio by way of reducing the

volumes of investment into high-risk financial instruments to minimise market risks. The second one — to maintain the volume of the Bank's foreign currency-denominated bonds portfolio at an appropriate level that could serve as a counterbalance against a possible decline in equity prices in the Russian securities market.

Proprietary Securities Portfolio Structure



- Equity securities and depository receipts
- Corporate rouble-dominated debt instruments
- Other debt instruments (foreign issuers' bonds, Russian corporate Eurobonds and credit notes linked to corporate and sovereign risk)
- Russian Federation bonds

investment into charter capitals of other companies. In the period under review, the Bank's plans in respect of the above-mentioned package were changed, with the EADS shares reclassified as portfolio investments to be included into the Bank's "proprietary" securities portfolio.

20. With the EADS package of shares reclassification taken into account.

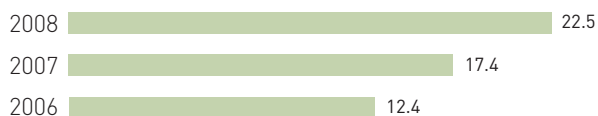
6

Depository
operations

Vnesheconombank's Depository is a universal depository, servicing practically all kinds of Russian and foreign securities eligible for depository servicing in the Russian Federation. The Bank's Depository traditionally delivers a full spectrum of depository, settlement and information services for investors and securities market professional participants.

The yearly average volume of securities held in safe-keeping by the Bank's Depository throughout 2008 reached USD 22.5 billion (at face value), having increased on the year 2007 by almost 30 %.

**Yearly Average Volume
of Securities at Face Value,
USD billion**



Over the period from 01.01.2008 to 31.12.2008, more than 83 client depo accounts were opened. As of 01.01.2009, the overall number of depo accounts was running at 1261.

In compliance with the requirements set forth by the Act of the Federal Service for Financial Markets of the Russian Federation № 07-105/pz-n dated 23.10.2007 "On Adoption of a Provision on Qualifying Foreign Financial Instruments as Securities", amendments were made to the document regulating the procedures to apply to servicing Depository's clients. In particular, a special procedure was established related to record keeping of foreign financial instruments that do not qualify as securities. Apart from this, special provisions were added to the document. They aim to enhance the efficiency of the procedures of clients and beneficiaries identification to counteract money legalisation (laundering) of illicit gains in carrying out the Bank's depository activities.

Within the frames of the Bank's agency capacity for the Ministry of Finance of the Russian Federation, Vnesheconombank Depository pressed ahead with its functions of servicing the state internal foreign currency-denominated debt. Vnesheconombank accepted the V Tranche Minfin bonds certificates from the bondholders and, utilising the budget funds, redeemed the given bonds. Out of the total volume of the V Tranche Minfin bonds issue, amounting to USD 2837 million, Vnesheconombank, in 2008, redeemed USD 2665.87 million worth of bonds, which makes 94% of the total volume of the issue.

Vnesheconombank's professionals went on with the efforts to settle accounts with the III Tranche Minfin bondholders who in due time failed to have bond novations performed. Vnesheconombank ensured the redemption of the indebtedness towards 11 holders of the III Tranche Minffin bonds for the total sum of USD 436.04 thousand drawing on the funds of the Ministry of Finance of Russia.

Alongside that, the Bank also executed coupon payments under the IV, V and VII Tranche Minfin bonds, as well as payments of principal amounts under the IV Tranche Minfins presented to Vnesheconombank for redemption during the year. The total amount of the payments reached USD 107.08 million.

Throughout 2008, Vnesheconombank performed the functions of a payment agent to service bonds of OJSC "Agency for Housing Mortgage Lending" (OJSC AHML). Nine tranches of OJSC AHML bonds were originated (the total volume running at RUB 24.42 billion at face value with the maturity in 2008-2018). Payments under the bonds are effected through Vnesheconombank. The bonds are secured by the sovereign guarantee of the Russian Federation.

In 2008, coupon payments for RUB 3626.6 million under A1-A9 Tranche OJSC AHML bonds were made in due time, as well as RUB 1070 million worth of payments were effected to redeem A1 Tranche bonds.

7

Agent for the Government
of the Russian Federation

Throughout the year under review, Vnesheconombank continued to perform the functions of an agent for the Government of the Russian Federation related to servicing Russia's sovereign foreign debt and managing state external financial assets of the Russian Federation, as well as ensuring repayment by legal entities, constituent regions of the Russian Federation and municipalities of indebtedness towards the Russian Federation.

Priority was given to tasks, whose accomplishing would help reduce the volume of the sovereign foreign debt of the Russian Federation and the respective servicing costs. Also, the Bank was seeking to ensure maximum possible revenues for the federal budget as a result of debt repayments by debtor-countries and Russian borrowers.

Servicing Sovereign Foreign Debt of the Russian Federation

Vnesheconombank pressed ahead with its effort to prepare the final stage of exchange of commercial indebtedness of the former USSR for Eurobonds of the Russian Federation with maturities in 2010 and 2030. The Bank's professionals continued work on reconciling foreign creditors' debt claims (in terms of compliance with the criteria established), as well as ensured agreeing relevant documentation necessary to regulate the exchange procedure.

By October 15, 2008 (set as a deadline), in conformity with the established procedure, 3273 claims for the sum of USD 770.83 million were submitted by foreign creditors.

Vnesheconombank's professionals applied a reconciliation procedure in respect of 954 claims amounting to USD 152.2 million. As a result, 849 claims totaling USD 143.05 million were recognised by Vnesheconombank as eligible for settlement within the final stage of commercial indebtedness exchange.

As of 01.01.2009, 637 claims for the sum of USD 86.08 million had undergone the procedure of agreement and were acknowledged by the RF Ministry of Finance as eligible for exchange.

Apart from this, record-keeping/settlement support was provided for operations related to redemption of Russia's indebtedness towards creditor countries beyond the frameworks of the Paris Club. Overall, USD 387.8 million worth of this foreign debt category was redeemed, inclusive of USD 278.1 million worth of cash payments made (Kuwait, South Korea, Hungary), USD 83.2 million redeemed within the frameworks of "debt-for-goods-swap" conversion operations (Croatia, Finland, South Korea, China, Oman), USD 26.5 million — within other redemption schemes (Egypt, the Check Republic).

As a result of this kind of operations, a final chapter on a long-standing history of debt relations with Hungary under the intergovernmental agreement concluded in 1994 was closed. Moreover, the so-called "cash" part of Russia's indebtedness towards Kuwait under the intergovernmental agreement dated 2006 was also fully redeemed.

Under foreign currency-denominated bond issues of the Russian Federation, as well as under loans raised by Russia after 01.01.1992,

Vnesheconombank, in the period under review, drawing on the funds of the RF federal budget, ensured timely payments in the total amount of USD 3.86 billion, including USD 1.40 billion in redemption of the principal amount, USD 2.46 billion — interest payments.

In accordance with an agreement signed in late 2007 between the Government of the Russian Federation and the International Bank for Economic Cooperation (IBEC) in the year under review Vnesheconombank carried out a set of record-keeping and settlement operations to finalise the settlement of the indebtedness towards IBEC.

Vnesheconombank's professionals continued work to recover from designated insurance companies and financial institutions of the Paris Club member-countries the original promissory notes, into which the former USSR indebtedness, restructured within the Club, was formalised. Throughout the period under review, the creditors returned 201 promissory notes for the total sum of USD 162.74 million to Vnesheconombank.

The Bank devoted special energies to facilitating a comprehensive analytical and information environment (expert and analytical support) in settling the issues of the former USSR foreign currency-denominated internal debt owed to legal entities and individuals — residents of the CIS countries. Vnesheconombank devised proposals on regulatory and contractual documents, prepared the relevant materials, expert judgments and conclusions for meetings, consultations and negotiations held at various levels.

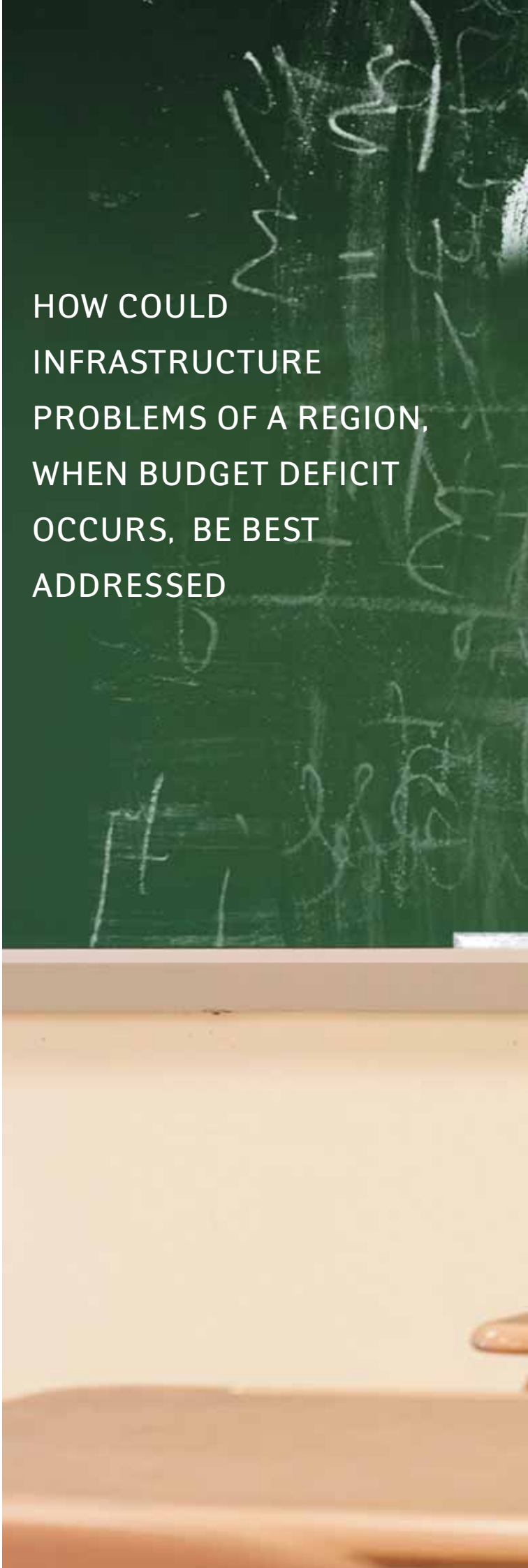
Managing State External Financial Assets of the Russian Federation

Vnesheconombank ensures record keeping and executes settlements related to the indebtedness of 51 Russia's debtor-countries under the state loans extended in accordance with 326 loan agreements.

Overall in 2008, as a result of the Bank's state external financial assets management operations, the funds transferred to the federal budget amounted to USD 700.0 million, while the volume of cash payments by foreign borrowers for redeeming and servicing the indebtedness totaled USD 488.8 million. The proceeds delivered as a result of realisation of clearing and blocked currency-denominated debt instruments were running at USD 208.8 million. The proceeds transferred to the federal budget as a result of Vnesheconombank's participation in joint ventures abroad were standing at USD 2.4 million.

In the context of executing settlements to implement the intergovernmental agreements with Afghanistan and Iraq, draft agreements were prepared by Vnesheconombank and the Ministry of Finance of the Republic of Afghanistan, as well as by Vnesheconombank and the Ministry of Finance of the Republic of Iraq (the latter signed at the year-start 2009) on technical settlement procedure in respect of the indebtedness of the above states under loans extended earlier.


The Bank continued to work intensively to settle the overdue technical indebtedness of India under state credits extended earlier. As a result,



HOW COULD
INFRASTRUCTURE
PROBLEMS OF A REGION,
WHEN BUDGET DEFICIT
OCCURS, BE BEST
ADDRESSED



FINANCING PROJECTS TAKING A PPP OPTION



In June 2008, Vnesheconombank's PPP Centre designed to help develop and deliver projects adopting a PPP approach was established.
(p. 22–25)

the volume of payments recovered under this debt claims category amounted to USD 14.3 million.

The overall sum of funds extended by the Russian Federation to foreign countries in 2008 was running at USD 1.51 billion (inclusive of those in the form of export loans – USD 0.5 billion). Major borrower countries were Belarus, India, Jordan and China.

Information-Analytical Support for Sovereign Foreign Debt and State External Financial Assets Management

Throughout the period under review, the Bank's professionals developed and prepared 24 reports and analytical opinions on various aspects of managing sovereign foreign debt and state external financial assets of the Russian Federation. These materials comprise expert judgments and proposals augmented and confirmed by the respective computations.

The Bank's employees participated in the work of the Russian delegation in all the 8 sessions of the Paris Club, in 3 conference calls of the Club, the annual "club" meeting with a number of sovereign creditors and the representatives of the private sector, as well as in the 6 rounds of multilateral negotiations of the Paris Club with debtor-countries (including two Russia's debtors – Guinea and Congo). On the results of the negotiations with the countries that have indebtedness towards the Russian Federation multilateral protocols of the Club were signed.

To ensure Russia's participation in the Paris Club activities, the Bank's professionals developed a number of analytical surveys on the methodological documentation of the Paris Club Secretariat. The conclusions and proposals presented in the above documents were taken into account and used by the Ministry of Finance when shaping up Russia's negotiating stance in negotiations with debtor-countries, as well as at the Paris Club meetings.

Information materials and/or proposals related to debt recovery issues for the inclusion into the agenda of more than 20 meetings and inter-governmental bodies' sessions (or committees and subcommittees created within their frameworks) on trade-economic and scientific-technical cooperation of the Russian Federation with foreign countries, including such states as Germany, India, China, Cuba, Kuwait, Syria, France, South Korea and Japan were prepared.

Ensuring Repayment by Legal Entities, Constituent Regions of the RF and Municipalities of Indebtedness towards the Russian Federation

In an agency capacity, Vnesheconombank also places a tight focus on resolving the issues related to settlement of bad debts owed by legal entities, the constituent regions of the Russian Federation and municipalities under the federal budget loans, as well as to settlement of indebtedness under targeted financing provided for Russian legal entities in exchange for equities transferred into the Russian Federation ownership.

Over the 5 past years alone, the volume of indebtedness, settled with the participation of the Bank's specialists, exceeded the equivalent of USD 4.0 billion, inclusive of USD 885 million worth of indebtedness settled in 2008.

Volume of Indebtedness Settled, USD million



Within the period under review, Vnesheconombank's professionals participated in 255 court hearings. The sum of USD 388 million worth of indebtedness towards the federal budget was acknowledged under the court rulings. Within the in-court and out-of-court settlement of indebtedness procedure, about USD 415 million were transferred to the federal budget, inclusive of USD 196 million transferred under amicable agreements and agreements on restructuring concluded earlier.

In accordance with the federal law "On the Federal Budget for the Year 2008 and the Planned Period of 2009 and 2010", USD 266 million worth of indebtedness was restructured and amicable agreements for the sum of USD 99 million were concluded.

As of January 1, 2009, claims for the sum of USD 1.2 billion were under arbitration courts consideration.

Apart from it, Vnesheconombank performed functions related to rehabilitation of strategic enterprises having debts towards the federal budget (within the frameworks of a cooperation agreement concluded with the Ministry of Industry and Trade of the Russian Federation).

8

State Trust
Management
Company

Since 2003, Vnesheconombank, in compliance with the Russian Government's decision, has been acting as the State Trust Management Company (STMC) to manage the pension savings funds of the insured citizens of the Russian Federation, who haven't exercised the right to choose a private pension fund or a private asset management company and those who have shown preference for the STMC.

It is important to note that all the operations related to the pension savings funds management are effected in strict compliance with the legislation in force, with the principle of independence and segregation of the above operations from the Bank's other activities strictly observed.

In 2008, the STMC was primarily intent on meeting the following tasks and goals:

- managing the investment portfolio to minimize the negative market impacts;

- elaborating proposals related to developing and upgrading the legislative and regulatory framework in respect of trust managing the pension savings funds.

In the course of trust managing the pension savings funds, the following requirements to the STMC's activities were invariably followed:

- it was only into the types of assets expressly specified by the ongoing legislation that investment was made;

- all the deals were concluded in strict accordance with investment decisions of Vnesheconombank's working collegiate body – Committee on trust management of pension savings funds;

- reporting and other information related to pension savings funds management operations, required by the RF legislation, the respective rules, regulations and agreements, was time-

ly and in full submitted to the RF Pension Fund and the Federal Service for Financial Markets (FSFM).

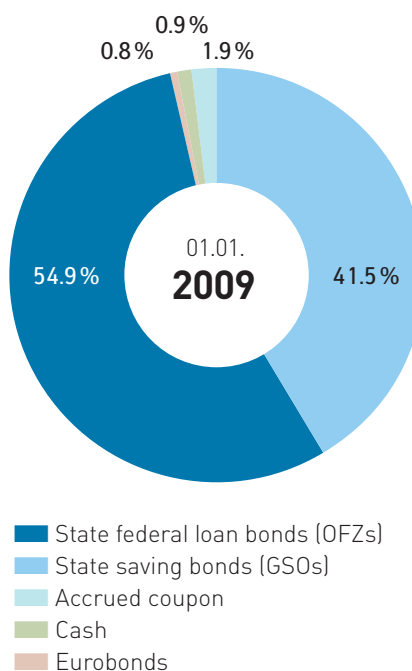
Information on the pension savings funds investment was presented on Vnesheconombank's web site in compliance with the formats and in timeframes set forth in the document "Standards of Information Disclosure with Respect to Pension Savings Funds Investment".

Over 2008, the STMC's activities were considerably impacted by the negative trends of the global financial crisis that brought about a liquidity crunch in the domestic financial market and a drop in prices for debt financial instruments.

Moreover, the year 2008 saw no pension savings funds transfers by the Pension Fund of the Russian Federation to Vnesheconombank. In light of this, it was only coupon payments under securities and funds obtained as a result of closing certain positions in long-term debt securities that were actually invested.

In the circumstances of a limited range of instruments eligible for investment and high volatility demonstrated by the rouble rate towards foreign currencies (rouble appreciation posted in H1 followed by depreciation in H2), the only instruments available for investment of the pension savings funds were rouble-denominated state federal loan bonds (OFZs) and state savings bonds (GSOs). As compared to the year-end 2007, the share of these instruments (OFZs-GSOs) posted a rise from 84% to 96%.

Structure of the State Trust Management Company Portfolio as of 01.01.2009



A considerable drop in prices witnessed in the market of internal sovereign debt of the Russian Federation had a most negative impact on the investment results.

Within the period under review, the market value of the STMC's assets portfolio decreased. The year-end 2008 saw a RUB 1.16 billion loss. Accordingly, the investment yield showed a negative value (−0.46%).

Major reasons that in the circumstances of a price slump would not make it possible to ensure the safety of the pension savings funds were as follows:

a big enough share of OFZs in the STMC's portfolio, which at the end of the year under review accounted for 55% of its market value (due

to limited opportunities for investment diversification);

■ a sharp drop in demand for the Russian Government rouble-denominated debt securities, which did not make it possible to close long OFZs positions *in more substantial volumes*;

■ absence of transfers of pension savings funds that could have been invested in H2 of 2008 at lower price levels.

At the same time, the analysis of market trends and risk factors undertaken by the STMC enabled it to somewhat minimize the negative effects of the external factors.

Our calculations suggest that hadn't the STMC's portfolio structure undergone changes throughout 2008 (maintaining positions in long-

term OFZs), then the negative investment yield on the respective portfolio could have been even worse (-5.97%) per annum, as compared to the actually posted indicator (-0.46%).

To efficiently embrace the functions of the STMC, Vnesheconombank actively participated in devising proposals designed to upgrade the respective legislative framework. In particular, these proposals were aimed at expanding the range of instruments eligible for investment. Most of the proposals the Bank came up with were included in federal law on "Introducing Amendments to Some Legislative Acts of the Russian Federation in Respect of Upgrading the Investment Procedure to Finance the Savings Part of the Labour Pension in the Russian Federation". The draft law, prepared by the designated federal executive bodies, was submitted to the State Duma for consideration in December 2008.

9

Corporate governance

We acknowledge that, seeking to meet the tasks related to corporate governance issues in the Bank for Development established in 2007, we were drawing on the globally accepted approaches in this area and the analysis of the best practices offered by foreign development institutions.

Overall, the system of corporate governance developed by the Bank proved its efficiency in a most challenging crisis environment in autumn 2008.

At the same time, the magnitude of the tasks the Bank for Development is called to accomplish, the new functions it is entrusted with brought about the need to upgrade its system of corporate governance in respect of planning and analysis of the Bank's financial performance (including the system of risk management), the internal control system, as well as the Bank's organisational structure.

Governing Bodies

In compliance with the Federal Law "On Bank for Development", Vnesheconombank's governing bodies consist of the Supervisory Board, the Board and the Chairman of Vnesheconombank.

The Supervisory Board is Vnesheconombank's supreme governing body. The Chairman of the Russian Federation Government is the Chairman of Vnesheconombank's Supervisory Board. The Supervisory Board consists of eight members appointed by the Government of the Russian Federation and the Chairman of Vnesheconombank, who is on the Supervisory Board ex officio.

Among the key functions of the Supervisory Board are: defining the major areas of the Bank's activities, approving the Bank's revenues and expenditures plan (budget), the annual report and

other fundamental internal documents, approving an independent auditor, appointing Head of the Bank's Internal Control Department and making decisions pertaining to approving transactions within the respective competences.

In October-December 2008, in view of exacerbating negative impacts of the global economic crisis on the Russian economy and the need to overcome the crisis effects, the Supervisory Board's special energies were devoted to resolving issues of the Bank's participation in anti-crisis measures designed to shore up the Russian financial system.

Within Q 4 of 2008, to execute the provisions of Federal Law N 173-FZ dated October 13, 2008 "On Additional Measures for Supporting the Financial System of the Russian Federation", Vnesheconombank' Supervisory Board took decisions on refinancing corporate debts owed to foreign creditors and on extending subordinated loans to Russian banks in the sums of USD 12.5 billion and RUB 240 billion respectively.

The Board is a collegiate executive body of the Bank consisting of eight Board members, appointed by Vnesheconombank's Supervisory Board on the nomination of Vnesheconombank's Chairman. The Chairman of Vnesheconombank heads the Board.

The Board acts within the powers assigned to it by Provisions on the respective body of Vnesheconombank. In compliance with the established procedures, the Board, on a regular basis, at least once a month, holds meetings.

The Chairman of Vnesheconombank is appointed to office by the President of the Russian Federation on the nomination of the Chairman of the Russian Government. Vnesheconombank's Chairman acts as the sole executive body of the Bank and manages the Bank's day-to-day operations.

With a view of supporting the governing bodies activities, working collegiate bodies, including Credit Committee, Committee for Development of Investment Operations, Technology Committee and Committee for Strategic Development operate on a continuous basis. Their functions comprise giving preliminary consideration to and preparing recommendations regarding issues that come within the terms of reference of the governing bodies.

At the year-end 2008, to execute the provisions of Federal Law N 173-FZ, 2 Committees were additionally set up: Committee on examining borrower applications for refinancing obligations under foreign loans and Committee on subordinated loans.

Risk Planning and Management Systems

Vnesheconombank's professionals continued to work intensively to resolve the issues of developing an integrated system of planning and control, which incorporated and combined the processes of strategic and current planning and control.

Vnesheconombank places a special focus on improving and upgrading a methodological base underlying [strategic planning](#). A draft document that sets forth the procedure to apply to strategic planning of and control over the implementation of the strategy of Vnesheconombank, as a bank for development, was prepared. One of the key provisions of the document is devising the Bank's strategy taking full account of:

- the system of strategic national priorities of Russia's development formulated at the state level;
- the outcomes of external environment assessment;
- the Bank's capabilities;
- the need to set target indicators with respect to the Bank's contribution to achieving the national strategic goals.

Vnesheconombank continued its efforts to improve and upgrade the system of current planning.

Vnesheconombank's professionals have put in place [a risk management system](#), that is successfully functioning. The system, in terms of methodological and technological support for market risks assessment and the respective control procedures, can be evaluated as a most advanced one for a Russian bank. The system complies with the Basel Committee recommendations in the above area and the best globally accepted practices.

The procedures applied to risk management, envisage:

- monitoring, on a regular basis, the state of the external environment;
- assessing risks assumed by the Bank;
- developing recommendations on mitigating risks and compiling the respective reports;
- setting exposure limits for various kinds of operations;
- defining criteria of assessing financial operations' efficiency taking full account of the levels of risk inherent in them.

In managing credit risks the Bank adheres to the principles of prudent conservatism. Credit risk management includes monitoring and analysing levels of credit risk associated both with a singular borrower and groups of interrelated borrowers. Alongside that, a set of measures designed to mitigate and reduce the risks assumed is implemented. This could be achieved, among other things, through the use of such mechanisms as setting limits, imposing requirements to a collateral accepted by the Bank to secure borrowers' liabilities, as well as insuring risks.

Within the procedures related to market risks management the Bank, on a daily basis, exercises monitoring of the levels of risks assumed/probable. The market risk assessment uses the Value-at-Risk (VaR) methodology.

The procedure of stress-testing is carried out both on a regular basis and off-schedule. This allows to assess potential losses in portfolios of financial instruments and the Bank's open foreign currency positions that can be incurred during extreme, but unlikely events, which are beyond the predictions based on statistics and probability methods. This approach is a significant supplement to risk assessments computed through the use of VaR methodology. Within the procedure of stress testing, the Bank uses both historical and hypothetical scenarios.

To reduce market risk, limits are set on positions/portfolios' sizes and parameters, which are reflective of vulnerability to market risk. On a daily basis, in line with VaR methodology, risk exposure of the Bank's positions in securities market instruments is calculated. VaR is calculated both for individual instruments and for portfolios of certain types of instruments, as well as for the Bank's overall portfolio of securities.

In terms of currency risk, the volume of an open position in each currency is controlled. The level of currency risk under the FX trading operations is limited by setting intraday limits.

The interest rate risk management, carried out within the frames of the Bank's overall procedure of asset/liability management, aims to maintain a balanced structure of assets and liabilities sensitive to interest rates fluctuations. In order to assess the risk of changes in the Bank's net interest income, a procedure of scenario modeling is carried out regularly. Based on the data related to interest rate gaps, the change in the net interest income is assessed in case of a shift in interest rates curves.

Within the liquidity risk management procedure, the Bank continuously exercises monitoring and analysis of the amount of cumulative gaps between the Bank's claims and liabilities in terms of maturities (in all currencies taken together and separately in foreign currencies and in roubles). On a daily basis, monitoring of the liquidity reserve is exercised to identify sources available to cover unexpected liquidity shortages. The minimum amount of funds allocated to manage the Bank's liquidity (temporarily idle funds) is defined annually by the respective decision of the Bank's Supervisory Board.

Apart from the above, Vnesheconombank, in line with "BBB" program, has comprehensively insured banking risks with major Russian insurance companies.

Internal Control System

The system of Vnesheconombank's internal control is organised in full compliance with the legislation of the Russian Federation. The system embraces all areas of the Bank's activities and is, primarily, designed to ensure:

- observing the requirements set out by the Russian legislation and internal regulatory documents, as well as international rules and standards related to procedures to apply to effecting banking operations, preparing the respective documentation, providing an accurate, full, objective and timely recognition of operations in book-keeping and tax accounting, as well as information security;

■ adhering by the Bank's professionals to the principle of segregation and division of powers and duties, to the established decision-making procedures that impact the interests of the Bank and /or the interests of clients, avoidance of the conflict of interest;

■ undertaking in due time a comprehensive set of measures designed to counteract legalisation (money laundering) of illicit gains and financing terrorism;

■ providing in due time a whole set of measures related to control over the Bank's activities as a professional participant in the securities market, as well as its activities in a capacity of the STMC to manage pension savings funds;

■ securing the safety of the Bank's property.

At the Bank's units level, internal control is exercised through special control procedures that are in-built into various business processes and aimed at preventing, spotting and correcting errors and distortions that can occur in effecting operations, in making analytical calculations or other actions that are an integral part of a business process.

The key structural element of the internal control system is the Bank's specialised unit — Internal Control Service (ICS), whose head is appointed by the Supervisory Board of Vnesheconombank. The ICS is accountable to Vnesheconombank's Supervisory Board and, in terms of its day-to-day activities, — to the Chairman of Vnesheconombank.

Over the period under review, aiming to improve and upgrade the procedures of con-

trol over critical business processes, the Bank worked out 17 methodologies and modernised 15 methodologies of monitoring the internal control system.

As of 01.01.2009, the ICS employees had 6 certificates of the Russian Ministry of Finance authorizing them to engage in banking audit activities, 9 employees — certificates of the FCSM/FFMS to engage in various areas of activities in the securities markets and 1 employee — an ITIL certificate.

Organisational Structure

In 2008, dedicated work on upgrading the Bank's organisational structure was continued. A new structural division, namely, the Centre for Public-Private Partnership was established. Some other new structural units were added and the number of staff of the investment division was enhanced (to cover specific areas of high tech projects, including defense industry).

HR Management

The status of Vnesheconombank as a financial development institution, its active participation in delivering the goal set by the country's leadership of taking the country out of the global economic crisis (not only with the least losses possible, but with a good leverage for future development) motivate the need to have well-professionally equipped and united team, whose specialist knowledge and skills, as well as creative potential could help meet the ongoing global challenges.

In this context, special attention was devoted to the procedure of staff selection and recruitment. Development of internal documents that regulate the respective procedures was carried out drawing on the best Russian and global practice of professional and psychological testing.

Alongside that, implementing a set of measures for staff professional training designed to assist employees to best master advanced banking methods, instruments and technologies, as well as facilitate their prompt adaptation to changes in the legislative and regulatory frameworks is viewed by Vnesheconombank as a key factor that helps it generate positive performance outcomes and efficiency gains.

In the reporting period, continued emphasis was placed on implementing a program of scrutinising approaches to lending and investment activities (innovations in expert evaluation of investment projects, new instruments and the relevant financing schemes). In view of new accounting rules for Russian banks, as well as changes in the legislation, central to the Bank's HR policy became arranging training in such areas as: accounting and financial reporting, taxation, currency control, counteracting money laundering of illicit gains and financing terrorism. Every training and professional development program was followed by testing of knowledge quality.

To foster the spread of the best HR Russian and foreign practices, the Bank arranged experience exchange events with the leading Russian and foreign financial institutions. Among them were:

■ a number of round tables with the participation of the heads of HR services of the banks who are members of the Interbank Consortium of the Shanghai Cooperation Organisation (SCO IBC);

■ the III International Interbank HR Conference "Human Capital. The Role and Place of HR Service in a Time of Change". Among the Conference participants were more than 150 top managers and heads of HR services representing major Russian and foreign banks.

Remarkably, the year 2008 saw continuation of Vnesheconombank's social programs, in which the Bank had gained positive experience. These programs primarily aim to contribute to family welfare and improve social climate. Traditionally, the Bank was maintaining focus on social support for working women. In the context of the Russian President's decree in the period under review to proclaim 2008 the "Year of the Family", starting from 2008, all the women employees of the Bank having junior age schoolchildren are entitled to have an extra free day on September 1st and may have their working day rescheduled to better accommodate children. An optional medical insurance package offered to women employees now includes, among other things, a new medical "maternity care" option that ensures high quality services in the best Moscow clinics.

To more actively engage the Bank employees in socially important initiatives and events, a program of corporate volunteer action is put in place, with a number of volunteer action events already successfully held.

To facilitate internal communications and feedback that would give a fair and true picture of the employees' understanding of Vnesheconombank's role and place in the Russian credit and financial infrastructure, as well as to help assess employees' opinion in respect of activities carried on in interrelated divisions and events arranged in the area of HR management, a traditional "My Bank" questionnaire was circulated among 877 employees. The respondents showed a clear understanding of the Bank's strategic goals, expressed due appreciation of work practices demonstrated by various structural divisions, approved good quality organisational patterns of work. A positive assessment of the Bank's image as an employer was expressed. Also, a practice of making these questionnaires available on the Vnesheconombank's Internet site was continued.

It is worthwhile noting that all the above HR projects were arranged in close interaction with the Russian Development Bank and Roseximbank.

Encouragingly, in recognition of the achievements demonstrated by the Bank in HR management, the respective division of the Bank was awarded an honorable title of the "Best HR Service of Russia — 2008", while the Bank, in appreciation of its initiatives in the area of corporate social responsibility, got an honorary diploma of the "Leader of Socially Responsible Business — 2008".

Information Policy

In delivering the Bank's information policy, the year 2008 was marked by consistent endeavours designed to reposition Vnesheconombank's brand to respond to its new status of a bank for development. Special energies were devoted to a major task of creating Vnesheconombank's image that would be strong, respectable, easily recognizable and reflective of its best historical features, however enriched in contents.

In 2008, in its information policies, the Bank was guided by the communications strategy provisions specified in the Bank's Strategy for the period of 2008-2012.

Overall, the results delivered in 2008 could well be viewed as a dedicated effort to implement the provisions of the Bank's communications strategy that comprised various aspects of shaping up public opinion starting from the visual perception of the brand to providing information on Vnesheconombank's current and prospective activities.

Enhanced emphasis was placed on highlighting Vnesheconombank's activities as a bank for development related to its participation in implementing major investment projects. To this end, a wide range of advertising business and mass media instruments was used.

Over the period under review, a number of new communications channels were developed. In particular, on the Russian "Vesti" TV channel, a monthly broadcasting program

"Development Projects" was started and an active distribution of the Bank's corporate journal for target audiences in Moscow and the regions was launched. Also, an advertising campaign to properly position the Bank's image was staged. Indeed, the Bank was committed to make the best use of various media available to primarily highlight Vnesheconombank's participation in projects delivery and its role and place in implementing the state investment policy.

In view of an increased number of the Bank's subsidiaries and associates, a logic move was to enhance the communications strategy and start devising Vnesheconombank's (VEB) brand architecture, i.e. create a uniform perception of Vnesheconombank's brand and the brands of its subsidiaries on information and visual perception levels.

A program of upgrading the visual component of VEB's brand was successfully completed. A special Provision on the Bank's brand style in compliance with the international standards was elaborated and put into place. Its use on various visual component carriers enabled Vnesheconombank to create a uniform, easily recognisable and modern visual brand image. Encouragingly, the brochure of the year 2007 Annual Report of VEB elaborated in the format of a new company style ranked as the best one among other state corporations' reports at the XIth Annual Reports Federal Contest, held by the "Securities Market" journal, the Russian Ministry for Economic Development and MICEX.

To devise and foster the visual component of the Bank's communications platform, a new

package of information materials and advertising modules was prepared and widely used in all Vnesheconombank's public activities. Also, a uniform Concept of the Bank's exhibition stands at international and all-Russia forums, exhibitions and conferences was implemented and put into practice. Among these public events came: the XIIth International St. Petersburg Economic Forum, "Sochi-2008" International Investment Forum, "Transport Week — 2008", "Hydro Aviation Show" and a "PPP International Conference".

The principle of openness and transparency of the Bank's investment and financial activities, expressly set out in the Memorandum on financial policies, saw further consistent implementation in 2008. The Bank would communicate the decisions of the Supervisory Board, the Bank's position regarding the current and future activities, as well as the most urgent economic problems to the general public and the representatives of the business circles. With this end in view, numerous conferences, seminars and press-conferences were staged, with the most important information immediately made available on Vnesheconombank's website. As compared to 2007, the number of user visits to the Bank's site increased by 75%.

Throughout the year, delivery of major projects, signing cooperation agreements with foreign partners, trust management of the pension savings funds, etc., actually all the issues related to the Bank's activities were in the spotlight of the media. In order to increase public awareness of the Bank's policy in major business areas, the Bank's Management would, on a regular basis, come out with detailed and in-

formative articles and interviews published in the Russian and foreign press and participate in TV programs related to professional issues.

In autumn 2008, as the economic crisis was unfolding, a most urgent task of promptly highlighting the decisions of the Bank's collegiate governing bodies and explaining the actions undertaken by the Bank in support of the Russian financial system was successfully accomplished. To this end, the best use was made of the opportunities offered by leading Russia's information agencies, domestic and foreign press, TV and radio channels, briefings and meetings with journalists.

10

Accounting
and reporting

In accordance with Federal Law N 82-FZ dated 17.05.2007, "On Bank for Development", Vnesheconombank organises its accounting procedure in compliance with the accounting and reporting rules established for Russian banks, with regard for certain accounting specifics provided for Vnesheconombank by the Central Bank of Russia.

Over 2008, the Bank engaged in accounting procedure in line with the Accounting Rules to Apply to Banks on the Territory of the Russian Federation, as approved by the CBR Directive N 302-P dated 27.03.2007.

The formats of the Bank's balance sheet, statement of income, statement of cash flows, statement of changes in equity, statement of income, expenditure and distribution, as well as statement of funds, revenues and expenditure are approved by the Bank's Board.

In accordance with the Tax Code of the Russian Federation, Vnesheconombank pays taxes on the territory of Russia and it is registered with Interregional Tax Inspectorate for Major Taxpayers N 9 (St.-Petersburg).

In accordance with Memorandum on financial policies of State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" and with the aim to comply with requirements set by the global financial community, Vnesheconombank prepares and submits to the Russian Government and external users its annual financial statements prepared in conformity with International Financial Reporting Standards (IFRS). The system of preparing IFRS financial statements adopted by the Bank enables it to timely prepare consolidated financial statements of the Group (Vnesheconombank, its subsidiaries and associates).

11

Information
technology
activities

Vnesheconombank places an increased focus on improving the Bank's IT activities, viewing this business line as increasingly helping improve efficiency and reliability of the Bank's operations, reduce operational risks, enhance customer service level.

In 2008, the software package "System of planning, analysis and monitoring of investment projects" was further developed and upgraded. The development of software modules for investment projects expert evaluation, as well as modules for preparing reports for Vnesheconombank's governing bodies was continued.

The Bank pressed ahead with its effort to further develop information technological support in risk control. The reported period witnessed further enhancement of functional capacities of the software designed to ensure automated risk assessment procedures (in relation to risk assessment of investment projects).

In 2008, a set of measures was introduced to switch the Bank's S.W.I.F.T. system over to a new S.W.I.F.T. message standard (Standard Release Guide 2008).

Notably, in August 29, 2008, the Bank of Russia adopted Provision № 321-P "On the Procedure to Apply to Presenting by Banks to the Authorized Body of Information Envisaged by the Federal Law "On Counteracting Money Legalisation (Laundering) of Illicit Gains and Financing Terrorism". To this end, a special software package designed to ensure the Bank's observing the requirements of the Provision was modified and put into operation.

Work was carried out to further upgrade the "Budget Accounting" system capability in relation to automated record keeping of depository operations.

A set of measures was introduced to ensure appropriate information and technological support for the Bank's business lines, related to its participation in implementing bail-out measures to support the financial system of the Russian Federation against the backdrop of the global financial crisis.

In the reported period, Vnesheconombank traditionally attached special attention to enhancing professional skills of the Bank's staff in arranging IT activities on the basis of the methodology of IT Service Management outlined in the library of the best global experience — IT Infrastructure Library. Over the period under review, 2 employees were awarded the highest qualification (IT Service Manager in IT Service Management). Overall, 39 employees of Vnesheconombank studied the ITIL course.

12

Participation
in the activities
of non-commercial
organisations

Throughout many years, Vnesheconombank has been a member of a number of non-commercial organisations, both in Russia and abroad. The Bank is a member of more than 30 associations, unions, foundations, partnerships and public organisations.

The benefits derived by the Bank from its membership in these organisations ensure high-level of its integration into the Russian and international business community, contribute to developing cooperation with partners and facilitate establishing new business contacts.

Non-commercial organisations, in which Vnesheconombank is a member, are to a large extent the organisations of securities market and FX market participants. They include the Russian Trading System Stock Exchange, the National Foreign Exchange Association, the Russian National Association of Securities Market Participants, the National Securities Market As-

sociation, the Association of Bill Market Participants, the Professional Association of Registrars, Transfer Agents and Depositories, International Capital Market Association (ICMA), the Financial Market Association (ACI). Vnesheconombank's participation in such organisations enables the Bank to increase awareness and understanding by the Russian business community of its stance on corporate ethics issues, the principles and conditions underlying an appropriate operation of the participants in the domestic financial market, as well as effect operations in financial markets in line with the standards and practices generally accepted by the global financial community. The Bank's participation in this organisation also contributes to cooperation with foreign partners. In 2008, with Vnesheconombank's support, the National Securities Market Association implemented the Program of professional seminars, within the frames of which more than 500 people participated in training courses on securities markets innovations.

For years, Vnesheconombank has been a member of the International Chamber of Commerce (ICC), a globally recognised international organisation that seeks to promote and support global trade, attract investment, devise and elaborate uniform rules and regulations for guarantee and documentary operations. The Bank's representatives actively participate in the work of the Commission on Banking Technique and Practice that is a working body of the ICC.

Participation in international cooperation-oriented organisations (the World Economic Forum, the Russo-British Chamber of Commerce, the Italian-Russian Chamber of Commerce, the American-Russian Business Council, the Russian-American Business Council, the Russian-Chinese Business Council, the Russian-Arab Business Council etc.), numerous business contacts with other members of these organisations open up new opportunities for VEB to develop the Bank's lending and investment activities.

In the reported period, Vnesheconombank continued its membership in the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), which is a major regional association of development institutions. Among its members come 100 financial institutions from 37 countries (inclusive of Canada, Australia, India, China, Korea, Japan). The membership in the association enables the Bank to share with its participants experience in the area of financing the priority national investment projects, use the capabilities offered by the association as a founding member of the World Federation of Development Financing In-

stitutions (WFDFI), as well as the capabilities of the ADFIAP as a consultant of the UN Economic and Social Council.

In 2008, the Bank became a member of an All-Russian union of employers "The Russian Union of Industrialists and Entrepreneurs", one of the most influential employer unions. Vnesheconombank's participation in this organisation and the opportunities offered by it help increase partners' awareness of the Bank's position related to the pressing issues of economic and social character, contributes to bolstering cooperation with dynamically developing companies, many of which are of interest for the Bank as potential partners in investment activities. The Bank cooperated with the Union earlier as well, taking an active part in the events arranged by it. Since 2006, Vnesheconombank's chairman has been a member of the Board of the Union.

Vnesheconombank continued its participation in a non-commercial organisation "The Fund for Investment Support under the Governor of the Sverdlovsk region", whose activities are called to help attract an influx of investment to priority sectors of economy of the Sverdlovsk region.

13

Social responsibility

For years, Vnesheconombank has been actively involved in sponsorship and charitable activities, thereby enhancing quality of life of the citizens and improving the social sphere.

Rendering support for those in extreme need (critically ill children, families of the wounded or killed military men), as well as for orphan-ages is a major priority of the Bank's charitable activities.

Traditionally, the Bank's charitable activities are focused on the following segments of social sphere: healthcare, education, culture and arts, record-breaking sports. Besides, special attention is devoted to support for the Russian Orthodox Church programs.

Also, the Bank acts as a sponsor of domestic and international economic forums, conferences and exhibitions.

In 2008, in the area of healthcare, Vnesheconombank continued the implementation of long-term programs of charitable aid to children's medical institutions. Just as before, the Bank, on a regular basis, made donations for the First Hospice for children with cancer diseases to ensure an appropriate level of medical care and consultations for seriously ill children. Also, the Bank financed the purchase of medical equipment for surgery for the Research Institute of Children's Oncology and Hematology of the Russian Science Centre named after N.N. Blokhin. Apart from this, the Bank, by a long-standing tradition, provided funds for arranging an annual festive event "Sunny Day" for the recovering children. Moreover, funds were transferred to the Moscow region psycho-neurological clinic for children with the central nervous system disorders (clinic has been the object of the Bank's charitable activities since 2002) to finance the purchase of equipment required to ensure proper operation of the clinic.

Special energies were devoted to projects designed to support the Russian Orthodox Church (ROC). Among them is the project, whose implementation, in line with the decision of the RF President, envisages handing over to the ROC the reliquaries with Christian hallows kept in the storerooms of the Moscow Kremlin Museums. Vnesheconombank, on the request of the RF Minister of Culture and the Moscow Kremlin Museums Director, participated in arranging financing for the production of copies of the reliquaries. The original reliquaries, which are of great historic and artistic value, will remain in the Moscow Kremlin museums.

Together with the Centre for Spiritual Development of Children and Young people at the Moscow Danilov Monastery, Vnesheconombank participates in implementing a long-term program "To His Holiness the Patriarch from Children of Russia". The program opened up ample opportunities for thousands of children from all the Russian regions, after winning a complete selection procedure, to demonstrate their talent and skills as musicians, singers and artists.

Over a number of years the Bank has been engaged in financing restoration of operating churches, which have historic and cultural value. In 2008, funds were transferred to insure repairs of the Svyatye Petr and Pavel Apostols Church of Svyato-Troitze-Sergieva Lavra, the Presvyataya Bogoroditsa Pokrov Church in the village of Tyunezh, the Tula region; the Vladimir Church in the city of Sochi, the Spasskiy Church in the village of Ubory, the Odintsovo district, the Moscow region, the Vvedenskaya Church in the

village of Gavrilovskoye, the Spasskiy district of the Ryazan Region. Apart from this, the Bank transferred funds to the Moscow Danilov Monastery to complete repairs of the Monastery's underground communications system (Funds for the Monastery's repairs were also allocated by the Bank over the previous period under review).

Vnesheconombank took part in arranging the visit of the ROC delegation headed by the Smolensk and Kaliningrad metropolitan Kirill to the South African Republic. The goal of the visit was to hold ceremonial events to celebrate the 200-th anniversary of Russian sailors' visit to South Africa, to unveil the monument to Russian sailors, to mark the 10-th anniversary of a set up of an orthodox church parish and the 5-th anniversary of the sanctification of the Prepodobniy Sergey Radonezhskiy Church in Johannesburg.

In the area of culture Vnesheconombank has been traditionally rendering support for talented troupes such as the "P.N. Fomenko Studio" Moscow theatre and the Academy of young opera singers of the Mariinskiy Theatre.

Support for modern arts, young talented actors, artists and musicians is viewed by Vnesheconombank as a creative process aimed at preserving and developing rich traditions of the national culture.

Vnesheconombank's annual prizes for the soloists of the Mariinskiy Theatre were instituted in 2000. Thus, seeking to maintain the tradition of encouraging and promoting young and talented

performers, the Bank has been rendering support for the Academy of young opera singers for more than eight years now. The Bank pays scholarships, ensures financing for master-classes by outstanding singers and teachers, for foreign language tutorials and stage skill lessons.

Vnesheconombank also participates in the meaningful events of the cultural life of the country. The key achievements in this area included the International Moscow Film Festival and the award ceremony of the national Cinematograph prize "Golden Eagle".

Among projects, implemented with the sponsorship aid of Vnesheconombank come such events as the festival "Theatre. Yalta. Chekhov", the Festival of Russian Arts in Bari (Italy), "Russian Evening in Milan" (Italy). The exhibitions "Two Centuries of the British Fashion. Exhibits from the Collection of the Victoria and Albert Museum, London" and "Futurism. Russia-Italy", arranged by the Moscow Kremlin museums and the State Museum of Fine Arts named after A.S. Pushkin with partnership support by Vnesheconombank also proved to be remarkable cultural events.

In the year under review, the Bank acted as a sponsor and an arranger of major domestic and international forums and conferences. Among them are: the XII St-Petersburg International Economic Forum, the VII International Investment Forum "Sochi-2008", the VIII session of the Russian Economic and Financial Forum in Switzerland, the II Banking Forum of the Eastern Europe and the CIS countries. Apart from this,

Vnesheconombank became a participant in such meaningful regional events as the Baikal International Economic Forum (Irkutsk), the Far East Economic Forum (Khabarovsk), "St-Petersburg Dialogue" Forum, the III Tula Economic Forum.

One of the major events of 2008 was an international conference "Taking Public-Private Partnership Forward: New Opportunities for Infrastructure Development in Transition Economies". The conference was arranged by Vnesheconombank with the participation of the UN Economic Commission for Europe and the Russian High School of economics. More than 600 delegates from 30 countries, representatives of the international organisations and financial institutions, including the World Bank, the European Bank for Reconstruction and Development, the European Investment Bank, took part in the conference. Among the participants also were representatives of the RF Government, the Russian business community and the Russian Academy of Sciences.

Apart from that, Vnesheconombank also participated as a sponsor in a number of major exhibitions held in Russia and abroad. Among them are: the Russian National Exhibition in Delhi (India), the International Weaponry and Military Technical Devices Exhibition "MBCB-2008", international exhibition "Hydroavia Aviation Show 2008".

Seeking to maintain the past years tradition, the Bank facilitated the development of Russian sports. In particular, it acted as a major part-

ner of the international University competition “Golden Boat” held on the Moskva River on September 6, 2008. The teams of the universities of Great Britain, France, America, Italy, Belarus and Russia took part in the boat competition. Apart from this, the Bank rendered sponsorship support to develop such Olympic kinds of sports as handball, volleyball and swimming.

In 2008, a number of volunteer events with the Bank’s employees’ participation were held. In particular, they took part in rendering humanitarian aid and donating blood (a blood donor drive was set up directly in the Bank’s building). The primary objective of the humanitarian action was to assist the victims of the Georgian-Osetian armed conflict. Also, funds were transferred to the special charitable account “Aid to children of South Osetia”.

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Independent Auditors' Report

by CJSC "Ernst & Young Vneshaudit"

on the Annual Financial Statements

of state corporation "Bank for Development and Foreign

Economic Affairs (Vnesheconombank)"

prepared on the basis of its operating results for 2008

To the Supervisory Board of state corporation

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

Audit Report

on the Annual Financial Statements
of state corporation "Bank for Development and Foreign
Economic Affairs (Vnesheconombank)"
prepared on the basis of its operating results for 2008
(Translation of original russian version)

AUDITOR:

Full name: Closed Joint Stock Company "Ernst & Young Vneshaudit"

Address: Sadovnicheskaya Nab., 77, bld.1, Moscow, 115035, Russian Federation

Certificate of an entry to the Uniform State Register of Legal Entities on a legal entity registered prior to July 1, 2002; the date of entry: September 16, 2002, series 77 No. 008050714, registered by the Moscow Registration Chamber State Institution under No. 033.468 on August 30, 1994, Main State Registration Number 1027739199333.

Audit license No. E003246, approved by Order No. 9 of the Russian Ministry of Finance dated January 17, 2003, issued for a term of 5 years, prolonged till January 17, 2013 by Order No. 746 of the Russian Ministry of Finance dated December 14, 2007.

AUDITED ENTITY:

Full name: state corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)", hereinafter referred to as the "Bank".

Short name: Vnesheconombank

Address: 9, Akademika Sakharova Prospekt, Moscow, GSP-6, Russian Federation, 107996.

Registration and general information

State corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" was established by way of reorganization of the Bank for Foreign Economic Affairs of the USSR through transforming it into a state corporation in conformity with the procedures set forth in Federal Law No. 82-FZ dated May 17, 2007 "On Bank for Development". In accordance with Federal Law No. 395-1 dated December 2, 1990 "On Banks and Banking Activities", state corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" has the right to execute banking operations as provided in Federal Law No. 82-FZ dated May 17, 2007 "On Bank for Development".

Certificate of an entry to the Uniform State Register No. 1077711000102 issued on June 8, 2007 by the Moscow Division of the Federal Tax Service.

Translation of original russian version

We have audited the accompanying annual financial statements of the Bank for the period from January 1 through December 31, 2008.

In accordance with Federal Law No.82-FZ dated May 17, 2007 "On Bank for Development", the annual financial statements of state corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" consist of:

- Balance Sheet as of January 1, 2009
- Statement of Income for 2008

The Bank's management is responsible for maintaining accounting records, preparing and presenting the Bank's annual financial statements. Our responsibility is to express an opinion on the fairness, in all material respects, of these financial statements and on compliance of accounting procedures insofar as they relate to the preparation of statutory financial statements in accordance with the legislation of the Russian Federation based on our audit.

We conducted our audit in accordance with the Federal Law "On Audit Activities", the Federal Rules (Standards) on Auditing, the Rules (Standards) for Auditing Activities, as approved by the Committee on Auditing Activity under the President of the Russian Federation, and International Standards on Auditing.

The audit was planned and conducted to obtain reasonable assurance about whether the Bank's annual financial statements are free of material misstatements. The audit was performed on a selective basis and included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements concerning the financial and business operations of the audited entity; assessing the compliance with accounting principles and rules used in the preparation of these financial statements, and significant estimates made by management of the audited entity; as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion on the fairness, in all material respects, of these financial statements and on compliance of accounting procedures insofar as they relate to the preparation of financial statements in accordance with the legislation of the Russian Federation.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of state corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" as of January 1, 2009 and the results of its financial and business operations for the period from January 1 through December 31, 2008 in conformity with the laws and regulations governing financial reporting in the Russian Federation.

The accompanying annual financial statements are not intended to present the Bank's financial standing and results of operations in compliance with accounting principles and practices generally accepted in countries and jurisdictions other than the Russian Federation. Accordingly, these financial statements are not intended for those who are not informed about accounting and reporting principles, methods and practices accepted in the Russian Federation.

April 24, 2009

General Director

Engagement Manager

(Auditor's Qualification Certificate No. KO26598 issued on August 21, 2006 for an unlimited term)


O. V. Yushenkov
G. A. Shinin

Balance Sheet

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(published form)

as of January 1, 2009

State corporation «Bank for Development and Foreign Economic Affairs (Vnesheconombank)». Form code 0409806
Postal Address: 9, Akademika Sakharova Avenue, Moscow, GSP-6, 107996, Russian Federation Annual
(in thousands of Russian roubles)

No.	Article	Data as of the reporting date	Data as of the respective reporting date of the previous year
1	2	3	4
I. ASSETS			
1	Cash	1 849 574	1 852 070
2	Due from the CBR	73 654 761	3 559 619
2.1	Obligatory reserves	0	0
3	Due from banks	131 784 190	69 879 001
4	Securities at fair value through profit and loss	9 835 368	28 208 340
5	Loans to customers	1 061 613 354	352 139 357
6	Available-for-sale securities and other available-for-sale financial assets at fair value	285 930 036	77 328 307
6.1	Investments in subsidiaries and associates	22 768 202	6 435 866
7	Held-to-maturity securities, net	10 741 866	0
8	Fixed assets, intangibles and inventories	2 639 875	2 412 646
9	Other assets	19 109 391	5 084 315
10	Total assets	1 597 158 415	540 463 655
II. LIABILITIES			
11	Loans, deposits and other funds due to the CBR	464 458 018	441 832
12	Due to other banks	371 026 473	227 534 621
13	Amounts due to customers	449 064 282	33 886 033
13.1	Amounts due to individuals	1 939 033	2 776 036
14	Financial liabilities at fair value through profit and loss	241 278	0
15	Debt securities issued	1 806 224	5 555 532
16	Other liabilities	42 973 797	60 101 611
17	Provisions for financial commitments, other losses and transactions with off-shore residents	4 039 927	1 174 577
18	Total liabilities	1 333 609 999	328 694 206
III. EQUITY			
19	Shareholder equity	262 518 646	180 001 000
20	Own shares bought back from shareholders	0	0
21	Additional paid-in capital	0	0
22	Reserves and funds	1 345 172	58 877

Form code 0409806

Annual

(in thousands

of Russian roubles)

State corporation «Bank for Development and Foreign Economic Affairs (Vnesheconombank)».

Postal Address: 9, Akademika Sakharova Avenue, Moscow, GSP-6, 107996, Russian Federation

No.	Article	Data as of the reporting date	Data as of the respective reporting date of the previous year
1	2	3	4
23	Revaluation of available -for -sale securities at fair value	-40 084 205	0
24	Revaluation of fixed assets	18 733	21 559
25	Retained earnings (accumulated deficit) of previous years	30 404 542	25 256 535
26	Unutilized profit (loss) for the reporting period	9 345 528	6 431 478
27	Total equity	263 548 416	211 769 449

IV. OFF-BALANCE SHEET LIABILITIES

28	Irrevocable commitments	315 148 199	123 102 316
29	Guarantees and sureties issued	59 820 855	43 923 346

Vnesheconombank was officially registered on June 8, 2007. In this connection, the financial results of the Bank's operations for 2007 were defined for the period from June 8, 2007 to December 31, 2007. Consequently, in the Balance Sheet as of January 1, 2009 the reporting data in lines "Retained earnings (accumulated deficit) of previous years" and "Unutilized profit (loss) for the reporting period" in columns "Data as of the reporting date" and "Data as of the respective reporting date of the previous year" are not comparable.

Chairman of Vnesheconombank

V. A. Dmitriev

Member of the Board –
Chief Accountant

V. D. Shaprinskiy

April 17, 2009



Statement of Income

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(published form)

for the year 2008

Form code 0409807

Annual

(in thousands
of Russian roubles)

State corporation «Bank for Development and Foreign Economic Affairs (Vnesheconombank)».
Postal Address: 9, Akademika Sakharova Avenue, Moscow, GSP-6, 107996, Russian Federation

No.	Article	Data for the reporting period	Data for the respective reporting period of the previous year
1	2	3	4
1	INTEREST INCOME, TOTAL, including:	39 221 224	19 322 471
1.1	Due from other banks	15 233 875	2 868 476
1.2	Loans to customers	19 291 295	14 563 077
1.3	Financial leasing	0	0
1.4	Securities	4 696 054	1 890 918
2	Interest expenses, total, including:	19 195 527	15 180 985
2.1	Due to other banks	13 007 442	11 629 028
2.2	Amounts due to customers	5 926 432	3 170 547
2.3	Debt securities issued	261 653	381 410
3	Net interest income (loss)	20 025 697	4 141 486
4	Provision for/reversal of impairment of interest earning assets, total, including:	-10 417 570	-7 027
4.1	Impairment of accrued interest income	-83 224	-62 040
5	Net interest income (loss) after provision for/reversal of impairment of interest earning assets	9 608 127	4 134 459
6	Gains less losses from securities at fair value through profit and loss	-3 565 231	2 814 570
7	Gains less losses from available -for -sale securities	327 472	2 310 331
8	Gains less losses from held -to -maturity securities	0	0
9	Gains less losses from foreign currency dealing	-4 727 674	-561 944
10	Gains less losses from foreign currency translation differences	18 553 226	657 423
11	Dividends	402 959	337 293
12	Fee and commission income	1 175 292	971 422
13	Fee and commission expenses	1 019 954	408 908
14	Provision for/reversal of impairment of available -for -sale securities	-747 666	11 644
15	Provision for/reversal of impairment of held -to -maturity securities	-8 134	0
16	Provision for/reversal of other impairment	-3 908 240	-138 646
17	Other operating income	7 648 575	1 256 546
18	Net income (loss) before operating expenses	23 738 752	11 384 190

Form code 0409807

Annual

(in thousands

of Russian roubles)

State corporation «Bank for Development and Foreign Economic Affairs (Vnesheconombank)».

Postal Address: 9, Akademika Sakharova Avenue, Moscow, GSP-6, 107996, Russian Federation

No.	Article	Data for the reporting period	Data for the respective reporting period of the previous year
1	2	3	4
19	Operating expenses	14 287 140	4 635 100
20	Income (loss) before income tax	9 451 612	6 749 090
21	Income tax	106 084	317 612
22	Net income	9 345 528	6 431 478
23	Deductions from net income, total, including:	0	0
23.1	Dividends paid	0	0
23.2	Deductions to reserve fund	0	0
24	Net income for the reporting period	9 345 528	6 431 478

Vnesheconombank was officially registered on June 8, 2007. In this connection, the financial results of the Bank's operations for 2007 were defined for the period from June 8, 2007 to December 31, 2007. Consequently, the reporting data of the Statement of Income in columns "Data for the reporting period" and "Data for the respective reporting period of the previous year" are not comparable.

Chairman of Vnesheconombank

V. A. Dmitriev

Member of the Board –
Chief Accountant

V. D. Shaprinskiy

April 17, 2009



Statement of Cash Flows

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(published form)

for the year 2008

Form code 0409814

Annual

(in thousands

of Russian roubles)

State corporation «Bank for Development and Foreign Economic Affairs (Vnesheconombank)».
Postal Address: 9, Akademika Sakharova Avenue, Moscow, GSP-6, 107996, Russian Federation

No.	Article	Cash flow as of the reporting period	Cash flow as of the respective period of the previous year
1	2	3	4
I.	NET CASH FLOWS FROM OPERATING ACTIVITIES	X	X
1.1	Cash flows from operating activities before changes in operating assets and liabilities, total, including:	27 655 016	2 530 255
1.1.1	Interest income	32 162 657	17 030 962
1.1.2	Interest expenses	-11 951 694	-15 647 591
1.1.3	Fee and commission income	1 193 714	967 549
1.1.4	Fee and commission expenses	-1 019 954	-408 908
1.1.5	Gains less losses from available-for-sale financial assets at fair value through profit and loss	-361 816	3 770 059
1.1.6	Gains less losses from held-to-maturity securities	0	0
1.1.7	Gains less losses from foreign currencies	13 825 552	95 479
1.1.8	Other operating income	561 946	404 107
1.1.9	Operating expenses	-6 649 305	-3 363 790
1.1.10	Income tax expense/benefit	-106 084	-317 612
1.2	Increase/decrease in operating assets and liabilities, total, including:	186 709 117	-150 586 032
1.2.1	Mandatory reserves placed on the CBR accounts	0	0
1.2.2	Securities, at fair value through profit and loss	-17 351 443	-2 942 604
1.2.3	Due from banks	-61 903 782	-31 306 196
1.2.4	Loans to customers	-719 808 188	-28 390 121
1.2.5	Other assets	-9 494 240	3 179 611
1.2.6	Loans, deposits and other placements due to the CBR	464 016 186	-384 344
1.2.7	Due to other banks	143 491 852	-102 429 633
1.2.8	Amounts due to customers	415 178 249	14 980 562
1.2.9	Financial liabilities at fair value through profit and loss	241 278	0
1.2.10	Debt securities issued	-3 749 308	-1 275 958
1.2.11	Other liabilities	-23 911 487	-2 017 349
1.3	Total for Section 1 (Article 1.1 + Article 1.2)	214 364 133	-148 055 777

Form code 0409814
Annual
(in thousands
of Russian roubles)State corporation «Bank for Development and Foreign Economic Affairs (Vnesheconombank)».
Postal Address: 9, Akademika Sakharova Avenue, Moscow, GSP-6, 107996, Russian Federation

No.	Article	Cash flow as of the reporting period	Cash flow as of the respective period of the previous year
1	2	3	4
2	NET CASH FLOWS FROM INVESTING ACTIVITIES	X	X
2.1	Purchase of securities and other financial assets classified as available-for-sale	-410 504 276	-209 076 535
2.2	Realisation and redemption of securities and other financial assets classified as available-for-sale	191 608 265	180 658 199
2.3	Purchase of held-to-maturity securities	0	0
2.4	Redemption of held-to-maturity securities	0	0
2.5	Purchase of fixed assets, intangibles and inventories	-466 924	-407 972
2.6	Revenues from sale of fixed assets, intangibles and inventories	15 034	9 974
2.7	Dividends received	76 414	37 784
2.8	Total for Section 2 (Article 2.1 + Article 2.7)	-219 271 487	-28 778 550
3	NET CASH FLOWS FROM FINANCING ACTIVITIES	X	X
3.1	Shareholder contribution to charter capital	75 000 000	180 000 000
3.2	Purchase of own shares from shareholders	0	0
3.3	Sale of own shares purchased from shareholders	0	0
3.4	Dividends paid	0	0
3.5	Total for Section 3 (Lines 3.1 – 3.4)	75 000 000	180 000 000

State corporation «Bank for Development and Foreign Economic Affairs (Vnesheconombank)».
Postal Address: 9, Akademika Sakharova Avenue, Moscow, GSP-6, 107996, Russian Federation

Form code 0409814
Annual
(in thousands
of Russian roubles)

No.	Article	Cash flow as of the reporting period	Cash flow as of the respective period of the previous year
1	2	3	4
4	CASH AND CASH EQUIVALENTS TRANSLATION DIFFERENCES	-4 619 699	-55 105
5	NET CHANGE IN CASH AND CASH EQUIVALENTS	65 472 947	3 110 568
5.1	Cash and cash equivalents at beginning of the year	5 411 689	2 246 016
5.2	Cash and cash equivalents at end of the year	75 504 335	5 411 689

Vnesheconombank was officially registered on June 8, 2007. In this connection, the financial results of the Bank's activities for 2007 were defined for the period from June 8, 2007 to December 31, 2007. Consequently, the reporting data of the cash flows in columns "Data as of the reporting period" and "Data as of the respective reporting period of the previous year" in Statement of Cash Flows articles are not comparable.

Chairman of Vnesheconombank

V. A. Dmitriev

Member of the Board –
Chief Accountant

V. D. Shaprinskiy

April 17, 2009



Statement of Changes in Equity for the year 2008

State corporation «Bank for Development and Foreign Economic Affairs (Vnesheconombank)».
Postal Address: 9, Akademika Sakharova Avenue, Moscow, GSP-6, 107996, Russian Federation

Article	No.	Charter capital	Funds and income
1	2	3	4
Equity at beginning of period	1.1	180 001 000	31 576 651
INCREASE IN EQUITY DUE TO:			
Contribution to charter capital	1.2	82 517 646	X
Income for the reporting year	1.3	X	0
Subordinated loans redemption	1.4	X	X
Property revaluation	1.5	X	X
Decrease in residual value of intangible assets	1.6	X	X
Decrease in equity investment into charter capital of legal entities	1.7	X	X
Foreign currency revaluation	1.8	X	X
Other increase	1.9		
DECREASE IN EQUITY DUE TO:			
Loss for the reporting year	2.0	X	(30 729 556)
Subordinated loans extension	2.1	X	X
Decrease in fixed assets revaluation	2.2	X	X
Increase in intangible assets residual value	2.3	X	X
Increase in equity investment into charter capital of legal entities	2.4	X	X
Foreign currency revaluation	2.5	X	X
Other decrease	2.6		
Equity at end of period	2.7	262 518 646	847 095

Annual
(in thousands
of Russian roubles)

Property revaluation	Intangible assets	Equity investment in charter capital of legal entities	Subordinated loans extended	Total
5	6	7	8	9
21 559	(2 270)	(6 435 866)	(210 000)	204 951 074
X	X	X	X	82 517 646
X	X	X	X	0
X	X	X	0	0
0	X	X	X	0
X	572	X	X	572
X	X	9 594	X	9 594
X	X	0	X	0
			210 000	210 000
X	X	X	X	(30 729 556)
X	X	X	0	0
(2 826)	X	X	X	(2 826)
X	(153)	X	X	(153)
X	X	(15 451 740)	X	(15 451 740)
X	X	(890 190)	X	(890 190)
				0
18 733	(1 851)	(22 768 202)	0	240 614 421

Chairman of Vnesheconombank

V. A. Dmitriev

Member of the Board –
Chief Accountant

V. D. Shapirinskiy

April 17, 2009



Statement of Income, Expenditure and Distribution for the year 2008

State corporation «Bank for Development and Foreign Economic Affairs (Vnesheconombank)».
Postal Address: 9, Akademika Sakharova Avenue, Moscow, GSP-6, 107996, Russian Federation

Annual
(in thousands
of Russian roubles)

No.	Article	Data (as of the reporting period)
1		2
1	Income before income tax	9 451 612
2	Income expenditure:	
2.1	Taxes and duties	106 084
2.2	Other purpose	0
	Total expenditure and distribution	106 084
3	Net income (loss) for the year	9 345 528

Chairman of Vnesheconombank

Member of the Board –
Chief Accountant

April 17, 2009



V. A. Dmitriev

V. D. Shapriniski

Statement of Funds, Revenues and Expenditure for the year 2008

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State corporation «Bank for Development and Foreign Economic Affairs (Vnesheconombank)».
Postal Address: 9, Akademika Sakharova Avenue, Moscow, GSP-6, 107996, Russian Federation

Annual
(in thousands
of Russian roubles)

No.	Article	Reserve fund	Retained earnings fund	Total
1		2	3	4
1	At beginning of period	58 877	25 256 535	25 315 412
2	Income transferred to funds during period	1 286 295	5 145 182	6 431 477
3	Transferred to funds from other sources			
4	Funds expenditure:			
4.1	reserve fund replenishment	x		
4.2	loss coverage			
4.3	other purposes			
5	At end of period	1 345 172	30 401 717	31 746 889

Chairman of Vnesheconombank

V. A. Dmitriev

Member of the Board –
Chief Accountant

V. D. Shapinskiy

April 17, 2009



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