VNESHECONOMBANK

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

Annual Report 2009

Contents

Chairman's Address

Honourable colleagues and partners!

Admittedly, each year is somewhat unique in its character. No matter how obvious it sounds, but for Vnesheconombank it is really true. The past two years were quite challenging for us, though each one in its own right. The end of 2008 saw the onset of the worst stage in the global financial and economic crisis that had quite a negative impact on the economic processes in Russia. At that time, the leadership of the country, all the companies, including our Bank, had to respond to new challenges and risks in a swift and appropriate manner, while invariably seeking to avoid fatal lapses. Vnesheconombank managed to take well-measured and balanced decisions. But in 2009, we were confronting even more challenging tasks: to become fully engaged in the Government's bail-out program, having assumed new powers and developed new instruments, speed up the delivery of investment projects and continue to scale up the aid flows to the real economy, thereby laying sound groundworks for post-crisis development of the Russian economy.

Management recognises that we did meet the challenges. Moreover, despite the hardships, caused by the continuing impacts of the global financial and economic crisis, Vnesheconombank managed to demonstrate dynamic growth. To illustrate in 2009, our total assets, the capital and the loan portfolio witnessed impressive growth.

We have always acknowledged that, for us as a bank for development, profit generation is not the primary goal, though this indicator is a clear demonstration of our performance efficiency. This past year RUB 31 billion worth of income was generated, which showed a 3.3-fold year-on-year rise. We are happy to note that, on the whole, Vnesheconombank reinforced its positions. Overall, in terms of key performance indicators Vnesheconombank ranks among 3 top Russian banks.

In my judgment, the past year was marked by 2 distinctive features. First, Vnesheconombank managed to demonstrate professional and efficient work organisation patterns. While actively engaging in the Government's bail-out effort, Vnesheconombank was simultaneously gaining momentum and building up its turnovers as a bank for development. By way of example, Vnesheconombank managed to provide financing for a bigger number of projects than in the pre-crisis year. Second, the establishment of Vnesheconombank as a VEB Group took place. Now it comprises banks, which are oriented towards various sectors of the market, including leasing, investment and engineering companies. Vnesheconombank actively increased their capitalisation, secured rehabilitation and strengthened management mechanisms. Actually, the equity investment in the subsidiaries' capital amounting to RUB 130 billion was provided.

Within the framework of the Government crisis management program, the Bank was acting along 5 major lines:

- refinancing the debt of 10 Russian corporates to foreign banks;
- providing subordinated credits to 17 banks;
- shoring up the Russian stock market at the most critical moment;
- securing the rehabilitation of two domestic and one Ukrainian banks;
- participating in the program of extending state guarantees to banks that lend to priority sector enterprises.

Vnesheconombank's share in the Government's financial rescue package reached 2.6 % of GDP, which is eloquent evidence of the Bank's role in overcoming the crisis. We recognise that no other Russian financial institution could match Vnesheconombank in the range of instruments and the scale and scope of support made available for the economy.

Encouragingly, the Bank's activities in these areas were recognised as efficient and delivering tangible results. In 2009, the Russian corporates' indebtedness owed to Vnesheconombank under loans extended to repay debts to foreign financial institutions decreased, half of the borrowers fully redeemed the loans, the remaining companies had their loans rolled-over. By the end of 2009, Vnesheconombank fully repaid the funds (plus the interest accrued) owed to the National Wealth Fund (NWF). The funds were used to shore up the Russian securities market. The Bank's Supervisory Board acknowledged the program of extending subordinated loans to Russian banks as completed.

What is more important, Vnesheconombank never reduced the volume of its investment activities. Acting as a bank for development we, during the past year, increased the loan portfolio by 1.5-fold to reach RUB 281.6 billion, with the volume of the portfolio of loans extended for implementing investment projects growing by more than ¾ to stand at RUB 230 billion. The share of loans with maturities exceeding 3 years in the Bank's loan portfolio accounted for almost 85%. In 2009, the Bank commenced financing 24 new projects, including 5 projects delivered in the run up to the Olympics. The financing provided for the development of the Sochi infrastructure and sports facilities amounted to RUB 13.3 billion. The list of other investment projects mainly concerns the state priorities in modernising the country's economy. More than 40% of the loans are allocated for investment in the development of transport and energy infrastructure. A considerable amount of financing was provided for enterprises operating in the agro-industrial complex, aircraft building and defense industry.

Remarkably, support for SMEs reached new heights. Thus, in 2009, Vnesheconombank made an equity investment amounting to RUB 10 billion in the charter capital of the Russian Development Bank (RDB) and extended RUB 30 billion worth of a loan to finance this most important sector of economy. We concluded agreements with the KfW German bank, the European Bank for Reconstruction and Development and the Intesa Sanpaolo Italian banking Group on lending, under Vnesheconombank's guarantees, to Russian banks that provide financing for SMEs.

We admit that the work of Vnesheconombank's subsidiaries abroad became another key business line. Thus, it was only due to Vnesheconombank's investment that Prominvestbank (Ukraine), which was actually on the verge of a default, had a chance to successfully resolve its most acute problems and conducted a structural reorganisation. Obviously, dedicated efforts of both Vnesheconombank and Prominvestbank's Management served as a factor that benefited the stabilisation of the banking system in Ukraine, secured support for its industry, helped keep jobs in the coal, metallurgy, petrochemical and machine-engineering industries.

Belvnesheconombank strengthened its positions in the financial system of Belarus. Presently, among its clients are major enterprises of the metallurgy and energy sectors and the railway transport. Actually, Vnesheconombank increased Belvnesheconombank's capitalisation, which enabled it to build up the volumes of financing to ensure the exports of the Russian equipment and technologies to the neighbouring country's market.

Prominvestbank and Belvnesheconombank became full-fledged vehicles in pursuing Vnesheconombank's strategy in the economies of the post-Soviet states. Moreover, these banks are now taking centre stage in securing the financial and industrial integration of the CIS countries. There is no doubt, that both banks could play a key role in the policy of enhanced use of the Russian ruble as a regional reserve currency for settlements in the CIS countries. That could encourage increased volumes of the trade turnover and financing of investment projects.

Now that we mention Vnesheconombank's investment projects, it is not just the future projects that we have in mind. For us, these are not just remote prospects, but a present-day reality. I could as well as mention around 10 major projects launched in 2009 that were financed by Vnesheconombank. On a daily basis, the "D" Air Terminal of the Sheremetyevo airport receives and dispatches thousands of passengers. Stage II of the Sochi heat and power station, the first facility constructed in

the run up to the Olympic Games in 2014, was put into operation. A new car-making cluster is being created in the Kaluga region. A small-unit assembly line was put into operation at the Volkswagen Rus plant. A full cycle of the car production was put in place, 1800 new jobs were created. In Moscow, the Kolomenskoye gas turbine electric power station was put into operation. It is the first energy project in Russia delivered on the principles of project finance. In the Rostov region, the Evrodon enterprise reached its projected capacity in terms of turkey meat production. The geographic reach, sector diversity and the industrial focus of the delivered projects only prove that it is not just in words, but in actual concrete deeds that Vnesheconombank seeks to facilitate the modernisation of the Russian economy.

In the past year, Vnesheconombank's activities laid good groundworks for successfully meeting the new challenges in 2010. The Bank's PPP Centre will render practical support for the investment activities of the Russian regions and municipalities. The way we see it, the newly established "VEB-Engineering" company offers vast prospects in providing effective technical solutions in the course of project delivery, exercising control over targeted utilisation of funds, as well as in observing the budget estimates and construction schedules. That could be of pivotal importance for the construction of the Olympic facilities. All the more so, since we started financing the 6th project in Sochi, that for the construction of the main Olympic village to accommodate 3000 guests. We also place great hopes on the VEB-Capital company, which could be instrumental in handling problem assets. We admit that the two rehabilitated by Vnesheconombank banks, namely, "Svyaz-Bank" and "GLOBEX" operate quite independently and demonstrate good enough performance. The "VEB-Leasing" company has all the chances to take centre stage in leasing operations to support the national industry. The reinforced RBD started to introduce into practice new instruments of lending to SMEs. Not so long ago, the RDB launched the "Financing for Innovation and Modernisation" program.

The past year clearly showed that the Government's decision to create the Bank for Development was most viable and correct. Obviously, in 2009, Vnesheconombank was an integral part of the Russian economy that was going through the crisis and simultaneously it served as a reliable tool in coping with the crisis effects. Just as in the past 85 years of its activities – and in 2009 we celebrated this glorious jubilee – the Bank has always been committed to working for the benefit of the country and developing along all the meaningful lines. I am fairly confident that it is to people, members of Vnesheconombank's staff, who demonstrate professionalism and contribute to the Bank's successful performance, that my sincere acknowledgements should go.

V. Dmitriev
Chairman of Vnesheconombank

Vnesheconombank's Supervisory Board

as at January 1, 2010

CHAIRMAN OF THE SUPERVISORY BOARD:

V.V. Putin	Chairman of the Government of the Russian Federation

MEMBERS OF THE SUPERVISORY BOARD:

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

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. Shaprinskiy	Chief Accountant

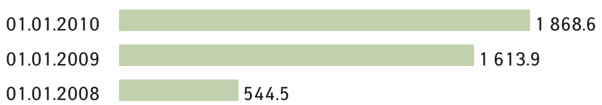
1.

Development Dynamics: Major Financial Highlights

Now a brief word on Vnesheconombank's major financial performance indicators in 2009:

The Bank's total assets [1] at year-end 2009 made RUB 1 868.6 billion (+15.8% on the start of 2009).

Total assets, RUB billion



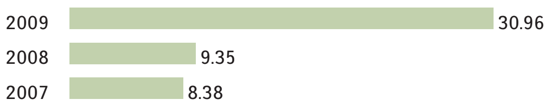
The Bank's capital as at 01.01.2010 reached RUB 340.1 billion (+41.4 % on 01.01.2009). Major factors securing the rise in the Bank's capitalisation was an asset contribution of RUB 121 billion in Vnesheconombank's charter capital made by the Russian Federation, as well as a positive revaluation of the securities portfolio recorded in the capital. At the same time, Vnesheconombank's enhanced equity investment in the charter capitals of legal entities[2] (stakes in the charter capitals) somewhat reduced an increase in the Bank's capital, which, but for the above operations, could have reached a higher level.

[1] The total assets (in accordance with 0409101 format) less revenues/expenses, as well as positive/negative values of securities revaluation.

Capital, RUB billion

Income before income tax amounted to RUB 30.96 billion (a 3.3-fold increase on RUB 9.35 billion posted in 2008);

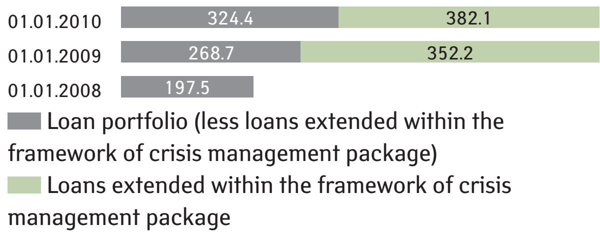
Income, RUB billion



[2] In respect of the volume of equity investment that somewhat reduced the Bank's capital.

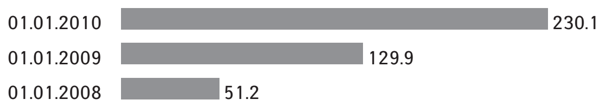
The volume of the loan portfolio (loans extended to customers) at the end of 2009 totaled RUB 706.5 billion[3] (RUB 620.9 billion at the start of 2009), including loans extended for the particular purposes of:

Loan portfolio, RUB billion



financing investment projects – RUB 230.1 billion. As compared to year-start 2009, this portfolio of the Bank for Development increased by 77% and comprised loans provided specifically to finance 78 investment projects (hereinafter referred to as "investment" loans). The loan portfolio as at 01.01.2009 amounted to RUB 129.9 billion and included loans for the delivery of 54 projects.

Portfolio of "Investment" Loans, RUB billion



redemption (servicing) of Russian corporates' debt to foreign financial institutions[4] amounted to RUB 234.6 billion (ruble equivalent of USD 7.8 billion). During 2009, the debt decreased for the total amount of USD 3.9 billion.

[3] Here and henceforth, unless specified otherwise, all the data are presented in ruble equivalent.

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

The volume of subordinated loans extended to Russian banks in compliance with Articles 6 and 6.1 of Federal Law №173 FZ reached RUB 404.0 billion at year-end 2009 (RUB 225.0 billion as at 01.01.2009). Having scrutinised Vnesheconombank's report on the extension of subordinated loans to Russian banks (within the framework of Federal Law №173 FZ), the Supervisory Board acknowledged this program as completed.

In 2009, *the volume of financial support rendered by the Bank for developing SME programs* reached RUB 40.0 billion, the programs being delivered by Vnesheconombank jointly with its subsidiary OJSC "Russian Development Bank". By the end of 2009, the total volume of funds allocated by the Bank for the given purposes, including the loan granted to OJSC "Russian Development Bank" in 2008, amounted to RUB 49.0 billion.

The volume of guarantees (as at 01.01.2010) reached RUB 79.5 billion (versus RUB 56.9 billion at the start of 2009). During the year under review, Vnesheconombank issued 121 guarantees for the total amount of RUB 34.1billion.

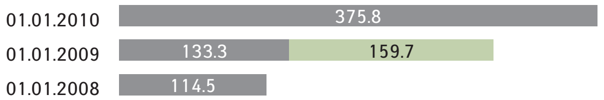
Guarantees, RUB billion

The total volume of the securities portfolio[5] as at 01.01.2010 amounted to RUB 375.8 billion (RUB 293 billion as at 01.01.2009). On the one hand, an increase in the portfolio value is attributable to a positive revaluation of securities in 2009 and to the purchase of equities and

[5] Debt securities (including notes) and equity securities (excluding equity investments).

bonds of most creditworthy Russian corporate issuers. On the other hand, H2 of 2009 witnessed a sale of part of the securities portfolio, which in compliance with the state level decisions, was formerly purchased, drawing on the resources of the National Wealth Fund (NWF). In December 2009, these funds plus the interest accrued (RUB 175 billion) were fully repaid.

Securities Portfolio, RUB billion



Securities portfolio (less securities purchased drawing on the NWF resources)
Securities purchased drawing on the NWF resources

The volume of equity investment in the capitals (stakes in the charter capitals) of legal entities as at 01.01.2010 reached RUB 149.7 billion (a 5.5-fold rise on the same indicator posted at the start of the year (RUB 27.4 billion). To illustrate, 2009 saw acquisition of blocks of shares additionally issued by subsidiary banks, including OJSC "Svyaz Bank", OJSC "Russian Development Bank", etc.

The total volume of funds raised from banks[6] *as at 01.01.2010 and through placement of bonds issued by the Bank* was RUB 228.8 billion:

RUB 60.5 billion of funds raised through placement in June 2009 of Vnesheconombank's 1-year currency bonds amounting to USD 2 billion;

RUB 168.3 billion of interbank loans raised. Remarkably, the loans raised from foreign banks with maturities exceeding 3 years account for the bulk of the above funding structure (60% of the total volume of interbank loans).

Vnesheconombank's ratings: Long-term ratings assigned to the Bank are at par with the sovereign credit ratings of the Russian Federation.

Fitch Ratings: Long-term foreign currency issuer default rating stands at "BBB".
In January 2010, the rating outlook changed to "stable" from "negative".
Short-term foreign currency issuer default rating stands at "F3".
Support rating stands at "2".

Standard & Poor's: Credit rating for long-term obligations in foreign currency stands at "BBB".
Credit rating for short-term obligations in foreign currency stands at "A-3".
Credit rating for long-term obligations in Russian rubles stands at "BBB".
Credit rating for short-term obligations in Russian rubles stands at "A-2".
The long-term ratings have a "stable" outlook.

Moody's: Long-term foreign currency issuer credit rating stands at "Baa1".
Short-term foreign currency issuer credit rating stands at "P-2".
Long-term Russian ruble issuer credit rating stands at "Baa1".
Short-term Russian ruble issuer credit rating stands at "P-2".
The long-term ratings have a "stable" outlook.

[6] The "funds raised from banks" do not include resources of banks that are placed on term deposit accounts (and those of the CBR placed on term deposit accounts with Vnesheconombank for implementing the Government financial rescue package), as well as balances on loro accounts.

Steering their own course.
Doing unique things.
Accomplishing exceptional tasks.
Enjoying special rights.
Going forward despite strong headwinds and delivering value outcomes.
These are the specifics of development banks.

National development banks are specialised financial institutions, established to resolve key economic tasks, have a special role to play in the countries' economies.

These banks, which are state economic policy instruments, enjoy strong, sustained state support, have special powers and a special legal status. They are actually an exception from a traditional banking system.

Development institutions do not compete with commercial banks. As a rule, they finance projects in strategically important sectors of economy, where private capital, in view of serious risks, low income and long payback periods, would not simply go.

Vnesheconombank, like development institutions in other countries, established in compliance with a special Law (№82-FZ "On Bank for Development"), enjoys state support and has a special organisational and legal status.

VNESHECONOMBANK — BANK FOR DEVELOPMENT

An exception fully complying with the rule

2. Vnesheconombank's Activities as a Bank for Development

Admittedly, the goals, major business areas and functions of Vnesheconombank as a bank for development are set forth in Federal Law "On Bank for Development"[7] № 82-FZ dated 17.05.2007. This Law explicitly and expressly defines Vnesheconombank's role as a creditor and an investor called to assist the Russian state in meeting the country's challenges of socio-economic development. Also, the Law determines the Bank's role as a financial institution ensuring the flow of funds from non-governmental sources for accomplishing these particular tasks.

2.1. Lending-Investment and Guarantee Activities

In accordance with Federal Law "On Bank for Development", the key indicators and priorities of the Bank's lending (in terms of funds placement), investment and guarantee activities are defined in Memorandum on Financial Policies of Vnesheconombank[8] (hereinafter referred to as the "Memorandum").

Since its establishment, the Bank for Development has been seeking to annually enhance support for the state in delivering its foreign and domestic economic policies that would ultimately ensure for Russia a role and place of a highly industrialized state most accommodating for Russian citizens and attractive for foreign investors' businesses.

For this particular reason, in 2009 Vnesheconombank was pressing ahead with the above agenda despite the adverse realities directly attributable to the continued impacts of the global financial and economic crisis. In this context, for the Bank, securing an ever-growing financial and guarantee support for the real economy (to facilitate a speedy and the least costly rebound of the Russian economy) was a meaningful strategic goal.

To accomplish the goal in the most challenging conditions of the period under review, a set of measures was devised, including those to assess the potential negative impacts of the crisis on:

- needs of Vnesheconombank's partners in financial and guarantee support;
- our partners' capabilities to fulfil their contractual commitments towards Vnesheconombank (borrowers, principals, guarantors, creditors and other counterparties);
- Vnesheconombank's funding capabilities given the commitments assumed/to be assumed.

On the one hand, the scrutiny of these measures at the stage of planning for 2009 and an appropriate review of the plans execution process enabled us to concentrate resources on development programs most important for the national economy, on particular projects/contracts, which for objective reasons[9], could not be implemented without the Bank's engagement. On the other hand, this allowed the Bank to adequately assess the risks it assumed.

In the reported period (just as in previous years), the Bank's strategic areas of support for lending-investment and guarantee activities included:

- investment projects designed to remove infrastructural restrictions that impede social and economic growth (hereinafter referred to as "infrastructure projects"). These projects concern the construction of new and/or reconstruction and modernisation of the existing facilities of economic and social infrastructure;
- investment projects for the construction/modernisation of productive facilities unrelated to the economic and social infrastructure;
- foreign economic contracts of the Russian corporates engaged in manufacturing high-tech goods and/or exporting them to foreign markets;
- SME development programs, the financing for which was Vnesheconombank' s priority.

Primarily, it was the provisions of Memorandum[10] that actually defined the strategic priorities by sector/industry of the economy. In particular, the projects for the construction/development of transport, energy, public utilities and sport and tourism infrastructure were among the selected priorities.

The major financial indicators of the year under review demonstrate that Vnesheconom-

[7] The data given in Section 2 show the results delivered in the Bank's major areas of activities in compliance with Federal Law "On Bank for Development", while the data also provided for in the Law and related to Vnesheconombank's activities as the agent for the RF Government and as the STMC to manage the pension savings funds are presented in other sections of the Report (due to the specifics of the above-mentioned functions and their respective recognition).

[8] As approved by the RF Government Directive № 1007-p dated 27.07.2007. In accordance with the RF Government Directive № 1697-p dated 19.11.2008, the list of sector priorities as defined by Memorandum was extended to include the agro-industrial complex.

[9] Also due to: huge volumes of the funds required, long periods of fund recoupment, absence of liquid collaterals and other factors that evidence high risk of potential investment, complexity of the support instruments that are needed, refusal to finance or a considerable reduction in support for projects/contracts by commercial organisations (banks and other off-budget funding sources) for lack of commercial sense for them or in view of sharp deterioration of their financial standing (adverse crisis effects).

[10] The key areas of modernising Russia's economy as articulated in the Russian President's Address to the Federal Assembly in November 2009, were fully reflected in Memorandum. As amended by the RF Government Directive № 1783-p of November 26, 2009, Memorandum now specifies new selected areas of Vnesheconombank's investment activities. These are primarily projects aimed at increasing energy efficiency. To date, included in the list of the Bank's sectoral investment priorities are strategic IT technologies and software, information and communications systems, medical equipment and pharmaceuticals.

bank has successfully accomplished all the tasks set in the area of lending-investment and guarantee activities. We are confident that it was mainly due to special attention and energies of the Bank's governing and working collegiate bodies devoted to issues of lending-investment and guarantee activities, as well as due to staff professionalism, enthusiasm and a good team spirit that the projected targets were met.

Major financial results delivered within the framework of lending-investment and guarantee activities

- RUB 281.6 billion – the total volume of the Bank for Development loan portfolio[11] as at 01.01.2010 (almost a 1.5-fold increase on the respective portfolio volume of RUB 191.2 billion as at the start of 2009). Out of this amount, RUB 230.1 billion was the volume of the portfolio of "investment" loans extended to deliver investment projects (as at 01.01.2009 – RUB 129.9 billion), with an increased share of loans with maturities exceeding 3 years (up to 85%) in the structure of the total volume of the loan portfolio;

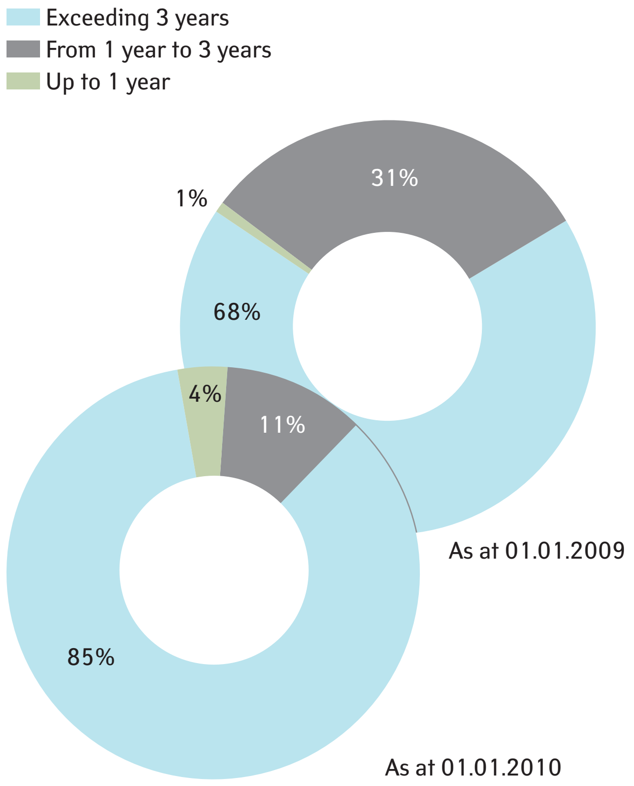
- RUB 122.8 billion – the overall volume of loans extended to customers *in 2009* (RUB 98.8 billion – in 2008), inclusive of RUB 106.8 billion – to finance investment projects, the rest of the loans having been extended mainly for financing current activities of Russian exporters. In the reported period, the bulk of the loans (40%) were extended for financing infrastructure (primarily for investment projects to develop transport and energy infrastructure, as well as social infrastructure in sports and tourism). Also, a considerable volume of loans was provided for enterprises operating in agro-industrial complex, aircraft building and defense industry;

- RUB 166.1 billion – the overall volume of undrawn loans under credit lines opened by the Bank for borrowers from the non-financial sector as at 01.01.2010 (as compared to RUB 97.1 billion as at 01.01.2009);

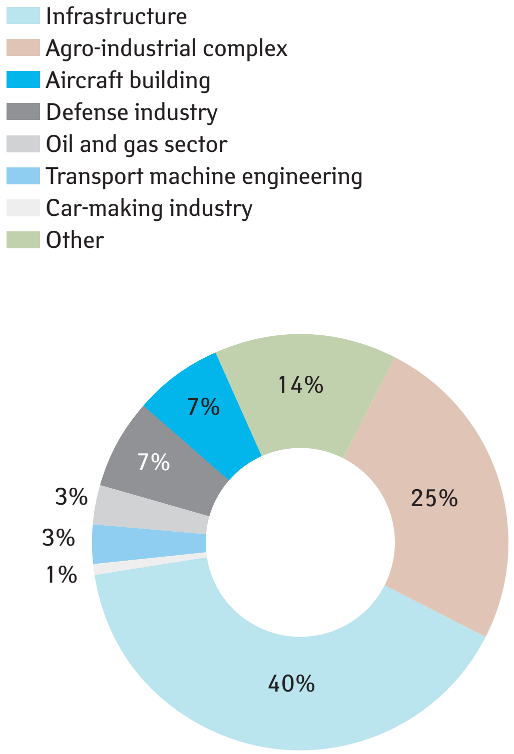
- RUB 49.0 billion – the volume of funds extended by Vnesheconombank by year-end 2009 to implement SME development programs that is a 5.4-fold increase on the same indicator as at the start of the year (RUB 9.0 billion);

[11] The portfolio of loans extended by Vnesheconombank as a bank for development to customers, without taking into account loans extended out of the CBR's funds as part of a bail-out package (including loans provided in compliance with Article 1 of Federal Law N 173-FZ dated October 13.10. 2008), as well as loans extended drawing on the resources of NWF and a number of loans from China Development Bank.

Loans to Customers by Maturity



Total volume of loans extended in 2009 (by Industry/Sector of Economy)



- RUB 78.0 billion – the volume of the portfolio of guarantees extended to secure customer liabilities as at 01.01.2010 (+38%, as compared to RUB 56.6 billion posted at the start of the year 2009);

- RUB 32.6 billion – the overall volume of guarantees extended by the Bank to secure customer liabilities in 2009.

Participation in implementing investment projects

When selecting investment projects that fall within the Bank's priority categories (project target), preference was given to those of intergovernmental, federal, sub-federal and interregional importance, including, but not limited to, projects:

- providing for the introduction of innovations and/or advanced technologies (including those intended for enhancing energy efficiency, resource-saving, increasing efficiency of natural resources utilisation) and/or contributing to ecology improvement.

- implemented on the territory of Special Economic Zones (SEZ) and/or within the framework of programs for the creation of industrial clusters, techno-industrial parks;

- enhancing Russia's transit potential.

In 2009, Vnesheconombank commenced to finance 24 new investment projects, with RUB 62.0 billion worth of loans extended for the project delivery. They comprise the following large-scale projects.

Infrastructure sector

Within the framework of 5 projects envisaged by the plan of preparation for the Olympic Games 2014, loans amounting to RUB 13.3 billion were provided.

- *Construction of Stage II of the Sochi heat and power station.* Investment amount: RUB 5.5 billion. Vnesheconombank's projected commitment: RUB 3.7 billion. The Sochi heat and power station is one of the most modern and energy-efficient electric power stations in Russia.

- *Reconstruction and renovation of the Sochi airport infrastructure.* Investment amount: RUB 5.7 billion. Vnesheconombank's projected commitment: RUB 5.4 billion. After the reconstruction, the air terminal's capacity will reach 2500 passengers per hour.

- *Reconstruction and redevelopment 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. Investment amount: RUB 7.05 billion. Vnesheconombank's projected commitment: RUB 4.05 billion.

Construction and operation of the 'Roza Khutor' Mountain Skiing Resort. Investment amount: RUB 50.5 billion. Vnesheconombank's commitment: RUB 21.0 billion. The aim of the project is to construct a unique all-year-round sports and tourist complex that is to become one of major sports facilities for the 2014 Winter Olympic Games, The infrastructure of the complex will be best-equipped to accommodate all 10 types of mountain skiing events that are on the Olympics list, as well as a freestyle competition.

Construction of Olympic facilities of the 'Mountain Carousel' sports and tourist complex. Investment amount: RUB 9.96 billion. Vnesheconombank's commitment: RUB 9.2 billion.

In the period under review, Vnesheconombank's governing bodies made a decision on *financing another Olympic project:*

Construction of the main Olympic Village (accommodation capacity: 3 000 guests). The project envisages the construction of a 4-star hotel with a Congress Center, apartments of the main Olympic Village, apart-hotels to accommodate the International Olympic Committee and sport federations, as well as the construction of the Olympic plaza (building and facilities constructed for a temporary use and essential for the functioning of the Olympic village during the Olympic Games). The total area of the facilities under construction will make 261 115 square meters.

Apart from the Olympic facilities, among the most important and meaningful infrastructure projects, the financing of which was started in 2009 come the following ones:

Energy infrastructure

Construction of the "Molzhaninovka" Gas Turbine Power Plant in Moscow. Investment amount: RUB 24.3 billion. Vnesheconombank's commitment: EUR 67.1 million and RUB 18.8 billion.

Construction of the Urengoy State District Power Plant. The project is being implemented in accordance with the Master Plan for Locating Electric Power Facilities up to the year 2020 approved by the RF Government Resolution. Investment amount: RUB 24.5 billion. Vnesheconombank's commitment: RUB 21.3 billion.

Technical re-equipment of a power-generating unit at the Kashirskaya State District Power Plant. Investment amount: RUB 8.8 billion. Vnesheconombank's commitment: RUB 1.3 billion.

Construction of a combined-cycle unit at the Vologodskaya Heat and Power Plant. Investment amount: RUB 5.4 billion. Vnesheconombank's commitment: RUB 3.4 billion.

Transport infrastructure

Construction of the Tolmachevo logistics center in the Novosibirsk region. The implementation of the project will help create the East-West international transport corridor. The project is on the SCO Business Council list of projects for the development of the industrial and logistics infrastructure of the SCO member-states. Investment amount: RUB 7.0 billion. Vnesheconombank's commitment: RUB 4.1 billion.

Construction of a coal transshipment complex with the capacity of 12 million tons per year in the Vanino port, the Khabarovsk territory. The complex is intended for transshipment of the Russian coal exported to the Asia-Pacific countries. Investment amount: RUB 11.6 billion. Vnesheconombank's commitment: RUB 4.55 billion.

Construction of a new passenger terminal for international air transportation in the Koltsovo airport and constructing Koltsovo – Ekaterinburg direct railway connection line. Investment amount: RUB 3.4 billion. Vnesheconombank's commitment: RUB 2.25 billion.

The Bank also started financing major projects intended for the construction and development of production facilities in various sectors of economy, including:

Metallurgy

Organization of ferromanganese alloys metallurgical production. The project provides for the development of the Usink manganese ores deposit site in the Kemerovo region and construction of a ferroalloy plant in Krasnoyarsk. The project aims to remove 100% reliance of the Russian metallurgical industry on imports of manganese ore, thereby considerably contributing to Russia's economic security in respect of this strategic mineral resource indispensable for the special steels production. Investment amount: RUB 21.9 billion. Vnesheconombank's commitment: RUB 16.6 billion.

Agro-industrial complex

Modernisation of the productive capacities of the Razgulyai agro-industrial holding company. Investment amount: RUB 29.7 billion. Vnesheconombank's commitment: RUB 21.2 billion.

Development of a meat-processing complex in the Kaliningrad region. Investment amount: RUB 5.5 billion. Vnesheconombank's commitment: RUB 3.4 billion. Within the framework of the project, the Bank has also issued a guarantee for RUB 1.1 billion.

Construction of a pig-breeding complex in the Prokhorovskiy area, the Belgorod region. Investment amount: RUB 4.9 billion. Vnesheconombank's commitment: RUB 1.4 billion.

Car-making industry

Organization of the car-making production in the Primorsky territory and car components production in the Republic of Tatarstan (the Alabuga SEZ). Investment amount: RUB 5.1 billion. Vnesheconombank's commitment: RUB 5.0 billion. Within the framework of the project, Vnesheconombank has started financing the construction of a car assembly plant in the Far East, with the productive capacity of not less than 10 thousand cars per year.

Chemical industry

Construction of a polypropylene plant with the productive capacity of 500 thousand tons per year in Tobolsk, the Tyumen region. Investment amount: USD 2.1 billion. Vnesheconombank's commitment: USD 1.4 billion. The production of polypropylene will promote development of key sectors of the Russian industry (housing and public utilities, as well as car-making production).

Other industries

Construction of a cement plant with the productive capacity of 1.86 million tons per year in the city of Slantsy, the Leningrad region. Investment amount: EUR 442.2 million. Vnesheconombank's commitment: EUR 250.0 million. A leading-edge technology of cement production allows for considerable resource economy and energy efficiency. Unique technological equipment facilitates the use of schist production waste as a raw material for the cement production. This contributes to the reduction of the production costs.

Vnesheconombank continued to finance investment projects, participation in which had been started prior to the period under review. Among them are major infrastructure and industrial projects.

Infrastructure projects: the construction and commissioning of the Sheremetyevo-3 Air Terminal Complex (Moscow), the construction of the "Yanino" transport and logistics centre (the Leningrad region), the construction of the "Logopark Biek Tau" logistics terminal with the industrial park elements (the Republic of Tatarstan), the development of industrial parks infrastructure in the Kaluga region (the creation of a cluster of car-making and car components production facilities), the reconstruction of the Novgorod heat and power plant (the city of Velikiy Novgorod).

Projects being implemented by aircraft building enterprises ("United Aircraft Corporation" OJSC, "Sukhoi" OJSC Aircraft Holding Company): organisation of the serial production of An-148- and Tu-204-family civil aircraft and creation of a multifunctional 4++ generation SU-35 fighter.

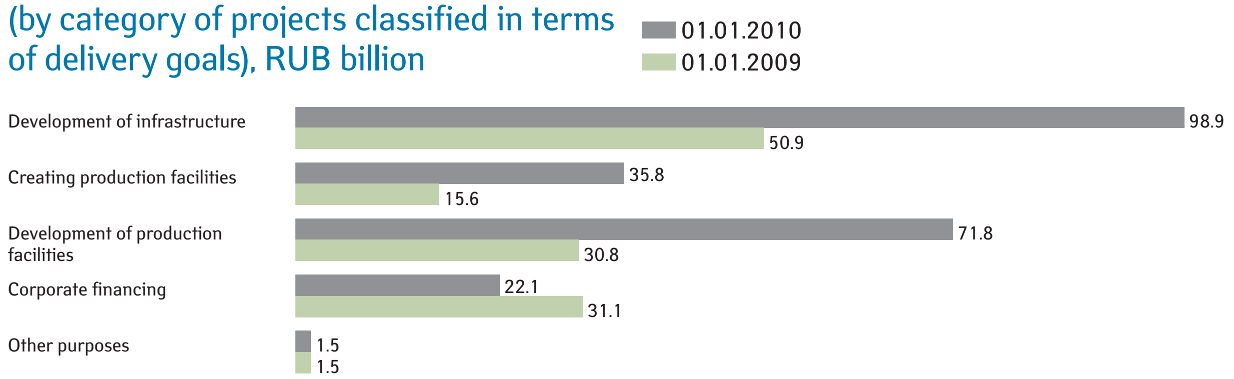
Construction of a timber-processing complex in the Boguchansk area, the Krasnoyarsk territory. The project is being implemented within the framework of the investment programme "Comprehensive Development of Nizhneye Priangarie", approved by the RF Government.

Construction of a biotechnological cluster based on the unique innovative technologies for conversion of crops and hydrocarbon materials for production of biofuel-components and highly processed products of high-protein crops (the Omsk region). In 2009, financing of the project's Stage II (the construction of a pig-breeding complex and feed mill) began. The complex will comprise a meat-processing plant, a poultry-breeding complex, a plant for high processing of grain-crops and production of high-octane additive for Euro 4 and Euro 5 quality petrol.

Construction of railway carriage-building factories in the cities of Orsk, the Orenburg region and Tikhvin, the Leningrad region.

A project for acquisition and modernisation of industrial assets in the Republic of Serbska (Bosnia and Herzegovina). The project is of enormous importance for developing Russia's exports of industrial goods and services.

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



Brazilian Development Bank

Brazil is experiencing the initial stages of an important cycle of investments. This may significantly change the low and variable pattern of growth seen over the last 25 years. The perspectives of the Brazilian economy inspire me and improve our chances to support, alongside businessmen and workers, a victorious and sustainable cycle in Brazil's development.

Luciano Coutinho,
President of Brazilian Development Bank

Brazil, 1952

Legal regulation
Special act
Legal organisational form
Federal government company

Source:www.bndes.gov.br

Vnesheconombank

We are trying to give the Russian economy a new quality dimension through reducing excessive dependence on raw materials. Innovation could serve as a strong leverage for growth. We are supporting key sectors of the Russian economy, the ones where state support is most needed: transport, energy, public utilities infrastructure, aircraft building, shipbuilding and high technologies.

Vladimir Dmitriev,
Chairman of Vnesheconombank

Russia, 2007

Legal regulation
Federal Law dated 17.05.2007
N 82-FZ "On Bank for Development"
Legal organisational form
State corporation

Brazilian Development Bank

Mass production of aircraft by the Brazilian company Embraer

Bank goals were to finance the replacement of the aging DHC-6 fleet of two Embraer's aircraft and to maintain the links between South America, North America and Europe. The project was admitted as a key one to help achieving a better competitive ability of Brazil within the industry.

USD 250 mln

commitment of Brazilian Development Bank

Source:www.bndes.gov.br

Vnesheconombank

Organization of the serial production of An-148, Tu-204 and Il-96 civil aircraft

Technical re-equipment of OJSC 'VASO' and CJSC 'Aviastar-SP' manufacturing enterprises would make it possible to construct by 2015 34 An-148 aircraft, 32 Tu-204 aircraft and 4 Il-96 aircraft.

RUB 7.5 bln

Vnesheconombank's commitment

Overall, at year-end 2009, Vnesheconombank engaged in financing 78 investment projects in a creditor capacity (at the start of the year – 54 projects).

The above data illustrate enhanced volumes of financing of infrastructure projects, as well as projects for the construction and development of production facilities in various sectors of economy.

Apart from this, in 2009, Vnesheconombank's governing bodies approved decisions related to the Bank's participation in a number of other investment projects, the financing of which, as at 01.01.2010, had not yet been started. Among this project category fall the following projects:

- *Construction of a plant for production of antibiotics and anticancer medications on the territory of the Terbuny SEZ, the Lipetsk region.* Investment amount: EUR 85.3 million. Vnesheconombank's commitment: RUB 414.1 million and EUR 56.3 million. The project is being implemented by CJSC "Rafarma" with the support of the Russian Ministry of Industry and Trade, Ministry of Health Care and Social Development and the Lipetsk Regional Administration and complies with the key provisions set forth in the Development Strategy of the Russian Pharmaceutical Industry up to the year 2020. The medications to be manufactured are on the vital medicines list approved by the RF Government and on the list of medicines purchased for the Russian Armed Forces. Furthermore, these medications are provided to recipients of social benefits. Up to 90% of the medications are to be sold within the framework of the public procurement programs. Due to the delivery of the project, the share of imported medications (by certain types of antibiotics) will be reduced by 60-70%, including a 15% reduction in the share of imported medicines in the overall amount of antibiotics production.

- *Construction and organization of the production of a new YaMZ-530 engine family with the power range of 100-315 hp.* Investment amount: RUB 9.4 billion. Vnesheconombank's commitment: RUB 5.8 billion. The aim of the project implemented by OJSC "Avtodiesel" (the city of Yaroslavl) is developing a new competitive family of YaMZ-530 diesel engines drawing on the best world practices of engine designing and testing. The construction of a new plant and launching the production of YaMZ-530 engines in compliance with Euro-4 and Euro-5 standards is another project goal.

- *Organization of production of four- and six-cylinder engines with the cubic capacity of 4-7 liters.* The project is being implemented by OJSC "KAMAZ" (the city of Naberezhnye Chelny, the Republic of Tatarstan). Investment amount: RUB 3.5 billion. Vnesheconombank's commitment: RUB 1.7 billion. The aim of the project is to set up localized production of "Cummins" 140-300 hp engines, with the production volume reaching 40 000 units per year (under the license from "Cummins" Inc).

- *Construction of Power-Generating Unit III at the Ekibastuz GRES-2 state regional power station (the Republic of Kazakhstan) with the installed capacity of 500 MW.* The project worth USD 789.2 million will be carried out by Stansiya Ekibastuzskaya GRES-2 JSC[12]. Vnesheconombank's projected commitment – RUB 12 billion. The project will be financed jointly with Eurasian Development Bank. The delivery of the project will ensure the creation of integrated energy grid systems of Russia and Kazakhstan, contribute to integration processes on the post-Soviet territory, as well as promote cooperation within the SCO framework.

- *Construction of a new passenger terminal in the international airport of Vladivostok.* Investment amount: USD 175.0 million. Vnesheconombank's commitment: RUB 4.0 billion. The project is being implemented by CJSC "Terminal Vladivostok". The construction of a new passenger terminal with the capacity of 3.5 million passengers per year is among the key projects on the list of arrangements for APEC Summit 2012. The airport of Vladivostok will be reconstructed to become a major regional and international hub, which would meet the demand of the population in the Russian Far East for improved air transportation. Overall, that would help to fully exploit Russia's transit potential.

Within the reported period, Vnesheconombank's participation in establishing investment funds became a new area of its activities. In August 2009, Vnesheconombank, Macquarie Renaissance Infrastructure Fund (MRIF) and managing companies i.e. Macquarie Capital Funds, Renaissance Investment Management and Renaissance Capital Asset Management signed a Joint Investment Agreement (Parallel Vehicle Agreement) and a Special Agreement (Side Letter) that specifies special conditions of Vnesheconombank's commitment. In accordance with the Agreements, MRIF and Vnesheconombank, acting through their Russian investment funds, aim to jointly invest in the Russian assets and those of the CIS countries. Also, they intend to finance infrastructure projects in Russia and the CIS countries. The share of the funds invested in the Russian assets should make at least 50% of the total volume of the mutual investment funds' resources. Under the Agreements, Vnesheconombank's total commitment in the funds will approximate to USD 200 million. It is planed that due to the managing companies' effort to raise funds from foreign investors, the financial leverage (the ratio of Vnesheconombank funds/funds attracted from other Mutual Investment Funds' participants) will make 1:4.

In autumn of 2009, the Federal Service for Financial Markets registered 2 funds: a "Closed-end Mutual Investment Hedge Fund "Macquarie Renaissance Infrastructure Fund" and a "Closed-end Direct Investment Fund "Macquarie Renaissance Infrastructure Fund – II".

Financial and Guarantee Support for Activities of Enterprises beyond the Framework of Investment Projects [13]

Among Vnesheconombank's priority business areas comes support for Russia's exports of high-tech industrial goods and financing the day-to-day activities of enterprises, which are strategically important for the Russian economy.

Within this business area, Vnesheconombank uses a wide range of financial instruments, including loans, L/Cs and various types of guarantees. Apart from this, in order to support foreign economic activities of Russian companies, Vnesheconombank makes equity investments in the charter capitals of foreign banks in countries, which are Russia's strategic partners in foreign economic activities.

In 2009, the total volume of loans extended by Vnesheconombank within this business area amounted to RUB 16.04 billion. The funds were provided for pre-export financing (primarily to enterprises of the defense industry). Also, the Bank extended export loans (with a view to moving Russian exports to foreign markets). In particular,

[12] Within the framework of the Agreement dated 11.09.2009 signed by the Government of the Republic of Kazakhstan and the RF Government on the construction of power-generating Unit III at the Ekibastuz GRES-2

[13] Beyond the framework of concrete investment projects that envisage direct participation of Vnesheconombank in projects delivered by other legal entities.

in 2009, the Bank extended 2 loans to a Cuban company to finance the deliveries of TU-204CE medium range aircraft to the Republic of Cuba.

In 2009, in order to deliver enhanced support for Russian exports, Vnesheconombank signed the following memoranda:

- A Memorandum on cooperation concluded by OJSC "United Shipbuilding Corporation", Ministry of Transport of the Republic of Cuba and State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)".

The Memorandum concerns opportunities for designing and constructing vessels and other types of marine machinery by Russian shipbuilding enterprises with specifications agreed by OJSC "United Shipbuilding Corporation" and the Ministry of Transport of the Republic of Cuba.

- A Memorandum of understanding between JSC "Samruk-Kazyna" National Wealth Fund" and Vnesheconombank.

In the Memorandum, the parties expressed the intention to consider the possibility of participating in financing foreign trade contracts within Russia-Kazakhstan investment projects in the Republic of Kazakhstan for the total sum of up to USD 3 billion.

- A Memorandum of cooperation with the intention to extend a long-term syndicated loan to the Ministry of Finance of the Republic of Angola. The Memorandum was signed by Vnesheconombank, OJSC "Vneshtorgbank", Roseximbank, the Ministry of Finance of the Republic of Angola and the Ministry of Telecommunications and Information Technology of the Republic of Angola. In accordance with the Memorandum, Roseximbank would act as an arranger of financing.

The Memorandum was concluded to arrange financing of the expenses incurred by the Angolan side in the creation in Angola of a national space system for broadcasting and communications (the "ANGOSAT" project). The system includes space and land segments, as well as specifies frequency allocation rights for operating in the geostationary orbit. The above-mentioned banks-participants in the syndication will consider the possibility of extending a loan to the Ministry of Finance of the Republic of Angola for the sum of up to USD 295 million. The loan is supposed to be granted on reasonable and mutually favorable terms provided that all the necessary approvals for the deal are obtained.

Vnesheconombank makes a concerted effort to foster cooperation with the CIS countries. In December 2009, the Bank extended a RUB 2 billion loan for a term of 1 year to the Republic of Belarus. The loan was granted for the purpose of developing and strengthening integration and cooperation links between the businesses and organisations of Russia and Belarus within the framework of the Russian banks' syndicated loan (RUB 6 billion). Sberbank of Russia, Gasprombank and Alfa-Bank are other participants in the syndication. Apart from this, in late December 2009, Sberbank of Russia, Vnesheconombank and OJSC Gasprombank signed an Agreement on participation in arranging placements of Russian ruble-denominated government bonds of the Republic of Belarus issued in the Russian Federation. In conformity with the Agreement, Vnesheconombank was granted the status of an arranger of the bond issues. The amount of Vnesheconombank's subscription was RUB 2.0 billion.

During 2009, to support high-tech industrial exports and secure fulfillment of customer commitments, the Bank issued 107 guarantees for the sum of RUB 31.6 billion. Major beneficiaries were businesses and organisations in the following industries/sectors of the economy: aircraft building, other machine-engineering and electronics industries. The guarantees were issued in favor of beneficiaries located in 25 countries (mainly in such states as Algeria, Venezuela and Syria).

Vnesheconombank is the 100 % owner of OJSC "Roseximbank", which acts as 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 to ensure guarantee support for Russian exporters.

In order to expand the volume of exports of Russian-made products to the markets of Belarus and Ukraine and to ensure the operation of Russia's enterprises that are 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. Vnesheconombank is the owner of the majority stake of OJSC "Belvnesheconombank" (the Republic of Belarus) and PJSC "Commercial Industrial-Investment Bank" (hereinafter referred to as "Prominvestbank" (Ukraine)).

Support for Small- and Medium-sized Enterprises

The country's leadership recognises that for Russia support for SMEs is a most urgent and strategically important task. Obviously, it is instrumental in modernising Russia's economy on the basis of innovation, removing disproportions and imbalances in the socio-economic development of the Russian regions and improving the quality of life of the Russian citizens.

Vnesheconombank is one of the key financial institutions designed to assist the state in implementing its economic policies, also through support for SMEs.

In the crisis of 2009, the task of increasing the scope and scale of support to deliver SME development programs acquired a new urgency. It is the enterprising initiative of SMEs, as well as of companies that form the SME support infrastructure (given appropriate support) that was viewed as a possible catalyst to improve the employment situation and enhance self-employment of the Russian citizens (and accordingly the welfare of people). It was also seen as a factor that could help to partially resolve the problems of monotowns and overall diversify the GDP structure.

Within the period under review, the volume of financial support rendered by Vnesheconombank to implement SME development programs rose by RUB 40 billion[14] and at year-end reached RUB 49 billion.

Actually, mid June 2009 saw the launch of the program. It is being implemented through Vnesheconombank's subsidiary OJSC RDB. This was done in compliance with the Procedure to apply to delivering financial support for SMEs by State Corporation "Bank for Development and

[14] Including RUB 30 billion extended in the form of 8-year term loans (within the framework of Vnesheconombank's credit facility). The source of funding – NWF's resources. The operations were effected with a zero margin for Vnesheconombank (the interest rate on the credits extended by Vnesheconombank to OJSC RDB equals the interest rate on NWF's deposits placed with Vnesheconombank).

Foreign Economic Affairs (Vnesheconombank)". The program was approved by the decision of Vnesheconombank's Supervisory Board[15]. According to the Procedure, OJSC RDB renders support for SMEs through partner banks, as well as through organisations that form SME support infrastructure (leasing, factoring and microfinance companies). In order to ensure equal access to funding, as well as to balance out the socio-economic development of the RF entities, the RDB provides loans to partner banks in strict compliance with the regional limits that are set on agreement with the Russian Ministry for Economic Development. The geography of the program covers practically all the Russian regions (at the end of the year 2009 – 77 entities of the Russian Federation).

Vnesheconombank's approach to delivering SME support agenda envisages a systemic development of SMEs with due regard for the priorities of Russia's socio-economic development.

In order to upgrade SME support activities the best global practices in this respect were carefully reviewed. Also, SMEs-related expertise offered by foreign development banks was scrutinised. Apart from this, a number of events to foster cooperation with development institutions and international financial organisations were arranged. These events, among other things, were focused on stimulating increased volumes of long-term resources provided by foreign institutions that could serve as a source of funding for projects/transactions that could contribute to developing SMEs in Russia.

[15]Based on VEB's Procedure and OJSC RDB's internal regulatory documents (approved by RDB's governing bodies) that further develop the Procedure.

In February 2009, Vnesheconombank and KfW (KfW Bankengruppe)[16] concluded an agreement. In accordance with it, KfW Bankengruppe will extend target loans to Russian commercial banks (the term of up to 5 years, the total sum of Euro 200 million) under Vnesheconombank's guarantees to finance SMEs. Notably, in financing SMEs, priority would be given to businesses implementing projects aimed at developing and introducing energy-efficient and energy-saving technologies. Under the agreement, Vnesheconombank issued a guarantee for the sum of USD 32.8 million to honour commitments of a Russian bank.

At the end of October 2009, another aspect of potential cooperation with KfW was identified. A trilateral Memorandum of Understanding in respect of joint projects to develop SMEs in the Republic of Tatarstan was signed by Vnesheconombank, the Government of the Republic of Tatarstan and KfW IPEX-Bank. The Memorandum was signed in the course of the German-Russian forum "Development of SMEs in a Financial Crisis Environment" that was arranged by VEB and KfW. A project that envisages lending to leasing companies for the purchase of German-made agricultural equipment for a subsequent lease to SMEs in the Republic of Tatarstan served as a pilot one. The total project value could reach USD 100 million. It is planned that the Republic of Tatarstan will pay 15% of the leased equipment value, while KfW IPEX-Bank will provide the remaining 85% of the funding under Vnesheconombank's guarantee.

Within the framework of the International conference "Modernisation of the Russian Economy: Role and Place of Development Institutions", arranged by Vnesheconombank in December 2009, a Memorandum of Understanding with the European Bank for Reconstruction and Development[17] (EBRD) was signed. The Memorandum concerns the participation of Vnesheconombank and the EBRD in the implementation of the Program on extending long-term finance in the amount of up to Euro 500 million to Russian SMEs. In conformity with the document, financing will be provided to SMEs, which presently have a limited access to long-term financial resources, through partner banks designated by Vnesheconombank and the EBRD. The loans are supposed to be extended to banks under Vnesheconombank's guarantees. The launch of the Program is scheduled for H1 2010.

[16]Kreditanstalt fur Wiederaufbau is a German development institution. The above agreement was concluded to further develop the agreement on German-Russian Initiative to finance SMEs (that was concluded in November 2008 and was based on cooperation agreement concluded in 2007).

Within the framework of Russian-Italian interstate top-level consultations, Vnesheconombank and the "Intesa Sanpaolo" S.p.A. banking group concluded in December 2009 a Framework Agreement on cooperation in SME development. In accordance with this Agreement, Intesa Sanpaolo S.p.A. will provide financial resources for a total sum of Euro 100 million, under Vnesheconombank's guarantees, to Russian banks in order to finance Russian SMEs.

Borrowing in Capital Markets

As at year-end 2009, the volume of mid- and long-term loans (with maturities of 1 year and exceeding 1 year) raised for funding the Bank's operations amounted to RUB 187.3 billion. The structure of the borrowed funds comprised:

- RUB 60.5 billion – resources obtained from Vnesheconombank's debut issuance and full placement of USD 2 billion worth of domestic currency bonds (a close-ended subscription scheme) in June 2009. The interest rate was standing at Libor(6m)+ 1% (2.24% under the fist coupon payment), 1-year maturity, with the coupon payable semi-annually.

- RUB 126.8 billion – loans raised from foreign banks with maturities exceeding 1 year.

[17] European Bank for Reconstruction and Development (EBRD).

The year 2009 witnessed the signing of loan agreements amounting to the equivalent of USD 2.573 billion. The agreements stipulate raising by Vnesheconombank from foreign banks of mid- and long-term resources (including those raised under the cover provided by Export Credit Agencies) with a view to financing investment projects, in the delivery of which Vnesheconombank participates:

- Loan agreements (1 ten-year loan agreement signed with Sumitomo Mitsui Banking Corporation, Japan, 2 one-year loan agreements – with Citibank Europe Plc., Great Britain) to finance a project for the construction of the Sheremetievo-3 Air Terminal;

- Loan agreement with China Development Bank, China (10-year term) for the construction of a cement plant in the town of Slantsy, the Leningrad region;

- Loan agreement signed with Export-Import Bank of China, China (10-year term) to finance a project for the construction of a cement plant in the Penza Region;

- Loan agreement with Czech Export Bank, the Czech Republic (7-year term) to finance a project for the construction of a dairy product farm and creation of a complex for the production of organic mineral fertilizers;

- Loan agreement signed with DZ Bank/AKA Ausfuhrkredit-Gesellschaft mbH, Germany (7-year term) under the cover of Euler Hermes to finance a project for the construction of a cellular cement plant in the Republic of Maryi Al.

Overall, over 2009, raising loans with maturities exceeding a 1-year term for a total amount equivalent to RUB 18.9 billion was secured.

Apart from this, the year under review saw the preparation and signing of framework loan agreements with China Development Bank, Export-Import bank of China, KfW-IPEX Bank, BayernLB and with Export-Import Bank of India.

Development of Partnership Relations

Vnesheconombank continued to develop cooperation with federal authorities and governments/administrations of the RF constituent entities. Throughout 2009, Vnesheconombank signed 15 Cooperation Agreements with the RF constituent entities. Among them were: the Archangelsk, Astrakhan, Vologda, Nizhniy Novgorod, Omsk, Rostov, Tver, Chelyabinsk, Yaroslavl regions, the Krasnoyarsk territory, the Republic of Buriatia, the Republic of Mordovia, the Republic of Udmurtia, the Chechen Republic and the Khanty-Mansiysk autonomous region. Also, the Bank signed a Memorandum on Cooperation with the RF Presidential envoy in the Urals Federal Region.

Alongside that, in 2009, 23 framework agreements were signed with Russian and foreign companies, international and foreign financial institutions, as well as with export credit agencies on cooperation in the delivery of investment projects in strategically important sectors of Russia's economy. To further develop the agreements set out below, Vnesheconombank's governing bodies have already made decisions to participate in the following projects:

- *An Agreement on strategic cooperation in civil aircraft building with CJSC "Sukhoy" Civil Aircraft".* The agreement covers cooperation within the following areas: arranging financing for worthwhile investment programs of CJSC "Sukhoy" Civil Aircraft", increasing financing for the program of the "Sukhoy Superjet 100" and devising a modern competitive mechanism for financing the sales of Sukhoy Superjet 100 aircraft in the domestic and foreign markets by using various financial instruments (leasing, export finance and others). A decision has been made on financing the project for purchasing 10 Sukhoy Superjet 100 aircraft for a subsequent lease to OJSC "Aeroflot – Russian Airlines".

- *An Intent Agreement between Vnesheconombank and OJSC "Ilyushin Finance Co".* The Agreement aims to establish strategic partnership relations and develop long-term effective and mutually rewarding cooperation between the parties in arranging financing for worthwhile investment programs of OJSC "Ilyushin Finance Co", as well as in developing joint strategies to facilitate the sales of Russian-made aircraft, including AN-148-100B aircraft, in the domestic and foreign markets (using leasing and export financing mechanisms). As a follow-up to the agreement, a decision was made to finance the purchase by OJSC "Ilyushin Finance Co" of 6 AN-148 aircraft to be leased to the State Unitary Enterprise "State Transport Company "Rossia".

- *A Memorandum of Understanding regarding participation in implementing a project for the construction of the Moscow – St.Petersburg highway.* Vnesheconombank, the French export credit agency COFACE, the European Bank for Reconstruction and Development, the European Investment Bank and OJSC "North-West Concession Company" signed the Memorandum.

- *A Memorandum of Understanding between Vnesheconombank, OJSC "Sibur Holding", the Italian export credit agency "SACE" S.p.A. and "Tecnimont" S.p.A., an Italian construction engineering company.* The Memorandum envisages cooperation within the framework of implementing a project to construct a plant to manufacture polypropylene with a capacity of 500 thousand tons per year, in the city of Tobolsk (Tyumen region).

- *A Memorandum of Understanding between Vnesheconombank and the State Insurance Agency of Spain (CESCE).* The document provides for long-term cooperation of the parties in reconstruction and technical modernisation of the Khabarovsk oil refinery by way of extending credits, issuing guarantees, delivering insurance services, etc.

2.2. Participation in the Development of Public-Private Partnership

Starting from December 2008, in compliance with the Russian Government Directive № 134 dated March 1, 2008 "On Approving the Rules of Formation and Utilisation of Budget Appropriations from the RF Investment Fund", Vnesheconombank has been performing the function of a financial consultant of the RF Government regarding projects of national significance and the regional investment projects. The Bank also arranges spending reviews in respect of investor funds over the projects delivery period.

In 2009, the Bank's specialists prepared qualified opinions on 8 projects as to the compliance of project initiators' applications for budgetary appropriations from the RF Investment Fund with the established criteria of financial, budgetary and economic efficiency. Notably, the Government commission on investment projects of national significance approved 5 of the projects. Based on monitoring of commitment fulfilment by investors engaged in projects delivered with the use of the Investment Fund's resources, the respective reports were forwarded to the RF Ministry for Regional Development.

Alongside that, a strong emphasis was placed on facilitating the development of public-private partnership (hereinafter referred to as "PPP") and driving a quality PPP projects market forward. We admit that in 2009, the major focus of Vnesheconombank's activities in public-private partnership was on:

Devising Vnesheconombank's Standard Programs for PPP-based public infrastructure development

In 2009, Vnesheconombank began preparation and development of Programs of standard PPP projects for public infrastructure development. It primarily concerned projects, the financing of which could be PPP-based with the engagement of Vnesheconombank and other financial institutions (hereinafter referred to as "Programs"). During the year, the Bank started the development of standard project documentation for a subsequent selection by public authorities of a private investor to deliver concrete infrastructure projects.

Vnesheconombank developed 3 pilot programs for the construction and modernisation of a number of public utilities infrastructure facilities (ecology-, energy efficiency- and urban development-related Programs).

In November-December 2009, to communicate with all those interested in Programs of standard PPP projects, an advertising campaign was launched. Largely as a consequence, 28 regions expressed interest in

Program participation, with applications for 103 Program projects submitted. The scrutiny of the collected proposals suggests that the business areas, where the demand for PPP-based projects is most acute are as follows:

- Construction and operation of recycling plants;
- Construction/reconstruction/modernisation of water treatment facilities;
- Modernisation of heat generating facilities and other facilities of municipal heat supply systems, pump water supply systems, the sewerage systems and street lightning systems.

Based on a careful project initiatives study, the actual need for PPP-based project delivery in various sectors of public infrastructure was identified. It primarily concerns the following sectors: housing and public utilities (heat-and-power engineering, heat and water supplying systems and drainage infrastructure), complex urban development (engineering and social infrastructure in new urban development areas, development of industrial sites), transport (viaducts, railway infrastructure, transport and logistics centres), tourism (territorial infrastructure development), healthcare (high-tech equipped medical aid centres and hospitals).

December 2009 witnessed the signing with the UNDP[18] of a document "PPP Development in Russia". The focus of the document is on delivery of pilot (demonstration) projects in the Russian regions and the CIS countries. It also envisages a subsequent experience dissemination, providing assistance in building the PPP capabilities and capacities in the Russian regions, introducing modern PPP managerial approaches and financial instruments.

Establishing PPP units within public bodies and agencies

Interaction with 37 regions on establishing local PPP centres was underway. Within the frames of it, Vnesheconombank's guidance document "Methodological Recommendations on Establishing Regional PPP Centres and Building PPP Capability and Capacity" was presented and disseminated among the public authorities.

Moreover, Protocols of Interaction between the Bank's PPP Centre and 26 regions and 1 municipality on setting up regional PPP centres were signed. Actually, it was with the support and guidance of Vnesheconombank that regional PPP centres were established in 10 regions, including: the Republics of Udmurtia and Chuvashia, the Perm territory, the Belgorod, Vladimir, Ivanovo, Kaliningrad, Kurgan, Smolensk and Ulyanovsk regions.

Ensuring Vnesheconombank's participation in developing PPP legislative framework

In the period under review, the Bank actively participated in the development of:

- a draft federal law "On Specifics of Investment in Infrastructure through the Use of Infrastructure Bonds";
- proposals on introduction of alterations and amendments to Federal Law №115-FZ dated June 21, 2005 "On Concessionary Agreements", as well as to other legislative acts, which regulate PPPs in the Russian Federation;

[18] UNDP is a leading UN organisation engaged in providing international technical assistance to developing countries and countries with transition economies. In conformity with the previously made agreements, PPP development is a priority for cooperation between the UNDP and Vnesheconombank.

China Development Bank

Construction for the 2008 Beijing Olympics was one of the primary tasks for the Beijing municipal government, and was also a focus of our Bank. As the key financial advisor and funding source for the Olympic construction projects, the Bank has fully leveraged resources to provide broad support to Olympic construction projects.

Chen Yuan,
Chairman of Board of Directors of China Development Bank

China, 1994

Legal regulation
Statement of State Council of People's Republic of China "On Reform of Financial System"
Legal organisational form
Joint stock company (privatised)

Source:www.cdb.com.cn

Vnesheconombank

Vnesheconombank is called to become one of the major lenders to secure the construction of the Olympic facilities. Obviously, in the circumstances of the global crisis such a move will enable developers to raise additional financial resources at competitive rates and with appropriate guarantees of commitment fulfillment.

Vladimir Putin,
Chairman of the Government of the Russian Federation
Chairman of Vnesheconombank's Supervisory Board

Russia, 2007

Legal regulation
Federal Law dated 17.05.2007 N 82-FZ "On Bank for Development"
Legal organisational form
State corporation

China Development Bank

Construction of the 2008 Beijing Olympics

A number of projects, such as, olympic stadiums, gyms, olympic village, expansion of city infrastructure and Beijing international airport were delivered by 2008.

USD 6.36 bln
commitment
of China Development Bank

Source:www.cdb.com.cn

Vnesheconombank

Development of Infrastructure for the Olympic Games-2014 in Sochi

Vnesheconombank acts as one of the major lenders for the construction of the Olympic facilities and the Sochi 2014 Olympics infrastructure projects. The construction of the Olympic facilities in the “Mountain Carrousel” sports and holiday complex, “Roza Khutor” mountain skiing resort, Olympic Village, International Airport of Sochi, cargo seaport “Imeretinskiy”, the reconstruction and development of the Sochi thermoelectrical power station.

RUB 45.55 bln
Vnesheconombank’s
commitment (2009)

- a draft model regional law "On Regional and Municipal Authorities Participation in PPP Projects" (Model Law);

- a draft Resolution of the RF Government that identifies the procedure of providing Vnesheconombank's investment consulting services to federal and municipal authorities on PPP projects procurement without a tender (in compliance with Federal Law № 94-FZ dated July 21, 2005 "On Placement of Orders for Delivery of Goods, Execution of Works and Provision of Services for Federal and Municipal Needs").

Ensuring Vnesheconombank's interaction with the professional business community

Vnesheconombank continued active cooperation with foreign national and international organisations. In particular, the Bank's interaction with the United Nations Economic Commission for Europe (Vnesheconombank's representative was elected a co-chairman from Russia of the UNECE expert group for PPPs) and with OJSC "PPP Centre of Kazakhstan " was bolstered. Cooperation Agreement with Partnerships UK was signed. Business interaction with Partnerships BC, Partnerschaften Deutschland, PPP Centres from Korea, the USA, the Czech Republic, Hungary, France and Italy, as well as with European Investment Bank PPP Centre, Agency for PPP programs urban development and Ministry of Transport of Israel was further encouraged.

2.3. FX and Money Market Operations

At the start of 2009, the US dollar as a currency associated with fundamentally less risk was continuously gaining relative to Euro to stand at 1.26. But the trend was reversed (in favour of Euro) on the news of the gradually weakening negative effects of the crisis on the global economy. One of the factors that predetermined such a turn of events was the implementation by the US Government and the FRS of huge bail-out programs provided for the national economy that brought about cuts in the US dollar base interest rate, which was used for funding positions in other foreign currencies (carry trade), including the Euro. Notably, in November EUR/USD exchange rate hit the peak value at 1.51.

In February of 2009, on completion of the "smooth ruble devaluation" performed under the CBR control, the Russian ruble rate relative to the bi-currency basket reached the upper limit of the fluctuation range estimated as admissible for the bi-currency basket (RUB 41). Then we saw a gradual ruble rate appreciation: by the end of 2009, the value of the bi-currency basket decreased to RUB 36. The demand for the ruble could well be attributed to an economic rebound and, in particular to a rise in oil prices (that were at their lowest through year-end 2008 – year-start 2009).

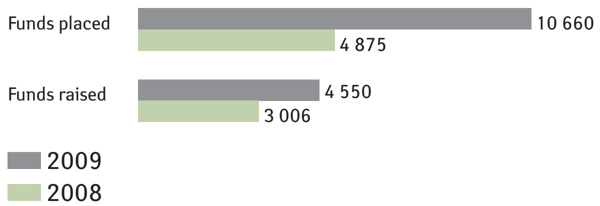
The overnight ruble rates in the interbank loan market decreased from 9-20% in January (due to a sell-off of rubles by major market participants in view of the rapid ruble devaluation that resulted in liquidity shortages) to 7-10% and 6-8% in February and March-April respectively. In the ensuing months, till the end of the year, as the CBR was cutting the base interest rate, the fluctuation range limits for overnight loan rates in the interbank money market moved downward to 3-6% in December.

At the same time, Vnesheconombank's turnover under swap operations grew 7-fold (from RUB 4.6 trillion to RUB 31.6 trillion.) Clearly, that could be explained by the need to raise foreign currency-denominated funds to secure financing ongoing operations. The overall turnover under the Bank's FX operations rose 5-fold from RUB 7.1 trillion in 2008 to RUB 36.4 trillion in 2009.

In 2009, the number of Vnesheconombank's counterparties under FX operations continued to grow. It is worth noting that, during the year, the limits on FX operations with major Russian and many foreign banks were reviewed and increased. By the end of 2009, the total amount of limits set on Russian banks for FX operations was running at RUB 116 billion.

Vnesheconombank considerably contributed to maintaining the liquidity of the Russian banking system, having overall built up in 2009 the total turnover of ruble-denominated placements in the interbank money market up to RUB 10.7 trillion (a more than 2-fold increase on 2008), while the overall volume of funds raised in the interbank money market posted a 1.5-fold rise to reach RUB 4.6 trillion.

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



In 2009, fostering cooperation with the commercial banks in effecting deposit operations in the interbank money market was mainly achieved through expanding the range of the Bank's counterparties from among medium-and small-sized Russian banks. By the end of 2009, the total amount of limits set by Vnesheconombank on deposit operations with Russian banks totaled RUB 247 billion.

2.4. Securities Market Operations

Equities

Starting from July 2008, the equity prices plummeted, but the end of January 2009 saw a relative stabilization of share prices (at their lowest values). Then, till the end of the year, a relatively consistent rebound of the equity prices followed. The Russian price dynamics in the domestic market were mainly impacted by the conditions in the global stock markets. Actually, the end of Q1 witnessed the rise in the stockmarket indices. Obviously, the governments' stimulus packages and the actions of the central banks had a positive role to play. Another positive factor that impacted the equity price dynamics in the domestic stock market was a rise in oil prices and the subsequent end to "a smooth ruble devaluation". As compared to the year-start 2009, the Russian Trading System (RTS) index, which is dollar-denominated, posted a 125.8% increase.

Eurobonds

The dynamics of the yield indicators in the Eurobond market were under the impact of two conflicting trends.

On the one hand, stockmarket participants demonstrated risk aversion sentiment and retreated into US Treasury bills ("risk-free" instruments[19]), with a simultaneous sell-off of the emerging countries Eurobonds. It resulted in widening yield spreads on these categories of securities. On the other hand, withdrawal of funds from "risk-free" assets and the purchase of

[19] Debt securities taken as basic ones (figuratively seen as "risk free" instruments), the yield level of which is used as a benchmark to determine risk levels of other bonds, with an interest spread (i.e. the difference between the yield level of the respective bond versus the yield on the US Treasury bills with the same maturity) being a risk measure.

the above-mentioned Eurobonds (in expectation of an economic rebound in the short-term and of high budget deficits and sovereign debts growth in the US and other counties in the long-term) was seen. In 2009, as compared to 2008, the latter of the above-mentioned trends was prevailing. It implied increased yields on basic types of securities and a gradual narrowing of spreads on other groups of bonds, including those of the emerging economies.

The yield spreads of emerging economies Eurobonds against US Treasury bills, calculated on the JP Morgan EMBI+ index, considerably narrowed from 690 to 280 basis points.

Ruble-denominated bonds

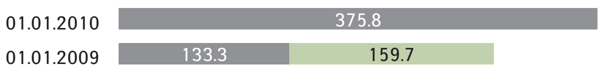
On completion of the "smooth ruble devaluation" program and till year-end 2009, the ruble-denominated bonds market was steadily improving to finish at the pre-crisis yield levels[20]. In the context of oil price rises, weakening devaluation sentiment of the domestic financial market participants and consistent cuts in the base interest rates by the CBR, investors, especially banks, demonstrated stronger interest in ruble-denominated bonds, viewing them as less risky instruments than loans to the real economy. The year 2009 saw a downward yield trend for ruble-denominated corporate "first line" bonds from the highs of 14%-18% per annum posted in January 2009 to 8.5-9.5% at the end of the year.

In managing its securities portfolio[21], the Bank's policy was based on the forecasts of the current and future stock market trends and overall was characterised by the principles of a well-measured and conservative decision-making policy in respect of changes in investment volumes and structure. During 2009, Vnesheconombank continued to reallocate securities investments in favour of fixed income instruments. To illustrate, if at the start of the period under review, fixed income instruments accounted for 42% of the portfolio, then by the end of 2009, they accounted for 50% of its book value.

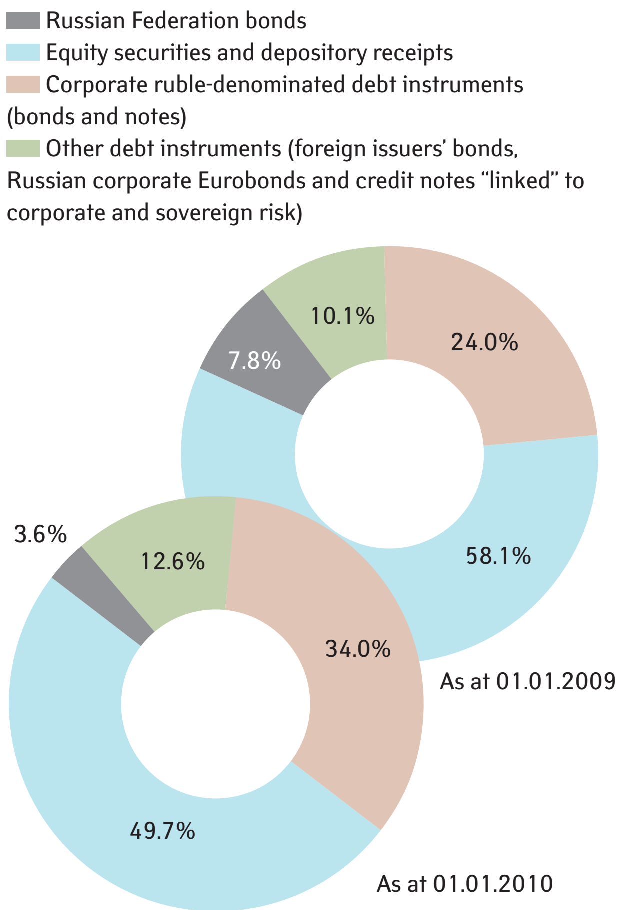
[20] with pre-crisis yield levels reached at the beginning of 2010.

[21] As at 01.01.2009, the securities portfolio comprised securities purchased drawing on the NWF resources (RUB 159.7 billion).

Securities Portfolio Volume, RUB billion



Securities Portfolio Structurer



Also, the year 2009 witnessed 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 Russian companies and banks, including those with state participation). In order to deliver support to major Russian issuers, Vnesheconombank participated in IPOs of their corporate bonds.

The year under review saw an increased number of Vnesheconombank's counterparties operating in the Russian market and in the market of foreign currency-denominated debt instruments.

2.5. Depository Activities

A decade-long experience in depository operations, a wide range of services offered, well tested and workable technologies for effecting operations, an extensive correspondent network and a broad customer base enabled Vnesheconombank's Depository to take a leading position in the infrastructure of the Russian securities market.

Vnesheconombank's Depository has traditionally been a major depository servicing the Russian Federation government securities market.

Yearly Average Volume of Securities at Face Value, USD billion

During 2009, the Depository opened 99 new clients' depo accounts. As at 01.01.2010, the overall number of depo accounts was running at 1236 (1261 as at 01.01.2009), including 400 depo accounts of banks and companies of a financial sector.

Number of Depository Operations during the Year

During 2009, the number of depository operations over clients' depo accounts stood at 24902, which was an 18.3% increase on 2008 (21053 operations). In the reported period, the Depository also effected 9239 operations (6336 in 2008) related to the realization of corporate actions of issuers of securities recorded on clients' depo accounts.

In 2009, the Depository, in order to enhance efficient interaction with registrars in effecting operations in the registers of securities owners, initiated efforts to ensure electronic document exchange with registrars on the basis of technological solutions offered by the Professional Association of Registrars, Transfer Agents and Depositories (PARTAD) and CJSC "National Depository Centre" (NDC). In 2009, Vnesheconombank signed an agreement on joining the PARTAD rules for electronic document exchange, that envisage the possibility to use the system of the PARTAD electronic document exchange in order to ensure paperless document exchange with the registrars. Also, the Bank signed an agreement on communications through the use of the NDC electronic document exchange system with CJSC "Central United Registrar".

Acting as an agent for the RF Ministry of Finance, the Depository made coupon payments under the IV, V and VII Tranche Minfin bonds, as well as payments of principal amounts under the IV and V Tranche of Minfins when the bonds were presented to Vnesheconombank by bondholders, as well as when exchanging the balances on clients' blocked and specialized currency accounts for Minfin bonds. The total amount of the payments reached USD 34.05 million.

Vnesheconombank continued to settle accounts with the Tranche III Minfin bondholders who did not perform novations under the bonds in conformity with settlement agreements concluded by them with the RF Ministry of Finance. Vnesheconombank ensured the redemption of the debt owed to bondholders of the Tranche III Minfin bonds amounting to USD 731.13 thousand drawing on the funds of the Ministry of Finance of Russia.

In 2009,Vnesheconombank acting as the payment agent to service bonds of OJSC "Agency for Housing Mortgage Lending" (OJSC AHML) effected payments under Tranche A2-A9 OJSC AHML bonds amounting to RUB 2444.3 million. OJSC AHML bonds are guaranteed by the RF Ministry of Finance. Also, Vnesheconombank was appointed a payment agent to service new issues of Tranche A14-A15 OJSC AHML bonds (maturing in 2023 and 2028) amounting to RUB 14 billion. Payments under the above issues will be made starting from 2010.

3. Vnesheconombank's Participation in the Russian Government Crisis Management Program

In the circumstances of the global financial crisis, the Russian Federation Government formulated its crisis management program. 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"), as well as with the Russian Government Directives № 103 and №104[22] dated February 14, 2009, Vnesheconombank became an active participant in the Government's financial bail-out program.

Extension to companies and organisations, in compliance with Article 1 of Federal Law N 173-FZ, of foreign-currency-denominated loans to repay (service) loans obtained by the above-mentioned entities from foreign financial institutions prior to September 25, 2008.

To implement the crisis management measures envisaged by Article 1 of Federal Law 173-FZ, loans to 10 organisations were extended (in conformity with Article 2 of the given Law, it is the funds of the CBR placed on deposit accounts with Vnesheconombank that served as a source of funding for the respective operations).

The procedure of implementing the financial bail-out measures, including the procedure of scrutinising borrower applications was specified by the Bank's internal regulatory document approved by Vnesheconombank's Supervisory Board.

As at 01.01.2010, the volume of the portfolio of these loans made the equivalent of USD 7.8 billion. In the period under review, the debt under the loans decreased by USD 3.9 billion, with 5 borrowers having fully redeemed the loans, while in respect of 1 borrower's loan an assignment of claims to a Russian bank was effected.

[22]Russian Government Directives № 103 dated February 14, 2009 "On Extending in 2009 State Guarantees of the Russian Federation under Loans Raised by Organisations Selected in Compliance with the Procedure Established by the RF Government" and Directive №104 "On Extending in 2009 State Guarantees of the Russian Federation under Loans Raised by Strategic Organisations of the Defense Industry to Secure Core Business Activities and Capital Investment".

Extension by Vnesheconombank of subordinated loans in compliance with Articles 6 and 6.1 of Federal Law N 173-FZ.

In accordance with Article 4 of Federal Law 173-FZ, the provision of subordinated loans was secured through the use of the NWF's resources placed on deposit accounts with Vnesheconombank.

The measures, envisaged by Articles 6 and 6.1 of Federal Law N 173-FZ were implemented in compliance with the procedures specified in the Bank's internal regulatory documents (approved by Vnesheconombank's Supervisory Board).

As at January 1, 2010, the volume of subordinated loans extended by Vnesheconombank to 17 Russian banks in compliance with Articles 6 and 6.1 of Federal Law №173 FZ reached RUB 404.0 billion. Also, during the period under review, loans were extended to 15 banks in the total amount of RUB 179.0 billion.

Acting as an agent for the Government of the Russian Federation[23] in extending state guarantees in accordance with the RF Government Directives № 103 and №104 dated February 14, 2009.

Acting as an agent for the RF Government, in 2009 Vnesheconombank ensured careful scrutinising of borrower's applications for obtaining state guarantees of the Russian Federation under loans raised by strategic companies operating in the defense industry and organisations selected in compliance with the Procedure established by the RF Government for carrying out core industrial activities and capital investment, as well as for the redemption of loans and bonds raised by them previously for the same purposes. The Bank prepared the respective conclusions, as well as ensured analytical record-keeping of the RF state guarantees that were extended.

In 2009, in respect of 158 loan applications submitted by 118 organisations that applied for the RF state guarantees, 99 positive qualified opinions on extension of the respective guarantees for the total sum of RUB 176.5 billion were prepared. Guarantees approved by the Russian Ministry of Finance were recorded on Vnesheconombank's books.

Alongside that, Vnesheconombank participated in implementing the following state level decisions:

- invested in the Russian domestic market RUB 175 billion of the NWF's resources, which were placed on the Bank's term deposit accounts, in equities and bonds of the most creditworthy Russian corporate issuers. In December 2009, the above NWF's resources plus the interest accrued were repaid in full and ahead of schedule;

- implemented measures designed to help financially rehabilitate OJSC Svyaz-Bank and CJSC GLOBEXBANK.

An important consequence of these successful rehabilitation efforts was that the Moody's rating agency upgraded by 3 notches (to "B2" from "Caa2") OJSC Svyaz-Bank's long-term credit rating in Russian rubles and foreign currency, with a stable outlook, and the bank's financial stability rating from "E" to "E+".

The rating agencies Standard & Poor's and Fitch Ratings for the first time assigned GLOBEXBANK the following credit ratings:

- Standard & Poor's: long-term "BB-" and short-term "B" credit ratings for obligations in the Russian and foreign currencies with a stable outlook for the long-term ratings.

- Fitch Ratings: "BB" long- and "B" short-term issuer default ratings and "AA- (rus)" long-term national rating with a developing outlook.

[23]Entrusting Vnesheconombank in 2009 with these functions is viewed as part of the RF Government crisis management measures, that is why the respective data are presented here rather than in Section "Agent for the RF Government".

4.

Agent for the Government of the Russian Federation

Throughout the year under review, Vnesheconombank continued to perform the functions of the agent for the Government of the Russian Federation in servicing Russia's sovereign foreign debt and managing external state financial assets of the Russian Federation with a focus on keeping applicable debt records, effecting settlements and ensuring information and analytical support. Special energies were also devoted to ensuring repayment of debt owed to the Russian Federation by legal entities, constituent entities of the Russian Federation and municipalities.

Priority was given to the task of reducing the amount 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 by means of debt repayments by debtor countries and Russian borrowers.

In the period under review, the Bank developed and prepared 19 reports and analytical opinions on various aspects of managing the sovereign foreign debt and state external financial assets of the Russian Federation. These documents comprise conclusions and proposals substantiated by the relevant computations.

The Bank's representatives participated in the work of the Russian delegation in all the 8 sessions of the Paris Club of creditors, in 3 call conferences 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 three of Russia's debtors – the Republic of Seychelles, the Central African Republic and Burundi). Based on the results of the negotiations multilateral protocols of the Club were signed.

Documents and/or proposals related to the debt recovery issues for the inclusion into the agenda of 26 meetings and sessions by intergovernmental bodies (or committees and subcommittees established within their framework) were prepared on trade-economic and scientific-technical cooperation of the Russian Federation with foreign countries, including such states as Bulgaria, Great Britain, Hungary, Egypt, India, Italy, Kazakhstan, Canada, Cambodia, China, Latvia, Lithuania, Portugal, North Korea, Serbia, Slovakia,

KfW (Germany)

Despite the continued worsening of the situation in the capital markets and the further economic slowdown, KfW has continued its high level of promotional activities. We will also continue to be available as a key financing partner and will fulfill our tasks as Germany's leading promotional bank during the financial crisis.

Ulrich Schroeder,
Chairman of the Managing Board of KfW

Germany, 1948

Legal regulation
Special act
Legal organisational form
Public law institution

Source:www.kfw.de

Vnesheconombank

Admittedly, to facilitate access to raw materials and industrial sites, new railway lines, bridges, pipelines, electricity grids and public utilities networks should be constructed. The public sector alone might not have sufficient resources to accomplish the task. The sole solution is for the state and Vnesheconombank to leverage the process and undertake the expenses related to infrastructure projects procurement.

Vladimir Dmitriev,
Chairman of Vnesheconombank

Russia, 2007

Legal regulation
Federal Law dated 17.05.2007 N 82-FZ "On Bank for Development"
Legal organisational form
State corporation

KfW (Germany)

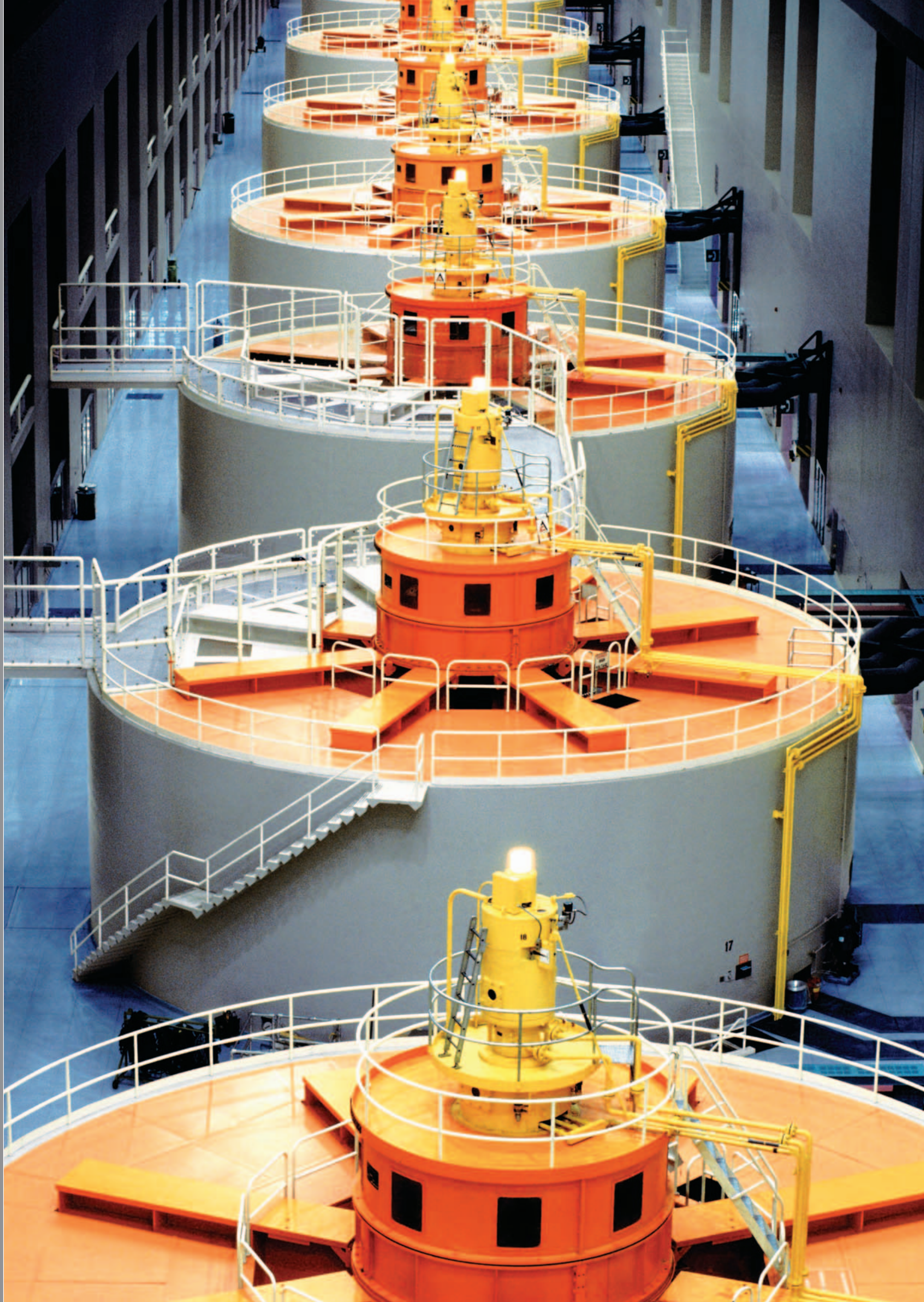
Construction of hydroelectrical power plant in Serbia

The project aimed to replace the electrical and mechanical equipment at the hydroelectric power plant "Bajina Basta", in order to enable Serbia to generate clean electricity from the Drina River for many years to come.

EUR **30** mln

commitment of KfW

Source:www.kfw.de



Vnesheconombank

The construction of the Urengoy State District Power Plant (SDPP) with the electric power capacity of 450 megawatt in the vicinity of the city of Novyi Urengoy

The efficient use of the natural gas owing to advanced technologies for the production of electrical power employing a combined cycle helps minimize negative impacts on the environment.

RUB **21.3** bln

Vnesheconombank's commitment

Slovenia, Thailand, Turkmenistan, Croatia, Montenegro, the Czech Republic, Switzerland, Finland, France and South Korea.

Servicing the Sovereign Foreign Debt of the Russian Federation

Vnesheconombank continued to prepare the final stage of exchange of the commercial debt of the former USSR for Eurobonds of the Russian Federation with maturities in 2010 and 2030. The Bank continued work on reconciling foreign creditors' debt claims (in terms of compliance with the established criteria) and ensured agreeing the relevant documentation required to regulate the exchange procedure.

Overall, in conformity with the established procedure, foreign creditors submitted 3011 claims amounting to the equivalent of USD 818.01 million. In total, 1976 claims amounting to the equivalent of USD 407.13 million were reconciled by Vnesheconombank and were agreed and acknowledged by the RF Ministry of Finance as eligible for settlement within the third stage of commercial debt exchange.

The period November – December 2009 witnessed the third (final) stage of an exchange of the former USSR commercial debt for foreign currency-denominated bonds of the Russian Federation with final maturities in 2010 and 2030. Finally, the equivalent of USD 406.05 million worth of debt claims of foreign commercial creditors were settled.

Alongside that, record-keeping/settlement support was provided for operations related to the redemption of Russia's debt towards creditor-countries beyond the framework of the Paris Club. Overall, USD 254.95 million worth of this foreign debt category was redeemed, inclusive of USD 137.21 million worth of cash payments made, USD 85.93 million redeemed within the framework of the "debt-for-goods-swap" and USD 31.81 million – within other redemption schemes.

As a result of those kinds of operations, the former USSR debt owed to Bulgaria and Oman under the intergovernmental agreements concluded as early as the 90-s was finally redeemed.

In respect of loans raised by Russia after 01.01.1992, Vnesheconombank, in the period under review, drawing on the funds of the RF federal budget, effected timely repayments of the principal amount, interest and fees amounting to USD 401.38 million in favour of creditors from Great Britain, Germany, Italy, the USA, Turkey, France and Japan.

Coupon payments under Eurobonds of the Russian Federation issued in 1998 amounting to USD 700.03 million were effected. Also, payments were made in redemption of the principal amount and the coupons under the RF government bonds "2010" and "2030" for the total sum of USD 3 116.17 million.

During the period under review, the Bank continued to work to settle the former USSR internal foreign currency-denominated debt owed to legal entities of the CIS countries. Within the framework of the events held with the aim of bolstering financial-economic relations between the Russian Federation and the CIS countries, Vnesheconombank, in the reported period, prepared analytical data on the present state of settlements under the former USSR internal foreign currency-denominated debt. Also, Vnesheconombank prepared a qualified opinion in respect of the redemption of this debt category.

To fulfil the RF Government Directive № 1047-p dated 30.07.2009 on final settlement of the obligations of the Russian Federation under the former USSR foreign debt owed to the London Club of creditors, Vnesheconombank prepared agreements for a buy back of the London Club debt instruments by the RF Ministry of Finance. On the instructions of the RF Ministry of Finance, the respective payments were effected in favour of creditors that are holders of PRINs (restructured loans) and IANs (interest arrears).

Managing State External Financial Assets of the Russian Federation

Vnesheconombank keeps records and effects settlements related to the debt of 53 Russia's debtor countries under state loans extended by the Russian Federation in accordance with 333 loan agreements.

Overall in 2009, as a result of the Bank's state external financial asset management operations, the funds transferred to the federal budget amounted to USD 874.3 million, while the volume of payments by foreign borrowers to redeem and to service the debt totaled USD 657.4 million. The proceeds delivered as a result of the realisation of clearing and blocked currency-denominated debt amounted to USD 216.9 million.

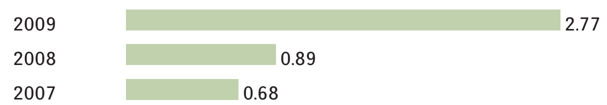
Over the period under review, Vnesheconombank's professionals signed:

- 50 trilateral agreements between the RF Ministry of Finance, Vnesheconombank and Russian organisations on the procedure for providing budget financing to Russian exporters that supply goods and render services drawing on the state loans;
- 5 interbank agreements on technical procedure of book-keeping/settlements under state credits;
- 2 agreements with the Ministries of Finance of Afghanistan and Iraq on the technical procedure for record-keeping/settlements under these debtor-countries' restructured debt in line with the intergovernmental agreements within the framework of the Paris Club of creditors.

Ensuring Repayment of Debt Owed to the Russian Federation by Legal Entities, Constituent Entities of the RF and Municipalities

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

Volume of Debt Settled, USD billion



In 2009, the volume of indebtedness settled towards the Federal budget amounted to USD 2.77 billion.

Vnesheconombank's specialists participated in 331 court hearings. The courts acknowledged the sum of more than USD 241 million worth of debt owed to the Federal budget. Within the in-court and out-of-court procedure of debt settlement, USD 684.5 million was transferred to the Federal budget, inclusive of USD 349.5 million transferred under amicable agreements and agreements on restructuring concluded earlier.

By year-end 2009, 49 claims amounting to USD 523 million were being considered by the courts.

5. State Trust Management Company

For Vnesheconombank, performing the function of the State Trust Management Company to manage the pension savings funds of insured citizens (hereinafter referred to as the "STMC")[24], which was entrusted to it by the RF Government[25] is one of the socially important aspects of its activities.

As the STMC, whose activities are regulated by Federal Law № 111-FZ dated 24.07.2002 "On Investing Funds for Financing Accumulative Part of Labour Pension in the Russian Federation", Vnesheconombank ensures management of the pension savings funds of the insured citizens of the Russian Federation who have not exercised the right to choose a private pension fund or a private asset management company and those who have shown a preference for the STMC.

[24]The given aspect of the Bank's activities is reflected in Federal Law №82-FZ dated 17.05.2007 "On Bank for Development". In accordance with the Law (Article 21, part 2), Vnesheconombank shall perform the functions of the STMC till the date set by the RF Government.

[25]The RF Government Directives №34 dated 22.01.2003 and № 970 dated 22.12.2008.

Among the most meaningful events of the reported period, strategically important for the STMC activities, was the introduction of alterations and amendments to the RF legislation aimed at securing increased yield levels of pension savings funds investment. In compliance with Federal Law № 182-FZ[26] dated 18.07.2009 (hereinafter referred to as Law 182-FZ), the STMC was granted the right to form two investment portfolios depending on levels of risks associated with the groups of financial instruments applied for managing the respective portfolio assets. Alongside that, the list of instruments eligible for investment of pension savings funds was considerably extended (by inclusion of regional, corporate and mortgage bonds, bonds of international financial institutions and deposits placed with Russian banks).

[26]On Introduction of Amendments to Federal Law "On Non-governmental Pension Funds" and Federal Law "On Investing Funds for Financing Accumulative Part of Labour Pension in the Russian Federation".

Other factors that substantially impacted the STMC activities were the market trends and the schedule of the transfer of funds from the RF Pension Fund.

In the circumstances of high volatility of the Russian ruble exchange rate relevant to the US dollar and the currency basket, priority was given to operations with the Russian government securities (OFZs, GSOs).

At the end of June 2009, the RF Pension Fund transferred to the STMC pension savings funds in the total amount of RUB 110 billion. These funds were earmarked for investment within the framework of managing an extended investment portfolio[27].

Further to approval of new investment declarations for the STMC (at the end of October 2009), Vnesheconombank as the STMC, starting from November 1, 2009, began to form and manage two investment portfolios;

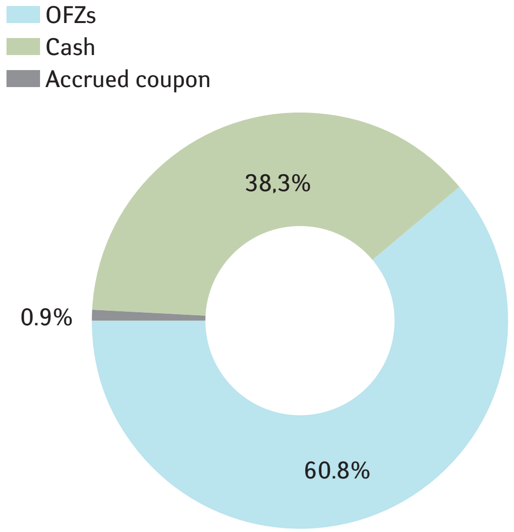
- an investment portfolio of government securities[28];
- an extended investment portfolio.

In order to form the government securities investment portfolio the RF Pension Fund and Vnesheconombank at the end of October 2009 signed an Agreement on trust management of

[27]Envisages trust management of pension savings funds of the insured citizens who have not exercised the right to choose an investment portfolio of a private asset management company or a private pension fund as well as trust management of the pension savings funds of the insured citizens who have exercised the right to choose the STMC's extended investment portfolio.

[28]Envisages trust management of pension savings funds of the insured citizens who have used the right to choose the STMC's investment portfolio of government securities.

Structure of the STMC Russian Government Securities Portfolio as at 01.01.2010

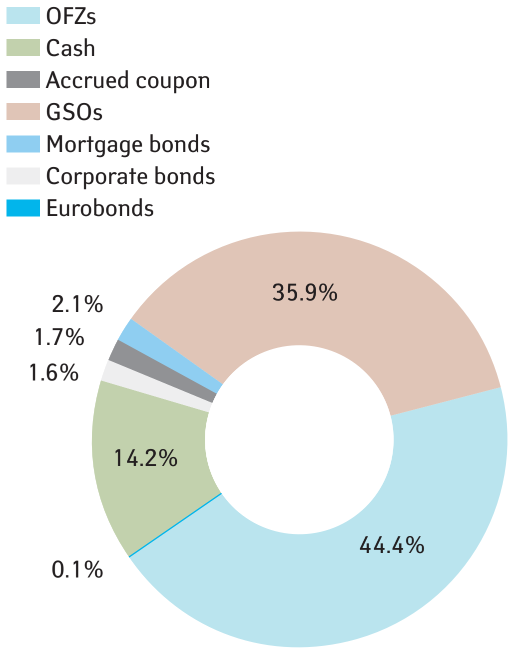


pension savings funds. Under the Agreement, RUB 0.756 billion worth of pension savings funds were transferred to the STMC for management. Part of these funds was invested in OFZs (RUB 0.468 billion plus the coupon accrued). As at 31.12.2009, the share of OFZs in the given portfolio accounted for 60.82%, while the share of cash funds made 38.30%. The investment yield on the portfolio made 5.72 % per annum (which in this particular case could be attributed to a short while of the portfolio management, actually one month).

As at December 31, 2009, the market value of *an extended investment portfolio* amounted to RUB. 480.08 billion, with RUB 403.9 billion (without the accrued coupon) being the market value of these securities.

The time factor (i.e. the approval of a new investment declaration in respect of the given portfolio in Q4 of 2009), as well as the need to pursue a well-measured policy in effecting the

Structure of the STMC Extended Portfolio as at 01.01.2010



STMC's operations[29] accounted for a relatively small volume of investment with the use of new stock market instruments: purchase of corporate bonds meeting all regulatory requirements for the total sum of RUB 7.82 billion, mortgage bonds – RUB 10 billion at par value. The share of corporate bonds accounted for 1.62% of the extended investment portfolio value, mortgage bonds – 2.08 %. Regrettably, the purchase of a higher yield than OFZs securities did not substantially impact the portfolio structure and investment yield levels posted at the end of the year.

In 2009, just as in the previous years, ensuring the safety of the pension savings funds transferred to Vnesheconombank for trust management was an overriding task for the STMC.

[29] In view of possible negative impacts on the domestic stock market environment when effecting large volume operations.

Thus, the STMC's major goal in respect of the prevailing share of the pension savings funds was met: as at 31.12 2009, the yield on the extended investment portfolio amounted to 9.52%,while the inflation rate was 8.8% per annum This was achieved mainly due to accomplishment of the STMC's other tasks. It primarily concerned:

- a well-measured strategy of pension savings funds investment aimed at minimizing market risks when investing the respective funds and transferring the funds back at the request of the RF Pension Fund;
- preparation of proposals to upgrade the legislative and regulatory framework related to the trust management of the pension savings funds, that were duly reflected in Law 182-FZ.

It is important to note that, within the reported period, all the operations related to the pension savings funds management were 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 being strictly observed), as well as in compliance with the investment decisions of the Committee on Pension Savings Funds Trust Management, a working body of Vnesheconombank.

Reports and other Information related to pension savings funds management operations, required by the RF legislation, the relevant rules, regulations and agreements, was submitted to the RF Pension Fund and the Federal Service for Financial Markets (FSFM) in a timely and complete manner.

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".

6. Corporate Governance

We acknowledge that, in pursuit of the tasks of good corporate governance in the Bank for Development, we were guided by the globally accepted approaches in this area and the analysis of the best practices offered by foreign development banks.

Overall, the system of corporate governance developed at the Bank has proved its efficiency even in a most challenging financial crisis environment. At the same time, the scale and scope of the tasks the Bank for Development is called to accomplish, the new functions that are delegated to it motivated a number of changes in the system of corporate governance.

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/expenditures plan (budget), the annual report and other basic internal documents, approving an independent external auditor, appointing Head of the Bank's Internal Control Department and making decisions pertaining to approving transactions within the established competences.

In the reported period, 20 meetings of the Supervisory Board were held, with 92 issues carefully scrutinised.

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. Within the period under review, 250 meetings of Vnesheconombank's Board were arranged and 1034 issues were subject to its consideration.

The Chairman of Vnesheconombank is appointed to office by the President of the Russian Federation on the nomination of the Chairman of the Russian Federation 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 to supporting the governing bodies' activities, working collegiate bodies operate at the Bank on a continuous basis. Their functions comprise giving preliminary consideration to issues that come within the competences of the governing bodies and preparing the relevant recommendations. These committees include: Committee for Strategic Development, Committee for Development of Investment Operations, Credit Committee, Committee on Trust Management of the Pension Savings Funds and Technology Committee. In pursuit of the tasks specified in Law 173-FZ (the end of 2008) Committee on Examining Borrower Applications for Foreign Debt Refinancing and Committee on Subordinated Loans were established.

In mid 2009, Budget Committee designed to upgrade the procedures of planning and control over Vnesheconombank's activities was set up.

Risk Management System

Vnesheconombank's professionals have put in place a risk management system that is functioning successfully. The system, in terms of methodological and technological support, can be evaluated as a most advanced one for a major Russian bank. The system complies with the Basel Committee recommendations in respect of banking oversight and the best globally accepted practices.

In our risk management policies, we are guided by a conservative approach to risk assessment.

The procedures applied to risk management concern monitoring and analysis, on a regular basis, of the state of the external environment, assessing the risks assumed/ to be assumed by the Bank, developing recommendations on risk mitigation, including proposals in respect of the structure/amount of limits set on risks, setting exposure limits and exercising control over their enforcement, making reserves for loss coverage and preparation of reports, analytical and other guidance documents.

The major internal documents regulating the Bank's risk management activities were duly approved by Vnesheconombank's Supervisory Board.

Credit risk management includes monitoring and analysing of credit risk levels (associated both with a single borrower and groups of interrelated borrowers), as well as a set of measures designed to mitigate/ reduce risks assumed by he Bank. This could be achieved, among other things, through the use of such mechanisms as setting limits, imposing requirements for a collateral accepted by the Bank to secure borrowers' and other counterparties' obligations and through risk insurance.

The Bank has adopted methodologies to assess exposure by various categories of

borrowers. For this particular purpose, it applies a single rating scale to assess creditworthiness of various borrower categories. The scale is also used for developing proposals in respect of setting limits and for assessing the costs of transactions associated with credit risks.

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

To assess potential losses in portfolios of financial instruments and the Bank's open foreign currency positions that can occur during extreme, but unlikely events, the procedure for stress-testing is carried out both on a regular basis and ad hoc. Both historical and hypothetical scenarios are used. The results obtained serve as a significant supplement to risk assessments computed using VaR model.

To reduce market risk, limits are set on sizes and parameters of positions/portfolios. On a daily basis, using VaR models, the amount of risk 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 market instruments.

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

Interest rate risk management, carried out within the framework of the Bank's asset and liability management program, aims to maintain a balanced structure of assets and liabilities sensitive to interest rate fluctuations. In order to assess the risk of changes in the Bank's net interest income, scenario modeling is carried out regularly.

In order to control liquidity risk, the Bank continuously monitors and analyses maturity mismatches between the Bank's assets and liabilities. On a daily basis, the liquidity reserve is monitored in order to identify funds available to cover unexpected liquidity gaps. The minimum amount of funds to be allocated to manage the Bank's liquidity is determined annually by the decision of the Bank's Supervisory Board.

The Bank creates reserves for possible losses (under loans, loan indebtedness and loan equivalents, other assets and off-balance sheet positions) in compliance with procedure of reserve formation approved by the Bank's Supervisory Board. The provisions and requirements set out in these documents fully comply with the approaches formulated in the CBR's regulatory documents.

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

Since the group of Vnesheconombank's subsidiaries has expanded, VEB Group risk control was substantially enhanced. In this context, the Bank has systematically collected from subsidiaries the data on the risks assumed in order to generate regular analytical reports for Vnesheconombank's Management. Work on developing a uniform approach to risk management within the VEB Group was started.

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:

- adhere to the requirements set out by the Russian legislation and internal regulatory documents, as well as international rules and standards concerning procedures for effecting banking operations, preparing the relevant documentation, providing an accurate, full, objective and timely recognition of operations in book-keeping and tax reporting, as well as for ensuring information security;

- oblige the Bank's staff to apply the principle of segregation and division of powers and duties, to abide by the established decision-making procedures that impact the interests of the Bank and /or the interests of clients and to avoid conflicts of interest;

- ensure implementation in a timely and complete manner of a set of measures designed to counteract money laundering and financing terrorism;

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

- to safeguard the Bank's property.

At the level of the Bank's units, internal control is exercised through special control procedures that are in-built into various business processes and aimed at preventing, identifying and correcting errors and distortions that can occur during operations/transactions, 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, the 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 the Bank.

Over the period under review, aiming to improve and upgrade the control procedures over the critical business processes, the Bank modernised 18 methodologies for monitoring the internal control systems. To improve the internal control systems for the Bank's role as a professional securities market participant, Vnesheconombank modernized 17 and developed 4 new methodologies for exercising control procedures. Taking full account of the changes in internal and external regulatory framework, the methodological recommendations on carrying out auditing by ICS professionals were upgraded. Apart from this, 4 methodologies to carry out checks were modernized and 5 new ones were developed.

As at 01.01.2010, ICS staff had 6 permits from the Russian Ministry of Finance authorising them to engage in banking audit activities; 11 employees had certificates from the FCSM/FFMS to engage in various activities in the securities markets; 1 employee had an ITIL certificate and 2 employees had MBAs.

Organisational Structure and HR Management

In 2009, dedicated work on upgrading the Bank's organisational structure was continued. A new structural division, namely, Department responsible for interaction with subsidiary banks was established. Some other new divisions and units were added to the Bank's structure.

In 2009, maintaining a strong focus on staff training and enhancing specialist

KfW (Germany)

Although we still cannot say that we are dealing with a global credit crunch, it worries us to see that enterprises are facing increasing problems in accessing credit. So a central task in overcoming the crisis is to mitigate their financing difficulties as far as possible. KfW is applying all its skill and experience to this task.

Ulrich Schroeder,
Chairman of the Managing Board of KfW

Germany, 1948

Legal regulation
Special act
Legal organisational form
Public law institution

Source:www.kfw.de

Vnesheconombank

Our German partner has allocated EUR 200 mln to support SMEs. The loan facility scheme provides for extending by the bank of loans to Russian regional banks against Vnesheconombank's guarantees. Primarily, funds are earmarked to support innovation by SMEs, energy efficiency technologies and other major business lines that are on the priority list of Vnesheconombank as well.

Vladimir Dmitriev,
Chairman of Vnesheconombank

Russia, 2007

Legal regulation
Federal Law dated 17.05.2007 N 82-FZ "On Bank for Development"
Legal organisational form
State corporation

KfW (Germany)

Support of small and medium-sized enterprises

KfW supports small and medium-sized enterprises and new business start-ups in Germany by offering of intensive traditional and innovative credit programs. In its activity the bank pays greater attention to the design of perspective solutions for problems that are just about to arise.

EUR 14.3 bln
commitment of KfW

Source:www.kfw.de

Vnesheconombank

Support of small and medium-sized enterprises

Vnesheconombank's program has become one of the key instruments of the state stimulus plan to promote the development of SMEs.

RUB 40 bln
Vnesheconombank's commitment in 2009
(in cooperation with the Russian Development Bank)

knowledge and qualifications of the Bank's staff was continued. Specialist training for almost 40% of VEB's staff (651 employees) in such areas as counteracting money laundering of illicit gains, financial management, including risk management, taxation, accounting and financial reporting, IFRS and IT, etc. was arranged.

Notably, to study and introduce the best HR management polices, a number of events designed to bolster the Bank's interaction with leading Russian and foreign development institutions were held:

- a multilateral Agreement on cooperation in the area of HR training and experience exchange with banks-members of the Interbank Consortium of the Shanghai Cooperation Organisation (SCO IBC) was concluded. It envisages arrangement, on a regular basis, of joint conferences devoted to most pressing issues, organisation of secondments and interactive debates with the use of IT technologies.

- The IV[th] International Interbank HR Conference "Human Capital" was organised. Among the Conference participants were more than 100 heads of HR services that represent major Russian and foreign banks.

Staff members healthcare programs have always been a key priority for Vnesheconombank. In 2009, a new medical insurance package for the employees, which offered the mechanism of the Bank's and employees' co-investment in the insurance premiums, was introduced.

Remarkably, the year 2009 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 the social climate. Traditionally, the Bank was maintaining focus on social support for working women. Starting from 2008, all the women employees of the Bank having junior age schoolchildren are entitled to have an extra free paid day on September 1[st] 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 servicing in the best Moscow clinics.

In the period under review, in order to improve the Bank's HR and social policies, upgrade events designed to enhance performance efficiency in the Bank's structural units, as well as to assess staff members satisfaction with labour conditions and identify factors that impact staff job dedication, a traditional "My Bank" questionnaire was circulated among 1100 employees representing various structural units of Vnesheconombank. Apart from this, to survey and assess staff members understanding of the events arranged in 2009, weekly questionnaires as a mechanism of opinion assessment, were made available on the Vnesheconombank's corporate Intranet site.

By a continued tradition, in 2009 a display of children's drawings and paintings that was timed to coincide with the International Day for Children Protection was organised. The children's works were exhibited on the Bank's corporate website. Remarkably, exhibition participants were awarded diplomas and memorable gifts.

Information Policy

In 2009, given an ever-growing interest in Vnesheconombank's activities as a participant in the Government crisis management program, the Bank endeavoured to ensure continuous and full awareness of the Russian and foreign public of issues that fall within its competences.

In 2009, a new emphasis was placed on the use of a wider range of communications

channels that would provide information on the Bank's activities (it primarily concerns the delivery of investment projects that are key to the development of Russia's economy). That implied making an active use of the opportunities offered by TV, Internet, as well as presentations staged at major forums, conferences and exhibitions.

The "Development Projects" program was prepared and demonstrated on the Russian "Vesti" TV channel (7 programs). It gave prominence to the Bank's role in securing modernisation of various branches of the economy and its participation in upgrading the infrastructure and developing the Russian regions. Remarkably, 2 representative international conferences, staged by Vnesheconombank and dedicated to delivering SME support and the role of development institutions in developing and modernising the Russian economy, were given live coverage on TV. Also, on a regular basis, briefings held by Vnesheconombank's Chairman to highlight the decisions of the Bank's Supervisory Board were broadcast on TV.

Vnesheconombank's official Internet site became one of the key communications channels. Over 2009, it would provide macroeconomic surveys and other analytical reports prepared by the Bank's professionals. Detailed information on the Bank's participation in the RF Government financial bail-out program was duly presented. A special interactive section, ensuring an appropriate feedback, was devoted to innovations introduced in the pension legislation in 2009. Obviously, the presentation of full information, which was made readily available on the Bank's website, won special recognition of users, whose visits to the Bank's site in 2009 (the Russian and foreign Internet segments) increased from 430 000 to 650 000, as compared to 2008.

Within the frames of major international exhibitions, forums and conferences (the International St. Petersburg Economic Forum, the Krasnoyarsk Economic Forum and Maks-2009, etc.), video presentations on projects delivered by the Bank in various sectors of economy were arranged.

During 2009, the task of creating elements of the company/corporate style and Internet website design for a number of Vnesheconombank's subsidiaries was accomplished. Uniform approaches to the application of the elements of the single parent brand identity in the advertising campaigns of Vnesheconombank's subsidiaries were devised. Special attention was given to coordinating the communication activities of the Bank's subsidiaries: a single standard of interaction with mass media was developed. It is based on the principle of activities openness and that of presenting most urgent information.

Invariably, various aspects of the Bank's activities were in the spotlight of the mass media. Efficient practice of arranging specialist briefings was introduced. As a rule, heads of Vnesheconombank's business lines would highlight the areas of activities that come within their remit and competences. The tradition of presenting interviews/publications by the Bank's top executives in the Russian and foreign publishing media, on TV and the radio channels saw further consistent implementation. Making prompt comments for the press and spelling out Vnesheconombank's position on various issues were secured.

To respond to its new role of a securities issuer, the Bank in the process of a debut domestic currency bonds issuance and placement, acting in strict compliance with the RF legislation, started to disclose the relevant information. That was made readily available both on Vnesheconombank's official website and got an immediate coverage in the news releases of information agencies.

7. Information Technology Activities

Vnesheconombank's strategic intent in the IT area is focused on the development and application of well-balanced IT services (in terms of quality, cost and business effect) that are indispensable for ensuring the Bank's efficient activities. The ITSM/ITIL methodology-based IT management system introduced at the Bank provides an objective assurance of continuous compliance of IT services with the respective requirements.

In 2009, a stronger focus was placed on enhancing the efficiency and reliability of the functioning of the Bank's software/hardware infrastructure. Alongside that, a set of measures was undertaken to create new and upgrade the existing software packages. Among the most important ones are:

The software package "System of Planning, Analysis and Monitoring of Investment Projects" was further developed and upgraded. It primarily concerned the modules used for assessing a borrower's financial standing, loan administration and preparation of qualified reports for consideration by the Bank's governing bodies. The "Risk Management System" software was further upgraded (a module for risk assessment for operations with territorial entities was put into effect; the functional capacity of a module for remote risk assessment for operations with financial institutions was enhanced).

The procedures related to Vnesheconombank's conduct (as the STMC) of tenders to invest pension savings funds in term deposits with Russian commercial banks were automated.

A set of measures was introduced intended to ensure appropriate information and technological support for the Bank's business lines related to Vnesheconombank's participation in implementing the RF Government bail-out measures and its functions as an agent for the RF Government in extending state guarantees of the Russian Federation.

In compliance with the amendments to RF Federal Law № 152-Fz dated 27.07.2006 "On Personal Data", the storage system for personal data of Vnesheconombank's clients was redesigned. A special software package was modernized and put into operation.

A software package designed for preparation and presentation of the Bank's reports to an authorized body was modernized in line with the provisions of the CBR's Directive № 321-P dated 29.08.2008 "On the Procedure for Submitting by Banks to the Authorised Body of Information Envisaged by the Federal Law "On Counteracting Money Laundering and Financing Terrorism".

In order to put into operation an automated system "Accounting and Operational System of the Moscow Region with the Use of RABIS-NP Software where the Moscow Region information is Processed in a Joint Centre for Information Processing in the city of Moscow", Vnesheconombank, throughout 2009, (at the request of the CBR) actively participated in design acceptance tests of the above system. On November 23, 2009 Vnesheconombank switched over its work to the RABIS-NP software platform (the system was introduced to replace the previous ASBR-Moscow software).

8. Participation in the Activities of Non-Commercial Organisations

Vnesheconombank is a member of more than 30 associations, unions, foundations, partnerships and public organisations and participates in the activities of non-commercial organisations both in Russia and abroad.

Vnesheconombank is a member of the International Chamber of Commerce (ICC). For years, the Bank's representatives have actively participated in the work of the Commission on Banking Technique and Practice (a working body of the ICC). In 2009, the Commission was focused on finalizing the elaboration of uniform rules and regulations for guarantee and documentary operations, initiating the development of rules for forfeiting and revising International Standard Banking Practice for letters of credit and Incoterms[30], as well as on other aspects.

Vnesheconombank's participation in organizations that work to develop international cooperation, as well as a broad range of business contacts made at forums, meetings and round tables open up new opportunities for the Bank, which can be used to develop its lending-investment activities. In particular, these organizations include:

- 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.

In the period under report, increased emphasis was put on Vnesheconombank's participation in the Shanghai Cooperation Organization Interbank Consortium (SCO IBC). In 2009, Vnesheconombank was entrusted with the role of chairing the SCO IBC in line with the decision made by the member banks.

[30]Incoterms (International Commerce Terms) – international rules on the interpretation of commonly used terms used in foreign trade.

With Vnesheconombank's participation a number of the SCO IBC annual events were arranged: the SCO IBC member banks summits in Moscow and St. Petersburg, as well as the meeting of the Interbank Consortium Council in Ekaterinburg. A Resolution on Cooperation with Financial Institutions of the SCO Observer States and on the Status of the SCO Interbank Consortium Observer Banks was devised and agreed. The document was signed at the meeting of the SCO IBC Council in June 2009. It regulates relations between the SCO Interbank Consortium and observer states' authorised financial institutions and sets forth an appropriate legal framework for a speedy observer states' banks engagement in practical work with the SCO Interbank Consortium. Further to develop the provisions of the Memorandum on partnership relations between the Eurasian Development Bank (EADB) and the SCO IBC signed in August, 2008, an exchange of information between the SCO IBC and the EADB on possible joint investment projects was arranged. On the initiative of Vnesheconombank within the framework of the XIII St. Petersburg International Economic Forum, the SCO Business Council and the Interbank Consortium staged a conference entitled "The SCO – a Space for Economic Interaction and Counteraction to the Global Crisis".

Seeking to encourage economic cooperation with developing African countries, Vnesheconombank took an active part in establishing a Coordinating Committee for Economic Cooperation with the African States (south of Sahara). The Committee was set up on the eve of the visit of D. Medvedev, President of the Russian Federation, to Africa in July 2009. The major goals of the Committee envisage consolidating efforts of the Russian business circles, state bodies and agencies and public organisations for bolstering foreign economic activities in African markets, as well as for creating an efficient mechanism to support Russian export-oriented companies in this region. Presently, the Committee comprises over 80 Russian entities, including ministries, federal bodies and agencies, organizations and companies representing large, medium and small business. Vnesheconombank's Chairman was elected Head of the Committee.

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 are 100 financial institutions from 40 countries (including Australia, India, Canada, China, South Korea and Japan). The membership of the Association enables the Bank to exchange experience with its participants in the area of financing the priority national investment projects, to use the opportunities offered by the Association as a founding member of the World Federation of Development Financing Institutions (WFDFI), as well as the opportunities offered by the ADFIAP as a consultant to the UN Economic and Social Council.

Non-commercial organisations, in which Vnesheconombank is a member, are mostly 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 Association;

- the Association of Bill Market Participants;
- the Professional Association of Registrars, Transfer Agents and Depositories (PARTAD);
- International Capital Market Association (ICMA).

Vnesheconombank's participation in such organisations enables the Bank to increase awareness and understanding by the Russian business community of its stance on developing corporate ethics, the principles and conditions defining an appropriate operation of participants in the domestic financial market, as well as to effect operations in financial markets in line with the standards and practices generally accepted by the global financial community. The Bank's participation in these organisations also contributes to its cooperation with foreign partners.

The Bank is a member of "The Russian Union of Industrialists and Entrepreneurs (RUIE)", the All-Russian union of employers and one of the most influential employer unions. Vnesheconombank's membership in this organisation and the opportunities that it provides enable the Bank to increase its partners' awareness of the Bank's position on the most pressing issues of economic and social importance and contribute to bolstering Vnesheconombank's cooperation with dynamically developing companies, many of which are of interest for the Bank as potential partners in investment activities. Vnesheconombank's Chairman has been a member of the Board of the RUIE since 2006.

9. Social Responsibility

Vnesheconombank's external social policy, which is reflected in the Bank's annual charitable programs and sponsorship plans, aims to improve the quality of life of the Russian citizens, to develop the social sphere and economic cooperation.

Traditionally, major priorities of these programs and plans, approved by Vnesheconombank's Supervisory Board, are support for healthcare, culture and arts, and sports.

Besides, in 2009, the Bank acted as a sponsor and a partner of the leading Russian and international economic forums and conferences. It should be noted that special attention was devoted to support of long-term programs, which, as experience shows, are most effective.

Healthcare and social support for citizens

Vnesheconombank continued to aid the First Hospice for Children with cancer problems. The Bank financed the purchase of expensive medical equipment for the N.N. Blokhin Research Institute of Children's Oncology and Hematology of the Russian Science Centre (a dermatome, a dermatoscope, laser, other sophisticated medical equipment).

Apart from this, the Bank, by long tradition, provided funds for arranging the annual festive "Sunny Day" event for recovering children on the Tsaritsino museum estate. In 2009, Mrs. S. Medvedeva, the President of the Fund for Social and Cultural Initiatives, the wife of the President of the Russian Federation, visited the festive event.

The Moscow Region psycho-neurological clinic for children with central nervous system disorders has been the object of the Bank's charitable activities since 2002. In 2009, substantial funds were transferred to the clinic to purchase sophisticated equipment for the restoration of movement functions, correction of defects in posture and scoliosis treatment, BIODEX SYSTEM 4 PRO diagnosis equipment and specialised medical beds required to ensure efficient management of the clinic.

To improve the well being of low-income citizens, Vnesheconombank supported orphanages, organisations for veterans and disabled veterans of the Great Patriotic War, families of those wounded or killed in combat.

Science and culture

Vnesheconombank aided the O. Yu. Shmidt Institute for Geophysics of the Russian Academy of Sciences for data collection and analysis of the geological composition of world's ocean bed that aims to identify the position of the continental shelf, as well as regions that have a high potential in terms of prospecting and exploration for hydrocarbons and minerals. Experts believe that the outcomes of such work would not only be of great scientific importance, but would also be instrumental for substantiating Russia's claims to territories in the Arctic Ocean.

In the area of culture, Vnesheconombank has traditionally supported talented theatrical companies such as the "P. Fomenko Studio" Moscow theatre and the Academy of Young Opera Singers of the Mariinskiy Theatre. Within the framework of the charitable aid to the Academy, Vnesheconombank's prizes were awarded to the most talented young singers of this famous theatre for the 9th time.

Just as before, in 2009, the Bank rendered support for such important events in the country's cultural life held by the Russian cultural institutions as the exhibitions entitled "General Battle. Marking the 300th Anniversary of the Poltava Battle" in the Moscow Kremlin Museum and "Images of History Captured by European Art of the XIXth Century" in the Pushkin State Museum of Fine Arts.

Support for Russian Orthodox Church

With a view of preserving Russia's intrinsic spiritual and historical values, Vnesheconombank pressed ahead with its efforts to ensure financial aid to the Russian Orthodox Church. The Bank continued financing the construction and completion works for the Centre for Spiritual Development of Children and Young People at the Moscow Danilov Monastery. Vnesheconombank supported the program "His Holiness, the Patriarch, to Children of Russia". Thanks to the Bank's financial aid the program opened up ample opportunities for thousands of children from all the Russian regions, that won the regional contests, envisaged by the program, to demonstrate their talent and skills within the framework of the cultural events held in Moscow.

Financing restoration of operating churches, which have historic and cultural value, is also viewed by the Bank as one of the priority tasks. In 2009, funds were transferred to ensure repairs of the Presvyataya Bogoroditsa Pokrov Church (in the village of Tyunezh, the Tula region), the Svyatye Petr and Pavel Apostols Church of Svyato-Troitze-Sergieva Lavra, the Spasskiy Church in the village of Ubory (the Moscow region), the Bishop's Metochion of the Samara eparchy Head, the Bishop's Metochion in Zariadye (the city of Moscow). Apart from this, the Bank transferred funds to the Representation of the Russian Orthodox Church in Strasbourg (France).

Economic forums, conferences, exhibitions

Vnesheconombank in line with the program, which is annually approved by the Bank's Supervisory Board, ensures sponsorship support for various events and projects that receive a wide public response in the Russian and international business community.

An international conference called "Modernisation of the Russian Economy: Role of Development Institutions" arranged by the Bank and timed to coincide with its 85th anniversary

Korea Development Bank

The Korea Development Bank has fulfilled its role as a state-owned bank by spearheading the nation's industrial economic development for over five decades. The bank has driven remarkable growth throughout the course of the industrialization of Korea.

Min Euoo Sung,
Chairman & CEO of Korea Development Bank

Korea, 1954

Legal regulation
Special act
Legal organisational form
Joint-stock company with state participation

Source:www.kdb.co.kr

Vnesheconombank

We engage in implementing projects that for commercial banks would be too hard to procure or else would not make much commercial sense. Profit generation is a primary goal of commercial banking, while we place focus on meeting social and economic challenges.

Vladimir Dmitriev,
Chairman of Vnesheconombank

Russia, 2007

Legal regulation
Federal Law dated 17.05.2007 N 82-FZ "On Bank for Development"
Legal organisational form
State corporation

Korea Development Bank

Production and exploitation of motor vehicles

Bank provided the SangYong Company with a credit line for development of production and exploitation of motor vehicles. The project is generally aimed at technological advance and diversification of economy of South Korea.

USD 70 bln

commitment of Korea Development Bank

Source: www.kdb.co.kr

Vnesheconombank

The construction of a car and car components production line in the Primorski territory

Launching a car assembly plant in the Far East with the minimum productive capacity of 10 000 cars per year and a wide product range, as well as a production line of car components in Elabuga (the Republic of Tatarstan).

RUB 5.0 bln

Vnesheconombank's commitment

was a most prominent event in this past year. The major topic for discussion was the prospects of the country's economy in the near term in the context of development institutions activities. In the course of the event, a wide range of issues and challenges were discussed. They included identifying ways of enhancing Russia's economy competitive edge (also the financial aspects of the issue), applying project finance mechanisms in the delivery of major investment projects aimed at development of infrastructure and innovation, support for Russian exports. More than 300 Russian and foreign representatives of federal authorities and business took part in the conference. Among them were famous policy makers, bankers, representatives of international financial organisations and development institutions.

The all-Russia Forum on SME entrepreneurship arranged by Vnesheconom-bank in cooperation with the RF Ministry of Economic Development and All-Russia Public organisation for SMEs "Opora Rossii" was also a remarkable event during the reported period. In the course of the event the following issues were discussed: delivering state support for SMEs as an affective measure to fight unemployment, improving the taxation system applied to SMEs and effectiveness of lending to SMEs through the banking system. More than 700 participants representing the interested parties from among the public authorities, including the Prime Minister, the ministers of the economic block, as well as representatives of SMEs, regional banks and public organisations took part in the discussion.

In order to support and improve Russia's investment image the Bank participated as a sponsor both in Russian and international forums and congresses. They include: the St. Petersburg Global Economic Forum – 2009, the VIII[th] International Investment Forum "Sochi-2009", the VI[th] Krasnoyarsk Economic Forum, an annual session of the Russian Economic and Financial Forum in Switzerland, the Annual Banking Forum of the Eastern Europe and the CIS countries. Also, Vnesheconombank acted as a partner in such major regional events as the III International Pacific Economic Congress (Vladivostok), and the "St. Petersburg Dialog" Forum.

In 2009, Vnesheconombank also participated as a sponsor in a number of major exhibitions held in Russia and abroad. Among them were: international exhibition "Moscow International Aviation Space Show 2009", the International Naval Show 2009, the IX[th] Moscow International Show for Innovation and Investment, the Russian National Exposition at the International Industrial Exhibition in Hanoi (Vietnam) "VIIF-2009", the International Forum-Exhibition "Transport of Russia: Establishment, Development and Prospects".

Sports

Seeking to maintain the tradition of the past years, the Bank supported the development of Russian sports. In accordance with Vnesheconombank's Supervisory Board's decision, the Bank delivered sponsorship aid to Russia's National hockey team within the framework of the preparation for 2010 Vancouver Winter Olympic Games. Apart from it, this past year the Bank acted as a major patron of the "Golden Boat" International University Regatta competition. The Bank has been a patron of the All-Russia Volley-Ball Federation and the All-Russia Swimming Federation for many years.

Volunteer campaigns

In 2009, the following volunteer campaigns with the participation of the Bank's staff members were arranged:

- A "Hot Line" is operating continuously in the Intranet portal that makes it possible for every employee to turn for help to colleagues. In 2009, within "the Hot Line" 5 projects to support the Bank's employees in trouble were arranged.

- In February and August 2009, blood donation campaigns were arranged for the benefit of children suffering from blood diseases and medical organisations that are in extreme need of donor blood.

- In April 2009, an Easter campaign was held to assist children from the orphanage in the Sviato-Nikolsky Convent in the city of Privolzhsk.

- Throughout the year, the Bank's staff members aided the children of the Voskresensk orphanage:

  - by September 1, 2009 all the children were accommodated for the new academic year with the Bank's help (all the required school accessories, textbooks, stationery etc. were bought);

  - in the period of the influenza epidemic all the necessary medicines were bought and sent to the orphanage;

  - a campaign called "A New Year Tree of Wishes" was held on the New Year eve. Vnesheconombank's staff members helped to make the wish of every child come true. Thousands of gifts – from toy cars to dolls and mobile telephones were presented to children at the school festive event;

- Within the framework of a volunteer campaign "We remember..." held to commemorate the Victory Day, the Bank's employees visited and congratulated veterans that could not attend the official celebration and helped those who took part in the festive event to get home. Apart from this, assistance is rendered to the veterans in every day life;

- A volunteer campaign was arranged to help people injured in the fire in the city of Perm.

In 2009, special endeavors were made for upgrading the System of Corporate Social Responsibility (CSR) and preparing non-financial reporting. To this end, appropriate internal regulatory documents underlying the CSR policies implementation and the preparation of non-financial reports were approved. Also, a training seminar "Corporate Social Responsibility and Non-financial Reporting in Development Banks" was held. The heads of the Bank's structural divisions represented the target audience Obviously, it would help secure a shared understanding of the issue that is new for the Bank.

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 2009, 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.

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 of the Federal Tax Service, Russia (St. Petersburg).

In compliance with Memorandum on financial policies of State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)", as approved by the RF Government Directive №1007-P dated 27.07.2007, 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).

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

Year ended 31 December 2009
Together with Report of Independent Auditors

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Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of state corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" (hereinafter, the "Bank") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group of state corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" as at 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young Vneshaudit

1 June 2010

Consolidated Statement of Financial Position

as of 31 December 2009

(in millions of Russian rubles)

	Notes	2009	2008
ASSETS			
Cash and cash equivalents	9	168,916	281,673
Precious metals		248	1,163
Financial assets at fair value through profit or loss	10	51,507	52,089
Trading securities pledged under repurchase agreements	10	–	3,444
Amounts due from credit institutions	11	467,308	311,510
Loans to customers	13	843,538	725,640
Assets held for sale	14	1	342
Investment securities:	15		
- available-for-sale		332,739	228,607
- held-to-maturity		22,366	11,752
Investment securities pledged under repurchase agreements	15	13,328	–
Due from the Russian Government	16	207	194
Receivable from the Russian Government under London Club Arrangement	7	1,115	1,083
Investments in associates	17	5,462	5,708
Property and equipment	18	20,404	8,026
Income tax assets	19	856	1,573
Other assets	21	11,219	11,937
Total assets		**1,939,214**	**1,644,741**
LIABILITIES			
Amounts due to credit institutions	22	201,137	373,460
Derivative financial liabilities	12	2,599	13,451
Due to the Russian Government and the Bank of Russia	7	987,563	913,889
Due to London Club creditors	7	1,115	1,083
Amounts due to customers	23	202,223	111,341
Debt securities issued	24	78,896	8,225
Income tax liabilities	19	1,948	282
Provisions	20	2,467	1,362
Other liabilities	21	6,030	6,352
Total liabilities		**1,483,978**	**1,429,445**

	Notes	2009	2008
EQUITY	25		
Charter capital		382,489	261,489
Accumulated deficit		(3,809)	(43,981)
Unrealized gains/(losses) on investment securities available for sale		73,940	(4,639)
Foreign currency translation reserve		382	856
Equity		**453,002**	**213,725**
Minority interest		**2,234**	**1,571**
Total equity		**455,236**	**215,296**
Total equity and liabilities		**1,939,214**	**1,644,741**

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

Vladimir A. Dmitriev — Chairman of the Bank

Vladimir D. Shaprinsky — Chief Accountant

28 May 2010

The accompanying notes 1 to 34 are an integral part of these consolidated financial statements.

Consolidated Statement of Income

for the year ended 31 December 2009
(in millions of Russian rubles)

	Notes	2009	2008
Interest income			
Loans to customers		89,648	24,395
Amounts due from credit institutions and cash equivalents		34,742	13,614
Investment securities		12,298	3,721
		136,688	**41,730**
Trading securities		2,106	1,678
		138,794	**43,408**
Interest expenses			
Amounts due to credit institutions and the Bank of Russia		(39,575)	(12,843)
Amounts due to customers and the Russian Government		(45,920)	(7,598)
Debt securities issued		(1,363)	(617)
		(86,858)	**(21,058)**
Net interest income		**51,936**	**22,350**
Provision for impairment of interest-earning assets	11, 13	(114,837)	(8,601)
Net interest income after provision for impairment of interest-earning assets		**(62,901)**	**13,749**
Net fee and commission income	27	7,189	1,625
Gains less losses arising from financial instruments at fair value through profit or loss		27,524	(27,988)
Gains less losses from investment securities available-for-sale	28	42,940	(21,194)
Net gains/(losses) from foreign currencies:			
- dealing		12,603	(10,242)
- translation differences		(2,100)	16,644
Gains on initial recognition of financial instruments	7	9,087	–
Share in net income/(loss) of associates	17	56	(266)
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	5	23,832	–
Dividends		2,620	386
Other operating income		1,715	948

	Notes	2009	2008
Non-interest income / (expenses)		**125,466**	**(40,087)**
Payroll and other staff costs		(10,152)	(4,605)
Occupancy and equipment		(4,123)	(1,025)
Depreciation	18	(1,421)	(454)
Taxes other than income tax		(804)	(258)
Goodwill written off		–	(41,841)
Provision for other impairment and provisions	20	(1,327)	(1,995)
Other operating expenses	29	(6,006)	(3,806)
Non-interest expenses		**(23,833)**	**(53,984)**
Income /(loss) before income tax		**38,732**	**(80,322)**
Income tax expense	19	(417)	(947)
Net income / (loss) for the year		**38,315**	**(81,269)**
Attributable to:			
- Equity holder of the parent		41,443	(81,777)
- Minority interest		(3,128)	508
		38,315	**(81,269)**

The accompanying notes 1 to 34 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009
(in millions of Russian rubles)

	Notes	2009	2008
Net income / (loss) for the year		**38,315**	**(81,269)**
Other comprehensive income			
Net gains/(losses) on investment securities available-for-sale	25	78,622	(1,587)
Income tax relating to unrealized gains/(losses) on investment securities available-for-sale	19	(43)	46
Currency translation differences		(464)	765
Other comprehensive income / (expense) for the year, net of tax		**78,115**	**(776)**
Total comprehensive income / (expense) for the year		**116,430**	**(82,045)**
Attributable to:			
- Equity holder of the parent		119,755	(82,604)
- Minority interest		(3,325)	559
		116,430	**(82,045)**

The accompanying notes 1 to 34 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009
(in millions of Russian rubles)

	Attributable to the Russian Government						
	Charter capital	Retained earnings / (accumulated deficit)	Unrealized gains/ (losses) on investment securities available for sale	Foreign currency translation reserve	Total	Minority interest	Total equity
31 December 2007	**186,390**	**38,616**	**(3,100)**	**144**	**222,050**	**657**	**222,707**
Total comprehensive income / (expense) for the year	–	(81,777)	(1,539)	712	(82,604)	559	(82,045)
Contribution of the Russian Government (Note 25)	75,000	–	–	–	75,000	–	75,000
Acquisition of subsidiary	–	–	–	–	–	868	868
Increase in interest in subsidiary	99	(730)	–	–	(631)	(554)	(1,185)
Contribution to the share capital of subsidiary from minority shareholders	–	–	–	–	–	83	83
Dividends paid to equity holders (Note 25)	–	(90)	–	–	(90)	–	(90)
Dividends of subsidiaries paid to minority shareholders	–	–	–	–	–	(42)	(42)
31 December 2008	**261,489**	**(43,981)**	**(4,639)**	**856**	**213,725**	**1,571**	**215,296**
Total comprehensive income for the year	–	41,443	78,582	(270)	119,755	(3,325)	116,430
Acquisition of subsidiaries	–	–	–	–	–	4,174	4,174
Increase in interest in subsidiaries	–	(1,271)	(3)	(204)	(1,478)	(186)	(1,664)
Contribution of the Russian Government (Note 25)	121,000	–	–	–	121,000	–	121,000
31 December 2009	**382,489**	**(3,809)**	**73,940**	**382**	**453,002**	**2,234**	**455,236**

The accompanying notes 1 to 34 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2009

(in millions of Russian rubles)

	Notes	2009	2008
Cash flows from operating activities			
Net income / (loss) for the year		38,315	(81,269)
Adjustments for:			
Depreciation and amortization		1,698	533
Deferred income tax		(277)	114
Change in interest expense accrued on special purpose financing from the Ministry of Finance and the Bank of Russia		2,041	–
Impairment allowance and other provisions		116,164	10,596
Changes in unrealized revaluation of trading securities and derivative financial instruments		(30,322)	69,052
Gains less losses from investment securities, net of impairment loss		(56,718)	(41,849)
Impairment loss on investment securities available-for-sale		13,778	20,655
Gains on initial recognition of financial instruments		(9,087)	–
Share in (income) / loss of associates		(56)	266
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets over cost		(23,832)	–
Goodwill written off		–	41,841
Other changes		(590)	(902)
Cash flows from operating activities before changes in operating assets and liabilities		**51,114**	**19,037**
Net (increase)/decrease in operating assets			
Precious metals		(22)	–
Financial assets at fair value through profit or loss		24,461	(25,966)
Amounts due from credit institutions		9,423	(29,357)
Loans to customers		(125,616)	(418,336)
Due from the Russian Government		607	918
Other assets		(1,544)	(3,537)

The accompanying notes 1 to 34 are an integral part of these consolidated financial statements.

	Notes	2009	2008
Net increase/(decrease) in operating liabilities			
Amounts due to credit institutions, net of long-term interbank financing		(96,822)	75,710
Derivative financial liabilities		(4)	(194)
Due to the Russian Government and the Bank of Russia, net of long-term special purpose financing		(18,237)	450,520
Amounts due to customers		3,392	(9,765)
Promissory notes issued		6,420	(10,311)
Other liabilities		(1,549)	1,665
Net cash from/ (used in) operating activities		**(148,377)**	**50,384**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	5	36,079	6,390
Increase in interest in subsidiaries		(1,742)	(1,185)
Proceeds from sale of assets held for sale		168	–
Investments in associates		–	(1,507)
Purchase of investment securities		(233,329)	(334,145)
Proceeds from sale and redemption of investment securities		227,731	139,707
Subordinated loans issued		(163,045)	(225,000)
Purchase of property and equipment		(2,088)	(2,038)
Proceeds from sale of property and equipment		642	86
Net cash from /(used in) investing activities		**(135,584)**	**(417,692)**
Cash flows from financing activities			
Contribution to charter capital from the Russian Government		121,000	75,000
Contribution to the share capital of subsidiary from minority shareholders		78	83
Long-term interbank financing raised		28,250	90,380
Long-term interbank financing repaid		(132,957)	(73,997)
Long-term special purpose financing raised from the Ministry of Finance		94,510	400,000
Placement of bonds		63,422	–

The accompanying notes 1 to 34 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2009 *(continued)*
(In millions of Russian rubles)

	Notes	2009	2008
Redemption of bonds		(3,099)	–
Dividends paid to equity holders		–	(90)
Dividends of subsidiaries paid to minority shareholders		–	(42)
Net cash from /(used in) financing activities		**171,204**	**491,334**
Cash and cash equivalents reclassified to assets held for sale	14	–	12
Net increase / (decrease) in cash and cash equivalents		**(112,757)**	**124,038**
Cash and cash equivalents, beginning		**281,673**	**157,635**
Cash and cash equivalents, ending	9	**168,916**	**281,673**
Supplemental information:			
Income tax recovered/ (paid)		442	(389)
Interest paid		(78,744)	(15,574)
Interest received		118,977	38,884
Dividends received		2,621	327

The accompanying notes 1 to 34 are an integral part of these consolidated financial statements.

Notes to 2009 Consolidated Financial Statements

1. Principal activities

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

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

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

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

The management bodies of the Bank are the Supervisory Board chaired by the Prime Minister of the Russian Federation, the Management Board and the Chairman of the Bank. In accordance with the Federal Law, the Chairman of the Bank is appointed by the President of the Russian Federation for a term which cannot exceed 5 years.

Vnesheconombank activities are aimed at overcoming infrastructure growth constraints, upgrading and promoting non-raw materials economic sector, encouraging innovations and exports of high-technology products, carrying out projects in special economic zones, environment protection projects, supporting small

1. Principal activities (continued)

and medium-sized businesses. The Bank actively participates in large investment projects contributing to the development of infrastructure and high-technology industries of the real sector of the economy.

As described in greater detail in Note 25, the Bank's charter capital has been formed by means of asset contributions from the Russian Federation made under decisions of the Russian Government, including contribution of state-owned shares of OJSC "Russian Bank for Development" and CJSC ROSEXIMBANK to the charter capital.

On 25 December 2009, Vnesheconombank entered into an Agreement with the Russian Ministry of Finance for performing the functions of an agent of the Russian Government according to which the Bank shall carry out banking operations required to service and repay the foreign national debt and foreign national debt claims of the Russian Federation and the internal foreign currency-denominated debt of the former USSR, including debt securities issued to replace funds on frozen accounts of Russian legal entities with Vnesheconombank (OVGVZ). The terms of the Agreement shall apply to relations between the parties from 1 January 2009. The Agreement provides for agency fees payable to the Bank if the Russian Ministry of Finance considers the Bank's performance under the Agreement satisfactory. The amount of fees due to Vnesheconombank for performing the agency functions shall be established by a federal law concerning the federal budget for the respective fiscal year and the planned period, and by a resolution of the Russian Government concerning its implementation. The amount of fees for 2009 has been established by Federal Law No. 76-FZ dated 28 April 2009 which amended Federal Law No. 204-FZ dated 24 November 2008, "On the Federal Budget for 2009 and the Planned Period of 2010 and 2011". In addition, the above Agreement requires that the Russian Ministry of Finance provide in due time the full amount of requisite funds from the federal budget for the Bank to service and repay the foreign and internal foreign currency-denominated debt of the former USSR and to manage and use the assets of the former USSR. The Agreement was in effect through 31 December 2009 and can be extended, subject to mutual consent of the parties, for a term established by a federal law concerning the federal budget for the respective fiscal year and the planned period, and/or act of the Russian Government. The Bank expects the addendum to be signed in the first half of 2010.

All agreements authorizing Vnesheconombank to perform the functions of an agent of the Russian Government which have been previously concluded with the Russian Ministry of Finance and remain in effect, apply to the extent that they do not contradict the Agreement dated 25 December 2009. Thus, at 31 December 2009 and 31 December 2008, the Bank as the legal successor of the Vnesheconombank of the USSR was also a party to two separate agency agreements:

- The agreement dated 30 July 1992 (as amended on 17 March 1993) with the Russian Government requires the Bank to carry out banking operations necessary to service the centralized foreign economic activities of the Russian Federation.

- The agreement dated 30 September 1993 with the Russian Ministry of Finance requires the Bank to service bonds issued to replace funds on frozen accounts with Vnesheconombank held by Russian legal entities.

These agreements have an indefinite term and provide for certain commissions and fees to be paid to the Bank based upon the volume of transactions serviced and the value of bonds issued.

As described in greater detail in Note 7, at 31 December 2009 and 31 December 2008, the Russian Government owed Vnesheconombank RUB 1,115 million and RUB 1,083 million, respectively, relating to the London Club debt obligation of Vnesheconombank. These amounts have been presented in the Bank's statement of financial position and are not subject to offset. No allowance has been provided with respect to the Russian Government receivable under the London Club debt.

1. Principal activities (continued)

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

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

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

During 2009 the Bank as the State Trust Management Company mainly invested in state securities denominated in Russian Rubles. At 31 December 2009, total assets within the extended investment portfolio managed by the Bank and the portfolio of state securities were RUB 480,075 million and RUB 765 million, respectively. Thus, total funds of the State Pension Fund of the Russian Federation placed in management to state management company amounted to RUB 480,840 million at 31 December 2009. At 31 December 2008, total assets within the investment portfolio of the state management company were RUB 343,106 million.

In accordance with Resolution of the Russian Government No. 970 dated 22 December 2008, the Bank shall perform functions of the State Trust Management Company until 1 January 2014.

Since October 2008, Vnesheconombank has been taking measures aimed at supporting the financial system of the Russian Federation so as to implement Federal Law No. 173-FZ dated 13 October 2008, "On Additional Measures to Support the Financial System of the Russian Federation". As described in greater detail in Notes 11 and 13, the Bank extends loans to organizations for repaying and servicing loans received from foreign institutions and extends unsecured subordinated loans to Russian banks.

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

At 31 December 2009 and 31 December 2008, the Group had 19,189 and 7,444 employees, respectively.

2. Basis of preparation

General

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Bank, its subsidiaries and associates maintain their accounting records in accordance with regulations applicable in their country of registration. These consolidated financial statements are

2. Basis of preparation (continued)
General (continued)

based on those accounting books and records, as adjusted and reclassified in order to comply with IFRS. The reconciliation between equity and net income / (loss) before adjustments and reclassifications and per IFRS is presented later in this note.

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. For example, trading securities, financial assets designated as at fair value through profit or loss, available-for-sale securities and derivative financial instruments have been measured at fair value.

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

Functional currency

The Russian ruble is the functional currency of Vnesheconombank and the presentation currency of the Group. Transactions in other currencies are treated as transactions in foreign currencies. The Group's major foreign subsidiary OJSC "Belvnesheconombank" uses Belarusian ruble ("BYR") as its functional currency. PSC "Prominvestbank", another foreign subsidiary of the Group, uses the Ukrainian hryvnia ("UAH") as its functional currency.

London Club debt amounts denominated in foreign currencies are recorded at the official rates of the Bank of Russia at 31 December 2009 and 31 December 2008.

Clearing currencies are the settlement currencies for bilateral trade between the Russian Federation and designated countries. Clearing currencies are regularly traded on special auctions held by the Bank under the supervision of the Ministry of Finance. Clearing currencies-denominated assets and liabilities have been translated into RUB at the official rates of the Bank of Russia at 31 December 2009 and 31 December 2008.

Segregation of operations

Until the date determined by the Russian Government, the Bank, in its agency capacity, maintains and services certain assets and liabilities on behalf of the Russian Government. Such balances have not been included in the accompanying statements of financial position given the agency nature of the relationship and in accordance with the underlying Agency Agreements and specific guidelines (the "Guidelines") approved by the Board of Directors of Vnesheconombank of the USSR and the Ministry of Finance in 1997.

The Guidelines stipulated the following assets and liabilities are the responsibility of the Ministry of Finance and have, therefore, been excluded from the accompanying statements of financial position:

1. Liabilities to foreign creditors including all accrued interest which are serviced and redeemed at the expense of the Russian Government, except some remaining London Club obligations (Note 7);

2. Internal foreign currency debt to residents of the former USSR;

3. Claims to legal entities for foreign currency government and commercial loans granted to Russian Federation regions, former republics of the USSR, and other foreign countries representing both government external and internal foreign currency assets;

2. Basis of preparation (continued)
General (continued)

4. Clearing, barter, and mutual settlements, including corresponding settlements with clients, executed on the basis of intergovernmental agreements;

5. Participation claims and liabilities related to the reorganization of former USSR-owned foreign banks, which are subject to trilateral settlement by the CBR, the Ministry of Finance, and Vnesheconombank, and equity participations financed by borrowings, the responsibility for which was assumed by the Ministry of Finance;

6. Claims against Russian commercial banks and other commercial entities for guarantees in favor of the Ministry of Finance under centralized operations, as well as other claims and liabilities that resulted from, or arise as a result of, operations conducted at the expense of the Russian Government.

Subsidiaries

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

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

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

At 31 December 2009, the Group owned 97.42% of OJSC "Belvnesheconombank"'s equity. The Group owns 5,894,290,315 ordinary shares of OJSC "Belvnesheconombank" with a par value of BYR 100 (about RUB 1.1). Out of these shares, 129,389,851 shares were acquired mainly during 2007 at BYR 403 per share (about RUB 4.5). In 2008, the Group purchased 3,054,980,370 ordinary shares of OJSC "Belvnesheconombank" at a price ranging from BYR 100 to BYR 1,139 per share for the total amount of RUB 4,592 million. In December 2009, as a result of placement of additional issue of shares, the Group purchased 2,709,920,094 ordinary shares of OJSC "Belvnesheconombank" at par value of BYR 100 per share for the total amount of RUB 2,864 million. At 31 December 2009, the aggregate cost of all purchased shares was RUB 8,081 million. OJSC "Belvnesheconombank" was established in 1991 as a result of the separation of the Belarus branch of the Vnesheconombank of the USSR; primary areas of its operations include granting loans to exporting

(in millions of Russian rubles)

2. Basis of preparation (continued)
General (continued)

and other industries, issuing and processing export and import letters of credits, transferring payments and exchanging foreign currencies upon demand of its customers and for currency trading purposes, attracting deposits and dealing in debt securities.

At 31 December 2009, the Group owned 78.07% of OJSC "VEB-Leasing"'s equity. The Group purchased 2,086,002 ordinary shares in April 2008. The cost of purchased shares was RUB 2,246 million. In November 2009 the Group also purchased in the secondary market 1,171,000 shares of OJSC "VEB-Leasing" for the total amount of RUB 1,742 million. OJSC "VEB-Leasing" is the legal successor of CJSC "Oboronpromleasing" whose establishment in 2003 was initiated by FGUP "Rosoboronexport" for the purpose of providing leasing services to civil and military production enterprises. The company is primarily engaged in finance lease of high-technology equipment produced by leading world manufacturers, helicopters and related equipment to lessees in the Russian Federation.

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

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

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

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

2. Basis of preparation (continued)
General (continued)

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

Other subsidiaries of the Bank included in the consolidated financial statements at 31 December 2009 and 31 December 2008 are A.F.C. s.r.l. (100%), CJSC "Kraslesinvest" (before February 2008 – LLC "Kraslesinvest", 100%). LLC "Russian Leasing Company" (100%) and Bumofin KFT (98.8%) were also included in the consolidated financial statements as at 31 December 2008.

The list of associated companies and more details on their activities are provided in Note 17.

Reconciliation of equity and net income for the year before adjustments and reclassifications and per IFRS

Equity and net income / (loss) for the year before adjustments and reclassifications are reconciled to IFRS as follows:

	2009		2008	
	Equity	Net income	Equity	Net income / (loss)
Before adjustments and reclassifications	**497,583**	**30,957**	**263,548**	**9,346**
Effect of consolidation of subsidiaries	(10,173)	(6,380)	(5,889)	(6,704)
Currency translation differences	(571)	35	(606)	(1,016)
Effect of accrued interest	(12,929)	(12,439)	(490)	(700)
Effect of recording financial assets at amortized cost	4,668	2,276	2,392	1,828
Gains on initial recognition of financial instruments	9,087	9,087	–	–
Impairment of financial assets	–	(13,762)	258	(20,670)
Provisions for losses	10,049	3,687	6,362	4,768
Fair value revaluation of trading securities	(34)	16,975	59	(18,232)
Fair value revaluation of investment securities available for sale	59	–	47	190
Derivative financial instruments	(1,069)	8,850	(9,919)	(9,145)
Taxation	–	–	–	(484)
Goodwill written off	(41,841)	–	(41,841)	(41,841)
Other	407	(971)	1,375	1,391
International Financial Reporting Standards	**455,236**	**38,315**	**215,296**	**(81,269)**

(in millions of Russian rubles)

Reclassification

The following reclassifications have been made to 2008 balances to conform to the 2009 presentation:

	As previously reported	Reclassification	As adjusted
Gains less losses arising from financial instruments at fair value through profit or loss	(26,068)	(1,920)	(27,988)
Net gains/(losses) from foreign currencies (dealing)	(12,162)	1,920	(10,242)

3. Summary of significant accounting policies

Changes in accounting policies

The Group has adopted the following amended IFRS and new IFRIC Interpretations during the year. The principal effects of these changes are as follows:

Improvements to IFRS

In May 2008, the International Accounting Standards Board issued the first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying the wording. There are separate transitional provisions for each standard. Amendments included in May 2008 "Improvements to IFRS" did not have any impact on the accounting policies, financial position or performance of the Group, except for the amendment to IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance", as described below.

IAS 20 has been amended to require that loans received from the government that have a below-market rate of interest be recognized and measured in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". The benefit of the government loan is measured at the inception of the loan as the difference between the cash received and the amount at which the loan is initially recognized in the statement of financial position. This benefit is accounted for in accordance with IAS 20. The amendment is applied prospectively to government loans received on or after 1 January 2009.

IAS 1 "Presentation of Financial Statements" (Revised)

A revised IAS 1 was issued in September 2007, and became effective for annual periods beginning on or after 1 January 2009. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one statement, or in two linked statements. The revised standard also requires that the income tax effect of each component of comprehensive income be disclosed. In addition, it requires entities to present a comparative statement of financial position as at the beginning of the earliest comparative period when the entity has retrospectively applied changes in accounting policies, makes a retrospective restatement, or reclassifies items in the financial statements.

The Group has elected to present comprehensive income in two separate statements: statement of operations and statement of comprehensive income. The Group has not provided a restated comparative set of financial position for the earliest comparative period, as it has not adopted any new accounting

policies retrospectively, or has made a retrospective restatement, or retrospectively reclassified items in the consolidated financial statements.

IFRS 7 "Financial Instruments: Disclosures"

The amendments to IFRS 7 were issued in March 2009 to enhance fair value and liquidity disclosures. With respect to fair value, the amendments require disclosure of a three-level fair value hierarchy, by class, for all financial instruments recognized at fair value and specific disclosures related to the transfers between levels in the hierarchy and detailed disclosures related to level 3 of the fair value hierarchy. In addition, the amendments modify the required liquidity disclosures with respect to derivative transactions and assets used for liquidity management. Comparative information has not been provided by the Group as permitted by the transition provisions of the amendment.

IAS 23 "Borrowing Costs" (Revised)

A revised IAS 23 "Borrowing costs" was issued in March 2007 and became effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Group adopted this as a prospective change. No changes will be made for borrowing costs incurred to this date that have been expensed.

Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" – "Puttable Financial Instruments and Obligations Arising on Liquidation"

The amendments to IAS 32 and IAS 1 were issued in February 2008, and became effective for annual periods beginning on or after 1 January 2009. The amendments require puttable instruments that represent a residual interest in an entity to be classified as equity, provided they satisfy certain conditions. These amendments did not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 2 "Share-based Payment"- Vesting Conditions and Cancellations

These amendments were issued in January 2008 and became effective for annual periods beginning on or after 1 January 2009. These amendments clarify the definition of vesting conditions and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. These amendments did not have any impact on the Group's consolidated financial statements.

IFRS 8 "Operating Segments"

IFRS 8 became effective for annual periods beginning on or after 1 January 2009. This Standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. In accordance with this Standard the Group discloses information on the operating segments in Note 6.

IFRIC 13 "Customer Loyalty Programs"

IFRIC Interpretation 13 was issued in June 2007 and became effective for annual periods beginning on or after 1 July 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. This interpretation did not have any impact on the Group's consolidated financial statements as no such schemes currently exist.

3. Summary of significant accounting policies (continued)
Changes in accounting policies (continued)

IFRIC 15 "Agreements for the Construction of Real Estate"
IFRIC Interpretation 15 was issued in July 2008 and is applicable retrospectively for annual periods beginning on or after 1 January 2009. This Interpretation clarifies when and how revenue and respective expenses related to sale of real estate should be recognized, if the agreement between a developer and a buyer is reached before the construction is completed. The interpretation also provides guidance on how to determine whether an agreement is within the scope of IAS 11 "Construction Contracts" or IAS 18 "Revenue" and supersedes the current guidance for real estate in the Appendix to IAS 18. This interpretation did not have any impact on the Group's consolidated financial statements.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"
IFRIC Interpretation 16 was issued in July 2008 and is applicable for annual periods beginning on or after 1 October 2008. This Interpretation provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of net investment, where within the group the hedging instrument can be held and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. This interpretation did not have any impact on the Group's consolidated financial statements.

Amendments to IFRIC 9 "Reassessment of Embedded Derivatives"
The amendments require entities to assess whether to separate an embedded derivative from a host contract in the case where the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. The amendments are applicable for annual periods ending on or after 30 June 2009. The application of the amendment did not have a significant impact on the Group's consolidated financial statements as no reclassifications were made for instruments that contained embedded derivatives.

IFRIC 18 "Transfers of Assets from Customers"
IFRIC 18 was issued in January 2009 and became effective for transfers of assets from customers received on or after 1 July 2009 with early application permitted, provided valuations were obtained at the date those transfers occurred. This Interpretation should be applied prospectively. IFRIC 18 provides guidance on accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. This Interpretation did not have any impact on the financial position or performance of the Group as the Group has no transfers of assets from its customers.

Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated in full; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

3. Summary of significant accounting policies (continued)
Subsidiaries (continued)

Acquisition of subsidiaries

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of purchase consideration over the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill. If the cost of the acquisition is less than the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired the difference is recognized directly in the consolidated statement of income.

Minority interest is the interest in subsidiaries not held by the Group. Minority interest at the reporting date represents the minority shareholders' share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the acquisition date and the minorities' share in movements in equity since the acquisition date. Minority interest is presented within equity.

Losses allocated to minority interest do not exceed the minority interest in the equity of the subsidiary unless there is a binding obligation of the minority to fund the losses. All such losses are allocated to the Group.

Increases in ownership interests in subsidiaries

The differences between the carrying values of net assets attributable to interests in subsidiaries acquired and the consideration given for such increases are charged or credited to retained earnings.

Acquisition of subsidiaries from parties under common control

Acquisitions of subsidiaries from parties under common control are accounted for using the pooling of interests method.

The assets and liabilities of the subsidiary transferred under common control are recorded in these consolidated financial statements at the carrying amounts of the transferring entity (the Predecessor) at the date of the transfer.

These consolidated financial statements, including corresponding figures, are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Investments in associates

Associates are entities in which the Group generally has between 20% and 50% of the voting rights or participation shares, or is otherwise able to exercise significant influence, but which it does not control or jointly control. Investments in associates are accounted for under the equity method and are initially recognized at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group's share of net assets of the associate. The Group's share of its associates' profits or losses is recognized in the consolidated statement of income, and its share of movements in reserves is recognized in other comprehensive income. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless the Group is obliged to make further payments to, or on behalf of, the associate.

3. Summary of significant accounting policies (continued)
Investments in associates (continued)

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Financial assets

Initial recognition

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

Date of recognition

All regular way purchases and sales of financial assets are recognized on the trade date, i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

'Day 1' profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in the consolidated statement of income. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable, or when the financial instrument is derecognized.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealers' margin. Realized and unrealized gains and losses resulting from operations with financial assets at fair value through profit or loss are recognized in the consolidated statement of income within gains less losses from securities.

Derivatives are also classified as held for trading.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are subsequently measured at amortized cost. Gains and losses are recognized in the consolidated statement of income when the investments are impaired, as well as through the amortization process.

3. Summary of significant accounting policies (continued)
Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for sale financial assets are measured at fair value. Non-marketable securities that do not have fixed maturities are stated at cost, less allowance for diminution in value unless there are other appropriate and workable methods of reasonably estimating their fair value.

Unrealized gains and losses from changes in fair value of investments securities available-for-sale are recognized in other comprehensive income until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is reclassified to the consolidated statement of income as gains less losses from investment securities available-for-sale. However, interest calculated using the effective interest method is recognized in the consolidated statement of income.

Determination of fair value

The fair value for financial instruments traded in an active market at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, and other relevant valuation models.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Reclassification of financial assets

If a non-derivative financial asset classified as held for trading is no longer held for the purpose of selling in the near term, it may be reclassified out of the fair value through profit or loss category in one of the following cases:

3. Summary of significant accounting policies (continued)
Financial assets (continued)

- a financial asset that would have met the definition of loans and receivables above may be reclassified to loans and receivables category if the Group has the intention and ability to hold it for the foreseeable future or until maturity;

- other financial assets may be reclassified to available for sale or held to maturity categories only in rare circumstances.

A financial asset classified as available for sale that would have met the definition of loans and receivables may be reclassified to loans and receivables category if the Group has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognized in profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the CBR, excluding obligatory reserves of subsidiary banks, and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Precious metals

Gold and other precious metals are recorded at CBR bid prices, bid prices of National Bank of Belarus, which approximate fair values and are quoted at a discount to London Bullion Market rates. Changes in the above mentioned bid prices are recorded as translation differences from precious metals in other income.

Repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the consolidated statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as cash and cash equivalents, amounts due from credit institutions or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method. Securities received under reverse repurchase agreements are not recorded in the consolidated financial statements, unless these are sold to third parties. The obligation to return them is recorded at fair value as a financial trade liability.

Securities lent to counterparties are retained in the consolidated statement of financial position. Securities borrowed are not recorded in the consolidated statement of financial position, unless these are sold to third parties, in which case the purchase and sale are recorded within gains less losses from financial instruments at fair value through profit or loss in the consolidated statement of income. The obligation to return them is recorded at fair value as a financial trade liability.

3. Summary of significant accounting policies (continued)
Repurchase and reverse repurchase agreements and securities lending (continued)

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments including futures, forwards, swaps and options in the foreign exchange and securities markets. Such financial instruments are held for trading and are initially recognized at fair value. The fair values are estimated based on quoted market prices, official foreign exchange rates or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the consolidated statement of income as gains less losses from financial instruments at fair value through profit or loss or net gains/ (losses) from foreign currencies dealing, depending on the nature of the instrument.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognized in the consolidated statement of income.

Promissory notes

Promissory notes purchased are included in trading or investment securities, or in amounts due from credit institutions or in loans to customers, depending on the aim and terms of their purchase, and are recorded in accordance with the accounting policies for these categories of assets.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to credit institutions, amounts to the Central bank and Government, amounts due to customers and debt securities issued. After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statement of income when the borrowings are derecognized as well as through the amortization process.

If the Group purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognized in the consolidated statement of income.

For the purposes of the consolidated statement of cash flows, the Group recognizes amounts attracted from banks for a period of up to one year in "Cash flows from operating activities" category, for a period exceeding one year - in "Cash flows from financing activities" category.

3. Summary of significant accounting policies (continued)

Leases

1. Finance - Group as lessee

The Group recognizes finance leases as assets and liabilities in the consolidated statement of financial position at the date of commencement of the lease term at amounts equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The costs identified as directly attributable to activities performed by the lessee for a finance lease, are included as part of the amount recognized as an asset under the lease.

2. Finance - Group as lessor

The Group recognizes lease receivables at value equal to the net investments in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

3. Operating – Group as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained with the lessor are classified as operating leases. Lease payments under an operating lease are recognized as expenses on a straight-line basis over the lease term and included into other operating expenses.

4. Operating - Group as lessor

The Group presents assets subject to operating leases in the consolidated statement of financial position according to the nature of the asset. Lease income from operating leases is recognized in the consolidated statement of income on a straight-line basis over the lease term as other income. The aggregate cost of incentives provided to lessees is recognized as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

3. Summary of significant accounting policies (continued)
Impairment of financial assets (continued)

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Provisions for impairment of financial assets in these consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in the Russian Federation, Ukraine and in the Republic of Belarus and what effect such changes might have on the adequacy of the provisions for impairment of financial assets.

Amounts due from credit institutions and loans to customers

For amounts due from credit institutions and loans to customers carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risks characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. When an asset is uncollectible and there is no realistic prospect of future recovery, it is written off against the related allowance for impairment. If, in subsequent years, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the consolidated statement of income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to

3. Summary of significant accounting policies (continued)
Impairment of financial assets (continued)

remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Held-to-maturity financial investments

For held-to-maturity investments the Group assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of income.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, any amounts formerly charged are credited to the consolidated statement of income.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income – is reclassified from other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the consolidated statement of income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

3. Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized in the statement of financial position where:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit and guarantees. Financial guarantees are initially recognized in the consolidated financial statements at fair value, in 'Other liabilities', being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required settling any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the consolidated statement of income. The premium received is recognized in the consolidated statement of operations on a straight-line basis over the life of the guarantee.

3. Summary of significant accounting policies (continued)

Taxation

Current income tax expense is calculated in accordance with the regulations currently in force in the respective territories that the Group operates. Income tax expense of the Group comprises current and deferred income tax. Current income tax is calculated by applying income tax rate effective at the reporting date to the taxable base.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Income and expenses of Vnesheconombank are not taxable for income tax purposes.

Various operating taxes, which are assessed on the Group's activities, are included as a component of other operating expenses in the consolidated statement of income.

Property and equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation of an asset begins when it is available for use. Depreciation of assets under construction and those not placed in service commences from the date the assets are placed into service. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	15–60
Furniture and office supplies	2–10
Computers and equipment	2–8
Motor vehicles	2–10

3. Summary of significant accounting policies (continued)
Property and equipment (continued)

The land has an indefinite useful life and is not depreciated.

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted as appropriate, at each financial year-end.

Leasehold improvements are amortized over the lease term of property and equipment. Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the date of acquisition. Goodwill on an acquisition of a subsidiary is included in goodwill and other intangible assets. Goodwill on an acquisition of an associate is included in the investments in associates. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes;
- is not larger than the operating segment as defined in IFRS 8 "Operating Segments".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets other than goodwill

Intangible assets other than goodwill include computer software and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition,

3. Summary of significant accounting policies (continued)
Intangible assets other than goodwill (continued)

intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized on a straight-line basis over the useful economic lives of 1 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization periods and methods for intangible assets with indefinite useful lives are reviewed at least at each financial year-end.

Assets classified as held for sale

The Group classifies a non-current asset (or a disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case the non-current asset (or disposal group) must be available for immediate sale in its present condition subject only to the terms that are usual and customary for sale of such assets (or disposal groups) and its sale must be highly probable.

The sale qualifies as highly probable if the Bank's management is committed to a plan to sell the non-current asset (or disposal group) and an active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset (or disposal group) must have been actively marketed for a sale at price that is reasonable in relation to its current fair value and in addition the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset (or disposal group) as held for sale.

The Group measures an asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Group recognizes an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell if events or changes in circumstance indicate that their carrying amount may be impaired.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Retirement and other benefit obligations

Current pension contributions of the Group are calculated as a percentage of current gross salary payments to employees; such expense is charged to the statement of income in the period the related contributions are paid and included into payroll and other staff costs.

In addition, the Bank operates two separately administered defined contribution pension schemes, where the Bank's obligation for each period is determined by the amounts to be contributed for that period. Contributions made by the Bank are recognized as expense in the respective period.

The Group has no other post-retirement benefits or significant other employee benefits requiring accrual.

3. Summary of significant accounting policies (continued)

Charter capital

Charter capital

Asset contributions of the Russian Federation made for formation of the Bank's charter capital are recorded in the equity. Vnesheconombank's charter capital is not divided into shares (interest).

Dividend income

The Bank neither accrues nor pays dividends.

Dividends of subsidiaries are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorized for issue.

Fiduciary assets

Assets held in a fiduciary capacity are not reported in the consolidated financial statements, as they are not the assets of the Group.

Segment reporting

The Group's segment reporting is based on five operating segments disclosed in Note 6.

Contingencies

Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is probable. A contingent asset is not recognized in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Income and expense recognition

Income and expense are recognized to the extent that it is probable that the economic benefits will flow to the Group and they can be reliably measured. The following specific recognition criteria must also be met before income and expense are recognized:

Interest and similar income and expense

For all financial instruments measured at amortized cost and interest bearing securities classified as trading or available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments

3. Summary of significant accounting policies (continued)
Income and expense recognition (continued)

or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

Interest expense on loans and deposits from the Russian Ministry of Finance is included into interest expense on amounts due to customers recorded in the consolidated statement of income.

Fees and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

- *Fee income earned from services that are provided over a certain period of time*

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

- *Fee income from providing transaction services*

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

Dividend income

Revenue is recognized when the Group's right to receive the payment is established.

Foreign currency translation

The consolidated financial statements are presented in Russian Rubles, which is the Bank's functional currency and Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the consolidated statement of income as net gains (losses) from foreign currencies - translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3. Summary of significant accounting policies (continued)
Foreign currency translation (continued)

Differences between the contractual exchange rate of a transaction in a foreign currency and the Central Bank exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. The official CBR exchange rates at 31 December 2009 and 2008 were 30.2442 Rubles and 29.3804 Rubles to 1 USD, respectively.

As at the reporting date, the assets and liabilities of the entities whose functional currency is different from the presentation currency of the Group are translated into Russian Rubles at the rate of exchange ruling at the reporting date and, their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken to other comprehensive income. On disposal of a subsidiary or an associate whose functional currency is different from the presentation currency of the Group, the deferred cumulative amount recognized in other comprehensive income relating to that particular entity is recognized in the consolidated statement of income. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

Future changes in accounting policies

Standards and interpretations issued but not yet effective

Amendments to IAS 39 "Financial Instruments: recognition and measurement"- "Eligible Hedged Items"
Amendments to IAS 39 were issued in August 2008 and became effective for annual periods beginning on or after 1 July 2009. The amendments address the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendments clarify that an entity may designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The Group does not expect these amendments to affect its consolidated financial statements as the Group has not entered into any such hedges.

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

Amendments to IFRS 2 "Share-based Payment" - Group Cash-settled Share-based Payment Transactions
The amendments to IFRS 2 were issued in June 2009 and become effective for annual periods beginning on or after 1 January 2010. The amendments clarify the scope and the accounting for group cash-settled share-based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. The Group expects that these amendments will have no impact on the Group's consolidated financial statements.

3. Summary of significant accounting policies (continued)
Future changes in accounting policies (continued)

IAS 24 "Related party disclosures" (Revised)

The revised IAS 24, issued in November 2009, simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. Previously, an entity controlled or significantly influenced by a government was required to disclose information about all transactions with other entities controlled or significantly influenced by the same government. The revised standard requires disclosure about these transactions only if they are individually or collectively significant. The revised IAS 24 is effective for annual periods beginning on or after 1 January 2011, with earlier application permitted. The Group has decided not to early adopt the revised IAS 24.

IFRIC 17 "Distribution of Non-cash Assets to Owners"

IFRIC Interpretation 17 was issued on 27 November 2008 and is effective for annual periods beginning on or after 1 July 2009. This Interpretation applies to pro rata distributions of non-cash assets except for common control transactions and requires that a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. IFRIC 17 also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. The Group expects that this interpretation will have no impact on the Group's consolidated financial statements.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

IFRIC Interpretation 19 was issued on 26 November 2009 and is effective for annual periods beginning on or after 1 July 2010. The Interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. This Interpretation applies retrospectively from the beginning of the earliest reported comparative period since application to earlier periods will result only to reclassification of amounts in the equity. The Group expects that this interpretation will have no impact on the Group's consolidated financial statements.

Improvements to IFRS

In April 2009, the IASB issued the second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the amendments are effective for annual periods beginning on or after 1 January 2010. There are separate transitional provisions for each standard. Amendments included in the April 2009 "Improvements to IFRS" will have no impact on the accounting policies, financial position or performance of the Group, except the following amendments resulting in changes to accounting policies, as described below.

- Amendment to IFRS 5 *"Non-current Assets Held for Sale and Discontinued Operations"* clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations. The Group expects that this amendment will have no impact on the Group's consolidated financial statements.

- IFRS 8 *"Operating Segments"* clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Bank's management does review segment assets and liabilities, the Group discloses this information.

3. Summary of significant accounting policies (continued)
Future changes in accounting policies (continued)

- IAS 7 *"Statement of Cash Flows"* explicitly states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities.

- Amendment to IAS 36 *"Impairment of Assets"* clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment will have no impact on the Group's financial statements as the annual impairment test is performed before aggregation.

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

- IFRS 3 *"Business combinations"* limits the scope of the measurement choices that only the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. The Group expects that amendments to IFRS 3 may have an impact on the Group's consolidated financial statements.

- IFRS 7 *Financial instruments: Disclosures*; introduces the amendments to quantitative and credit risk disclosures. The Group expects that these changes will have an insignificant impact since the required information is readily available.

- IAS 34 *Interim Financial Reporting*: adds disclosure requirements about the circumstances affecting fair values and classification of financial instruments, about transfers of financial instruments between levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. Additional disclosures required will be introduced in interim consolidated financial statements of the Group.

- Amendments to IFRS 1, IAS 1, IAS 27 and IFRIC 13 will have no impact on the accounting policies, financial position or performance of the Group.

Amendments to IAS 32 "Financial instruments: Presentation" - Classification of Rights Issues

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

IFRS 9 "Financial Instruments" (first phase)

In November 2009, the IASB issued the first phase of IFRS 9 "Financial instruments". This Standard will eventually replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 becomes effective for annual periods beginning on or after 1 January 2013. Entities may adopt the first phase

(in millions of Russian rubles)

3. Summary of significant accounting policies (continued)
Future changes in accounting policies (continued)

for reporting periods ending on or after 31 December 2009. The first phase of IFRS 9 introduces new requirements for the classification and measurement of financial assets. In particular, for subsequent measurement all financial assets are to be classified at amortized cost or at fair value through profit or loss with the irrevocable option for equity instruments not held for trading to be measured at fair value through other comprehensive income. The Group now evaluates the impact of adoption of new Standard and considers the initial application date.

4. Significant accounting estimates

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

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

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Allowance for impairment of loans and receivables

The Group regularly reviews its loans and receivables to assess impairment. The Group uses its experienced judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Group uses its experienced judgment to adjust observable data for a group of loans or receivables to reflect current circumstances.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. At 31 December 2009, the carrying value of goodwill amounted to RUB 1,381 million (at 31 December 2008, RUB 1,381 million). More details are provided in Note 21.

5. Business combinations

PSC Prominvestbank

On 15 January 2009, the Group became owner of 75% plus three shares in the equity of Prominvestbank. Out of these shares, 1,966,799 shares were acquired in the fourth quarter of 2008. One share was received free of charge. In addition, 95,546,328 ordinary share of Prominvestbank were acquired during additional issue in January 2009. The cost of acquisition was RUB 6,904 million.

The fair value of the identifiable assets and liabilities acquired and the excess of net assets over the cost of acquisition were as follows:

	Fair value recognized on acquisition 2009	Carrying value 2009
Cash and cash equivalents	6,442	6,442
Amounts due from credit institutions	444	444
Investment securities available-for-sale	645	645
Loans to customers	83,631	83,631
Property and equipment (Note 18)	11,588	11,588
Other assets	833	737
	103,583	**103,487**
Amounts due to credit institutions	27,270	27,270
Amounts due to customers	57,211	57,211
Deferred tax liability (Note 19)	1,569	1,545
Provisions (Note 20)	533	533
Other liabilities	1,360	1,360
	87,943	**87,919**
Net assets	15,640	15,568
Less : minority interests	(3,910)	
Net assets acquired	**11,730**	
Less: excess of net assets over the cost of acquisition	(4,826)	
Cost of acquisition	**6,904**	

Cash outflow on acquisition of the subsidiary:

Net cash acquired with the subsidiary	6,442
Less: cash consideration transferred in 2009	(1,998)
Net cash inflow	**4,444**

From the date of acquisition of Prominvestbank, the Group's profit has been reduced by RUB 12,250 million.

(in millions of Russian rubles)

5. Business combinations (continued)

CJSC "GLOBEXBANK"

During the period from April through May 2009, the Group acquired 98.94% or 199,547,920 ordinary shares of CJSC "GLOBEXBANK". Control was transferred to the Group on 30 April 2009. The cost of acquisition was RUB 4,929.

The fair value of the identifiable assets and liabilities acquired and the excess of net assets over the acquisition cost were as follows:

	Fair value recognized on acquisition 2009	Carrying value 2009
Cash and cash equivalents	31,635	31,635
Amounts due from credit institutions	3,355	3,355
Financial assets at fair value through profit or loss	1,068	1,068
Investment securities		
- available-for-sale	3	3
- held-to-maturity	1,211	1,211
Loans to customers	15,181	15,181
Property and equipment (Note 18)	1,930	1,930
Other assets	825	282
	55,208	**54,665**
Amounts due to credit institutions	1,225	1,225
Amounts due to customers	30,256	30,256
Debt securities issued	4,020	4,020
Deferred tax liability (Note 19)	355	246
Provisions (Note 20)	31	31
Other liabilities	111	111
	35,998	**35,889**
Net assets	19,210	18,776
Less: minority interests	(204)	
Net assets acquired	**19,006**	
Less: excess of net assets over the cost of acquisition	(19,006)	
Cost of acquisition	**0**	

Cash outflow on acquisition of the subsidiary:

Net cash acquired with the subsidiary	31,635
Less: cash paid on acquisition	(0)
Net cash inflow	**31,635**

From the date of acquisition of CJSC "GLOBEXBANK", the Group's profit has been increased by RUB 194 million. If the acquisition had taken place at the beginning of the year, interest and non-interest income and profit of the Group for the reporting year would have been RUB 257,256 million and RUB 34,312 million, respectively or increased by RUB 2,095 million and RUB 373 million, respectively.

6. Segment information

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

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

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

In 2009 and 2008, the Group received no income from transactions with one external client or counterparty, which amounted to 10% or more percent of the total income.

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

2009	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Total before interseg-ment (income)/ losses	Intersegment (income)/ losses and other adjustments	Total
Income								
External clients								
Interest income	102,356	15,191	16,619	2,363	2,265	138,794	–	138,794
Fee and commission income	5,067	1,306	1,756	733	–	8,862	–	8,862
Gains less losses arising from financial instruments at fair value through profit or loss	17,150	10,352	22	–	–	27,524	–	27,524
Gains less losses from investment securities available-for-sale	42,737	203	–	–	–	42,940	–	42,940
Net gains/(losses) from foreign currencies	10,638	(1,059)	143	260	521	10,503	–	10,503
Share in income of associates	44	–	8	4	–	56		56
Other income	12,004	660	162	421	175	13,422	–	13,422
Total external income	**189,996**	**26,653**	**18,710**	**3,781**	**2,961**	**242,101**	–	**242,101**
Intersegment income								
Interest income	4,579	24	–	–	–	4,603	(4,603)	–
Other intersegment income less expenses	491	44	–	11	–	546	(546)	–
Total intersegment income	**5,070**	**68**	–	**11**	–	**5,149**	**(5,149)**	–

(in millions of Russian rubles)

6. Segment information (continued)

2009	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Total before intersegment (income)/ losses	Intersegment (income)/ losses and other adjustments	Total
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	–	–	–	–	–	–	23,832	23,832
Total income	**195,066**	**26,721**	**18,710**	**3,792**	**2,961**	**247,250**	**18,683**	**265,933**
Interest expenses	(70,563)	(6,104)	(8,921)	(889)	(381)	(86,858)	–	(86,858)
Fee and commission expense	(958)	(496)	(129)	(84)	(6)	(1,673)	–	(1,673)
Allowance for loan impairment	(18,302)	(82,009)	(14,104)	(345)	(77)	(114,837)	–	(114,837)
Personnel expenses	(3,587)	(2,738)	(2,707)	(996)	(124)	(10,152)	–	(10,152)
Depreciation	(327)	(444)	(547)	(93)	(10)	(1,421)	–	(1,421)
Other impairment provision (charges)/ reversal	(333)	(425)	(570)	–	1	(1,327)	–	(1,327)
Other expenses	(3,583)	(3,042)	(2,501)	(557)	(1,250)	(10,933)	–	(10,933)
Total external expense	**(97,653)**	**(95,258)**	**(29,479)**	**(2,964)**	**(1,847)**	**(227,201)**	**–**	**(227,201)**
Intersegment expenses								
Interest expenses	(24)	(2,314)	(2,072)	(100)	(477)	(4,987)	4,987	–
Other intersegment expenses	(1,036)	(7)	(1)	–	(3)	(1,047)	1,047	–
Total intersegment expenses	**(1,060)**	**(2,321)**	**(2,073)**	**(100)**	**(480)**	**(6,034)**	**6,034**	–
Total expenses	**(98,713)**	**(97,579)**	**(31,552)**	**(3,064)**	**(2,327)**	**(233,235)**	**6,034**	**(227,201)**
Segment results	**96,353**	**(70,858)**	**(12,842)**	**728**	**634**	**14,015**	**24,717**	**38,732**
Income tax expense/ (benefit)	(145)	(192)	346	(267)	(159)	(417)	–	(417)
Profit for the year	**96,208**	**(71,050)**	**(12,496)**	**461**	**475**	**13,598**	**24,717**	**38,315**
Segment assets	1,668,005	186,259	106,136	21,645	19,394	2,001,439	(62,225)	1,939,214
Segment liabilities	1,282,157	145,843	88,195	13,848	16,715	1,546,758	(62,780)	1,483,978
Other segment information								
Capital expenditure	1,064	430	504	360	17	2,375	–	2,375
Investments in associates	5,436	–	–	26	–	5,462	–	5,462

6. Segment information (continued)

2008	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Total before intersegment (income)/ losses	Intersegment (income)/ losses and other adjustments	Total
Income								
External clients								
Interest income	36,580	3,437	–	1,290	2,101	43,408	–	43,408
Fee and commission income	1,543	170	–	585	–	2,298	–	2,298
Gains less losses arising from financial instruments at fair value through profit or loss	(22,419)	(5,569)	–	–	–	(27,988)	–	(27,988)
Gains less losses from investment securities available-for-sale	(21,182)	(31)	–	19	–	(21,194)	–	(21,194)
Net gains/(losses) from foreign currencies	7,079	(298)	–	186	(565)	6,402	–	6,402
Share in income/ (loss) of associates	(269)	–	–	3	–	(266)	–	(266)
Other income	640	228	–	396	70	1,334	–	1,334
Total external income	**1,972**	**(2,063)**	**–**	**2,479**	**1,606**	**3,994**	–	**3,994**
Intersegment income								
Interest income	2,350	–	–	–	–	2,350	(2,350)	–
Other intersegment income less expenses	10	–	–	–	–	10	(10)	–
Total inter-segment income	**2,360**	**–**	**–**	**–**	**–**	**2,360**	**(2,360)**	**–**
Total income	**4,332**	**(2,063)**	**–**	**2,479**	**1,606**	**6,354**	**(2,360)**	**3,994**
Interest expenses	(17,774)	(2,311)	–	(525)	(448)	(21,058)	–	(21,058)
Fee and commission expense	(456)	(127)	–	(78)	(12)	(673)	–	(673)
Allowance for loan impairment	(8,252)	–	–	(237)	(112)	(8,601)	–	(8,601)
Personnel expenses	(3,373)	(484)	–	(704)	(44)	(4,605)	–	(4,605)
Depreciation	(321)	(48)	–	(70)	(15)	(454)	–	(454)
Other impairment provision (charges)/ reversal	(2,002)	–	–	7	–	(1,995)	–	(1,995)
Other expenses	(3,810)	(467)	–	(515)	(297)	(5,089)	–	(5,089)
Total external expense	**(35,988)**	**(3,437)**	**–**	**(2,122)**	**(928)**	**(42,475)**	**–**	**(42,475)**

(in millions of Russian rubles)

6. Segment information (continued)

2008	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Total before intersegment (income)/ losses	Intersegment (income)/ losses and other adjustments	Total
Intersegment expenses								
Interest expenses	–	2,305	–	79	40	2,424	(2,424)	–
Other intersegment expenses	124	–	–	4	6	134	(134)	–
Total intersegment expenses	**124**	**2,305**	**–**	**83**	**46**	**2,558**	**(2,558)**	**–**
Impairment of goodwill	**–**	**–**	**–**	**–**	**–**	**–**	**(41,841)**	**(41,841)**
Total expenses	**(35,864)**	**(1,132)**	**–**	**(2,039)**	**(882)**	**(39,917)**	**(44,399)**	**(84,316)**
Segment results	**(31,532)**	**(3,195)**	**–**	**440**	**724**	**(33,563)**	**(46,759)**	**(80,322)**
Income tax expense/ (benefit)	(690)	4	–	(121)	(140)	(947)	–	(947)
Profit for the year	**(32,222)**	**(3,191)**	**–**	**319**	**584**	**(34,510)**	**(46,759)**	**(81,269)**
Segment assets	1,534,764	103,347	–	18,683	12,720	1,669,514	(24,773)	1,644,741
Segment liabilities	1,329,600	101,149	–	13,157	10,517	1,454,423	(24,978)	1,429,445
Other segment information								
Capital expenditure	1,369	–	–	592	77	2,038	–	2,038
Investments in associates	5,678	–	–	30	–	5,708	–	5,708

Geographical information

Allocation of the Group's revenue from transactions with external clients and non-current assets based on the location of these clients and assets as at 31 December 2009 and 2008 and for the years then ended is presented in the tables below:

	2009				2008		
	Russia	Ukraine	Other countries	Total	Russia	Other countries	Total
Interest income from external clients	119,812	16,619	2,363	138,794	42,118	1,290	43,408
Non-current assets	10,777	10,584	1,417	22,778	8,254	1,475	9,729

Non-current assets include property and equipment and intangible assets.

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

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

	2009	2008
Interest-bearing loans and deposits from the Ministry of Finance of the Russian Federation	501,455	404,187
Interest-bearing deposits from the Bank of Russia	446,151	482,140
Settlements related to redemption of Russian Government loans	38,005	25,245
Special purpose funds	771	302
External debt payment funds	696	780
Current accounts of the Russian Government	319	94
Current accounts in precious metals	166	1,141
Due to the Russian Government, its institutions and the Bank of Russia	**987,563**	**913,889**

At 31 December 2009 and 2008, interest-bearing loans and deposits from the Ministry of Finance included funds of the National Welfare Fund of the Russian Federation ("NWF") deposited with Vnesheconombank pursuant to Federal Law No. 173-FZ in the amount of RUB 410,554 million (31 December 2008: RUB 404,187 million). At 31 December 2009, these RUB-denominated deposits were raised at an annual rate of 7% and 8.5% and had maturity dates from December 2014 through December 2020. At 31 December 2008, those RUB-denominated deposits were raised at an annual rate of 7% and had maturity dates in October 2013 and December 2019. In December 2009, the Bank early repaid a deposit of RUB 175,000 million to the Ministry of Finance. The amount had been placed on deposit in accordance with Resolution No. 18 of the Russian Government of 19 January 2008 (Note 15).

In 2009, the Ministry of Finance provided the Group with funds to finance credit institutions and legal entities supporting small and medium enterprises. OJSC "Russian Bank for Development", a subsidiary bank, is responsible for implementing the government support. At 31 December 2009, the amount of financing was RUB 30,408 million. The funds are denominated in Russian rubles, bear interest at 8.5% and mature in December 2017.

In 2009, the Ministry of Finance also provided the Group with USD-denominated financing for investment projects. The financing bears interest at six-month LIBOR plus 2.8% and matures in July 2011. At 31 December 2009, the financing amounted to RUB 60,493 million.

At 31 December 2009, interest bearing deposits from the Bank of Russia included USD-denominated deposits totaling RUB 236,548 million (31 December 2008: RUB 289,069 million). The deposits are intended to support the financial system of the Russian Federation pursuant to Federal Law No. 173-FZ. The amount was placed on deposit with Vnesheconombank for one year and bears interest at one-year LIBOR plus 1%. Vnesheconombank used the funds to provide loans to organizations so that they can repay and service debt to foreign organizations. At the end of 2009, part of the deposits was extended for another year on similar terms as Vnesheconombank extended maturities of the back-to-back financing (Note 13).

(in millions of Russian rubles)

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

At 31 December 2009, interest bearing deposits from the Bank of Russia also included:

- Special purpose RUB-denominated deposits in the amount of RUB 87,835 million (31 December 2008: RUB 87,358 million) bearing interest at 5% p.a. (31 December 2008: 5.5% - 6.5%) and intended for the program for financial support to CJSC GLOBEXBANK with the objective to stabilize the bank's operations and ensure unconditional compliance with all obligations to customers and counterparties. In 2009, the maturity of the deposits was extended for 1 year until October 2010.

- Special purpose RUB-denominated deposits in the amount of RUB 121,383 million (31 December 2008: 0) bearing interest at 5.3%–5.8% p.a., maturing in September 2010 and intended for the program for financial support to OJSC Sviaz-Bank. A gain on initial recognition of those deposits amounted to RUB 9,087 million in the 2009 consolidated statement of income.

- Other RUB-denominated loans in the amount of RUB 385 million (31 December 2008: RUB 31,376 million), maturing in May 2010 and bearing interest at 9% p.a. (31 December 2008: June 2009, 9% - 13.7% p.a.).

At 31 December 2008, the interest bearing deposits from the Bank of Russia also included a special purpose USD-denominated deposit in the amount of RUB 74,337 million raised at one-year LIBOR plus 1% for a period of one year. The funds were used to provide financial support to Sviaz-Bank to ensure compliance of the bank with all obligations to lenders and counterparties. The special -purpose deposit was repaid in the first quarter of 2009 before maturity.

Settlements related to redemption of Russian Government loans represent amounts placed on deposit with the Bank by the Ministry of Finance to facilitate servicing and repaying external debt of the Russian Government and the former USSR. The Bank manages the funds on deposit and makes the relevant payments in accordance with the Agency Agreements. The balance also includes funds received from borrowers as repayment for loans granted by the Russian Government. At 31 December 2009 and 31 December 2008, the funds were classified in due to the Russian Government.

At 31 December 2009 and 31 December 2008, special purpose funds included proceeds from export sales and other funds subject to settlement between the Ministry of Finance and Vnesheconombank.

Current accounts in precious metals include funds of the Russian Government transferred to Vnesheconombank in the process of reorganization. Pursuant to an instruction issued by the Ministry of Finance in December 2009, precious metals have been transferred from the custody of Vnesheconombank to the Russian State Fund of Precious Metals and Precious Stones. A procedure is being negotiated for returning the rest of precious metals currently in custody in Zurich (Switzerland) to the Russian State Fund.

London Club

As a legal successor of the Vnesheconombank of the USSR the Bank is a party to a number of rescheduling agreements with various foreign commercial bank creditors (the "London Club"). The London Club debt represents liabilities of the former USSR due to foreign banks and financial institutions. These liabilities were primarily reconciled and restructured under a series of agreements and other legal documentation between the Bank and foreign creditors dated 6 October 1997, which became effective on 2 December 1997. These

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

agreements required the original debts and the accrued interest thereon, denominated in various currencies, to be converted into Restructured Loans ("PRINs") and Interest Arrears Notes ("IANs") in base currencies (Swiss Francs, Japanese Yens, Deutsche Marks, European Currency Units and US Dollars).

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

On 11 February 2000, an agreement was reached between representatives of the London Club creditors and the Russian Government, under which the outstanding London Club debt of approximately USD 31.7 billion (at 31 March 2000) was exchanged for a new issue of Eurobonds issued by the Government of the Russian Federation and maturing in 2010 and 2030. As the exchange process substitutes obligations of the Bank with obligations of the Russian Government, receivables from the Russian Government under the London Club and amounts due to the London Club have been excluded from the Bank's statement of financial position to the extent that the bondholders have presented their PRINs and IANs for exchange.

At 31 December 2009 and 2008, most holders of PRINs and IANs have participated in the exchange, with 99.8% of the face value of PRINs and IANs being submitted for exchange to Eurobonds. The remaining 0.2% of the face value of the PRINs and IANs continues to be carried as a liability of the Bank, along with the corresponding receivable from the Russian Government.

The London Club debt comprises:

	2009	2008
IAN	1,012	983
PRIN	16	16
Interest accrued on the PRINs and IANs, including overdue and default interest	87	84
Due to the London Club	**1,115**	**1,083**

Pursuant to Resolution of the Russian Government No. 1047-r dated 30 July 2009 concerning final settlement of the external debt obligations of the Russian Government and former USSR to the London Club creditors, in December 2009, claims in the amount of RUB 30 million were settled.

Obligations settled and claims not presented to settlement by creditors shall be written off from the statement of financial position of Vnesheconombank based on the instructions of the Ministry of Finance. At 31 December 2009, no respective instructions were received by the Bank.

(in millions of Russian rubles)

8. Agency operations

Commercial indebtedness

The Russian Government has announced its intention to assume the legal responsibility for certain commercial indebtedness (also referred to as the "trade indebtedness") of the former USSR, identified as obligations of the Government of the former USSR and other bodies and entities acting on its behalf, within the Declaration of the Government of the Russian Federation dated 1 October 1994, "On the Restructuring of Commercial Indebtedness of the Former USSR to Foreign Creditors" (the "Declaration").

The Government of the Russian Federation has authorized the exchange of Russian Federation Eurobonds for eligible uninsured trade debt of the former USSR in accordance with Resolution No. 931 dated 29 December 2001, "On the Settlement of the Trade Indebtedness of the Former USSR to Foreign Trade Creditors". During 2002, 2006 and 2009, the Ministry of Finance conducted three stages of exchange of the Russian Federation Eurobonds for eligible uninsured trade debt of the former USSR, with Vnesheconombank of the USSR acting as a sub-agent under the exchange.

At 31 December 2009, the debt of the Russian Federation falling into this category was settled.

Other agency operations

At 31 December 2009 and 2008, other assets and liabilities maintained by the Bank under the applicable Agency Agreements represent predominantly claims against foreign governmental and corporate debtors, former USSR companies, Russian state companies, and non-club debt to foreign creditors.

Vnesheconombank is not a legal obligor or creditor under the above categories of external debt or government external assets and, therefore, the corresponding amounts were not included in the Bank's statement of financial position.

Agency operations of OJSC "Belvnesheconombank"

OJSC "Belvnesheconombank" performs servicing functions in a number of loans received from foreign banks for investment projects in the Republic of Belarus under guarantees of the Government of the Republic of Belarus. According to the legal form of agreements with foreign banks, OJSC "Belvnesheconombank" is a borrower under these agreements. In respect of every such loan agreement OJSC "Belvnesheconombank" signs an agreement with the Government of the Republic of Belarus (represented by the Ministry of Finance of the Republic of Belarus) and a beneficiary Belarusian enterprise. These agreements establish functions of OJSC "Belvnesheconombank" in respect of loan servicing and generally define OJSC "Belvnesheconombank" as a loan servicing agent. The functions of OJSC "Belvnesheconombank" comprise the support of settlements for receipts and repayment of loans between foreign banks, authorized government bodies (in the first instance, the Ministry of Finance of the Republic of Belarus) and ultimate borrowers (Belarusian enterprises). Such operations by their economic substance do not expose OJSC "Belvnesheconombank" to credit and other risks. Therefore, respective assets and liabilities were not recognized in the consolidated financial statements. At 31 December 2009 and 2008, the loans received from foreign banks, according to the above terms and conditions, comprised RUB 1,593 million and RUB 1,913 million, respectively. These loans mature in 2010–2015. A possible change in the governmental bodies' position in respect of these operations may cause changes in the legislation setting forth the procedure of such operations. There is no certainty in respect of the potential impact of these future changes on the functions of OJSC "Belvnesheconombank" related to such operations and the procedure of recognizing them in the financial statements.

9. Cash and cash equivalents

Cash and cash equivalents comprise:

	2009	2008
Cash on hand	11,037	5,124
Current accounts with the Bank of Russia	12,785	57,361
Correspondent nostro accounts with OECD-based credit institutions	21,297	53,029
Correspondent nostro accounts with Russian credit institutions and current stock broker accounts	13,549	22,235
Correspondent nostro accounts with other credit institutions	10,009	4,771
Interest-bearing loans and deposits with the Bank of Russia up to 90 days	8,127	–
Interest-bearing loans and deposits with OECD-based credit institutions up to 90 days	41,523	85,491
Interest-bearing loans and deposits with Russian credit institutions up to 90 days	35,781	42,891
Interest-bearing loans and deposits with non-OECD-based credit institutions up to 90 days	1,368	979
Reverse repurchase agreements with credit institutions for up to 90 days	13,440	9,792
Cash and cash equivalents	**168,916**	**281,673**

At 31 December 2009, interest-bearing loans and deposits with the Bank of Russia are represented by short-term RUB placements that bear annual interest rate of 4%.

Interest-bearing loans and deposits with OECD-based credit institutions, at 31 December 2009, are represented by short-term RUB, USD, EUR and CAD deposits that bear annual interest rates of 5.5% for RUB deposits (31 December 2008 – 25%), from 0.1% to 0.2% for USD deposits (31 December 2008 – from 0.5% to 2.2%), from 0.2% to 0.3% for EUR deposits (31 December 2008 – from 1.8% to 2.3%) and of 0.2% for CAD deposits (31 December 2008 – from 1.6% to 1.9%).

Interest-bearing loans and deposits with Russian credit institutions, at 31 December 2009, are represented by short-term RUB, USD and EUR placements that bear annual interest rates from 0.2% to 11.5% for RUB deposits (31 December 2008 – from 2% to 37%), from 0.2% to 6% for USD deposits (31 December 2008 – from 8% to 9%), from 0.2% to 8.8% for EUR deposits (31 December 2008 – 1.5%).

Interest-bearing loans and deposits with non-OECD-based credit institutions, at 31 December 2009, are represented by short-term BYR placements that bear the annual interest rates from 21% to 21.5% (31 December 2008 – from 9.7% to 13.5%). Interest-bearing loans and deposits with non-OECD-based credit institutions, at 31 December 2008, were also represented by short-term USD placements that bore annual interest rates from 8.8% to 10% and placements in other currencies that bore annual interest rate of 18%.

At 31 December 2009, reverse repurchase agreements were represented by RUB 12,945 million of corporate bonds with a fair value of RUB 14,143 million, and by RUB 495 million of corporate shares with a fair value of RUB 664 million. At 31 December 2008, such agreements were represented by RUB 6,499 million of corporate bonds with a fair value of RUB 7,622 million, RUB 1,104 million of Russian corporate shares with a fair value of RUB 1,967 million, and RUB 2,189 million of promissory notes issued by Russian banks.

(in millions of Russian rubles)

10. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise:

	2009	2008
Trading securities	47,546	48,056
Trading securities pledged under repurchase agreements	–	3,444
Derivative financial assets (Note 12)	2,214	2,970
Financial assets designated as at fair value through profit or loss	1,747	1,063
Financial assets at fair value through profit or loss	**51,507**	**55,533**

Trading securities owned by the Group comprise:

	2009	2008
Debt securities:		
Russian corporate bonds and bonds of regional and municipal authorities	11,228	1,453
Federal Loan Bonds (OFZ)	640	783
	11,868	**2,236**
Eurobonds issued by the Russian Federation	13,374	19,153
Eurobonds issued by Russian companies	2,960	2,679
Eurobonds and other debt obligations issued by OECD-based financial institutions	185	–
Eurobonds issued by governments of OECD countries	94	91
	28,481	**24,159**
Promissory notes	140	–
	28,621	**24,159**
Equity securities:		
Russian corporate shares	15,638	17,478
American and Global Depositary Receipts	2,044	911
Shares of Russian credit institutions	1,243	5,508
Trading securities	**47,546**	**48,056**

At 31 December 2008, trading securities included OFZ with a fair value of RUB 773 million pledged as collateral under deposits received from the Bank of Russia.

At 31 December 2008, trading securities pledged under repurchase agreements included Russian corporate shares with a fair value of RUB 3,444 million.

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

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

	2009		2008	
	%	Maturity	%	Maturity
Russian corporate bonds and bonds of regional and municipal authorities	7.4% – 18%	March 2010 – November 2019	7.4% – 22%	January 2009 – December 2013
OFZ	6.1% – 8.5%	July 2013 – February 2036	6.9% – 10%	July 2010 – September 2029
Eurobonds issued by the Russian Federation	7.5% – 12.8%	June 2028 – March 2030	7.5% – 12.8%	June 2028 – March 2030
Eurobonds issued by Russian companies	6.3% – 9.3%	February 2010 – July 2035	6.3% – 9.8%	September 2009 – July 2035
Eurobonds and other debt obligations issued by OECD-based financial institutions	6.7% – 8.6%	May 2010 – June 2014	–	–
Eurobonds issued by governments of OECD countries	3.8%	January 2017	3.8%	January 2017

Reclassification

Following the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets", in the second half of 2008, the Group reclassified certain financial assets out of the held-for-trading category. The information on the reclassified assets is presented in the table below:

	Held-for-trading financial assets were reclassified to	
	Available-for-sale financial assets	Held-to-maturity financial assets
Carrying amount of the reclassified assets at 31 December 2009	373	165
Fair value of the reclassified assets at 31 December 2009	373	167
Fair value gain/(loss) that would have been recognized on the reclassified assets for the year ended 31 December 2009 if the reclassification had not been made	82	25
Gain/(loss) recognized in the consolidated statement of income for the year ended 31 December 2009	(5)	–
Carrying amount of the reclassified assets at 31 December 2008	781	212
Fair value of the reclassified assets at 31 December 2008	781	192
Fair value loss that would have been recognized on the reclassified assets for the year ended 31 December 2008 if the reclassification had not been made	(78)	(21)
Gain/(loss) recognized after reclassification in the consolidated statement of income for the year ended 31 December 2008	1	(0)

Financial assets were reclassified from financial assets held for trading to available-for-sale financial assets and to held-to-maturity financial assets due to the deterioration of Russian and international markets that occurred during the third quarter of 2008.

(in millions of Russian rubles)

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

The Group acknowledged the occurrence of "rare circumstances" as of 1 September 2008 as a result of the crisis on the international financial markets. The decline in the market prices in the third quarter of 2008 represents a "rare event", since it significantly exceeded the limits of historical fluctuations recorded on the financial markets.

At 31 December 2009 and 31 December 2008, financial assets designated as at fair value through profit or loss include primarily shares of a Russian company, a related party to the Group. At 31 December 2009, financial assets designated as at fair value through profit or loss also include units in the closed-end mutual real estate fund held by a subsidiary bank. These securities meet the criteria to be classified as at fair value through profit or loss since the Group management measures the performance of these investments in terms of changes in their fair value based on quoted prices in an open market, valuation models, using both observable and non-observable market data.

11. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	2009	2008
Obligatory reserve with the central banks	1,826	473
Non-interest bearing deposits with other banks	37,020	22,329
Subordinated loans issued to Russian credit institutions	388,208	225,210
Term interest-bearing deposits with Russian credit institutions	36,295	56,538
Term interest-bearing deposits with OECD based credit institutions	3,460	5,832
Term interest-bearing deposits with non-OECD credit institutions	2,032	1,261
	468,841	**311,643**
Less allowance for impairment	(1,533)	(133)
Amounts due from credit institutions	**467,308**	**311,510**

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

Use of non-interest bearing deposits in clearing currencies (RUB 36,978 million and RUB 22,225 million before allowance for impairment at 31 December 2009 and 2008, respectively) is subject to certain restrictions as stipulated in the agreements between governments of the respective countries. The funds can be used for purchase of goods and services by Russian importers who purchase clearing currencies in tenders organized by the Bank under the supervision of the Ministry of Finance.

11. Amounts due from credit institutions (continued)

At 31 December 2009, subordinated loans issued to Russian credit institutions include RUB 387,998 million in loans issued to sixteen Russian banks in accordance with Federal Law No. 173-FZ. Those are RUB-denominated loans bearing interest at 8–9,5% p.a. and maturing in the period from December 2014 to December 2020 (31 December 2008 – RUB 225,000 million in loans to two Russian banks maturing in December 2019). At 31 December 2009 and 2008, subordinated loans also include a RUB-denominated subordinated loan issued to a Russian bank. That loan bears interest at 9.5% and will mature in July 2012.

At 31 December 2009, interest-bearing deposits with Russian credit institutions are represented by RUB and USD placements which bear annual interest at rates from 0.7% to 15% for RUB-denominated deposits (31 December 2008 – from 5% to 17.4%) and 4% for USD-denominated deposits (31 December 2008 – from twelve-month LIBOR plus 5% to 9%).

At 31 December 2009, interest-bearing deposits with OECD based credit institutions are represented by USD and EUR-denominated placements bearing annual interest ranging from the overnight rate of the US Federal Fund minus 0.25% to 6% for USD-denominated deposits, and at 0.4% for EUR-denominated deposits. At 31 December 2008, interest-bearing deposits with OECD based credit institutions include RUB and USD-denominated placements bearing annual interest at rates from 5% to 17.4% for RUB-denominated deposits and from twelve-month LIBOR plus 5% to 9% for USD-denominated deposits.

At 31 December 2009, interest-bearing deposits with non-OECD credit institutions are denominated in Russian rubles, US dollars, Euros and other currencies and bear interest at 9% for the RUB-denominated deposit (31 December 2008 – from 11.5% to 11.8%), from 5.5% to 17% for USD-denominated deposits (31 December 2008 – from 5.5% to 10%), from 9% to 10% for EUR-denominated deposits (31 December 2008 – from 7.3% to 9%) and from 3% to 22% for deposits denominated in other currencies (31 December 2008 – from 10% to the refinancing rate of the National Bank of the Republic of Belarus plus 2.5%).

The movements in allowance for impairment of amounts due from credit institutions were as follows:

	2009	2008
1 January	**133**	**128**
Charge	1,400	16
Write-offs	–	(11)
31 December	**1,533**	**133**

(in millions of Russian rubles)

12. Derivative financial instruments

The Group enters into derivative financial instruments for trading purposes. The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the credit risk.

	2009			2008		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Foreign exchange contracts						
Forwards and swaps – foreign	79,781	885	792	72,025	2,593	6,075
Forwards and swaps – domestic	31,057	471	120	58,163	280	5,054
Securities forward contracts						
Russian Eurobonds	865	1	0	6,173	–	187
Units	684	276	–	–	–	–
Shares	–	–	–	39	95	–
Interest rate swaps						
Foreign contracts	23,494	479	1,436	16,661	2	1,753
Domestic contracts	1,800	102	71	–	–	–
Cross-currency interest rate swap	739	–	180	739	–	382
Total derivative assets/ liabilities		**2,214**	**2,599**		**2,970**	**13,451**

Foreign and domestic contracts in the table above stand for counterparties where foreign means non-Russian entities and domestic means Russian entities.

Derivative financial assets are included in financial assets at fair value through profit or loss (Note 10).

At 31 December 2009, the Group has positions in the following types of derivatives:

Forwards

Forwards are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market.

12. Derivative financial instruments (continued)

Swaps

Swaps are contractual agreements between two parties to exchange movements in interest and foreign currency rates and equity indices, and (in the case of credit default swaps) to make payments with respect to defined credit events based on specified notional amounts.

Derivative financial instruments held or issued for trading purposes

Most of the Group's derivative trading activities relate to deals with credit institutions. The Group may take positions in derivative financial instruments with the expectation of profiting from favorable movements in prices, rates or indices. Positions in derivative financial instruments may be closed by taking an offsetting position. This item also includes derivatives that do not qualify for hedging in accordance with IAS 39.

13. Loans to customers

Loans to customers comprise:

	2009	2008
Project finance	313,250	199,450
Commercial loans	307,082	138,894
Back-to-back finance	237,497	269,668
Pre-export finance	80,712	110,520
Financing of operations with securities	8,286	1,668
Promissory notes	7,881	4,000
Reverse repurchase agreements	4,606	57
Other	5,385	13,229
Gross loans to customers	**964,699**	**737,486**
Less allowance for impairment	(121,161)	(11,846)
Loans to customers	**843,538**	**725,640**

Back-to-back finance represents loans issued to entities to repay and maintain loans raised from foreign entities against securities portfolios, using funds deposited by the Bank of Russia with Vnesheconombank, in accordance with Federal Law No. 173-FZ. In 2009 and 2008, the Bank issued loans for a period of one year. Part of the loans was extended for another year.

At 31 December 2009, the annual contractual interest rates charged by the Group on commercial loans ranged from 6.3% to 30% for RUB-denominated loans (31 December 2008 – from 1.5% to 25.9%), from one-month LIBOR plus 0.7% to 26% for USD-denominated loans (31 December 2008 – from one-month LIBOR plus 0.7% to 23%), from six-month EURIBOR plus 3.2% to 25% for EUR-denominated loans (31 December 2008 – from 4.3% to 16%), from 8.9% to 10.8% for GBP-denominated loans (31 December 2008 – from 8.9% to 10.8%) and from 3% to 52% for loans in other currencies (31 December 2008 – from 5% to 30%).

(in millions of Russian rubles)

13. Loans to customers (continued)

Allowance for impairment of loans to customers

A reconciliation of the allowance for impairment of loans to customers by class is as follows:

	Project finance 2009	Commercial loans 2009	Pre-export finance 2009	Financing of operations with securities 2009	Promissory notes 2009	Reverse repurchase agreements 2009	Other 2009	Total 2009
1 January 2009	7,705	3,397	620	–	118	–	6	11,846
Charge	57,537	51,821	1,289	669	66	501	1,554	113,437
Write-offs	–	(652)	–	–	(1)	–	–	(653)
Interest accrued on impaired loans	(3,188)	(219)	(62)	–	–	–	–	(3,469)
31 December 2009	**62,054**	**54,347**	**1,847**	**669**	**183**	**501**	**1,560**	**121,161**
Individual impairment	56,111	39,339	786	540	23	478	1,414	98,691
Collective impairment	5,943	15,008	1,061	129	160	23	146	22,470
	62,054	**54,347**	**1,847**	**669**	**183**	**501**	**1,560**	**121,161**
Individually impaired loans before impairment allowance	**145,257**	**80,809**	**3,135**	**1,150**	**48**	**976**	**2,687**	**234,062**

At 31 December 2009, no allowance was made for back-to-back finance.

	Project finance 2008	Commercial loans 2008	Pre-export finance 2008	Promissory notes 2008	Other 2008	Total 2008
1 January 2008	1,357	1,645	235	85	5	3,327
Charge	6,348	1,818	385	33	1	8,585
Write-offs	–	(66)	–	–	–	(66)
31 December 2008	**7,705**	**3,397**	**620**	**118**	**6**	**11,846**
Individual impairment	3,861	2,420	66	40	–	6,387
Collective impairment	3,844	977	554	78	6	5,459
	7,705	**3,397**	**620**	**118**	**6**	**11,846**
Individually impaired loans before impairment allowance	**8,606**	**6,978**	**1,465**	**40**	–	**17,089**

At 31 December 2008, no allowance was made for back-to-back finance, reverse repurchase agreements and financing of operations with securities.

13. Loans to customers (continued)

Individually impaired loans

Fair value of collateral that the Group holds with regard to loans individually determined to be impaired as at 31 December 2009 is RUB 119,063 million (31 December 2008 – RUB 2,983 million). Loans may only be written off with the approval of the authorized management bodies and, in certain cases, with the respective decision of the Court.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- for back-to-back finance – pledges of securities;
- for pre-export finance - pledges of claims for revenues under export contracts;
- for financing operations with securities and reverse repurchase transactions - cash or securities;
- for project finance and commercial lending - charges over real estate properties, inventory, and trade receivables, securities and other claims to third parties;
- for retail lending - mortgages over residential properties and other subject matter of lending.

The Group also obtains guarantees from the Russian Government, parent companies for loans to their subsidiaries and other guarantees from third parties as collateral for loans issued.

The market value of collateral is monitored on a regular basis, additional collateral is requested in accordance with the underlying agreement, and the market value of collateral obtained is monitored during review of the adequacy of the allowance for loan impairment.

Reverse repurchase agreements

At 31 December 2009, reverse repurchase agreements were in respect of marketable corporate bonds and Federal Loan Bonds (OFZs), whose fair value was RUB 4,674 million. At 31 December 2008, the Group had a reverse repurchase in respect of marketable shares in a Russian credit institution. The fair value of the shares was RUB 56 million.

Concentration of loans to customers

At 31 December 2009, the total outstanding amount of loans to three major borrowers is RUB 311,696 million, equivalent to 32.3% of the Group's gross loan portfolio (31 December 2008 – RUB 314,772 million or 42.7%). At 31 December 2009, an allowance of RUB 37,583 million was made for these loans (31 December 2008 – RUB 1,747 million). At 31 December 2009, the loans above included loans to an associate of the Group that accounted for 12.6% of the gross loan portfolio. At 31 December 2008, the loans included a loan to an oil and gas company, a related party, loan accounted for 12.8% of the gross loan portfolio.

(in millions of Russian rubles)

13. Loans to customers (continued)
Concentration of loans to customers (continued)

At 31 December 2009 and 2008, in addition to the three major borrowers mentioned above, loans were issued to ten major borrowers / groups of related borrowers in the amount of RUB 240,050 million and RUB 196,210 million or 24.9% and 26.6% of the gross loan portfolio, respectively. At 31 December 2009 and 2008, an allowance was made for those loans in a total amount of RUB 7,946 million and RUB 1,789 million, respectively.

Amounts due to customers include accounts of the following types of customers:

	2009	2008
Private companies	710,045	497,798
State-controlled companies	214,072	225,343
Companies under foreign state control	16,280	5,194
Individuals	13,835	4,129
Regional authorities	6,562	3,773
Foreign state	2,723	798
Individual entrepreneurs	1,182	451
	964,699	**737,486**

Loans are made principally in the following industry sectors:

	2009	%	2008	%
Construction and reconstruction	196,561	20	140,606	19
Metallurgy	174,319	18	163,623	22
Manufacturing, heavy machinery and military	153,786	16	111,314	15
Oil and gas	89,129	9	129,257	18
Finance companies	77,047	8	37,535	5
Telecommunication	65,645	7	74,824	10
Trade	48,351	5	13,812	2
Agriculture	41,527	4	15,122	2
Energy	37,922	4	10,719	1
Transportation	23,978	2	15,477	2
Individuals	13,835	2	4,129	1
Regional authorities	6,562	1	3,773	1
Logistics	5,988	1	2,564	0
Foreign state	2,723	0	798	0
Mass media	105	0	2,295	0
Other	27,221	3	11,638	2
	964,699	**100**	**737,486**	**100**

At 31 December 2009, loans and similar debt include a total of RUB 854,068 million granted to companies operating in Russia, which is a significant concentration. At 31 December 2008, loans and similar debt include a total of RUB 715,274 million granted to companies operating in Russia, which is a significant concentration.

13. Loans to customers (continued)

Finance lease receivables

Included in the corporate lending portfolio are finance lease receivables. The analysis of finance lease receivables at 31 December 2009 is as follows:

	Not later than 1 year	Later than 1 and not later than 5 years	Later than 5 years	Total
Finance lease receivables	4,707	11,469	2,570	18,746
Unearned future finance income on finance leases	(1,857)	(3,468)	(347)	(5,672)
Net investment in finance leases	**2,850**	**8,001**	**2,223**	**13,074**

The analysis of finance lease receivables at 31 December 2008 is as follows:

	Not later than 1 year	Later than 1 and not later than 5 years	Later than 5 years	Total
Finance lease receivables	2,577	6,724	2,093	11,394
Unearned future finance income on finance leases	(1,078)	(2,505)	(423)	(4,006)
Net investment in finance leases	**1,499**	**4,219**	**1,670**	**7,388**

14. Assets held for sale

At the end of 2008, the management of OJSC "VEB-Leasing", the Group's subsidiary, announced a plan to dispose of Aero-Kamov LLC, a company engaged in aviation equipment maintenance. At 31 December 2008, the agreement on sale of 100% interest in the share capital of Aero-Kamov LLC was signed. At 31 December 2008, Aero-Kamov LLC was classified as a disposal group held for sale.

The disposal of Aero-Kamov LLC to OJSC "Russkaya Vertoletnaya Company" was completed on 2 February 2009. The buyer acquired the above entity for RUB 3 million in cash. At the date of disposal, negative net assets of Aero-Kamov LLC were RUB 142 million. Profit from the disposal of Aero-Kamov LLC was recorded in the amount of RUB 145 million in other operating income in the 2009 consolidated statement of income.

Additionally at 31 December 2008 assets held for sale included 100% interest in a company specially established in 2008 by OJSC "Russian Bank for Development", a Group subsidiary, in the amount of RUB 157 million. In September 2008, the subsidiary's management announced a plan to sell the asset. The asset was sold for RUB 165 million in May 2009. Profit from the disposal recognized as other operating income in the 2009 consolidated statement of income amounted to RUB 8 million.

(in millions of Russian rubles)

15. Investment securities

Available-for-sale securities

Available-for-sale securities comprise:

	2009	2008
Debt securities		
Russian corporate bonds and bonds of regional and municipal authorities	132,929	57,456
Eurobonds issued by Russian entities	13,993	8,714
Promissory notes	10,154	1,322
Credit linked notes	6,920	4,486
Bonds issued by companies of non-OECD countries	3,625	–
Eurobonds and other debt obligations issued by OECD-based financial institutions	2,880	567
Eurobonds issued by governments of OECD countries	1,273	919
Russian MinFin bonds (OVGVZ)	317	–
Federal Loan Bonds (OFZs)	200	229
Eurobonds issued by the Russian Federation	1	1
Debt obligations issued by governments of non-OECD countries	–	1,810
	172,292	**75,504**
Equity securities		
Shares of Russian companies	125,742	110,967
Shares of Russian credit institutions	22,378	21,568
Shares of foreign companies	12,441	20,570
	160,561	**153,105**
Less: Allowance for impairment (Note 20)	(114)	(2)
	160,447	**153,103**
Securities pledged under repurchase agreements		
Russian corporate bonds and bonds of regional and municipal authorities	951	–
Shares of foreign companies	12,377	–
	13,328	**–**
Available-for-sale securities	**346,067**	**228,607**

15. Investment securities (continued)
Available-for-sale securities (continued)

At 31 December 2009 investment securities available for sale included Eurobonds issued by governments of OECD countries with a fair value RUB 71 million pledged as additional collateral under currency swap agreement with a foreign counterparty. At 31 December 2008, investment securities available for sale included Eurobonds issued by governments of OECD countries with a fair value RUB 905 million pledged as additional collateral under a loan agreement with an OECD based bank.

To implement measures aimed at stabilizing the stock market, a total of RUB 175,000 million was allocated to Vnesheconombank from the Russian National Welfare Fund (the "Russian NWF"). Following the rules established by the Supervisory Board, these funds were invested in the instruments of the Russian stock market. At 31 December 2008, investment securities available for sale included securities with a fair value of RUB 159,741 million purchased with the funds of the Russian NWF. In December 2009, the Bank withdrew that deposit.

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

	2009		2008	
	%	Maturity	%	Maturity
Russian corporate bonds and bonds of regional and municipal authorities	7% – 19%	February 2010 – September 2028	6.7% – 21%	January 2009 – March 2040
Eurobonds issued by Russian companies	2.6% – 10.8%	January 2010 – August 2037	3.9% – 10.9%	February 2009 – August 2037
Promissory notes	8.2% – 18%	January 2010 – December 2010	8.9% – 18.6%	February 2009 – August 2009
Credit linked notes	2.3% – 11.2%	June 2010 – April 2030	5.5% – 11.7%	November 2009 – April 2030
Bonds issued by companies of non-OECD countries	9% – 25%	January 2010 – July 2015	–	–
Eurobonds and other debt obligations issued by OECD-based financial institutions	6.7%	June 2014	9.6%	October 2014
Eurobonds issued by governments of OECD countries	3.1% – 4%	January 2015 – November 2018	3.8% – 5%	January 2009 – January 2018
Russian MinFin bonds (OVGVZ)	3%	May 2011	–	–
Federal Loan Bonds (OFZs)	5.8% – 10.0%	January 2010 – August 2018	5.8% – 10.0%	January 2010 – August 2018
Eurobonds issued by the Russian Federation	7.5% – 8.3%	March 2010 – March 2030	7.5% – 8.3%	March 2010 – March 2030
Debt obligations issued by governments of non-OECD countries	–	–	–	January 2009

(in millions of Russian rubles)

15. Investment securities (continued)
Available-for-sale securities (continued)

At 31 December 2009 and 2008, credit linked notes comprise marketable securities that are issued by OECD-based financial institutions and are linked to debt obligations of the Russian Federation, Russian credit institutions and Russian companies.

At 31 December 2008, debt obligations issued by governments of non-OECD countries were treasury bills denominated in clearing currencies. These securities were purchased at a discount to the nominal value and carried no interest.

For the year ended on 31 December 2009, the Group recognized a RUB 13,778 million loss from impairment of available-for-sale-securities (31 December 2008 – RUB 20,655 million) by transferring the negative revaluation earlier recorded in comprehensive income.

Reclassification

In September 2009, the Group changed its plans with regard to certain debt securities available for sale and decided to hold them to maturity. Therefore, the Group reclassified these securities in the amount of RUB 16,037 million from securities available for sale to held-to-maturity securities. The decision was motivated by the change in the management plans with regard to above securities.

In 2008, the Group changed its plans with regard to certain debt securities available for sale and decided to hold them to maturity. The Group reclassified these securities in the amount of RUB 11,159 million from securities available for sale to held-to-maturity securities. The decision was motivated by the significant deterioration of the stock market.

Held-to-maturity securities

Held to maturity securities comprise:

	2009	2008
Eurobonds and other debt obligations issued by OECD-based financial institutions	15,981	–
Credit linked notes	3,123	8,930
Debt obligations issued by governments of non-OECD countries	1,920	–
Russian corporate bonds and bonds of regional and municipal authorities	824	1,407
Eurobonds issued by Russian companies	402	1,156
Promissory notes	342	302
Federal Loan Bonds (OFZs)	51	52
	22,643	**11,847**
Less: Allowance for impairment (Note 20)	(277)	(95)
Held-to-maturity securities	**22,366**	**11,752**

15. Investment securities (continued)
Held-to-maturity securities (continued)

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

	2009		2008	
	%	Maturity	%	Maturity
Eurobonds and other debt obligations issued by OECD-based financial institutions	8%	May 2010 - January 2013	–	–
Credit linked notes	2.6% – 9.5%	May 2010 - October 2011	5.3% – 10.4%	March 2009 – October 2011
Debt obligations issued by governments of non-OECD countries	–	January 2010	–	–
Russian corporate bonds and bonds of regional and municipal authorities	7.4% – 13%	February 2009 – June 2013	7.4% – 12.3%	February 2009 – June 2013
Eurobonds issued by Russian companies	4.3% – 9.6%	November 2010 – February 2016	4.6% – 10.9%	May 2009 – May 2012
Promissory notes	0% – 8.7%	January 2010 – December 2010	–	January 2010
Federal Loan Bonds (OFZs)	8%	August 2012	9%	August 2012

At 31 December 2009 and 2008, credit-linked notes comprise marketable securities that are issued by OECD-based financial institutions and are linked to debt obligations of Russian companies.

16. Due from the Russian Government

At 31 December 2009, amounts due from the Russian Government include claims to the Russian Ministry of Finance of RUB 207 million (31 December 2008 – RUB 194 million) to unfreeze correspondent accounts.

17. Investments in associates

Associates

The following associates are accounted for under the equity method:

Associates	2009			
	Share/ Voting, %	Country	Industry	Date of acquisition
OJSC "Ilyushin Finance Co."	21.4	Russia	Leasing	August 2006
LLC "Interbank Trading House"	50	Russia	Trade and investment	June 2006
LLC "Interfax – Center of Economic Analysis"	49	Russia	Media	August 2005
OJSC "Corporation of development of Krasnoyarsk Territory"	25	Russia	Finance intermediary	December 2006
CJSC "Konsultbankir"	34	Russia	Publishing	October 1996
CJSC "CentrEnergoStroyMontazh"	25	Russia	Construction	March 2007
LLC "PROMINVEST" (former LLC "OboronImpeks")	25	Russia	Foreign trade	November 2001
LLC "Managing Company "Bioprocess Capital Partners"	25.1	Russia	Finance intermediary	April 2008
CMIF "Bioprocess Capital Ventures"	Share of assets: 50	Russia	Investment	April 2008
LLC "VEB-Invest"	19	Russia	Investment	December 2008

(in millions of Russian rubles)

17. Investments in associates (continued)
Associates (continued)

Associates	2008			
	Share/ Voting, %	Country	Industry	Date of acquisition
OJSC "National trade bank"	16.3/16.7	Russia	Banking	April 2007
OJSC "Ilyushin Finance Co."	21.4	Russia	Leasing	August 2006
LLC "Interbank Trading House"	50	Russia	Trade and investment	June 2006
LLC "Interfax – Center of Economic Analysis"	49	Russia	Media	August 2005
OJSC "Corporation of development of Krasnoyarsk Territory"	25	Russia	Finance intermediary	December 2006
CJSC "Konsultbankir"	34	Russia	Publishing	October 1996
CJSC "CentrEnergoStroyMontazh"	25	Russia	Construction	March 2007
LLC "PROMINVEST" (former LLC "OboronImpeks")	25	Russia	Foreign trade	November 2001
LLC "Managing Company "Bioprocess Capital Partners"	25.1	Russia	Finance intermediary	April 2008
CMIF "Bioprocess Capital Ventures"	Share of assets: 50	Russia	Investment	April 2008
LLC "VEB-Invest"	19	Russia	Investment	December 2008

Movement in investments in associates was as follows:

	2009	2008
Balance, beginning of the period	5,747	4,502
Purchase cost	–	1,507
Share of net income (loss)	56	(266)
Loss of significant control over the associate	(286)	–
Dividends received	(1)	–
Translation differences	(7)	4
Write-off	(1)	–
Disposals	(8)	–
	5,500	**5,747**
Less: Allowance for impairment (Note 20)	(38)	(39)
Investments in associates, end of the period	**5,462**	**5,708**

At 31 December 2009, unrecognized Group's share in loss of its associates amounted to RUB 392 million (31 December 2008 – RUB 49 million). At 31 December 2009, unrecognized Group's share in loss of the associates totaled RUB 441 million.

17. Investments in associates (continued)
Associates (continued)

The following table illustrates summarized financial information of the associates:

Aggregated assets and liabilities of associates	2009	2008
Assets	178,529	146,699
Liabilities	161,886	129,170
Net assets	**16,643**	**17,529**

Aggregated revenue and loss of associates	2009	2008
Revenue	14,827	6,389
Losses	(1,965)	(918)

18. Property and equipment

The movements in property and equipment were as follows:

	Land and buildings	Furniture and office supplies	Computers and office equipment	Motor vehicles	Leasehold improve-ments	Assets under construc-tion and warehoused property and equipment	Total
Cost							
31 December 2008	**4,869**	**1,670**	**1,447**	**560**	**327**	**2,658**	**11,531**
Additions	325	160	304	118	136	1,332	2,375
Acquisition through business combinations (Note 5)	11,374	352	727	147	383	535	13,518
Disposals	(373)	(317)	(108)	(143)	(343)	(489)	(1,773)
Reclassification from investment property	41	–	–	–	–	–	41
Transfers	–	33	69	–	(4)	(98)	–
31 December 2009	**16,236**	**1,898**	**2,439**	**682**	**499**	**3,938**	**25,692**
Accumulated depreciation and impairment							
31 December 2008	**1,747**	**558**	**875**	**302**	**23**	–	**3,505**
Depreciation charge	367	272	539	165	78	–	1,421
Disposals	(14)	(99)	(81)	(116)	(134)	–	(444)
Impairment	690	–	–	–	114	2	806
31 December 2009	**2,790**	**731**	**1,333**	**351**	**81**	**2**	**5,288**
Net book value:							
31 December 2008	**3,122**	**1,112**	**572**	**258**	**304**	**2,658**	**8,026**
31 December 2009	**13,446**	**1,167**	**1,106**	**331**	**418**	**3,936**	**20,404**

(in millions of Russian rubles)

18. Property and equipment (continued)

	Land and buildings	Furniture and office supplies	Computers and office equipment	Motor vehicles	Leasehold improvements	Assets under construction and warehoused property and equipment	Total
Cost							
31 December 2007	**4,401**	**750**	**983**	**446**	**12**	**1,301**	**7,893**
Additions	257	254	209	125	–	1,193	2,038
Acquisition through business combinations	215	731	334	161	324	164	1,929
Disposals	(4)	(65)	(79)	(172)	(9)	–	(329)
31 December 2008	**4,869**	**1,670**	**1,447**	**560**	**327**	**2,658**	**11,531**
Accumulated depreciation and impairment							
31 December 2007	**1,639**	**493**	**756**	**257**	**9**	–	**3,154**
Depreciation charge	108	80	148	104	14	–	454
Disposals	0	(15)	(29)	(59)	0	–	(103)
31 December 2008	**1,747**	**558**	**875**	**302**	**23**	–	**3,505**
Net book value:							
31 December 2007	**2,762**	**257**	**227**	**189**	**3**	**1,301**	**4,739**
31 December 2008	**3,122**	**1,112**	**572**	**258**	**304**	**2,658**	**8,026**

In 2009, due to rapid and significant decline in real estate prices caused by the deteriorating economic environment in Ukraine, the Group recognized a RUB 690 million impairment of buildings owned by its subsidiary.

19. Taxation

Income tax expense comprises:

	2009	2008
Current tax expense/(benefit)	694	302
Deferred tax (benefit)/expense – origination and reversal of temporary differences	(277)	160
Current income tax adjustment for prior periods	–	485
Income tax expense	**417**	**947**

19. Taxation (continued)

Deferred tax recorded in other comprehensive income relates to unrealized gains (losses) from transactions with investment securities available for sale.

Russian legal entities must file individual tax declarations. The tax rate for banks for profits other than on state securities was 20% for 2009 and 24% for 2008. The tax rate for companies other than banks was also 20% for 2009 and 24% for 2008. The tax rate for interest income on state securities was 15% for Federal taxes.

The aggregate income tax rate effective in the Republic of Belarus for 2009 and 2008 was 26.28%. The aggregate income tax rate effective in Ukraine for 2009 was 25%.

In accordance with federal legislation, effective from reorganization date income and expenses received and paid by Vnesheconombank are not accounted when determining taxable base for income tax purposes. Therefore, income and expenses of the Bank for 2009 and 2008 are not included into taxable base for income tax purposes, which had a significant impact on the Group's effective income tax rate for 2009 and 2008.

At 31 December, the Group's income tax assets and liabilities comprise:

	2009	2008
Current income tax assets	776	1,494
Deferred income tax assets	80	79
Income tax assets	**856**	**1,573**
Current income tax liabilities	13	22
Deferred income tax liabilities	1,935	260
Income tax liabilities	**1,948**	**282**

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual is as follows:

	2009	2008
Income/(loss) before tax	**38,732**	**(80,322)**
Statutory tax rate	20%	24%
Theoretical income tax expense /(benefit) at the statutory rate	**7,746**	**(19,277)**
Non-taxable income on state securities /income taxed at different rates	(62)	(12)
Income taxed at different rate	(466)	(10)
Non-deductible expenses:		
- goodwill written off	–	10,041
- other	3,751	311
Currency translation differences	(132)	(5)
Vnesheconombank's income and expenses not included in tax base for income tax purposes	(8,943)	8,187
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	(4,766)	–
Change in deferred income tax resulting from change in tax rate	–	(31)
Change in unrecognized deferred tax assets	3,043	1,668
Other	246	75
Income tax expense	**417**	**947**

(in millions of Russian rubles)

19. Taxation (continued)

Deferred tax assets and liabilities at 31 December and their movements for the respective years comprise:

	2007	Origination and reversal of temporary differences		Effect of business combination	2008	Origination and reversal of temporary differences		Effect of business combination (Note 5)	Currency translation effect	2009
		In the statement of income	In other comprehensive income			In the statement of income	In other comprehensive income			
Tax effect of deductible temporary differences:										
Allowance for loan impairment	71	442	–	(271)	242	180	–	81	(17)	486
Change in fair value of securities	15	1,126	62	296	1,499	(1,437)	(18)	54	–	98
Tax losses carried forward	5	520	–	851	1,376	3,472	–	–	–	4,848
Accrued income and expense	6	9	–	–	15	(3)	–	–	–	12
Derivative financial instruments	52	(48)	–	–	4	8	–	–	(1)	11
Property and equipment	6	63	–	–	69	29	–	10	(16)	92
Other	50	7	–	11	68	(1,037)	19	2,574	39	1,663
	205	**2,119**	**62**	**887**	**3,273**	**1,212**	**1**	**2,719**	**5**	**7,210**
Unrecognized deferred tax assets	(70)	(1,668)	(16)	(793)	(2,547)	(3,043)	16	–	11	(5,563)
	135	**451**	**46**	**94**	**726**	**(1,831)**	**17**	**2,719**	**16**	**1,647**
Tax effects of taxable temporary differences:										
Securities	(8)	–	–	–	(8)	(294)	(60)	213	7	(142)
Loans to customers	–	(416)	–	(12)	(428)	(78)	–	–	–	(506)
Allowances for losses	(2)	(4)	–	–	(6)	(110)	–	(261)	11	(366)
Customers' accounts	–	(47)	–	(23)	(70)	70	–	–	–	–
Accrued income and expense	(47)	(13)	–	–	(60)	(33)	–	–	14	(79)
Derivative financial instruments	–	–	–	–	–	(110)	–	(60)	–	(170)
Property and equipment	(37)	(81)	–	(93)	(211)	375	–	(2,175)	32	(1,979)
Other	–	(50)	–	(74)	(124)	2,288	–	(2,360)	(64)	(260)
	(94)	**(611)**	**–**	**(202)**	**(907)**	**2,108**	**(60)**	**(4,643)**	**–**	**(3,502)**
Gross deferred tax asset	**43**	**(10)**	**46**	**–**	**79**	**42**	**(37)**	–	**(4)**	**80**
Deferred tax liability	**(2)**	**(150)**	**–**	**(108)**	**(260)**	**235**	**(6)**	**(1,924)**	**20**	**(1,935)**

20. Other impairment and provisions

The movements in other impairment allowances and provisions were as follows:

	Investment securities available for sale	Investment securities held to maturity	Investments in associates	Other assets	Claims	Guarantees and commitments	Total
31 December 2007	**8**	**–**	**42**	**8**	**18**	**13**	**89**
Charge (reversal)	**(4)**	95		586	–	1,318	1,995
Amounts arising on business combination	–	–	–	–	–	31	31
Write-off	(2)	–	(3)	(2)	(18)	–	(25)
31 December 2008	**2**	**95**	**39**	**592**	**–**	**1,362**	**2,090**
Charge	112	182	–	335	184	514	1,327
Amounts arising on business combination (Note 5)	–	–	–	–	**–**	564	564
Write-off	–	–	(1)	–	(157)	–	(158)
31 December 2009	**114**	**277**	**38**	**927**	**27**	**2,440**	**3,823**

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

21. Other assets and liabilities

Other assets comprise:

	2009	2008
Settlements with suppliers and other debtors	5,332	**2,807**
Intangible assets	2,374	1,703
Accrued commissions	1,369	76
Equipment purchased for leasing purposes	934	1,044
Settlements on outstanding operations with securities	586	569
Prepaid expenses	409	454
Cash transactions	20	–
Prepaid securities	–	3,840
Other	1,122	2,036
	12,146	**12,529**
Less allowance for impairment of other assets (Note 20)	(927)	(592)
Other assets	**11,219**	**11,937**

Included in other assets are intangible assets in the amount of RUB 2,736 million (31 December 2008 – RUB 1,725 million), net of accumulated amortization of RUB 362 million (31 December 2008 – RUB 227 million). As a result of business combination, the Group received intangible assets in the amount of RUB 698 million. In 2009, the Group disposed of intangible assets in the amount of RUB 159 million, net of accumulated amortization of RUB 142 million. The respective amortization charges for 2009 and 2008 were RUB 277 million and RUB 79 million, respectively, which are included in other operating expenses.

(in millions of Russian rubles)

21. Other assets and liabilities (continued)

At 31 December 2009 and 2008, intangible assets include goodwill in the amount of RUB 1,381 million related to acquisition of OJSC "Belvnesheconombank" and OJSC "VEB-Leasing".

Other liabilities comprise:

	2009	2008
Future period income	1,763	570
Settlements with credit institutions	1,011	793
Advances received from lessees	840	579
Settlements with clients on export revenues	547	267
Obligations under finance lease agreements	148	283
Cash transactions	138	–
Settlements on operations with securities	35	2,677
Liabilities directly associated with assets held for sale (Note 14)	–	40
Other	1,548	1,143
Other liabilities	**6,030**	**6,352**

22. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	2009	2008
Correspondent loro accounts from other credit institutions	6,939	6,474
Correspondent loro accounts from Russian credit institutions	6,856	141,887
Loans and other placements from OECD-based credit institutions	76,666	108,629
Loans and other placements from other credit institutions	67,295	86,282
Loans and other placements from Russian credit institutions	42,391	27,523
Repurchase agreements	960	2,361
Deposits from Russian credit institutions – fiduciaries	30	304
Amounts due to credit institutions	**201,137**	**373,460**

At 31 December 2009, loans and other placements from OECD-based credit institutions include loans primarily denominated in RUB, USD, EUR and GBP with interest rates ranging from 7.1% to 8.5% for RUB placements (31 December 2008 – from 7% to 8%), from three-months LIBOR plus 0.2% to 7.6% for USD placements (31 December 2008 – from three-months LIBOR plus 0.2% to 6.4%), from 0.7% to 5.3% for EUR placements (31 December 2008 – from 3.4% to six-months EURIBOR plus 1.3%) and from 5.7% to 7.9% for GBP placements (31 December 2008 – from 5.8% to 7.9%).

At 31 December 2009, loans and other placements from non-OECD based credit institutions include loans denominated in RUB, USD, EUR, BYR and UAH with interest rates ranging from 7% to 7.5% for RUB loans, from one-month LIBOR plus 0.7% to 17% for USD loans (31 December 2008 – from one-month LIBOR plus 0.7% to one-month LIBOR plus 2.1%), from 0.3% to 17% for EUR loans, from 2% to 13% for BYR loans and 12% for UAH loans. At 31 December 2009, this item also includes minimum balances on correspondent loro accounts from non-OECD-based credit institutions.

22. Amounts due to credit institutions (continued)

At 31 December 2009, loans and other placements from Russian credit institutions include loans denominated in RUB, USD and EUR with interest rates ranging from 0.5% to 20% for RUB loans (31 December 2008 – from 9% to 15%), from 0.1% to 8.5% for USD loans (31 December 2008 – from 2.3% to 8.7%), from 0.1% to 4% for EUR loans (31 December 2008 – from 1.4% to 11%). At 31 December 2009 and 2008, this item also includes deposits held as security against letters of credit and minimum balances on correspondent loro accounts.

At 31 December 2009, repurchase agreements with credit institutions comprise loans of RUB 960 million received from Russian banks and collaterized by available-for-sale bonds of Russian companies (Note 15). At 31 December 2008, repurchase agreements with credit institutions included loans of RUB 2,075 million received from Russian banks and collateralized by shares of Russian companies recorded in the trading portfolio (Note 10) and non-marketable bonds of Russian companies recognized within loans to customers (Note 13) in the amount of RUB 286 million.

23. Amounts due to customers

Amounts due to customers comprise:

	2009	2008
Customer current accounts	101,384	76,929
Term deposits	92,772	34,158
Repurchase agreements	8,067	254
Amounts due to customers	**202,223**	**111,341**
Held as security against guarantees	**1,682**	**556**
Held as security against letters of credit	**778**	**1,678**

At 31 December 2009, term deposits have annual interest rates from 1.5% to 17.5% for RUB-denominated deposits, from 0.5% to 19% for USD-denominated deposits, from 1% to 20% for EUR-denominated deposits, from 3% to 16.5% for BYR-denominated deposits and from 5% to 26.5% for UAH-denominated deposits. At 31 December 2008, term deposits have annual interest rates from 1% to 12.3% for USD-denominated deposits, from 1% to 10.3% for EUR-denominated deposits, from 2% to 25% for RUB-denominated deposits and from 2% to 18% for BYR-denominated deposits.

At 31 December 2009 and 2008, amounts due to the Bank's four largest customers amounted to RUB 62,070 million and RUB 55,446 million, respectively, representing 30.7% and 49.8% of the aggregate amount due to customers.

(in millions of Russian rubles)

23. Amounts due to customers (continued)

Amounts due to the ten largest customers include accounts with the following types of customers:

	2009	2008
Telecommunication	34,957	36,242
Infrastructure development	17,495	17,115
Financial organizations	8,067	6,019
Metallurgy	7,343	–
Trade	4,685	3,767
Manufacturers of heavy machinery and military related goods	3,773	7,305
Construction	2,937	–
Non-commercial organizations	2,716	4,407
	81,973	**74,855**

Included in term deposits are deposits of individuals in the amount of RUB 55,632 million (31 December 2008 – RUB 10,003 million). In accordance with the Russian Civil Code, the Bank and its Russian subsidiaries are obliged to repay term deposits of individuals upon demand of a depositor. In accordance with the Banking Code of the Republic of Belarus, the Belarusian subsidiary is obliged to repay term deposits of individuals in five days upon demand of a depositor. In accordance with the banking legislation of Ukraine, the Ukrainian subsidiary is obliged to repay term deposits of individuals in five days upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the agreement.

Amounts due to customers include accounts of the following types of customers:

	2009	2008
State and state controlled companies	69,486	61,715
Private companies	64,315	36,157
Employees and other individuals	65,738	11,336
Companies under foreign state control	2,684	2,133
Amounts due to customers	**202,223**	**111,341**

At 31 December 2009, repurchase agreements with customers comprise RUB 8,067 million received from a foreign company and collaterized by available-for-sale shares of foreign issuers (Note 15). At 31 December 2008, repurchase agreements with customers comprise RUB 254 million received from a Russian company and collaterized by available-for-sale shares of Russian companies recorded in the trading portfolio (Note 10).

24. Debt securities issued

Debt securities issued comprise the following:

	2009	2008
Bonds	60,425	2,023
Promissory notes	18,429	6,185
Certificates of deposit and saving certificates	42	17
Debt securities issued	**78,896**	**8,225**
Promissory notes held as security against guarantees	**1,401**	**1,042**

At 31 December 2009, the Group's bonds include bonds of Vnesheconombank in the amount of RUB 60,359 million. The bonds with a par value of USD 1,000 each for a total amount of USD 2 billion were placed on the Moscow Interbank Currency Exchange in June 2009 for 1 year. The coupon rate is six-month LIBOR plus 1%. At 31 December 2009 and 2008, the Group's bonds also include bonds issued by subsidiary banks.

The Group's debt securities issued at 31 December 2009 include interest-bearing promissory notes denominated in RUB, USD and EUR maturing in 2049 (31 December 2008 – maturing in 2032). Interest rate is 9.5% for RUB-denominated promissory notes (31 December 2008 – from 5% to 10%), from 0.2% to 7% for USD-denominated promissory notes (31 December 2008 – from 2.3% to 5.7%) and from 1% to 7% for EUR-denominated promissory notes (31 December 2008 – from 1.5% to 3.5%). At 31 December 2008, this caption also included interest-bearing promissory notes denominated in GBP with interest rates from 2.7% to 3.5%.

At 31 December 2009 and 2008, certificates of deposit and saving certificates issued by a subsidiary bank are denominated in BYR, bear interest rates from 12% to 13% and mature by December 2010 and January 2009, respectively.

25. Equity

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

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

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

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

(in millions of Russian rubles)

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

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

At the Shareholders' Meeting of the Group's subsidiary OJSC "Russian Bank for Development" held in June 2008, the Bank declared dividends in respect of the reporting year ended 31 December 2007, totaling RUB 90 million on ordinary shares (RUB 19.32 thousand per share).

Nature and purpose of other reserves

Unrealized gains / (losses) on investment securities available for sale

This reserve records fair value changes of available-for-sale investments.

The movements in unrealized gains / (losses) on investment securities available for sale were as follows:

	2009	2008
Unrealized gains / (losses) on investment securities available for sale	107,565	(21,494)
Realized (gains) / losses on investment securities available for sale, reclassified to the statement of income	(42,721)	(748)
Impairment loss on investment securities available for sale, reclassified to the statement of income	13,778	20,655
Net gains / (losses) on investment securities available for sale	**78,622**	**(1,587)**

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

26. Commitments and contingencies

Operating environment

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

As emerging markets, the Republic of Belarus and Ukraine do not possess a well-developed business and regulatory infrastructure that would generally exist in more mature market economies. Belarusian and Ukrainian economies continue to display certain characteristics consistent with those of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets,

relatively high inflation and the existence of currency controls which cause the national currency to be illiquid outside of these countries. The future stability of the Belarusian and Ukrainian economies depends to a large extent on the efficiency and further development of the economic, financial and monetary measures taken by the Belarusian and Ukrainian governments.

The Russian, Belarusian and Ukrainian economies are vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in a decline in the gross domestic product, capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within those countries. While the Russian, Belarusian and Ukrainian governments has introduced a range of stabilization measures aimed at providing liquidity to banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group financial position, results of operations and business prospects.

Also, factors including increased unemployment, reduced corporate liquidity and profitability, and increased corporate and personal insolvencies, have affected the Group's borrowers' ability to repay the amounts due to the Group. In addition, changes in economic conditions have resulted in deterioration in the value of collateral held against loans and other obligations. To the extent that information is available, the Group has reflected revised estimates of expected future cash flows in its impairment assessment.

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

Legal

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group. Movement in provisions for legal claims is shown in Note 20.

Taxation

Russian tax legislation is subject to varying interpretations, and changes, which can occur frequently. In addition, certain provisions of Belarusian and Ukrainian tax legislation may give rise to varying interpretations and inconsistent applications. The Bank's management's and its subsidiaries' management's interpretation of such legislation as applied to the transactions and activity of the Group companies may be challenged by the relevant tax authorities. Trends within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be accrued.

At 31 December 2009, management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax position will be sustained.

(in millions of Russian rubles)

26. Commitments and contingencies (continued)
Taxation (continued)

Commitments and contingencies

At 31 December the Group's commitments and contingencies comprised:

	2009	2008
Credit related commitments		
Undrawn loan commitments	231,321	156,733
Guarantees	131,577	61,741
Letters of credit	33,285	2,266
	396,183	**220,740**
Operating lease commitments		
Not later than 1 year	1,314	421
Later than 1 year but not later than 5 years	1,906	584
Later than 5 years	985	984
	4,205	**1,989**
Capital expenditure commitments	6,951	289
	407,339	**223,018**
Less provisions	(2,440)	(1,362)
Commitments and contingencies (before deducting collateral)	**404,899**	**221,656**
Less Group's cash and promissory notes held as security against guarantees	(3,083)	(1,598)
Commitments and contingencies	**401,816**	**220,058**

At 31 December 2009, credit related commitments include liabilities in favor of one counterparty, a state company, in the amount of RUB 47,482 million, which accounts for 12% (31 December 2008 - RUB 26,437 million, 12%) of all credit related commitments.

Insurance

The Group's premises are insured for RUB 12,034 million (31 December 2008 – RUB 4,626 million). The Group has not currently obtained insurance coverage related to liabilities arising from errors or omissions. Liability insurance is generally not available in Russia, Belarus and Ukraine at present.

27. Net fee and commission income

Net fee and commission income comprise:

	2009	2008
Cash and settlement operations	3,380	686
Guarantees and letters of credit	3,291	1,002
Agency fees	535	–
Trust management of pension funds	211	–
Operations with securities	154	52
Other operations	1,291	558
Fee and commission income	**8,862**	**2,298**
Fee and commission expense	**(1,673)**	**(673)**
Net fee and commission income	**7,189**	**1,625**

28. Gains less losses from investment securities available for sale

Gains less losses from investment securities available for sale recognized in the statement of income comprise:

	2009	2008
Gains less losses on sale of investment securities available for sale, previously recognized in other comprehensive income	42,721	748
Losses on impairment of investment securities available for sale	(13,778)	(20,655)
Other gains from redemption of investment securities	13,997	(1,287)
Total gains less losses from investment securities available for sale	**42,940**	**(21,194)**

29. Other operating expenses

Other operating expenses comprise:

	2009	2008
Impairment charge for property and equipment (Note 18)	806	–
Administration expenses	615	574
Advertising expenses	579	668
Audit and consulting	403	286
Legal services	396	198
Deposit insurance	297	22
Amortization of intangibles	277	79
Marketing and research	262	275
Insurance	239	90
Loss on initial recognition of financial assets	224	–
Charity	219	245
Sponsorship	125	135
Penalties incurred	26	7
Contribution to non-state pension fund	2	400
Other	1,536	827
Other operating expenses	**6,006**	**3,806**

30. Risk management

Introduction

The Group's operations expose it to financial risks, which it divides into credit risk, liquidity risk and market risk, the latter being subdivided into interest rate risk, currency risk and equity risk. Group members manage financial risks through a process of ongoing identification, measurement and monitoring, as well as by taking steps towards reducing the level of risk.

30. Risk management (continued)
Introduction (continued)

The Group is also subject to operational risk and strategic risk. Strategic risk is defined by the Group as a risk of a negative effect on the Group's operations arising from mistakes (deficiencies) made in decisions that determine strategy of the Group; this risk is managed by the Group in the course of its strategic planning process.

The process of risk management is critical to ensure that risks accepted by the Group would not affect its financial stability. Each business division within the Group involved in operations exposed to risk is accountable for controlling the level of risks inherent in its activities to the extent provided in the internal regulations.

Risk management structure in place at Group members

Typical organizational structure of risk management in place at Group members consists of the following elements:

- The supreme collegial management body (Supervisory Board, Board of Directors) takes strategic decisions aimed at organizing and supporting the operation of the risk management system.

- Collegial management bodies (Management Board, Banking Risk Management Committee, Financial Committee, Asset and Liability Management Committee, Credit Committee, Technology Committee) and single management bodies (Chairman of the Bank, Chairman of the Management Board) prepare/adopt management decisions within their established authority, over a particular type of activity or type of risk.

- Independent risk management business division (Risk Management Department, Risk Analysis and Control Department) coordinates activities carried out by independent business divisions to implement risk management decisions taken by management bodies, including development of a regulatory framework that underlies risk assessment and control, independent assessment and subsequent control of risk level, and prepares risk reports for Group member management on a regular basis.

- Business divisions engaging in/supporting operations exposed to risks perform initial risk identification and assessment, control compliance with established limits and generate risk reports subject to the requirements of the adopted/approved regulatory framework.

- The Internal Control Function controls compliance with requirements of internal regulations and evaluates the effectiveness of the risk management system. Following the completion of respective audits, the Internal Control Function reports its findings and recommendations to Group member management.

In 2009, the risk management coordination within the Group of Vnesheconombank was further developed. This included a wider range of data collected on a regular basis, as well as the development and introduction of new formats for analytical representation of information on risk level for subsidiary banks to the Bank's management. To that end a special division was set up within the Risk Management Department of Vnesheconombank. In 2009, also a package of measures aimed at harmonization of approaches to risk management was consistently implemented within the group of subsidiary banks in general, to include approaches to risk assessment and development of the limits policy.

30. Risk management (continued)
Introduction (continued)

Vnesheconombank's risk management structure

The Supervisory Board is the supreme management body of the Bank. Within the scope of powers delegated to that body by the Memorandum on Financial Policies and Federal Law "On Bank for Development", the Supervisory Board is responsible for establishing specific parameters of the Bank's investing and financing activities including those related to risk management. Along with the Supervisory Board, the Bank's management structure comprises other management and collegial bodies and business divisions that are responsible for controlling and managing risks.

Supervisory Board

Pursuant to the Regulation on the Supervisory Board, powers of the Bank's Supervisory Board in the area of risk management include: the approval of procedures governing the activities of internal control function, credit policy regulations, procedures for providing guarantees, sureties and loans to credit institutions and other legal entities, methods and procedures for measuring credit risk parameters and limits, methodology for calculating the Bank's equity (capital) amount and capital adequacy ratio, impairment and other losses provisioning procedures, regulations on the Bank's management bodies.

The Supervisory Board decides on approving transactions involving acquisition, disposal or potential disposal of assets whose carrying value accounts for at least 10% of the Bank's equity and establishes the maximum amount of funds allocated to manage the Bank's temporarily idle cash (liquidity).

Within the scope of powers delegated to it by the Memorandum on Financial Policies and Federal Law "On Bank for Development", the Supervisory Board establishes parameters of the Bank's investing and financing activities, sets limits and establishes limitations on the structure of the Bank's loan portfolio.

Management Board

The risk management-related authorities of the Management Board include making decisions to approve transactions or a number of interrelated transactions associated with acquisition, disposal or potential disposal of assets whose carrying value accounts for 2% to 10% of the Bank's equity.

The Management Board drafts proposals regarding Vnesheconombank's major lines of business and parameters of its investing and financing activities (including those related to risk management) and submits such proposals for approval by the Supervisory Board.

Chairman of Vnesheconombank

With regard to risk management-related aspects of the Bank's operations, the Chairman of Vnesheconombank issues orders and resolutions, approves policies and technical procedures governing banking transactions.

The Chairman of Vnesheconombank decides on other matters related to risk management except for those falling within the competence of the Supervisory Board and the Management Board.

30. Risk management (continued)
Introduction (continued)

Credit Committee

The Credit Committee is the Bank's standing collegial body whose primary objective is to develop conclusions as a result of considering suggestions for granting loans, guarantees, sureties and financing on a repayable basis, participation in share capital and/or purchase of bonds, setting limits by counterparty and issuer, as well as debt recovery and write-off.

Internal Control Function

The Internal Control Function is responsible for monitoring, on a continuous basis, the functioning of the banking risk management system as provided in the internal regulations. Following the completion of the respective audits, the Internal Control Function reports its findings and recommendations to the Bank's management.

Risk Management Department

The Risk Management Department is an independent business division designed to maintain the efficient functioning of the risk management system in compliance with the requirements of supervisory and regulatory bodies, international standards governing banking risk management practices in order to ensure the requisite reliability and financial stability of the Bank.

The Risk Management Department is responsible for developing methods and procedures for the assessment of various types of risks, draft proposals to limit the risk level, perform follow-up monitoring of compliance with the established risk limits and relevant risk decisions, and prepare reporting documents for each type of risks and each line of the Bank's business.

The Risk Management Department is responsible for monitoring compliance with risk policies and principles, and for assessing risks of new products and structured transactions. The Risk Management Department is composed of units that are responsible for control over the level of exposures by each type of risk and each line of the Bank's business, as well as a division responsible for monitoring risks of subsidiary banks.

Directorate for Currency and Financial Transactions

To control the Bank's day-to-day liquidity, the Directorate for Currency and Financial Transactions monitors compliance with the established minimum levels of liquidity and maturity mismatch in assets and liabilities. The Directorate prepares regular forecasts of the Bank's estimated leverage by source of funding, performs daily monitoring of open position limits by class of financial instruments and operations performed by the Directorate on money, equity and currency markets as well as counterparty limits.

The Directorate monitors the market value and liquidity of collateral provided by the Bank's counterparties.

Independently from other operating divisions, the Analytical Unit within the Directorate analyzes the current situation on money, equity and currency markets.

30. Risk management (continued)
Introduction (continued)

Economic Planning Department

The Economic Planning Department is involved in the development of methodological documents for managing the Bank's financial risks. The Department monitors the Bank's financial stability parameters, including capital adequacy ratio. The Department coordinates the activities across the Bank relating to the establishment of allowances for losses.

Risk management

Risk measurement and reporting systems

The Bank's risks are measured using the methodologies approved by the Bank's authorized bodies which allow assessing both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate possible loss at a given level of probability. Losses are measured on the basis of the analysis and processing of historical data relating to risk factors underlying such losses and the established patterns (models) used to determine the relationship between changes in risk factors and loss events. Statistical patterns derived from the analysis of historical data are adjusted, as appropriate, to account for the current operating environment of the Bank and situation on the markets.

The Bank also applies stress testing practices to run worse case scenarios that would arise in case extreme events which are unlikely to occur do, in fact, occur.

Monitoring and limiting risks is primarily performed based on limits established by the Bank. These limits reflect the level of risk which is acceptable for the Bank and set strategic priorities for each line of the Bank's business.

To assess and monitor the aggregate credit and market risk exposure, the Bank computes capital adequacy ratio in accordance with the methodology approved by the Bank's Supervisory Board and based on approaches set out in regulations issued by the CBR. The minimum capital adequacy ratio of 10% has been set.

Information compiled from all the businesses is examined and processed in order to analyze, control and early identify risks. The above information and analytical comments thereon are communicated regularly to the Bank's management bodies, heads of business divisions and the Internal Control Function. The reporting frequency is established by the Bank's management body. The reports include the level of risk and risk profile changes by each type of risks and main business line, respective estimated values, updates on compliance with the existing risk limits, value at risk (VaR), results of sensitivity analysis for market risks, and the Bank's liquidity ratios.

To ensure timely response to changes in internal and external operating environment, heads of business divisions are obliged to notify the Bank's management of any factors contributing to banking risks. Information is to be communicated in accordance with the procedure set forth in the corresponding internal documents governing the activities of the business divisions.

The Risk Management Department, jointly with other responsible business divisions, regularly monitors compliance with the existing limits, analyzes risk factors associated with financial and non-financial counterparties, jurisdictions, countries, market instruments, and the Bank's position in a given market segment and reviews changes in the level of risk.

30. Risk management (continued)
Risk management (continued)

Risk mitigation

As part of its overall risk management, the Bank may use derivatives and other instruments to manage exposures arising from changes in interest rates, currency rates, equity prices, credit risk factors, and exposures arising from changes in positions under forecast transactions.

The Bank actively uses collateral to reduce its credit risks (see above for more detail).

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features, or when their ability to meet contractual obligations will be similarly affected by possible changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to control the level of risk concentrations, the Bank's policies and procedures include guidelines and restrictions designed to maintain a diversified portfolio.

Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations in full when they fall due. The Bank manages and controls credit risk by placing limits on the amount of risk it is willing to accept in relation to one counterparty, groups of counterparties and to industry segments and regions, and by monitoring exposures in relation to the existing limits.

Within the framework of risk management, the Bank ensures compliance with the following limits established in the Memorandum on Financial Policies:

- the maximum limit of exposure per individual borrower or a group of related borrowers shall not exceed 25% of the Bank's equity (capital);
- the aggregate volume of major exposures shall not exceed 800% of the Bank's equity (capital)

Vnesheconombank's Supervisory Board is entitled to set additional limits, including those related to the structure of the Vnesheconombank's loan portfolio.

When extending guarantees under export operations and arranging for export loan insurance against political and commercial risks, the Bank complies with the limitations set forth in the Memorandum on Financial Policies, whereby the maximum value of the Bank's commitments in respect of one borrower or a group of related borrowers should not exceed 25% of the Bank's equity (capital).

30. Risk management (continued)
Credit risk (continued)

The Bank adopts a systemic approach to managing risks associated with the Bank's entire asset portfolio and those attributable to individual transactions entered into with borrowers / counterparties (a group of related borrowers / counterparties). Such approach consists of the following steps:

- risk identification;
- risk analysis and assessment,
- risk acceptance and/or risk reduction;
- risk level control.

Credit risk is managed throughout all the stages of the lending process: loan application review, execution of a lending / documentary transaction (establishment of a corresponding credit limit), loan administration (maintaining loan files, etc.), monitoring the loan (credit limit) drawdown status, monitoring the borrower's financial position and repayment performance until full settlement has been made (credit / documentary limit has been closed), monitoring the status of the current investment project. Since transactions that are bearing credit risk may not only involve credit risk as such, but give rise to other risks (e.g. market risk, project risk, collateral risk), the Bank performs a comprehensive assessment of risks attributable to such transactions.

The principle of methodological integrity provides for the use of a consistent methodology for identifying and measuring credit risk which is in line with the nature and scale of operations conducted by the Bank. It is planned to amend the credit risk assessment methodology applied by the other Group members to harmonize approaches to credit risk assessment used within the Group with the Bank's standards.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a credit rating. Credit ratings are subject to regular revision. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Credit-related commitments risks

The Bank makes available to its customers documentary operations which may require that the Bank make payments on their behalf. Such payments are collected from customers based on the terms of the guarantee / letter of credit given. They also expose the Bank to credit risks which are mitigated by the same control processes and policies.

(in millions of Russian rubles)

30. Risk management (continued)
Credit risk (continued)

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements and including any allowance for impairment.

	Notes	Maximum exposure 2009	Maximum exposure 2008
Cash and cash equivalents (excluding cash on hand)	9	157,879	276,549
Trading securities	10	28,621	24,159
Amounts due from credit institutions	11	467,308	311,510
Derivative financial assets	12	2,214	2,970
Loans to customers	13	843,538	725,640
Investment securities	15		
- available-for-sale		173,243	75,504
- held-to-maturity		22,366	11,752
Other assets	21	6,685	2,883
		1,701,854	**1,430,967**
Financial commitments and contingencies	26	393,743	219,378
Total credit risk exposure		**2,095,597**	**1,650,345**

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instruments, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in Note 13.

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank using internal credit ratings. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the inputs for measuring the counterparty risk. Credit risk measurement methodology has been approved by the Bank's Supervisory Board. Group-wide guidelines for assessing the credit quality of assets have been developed for the purpose of preparing the Group's aggregate reports.

30. Risk management (continued)
Credit risk (continued)

The table below shows the credit quality by class of assets for credit risk-related lines of the consolidated statement of financial position, based on the Group's credit rating system. The information is based on carrying amounts and does not include allowance for impairment.

	Notes	Not past due				Past due 2009	Total 2009
		Not impaired			Individually impaired 2009		
		High grade 2009	Standard grade 2009	Sub-standard grade 2009			
Amounts due from credit institutions	11						
Back-to-back finance		383,039	4,959	–	–	–	387,998
Subordinated loans		210	–	–	–	–	210
Interbank loans under small and medium-sized business support program		22,589	3,091	84	24	24	25,812
Other amounts due from credit institutions		48,642	4,128	58	1,993	–	54,821
		454,480	**12,178**	**142**	**2,017**	**24**	**468,841**
Loans to customers	13						
Back-to-back finance		191,466	46,031	–	–	–	237,497
Commercial loans		88,991	101,780	27,735	22,102	66,474	307,082
Project finance		63,864	84,656	19,473	139,148	6,109	313,250
Pre-export finance		47,844	3,798	19,456	3,135	6,479	80,712
Financing of operations with securities		3,855	1,590	824	–	2,017	8,286
Promissory notes		3,884	565	3,383	–	49	7,881
Reverse repurchase agreements		1,565	2,065	–	–	976	4,606
Other		599	561	1,531	–	2,694	5,385
		402,068	**241,046**	**72,402**	**164,385**	**84,798**	**964,699**
Debt investment securities	15						
Available-for-sale		153,052	20,185	–	–	6	173,243
Held-to-maturity		21,223	1,143	82	–	195	22,643
		174,275	**21,328**	**82**	**–**	**201**	**195,886**
Total		**1,030,823**	**274,552**	**72,626**	**166,402**	**85,023**	**1,629,426**

(in millions of Russian rubles)

30. Risk management (continued)
Credit risk (continued)

	Notes	Not past due					
		Not impaired					
		High grade 2008	Standard grade 2008	Sub-standard grade 2008	Individually impaired 2008	Past due 2008	Total 2008
Amounts due from credit institutions	11						
Back-to-back finance		246,002	–	–	–	–	246,002
Subordinated loans		420	–	–	–	–	420
Interbank loans under small and medium-sized business support program		21,498	370	45	–	48	21,961
Reverse repurchase agreements		705	102	–	–	–	807
Other amounts due from credit institutions		40,648	1,750	55	–	–	42,453
		309,273	**2,222**	**100**	**–**	**48**	**311,643**
Loans to customers	13						
Back-to-back finance		232,333	37,335	–	–	–	269,668
Pre-export finance		80,798	17,749	10,508	1,465	–	110,520
Project finance		11,554	179,196	94	6,279	2,327	199,450
Commercial loans		38,919	81,151	11,831	5,681	1,312	138,894
Reverse repurchase agreements		–	–	57	–	–	57
Financing of operations with securities		–	1,668	–	–	–	1,668
Promissory notes		153	510	3,297	–	40	4,000
Other		10,166	2,372	691	–	–	13,229
		373,923	**319,981**	**26,478**	**13,425**	**3,679**	**737,486**
Debt investment securities	15						
Available-for-sale		58,322	17,182	–	–	–	75,504
Held-to-maturity		10,171	1,486	190	–	–	11,847
		68,493	**18,668**	**190**	**–**	**–**	**87,351**
Total		**751,689**	**340,871**	**26,768**	**13,425**	**3,727**	**1,136,480**

30. Risk management (continued)
Credit risk (continued)

Aging analysis of past due but not individually impaired loans per class of financial assets

The table below shows the carrying amounts of past due but not impaired loans by the number of days past due:

	Less than 7 days 2009	7 to 30 days 2009	More than 30 days 2009	Total 2009
Loans to customers				
Commercial loans	543	237	6,987	7,767
Pre-export finance	–	–	6,479	6,479
Financing of operations with securities	–	–	867	867
Promissory notes	–	–	1	1
Other	5	0	2	7
Total	**548**	**237**	**14,336**	**15,121**

	Less than 7 days 2008	7 to 30 days 2008	More than 30 days 2008	Total 2008
Amounts due from credit institutions				
Interbank loans under small and medium-sized business support program	–	–	1	1
Loans to customers				
Commercial loans	–	8	7	15
Total	–	**8**	**8**	**16**

See Note 13 for more detailed information with respect to the allowance for impairment of loans to customers.

Carrying amount per class of financial assets whose terms have been renegotiated

The table below shows the carrying amounts of renegotiated loans, by class, which would otherwise be past due or impaired: At 31 December 2009 and 2008, the terms of other financial assets were not renegotiated.

	2009	2008
Loans to customers		
Project finance	32,631	56,577
Commercial loans	15,669	6,663
Pre-export finance	2,473	2,653
Financing of operations with securities	–	1,668
Other	394	–
Total	**51,167**	**67,561**

30. Risk management (continued)
Credit risk (continued)

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 30 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. Impairment assessment is performed in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The allowances appropriate for each individually significant loan are determined on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of financial support, the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for impairment of loans to customers that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans where there is not yet objective evidence of individual impairment. Allowances are assessed on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is no yet objective evidence of the impairment in individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the appropriate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired.

Financial guarantees and letters of credit are also assessed and provision is made in a similar manner as for loans.

Liquidity risk and funding management

Liquidity risk is the risk that the Group will be unable to meet its financial obligations when they fall due.

The Group manages its liquidity risk at the following levels:

- Each bank within the Group manages its liquidity on a standalone basis so that it can meet its obligations in full and comply with requirements of the national regulator; for this purpose relevant policies and procedures have been developed that detail the liquidity risk assessment and control process;
- The Bank manages the Group's liquidity through reallocating, where necessary, funds within the Group both in the form of lending and using other instruments.

30. Risk management (continued)
Liquidity risk and funding management (continued)

Group members assess liquidity risk using analysis of the maturity structure of assets and liabilities, and a liquid asset cushion under various scenarios. To limit liquidity risk, Group members control liquidity gaps and the level of the liquid asset cushion. Subsidiary banks within the Group also forecast and control compliance with mandatory liquidity ratios established by national regulators.

As a part of the liquidity risk management process the Bank performs the following actions limiting the liquidity risk:

- Regularly monitors the Bank's liquidity situation, supervises the compliance with the established limits and reviews them;
- Maintains a well-balanced maturity and currency structure of assets and liabilities and an optimal liquid asset cushion;
- Maintains a diversified structure of funding sources and directions of investments by counterparty;
- Develops plans to raise debt funding;
- Assesses sustained balances on customers' accounts, monitors the level of concentration of balances on customers' accounts in order to prevent an abrupt outflow of funds from customers' accounts;
- Performs cash flow modeling and supervise liquidity ratios under various scenarios that reflect changes in the macroeconomic and market operating environment;
- Performs stress testing of the Bank's exposure to liquidity risk and financial market conditions on a regular basis and as and when significant changes in external and internal factors arise or are expected.

Operational control over liquidity ratios, including liquidity gaps, is performed at the Bank by the Directorate for Currency and Financial Transactions. The subsequent control is performed by the Risk Management Department. Liquidity control results are reported to the Bank's management and used for making management decisions.

In addition, for the purposes of identifying available sources to cover an unexpected deficit of liquid assets, the Bank daily monitors and forecasts the liquidity reserve. The liquidity reserve comprises the following:

- Cash on the Bank's correspondent accounts, cash on hand, cash on accounts in stock exchange and clearing centers, and the net balance of the Bank's overnight placements.
- Short-term deposits placed with banks considered by the Bank as highly reliable;
- Liquid securities measured at fair value less any discount for unexpected losses due to market risk realization that can be promptly converted into cash or used as a collateralized funding.

(in millions of Russian rubles)

30. Risk management (continued)
Liquidity risk and funding management (continued)

In order to take into account any possible changes in projected cash flows, the Bank uses a procedure of stress testing liquidity ratios in accordance with scenarios covering both internal factors, specific to the Bank, and external factors:

- non-fulfillment by the Bank's counterparties of transaction, loan and debt obligations (credit risk realization);
- decrease in the market value of the securities portfolio (market risk realization);
- unexpected outflow of funds from customers' accounts;
- reduction in the expected inflow of funds to customers' accounts;
- reduced or closed access to financial market resources;
- reduction in the Bank's credit rating;
- early repayment of the attracted interbank loans due to the breaches of set financial covenants.

The Risk Management Department uses the procedure of liquidity ratios stress testing on a scheduled and unscheduled basis. Scheduled stress testing is carried out on a monthly basis. Unscheduled stress testing is carried out upon decision of an authorized body of the Bank, as well as in case of an indication of potential stress changes in internal and external risk factors, upon initiative of the Bank's functions involved in liquidity control activities. Findings of the analysis of the Bank's liquidity indicators calculated for various scenarios are communicated by the Risk Management Department to the Directorate for Currency and Financial Transactions and the Bank's management and are used in making decisions on measures required for regulating liquidity and planning the Bank's operations.

In case of an emergency the Bank uses the following liquidity support mechanisms:

- selling the portfolio of highly liquid assets (concluding repurchase agreements);
- limiting the volume of transactions with counterparties having a high credit risk level;
- suspending issuance of loans, guarantees and credit lines;
- taking measures to close positions in low liquid securities and to assign loan portfolio-related receivables;
- strengthening cooperation with Bank's customers for the purpose of short-term planning the Bank's liquidity situation and setting the funds withdrawal schedule;
- maintaining transparency of the Bank's operations.

30. Risk management (continued)
Liquidity risk and funding management (continued)

At 31 December 2009 and 2008, monetary assets and liabilities of the Group, excluding receivables from the Russian Government under London Club arrangements and amounts due to London Club creditors, had the following maturities:

	Up to 1 month 2009	1 to 6 months 2009	6 to 12 months 2009	Over 1 year 2009	No stated maturity 2009	Total 2009
Monetary assets:						
Cash and cash equivalents	165,177	3,739	–	–	–	168,916
Precious metals	–	–	–	–	248	248
Financial assets at fair value through profit or loss	49,391	1,258	1	857	–	51,507
Amounts due from credit institutions	37,822	22,674	20,680	384,120	2,012	467,308
Loans to customers	24,368	88,636	285,608	444,841	85	843,538
Assets held for sale	–	1	–	–	–	1
Investment securities:						
- available-for-sale	172,182	35,266	–	–	125,291	332,739
- held-to-maturity	2,550	1,881	832	17,103	–	22,366
Investment securities pledged under repurchase agreements	951	–	–	–	12,377	13,328
Due from the Russian Government	–	–	–	–	207	207
Investments in associates	–	–	–	–	5,462	5,462
Income tax assets	–	776	–	80	–	856
Other assets	1,540	1,543	1,001	3,137	554	7,775
	453,981	**155,774**	**308,122**	**850,138**	**146,236**	**1,914,251**
Monetary liabilities:						
Amounts due to credit institutions	70,699	27,259	32,990	70,189	–	201,137
Derivative financial liabilities	200	348	364	1,687	–	2,599
Due to the Russian Government and the Bank of Russia	47,704	32,843	436,957	470,059	–	987,563
Amounts due to customers	100,716	57,905	16,481	27,121	–	202,223
Debt securities issued	871	74,931	1,699	1,395	–	78,896
Income tax liabilities	–	13	–	1,935	–	1,948
Other liabilities	1,725	725	266	461	1,090	4,267
	221,915	**194,024**	**488,757**	**572,847**	**1,090**	**1,478,633**
Net position	**232,066**	**(38,250)**	**(180,635)**	**277,291**	**145,146**	**435,618**
Accumulated gap	***232,066***	***193,816***	***13,181***	***290,472***	***435,618***	

(in millions of Russian rubles)

30. Risk management (continued)
Liquidity risk and funding management (continued)

	Up to 1 month 2008	1 to 6 months 2008	6 to 12 months 2008	Over 1 year 2008	No stated maturity 2008	Total 2008
Monetary assets:						
Cash and cash equivalents	278,371	3,302	–	–	–	281,673
Precious metals	–	–	–	–	1,163	1,163
Financial assets at fair value through profit or loss	52,089	–	–	–	–	52,089
Trading securities pledged under repurchase agreements	3,444	–	–	–	–	3,444
Amounts due from credit institutions	22,959	28,397	23,526	236,614	14	311,510
Loans to customers	9,692	89,836	303,689	322,423	–	725,640
Assets held for sale	–	–	157	185	–	342
Investment securities:						
- available-for-sale	75,504	–	–	–	153,103	228,607
- held-to-maturity	3	6,576	1,272	3,901	–	11,752
Due from the Russian Government	–	–	–	–	194	194
Investments in associates	–	–	–	–	5,708	5,708
Income tax assets	–	1,494	–	–	79	1,573
Other assets	5,482	2,510	1,304	756	182	10,234
	447,544	**132,115**	**329,948**	**563,879**	**160,443**	**1,633,929**
Monetary liabilities:						
Amounts due to credit institutions	184,597	14,265	31,497	143,088	13	373,460
Derivative financial liabilities	5,921	4,573	2,957	–	–	13,451
Due to the Russian Government and the Bank of Russia	51,480	24,814	435,964	401,631	–	913,889
Amounts due to customers	79,700	12,320	7,669	11,547	105	111,341
Debt securities issued	765	2,150	2,060	3,250	–	8,225
Income tax liabilities	–	22	–	–	260	282
Other liabilities	3,483	86	84	953	1,746	6,352
	325,946	**58,230**	**480,231**	**560,469**	**2,124**	**1,427,000**
Net position	**121,598**	**73,885**	**(150,283)**	**3,410**	**158,319**	**206,929**
Accumulated gap	***121,598***	***195,483***	***45,200***	***48,610***	***206,929***	

Maturities represent remaining terms until repayment in accordance with underlying contractual arrangements at the reporting date.

While the majority of available-for-sale securities is shown as "up to 1 month", realizing such assets upon demand is dependent upon financial market conditions. Significant security positions may not always be liquidated in a short period of time without adverse price effects.

Amounts due to the Russian Government, other than deposits from the Bank of Russia, generally do not carry a specified maturity and are shown as having a maturity of up to one month. In practice, these amounts are maintained in the statement of financial position for longer periods.

30. Risk management (continued)
Liquidity risk and funding management (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2009 and 2008 based on contractual undiscounted repayment obligations. Exception is made for derivatives settled through delivery of their underlying asset which are shown by amounts payable and receivable and contractual maturity. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

Financial liabilities At 31 December 2009	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Amounts due to credit institutions	85,187	46,527	62,133	21,137	214,984
Derivative financial instruments settled through delivery of underlying asset					
– Contractual amounts payable	52,846	82,814	5,183	1,020	141,863
– Contractual amounts receivable	(52,745)	(80,765)	(2,898)	(213)	(136,621)
Due to the Russian Government and the Bank of Russia	60,284	470,052	195,832	609,410	1,335,578
Amounts due to customers	117,549	62,239	29,353	417	209,558
Debt securities issued	8,297	70,575	1,471	9	80,352
Other liabilities	2,242	443	413	1,237	4,335
Total undiscounted financial liabilities	**273,660**	**651,885**	**291,487**	**633,017**	**1,850,049**

Financial liabilities At 31 December 2008	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Amounts due to credit institutions	200,799	82,175	90,079	2,715	375,768
Derivative financial instruments settled through delivery of underlying asset					
– Contractual amounts payable	134,763	29,654	3,563	743	168,723
– Contractual amounts receivable	(129,271)	(26,145)	(2,266)	(196)	(157,878)
Due to the Russian Government and the Bank of Russia	59,892	481,242	298,469	323,515	1,163,118
Amounts due to customers	76,087	30,587	4,974	–	111,648
Debt securities issued	2,023	3,329	3,616	9	8,977
Other liabilities	3,337	128	2,408	920	6,793
Total undiscounted financial liabilities	**347,630**	**600,970**	**400,843**	**327,706**	**1,677,149**

The maturity analysis of liabilities does not reflect the historical stability of customers' current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in "less than 3 months" in the tables above.

Included in amounts due to customers are term deposits of individuals. In accordance with the Russian legislation, the Group is obliged to repay such deposits upon demand of a depositor. According to the legislation of the Republic of Belarus and Ukraine, the Group is obliged to repay the amount of these deposits at the first call of the depositor within five days. See Note 23.

(in millions of Russian rubles)

The table below shows the contractual expiry by maturity of the Group's financial commitments and contingencies (letters of credit, guaranties, undrawn loan facilities, reimbursement obligations). Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
2009	62,083	143,127	177,098	11,435	**393,743**
2008	52,528	87,306	68,587	10,957	**219,378**

The Group expects that not all of the contingent liabilities or contractual commitments will be drawn before their expiry.

As at 31 December 2009, credit-related commitments presented in the "less than 3 months" category include liabilities in the amount of RUB 29,066 million (31 December 2008 – RUB 43,017 million) whose maturities are linked to settlements under export contracts.

Market risk

Market risk is the risk of adverse changes in the fair value or future cash flows of financial instruments due to changes in market variables such as interest rates, foreign exchange rates, prices for equities (equity risk) and commodities. The purpose of the Group's market risk management activities is providing a balance between the level of accepted risks and profitability of banking operations.

Group members monitor the market risk level on a daily basis. To control the market risk level and to set and control its limits the Group uses the sensitivity analysis, VaR calculation and stress testing. Consolidated risks of the Group are primarily assessed using the sensitivity analysis.

At the parent entity level interest rate, currency and equity risks are primarily assessed using the VaR methodology which enables assessing maximum potential losses from the portfolio of financial instruments that can be incurred during a certain period of time (projection horizon) with a given confidence level. The VaR methodology is a probabilistically statistical approach that takes into account market fluctuations and risks diversification under normal market conditions. For management and external reporting purposes the Bank uses VaR calculations with a 99% confidence level and a 10-day projection horizon to assess the price risk of the portfolio of market securities and a 1-day projection horizon to assess the risk of the open currency position of the Bank. The depth of retrospective data used for VaR calculation is 670 working days.

VaR calculation results are assessed by the Bank subject to limitations inherent in the VaR methodology, i.e. possible failure to comply with initial assumptions, namely:

1) historical observations used to calculate unexpected losses in the future period might not contain all possible future changes in risk factors, especially in case of any extreme market events;

2) usage of a given projection horizon assumes that the Bank's positions in financial instruments can be liquidated or hedged over this period. Should the Bank have large or concentrated positions and/or should the market lose its liquidity, the used period of time might be insufficient for closing or hedging positions but unexpected losses estimated with VaR would remain within set limits;

3) applying a 99% confidence level does not permit assessing losses that can be incurred beyond the selected confidence level;

4) the VaR methodology assesses the amount of unexpected losses from the portfolio of financial instruments under the assumptions that the volume of positions will remain constant over the projection horizon and the Bank will not perform transactions that change the volume of positions. Should the Bank be engaged in purchase and sale of financial instruments over the projection horizon, VaR estimates can differ from estimates of actual losses.

To control the adequacy of the VaR calculation model, the Bank regularly uses back-testing procedures that enable it to assess differences between estimated and actual losses.

In order to obtain more precise estimates, the Bank is making efforts to enhance inputs used in the current model which provides adequate estimates under normal market conditions. Also, the Bank is making efforts to improve approaches that take into account extraordinary (stress) changes in the market behavior in the process of risk management.

The Bank performs stress testing procedures on regular and unplanned basis that enables the Bank to assess stress losses from realization of unlikely extraordinary events on financial instruments' portfolios and open currency positions, i.e. losses that are out of predictive limits of probabilistically statistical methods. The above approach supplements the risk estimate obtained from the VaR methodology and sensitivity analysis. The Bank uses a wide range of historical and hypothetical (user) scenarios within stress testing procedures. Stress testing results are reported to the Bank's management and used for making management decisions.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will adversely affect the fair values or future cash flows of financial instruments.

The interest rate policy of Group members refers to maintenance of a balanced structure of claims and obligations sensitive to change in interest rates (interest rate position) that provides limitation of possible unfavorable change in net interest income and/or equity of a Group member at an acceptable level.

The procedures of identification, assessment and control of the level of interest rate risk in Group members are formalized through developed internal regulations and rules and well as requirements of national regulators. Group members perform sensitivity analysis of net interest income and equity using different scenarios of market interest rate changes for the purpose of controlling financial losses arising from unfavorable changes in interest rates.

In addition, banks within the Group forecast and control the capital adequacy ratio subject to the effect of the interest rate risk.

Group members use a number of market instruments, including IRS, to manage its interest rate sensitivity and repricing gaps related to changes in interest rates of assets and liabilities.

(in millions of Russian rubles)

30. Risk management (continued)
Market risk (continued)

In performing the sensitivity analysis of the net interest income and equity the interest rate gap method is used. The interest rate gap method is used to assess changes in the amount of net interest income and equity by using data on mismatch of claims and obligations sensitive to interest rate changes aggregated at given maturity intervals. A combination of negative scenarios that take into account the effect of internal and external risk factors related to the market situation is used as a part of the analysis. Scenarios are prepared either based on hypothetical events that can occur in the future or based on past events - historical stress scenarios.

Sensitivity analysis is performed on regular and unplanned basis. The basis for an unplanned sensitivity calculation is as follows:

- expected appearance of large or concentrated positions in financial instruments' portfolios or significant changes in their value, which can significantly affect the balance of the interest rate position;

- expectations of significant changes in the market situation as well as socio-political and/or economic events that can have a significant adverse impact on the amount of net interest income/equity.

The Bank uses two approaches in modeling risk factors. The statistical approach is based on the following assumptions:

1) the actual structure of volume and maturities of claims and obligations is kept constant in the whole projection horizon;

2) changes in the term structure of interest rates occur instantly as of the reporting date and once during the projection horizon.

In addition to the statistical approach to modeling risk factors, the Bank performs the sensitivity analysis by modeling dynamic changes in interest rates and the volume and maturity structure of claims and obligations using a more complex set of assumptions made by the Bank on a case-by-case basis.

The sensitivity of the statement of income is the estimate of the effect of the assumed changes in interest rates on the net interest income before tax for one year calculated for floating rate financial assets and financial liabilities held at 31 December 2009 and 2008, as well as the amount of revaluation of fixed rate trading financial assets and derivative financial instruments. The sensitivity of equity to changes in interest rates is calculated as the amount of revaluation of fixed rate available-for-sale financial assets in case of assumed change in interest rates. The effect of revaluation of financial assets was calculated based on the assumption that there are parallel shifts in the yield curve.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates by key reference rates, with all other variables held constant, of the Group's statement of income.

The sensitivity was calculated for instruments within the Group's portfolio, excluding bonds held within the Bank's portfolio. The interest rate risk for this bond portfolio was calculated using the VaR methodology.

30. Risk management (continued)
Market risk (continued)

Rate	Increase in basis points 2009	Sensitivity of the statement ofincome 2009	Sensitivity of equity 2009
3-m Libor USD	1.00%	(370)	2
3-m Libor EUR	1.00%	(176)	5
RGBEY	5.00%	(1,631)	(2,051)
3-m Mosprime	3.00%	(226)	–
3-m Ukrainian interbank	10.00%	(19)	–
3-m Libor JPY	1.00%	9	–
3-m Libor CHF	1.00%	(11)	–
YTM 5Y German Treasuries	0.60%	133	–
YTM 5Y USTreasuries	1.20%	922	(67)
YTM Ukrainian sovereign bonds	10.00%	–	(336)
Refinancing rate of CBR	1.00%	210	–
Refinancing rate of NB RB	1.00%	21	–

Rate	Decrease in basis points 2009	Sensitivity of the statement of income 2009	Sensitivity of equity 2009
3-m Libor USD	–0.25%	93	–
3-m Libor EUR	–0.25%	44	(1)
RGBEY	–5.00%	1,631	2,051
3-m Mosprime	–3.00%	226	–
3-m Ukrainian interbank	–5.00%	9	–
3-m Libor JPY	–0.25%	(2)	–
3-m Libor CHF	–0.25%	3	–
YTM 5Y German Treasuries	–0.60%	(133)	–
YTM 5Y USTreasuries	–1.20%	(922)	67
YTM Ukrainian sovereign bonds	–5.00%	–	168
Refinancing rate of CBR	–1.00%	(210)	–
Refinancing rate of NB RB	–1.00%	(21)	–

(in millions of Russian rubles)

30. Risk management (continued)
Market risk (continued)

Rate	Increase in basis points 2008	Sensitivity of the statement of income 2008	Sensitivity of equity 2008
3-m Libor USD	0.29%	(14)	–
3-m Libor EUR	0.20%	(19)	–
RGBEY	4.42%	(415)	(92)
3-m Mosprime	9.55%	(1,622)	–
3-m Libor GBP	0.35%	(0)	–
3-m Libor JPY	0.28%	1	–
3-m Libor CHF	0.16%	0	–
3-m Libor AUD	0.50%	(0)	–
YTM 5Y German Treasuries	0.49%	160	–
YTM 5Y USTreasuries	0.58%	242	(0)
Refinancing rate of NB RB	1.46%	3	–

Rate	Decrease in basis points 2008	Sensitivity of the statement of income 2008	Sensitivity of equity 2008
3-m Libor USD	–0.29%	14	–
3-m Libor EUR	–0.20%	19	–
RGBEY	–4.42%	415	92
3-m Mosprime	–9.55%	1,622	–
3-m Libor GBP	–0.35%	0	–
3-m Libor JPY	–0.28%	(1)	–
3-m Libor CHF	–0.16%	(0)	–
3-m Libor AUD	–0.50%	0	–
YTM 5Y German Treasuries	–0.49%	(160)	–
YTM 5Y USTreasuries	–0.58%	(242)	0
Refinancing rate of NB RB	–1.46%	(3)	–

Below are VaR measures for the bond portfolio of the Bank at 31 December 2009 and 2008:

	2009	2008
VaR	10,339	15,637

30. Risk management (continued)
Market risk (continued)

Currency risk

Currency risk is the risk that the fair value of a financial instrument or future cash flows will change due to changes in foreign exchange rates.

Group members calculate on a daily basis open currency positions by assets and liabilities recorded in the statement of financial position, and claims and obligations not recorded in the statement of financial position, which are subject to changes in currency and precious metals rates. Banks of the Group set limits on the cumulative open position as well as limits on open positions in each currency and for precious metals based on the requirements of the national regulator.

The VaR estimate obtained using the historical modeling method with a 99% confidence level and a 1-day projection horizon is used by the Bank as a currency risk estimate. The aggregate currency risk in respect of the Bank's open currency positions is estimated subject to historical correlation of exchange rates of foreign currencies against the Ruble.

The table below shows open currency positions of the Bank at 31 December 2009 and 2008, which include items of the statement of financial position and currency positions in derivative financial instruments by currencies against the Russian Ruble (open positions).

	2009	2008
USD	(924)	7,258
UAH	22,186	7,254
BYR	7,702	6,074
GBP	(212)	1,409
EUR	3,231	1,374
CHF	(326)	(539)
JPY	(776)	(2,626)
Other currencies	31	789

Below is the Bank's VaR measure for open currency positions at 31 December 2009 and 2008:

	2009	2008
VaR	1,313	371

The increase in the Bank's VaR measure for open currency positions at 31 December 2009 as compared to 31 December 2008 is due to the increase in the open currency position in UAH that resulted from the Bank's growing investments in PSC "Prominvestbank".

Currency revaluation of the Bank's nominal investments in non-negotiable shares of subsidiaries may not reflect changes in the real economic value of these companies.

In order to assess this factor, the risk related to the adjusted aggregate open currency position was calculated with elimination of positions in UAH and BYR which were based mainly on investments in subsidiary banks.

The Bank's VaR for open currency positions at 31 December 2009, except for investments in subsidiaries, was RUB 279 million.

(in millions of Russian rubles)

30. Risk management (continued)
Market risk (continued)

The table below shows the sensitivity of open currency positions of the Group (excluding the Bank) at 31 December 2009 and 2008. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Ruble on the statement of income (due to the fair value of currency sensitive financial assets and liabilities). All other variables are held constant. A negative amount in the table reflects a potential net reduction in the statement of income or equity, while a positive amount reflects a net potential increase.

Currency	Change in currency rate in % 2009	Effect on profit before tax, 2009	Change in currency rate in % 2008	Effect on profit before tax, 2008
UAH	24.46% –24.46%	884 (884)	–	–
USD	9.61% –9.61%	(493) 493	5.35% –5.35%	(137) 137
EUR	9.12% –9.12%	(2) 2	6.27% –6.27%	(2) 2
JPY	14.96% –14.96%	24 (24)	11.43% –11.43%	(11) 11
BYR	12.89% –12.89%	(52) 52	5.61% –5.61%	(8) 8
SEK	12.62% –12.62%	1 (1)	9.25% –9.25%	3 (3)
GBP	18.44% –18.44%	4 (4)	–	–
CHF	13.77% –13.77%	1 (1)	–	–
CAD	11.87% –11.87%	1 (1)	–	–
AUD	15.93% –15.93%	1 (1)	–	–

Operational control over open currency positions is performed by the Directorate for Currency and Financial Transactions. The subsequent control is performed by the Risk Management Department. Results of control over open currency positions are reported to the Bank's management and used for making management decisions.

Equity price risk

Equity price risk is the risk of adverse changes in the fair values or future cash flows of a financial instrument as a result of changes in the levels of equity indices and the value of individual equities.

Group members use the VaR methodology and/or portfolio sensitivity analysis to assess the equity price risk.

Below are VaR measures for the equity portfolio of the Bank at 31 December 2009 and 2008:

	2009	2008
VaR	63,762	60,484

30. Risk management (continued)
Market risk (continued)

The Bank sets aggregate exposure limits for each portfolio by class of securities in order to limit equity price risk. Within a portfolio "risk borrowing" is permitted, i.e. changing the volume of open positions under individual financial instruments subject to compliance with the set limit of the aggregate market risk for the portfolio and with credit risk limits by issuer.

The limits are approved by the Management Board of Vnesheconombank at the suggestion of the Risk Management Department as agreed with Bank's business units. The set limits are reviewed on a regular basis.

The effect on profit before tax and equity of other Group members of reasonably possible change in equity indices, with all other variables held constant, is as follows:

Market index	Change in index, 2009	Change in equity price, 2009	Effect on profit before tax, 2009	Change in equity price, 2009	Effect on equity, 2009
RTS index	39% –39%	47% –47%	2,391 (2,391)	47% –47%	17 (17)
Ukrainian Stock Exchange index	47% –47%	–	–	38% –38%	7 (7)

Market index	Change in index, 2008	Change in equity price, 2008	Effect on profit before tax, 2008	Change in equity price, 2008	Effect on equity, 2008
RTS index	39% –39%	51% –51%	4,291 (4,291)	59% –59%	45 (45)

Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. Management believes that the Group's exposure to prepayment risk is insignificant.

Operational risk

Operational risk is defined as a risk of losses arising from inadequate internal procedures, failures of equipment and information systems (technology risk), human errors or misconduct, and external factors. Legal risk is one of the types of operational risk.

Operational risks are managed in banks of the Group by addressing clearly all of the bank's business processes in the corresponding internal documents and applying internal controls to monitor the compliance with the established procedures as well as by obtaining external insurance.

The Bank has developed procedures of collecting information on risk events resulting in operational losses. The Bank's departments send information on risk events recorded in special forms to the Risk Management Department. The said information is classified, losses are evaluated and reasons for risk events are analyzed. If needed, the risk audit of departments, where risk events have occurred, is performed, and changes are made to the Bank's regulations.

(in millions of Russian rubles)

30. Risk management (continued)
Operational risk (continued)

The Bank's Technology Committee is responsible for managing and controlling technology risks. The Banking Infrastructure Protection Department is responsible for providing information and engineering support to all the business divisions in implementing action plans designated to ensure business continuity in the event of IT failures.

The Legal Department is responsible for legal risks and legal support of the Bank's operations. The Bank relies on templates drafted by the Legal Department when preparing transaction documents for transactions executed with counterparties. Any non-standard agreements are to be approved by the Legal Department. The Legal Department is also responsible for the review of the corresponding documents supplied by counterparties that deal with the main lines of the Bank's business. The Bank engages international law firms to assist in executing transactions with foreign partners.

When performing banking transactions and conducting other activities in the event of disaster, the Bank applies emergency procedures and action plans which are governed by internal documents providing guidance to ensure business continuity and / or disaster recovery. The above documents describe principles used to design infrastructure risk protection framework, define a set of measures designated to support the operability of the Bank's protection system, principles, rules and action plans to be implemented by personnel in the event of disaster. Within the framework of activities aimed at providing for business continuity a reserve facility is being developed which would ensure the recovery of Bank's operations in emergency situations that prevent from using the Bank's main building.

31. Fair value of financial instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

At 31 December 2009	Level 1	Level 2	Level 3	Total
Financial assets				
Trading securities	47,387	159	–	47,546
Derivative financial instruments	0	1,938	276	2,214
Financial assets designated as at fair value through profit or loss	–	–	1,747	1,747
Investment securities available for sale	327,079	18,582	406	346,067
	374,466	**20,679**	**2,429**	**397,574**
Financial liabilities				
Derivative financial instruments	2	2,597	–	2,599
	2	**2,597**	–	**2,599**

31. Fair value of financial instruments (continued)

Financial instruments recorded at fair value

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

Derivatives

Derivative products valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Trading securities and available-for-sale investment securities

Trading securities and available-for-sale investment securities valued using a valuation technique are represented mainly by non-traded equity and debt securities. Such assets are valued using valuation models which incorporate either only observable data or both observable and non-observable data. The non-observable inputs include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Movements in Level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

	At 1 January 2009	Gains/ (losses) recorded in profit or loss	Gains/ (losses) recorded in other comprehensive income	Purchases	At 31 December 2009
Financial assets					
Derivative financial instruments	–	276	–	–	276
Financial assets designated as at fair value through profit or loss	1,063	(162)	–	846	1,747
Investment securities available for sale	–	–	(266)	672	406
Total Level 3	**1,063**	**114**	**(266)**	**1,518**	**2,429**

Gains or losses on Level 3 financial instruments included in profit or loss for the reporting period, were RUB 114 million of unrealized gains.

(in millions of Russian rubles)

31. Fair value of financial instruments (continued)

Transfers between Level 1 and Level 2

The following table shows transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets and liabilities which are recorded at fair value, during the reporting year:

	Transfers from Level 1 to Level 2 2009
Financial assets	
Investment securities available for sale	5,667

The above financial assets were transferred from Level 1 to Level 2 as they ceased to be actively traded during the year and their fair values were consequently obtained through valuation techniques using observable market inputs. There were no transfers from Level 2 to Level 1 in 2009.

Impact on fair value of Level 3 financial instruments measured at fair value of changes to key assumptions

The following table shows the impact on the fair value of Level 3 instruments of using reasonably possible alternative assumptions:

	At 31 December 2009	
	Carrying amount	Effect of reasonably possible alternative assumptions
Financial assets		
Derivative financial instruments	276	18
Financial assets designated as at fair value through profit or loss	1,747	0
Investment securities available for sale	406	(19)

In order to determine reasonably possible alternative assumptions, the Group adjusted key unobservable model inputs as follows:

- For shares, the Group adjusted the tight liquidity allowance based on the price/earnings multiple which compares price to earnings ratios of publicly traded and private companies involved in transactions. A 4.2% adjustment was made by applying the average value of the allowance for a similar period compared with the median value used.

31. Fair value of financial instruments (continued)

Financial instruments not recorded at fair value in the statement of financial position

Set out below is a comparison, by class, of the carrying values and fair values of the Group's financial instruments that are not recorded at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying value 2009	Fair value 2009	Unrecognized gain/ (loss) 2009	Carrying value 2008	Fair value 2008	Unrecognized gain/ (loss) 2008
Financial assets						
Cash and cash equivalents	168,916	168,916	–	281,673	281,673	–
Amounts due from credit institutions	467,308	467,312	4	311,510	311,510	–
Loans to customers	843,538	839,394	(4,144)	725,640	718,910	(6,730)
Investment securities held to maturity	22,366	22,382	16	11,752	9,733	(2,019)
Financial liabilities						
Amounts due to credit institutions	201,137	205,538	(4,401)	373,460	373,460	–
Due to the Russian Government and the Bank of Russia	987,563	987,563	–	913,889	913,917	–
Amounts due to customers	202,223	202,262	(39)	111,341	109,447	1,894
Debt securities issued	78,896	79,452	(568)	8,225	8,225	–
Total unrecognized change in unrealized fair value			**(9,132)**			**(6,855)**

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that their carrying value approximates their fair value. This assumption also applies to demand deposits, assets without a specific maturity and variable rate financial instruments.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates offered for similar financial instruments.

(in millions of Russian rubles)

32. Related party transactions

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

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

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

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

	2009			
	State	State controlled entities	Associates	Key management personnel
Cash and cash equivalents	**20,912**	**25,095**	**1,416**	**–**
Precious metals	**–**	**166**	**–**	**–**
Financial assets at fair value through profit or loss	**16,704**	**20,083**	**–**	**–**
Amounts due from credit institutions at 1 January	13	269,314	2,580	–
Amounts placed during the year	12,173	141,297	2,896	–
Changes in the Group and related parties	74	(1,929)	(151)	–
Amounts repaid during the year	(14,195)	(64,011)	(4,363)	–
Other changes	2,344	(3,680)	9	–
Amounts due from credit institutions at 31 December	409	340,991	971	–
Less allowance for impairment	–	(5)	(2)	–
Amounts due from credit institutions at 31 December, net	**409**	**340,986**	**969**	**–**
Interest income on amounts due from credit institutions and cash equivalents	**759**	**25,761**	**548**	**–**
Investment securities available for sale	**5,699**	**245,736**	**–**	**–**
Investment securities held to maturity	**122**	**3,401**	**–**	**–**
Interest income on trading securities	**1,290**	**415**	**–**	**–**
Interest income on investment securities	**173**	**8,812**	**7**	**–**
Loans to customers at 1 January	33	221,321	89,899	22
Loans granted during the year	3,746	88,571	32,272	11
Increase related to changes in the Group	–	77	1,203	0
Loans repaid during the year	(1,316)	(117,891)	(190)	(9)
Write-offs	–	–	(166)	–
Other changes	4,099	21,994	2,914	(2)
Loans to customers at 31 December	6,562	214,072	125,932	22
Less allowance for impairment	(351)	(12,833)	(38,174)	(0)

32. Related party transactions (continued)

	2009			
	State	State controlled entities	Associates	Key management personnel
Loans to customers at 31 December, net	**6,211**	**201,239**	**87,758**	**22**
Interest income on loans to customers	**527**	**17,985**	**6,108**	**2**
Charge of allowance for impairment of loans to customers	**(318)**	**(10,859)**	**(35,481)**	**(0)**
Due from the Russian Government	**207**	**–**	**–**	**–**
Receivable from the Russian Government under London Club Arrangement	**1,115**	**–**	**–**	**–**
Other assets	**484**	**569**	**31**	**–**
Correspondent Loro accounts	**–**	**7,890**	**11**	**–**
Loans and deposits received from credit institutions at 1 January	–	9,452	1	–
Loans and deposits received during the year	–	1,541,161	5,818	–
Changes in the Group and related parties	–	(1,608)	–	–
Loans and deposits repaid during the year	–	(1,514,160)	(4,749)	–
Other changes	–	(1,575)	1	–
Loans and deposits received from credit institutions at 31 December	**–**	**33,270**	**1,071**	**–**
Interest expense on amounts due to credit institutions and the Bank of Russia	**(24,386)**	**(1,403)**	**(85)**	**–**
Derivative financial liabilities	**–**	**25**	**–**	**–**
Due to the Russian Government and the Bank of Russia	**987,563**	**–**	**–**	**–**
Due to London Club creditors	**1,115**	–	–	–
Current customer accounts	**324**	**60,832**	**1,134**	**33**
Customer deposits at 1 January	119	5,654	700	49
Deposits received during the year	235	18,717	7,229	2,060
Proceeds related to changes in the Group	–	–	–	1,889
Deposits repaid during the year	(308)	(15,987)	(3,897)	(3,358)
Other changes	7	(154)	20	7
Customer deposits at 31 December	**53**	**8,230**	**4,052**	**647**
Interest expense on amounts due to customers and the Russian Government	**(31,894)**	**(3,450)**	**(284)**	**(40)**
Debt securities issued at 1 January	–	3,187	–	–
Debt securities issued during the year	–	33,965	–	–
Debt securities repaid during the year	–	(4,663)	–	–
Other changes	21,126	(21,455)	–	–
Debt securities issued at 31 December	**21,126**	**11,034**	–	–
Interest expense on debt securities issued	**(29)**	**(566)**	–	–
Other liabilities	**45**	**1,062**	–	**8**
Guarantees issued and undrawn loan commitments	**1,635**	**149,061**	**25,139**	**10**
Fee and commission income, net	**743**	**1,680**	**2**	**–**
Dividends	**–**	**793**	**–**	**–**
Other operating income	**28**	**37**	**1**	**0**
Other operating expenses	**(108)**	**(304)**	**(180)**	**0**

(in millions of Russian rubles)

32. Related party transactions (continued)

	2008			
	State	State controlled entities	Associates	Key management personnel
Cash and cash equivalents	**57,396**	**7,626**	**3,067**	**–**
Precious metals	**1,140**	**–**	**–**	**–**
Financial assets at fair value through profit or loss	**19,936**	**24,055**	**–**	**–**
Amounts due from credit institutions at 1 January	209	2,485	1,686	–
Amounts placed during the year	200	274,819	3,008	–
Proceeds related to changes in the Group	–	3,989	–	
Amounts repaid during the year	(396)	(13,794)	(1,478)	–
Other changes	0	1,815	(636)	–
Amounts due from credit institutions at 31 December	13	269,314	2,580	–
Less allowance for impairment	–	(2)	(1)	–
Amounts due from credit institutions at 31 December, net	**13**	**269,312**	**2,579**	**–**
Interest income on amounts due from credit institutions and cash equivalents	**130**	**7,006**	**357**	**–**
Investment securities available for sale	**2,307**	**136,531**	**2,250**	**–**
Interest income on trading securities	**1,089**	**153**	**–**	**–**
Interest income on investment securities	**208**	**2,115**	**–**	**–**
Loans to customers at 1 January	42	150,527	2,266	9
Loans granted during the year	97	90,092	87,039	17
Proceeds related to changes in the Group	–	392	–	–
Loans repaid during the year	(111)	(50,031)	11	(7)
Other changes	5	30,341	583	3
Loans to customers at 31 December	33	221,321	89,899	22
Less allowance for impairment	(33)	(1,974)	(2,693)	0
Loans to customers at 31 December, net	**–**	**219,347**	**87,206**	**22**
Interest income on loans	**1**	**9,435**	**205**	**2**
Charge (reversal) of allowance for impairment of loans to customers	**9**	**(902)**	**(1,879)**	**0**
Due from the Russian Government	**194**	**–**	**–**	**–**
Receivable from the Russian Government under London Club Arrangement	**1,083**	**–**	**–**	**–**
Other assets	**69**	**310**	**2**	**–**
Correspondent Loro accounts	**0**	**74,313**	**249**	**–**
Loans and deposits received from credit institutions at 1 January	–	113	–	–
Loans and deposits received during the year	–	1,070,370	275	–
Proceeds related to changes in the Group	–	1,232	–	–
Loans and deposits repaid during the year	–	(1,062,895)	(277)	–
Other changes	–	632	3	–
Loans and deposits received from credit institutions at 31 December	**–**	**9,452**	**1**	**–**

32. Related party transactions (continued)

	2008			
	State	State controlled entities	Associates	Key management personnel
Interest expense on amounts due to credit institutions and the Bank of Russia	**(3,164)**	**(594)**	**(0)**	**–**
Derivative financial liabilities	–	**1,258**	–	–
Due to the Russian Government and the Bank of Russia	**913,889**	–	–	–
Due to London Club creditors	**1,083**	–	–	–
Current customer accounts	**43**	**55,147**	**53**	**14**
Customer deposits at 1 January	272	255	82	86
Deposits received during the year	10	4,082	1,210	56
Proceeds related to changes in the Group	–	4,329	–	564
Deposits repaid during the year	(241)	(3,152)	(605)	(660)
Other changes	78	140	13	3
Customer deposits at 31 December	**119**	**5,654**	**700**	**49**
Interest expense on amounts due to customers	**(6)**	**(1,603)**	**(38)**	**(14)**
Debt securities issued at 1 January	–	1,169	31	–
Debt securities issued during the year	–	2,205	–	–
Proceeds related to changes in the Group	–	1,846	–	–
Debt securities repaid during the year	–	(2,340)	(31)	–
Other changes	–	307	–	–
Debt securities issued at 31 December	–	**3,187**	–	**–**
Interest expense on debt securities issued	–	**(78)**	–	**–**
Other liabilities	**–**	**724**	–	**–**
Guarantees issued and undrawn loan commitments	**19**	**95,405**	**3,977**	**3**
Fee and commission income / (expense), net	**11**	**1,217**	**(3)**	**–**
Dividends	**–**	**102**	**36**	**–**
Other operating income	**14**	**44**	**1**	**–**
Other operating expenses	**(1)**	**(9)**	**(6)**	**–**

Compensation to key management personnel comprises the following:

	2009	2008
Salaries and other short-term benefits	579	318
Social security costs	27	20
Total key management compensation	**606**	**338**

(in millions of Russian rubles)

33. Capital adequacy

The capital adequacy ratio is one of the most important indicators characterizing the level of risks accepted by the Bank and, therefore, determining its financial stability. To comply with a minimum level of 10% set out in the Memorandum on Financial Policies and to maintain a high credit rating, the Bank monitors its capital adequacy ratio on an ongoing basis.

The methods of computing the capital adequacy ratio are elaborated on the basis of regulations issued by the CBR and with regard to the generally acceptable international practices of computing capital adequacy ratios, and approved by the Supervisory Board of the Bank.

In 2009 and 2008, the Bank complied with capital adequacy ratio requirements.

At 31 December, the Bank's capital adequacy ratio calculated in accordance with the above methods was as follows:

	2009	2008
Main capital	424,614	294,265
Additional capital	64,616	22
Less: deductions from capital	(157,344)	(49,936)
Total capital	**331,886**	**244,351**
Risk-weighted assets	**1,738,509**	**1,666,992**
Capital adequacy ratio	19.1%	14.7%

In order to maintain or adjust the capital structure and in accordance with Federal law No. 82-FZ, "On Bank for Development", the charter capital of the Bank may be increased pursuant to a resolution of the Russian Government on the account of additional monetary contribution of the Russian Federation or income of Vnesheconombank. Proposals regarding income distribution are drafted by the Management Board of the Bank and further approved by the Supervisory Board.

34. Events after the reporting period

In February and March 2010, the Group additionally purchased 830,229 ordinary registered shares of its subsidiary, OJSC "VEB-Leasing", which amounted to 19.99% of this company's charter capital. The cost of purchased shares was RUB 1,240 million. As a result of this purchase, the Group's interest in its subsidiary OJSC "VEB-Leasing" amounted to 98.06%.

In March 2010, the Bank purchased 11.45% of shares additionally issued by JSC "United Aircraft Corporation" for RUB 21,000 million. For the purpose of purchasing these shares, the Russian Government made an additional contribution to the charter capital of Vnesheconombank in December 2009 pursuant to Resolution of the Russian Government No. 1891-r dated 10 December 2009 (Note 25).

34. Events after the reporting period (continued)

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

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

In April 2010, State Corporation "Agency for Deposit Insurance" transferred 218,600,000 ordinary shares of OJSC "Rostelecom" to the Bank under a fiduciary management agreement for a period of five years.

In April 2010, following the decision of its Supervisory Board, the Bank purchased, at nominal value, 100% of shares in AMURMETAL HOLDING LIMITED (2,000 shares with a nominal value of USD 1 each.

In accordance with Order No. 283 of the Federal Financial Markets Service dated 13 May 2010, the report on the issue of 2,000,000 documentary interest-bearing non-convertible bearer bonds was registered. The bonds, series 02, with a nominal value of USD 1,000 each, were placed via a private subscription and mature on the 365th day after the first day of placement. The total of 1,000,000 bonds were placed.

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