



VNESHECONOMBANK

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

Sustainability Report

2011

Vnesheconombank
Group





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→ VNESHECONOMBANK GROUP IS A MOST IMPORTANT SOCIAL INSTITUTION. THE BANK'S FUNDAMENTAL DECISIONS AND ACTIONS SHAPE AND GUIDE THE LIFE OF SOCIETY, IMPROVE THE WELLBEING OF CITIES AND TERRITORIES AND INVARIABLY DEMONSTRATE CONCERN AND CARE ABOUT THE FUTURE. THE RESULTS OF THESE FORWARD-LOOKING EFFORTS ARE EVIDENT AND FELT TODAY. THESE ARE MEASURABLE OR DETERMINABLE IN ECONOMIC, ENVIRONMENTAL AND SOCIAL INDICATORS. OUR ACHIEVEMENTS IN SUSTAINABILITY IS CLEAR EVIDENCE OF OUR DEDICATION TO RESPONSIBLE BUSINESS CONDUCT



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Chairman's Statement



Dear Colleagues and Partners!

We present for your kind attention Vnesheconombank Group's Sustainability Report for 2011. It is not for the first time that we are offering you an overview of Vnesheconombank's non-financial activities, but it is actually the first report that encompasses the non-financial performance of all its subsidiaries i.e. VEB Group. Some of the subsidiaries were consolidated under the umbrella of the parent company during the crisis, others have been part of the Group for several years, and still others were established not so long ago. But each of the Group entities is actively working to achieve the goals of economic and environmental sustainability and social welfare.

Within a relatively short period of time, the Bank for Development built up a profile of a solid financial corporation. That is true not only because of the Corporation's official name, but also in view of an important mission it has to play in the national economy. Currently, the Group includes major banks of Russia, Ukraine and Belarus, specialized credit organizations: SME Bank, Roseximbank, and leading investment and engineering companies. The recently established development corporations operating in strategically important Russian regions — OJSC North Caucasus Development Corporation and OJSC the Far East and Baikal Region Development Fund — are demonstrating successful performance.

As a follow-up to numerous consultations with representatives of the public authorities and business community OJSC Russian Agency for Export Credit and Investment Insurance (EXIAR), the mission of which is to create an advanced system of state support for exports, and Russian Direct Investment Fund (RDIF), which primarily aims to raise huge foreign investment for major strategic projects, were founded. Certainly, we very much hope that investments coming to the Russian market will be followed by breakthrough technologies, managerial experience and advanced models of production organization that our foreign partners possess.

Admittedly, approval by the Supervisory Board of Vnesheconombank's Development Strategy up to 2015 was a milestone event of the year. In compliance with the Strategy, within the shortest timeframes possible, we are expected to secure support for developing innovative sectors of the economy, ensure modernization of the Russian enterprises and reduce infrastructure constraints to the growth of the national economy. Considerable efforts and resources will

be devoted to supporting Russia's high-tech industrial exports. A much wider range of instruments will be used to encourage SMEs. Certainly, Vnesheconombank is aiming to increase its role in implementing state investment policies.

These are all not simple challenges to address and it took foreign countries decades to tackle them. But the ambition would not put us off. We acknowledge we have set the right pace and been moving forward swiftly. To illustrate, over the first 5 years of operation as a development institution the Bank's loan portfolio exceeded RUB 500 billion, posting a 40% increase on the previous year. The positive dynamics and the resilience obtained enable us to strive for new and even more ambitious goals. At the same time, we realize there are no easy solutions to complex development tasks. It is only through investment both in construction of new and modernization of the existing domestic industrial facilities, as well as through smart investment in human capital that further growth could be encouraged. We are aiming to address these complex development issues applying the whole range of instruments the Group possesses.

Accomplishing the CSR Strategy is designed to facilitate achievement of the strategic goals we are facing. Developing the document is what we might call a symbolic initiative for Vnesheconombank. It will allow for integrating the CSR principles into the system of corporate governance at all levels.

The basic principles embedded in the fundamentals of our business activities include openness and transparency, responsibility towards stakeholders, priority participation in important socio- and environmentally-friendly projects. In light of this, Vnesheconombank's subscription to the UN Global Compact might be viewed as a hallmark event of the past year. For us, accession to the major international initiative means greater integration in the global community, an important step towards greater transparency and joining the international sustainability effort.

This agenda is of paramount importance for Vnesheconombank. Delivering large-scale projects we are looking far beyond economic efficiency and give due consideration to the impacts that our activities and decisions could exert on the environment and society. We are seeking during the early expert assessment stages to embed the most efficient financial models. The solutions should incentivize project initiators and operators to apply technologies aimed at enhancing energy saving and reducing pollutant emissions. Overall, our energies are focused on encouraging Russian producers to apply ecologically effective innovative technologies.

Over the 5 years of operating as the Bank for Development, financing of more than 30 projects aiming to increase energy efficiency – Vnesheconombank's commitment amounting to RUB 300 billion – was approved. Among the projects approved were 16 major targeted projects intended to enhance the efficiency of natural resource utilization, environmental protection and improvement of the environment situation with Vnesheconombank's commitment exceeding RUB 240 billion.

The social component of investment projects also has an important role to play. Thus, in the course of implementing projects approved for Vnesheconombank's financing, more than 150 thousand jobs were created or are planned to be created, the number of jobs retained approximates to 40 thousand. The new and modernized jobs will open up new opportunities and social prospects both for experienced workers and university and college graduates. The projected budgetary efficiency resulting from the project delivery will be in the range of RUB 915 billion.

Each of our projects is the outcome of joint efforts of line ministries, regional administrations, independent experts and the Group staff. We recognize it is collegial decisions that contributed to the success of our endeavors. In the future, we would seek to further pursue joint efforts and hopefully the synergy effect would add value and help deliver good results for Russia and other countries.

Vladimir Dmitriev
Chairman of Vnesheconombank



1 VNESHECONOMBANK GROUP TODAY

1.1

Vnesheconombank Group's Governance System

For the purposes of this Report, Vnesheconombank Group (VEB Group) means Vnesheconombank, its subsidiaries and affiliates, operating in line with the provisions of Federal Law No. 82-FZ of May 17, 2007, "On Bank for Development". In 2011, the VEB Group trademark was registered on the State Register of Trademarks and Service Marks of the Russian Federation.

Composition of VEB Group

In 2011, VEB Group was composed of major commercial banks of Russia, Ukraine and the Republic of Belarus, as well as special lending institutions established to solve the key problems faced by the Russian economy, namely: OJSC SME Bank, implementing the state policy of supporting small and medium entrepreneurs, and CJSC ROSEXIMBANK, acting as an agent bank of the Government of the Russian Federation in rendering state financial support for domestic industrial exports. Members of VEB Group included development corporations of strategically important Russian regions, such as the North Caucasus, the Far East and the Baikal region, investment and engineering entities, OJSC VEB-Leasing, a leasing company that promptly gained leading positions in the lease service market (see the chart on page 9).

In 2011, fundamentally new domestic entities were established within VEB Group, namely: LLC RDIF Management Company, intending to raise resources for the leading companies of the rapidly growing sectors of economy, and OJSC Russian Agency for Export Credit and Investment Insurance (EXIAR), aiming to create an effective system of state export insurance support.

Moreover, 2011 witnessed the establishment of OJSC The Far East and Baikal Region Development Fund

SUBSIDIARIES WITHIN VEB GROUP: VEB'S EQUITY INVESTMENT AND DEVELOPMENT PROSPECTS

	99.99%	CJSC GLOBEXBANK Full-service commercial bank intended to render services to large corporate clients throughout the Russian Federation and medium and small businesses and individuals in the regions in which the bank operates
	99.47%	OJSC SVYAZ-BANK Full-service commercial bank on the base of which it is planned to establish Postal Bank of the Russian Federation (in partnership with FSUE The Russian Post and a partner bank)
	100%	OJSC SME BANK * Leading institution for implementing the state programme for supporting and developing small and medium-sized entrepreneurs. Profit-making commercial bank focused on developing non-trade and innovative sectors of small and medium-sized entrepreneurship
	100%	CJSC ROSEXIMBANK Institution for pursuing the state policy for supporting the development of the Russian industrial exports and foreign economic activities
	97.85%	PJSC PROMINVESTBANK (UKRAINE) Full-service commercial bank intended to develop bilateral economic ties between Russia and Ukraine
	97.49%	OJSC BELVNESHECONOMBANK ** (REPUBLIC OF BELARUS) Full-service commercial bank intended to develop bilateral economic ties between Russia and Belarus
	67.55%	LLC VEB ENGINEERING Full-cycle engineering company which ensures the monitoring and management of large investment projects within VEB Group
	100%	LLC VEB CAPITAL Large international-level investment company managing non-core and troubled assets of VEB Group
	98.96%	OJSC VEB-LEASING One of Russia's largest full-service leasing companies, ranking among the top three leaders of the segment of retail leasing to small and medium-sized entrepreneurs
	100%	OJSC NORTH CAUCASUS DEVELOPMENT CORPORATION The region's largest entity specialized in the investment project procurement and financing
	100%	LLC RDIF MANAGEMENT COMPANY Leading institution engaged in attracting direct foreign investment and implementing projects based on the principles of co-financing in areas including health care, agriculture and innovative energy
	100%	OJSC FEDERAL CENTRE FOR PROJECT FINANCE Leading institution fostering Russia's social and economic development by attracting investment for large-scale investment projects, raising the efficiency of national project development, improving bidding-based procurement practices
	100%	OJSC EXIAR Key element in the integrated system of state export support in the Russian Federation ensuring a competitive environment for financing domestic companies involved in foreign economic activities
	100%	OJSC THE FAR EAST AND BAIKAL REGION DEVELOPMENT FUND The region's largest entity specialized in the investment project procurement and financing

* On April 4, 2011, Open Joint Stock Company Russian Development Bank (OJSC RDB) was renamed OJSC Russian Bank for Small and Medium Enterprises Support; its short company name is SME Bank.

** After the reporting period in 2012, OJSC Belvnesheconombank changed its short name to OJSC Bank BelVEB in the course of restyling. On March 29, 2012, the relevant amendments to the entity's Articles of Association were recorded by the National Bank of the Republic of Belarus. The bank's full name remained unchanged: Belvnesheconombank Open Joint Stock Company.

designed to foster investing activities in the region and to prepare high quality regional and urban development projects.

As of January 1, 2012, the group included 14 entities, apart from Vnesheconombank: 4 domestic and 2 foreign subsidiary credit institutions and 8 non-credit specialized companies performing or promoting investment activities.

In April 2011, the Supervisory Board of Vnesheconombank adopted the resolution on the establishment of non-profit organization Fund Operator of Programme for Financial Assistance to Innovative Projects of Skolkovo Foundation (VEB-Innovations Fund).

2011 saw the opening of Vnesheconombank's representative offices in Zurich, Swiss Confederation, Krasnoyarsk and Rostov-on-Don. In the reporting period, the Supervisory Board of Vnesheconombank also made a decision on setting up a representative office in Nizhny Novgorod.

As of January 1, 2012, a total of 16 representative offices of Vnesheconombank operated: 6 in the Russian Federation (the Far Eastern, Northwestern, North Caucasian, Siberian, Urals and Southern Federal Districts) and 10 abroad

The growth and development rates of VEB Group, expansion of its presence and intensification of activities necessitate implementing state-of-the-art flexible governance methods and ensuring common governance standards and standardized corporate procedures. This is an essential condition for improving the performance and financial stability of VEB Group.

Management System

The principal regulatory documents governing the activities of Vnesheconombank are Federal Law No. 82-FZ of May 17, 2007 "On Bank for Development" (hereinafter the "Federal Law "On Bank for Development") and the Memorandum on Financial Policies of Vnesheconombank, approved by Directive of the Government of the Russian Federation No. 1007-r of July 27, 2007 (hereinafter the Memorandum on Financial Policies).

In 2011, the management system of Vnesheconombank did not undergo any major amendments. Membership of the Supervisory Board of Vnesheconombank changed. The directive of the Government of the Russian Federation dismissed A. L. Kudrin, Member of the Supervisory Board and Minister of Finance of the Russian Federation, to replace him with A. G. Siluanov, Deputy Minister of Finance of the Russian Federation. The latter became the

INTERNATIONAL CONFERENCE ON THE "DEVELOPMENT OF CORPORATE GOVERNANCE IN VNESHECONOMBANK GROUP"

In April 2011, Vnesheconombank organized an international conference on the "Development of Corporate Governance in Vnesheconombank Group", attended by Vnesheconombank's managers, representatives of subsidiaries specialized in corporate governance, employees from the Russian Federation Government Office and from a number of ministries.

The event was devoted to discussing acute corporate governance issues in Russia, with a special focus placed on the functioning of VEB Group and the legal aspects of its activities.

In conclusion, the conference participants adopted a memorandum highlighting the principal mid-term areas of further developing the corporate governance system within VEB Group:

- adherence to the best international standards of corporate governance within VEB Group, including those recommended by Organization for Economic Co-operation and Development (OECD) and the Basel Committee on Banking Supervision;
- harmonization of VEB Group's legal framework, regulations, etc;
- creation of a common electronic database and open workflow system within VEB Group, etc.

Minister of Finance of the Russian Federation in December 2011. In 2011, the composition of the Management Board remained unchanged.

In accordance with Federal Law "On Bank for Development", the supreme governing body of Vnesheconombank (the Supervisory Board) is chaired by the Chairman of the Government of the Russian Federation. Members of the Supervisory Board are Deputy Chairmen of the Government of the Russian Federation and federal ministers.

2011 did not witness any expected amendments to laws related to the transformation of state-owned corporations into public corporate entities. The draft Federal Law governing the activities of public corporate entities was planned to be submitted to the State Duma of the Federal Assembly of the Russian Federation in Q4 2011. The Ministry of Economic Development of the Russian Federation prepared two draft federal laws: "On Public Companies in the Russian Federation" and "On Amendment of Specific Legislative Acts of the Russian Federation in Connection with the Adoption of the Federal Law "On Public Companies in the Russian Federation". As of January 1, 2012, the draft documents were submitted to the State Duma of the Federal Assembly of the Russian Federation, yet were rejected subject to revision. Furthermore, the working group of the State Duma Committee on Financial Mar-

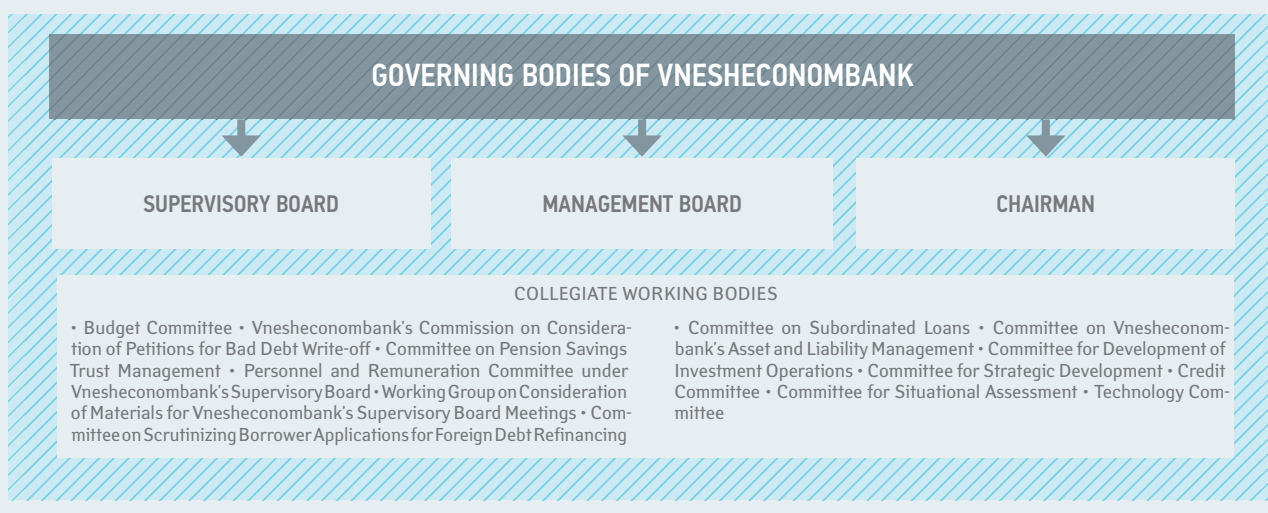
ket prepared its own bill "On Public Corporate Entities Exercising Authority in the Economic Field", governing the issues of transformation of state corporations into public corporate entities.

POST-REPORTING PERIOD EVENTS

The composition of the Supervisory Board of Vnesheconombank was changed pursuant to Directive of the Government of the Russian Federation No. 870-r of May 31, 2012. Presidential Decree of the Russian Federation No. 870 of June 18, 2012, re-appointed V.A. Dmitriev to the position of the Chairman of Vnesheconombank



GOVERNING BODIES AND COLLEGIATE WORKING BODIES OF VNESHECONOMBANK



1.2

Vnesheconombank's Development Strategy for the Period from 2011 to 2015

In 2011, the Supervisory Board of Vnesheconombank approved Vnesheconombank's Development Strategy for the Period from 2011 to 2015. The document specifies the principal strategic goals of the development bank as well as development prospects of VEB Group subsidiary banks and member companies.

Development of Strategic Management System

The previous Vnesheconombank's Development Strategy for the Period from 2008 to 2012 was implemented amid the global financial and economic crisis, resulting in changes to the state social and economic policy. Given that Vnesheconombank was instructed by the Government of the Russian Federation to take crisis management measures (the objectives that Vnesheconombank intended to accomplish in 2008 and 2009), in general, it is safe to say that Vnesheconombank achieved the maximum possible results in an adverse macroeconomic situation.

Vnesheconombank's Development Strategy 2011–2015 sets the new strategic targets for Vnesheconombank, formulates the objectives of participation in the crisis management measures of the Government ignored in the previous document, and specifies strategic goals in respect of the subsidiaries within VEB Group. The full text of the Strategy is available from the website of Vnesheconombank at: http://www.veb.ru/common/upload/files/veb/veb_strat15.pdf.

To upgrade the system of strategic management in 2011, the Committee for Strategic Development of Vnesheconombank developed and approved the Strategic Map of Vnesheconombank for the Period from

2012 to 2015 and the Concept of Strategic Management System. The Supervisory Board of Vnesheconombank approved the Plan of Implementation of Vnesheconombank's Development Strategy for the Period from 2011 to 2015.

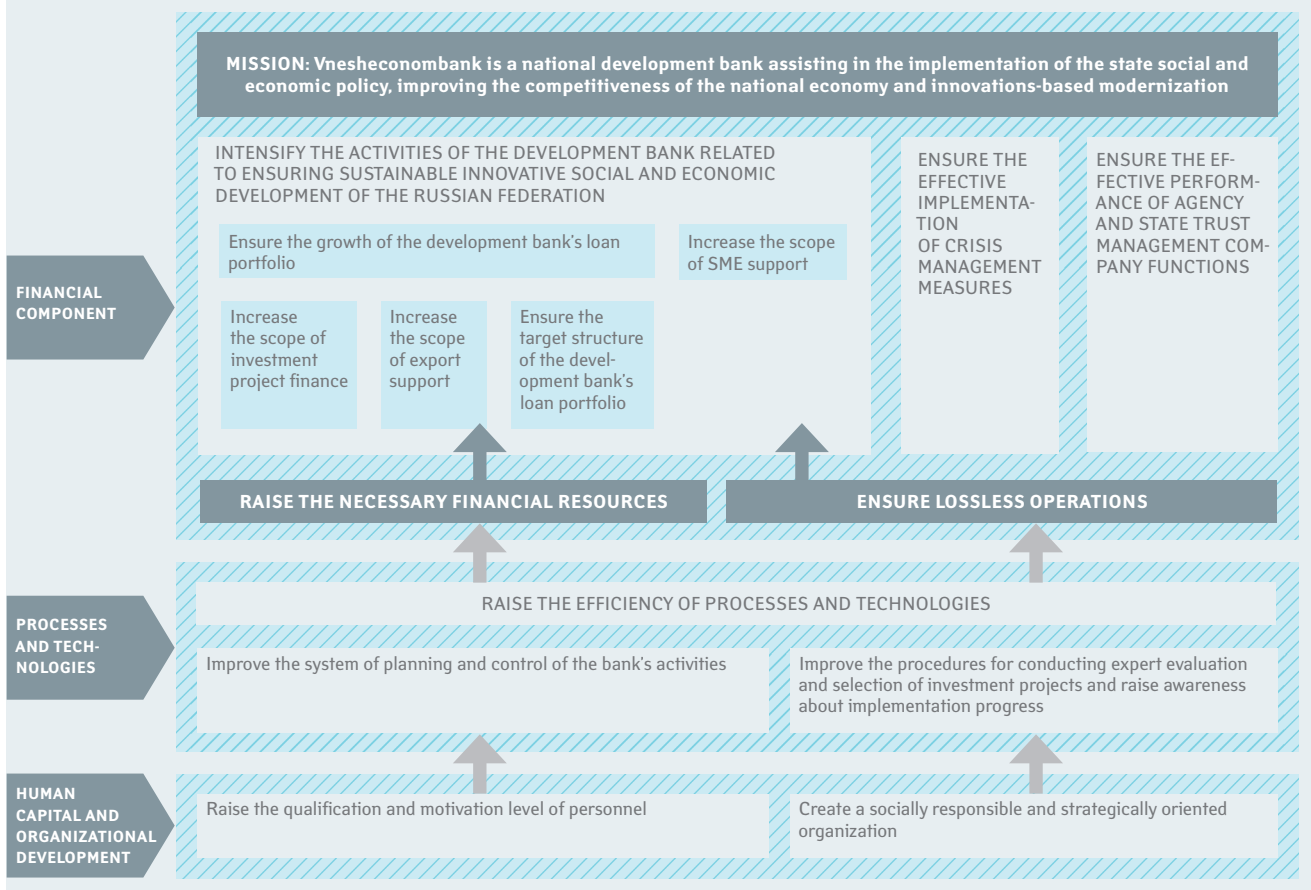
The Development Strategy implementation was controlled based on the achievement of target (planned) values of the corporate Key Performance Indicators (KPIs) of Vnesheconombank, used in the system of variable compensation of Vnesheconombank's employees, thus ensuring direct dependence of the amount of employee remuneration on Vnesheconombank's performance.

VEB's Strategy 2011–2015 Outcomes and New Quality Dimension to the Domestic Social and Economic Situation

The strategic goal of Vnesheconombank between 2011 and 2015 is to intensify its activities as a development bank related to ensuring the sustainable innovative social and economic development of the Russian Federation based on modernization and improvement of national economic competitiveness.

The achievement of the above-mentioned goal necessitates increasing considerably the scope of investment project finance, expanding support for high-tech exports and implementing the programmes of support for small and medium-sized entrepreneurs and the best practices of investment project procurement and management.

STRATEGIC MAP OF VNESHECONOMBANK FOR THE PERIOD FROM 2012 TO 2015



ANTICIPATED VNESHECONOMBANK'S PERFORMANCE AS OF THE END OF 2015

- The scope of support for the national economy due to the investing and lending activities of Vnesheconombank will almost double to approximately **RUB 1.3 trillion**.
- The scope of support for the national economy with due account for subordinated loans and the development of leasing transactions will be **RUB 1.9 trillion (2.4 % of GDP)**.
- The development bank's loan portfolio will increase almost 2.5-fold to **RUB 850 billion**.
- The scope of loans for innovative project finance will grow more than three-fold to at least **RUB 170 billion**. The share of such projects in the development bank's loan portfolio will rise to 20%.
- The scope of financial support for small and medium-sized entrepreneurs (hereinafter "SMEs") through SME Bank will be about **RUB 150 billion**.

The involvement of Vnesheconombank in accomplishing the state objective of national economy modernization will require a higher share of loans related to innovative project finance in the development bank's loan portfolio.

Timely and high-quality delivery of the entrusted objectives of implementing the crisis management programme of the Government of the Russian Federation, as well as the performance of agency functions will remain important areas of Vnesheconombank's activities.

The strategic goal and corresponding objectives of Vnesheconombank's development were considered in the selection of Vnesheconombank development scenarios and justification of the list and values of the strategic targets reflecting Vnesheconombank's anticipated performance as of the end of 2015.

Implementing the Bank's Development Strategy 2011–2015 will contribute to qualitative changes to the social and economic development of Russia, namely:

■ development of Russian innovative industries will be supported by the required investment;

■ infrastructure constraints to national economic growth will be eased;

■ upgrading and renewal of fixed assets at a higher technology level and the relevant raising of domestic product competitiveness will be ensured;

■ public-private partnership mechanisms will evolve, thus encouraging private capital investment in socially meaningful investment projects;

■ the share of industrial exports will rise;

■ the growth of employment rate will be ensured, including depressive and remote regions and single-industry towns;

■ the international image of Russia will go up due to high-quality preparation for the crucial international events and forums, including the Sochi 2014 Olympic Games, APEC Forum in Vladivostok, etc. Vnesheconombank plays a key role in financing these events.

1.3

Development of Corporate Social Responsibility System

In 2011, Vnesheconombank developed its Corporate Social Responsibility Strategy for the Period from 2012 to 2015, specifying Vnesheconombank's sustainability position, as well as CSR goals, objectives and priorities for the next 4 years. The preparation of this document is a milestone initiative of Vnesheconombank, which will allow for the Bank to integrate the CSR principles into its corporate governance system.

Development and Approval of Vnesheconombank's CSR Strategy for the Period from 2012 to 2015

The CSR Strategy development reflects the adherence of Vnesheconombank to the CSR principles as an ideology penetrating all areas of its activities. Such ideology implies the responsibility of Vnesheconombank for the impact of its decisions and activities on the society and the environment. Its implementation is adjusted for the stakeholders' expectations and contributes to the achievement of sustainable development goals.

While developing its CSR Strategy, Vnesheconombank relied on the best practices of financial development institutions and the leading international and domestic CSR initiatives. The CSR Strategy also used as a basis the results of assessment of the current status of Vnesheconombank's CSR system and the analysis of stakeholders' opinions revealed, among other things, in the course of polling and focus groups involving the employees of Vnesheconombank and interviews with the upper and middle managers.

CSR priorities were selected with due consideration to the need to expand the contribution of Vnesheconombank in solving the critical problems faced by the modern society, which are internationally acknowledged and important to Vnesheconombank as a national development

INTERRELATION BETWEEN VNESHECONOMBANK'S DEVELOPMENT STRATEGY 2011-2015 AND CSR STRATEGY 2012-2015

Objectives Specified in Vnesheconombank's Development Strategy 2011-2015	CSR Priorities
<ul style="list-style-type: none"> ■ Ensure higher performance of investment projects involving Vnesheconombank, including the improvement of internal documents governing project expert evaluation and selection ■ Develop the risk management system meeting the international best practices in line with the scope, nature of business and long-term objectives of Vnesheconombank ■ Develop the social and environmental requirements adjusted for the international practices of development banks and set by Vnesheconombank during the consideration of project proposals and rendering project support 	Development of responsible finance practices
<ul style="list-style-type: none"> ■ Render assistance to entities in preparing project documentation in accordance with the requirements of Vnesheconombank ■ Assist in shaping high-quality professional environment for investing activities, specifically through the implementation of the educational project for the "Training of Professional Participants in Investment Projects Co-implemented by Development Institutions" ■ Provide expert or other support for the Agency for Strategic Initiatives (ASI) ■ Assist public and municipal authorities in procuring the PPP-based investment projects and solving regional and urban development challenges 	Shaping of high-quality professional environment in the field of investing activities
<ul style="list-style-type: none"> ■ Develop documents specifying the approaches of Vnesheconombank to the organization of interaction with its stakeholders based on the requirements of the international standard AA1000SES ■ Publish on an annual basis the non-financial reports of Vnesheconombank adjusted for the international standards and containing information about Vnesheconombank's contribution to the economic and social development and environmental situation improvement 	Communication with stakeholders and non-financial reporting
<ul style="list-style-type: none"> ■ Develop multi-faceted interaction among the BRICS Member Countries ■ Expand interaction within the framework of the Interbank Consortium of the Shanghai Cooperation Organization (SCO) ■ Arrange public events (roundtables, conferences, public hearings, etc) focused on CSR issues ■ Continue training the employees of Vnesheconombank and its subsidiaries, as well as the representatives of stakeholders on CSR issues and responsible conduct practices 	Promotion of CSR principles in the business community
<ul style="list-style-type: none"> ■ Improve the AML/CTF system with due consideration to the existing requirements of the applicable laws, the principal functions, areas of activities and customer base of Vnesheconombank 	Responsible business practices
<ul style="list-style-type: none"> ■ Improve the HR management system of Vnesheconombank with due account for state-of-the-art approaches and global best practices ■ Raise the motivation level of Vnesheconombank's employees ■ Improve the training system and professional education for Vnesheconombank's employees ■ Develop internal regulatory documents on professional ethics 	Responsible employment practices
<ul style="list-style-type: none"> ■ Develop internal regulatory documents on optimizing the consumption of electricity, water and other resources 	Management of its environmental impact
<ul style="list-style-type: none"> ■ Prepare documents specifying Vnesheconombank charity's priorities and beneficiary selection criteria 	Volunteering and charity

VNESHECONOMBANK'S CSR PRIORITIES

■ Development of Vnesheconombank's CSR Strategy for the Period from 2012 to 2015	Implemented
■ Vnesheconombank's subscription to the United Nations Global Compact	Implemented
■ Organization of the second international conference "Investment in Sustainability. Role of Financial Sector"	Implemented
■ Organization of public hearings for discussing Vnesheconombank's Sustainability Report 2010	Implemented
■ Creation of the CSR section on the website of Vnesheconombank at: www.veb.ru	Implemented
■ Development of corporate environmental policy of Vnesheconombank	2012
■ Organization of the third international conference "Investment in Sustainability"	2012
■ Development and implementation of stakeholder engagement policy	2013
■ Development and implementation of the Responsible Finance Policy of Vnesheconombank	2014
■ Integration of CSR and non-financial reporting principles into the operations of VEB Group	2015

institution. These primarily include the development practices of responsible finance, as well as the shaping of high-quality professional environment in the field of investing activities and the promotion of CSR principles in the business community. Furthermore, the CSR Strategy involves developing the CSR areas successfully implemented by Vnesheconombank, such as responsible business and employment practices, stakeholder engagement and publication of non-financial reports, management of its environmental impact, charity and volunteering.

The integration of CSR principles into Vnesheconombank's activities is closely connected with the objectives specified in Vnesheconombank's Development Strategy 2011–2015. Special focus will be placed on work organization, with due account for the best global CSR practices. Vnesheconombank's Development Strategy also sets forth Vnesheconombank's development prospects

as a public, open, strategically oriented and socially responsible entity.

The implementation of CSR Strategy priorities, will, therefore, contribute to achieving the principal goals of Vnesheconombank's Development Strategy, primarily the intensification of Vnesheconombank's activities as a development bank ensuring sustainable innovative social and economic development of the Russian Federation based on modernization and higher competitive power of the national economy.

The CSR Strategy defines the mechanisms for adopting and implementing decisions in the highest-priority areas of CSR, as well as the procedures for monitoring and assessing Vnesheconombank's sustainability performance. The effectiveness of the CSR Strategy implementation will be assessed on an annual basis starting from 2013. The results will be communicated to the management

of Vnesheconombank and published in non-financial reports. Upon the completion of assessment and based on the stakeholders' opinion analysis, the CSR Strategy may be amended with a view to improving Vnesheconombank's sustainability performance in line with the changing external and internal environment.

Implementation of CSR Principles in the Activities of VEB Group

Vnesheconombank focuses greatly on promoting the CSR and non-financial reporting principles among VEB Group entities, seeing its objective in organizing the process of training and exchanging experience within the group on various CSR aspects. Each entity of VEB Group decides whether or not to introduce CSR in their activities.

In 2011, Vnesheconombank arranged a series of training events and on-the-job training sessions on such issues as CSR, non-financial reporting and responsible finance, attended by the representatives of Vnesheconombank and its subsidiaries:

■ GRI Certified Training Programme on GRI Sustainability Reporting for Russia (all participants obtained certificates proving their successful completion of the programme);

■ workshop on "Corporate Social Responsibility of Financial Institutions. CSR Development Priorities for Vnesheconombank";

■ CSR seminar among the SCO IC member banks in Beijing;

■ seminar on CSR policies and non-financial reporting for Belvnesheconombank's managers of structural divisions in Minsk;

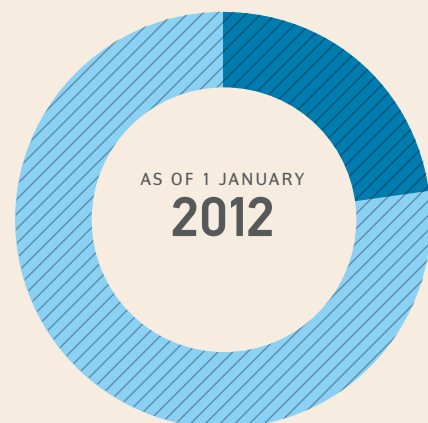
■ on-the-job training on responsible finance issues for the employees of VEB Group invited by the United Nations Environment Programme Finance Initiative (UNEP FI) and UniCredit Bank in Munich.

Most of VEB Group entities are in the process of shaping their own CSR systems, while currently applying only

individual CSR elements, such as responsible practices in respect of their personnel, partners and clients, AML/CTF system development, consideration of social and environmental factors in performing investing activities, the use of resource-saving technologies in office arrangements, charity projects, etc.

In 2011, Belvnesheconombank developed and approved the Regulations for the Policy of Corporate Social Responsibility and the Preparation of Non-financial Reports by OJSC Belvnesheconombank. It also created a working group on CSR policies and non-financial reporting. The documents governing Belvnesheconombank's activities in specific areas of CSR adopted in 2011 also include the Environmental and Social Policy, the Corporate Ethics Rules, the Regulations for Managing the Conflicts of Interest, the Regulations for Employee Training Organization, the Procedural Rules for Granting Labour and Social Leaves to Employees, etc.

Shaping of CSR System in VEB Group



- Started shaping a systemic approach to CSR (ROSEXIMBANK, Belvnesheconombank, Prominvestbank)
- Plan to further apply individual CSR practices (VEB Engineering, VEB Capital, VEB-Leasing, GLOBEXBANK, NCDC, SME Bank, SVYAZ-BANK, RDIF, FCPF, EXIAR)

The highest achievements in implementing the CSR principles were demonstrated by ROSEXIMBANK, Belvnesheconombank and Prominvestbank, which have already switched over from working in the separate segments of CSR to shaping of a systemic approach to managing sustainability activities. Furthermore, Belvnesheconombank was the first subsidiary of VEB Group to begin preparing a non-financial report for 2011, reflecting the bank's contribution to the achievement of its sustainable development goals

In 2011, ROSEXIMBANK developed the Code of Corporate Governance, scheduled to be approved in 2012. The document goal is to ensure a high level of corporate governance, professional and business ethics and the conformity of the bank's activities with the principles of sustainable development within the framework of the CSR concept implementation. ROSEXIMBANK achieved success in responsible finance, the principles of which were laid in the revised "Credit Policy of CJSC ROSEXIMBANK. General Direction and Objectives for 2011-2013". The comprehensive expert evaluation of ROSEXIMBANK's activities by the World Bank showed that the lending procedures of ROSEXIMBANK were recognized as compliant with the requirements of the World Bank for responsible finance, adherence to environmental and social norms in project procurement and implementation, anti-corruption norms and investment project monitoring.

In 2011, Prominvestbank set up a steering team composed of the representatives of the bank's leading departments. The team discussed a broad range of issues, including preparation for establishing the Coordination Committee for CSR Policy Development and Implementation, analysis of the current status of the bank's sustainability activities, development and implementation of mechanisms for implementing CSR initiatives and monitoring their efficiency, development of the system of stakeholder engagement, etc. Prominvestbank's 2012 priorities include the development and implementation of the Corporate Social Responsibility Policy.

Promotion of CSR Principles in the Business Community

Vnesheconombank holds an active position on the promotion of CSR principles in the Russian business com-

munity. Vnesheconombank's initiatives seek to exchange experience, develop cooperation and disseminate the best domestic and foreign CSR practices in the financial sector.

The most noticeable initiative of Vnesheconombank in the development of cooperation and promotion of CSR principles in the business environment is annual international conference "Investment in Sustainability". The conference topic is selected every year and should be important for the Russian business community.

In 2011, the conference was titled "Investment in Sustainability. Role of Financial Sector" and devoted to strengthening the role of financial institutions as the provider of positive changes in the society, primarily through the implementation of responsible finance practices.

The conference was attended by the partners of Vnesheconombank from the European Bank for Reconstruction and Development, International Financial Corporation, China Development Bank, Kreditanstalt fur Wiederaufbau, delegates from the core ministries and agencies, the leading public organizations, experts from the international initiatives on social and environmental responsibility (The United Nations Environment Programme Finance Initiative, AccountAbility Institute, Global Reporting Initiative (GRI), United Nations Global Compact).

The delegates discussed changes incidental to the financial sector in the post-crisis period and the resulting new risks, as well as the contribution of financial institutions to the sustainable development and instruments to build up confidence in the activities of the financial sector entities. The conference delegates adopted a memorandum that formulates the fundamental principles of responsible business practices of domestic financial institutions.

In preparing the conference, Vnesheconombank for the first time studied the CSR activities of its investment project partners. The projects of Moscow United Electric Grid Company (MOESK), Miratorg Agribusiness Holding and YaZDA (Yaroslavl Diesel Equipment Plant) were recognized as the best social and environmental practices

In 2011, as part of promoting the principles of responsible finance, Vnesheconombank in cooperation with the

World Wildlife Fund of Russia (WWF of Russia), UNEP FI and a number of other organizations took part in organizing a seminar for the representatives of the Russian banks on the management of environmental and social risks in lending and investing.

Vnesheconombank also prepared a manual titled "Corporate Social Responsibility. A New Business Philosophy" for free distribution at Vnesheconombank's events. The

manual is intended to share with financial institutions managers and other entities the CSR and sustainable development concepts, international and domestic initiatives and standards in this area, the notion of non-financial reporting, characteristics of CSR of financial institutions. The manual is published on the website of Vnesheconombank at: <http://www.veb.ru/common/upload/files/veb/kso/ksobook2011.pdf>.

VNESHECONOMBANK'S SUBSCRIPTION TO THE UNITED NATIONS GLOBAL COMPACT

In December 2011, Vnesheconombank joined the United Nations Global Compact (UNGC), the largest international initiative on sustainable development assembling more than 10 thousand participants from 140 countries.

In deciding to join the UNGC, Vnesheconombank confirmed its intent to contribute to more stable and open global economy and sustainable development and to participate in the joint action taken by companies from among the world's CSR leaders for the purposes of solving acute social and environmental problems faced by the modern society.

Membership in the United Nations Global Compact will allow Vnesheconombank to improve its sustainability performance and contribute to promoting 10 UNGC's principles in the business community in such areas as human rights, labour relations, environmental protection and anti-corruption practices, specifically as part of involvement in the activities of the UNGC Network Russia.

2.1

Management of Social and Environmental Impact of Investing Activities

The achievement of Vnesheconombank's strategic goal to ensure sustainable innovative social and economic development of Russia is closely connected with the financing of development projects – large-scale multi-component projects aimed at accomplishing in a comprehensive manner the key objectives of developing the Russian regions and realizing their strategic potential. Development projects are implemented in close interaction with the regional public authorities, federal development institutions, domestic and foreign financial institutions.

Sustainable Development in Figures

In terms of the scope of its investing activities, Vnesheconombank ranks among the financial market leaders both in the scope of financing and the level of influence on the domestic social and economic situation. The investments of Vnesheconombank are aimed at turning the situation around not only at particular enterprises but in the entire industries and regions of the country. Implementing its projects, Vnesheconombank contributes to improving the environmental situation in the region of operation, raising the standards and quality of living for the population, increasing tax proceeds to the budgets of all levels, creating new jobs.

In 2011, the governing bodies of Vnesheconombank approved 33 investment projects meeting the requirements of the Memorandum on Financial Policies. Over the course of project implementation, it is planned to create more than 23 thousand jobs. The expected budgetary effect of delivering the projects approved in 2011 is some RUB 139 billion.

SUSTAINABLE DEVELOPMENT IN FIGURES

CREATION OF NEW JOBS

- During the delivery of the projects approved by Vnesheconombank for financing between 2007 and 2011, according to data as of January 1, 2012, more than 153 thousand jobs were and are planned to be created.
- Moreover, according to data as of January 1, 2012, some 44 thousand jobs will be maintained over the course of implementing the above projects.

INCREASING TAX PROCEEDS TO THE BUDGETS OF ALL LEVELS

- The expected budgetary effect of the projects approved by Vnesheconombank for financing between 2007 and 2011, according to data as of January 1, 2012, is some RUB 915 billion.

IMPROVEMENT OF NATURAL RESOURCE UTILIZATION

- The governing bodies of Vnesheconombank approved the Bank's participation in 16 projects aimed at raising the natural resource utilization, protecting the environment and improving the environmental situation, with total project value amounting to RUB 370.5 billion and Vnesheconombank's commitment - RUB 240.8 billion, accounting for 13.3% of the development bank's loan portfolio value as of January 1, 2012.

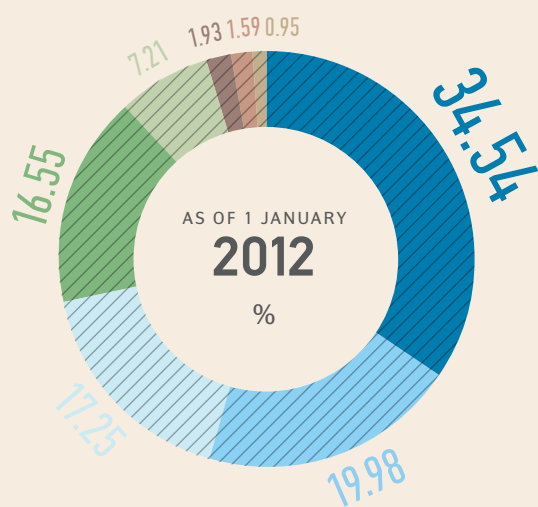
ENERGY EFFICIENCY IMPROVEMENT

- Vnesheconombank's governing bodies approved the Bank's participation in 32 projects designed to raise energy efficiency, with total project value RUB 567.9 billion and Vnesheconombank's commitment RUB 307.4 billion, accounting for 19% of the development bank's loan portfolio value as of January 1, 2012.

INNOVATIVE DEVELOPMENT

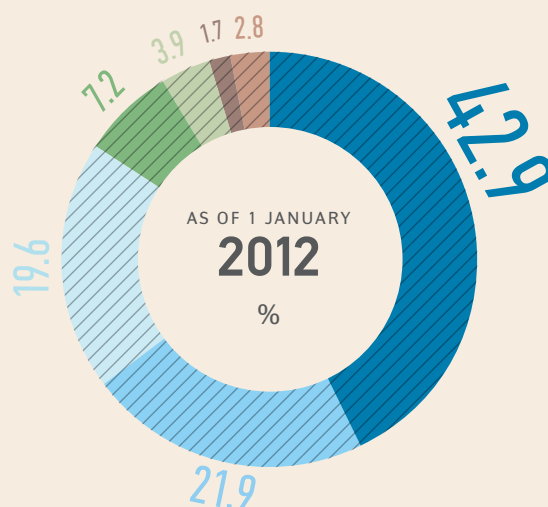
- The Bank's governing bodies approved Vnesheconombank's participation in 55 projects intended for developing innovations, with total project value RUB 1,096.1 billion and Vnesheconombank's commitment RUB 602.8 billion, accounting for 36.1% of the development bank's loan portfolio value as of January 1, 2012.

Regional Breakdown of the Investment and Export Support Projects by Federal District of the Russian Federation, Approved by the Governing Bodies of Vnesheconombank in 2011 as of January 1, 2012.



- Volga Federal District
- Central Federal District
- North Western Federal District
- Siberian Federal District
- Southern Federal District
- North Caucasus Federal District
- Far Eastern Federal District
- Interregional projects

Breakdown of the Investment and Export Support Projects Approved by the Governing Bodies of Vnesheconombank in 2011 by the Principal Area of Investing Activity as of January 1, 2012.

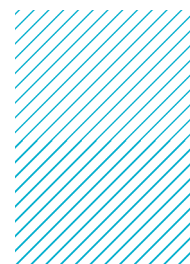


- Improvement of natural resource utilization
- Innovative development
- Infrastructure development
- Olympic facilities
- Top-priority national projects and projects implemented under the Federal Target Programmes
- Other
- Export support

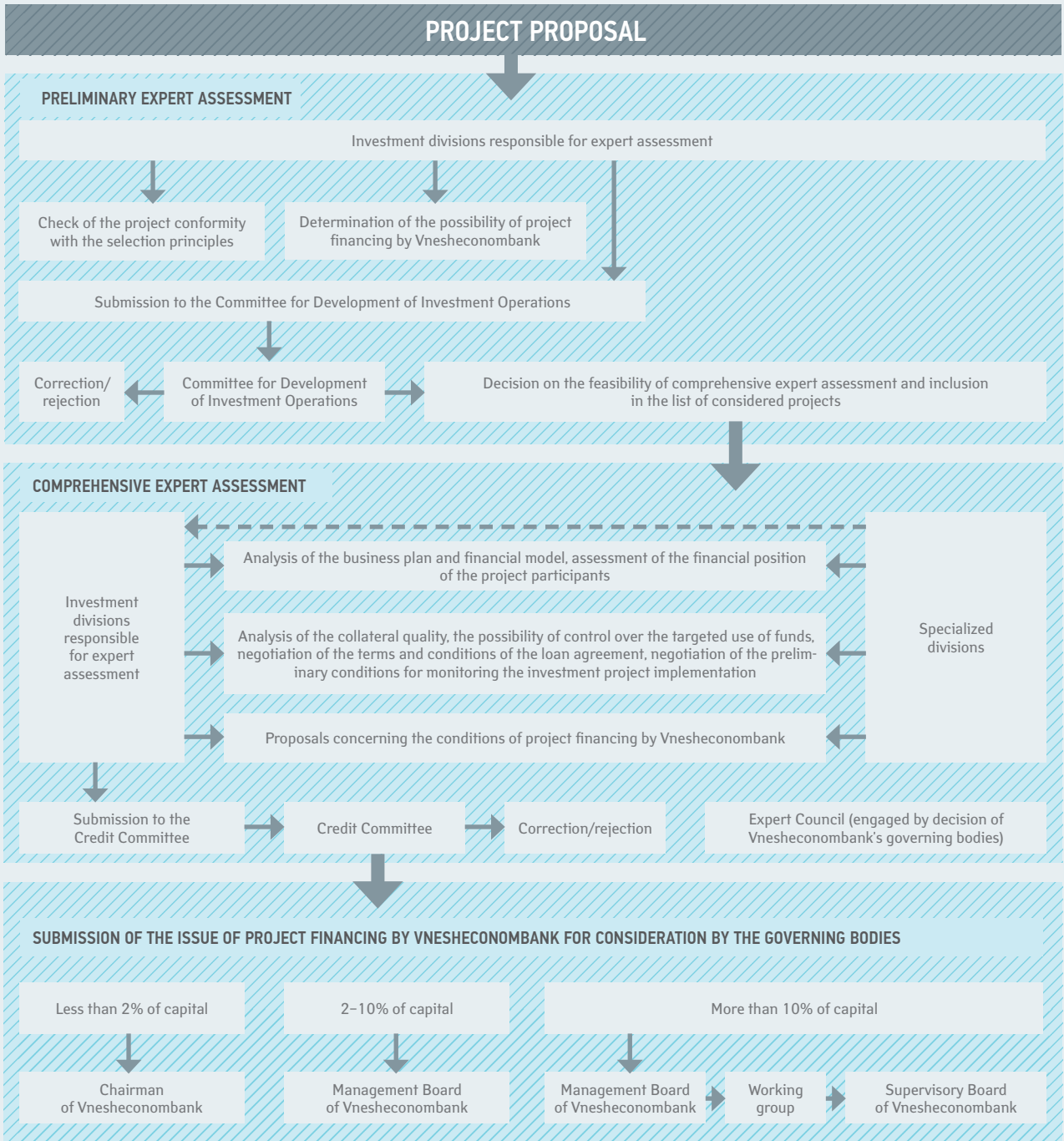
Assessment of the Environmental and Social Impact of Investing Activities

Expert assessment of investment projects undergoes several phases (see Chart on page 24). In adopting decisions on investment project financing, Vnesheconombank, on a mandatory basis, assesses possible environmental impact of projects and compliance with the requirements of state environmental impact assessment and the assessment of project documentation by state experts.

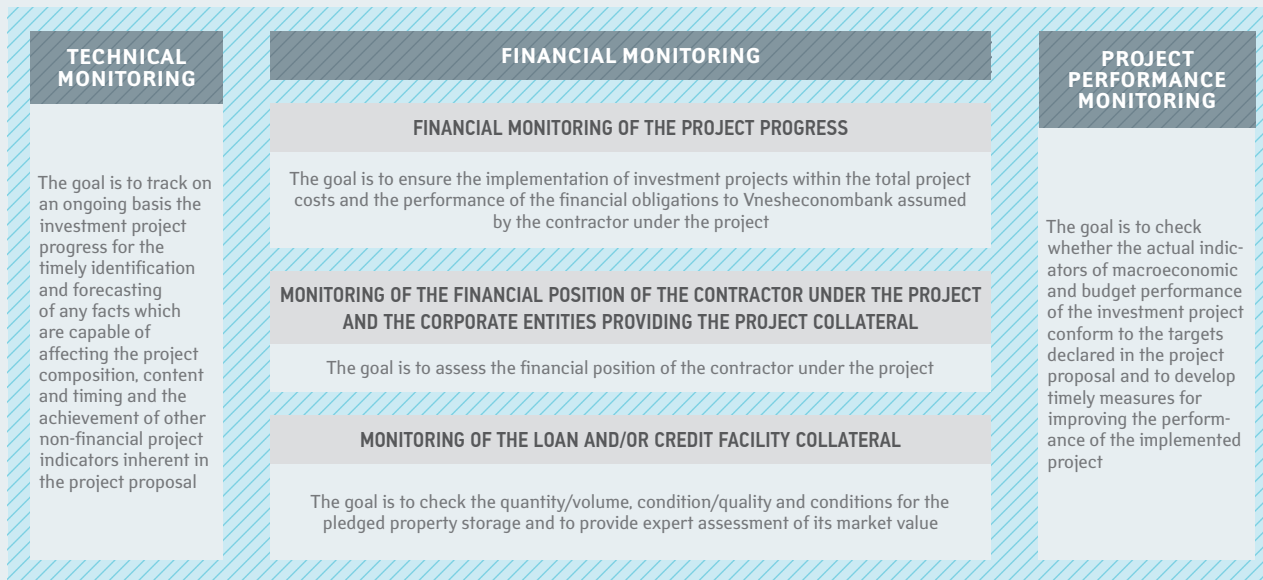
If the resolution approving the project financing is adopted by the Supervisory Board of Vnesheconombank (valued at more than 10% of capital), such projects are subject to mandatory independent expert assessment. All projects involving the construction of real property or the establishment of production businesses undergo an independent expert assessment as to their energy efficiency and resource saving



INVESTMENT DECISION-MAKING MECHANISM



TYPES OF MONITORING OF THE INVESTMENT PROJECTS IMPLEMENTED BY VNESHECONOMBANK



Furthermore, Vnesheconombank is entitled to request that the project initiator performs an independent environmental impact assessment whenever it is required by the project host country and/or is a precondition for participation in financing a project of a foreign corporate entity.

In assessing the social and environmental impact of projects, Vnesheconombank relies on the international and regional standards, paying special attention to the practices and provisions set forth in the manuals of the international financial institutions and regional development institutions (World Bank, European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Nordic Investment Bank, Nordic Environment Finance Corporation (NEFCO), etc.), the recommendations concerning general approaches in respect of environmental protection and OECD export lending, as well as the responsible finance mechanisms provided for by the international initiatives such as the Equator Principles and the UN Principles for Responsible Investment (PRI).

The Regulations for Monitoring and Administering the Investment Projects Co-implemented by Vnesheconombank were developed in 2011 and came into force in

February 2012. The monitoring of investment project implementation includes technical and financial monitoring and investment project performance monitoring. Investment project monitoring and administering commence upon positive decision on co-financing projects made by Vnesheconombank's governing bodies and are performed till complete performance of obligations by all project participants in accordance with the terms and conditions of loan collateral documentation.

Project performance monitoring is based on the budget and macroeconomic performance indicators, including changes in the environmental situation, employment rate, the amount of tax deductions paid by the contractors under the project to the federal and local budgets, labor productivity improvement, etc.

In accordance with the Plan of Implementation of Vnesheconombank's Development Strategy in 2012 it is planned to develop the Guidelines for the Assessment of Social and Economic Performance of Vnesheconombank using a range of economic, budget, social and environmental performance indicators calculated based on the results of monitoring of the investment projects and contracts financed by Vnesheconombank

EXPERT ASSESSMENT OF ENGINEERING AND TECHNICAL DECISIONS AND ADMINISTERING OF INVESTMENT PROJECTS IMPLEMENTED BY VNESHECONOMBANK INVOLVING VEB ENGINEERING

In 2009, for the purposes of expert assessment of the engineering and technical decisions and administering of the investment projects implemented by Vnesheconombank, a special-purpose vehicle, VEB Engineering, was established. Its co-founders are Vnesheconombank and SNC-LAVALIN, a Canadian corporation.

VEB Engineering's business scope is construction and industrial engineering, project management, expert assessment of project documentation, expert assessment and monitoring of investment projects, technology and financial audit, control of the targeted and efficient spending of funds in asset construction, the organization of project financing, business and asset appraisal and other engineering and advisory services.

VEB Engineering performs an independent expert assessment of social and environmental impact, analysis and monitoring of investment projects, including the assessment of environmental security and social acceptability of projects. Assessment is based on the Russian and international requirements for environmental protection as well as VEB Engineering's in-house methodology developments. The company developed process and service catalogues, implemented the process management principles required for further improvement of the management quality system, environmental protection, labour and industrial safety. In H1 2012, VEB Engineering plans to certify its quality assurance policy and other internal documents of the quality management system in accordance with GOST R ISO 9001:2008 standard. Furthermore, VEB Engineering on a regular basis interacts with its stakeholders with a view to considering their opinions and expectations in its work.

In the course of expert assessment, VEB Engineering assesses whether a project conforms to the requirements of environmental protection laws in the following principal areas:

- natural and social characteristics of the project implementation territory;
- adverse environmental impact of a project, including the qualitative and quantitative characteristics of waste and pollutant emissions;
- water supply and sanitation models at different phases of project implementation;
- consumption of natural resources, including water, raw materials, mineral resources, and activities aimed at reducing consumption and efficient use;
- activities aimed at reducing pollution and environmental restoration, the scope of financing for such activities at different phases of project implementation;
- energy efficiency of project decisions;
- level of innovation offered by the technologies used;
- financial model of the project;
- manning table, payroll and health protection costs;
- final opinions of the environmental protection and sanitary authorities, the outcomes of public hearings, etc.

In 2011, at the request of Vnesheconombank, VEB Engineering performed preliminary expert assessments of a number of projects, including high-technology innovative projects related to the creation of paper products, solar energy systems, etc. Expert assessment allowed for identifying the principal technology, market, environmental and financial risks inherent in the projects, rejecting unpromising projects and reducing considerably the duration of project preparation for comprehensive expert assessment, thus contributing to more efficient use of resources by Vnesheconombank in loan request handling.

2.2

Integrated Territorial Development

Vnesheconombank, fostering the integrated development of the Russian Federation territories, encourages economic development by creating new centers of economic growth based on competitive advantages, contributing to better investment climate and intensified business activity, coordinates public infrastructural investment and private capital investment, thus affecting positively lower differentiation in the level and standards of living. Since 2011, integrated territorial development has used the opportunities, products and instruments of the entire VEB Group.

Accomplishment of the Integrated Territorial Development Objectives

The integrated territorial development objectives are accomplished based on the analysis of long-term development strategies and study of the investment needs of the constituent entities of the Russian Federation by shaping a regional domestic network of Vnesheconombank, executing agreements on cooperation with the constituent entities of the Russian Federation, coordinating and improving the performance of the regional development institutions in which Vnesheconombank holds a stake in the authorized capital.

The development of a regional network of Vnesheconombank within the Russian Federation has produced noticeable results. In 2011, the total value of the projects submitted to Vnesheconombank involving its representative offices went up 2.4-fold (or by RUB 81.25 billion) year-on-year (7 projects worth a total of RUB 33.6 billion) to RUB 110.2 billion

Top-priority regions of a Vnesheconombank's investment policy implementation are as follows:

■ regions of strategic importance, specifically in terms of national security (North Caucasus, Far East and the Baikal Region, the Kaliningrad Region, the Far North areas);

■ regions and single-industry settlements eligible for state support, specifically under the integrated investment plans of their modernization;

■ regions or settlements with a well-developed innovative infrastructure, scientific and technical potential.

In 2011, Vnesheconombank executed 5 agreements on cooperation with the Republic of Ingushetia, the Karachayevo-Cherkessian Republic, the Republic of North Ossetia – Alania, the Republic of Sakha (Yakutia), the Belgorod Region. As of January 1, 2012, Vnesheconombank entered into agreements on cooperation with a total of 51 constituent entities of the Russian Federation

In 2011, Vnesheconombank moved to a new phase of cooperation with the constituent entities of the Russian Federation – to participation of VEB Group in the integrated territorial development using the full range of bank products and instruments available to the Group. The Kaluga Region was selected as a pilot project.

On October 6, 2011, the Plan of Joint Actions of VEB Group and the Government of the Kaluga Region for the Integrated Territorial Development of the Kaluga Region for the Period from 2011 to 2013, including the development of cooperation related to supporting investment projects and small and medium-sized enterprises, was adopted. In addition, it is planned to shape a regulatory framework governing the use of PPP mechanisms, to develop instruments for the Kaluga Region participation in the projects implemented on PPP conditions, to determine models for the Region's interaction with the Agency for Strategic Initiatives on New Project Promotion (Autonomous Non-profit Organization), LLC Management Company of Russian Direct Investment Fund and OJSC Russian Agency for Export Credit and Investment Insurance (EXIAR), to cooperate with the Region's government on investment project financing through OJSC Kaluga

Region Development Corporation, to develop models for interaction between financial and leasing support by VEB Group for investment projects in the Region.

The representatives of Vnesheconombank are members in more than 30 working groups, investment committees, investment councils and other advisory bodies functioning under the regional public authorities. Their activities include the discussion of issues such as social and economic development of regions, the improvement of the investment climate quality, the development of SMEs and innovative entrepreneurship as well as presentations and negotiations on the projects implemented and planned to be implemented involving Vnesheconombank

Activity of North Caucasus Development Corporation (Open Joint-Stock Company)

North Caucasus Development Corporation (Open Joint-Stock Company) (hereinafter "NCDC") was established in 2010 as an instrument for implementing the Strategy of Social and Economic Development of the North Caucasian Federal District until 2025. The Strategy prescribes the establishment of a development institution in the form of a joint-stock company wholly owned by Vnesheconombank.

NCDC aims in its activities to meet the main challenges faced by the region which impede the evolution of investment environment, such as inadequate access to bank and equity finance, the lack of infrastructure or high infrastructural costs, the lack of qualified managerial staff. NCDC is expected to become the center ensuring the systematization of programmes, projects and events in the region and rendering assistance in the implementation of investment projects.

NCDC pursues the following goals:

■ to shape in 3 years an investment portfolio composed of 30–40 projects worth a total value of RUB 12–15 billion;

■ to render advisory support in preparing and implementing at least 120 projects;



to create at least 15 thousand jobs under the investment projects supported by NCDC until 2015.

In 2011, upon comprehensive expert assessment, NCDC adopted the decision to finance 3 investment projects worth a total of RUB 346 million (total project value - RUB 11.8 billion) in the form of equity investment in the project operator companies. Under these projects it is planned to create more than 1.2 thousand jobs and 4 thousand jobs at SMEs as an indirect effect of their implementation. Tax deductions are forecast to increase by RUB 920 million.

Creation of OJSC The Far East and Baikal Region Development Fund

The second largest regional development institution after the North Caucasus Development Corporation is The Far East and Baikal Region Development Fund, Khabarovsk, established by Vnesheconombank in November 2011. The authorized capital of the Fund is RUB 500 million. The Fund is established for the purposes of boosting investing activities in the constituent entities of the Far East and the Baikal Region and preparing high-quality projects of regional and urban development.

The resolution of the Supervisory Board of Vnesheconombank on the special conditions of investing in the Far East and the Baikal Region allowed for Vnesheconombank to finance up to 20% of the total costs of the investment project implemented in the area concerned in the form of a subordinated loan. In addition, the planned stake to be held by the project initiator in equity financing is at least 20% of the investment project value. By 2015, the limit on such form of lending by Vnesheconombank is expected to reach RUB 70 billion, implying the implementation of projects worth more than RUB 350 billion in total.

The developed mechanism for the Fund's and Vnesheconombank's participation in projects in the Far East and the Baikal Region primarily aims to attract extrabudgetary investment in the construction of infrastructural assets under the projects for integrated social and economic territorial development of the Russian Federation. It is further assumed that infrastructural investment will be offset by a portion of additional proceeds to the budget system of the Russian Federation from the economic growth resulting from the use of infrastructural assets by the newly established production businesses and the service sector development.

CONSTRUCTION OF ARKHYZ ALL-SEASON MOUNTAIN RESORT

Total project value: The investment to be made during the first project phase is valued at RUB 5,970.0 million.

NCDC's commitment: RUB 94 million

Project initiator: CJSC Sinara Group; project operator: LLC Arkhyz – 1650

Project Overview

The project goal is to build the largest world-class tourist center in the Karachayevo-Cherkessian Republic – the Arkhyz All-season Mountain Resort.

The first project phase includes the construction of 7 trails for all ability levels, rope hoists and belt conveyers, as well as 8 hotels accommodating 1,148 people. Furthermore, the project involves establishing an anchor center to build by 2020 four 25,200-bed hotel and cottage villages with 270 km trails and 69 hoists and conveyers, capable of providing all-season leisure abilities to up to 600 thousand people per year and including public catering, retail and fast service zones, healthcare and improvement centers, sports facilities, children's parks.

Principal Outcomes of Project Implementation

The project implementation will produce multiplicative effects on the development of the North Caucasian tourist industry and contribute to improving the region's image and boost interest from the investment community.

Moreover, the project will create up to 800 jobs in tourist center services and about 600 jobs during the construction period. Simultaneously, at least 1,600 jobs will appear due to the development of accompanying businesses by small and medium-sized enterprises. Annual tax deductions will be RUB 106 million.

Assessment of Potential Negative Impacts of the Project

The project development considers all necessary requirements specified in the environmental protection laws of the Russian Federation, confirmed during the state expert assessment of the project construction. The project documentation includes a section on environmental protection.

Measures for Assessing Potential Negative Impacts

The project includes the following activities aimed at reducing negative impacts of the tourist center construction and operation:

- protection of land resources: site improvement and planting, the construction of drain ditches and drainage systems on the hotel centers' site;
- protection of water facilities: creation of the regular water course network for preventing the slope erosion, the construction of a reservoir to gather water and remove it into the main water course of the Arkhyz River;
- soil layer protection: removal of the fertile layer 0.3–0.4 m deep across the construction site and its further use in making lawns;
- sewage disposal: khor alteration and removal at least 10 m away from the designed cableway supporting poles;
- protection of flora and fauna and their habitats: reimbursement for the damage caused during the construction to tree plants and animal species affected by both direct and indirect impact;
- protection of the air basin and protection against noise and vibration impact: conformity with the steady rattrack operation schedule to prevent pollution thresholds from being exceeded in the operation of cableway and trails.

CREATION OF ARNEST NATIONAL SPRAY CLUSTER

Total project value: The necessary investment totals RUB 926 million (according to preliminary estimates).

The investment to be made during phase one is valued at RUB 534 million.

NCDC's commitment: RUB 196 million (during phase one)

Project initiator: OJSC Arnest

Project Overview

The project goal is to develop in the Nevinnomyssk Regional Industrial Park, Stavropol Territory, a national spray cluster to manufacture component parts for cosmetics and household chemicals, which are currently imported from abroad.

The first project phase (2012–2013) includes the establishment of a joint Russian-Greece venture manufacturing aluminum slugs as well as the upgrading and development of warehousing facilities for the storage and pre-sale processing of aerosol products.

During the second project phase (2013–2015), it is planned to establish a joint Russian-Italian venture manufacturing spray nozzles, caps and spray caps, to upgrade and develop the system of electricity supply to the evolving Nevinnomyssk Regional Industrial Park.

Principal Outcomes of Project Implementation

The most important social effect of the project implementation will be the creation of more than 200 new jobs in the primary business and about 400 jobs in the adjacent small and medium businesses. Furthermore, numerous contractors will be engaged in the production site and infrastructure creation. Once the cluster reaches its design capacity, the average annual deductions will be RUB 114 million.

Assessment of Potential Negative Impacts of the Project

The development of project documentation concerning the first phase of the project implementation included all necessary activities aimed at assessing the negative environmental impacts provided for in the laws of the Russian Federation, including the assessment of air pollution level, noise level, electromagnetic radiation and vibration, etc. The assessment included sanitary, epidemiological and hygienic expert assessment of the designed sanitary protection zone surrounding the industrial asset under construction, undertaken by the Federal Service on Customers' Rights Protection and Human Well-being Surveillance.

Measures for Minimizing Possible Negative Impact

The production organization project provides for the environmental protection activities in:

- air protection;
- recycling water supply to production facilities;
- protection and sound use of land resources and soil cover;
- hazardous waste collection, utilization, neutralization, transportation and disposal.

Pursuant to the decision of the chief health inspector of the Stavropol Territory the size of the sanitary protection zone, given the production asset under construction, is 300 m.

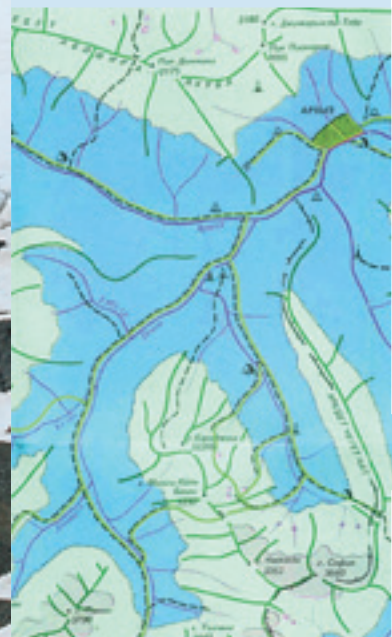
**GOAL****PROJECT**

Building the largest world-class tourist center in the Karachayevo-Cherkessian Republic, including

270
kilometers
of trails

69
hoists

4
cottage villages for
25,000
beds



DEVELOPMENT



BUDGET EFFECTS

Project implementation will produce multiplicative effects on the development of the North Caucasian tourist industry. The projected annual tax revenues will amount to

RUB
106
million



HARMONY



ENVIRONMENTAL IMPACT

The project provides for the following measures aimed at minimizing negative environmental impact, including:

- creation of a regular water course network for preventing slope erosion
- removal of the fertile layer 0.4 m deep across the construction site and its further use
- khor alteration and removal at least 10 m away from the designed cableway supporting poles



PROSPERITY



JOB CREATION

The project will result in about

600
jobs during the construction period

800
jobs in tourist center services

and at least

1,600
jobs will appear due to the development of accompanying businesses by SMEs



Upgrading of Single-industry Towns

In 2011, 15 single-industry towns received a RUB 1.5 billion aid package under the state programme of measures for encouraging the development of single-industry towns from the federal budget

In 2011, Vnesheconombank continued taking an active part in accomplishing the objectives of economic modernization of single-industry settlements. In 2011, in accordance with the Set of Measures Aimed at Encouraging the Economic Development of Single-industry Municipalities for 2011 and 2012, approved by the Government of the Russian Federation, Vnesheconombank needed to shape a portfolio of promising investment projects to be implemented in the single-industry towns (25 projects by the end of 2011; 50 projects by the end of 2012).

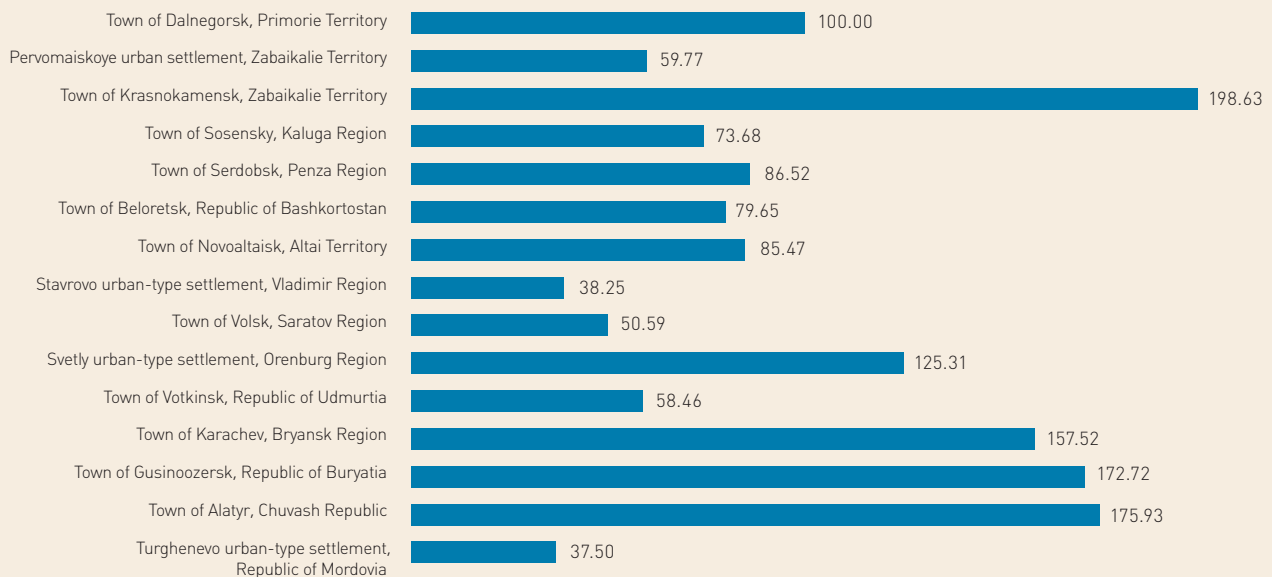
As of the end of 2011, Vnesheconombank shaped a portfolio of 37 promising investment projects to be implemented in the single-industry towns, thus achieving the portfolio shaping performance indicator set for 2011. The total project value is RUB 368.2 billion; the projected Vnesheconombank's commitment – RUB 265.4 billion.

As of January 1, 2012, the Bank financed 10 investment projects in the single-industry towns (the aggregate costs are RUB 209.5 billion; the Bank's commitment - RUB 145.2 billion). The value of the loan portfolio in respect of the above-mentioned projects as of the year end exceeded RUB 35.9 billion.

The projects supported by Vnesheconombank will be implemented in various branches of economy, including aircraft engineering and space industry. These include large-scale and socially significant projects such as the construction of new integrated production of ammonia, methanol and granulated carbamide and the establishment of FORD SOLLERS Joint Venture.

In 2011, the Working Group on the Upgrading of Single-industry Towns under the Government Commission on the Economic Development and Integration prepared the list of 15 single-industry towns seeking aid from the federal budget. RUB 1.5 billion allocations as part of state support for the particular activities specified in the Comprehensive Investment Plan (CIP) of these single-industry towns were approved by the Government of the Russian Federation.

List of Single-industry Towns Receiving Allocations as Part of State Support for the Activities Specified in CIP for Single-industry Towns in 2011 (RUB, million)



VEB CAPITAL. IMPROVEMENT OF THE FINANCIAL STABILITY OF BACKBONE ENTERPRISES

LLC Vnesheconombank's Investment Company (VEB Capital) was established in December 2009 as a wholly-owned subsidiary of Vnesheconombank. Its core business activity is the administration of the troubled and non-core assets of VEB Group for the purposes of raising their market value and developing the investment segment, specifically rendering investment services and acting as the institutor of mortgage-backed bond issue under the Programme of Vnesheconombank's Investment in Affordable Housing Construction Projects and Mortgage Lending in 2010–2013.

During the financial crisis, Vnesheconombank was instructed to raise the financial stability and finalize the investment programme of OJSC Amurmetall — the only metallurgical plant in the Far East included in the list of backbone enterprises approved by the Government Commission on the Improvement of Sustainable Development of the Russian economy and ranking among the region's largest employers.

VEB Capital provides to OJSC Amurmetall the services related to participation in the work performed by the tender committee, exercising control of the raw material purchases and the finished product sales, which, alongside other measures taken by Vnesheconombank, caused certain positive changes to the enterprise financial stability indicators. The revenue from the sales of commercial products in 2011 (the first full year of the tender committee's functioning) grew by RUB 3.07 billion year-on-year, of which RUB 1.75 billion due to the product price growth. The growth of the average price of manufactured products exceeded the price growth for metal scrap (the principal type of raw materials) 1.5-fold; ferrous alloy costs were reduced by 10% through the optimization of procurement operations and the corresponding price lowering.

The principal outcomes of the measures aimed at developing the 15 single-industry towns receiving state support in 2011 will be seen between 2012 and 2015. These also include the creation of more than 10 thousand new full-time jobs.

2.3

Innovative Development Projects

Vnesheconombank, along with the Fund for Assistance in Development of Small Forms of Enterprises in Science and Technology, the Russian Fund for Technology Development, ROSNANO and a number of venture funds, have a leading role to play in developing the system for innovations support and sustainable innovative social and economic development of the Russian Federation.

Principal Areas of Development of Financial Infrastructure for Innovations Support

The principal areas of development of financial infrastructure for innovations support, in the implementation of which Vnesheconombank has a key role to play, are specified in the Russian Federation Strategy for Innovative Development Until 2020. These primarily include increasing the share of funds allocated for supporting projects in the area of high technology and innovations in the development bank's loan portfolio and creating the funds for direct investment in the innovative projects and the enterprises representing high-technology sectors of the economy involving Vnesheconombank.

Moreover, Vnesheconombank takes an active part in improving the regulatory framework of innovative activity support. Particularly, in 2011, Vnesheconombank participated in preparing proposals and critical comments concerning the draft Federal Law "On the Amendment of Individual Legislative Acts of the Russian Federation on the Issues of Exercising Control over Spending of the Budget Funds Allocated for Financing Innovative Activities" and the Russian Federation Strategy for Innovative Development Until 2020.

As of January 1, 2012, innovative projects accounted for 36.1% of the development bank's loan portfolio. Further participation of Vnesheconombank in accomplishing the state objective of modernization of the national economy will necessitate increasing the share of the loans related to innovative project financing in the development bank's loan portfolio

Creation of Fund Operator of Programme for Financial Assistance to Innovative Projects of Skolkovo Foundation

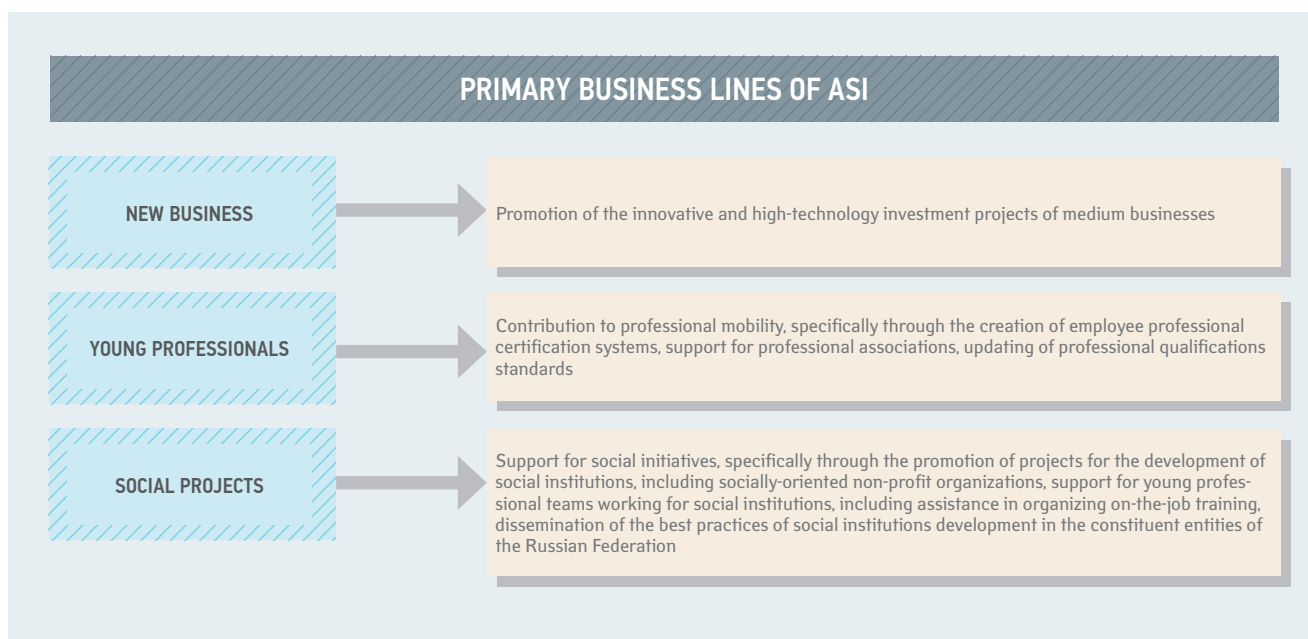
In April 2011, the Supervisory Board of Vnesheconombank resolved that non-profit organization Fund Operator of Programme for Financial Assistance to Innovative Projects of Skolkovo Foundation be established. Vnesheconombank works in this direction in accordance with the Russian Federation Strategy for Innovative Development Until 2020. The principal goals of the Fund will be to assist in developing the innovative programmes of the Government of the Russian Federation, to create "the infrastructure of innovations" in Russia, to attract high-risk (venture) investment in the Russian innovative companies, to contribute to bringing advanced foreign technologies to Russia, to promote the Russian innova-

tions in the global market, to attract direct investment from the international investors in the production and technology sector of the economy.

The establishment of Skolkovo Foundation was initiated by Russian President Dmitry Medvedev in September 2010. The project includes the creation of Skolkovo Science and Technology Institute (Skoltech), research institutes, business incubator, technology transfer and commercialization center, the representative offices of foreign companies and R&D centers, residential premises and social infrastructure as well as the subsequent replication of effective solutions in other innovative regions of Russia.

Participation in the Work of the Agency for Strategic Initiatives Related to New Project Promotion

An important area of Vnesheconombank' innovative activities is expert and organizational support for the functioning of the Agency for Strategic Initiatives on New Project Promotion (Autonomous Non-profit Organization) (hereinafter "ASI"), approved in 2011 by the Government of the Russian Federation. ASI was founded with a view to fostering the social and pro-



RECONSTRUCTION AND RE-EQUIPMENT OF THE SCIENTIFIC AND PRODUCTION BASE FOR THE DEVELOPMENT AND MANUFACTURING OF GAS TURBINE ENGINES

Total project value: RUB 6,174 million

**Vnesheconombank's commitment:
 RUB 4,950 million**

Borrower: OJSC Klimov

Project Overview

The project goal is to create an innovative aircraft engine manufacturer and to build in Primorsky District, Saint Petersburg, a state-of-the-art design and production center to ensure that the Russian helicopter industry is independent from foreign manufacturers. The project is implemented within the framework of the strategy for developing the aircraft industry of the Russian Federation.

The manufacturing of gas turbine aircraft engines under the project will be moved away from Saint Petersburg to the integrated production site equipped with state-of-the-art engineering infrastructure using environmentally safe, energy-saving high-technology equipment. The manufacturing center will be a combination of state-of-the-art design bureau, flexible, technically equipped batch manufacturing and a well-developed experiment, research and testing base and services.

The project will be implemented between 2011 and 2013.

Principal Outcomes of Project Implementation

The project implementation will contribute to strengthening the innovative activity of the Russian companies representing the aircraft industry and to developing high-technology sector of the Russian economy as part of improving national security and competitiveness. The planned production scope will be up to 450 engines per year.

Owing to wide-scale application of outsourcing, the high-technology process of aircraft engine manufacturing will involve more than 100 small and medium-sized enterprises, thus creating more than 5 thousand new jobs for engineers and high-qualified workers.

The removal of production away from the center of Saint Petersburg will contribute to better environmental situation in the city and allow vacating the area occupying a total of almost 10 ha.

The expected budgetary effect of the project implementation will be about RUB 7 billion.

Assessment of Potential Negative Impacts of the Project

The environmental impact of the project was assessed in accordance with the applicable Russian laws. The project was assessed positively by the Main State Expert Review Board of the Russian Federation. Production was classified as falling under hazard class IV (low-hazardous) having the minimal impact on the environment.

Measures for Assessing Potential Negative Impact

All buildings of the enterprise will be equipped with the state-of-the-art system for monitoring the engineering communications, which will allow for controlling all discharges, identifying promptly and eliminating in a timely manner any network damage.

All systems connected using chemical agents and lubricants are designed using state-of-the-art technology and engineering equipment and materials to avoid unauthorized environmental pollution by such substances.

All sewage water is removed from the production site to the reservoir of GUP Vodokanal since the concentration of pollutants in such water does not exceed the existing thresholds.

fessional mobility of young professionals and teams in the area of mid-sized entrepreneurship and social segment by supporting socially significant projects and initiatives.

Vnesheconombank is a base bank in investment consulting matters and organization of financing of projects supported by ASI. For performing these functions, Vnesheconombank established a special subdivision instructed to support and promote unique projects and initiatives in the field of medium-sized entrepreneurship and social segment, the selection and organization of financing of the investment projects supported by ASI.

In 2011, the Supervisory Board of Vnesheconombank resolved that ASI receive RUB 100 million free aid to organize its work.

POST-REPORTING PERIOD EVENTS

The maximum aggregate costs associated with the projects and initiatives supported by ASI, including those failing to comply with the Memorandum on Financial Policies, which can be financed in 2012 involving Vnesheconombank, as prescribed by the resolution of the Supervisory Board of Vnesheconombank, is RUB 10 billion.

In H1 2012, ASI submitted for consideration by Vnesheconombank 7 investment projects, including the production of high-quality rubber granulate through the used wire disposal, soft armor manufacturing using innovative technology, the creation of a pilot production site for manufacturing Prolizer-BioR, a next generation feed supplement; the center for preclinical research on the base of biomedical center, mobile detectors and X-ray machines, etc. Vnesheconombank also received a request for the services of investment consulting on business plan development for 12 investment projects supported by ASI

2.4

Development Projects for Enhancing the Efficient Use of Natural Resources and Energy Efficiency

In Russia it is a challenge to raise financial resources for the projects aimed at enhancing the efficient use of natural resource and improving energy efficiency, particularly due to their long payback periods, high value of loan resources and the lack of adequate qualifications for the expert assessment of programmes at the Russian lending institutions.

Percentage of "Green" Projects in the Development Bank's Loan Portfolio

From the early design phases, Vnesheconombank seeks to implement technologies aimed at energy conservation, the reduction of pollutant emissions, the expansion of potential for regeneration and multiple use of natural resources. All projects involving the construction of real property and/or the creation of new businesses undergo an independent expert assessment as to their energy efficiency and resource saving.

As of January 1, 2012, Vnesheconombank participated in 16 "green" projects aimed at raising the efficient use of natural resources, protecting the environment and improving the environmental situation, worth a total of RUB 370.5 billion, with Vnesheconombank's commitment amounting to RUB 240.8 billion. As of January 1, 2012, they accounted for 13.3% of the development bank's loan portfolio.

Vnesheconombank participates in 32 projects intended for enhancing energy efficiency, worth a total of RUB 567.9 billion, with Vnesheconombank's commitment amounting to RUB 307.4 billion. As of January 1, 2012, they accounted for 19% of the development bank's loan portfolio.

DEVELOPMENT OF THE TALITSKY FEATURE OF THE VERKHNEKAMSKOYE POTASSIUM AND MAGNESIUM SALT DEPOSIT IN THE PERM TERRITORY

Total project value:
USD 2,823.9 million

Vnesheconombank's commitment:
RUB 6,705.1 million (through shared financing)

USD 1,119.8 million (through shared financing)

Borrower: Project initiator: OJSC Akron; potential borrower: CJSC Verkhnekamskaya Potassium Company

Project Overview

The project goal is to develop potassium and magnesium salt deposits in the Perm Territory with 708.86 million tonnes of the balance-sheet sylvinites reserves and 7.2 million tonnes of processed ore per year and to build a concentrator with a capacity of 2 million tonnes of potassium chloride. The project conforms to the priorities of the State Programme of Agricultural Development and Regulation of the Markets for Agricultural Products, Raw Materials and Food for 2008–2012.

Principal Outcomes of Project Implementation

The project implementation will contribute to the growth of crop yield and improve the quality of agricultural products by increasing the consumption of potassium chloride and compound fertilizers by domestic agricultural manufacturers. Furthermore, the implementation of innovative technologies will allow for the integrated and efficient use of the extracted resources.

Some 2.5 thousand new jobs will be created in the Perm Territory as a result of the project implementation.

Proceeds to the budgets of all levels throughout the project lifecycle (49 years) will exceed RUB 46 billion.

Assessment of Potential Negative Impacts of the Project

The project is implemented in accordance with the requirements of the Russian environmental protection laws. Upon completion of the pit shaft and concentrator design, the proposed technical and environmental protection solutions will undergo environmental impact assessment by state experts. At the request of Vnesheconombank, the project will also undergo an independent environmental impact assessment.

Measures for Assessing Potential Negative Impact

The concentrator is designed using best practices, new technologies, state-of-the-art equipment, including imported one, which allows for reducing sharply the environmental pollution. The project will be implemented using a number of solutions for significant reduction of negative production impact on the environment:

- space effective siting of the above-ground production center;

- recultivation of disturbed soils, waste placement into shaft cavities;

- use of an advanced controlled filtration method for waterproofing needs, etc.

The project implementation will involve ongoing monitoring of the environmental situation, including the adjacent water bodies. The water body monitoring programme will create a secure observation network, including water wells for tracking the levels and chemical composition of water from the principal water-bearing layers and gauging stations on the nearest rivers.

CONSTRUCTION OF A CEMENT PLANT WITH A CAPACITY OF 3.5 MILLION TONNES IN THE KALUGA REGION

Total project value:
EUR 651.6 million

Vnesheconombank's commitment:
EUR 517.5 million

Borrower: LLC Kaluga Cement Plant

Project Overview

The project goal is to establish in Duminichsky District of the Kaluga Region a state-of-the-art environmentally safe, high-performance and high-technology enterprise manufacturing cement using dry method. The design capacity of the enterprise will be 3,544.5 thousand tonnes of cement and 2,637 thousand tonnes of clinker per year.

Dry production method will allow for reducing the consumption of energy resources to 45% as compared with the wet method currently used by most cement making plants in the Russian Federation.

The project site obtained the status of the Maklaki Industrial Park. The project term is 10 years, the investment phase will last for 3 years.

Principal Outcomes of Project Implementation

The project implementation will contribute to the lowering of construction costs under the social and infrastructure projects implemented with the support of the Government of the Kaluga Region and serve as an impetus for the development of the region's public utility and social infrastructure and the adjacent industries.

The project implementation will result in the creation of more than 1 thousand new jobs, specifically due to the engagement of qualified personnel from other constituent entities of the Russian Federation. The average salary level under the project will exceed the current regional indicator by approximately 60%.

Tax proceeds to the budgets of different levels between 2011 and 2021 will exceed RUB 14 billion.

Assessment of Potential Negative Impacts of the Project

The project underwent an environmental impact assessment by state experts, which recognized the project documentation section titled "Environmental Protection Activities" as compliant with the requirements of the applicable laws of the Russian Federation on environmental security.

The project also passed an independent assessment of its environmental impact and was recognized as compliant with the environmental standards of the European Union. The assessment was performed by the engineering company PEG S.A., Consulting Engineers, Switzerland.

Measures for Minimizing Possible Negative Impacts

The technologies used under the project will allow for ensuring high environmental performance standards of the enterprise:

■ the maximum permissible emissions with respect to dust content in gases from process furnaces, mills and other units will not exceed 30 mg/m³ versus the average 80 mg/m³ demonstrated by the operating Russian cement making plants;

■ crushed slag (milled metallurgical waste the storage of which affects adversely the environmental situation) will be used as a component of produced cement, thus ensuring the disposal of about 800 thousand tonnes of crushed slag per year.

An independent supervisory company will be retained to monitor the environmental impact of the project.

For the purposes of accommodating the employees of the plant and their family members coming to the Kaluga Region for permanent residence, the Government of the Kaluga Region will render financial and other support under the mortgage lending encouragement programme applicable to the region.

Projects Aimed at Developing Alternative Energy Industry Implemented Involving Prominvestbank

The issue of alternative energy industry development in Ukraine is solved at the national level. In connection with the amendment of the Ukrainian laws "On Electric Power Industry" and "On Alternative Energy Sources" the country introduced a green tariff for the electricity and heat generated using alternative sources. Legislative amendments obligated the wholesale electricity market of Ukraine to purchase resources at a green tariff, affecting favorably the attractiveness of the renewable energy market to investors.

Prominvestbank assists in implementing the decisions adopted at the national level, placing a special focus on the creation of alternative energy facilities and the financing of projects aimed at implementing wind energy technologies.

In 2011, under the Wind Parks of Ukraine investment project, Prominvestbank financed the creation of the Novoazovsky Wind Park on the Azov Sea Coast. The project is implemented with due consideration to the successful experience of developing wind energy technologies in the countries from among recognized leaders in this field such as Germany, Spain, Denmark.

The technical project sponsor is Fuhrlander AG, a German company which occupies leading positions in the world market for wind energy unit production and services.

Prominvestbank financing limit is UAH 668.03 million. The project period is 2010–2012. The design capacity of the wind power plant is 57.5 MW. The investment project aimed at organizing power generation from winds is implemented by building 23 wind generation units with a capacity of 2.5 MW each, which will generate more energy than the four adjacent districts consume. In addition, in 2011, LLC Novoazovsky Wind Park obtained a license to supply electricity at an unregulated tariff and the right to enter the wholesale electricity market.

POST-REPORTING PERIOD EVENTS

2012 witnessed the completion of construction of the first and second phases of the investment project, the assembly of 15 wind-driven power plants with a total capacity of 37.5 MW and the beginning of construction of the third phase, namely: 8 wind-driven power plants with a total capacity of 20.0 MW.

Furthermore, in February 2012, Prominvestbank adopted a decision to finance the project for the construction of a wind power plant of LLC Ochakovsky Wind Park worth UAH 642.98 million

LLC Novoazovsky Wind Park and LLC Ochakovsky Wind Park operate under the investment project Wind Parks of Ukraine developed by the equally-named limited liability company.

Owing to the project implementation Ukraine, with its high wind energy potential, will be given the opportunity to solve the problems associated with an ever-growing shortage of energy resources. Furthermore, the project will give a strong impetus to the alternative energy industry development, contribute to energy conservation, the reduction of hazardous air pollutants, support the Kyoto Protocol mechanisms and the creation of new jobs.

ROSEXIMBANK's Practice of Supporting the Projects Aimed at Enhancing Energy Efficiency and Resource Saving

As of January 1, 2012, the investment projects aimed at enhancing energy efficiency and resource saving accounted for 7.1% of the loan portfolio of ROSEXIMBANK

In 2011, the following investment projects implemented by ROSEXIMBANK in cooperation with IBRD under the Pilot Project for Sustainable Forest Use and the Environmental Management Project underwent the completion

phase since all activities in environmental improvement and energy conservation, etc. under the above-mentioned projects were financed in 2010:

■ “Upgrading of Timber Processing Facilities at OJSC Novovyatsky Ski Factory” – credit facility limit of USD 2.25 million;

■ “Re-equipment of the existing production of CJSC TAMAK” – credit facility limit of USD 4.55 million;

■ “Rehabilitation of Woodchip Board Production Line at OJSC Novovyatsky Ski Factory” – credit facility limit of USD 12.00 million;

■ “Mitigation of Harmful Effects on the Upper Volga River Basin by Upgrading the Primary and Auxiliary Production and Treatment Facilities at CJSC Ostashkov Leather Factory” – credit facility limit of USD 7.0 million.

During 2011, the corporate borrowers repaid outstanding loans in compliance with the requirements set forth in the relevant loan agreements.

MITIGATION OF HARMFUL EFFECTS ON THE UPPER VOLGA RIVER BASIN

In 2011, the Ostashkov Leather Factory completed the final phase of the project for the Mitigation of Harmful Effects on the Upper Volga River Basin by Upgrading the Company's Primary and Auxiliary Production and Treatment Facilities. The project was implemented using USD 7 million credit facility extended by ROSEXIMBANK and other funds. The total investment in the project exceeded USD 10 million. The project goal was to improve the environmental situation in the Lake Seliger and Upper Volga conservation area by upgrading production at Ostashkov Leather Factory, one of Russia's largest leather enterprises.

The project was implemented under the Russian programme for organizing investment in the environmental sanitation, implemented by the Russian Federation and the World Bank under the Loan Agreement of the International Bank for Reconstruction and Development (IBRD) for environmental management. The project was financed by ROSEXIMBANK using the mechanism of combining mixed sources of funding, including the loan from IBRD, the grants from the Government of the Swiss Confed-

eration and the funds from the federal budget of the Russian Federation.

The objectives accomplished under the project conformed to the goals of the Volga Revival subprogramme of the Environmental Protection and Natural Resources of Russia (2002-2010) Federal Target Programme. The project included the upgrading of the primary and auxiliary production at CJSC Ostashkov Leather Factory, local and biological treatment facilities, shaping of the production control system as well as partial rehabilitation of heat networks in the town of Ostashkov.

The project implementation allowed for cutting down production maintenance costs, reducing water and energy resource consumption by the enterprise and easing notably the load on the treatment facilities of the town of Ostashkov.

2.5

Export Support Development Projects

The critical economic policies of the Russian Federation are to develop export, to increase the share of deep-conversion products in exports and to raise the competitiveness of domestic products in the external market. The state is interested in rendering support to the Russian exporters of industrial products as this ensures greater domestic output, the growth of tax proceeds to the budget and the creation of additional jobs.

Vnesheconombank's Activities Aimed at Supporting the National Exports

Vnesheconombank is among the key national institutions supporting the exports of domestic producers. The strategic goals behind Vnesheconombank's activities in the area of national export promotion are to provide financial and guarantee-based support to the Russian exporters and foreign importers of the Russian industrial high-technology products.

Export support functions are also performed by ROSEXIMBANK, a subsidiary bank of Vnesheconombank. An important step toward ensuring comprehensive support for the exports of products and services of the Russian enterprises was the establishment in 2011 of OJSC Russian Agency for Export Credit and Investment Insurance (EXIAR).

ROSEXIMBANK. State Financial (Guarantee-based) Support for Industrial Exports

ROSEXIMBANK acts as an agent bank of the Russian Government in rendering state financial (guarantee-based) support for the Russian industrial exports. Since 2011, the mandate of ROSEXIMBANK as an agent for the Government of the Russian Federation has been expanded

PRINCIPAL AREAS OF VNESHECONOMBANK'S ACTIVITIES AIMED AT EXPORT SUPPORT

Financial export support through the extension of

- loans and credit facilities to the Russian enterprises for pre-export financing purposes
- loans and credit facilities to the foreign purchasers of the Russian products
- guarantees
- confirmations of export letters of credit

Guarantee-based export support

Support for the functioning of OJSC EXIAR in the form of guarantees, money contributions to the authorized or paid-in capital or other forms

with regard to pursuing under the programmes of co-operation with the international financial institutions a uniform state policy of implementing investment projects aimed at supporting industrial exports and upgrading the Russian exporters for the purpose of subsequent manufacturing of high added-value export products.

Throughout 2011, ROSEXIMBANK worked to develop a unified algorithm for raising borrowings from IFIs upon the most favourable market conditions (in terms of borrowing costs and lending periods) for the purposes of further lending to the Russian exporters of industrial products.

As a possible option of funding to support the Russian exporters, ROSEXIMBANK considers raising borrowings from the International Bank for Reconstruction and Development (IBRD is a member of the World Bank Group) for the purposes of supporting the Russian industrial exports within the limit of USD 150 million. To that end, it facilitated the work of several World Bank's missions related to project procurement and assisted the World Bank in carrying out a comprehensive expert assessment of ROSEXIMBANK's activities in conformity with the World Bank's Operational Policies. Upon completion of expert assessment, the World Bank and its independent advisors gave a positive assessment of ROSEXIMBANK's activities

in general and the conformity of its procedures and rules to the current scope of operations.

In 2011, ROSEXIMBANK obtained a positive conclusion from the World Bank as to the conformity of its lending principles to the World Bank's requirements for responsible finance, compliance with the environmental and social norms in project procurement and delivery (the so called Protection Measures of the World Bank), the issues of corruption management and investment project monitoring

In the near future, ROSEXIMBANK intends to broaden cooperation with the international financial institutions by introducing new financial products and other types of financing provided by the international financial institutions, combining the elements of project financing and long-term lending in the implementation of investment projects by Russian companies. The Bank's new business line is the delivery of investment projects of the Russian industrial exporters abroad involving both domestic and foreign investment. Moreover, the Russian companies engaged in such projects will obtain the guarantees protecting their investment against political risks, specifically from the Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank Group.

Financing of Investment Project for the Construction of a Refractory Metals Plant in the Town of Unech, Bryansk Region

In 2010, ROSEXIMBANK in cooperation with CJSC VOLFRAM Company started financing the investment project for the construction of a refractory metals plant in the town of Unech, Bryansk Region. This is one of the highest-priority projects for ROSEXIMBANK. For its implementation, ROSEXIMBANK opened to CJSC VOLFRAM Company a non-revolving credit facility with the disbursement limit of USD 6 million.

The new high-technology production center established under the project, which is unparalleled in Russia's history, meets the most recent requirements for compliance with the environmental protection and energy conservation standards and uses state-of-the-art innovative developments in carbide production technology. The technologies applied by the company's enterprises conform to state-of-the-art environmental standards.

The launch of the production line in 2011 (as scheduled) allowed Russia to begin, for the first time, to manufacture high added-value tungsten carbide meeting the international quality standards. The center construction is of great importance in terms of both me-

tallurgy development and an increase in domestic exports. The products manufactured by the enterprise will be used in metallurgy, petroleum industry, mechanical engineering, machine-building and instrument-making industry.

In the course of cooperation under the project in 2011, for the purposes of pre-export financing for the contracts for tungsten trioxide supply to foreign customers, ROSEXIMBANK also opened to CJSC VOLFRAM Company a non-revolving credit facility with the disbursement limit of USD 8 million. Owing to the obtained loan funds, CJSC VOLFRAM Company became Russia's only manufacturer exporting high added-value tungsten products, including those manufactured by the new facilities in the town of Unech.

POST-REPORTING PERIOD EVENTS

Since 2012, ROSEXIMBANK has also been entrusted with performing the following functions of an agent for the Government of the Russian Federation:

- provision and performance of the Russian Federation Government guarantees for supporting the projects involving the international financial institutions;

- keeping analytical records of the obligations of the principal, its sureties/guarantors and other persons in connection with the provision and performance of the Russian Federation Government guarantees and the recovery of debt from the above-mentioned persons

Establishment of Russian Agency for Export Credit and Investment Insurance

The discussions around the necessity to establish the first export credit agency in the Russian history have been conducted since 2009 by the Ministry of Economic Development of the Russian Federation; Vnesheconombank and the business community have been actively involved. As a result, in October 2011, pursuant to the

resolution of the Supervisory Board of Vnesheconombank, the Ministry of Finance of the Russian Federation, the Ministry of Industry and Trade of the Russian Federation, OJSC Russian Agency for Export Credit and Investment Insurance (hereinafter "EXIAR") was established as a wholly-owned subsidiary of Vnesheconombank with the authorized capital of RUB 30 billion.

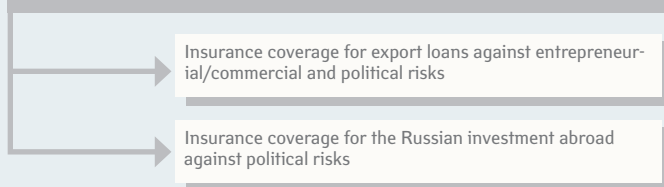
The mission of the agency is to contribute to implementing the state foreign economic policy, to raise the competitiveness of Russian exporters in the international markets and to reorient national exports towards innovative industries in the context of Russia's economy modernization.

The principal areas of EXIAR's activities are domestic export support through insurance against the entrepreneurial and political risks associated with export loans and insurance coverage for the Russian investment abroad against political risks.

In December 2011, the Board of Directors of EXIAR approved the first projects under which the agency provided insurance coverage for the export supplies of high-technology domestic products. These include the projects implemented by OJSC Volga Diesel Named After the Mamins and OJSC United Engine Construction Corporation (Management Company).

STRATEGIC GOALS BEHIND EXIAR'S ACTIVITIES IN THE PERIOD FROM 2012 TO 2014

Build an effective system of insurance support for domestic exports and the Russian investment abroad, specifically with the financial support from Vnesheconombank and state support



Contribute to developing the exports of high-technology products and raising the competitiveness of Russia's innovative export-oriented industries in global markets, specifically with regard to SME support

Support and promote domestic exporters to new and high-risk foreign markets, to increase the transparency of the Russian export operations and the international investment

Shape a balanced portfolio of the risks insured by EXIAR with due account for the top-priority areas of export support with a view to ensuring the financial stability of its own activities

Create and develop in Russia loan insurance practices (as an independent industry) and to develop the culture of risk management among the Russian exporters

The mid-term plans of EXIAR also include ensuring the availability of its services to SMEs. In 2012, EXIAR plans to implement the first pilot project addressed to small and medium businesses. If successful, it will serve as a basis for developing in 2013 SME insurance as an integrated area of EXIAR's activities.

2.6

Promoting the PPP Mechanisms

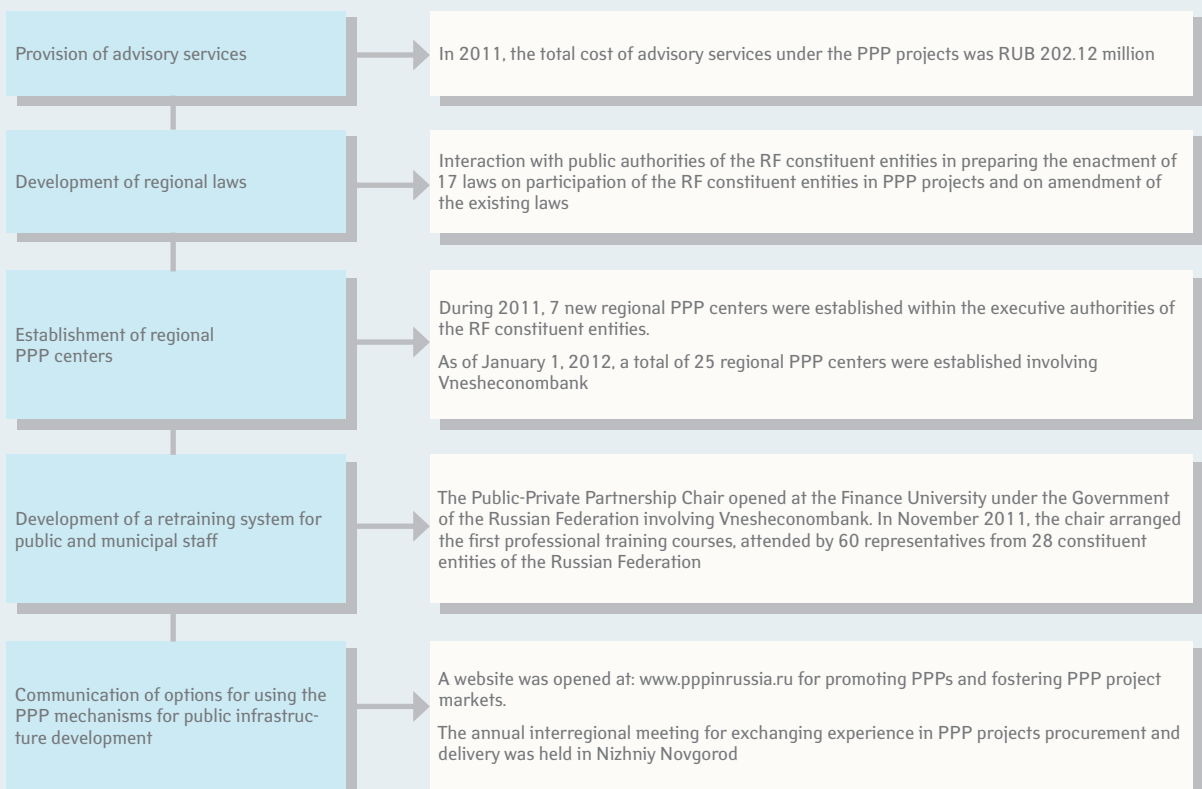
In line with a key principle of activities specified in the Memorandum on Financial Policies, Vnesheconombank gives preference to the projects based on the Public-Private Partnership (PPP) mechanisms. As of January 1, 2012, the PPP projects accounted for 19.5% of the overall portfolio of projects financed by Vnesheconombank versus 12.9% in 2010.

Vnesheconombank's Activities Aimed at Developing the PPP Projects Market

Vnesheconombank's PPP activities are aimed at assisting federal and local public authorities in promoting investing activities through the shaping of PPP projects. The PPP projects market development includes upgrading the PPP regulatory framework at federal and regional levels, developing the existing and shaping the new PPP models, introducing effective financial and organizational PPP instruments, unleashing the potential of the existing and newly established regional PPP centers, implementing pilot PPP projects in the Russian regions, studying and disseminating positive experience.

The website on Public-Private Partnership in Russia at: www.pppinrussia.ru, initiated by Vnesheconombank, has been in operation since 2010. The website offers regularly updated information addressed to the representatives of public and local authorities as well as the companies from among the PPP projects market participants in Russia. More than 58 thousand website visits have been recorded since April 2011

MEASURES FOR FINANCIAL AND NON-FINANCIAL ASSISTANCE TO PUBLIC AND LOCAL
AUTHORITIES IN SOLVING THE REGIONAL AND URBAN DEVELOPMENT PROBLEMS
TAKEN BY VNESHECONOMBANK IN 2011



Investment Consulting

While Vnesheconombank acted as the financial advisor to the Government of the Russian Federation in 2011, positive opinions (with comments) were prepared with respect to 11 projects out of 11 requests for co-financing of investment projects using budget allocations from the Investment Fund of the Russian Federation, submitted by the Ministry of Regional Development of the Russian Federation to Vnesheconombank. These include development projects of importance to the regions such as the construction of Kyzyl-Kuraghino railway; phase two of the programme for developing the agribusiness facilities of the Tambov Region; the creation of the North Caspian facilities processing gas into ethylene, polyethylene and polypropyl-

ene; the creation of pig breeding farms with a capacity of 300 thousand heads per year in Talmensky District, Altai Territory; infrastructure development for the mineral water factory in the village of Srednie Achaluki, Malgobeksky District, Republic of Ingushetia and some other projects. The total cost of the services rendered by Vnesheconombank, inclusive of VAT, was RUB 46.85 million.

In 2011, Vnesheconombank also performed its obligations for providing investment consulting services under the project for construction and operation of the municipal integrated facilities for water and sewage treatment in the Republic of Karelia and the project for building the facilities of general and pre-school education institutions in the Khanty-Mansi Autonomous District – Yugra. Fur-

OPENING OF THE PPP CHAIR AT THE FINANCE UNIVERSITY UNDER THE GOVERNMENT OF THE RUSSIAN FEDERATION

2011 witnessed the opening of the Public-Private Partnership Chair, Russia's first permanent PPP staff training platform established by the Finance University under the Government of the Russian Federation in cooperation with Vnesheconombank.

The primary objectives of the Chair are as follows:

- training, retraining, advanced training of the managers and employees involved in PPP project initiation, decision-making and delivery;
- scientific research to foster PPPs in the Russian Federation;
- expansion of a range of PPP educational programmes highly sought by the target audience.

The training process is organized by the Chair in close cooperation with the leading international organizations

such as the United Nations Development Programme (UNDP) and the United Nations Economic Commission for Europe (UNECE). The teaching personnel are the employees of Vnesheconombank's key structural units and other domestic and foreign PPP experts.

The Chair's Action Plan for the 2011/2012 Academic Year includes three training events under the personnel retraining programmes for regional public and municipal staff and business employees on "Formation and Development of Public-Private Partnership in Russian Regions" with the duration of 18, 44 and 72 academic hours. 2011 saw the advanced training courses for managers and employees of public and local authorities, profit- and non-profit organizations with the duration of 44 academic hours, attended by 60 trainees from 28 constituent entities of the Russian Federation.

Furthermore, Vnesheconombank executed public contracts for rendering of investment consulting services under projects such as the construction of water supply and sanitation facilities in the municipalities of the Chelyabinsk Region; PPP-based creation and subsequent operation of the immovable and movable property asset of the municipal solid waste treatment plant in Saint Petersburg; the construction of a crossover bridge on the Volga River near Podnovie, Nizhniy Novgorod Region; the construction of kindergartens in the Astrakhan Region. The total cost of the services rendered by Vnesheconombank, inclusive of VAT, is RUB 155.27 million.

Programme for Financial Assistance to Regional and Municipal Project Development

For the purposes of rendering financial assistance to public and local authorities in solving the regional and

urban development problems, Vnesheconombank implements the programme for "Financial Assistance to Regional and Municipal Project Development" (hereinafter "FARMPD"). The programme envisages financing the procurement of regional and urban development projects, including the preparation of legal documentation, feasibility study, identification of fundamental design solutions.

In December 2010, Vnesheconombank's Supervisory Board adopted a resolution on implementing between 2011 and 2015 the Programme for Financial Assistance to Regional and Municipal Project Development worth RUB 10 billion (RUB 2 billion per year). In February 2011, the programme budget grew by RUB 900 million to ensure financial assistance to Moscow development projects



GOAL



PROJECT

The primary goal of the project on Training of Professional Participants in Investment Projects Co-implemented by Development Institutions is to raise investment awareness and professional level of employees involved in large-scale and long-term investment projects

Структура проектного финансирования / ГЧП



консультантов: финансовый, юридический, технический (инж)

информация, размещенная в соответствии с Законом о компаниях с ограниченной ответственностью 2008 года



DEVELOPMENT



GEOGRAPHIC REACH

In 2011, the project hold regional conferences co-titled "Vnesheconombank: Development Projects" in Far Eastern; Siberian; Ural; North Western federal districts



HARMONY



YOUTH DEVELOPMENT

In July 2011, Vnesheconombank announced a competition for the best innovative project for participants in the Seliger-2011 Russia's youth educational forum. The competition winners were awarded four-week paid traineeships at Vnesheconombank



PROSPERITY



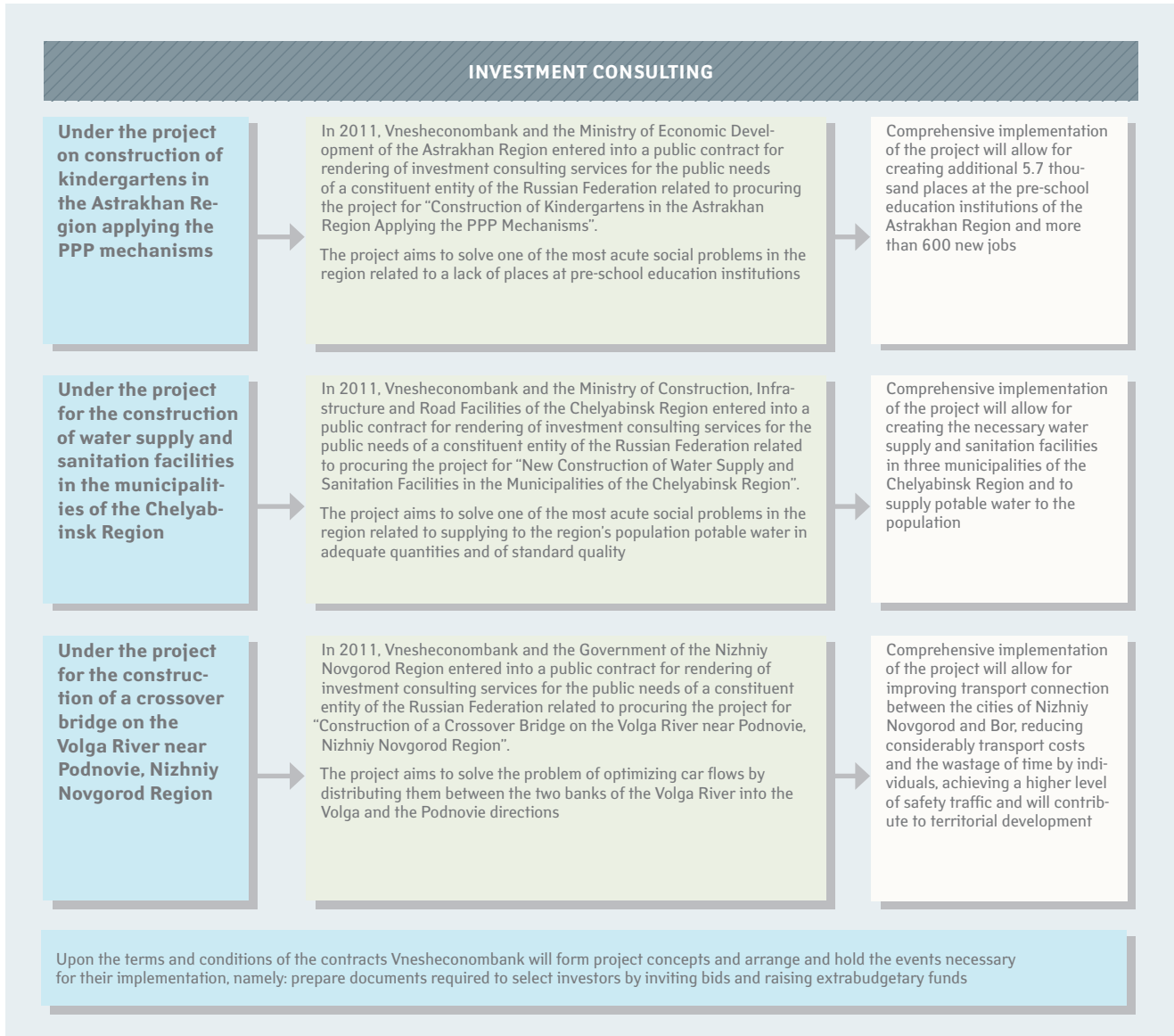
EDUCATIONAL EFFECT

The educational project organized

12 training events attended by more than

800 representatives of commercial companies, federal and regional executive authorities





Establishment of Donor Fund for the Development of PPPs in Russia

2011 saw the commencement of work intended for establishing a donor fund based on the joint project for the Development of PPPs in Russia of the United Nations Development Programme (UNDP) and Vnesheconombank.

The donor fund of at least RUB 100 million is established to provide grants for technical assistance in procuring PPP projects to local and public authorities

of the RF constituent entities with low budget support. Target grants are expected to be provided for personnel retraining, development of the regulatory framework governing PPP relationships but primarily for the preparation of high-quality bidding and contractual documentation by qualified advisory companies for the public infrastructure development projects using the PPP mechanisms in social infrastructure, housing services and public utilities, environmental protection, energy efficiency, transport, infrastructure for residential and industrial construction, integrated territorial development.

PROGRAMME FOR FINANCIAL ASSISTANCE TO REGIONAL AND MUNICIPAL PROJECT DEVELOPMENT INVOLVING FEDERAL CENTRE FOR PROJECT FINANCE

The FARMPD programme is implemented by OJSC Federal Centre for Project Finance (FCPF), a subsidiary of Vnesheconombank. In December 2011, Vnesheconombank expanded the authorized capital of FCPF by RUB 2.9 billion. The funds will be used to finance the procurement of the projects meeting the programme criteria.

FCPF was established pursuant to the resolution of the Government of the Russian Federation, dated June 2, 1995, to procure and deliver the projects provided for by the agreements between the Russian Federation and the international financial institutions and the projects financed using the funds raised from other external sources. In 2010, 100% of shares in FCPF were contributed to the authorized capital of Vnesheconombank.

The FARMPD programme aims to finance the procurement of development projects in the following areas:

- Integrated territorial development (regional and interregional projects), including the formation of territorial, production and innovative clusters, the construction of transportation, engineering and social infrastructural assets, including the creation of infrastructure for the sites intended for comprehensive residential and industrial development, special economic zones, business incubators, technology and industrial parks, development of the mineral resource base of the regions, assistance
- in forming innovative projects for resource processing;
- social development (upgrading and construction of health-care, education, culture, tourism and sports infrastructural assets);
- improvement of environmental security through the upgrading and construction of waste, water supply and sanitation infrastructure;
- development of regional and municipal mass transit systems (upgrading and construction of roads, bridges, municipal transport, high-speed trams, airports);
- improvement of energy efficiency of the municipal pool of real property, district heating and street lighting systems;
- computerization of territories and raising the quality of public and municipal management (upgrading and construction of multi-purpose administrative centers, e-Government infrastructural assets, broadband Internet service infrastructure).

In November 2011, FCPF finalized work related to legal analysis of the budget and legal risks associated with the implementation of PPP projects in comprehensive urban development sectors such as the construction of regional and municipal infrastructural assets, including site preparation for industrial or residential construction.

The activities of the donor fund will contribute to attracting qualified investors for infrastructure projects that provide for sharing of risks with public and local authorities.

Daily management of the fund is carried out by UNDP. The supreme management body will be the Board of Trustees of the fund, composed of the representatives of Vnesheconombank, UNDP, federal executive authorities, beneficiaries and corporate donors. The Board will adopt decisions on the shaping and spending of funds, approve the fund's statements, and ensure the transparency and disclosure of the fund's activities to all stakeholders.

2.7

Shaping a Professional Environment in the Area of Investing Activities

In 2009, Vnesheconombank initiated the development of the educational project for “Training of Professional Participants in Investment Projects Co-implemented by Development Institutions”. The primary goal of the project is to raise investment awareness and professional level of the employees involved in the preparation and implementation of large-scale and long-term investment projects.

Educational Project Implementation in 2011

In 2011, the project offered further training events for the representatives of commercial companies, federal and regional executive authorities engaged in the planning, preparation, assessment, analysis and monitoring of investment projects. Special focus was placed on raising investment awareness and proactive attitude of the rising generation.

The number of the events held in 2011 under the educational project and of their participants more than doubled year-on-year.

12 training events were arranged (versus 5 in 2010), attended by more than 800 (against 349 in 2010), representatives of commercial companies, federal and regional executive authorities.

Detailed information about the educational project is available from the website of Vnesheconombank at: <http://www.veb.ru/strategy/edu/>.

Training Events for the Representatives of Commercial Companies, Federal and Regional Executive Authorities

In 2011, Vnesheconombank rendered expert assistance in holding a number of training events for the representatives of commercial companies, federal and regional executive authorities, namely:

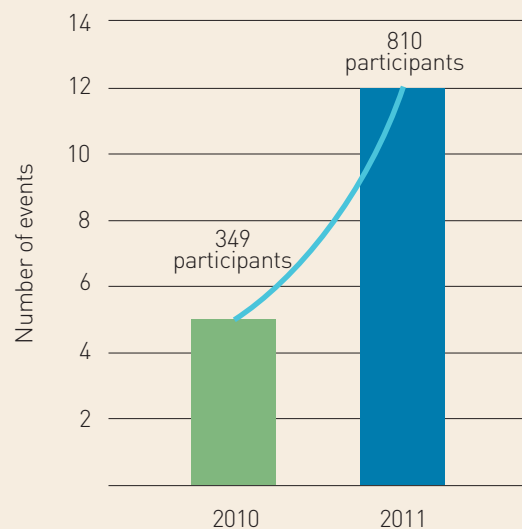
- courses of advanced training in Investment in the Development Projects on the base of the Russian Presidential Academy of National Economy and Public Administration;

- regional practical conference titled "Vnesheconombank: Far East Development Projects" in the Far Eastern Federal District;

- 3 regional seminars co-titled "Vnesheconombank: Development Projects" in the Siberian, Urals and North Western Federal Districts;

- educational module on the topics of interaction with Vnesheconombank for the purposes of procuring investment projects, specifically by using the PPP mechanisms, within the framework of seminars for the professionals of the Republic of Udmurtia.

Number of Participants in the Events Organized under the Educational Project in 2010–2011



COMPETITION FOR THE BEST INNOVATIVE PROJECT FOR PARTICIPANTS IN THE INNOVATIONS AND TECHNICAL CREATIVITY SHIFT OF SELIGER-2011 ALL-RUSSIAN YOUTH FORUM

In July 2011, Vnesheconombank announced a competition for the best innovative project for participants in the Innovations and Technical Creativity Shift of Seliger-2011 All-Russian Youth Forum.

The competition goal is to contribute to the process of commercialization of innovative ideas, developments and inventions by raising awareness among Russia's future scientific and technical personnel about the mechanisms for attracting investment for innovative projects.

The conditions of the competition obligated its participants to complete a questionnaire and to give the fullest possible

description of their innovative projects. The submitted requests underwent two phases of selection by the subdivisions of Vnesheconombank. A total of 24 requests were filed from 19 constituent entities of the Russian Federation.

The competition winners were awarded four-week paid traineeships at the investment subdivisions of Vnesheconombank, in which the students were given detailed advice on their own projects and applied new knowledge in practice.

Raising Awareness of Investment among Youth

Vnesheconombank occupies an active position on such issues as the encouragement of innovation activity and raising educational level and investment awareness among students, post-graduates and young employees.

Every year since 2010, Vnesheconombank has been involved in the work of Seliger, Russia's largest youth educational forum. Within the forum framework, the employees of VEB Group give lectures and consultations in the principal areas of the Bank's activity, including support for small and medium-sized enterprises, and participate in the competition for the best innovative project or scientific research work on innovations-related topics followed by traineeships at Vnesheconombank for the competition winners.

In July 2011, under the First International Youth Industrial Forum "The Engineers of the Future 2011", which took place on the bank of the Baikal Lake in the Irkutsk Region, Vnesheconombank arranged an educational service titled "How to Prepare and Manage Effectively an Investment Project: Successful Practice of Vnesheconombank and Its Partners". The service was intended to train the forum participants from among young engineering professionals, students and post-graduates of technical higher education institutions in the fundamentals of investment management. The best four service participants were offered the opportunity of traineeship at the investment subdivisions of Vnesheconombank.

Scholarships and Traineeships for the Students of Economic and Finance Faculties

For the purposes of retaining young promising employees from among the best graduates and students of specialized educational institutions, Vnesheconombank implements a programme which envisages establishing scholarships and organizing traineeships for the students of the economic and finance faculties of Russia's leading higher education institutions. The scholarships of Vnesheconombank are established for the outstanding students of the Finance University under the Government

TRAINING OF FINANCIAL SECTOR PROFESSIONALS INVOLVING PROMINVESTBANK

The most significant initiator of support for the educational institutions engaged in the training of financial sector professionals among VEB Group entities is Prominvestbank. In 1997, it initiated the establishment of Kyiv Banking Institute (KBI). The foundation of KBI's policy is the provision of guarantees of affordable learning, high-level professional training and good chances of employment. Most KBI students who have achieved positive results in their learning practices work successfully within the Prominvestbank system and with other financial institutions of Ukraine. KBI was recognized by the Association of Education Institutions of Ukraine as one of the country's best private higher education institutions and awarded a diploma of the Ministry of Education of Ukraine "For Achievements in the Employment of the Graduates of Higher Education Institutions".

of the Russian Federation, the Faculty of Economics of the Lomonosov Moscow State University, the Moscow State Institute of International Relations and the National Research University – Higher School of Economics.

In 2011, 57 students of Moscow higher education institutions attended practical training courses at Vnesheconombank (versus 79 students year-on-year). 7 professionals who earlier took practical training courses with Vnesheconombank were recruited

2.8

Support for Small- and Medium-Sized Enterprises

Vnesheconombank's Development Strategy for the Period from 2011 to 2015 formulates a new primary objective of Vnesheconombank in the field of supporting small and medium-sized enterprises (hereinafter "SMEs") – to foster SMEs in the non-commercial sector of economy, to render top-priority support for innovative SME projects, including those aimed at energy efficiency improvement and economic modernization. Special focus was placed on the development of leasing and microfinance forms of SME support as well as the financing of socially significant projects.

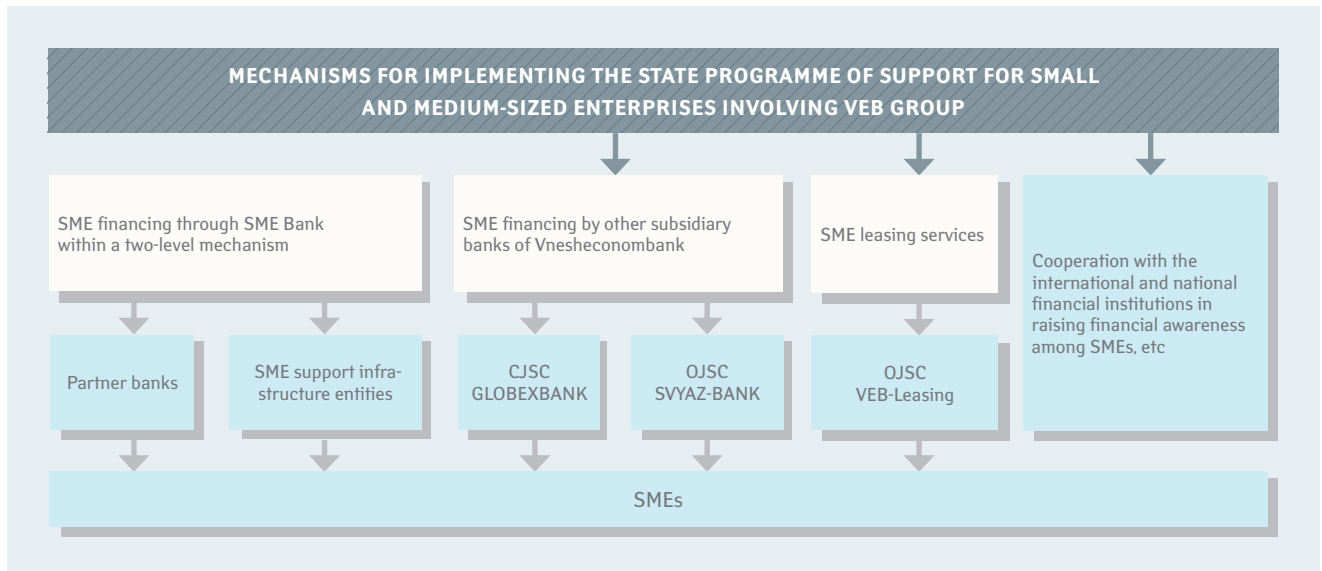
Mechanism for SME Support Involving Vnesheconombank and the Group Entities

In accordance with the Federal Law "On Bank for Development" Vnesheconombank is involved in rendering financial support to SMEs by financing the lending institutions and corporate entities supporting small and medium-sized enterprises.

The state SME support programme is implemented by Vnesheconombank through SME Bank, a wholly-owned subsidiary bank. Other domestic subsidiary banks such as GLOBEXBANK and SVYAZ-BANK have their own programmes of SME segment lending. The foreign subsidiary banks of Vnesheconombank, namely Prominvestbank and Belvnesheconombank, have contributed greatly to SME development in Ukraine and the Republic of Belarus.

Furthermore, 2010 witnessed the launch of the leasing programme for small and medium-sized enterprises implemented by VEB-Leasing, which, by the end of 2011, demonstrated impressive growth rates.

OJSC EXIAR, established in 2011, also plans to get involved in the programme and to provide SMEs access to its services by developing special products designed to foster SME product and service exports.



Apart from the financial mechanisms of SME support, Vnesheconombank and the Group entities pay great attention to cooperation with the international financial institutions on raising financial awareness among SMEs, etc.

Financing for Small and Medium-sized Enterprises through SME Bank

A key instrument of fostering SMEs is the Programme of Financial Support for Small and Medium-sized Enterprises (hereinafter the "Programme") implemented by Vnesheconombank through its subsidiary SME Bank.

The Programme is based on the SME financing mechanism within a two-level system using the regional network of commercial partner banks and infrastructural entities (lease, factoring and microfinance companies).

In 2009–2010, SME support programme intended to overcome the implications of the global economic crisis. As specified in the principal crisis management measures taken by the Government of the Russian Federation and the business plan of SME Bank for 2010, the SME support target, adjusted for the multiplicative effect as of January 1, 2011, should be RUB 100 billion. The goal

was successfully achieved: as of the beginning of 2011, total funds under the loan agreements entered into under the Programme between OJSC SME Bank and the regional banks and SME support infrastructural entities exceeded greatly the prescribed value and reached RUB 120.96 billion.

As of January 1, 2012, the scope of financial support for SMEs under the entire Programme, inclusive of the funds additionally invested by partners, went above RUB 165 billion. More than 27 thousand SMEs were supported throughout the Programme period. Over 40 thousand agreements were executed with SMEs; 329 partners participated in the Programme; as of January 1, 2012, a total of 229 participants.

In conformity with Vnesheconombank's Development Strategy for the Period from 2011 to 2015, Vnesheconombank plans to invest annually at least 10% of its net year-end profit in SME Bank decapitalization. This will allow for increasing the scope of support for small and medium businesses, simultaneously changing greatly the target and sectoral breakdown of SME support under the Programme.

Since 2011, SME Bank has focused on the highest-priority areas of the Programme implementation, namely: support for the small and medium-sized enterprises which operate in the production sector, for innovation-oriented

REBRANDING OF RDB



On April 4, 2011, OJSC Russian Development Bank (OJSC RDB) was renamed OJSC Russian Bank for Small and Medium Enterprises Support (OJSC SME Bank). The name change reflects significant changes in the activities of the bank, which is intended to become a key element of the whole system of state SME support.

SME Bank will launch a number of new services and products aimed at enhancing the effectiveness of small business support. These range from standardized loan products designed for those who have just decided to start their own business to projects in the area of energy conservation support, consulting and educational activities.

SMEs, entrepreneurs in the regions facing a challenging social and economic situation and underdeveloped SMEs, including populated areas with single-industry economy built around one enterprise (main employer).

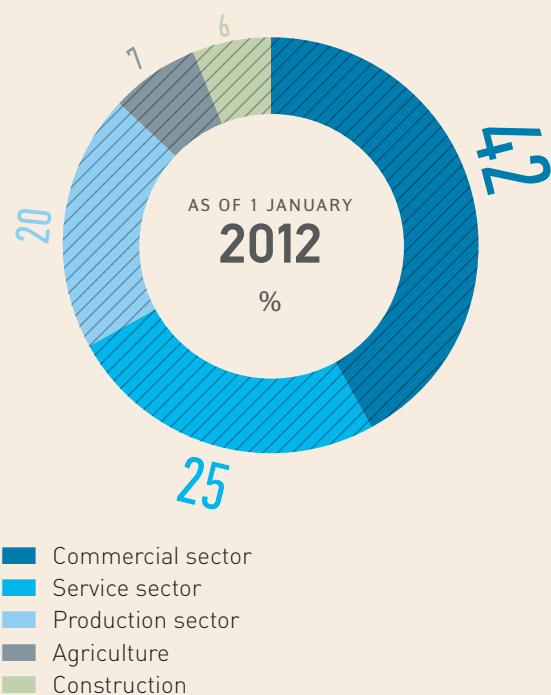
Almost all products of SME Bank are designed to finance the SMEs involved in the non-commercial sector of economy. Such projects account for 58% of the portfolio of loans extended to SMEs under the Programme in 2011, namely: 20% of the production sector; 25% of services; 6% of the construction segment; 7% of the agricultural segment. These figures are much higher than similar indicators demonstrated by the Russian banking sector in general. For example, according to the overview prepared by the rating agency Expert RA, the loans extended by the Russian banks in 2010 to the SMEs involved in the production sector accounted for about 10% in total. According to the expert estimates, in 2011, the indicator did not undergo any major changes.

The scope of financing in the highest-priority areas of the Programme implementation as of January 1, 2012, accounted for 66% of the SME loan portfolio. Modernization and energy efficiency projects account for 36% of the portfolio; innovative projects, 2%.

If the project financing is RUB 60 million or less, the Bank uses the products in accordance with which partner banks or leasing companies are free to select and classify projects in innovations, modernization and energy efficiency.

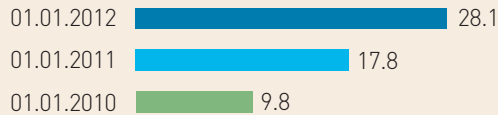
With larger-scale projects, SME Bank offers loan products for SMEs envisaging a project-based approach

Sectoral Breakdown of the Portfolio of the Loans Extended to SMEs under the Programme as of January 1, 2012

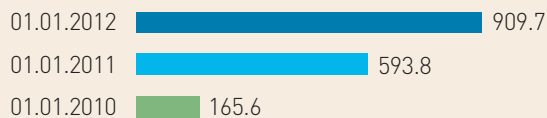


to financing the SMEs engaged in innovative and energy efficiency projects within RUB 60 million to RUB 150 million. SME Bank, on a mandatory basis, is involved in selecting SME projects to be financed.

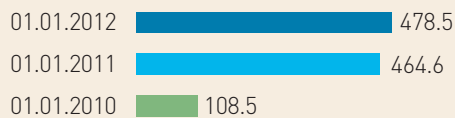
Amount of Tax Proceeds from SMEs Supported under SME-Bank's Programme (RUB, billion)



Amount of Revenue of the Enterprises Supported under SME-Bank's Programme (RUB, billion)



Total Headcount of the Enterprises Supported under SME-Bank's Programme (Persons, thousand)



There are special SME support products in the regions characterized by a challenging social and economic situation, implemented through partner banks ("SME – Regional Growth" loan product), leasing companies ("Leasing Regional Potential") and microfinance entities.

The regional breakdown of the SME loan portfolio is dominated by the loans extended by SME Bank to its partner banks from the Central (28%), Volga (23%), Southern (14%) and North Western (10%) Federal Districts. The differentiation of regions by the scope of financial support under the Programme primarily derives from SMEs' demand for borrowed resources. Simultaneously, the Programme is designed to support the regions which fall behind in social and economic development and lack loan resources. These include the

North Caucasian Federal District, the Nenets Autonomous District, the Republic of Tyva, the Republic of Adygheya and single-industry towns. The aid provided to the SMEs conducting business in single-industry towns, according to data as of January 1, 2012, was almost RUB 4 billion.

In 2011, the Programme was implemented in all 83 constituent entities of the Russian Federation. The special attention paid by SME Bank to the regions characterized by a challenging economic situation and underdeveloped SMEs, allowed achieving more even allocation of state aid funds among the regions

A vivid example of the innovative projects implemented by SME Bank is financing of the project for "Implementation of Innovative Medical Technology for Early Detection of Oncological Diseases and Development of Diagnostic Laboratory Network". The total project value is RUB 119.5 million, including RUB 100 million loan resources from SME Bank and RUB 19.5 million equity of the project initiator. 31.8% of the aggregate project costs will be spent on scientific research, design, engineering and technology work. The innovative medical technology implemented under the project is based on the effect of Electron Paramagnetic Resonance (EPR). It is applied for diagnosing and monitoring blood transport system disorders caused by intoxication, initial diagnosing of active malignant tumors, control of physiological and pathological changes in the human body in the course of treatment of oncological diseases.

SME Financing through SVYAZ-BANK and GLOBEXBANK

For the purposes of expanding and diversifying support for small and medium-sized enterprises, Vnesheconombank extends loans to SMEs through SME Bank and other subsidiary banks alike. Working in this area, subsidiary banks accomplish similar objectives of developing non-commercial SME sector and supporting the SMEs aiming in their activity to develop innovations and upgrade production.

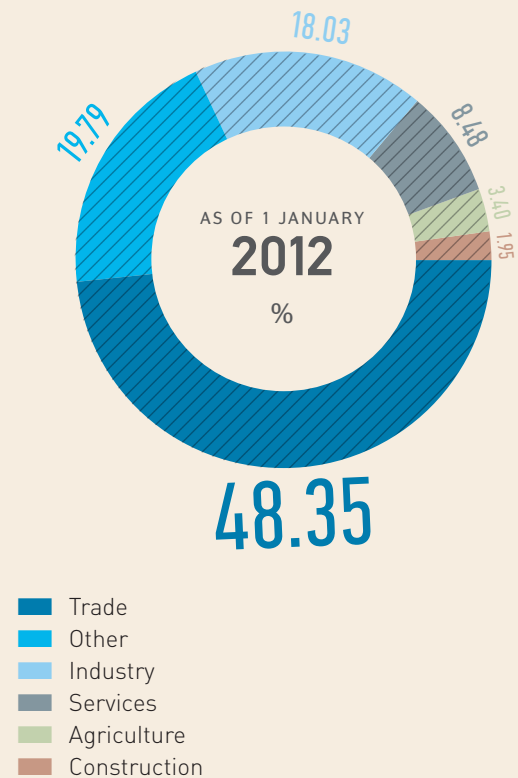
SVYAZ-BANK provides integrated banking services to small and medium-sized enterprises. As of the end of 2011, SMEs accounted for 99.68% of the total number of the bank's corporate clients, exclusive of lending institutions.

SYNERGY AND INNOVATIVE LIFT

Vnesheconombank and SME Bank participate in the so-called innovative lift established for the purpose of supporting innovation-oriented SMEs based on synergy and providing them access to finance throughout their life cycle subject to the coordinated efforts of the development institutions participating in the multilateral Agreement for Interaction among Development Institutions and Stakeholders in the Area of Ensuring Ongoing Financing of Innovative Projects throughout the Innovation Cycle. The agreement participants, apart from Vnesheconombank and SME Bank, include development institutions such as State Corporation Russian Venture Company (RVC), the Fund for Assistance in Development of Small Forms of Enterprises in Science and Technology (Fund for Assistance), the Foundation for Skolkovo Innovation Center Development, etc.

The goal of the Agreement is to organize interaction among its parties in identifying the needs of innovative companies and to provide them with the instruments, services and conditions for the effective work aimed at implementing innovative projects in the Russian Federation and global market. Its implementation will allow for creating a mechanism for exchanging information to ensure ongoing interaction among the agreement participants in the administration and implementation of innovative projects and to ensure consecutive forwarding of projects to specialized development institutions for administration.

SVYAZ-BANK. Sectoral Breakdown of the SME Loan Portfolio as of January 1, 2012 (% of the Aggregate SME Loan Portfolio)



Due to the outpacing growth of commercial SME sector in 2011, the overall share of trading companies in the aggregate SME loan portfolio of SVYAZ-BANK grew from 37.57% to 48.35%.

To ease this trend in 2011, SVYAZ-BANK introduced three new lending programmes, primarily intended for the non-commercial SME sector, namely: "Lending Secured by Purchased Real Property", "Lending Secured by Purchased Movable Property" and "State-guaranteed Order Collateralization".

In 2011, SVYAZ-BANK jointly with SME Bank began developing SME lending programme in modernization, innovations and energy efficiency. Loans are planned to be extended for a 5-year term at 12.5% per annum,

which is considerably lower than the rates for loans extended to SMEs by SVYAZ-BANK for the similar period for different goals.

GLOBEXBANK is a permanent participant in the Programme of Financial Support for Small and Medium-sized Enterprises of SME-Bank. The agreement for the extension by SME Bank to GLOBEXBANK of a loan of RUB 300 million for a 5-year term to finance SMEs was executed in late 2010. Funds were provided within the Co-financing product framework, providing for joint SME financing using the funds of SME Bank and GLOBEXBANK.

Furthermore, the banks agreed to extend to GLOBEXBANK in 2012 an additional credit facility to finance innovative projects of SMEs as well as modern-

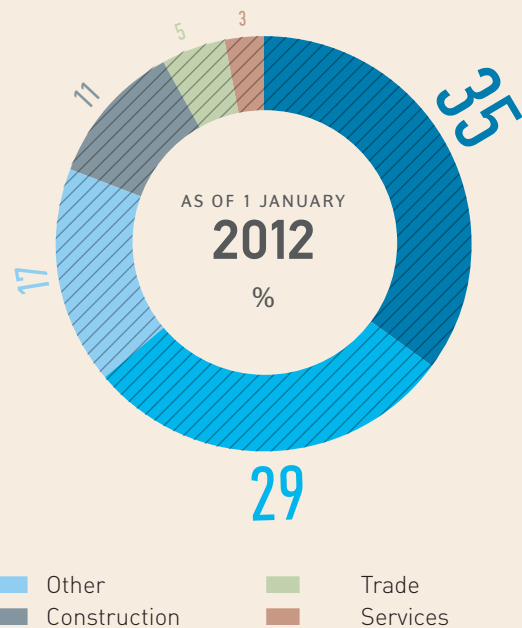
Prominvestbank. SME Support Priorities

The Government of Ukraine approved a number of bills aimed at supporting and developing small and medium businesses in Ukraine and established a national programme for fostering Ukraine's small-sized entrepreneurship. However, the practical implementation of the initiatives provided at a legislative level falls short of budget financing.

In this context, the SME lending activities of Prominvestbank, primarily in the non-commercial sector, gain paramount importance.

The highest-priority area of SME support by Prominvestbank is agriculture, since agricultural producers serve as a basis for the Ukrainian economy and create many jobs in rural areas.

Sectoral Breakdown of the Portfolio of the Loans Extended by Prominvestbank to SMEs in 2011 (% of the Outstanding Loan Amount)



ization and energy efficiency projects at a rate of 12.5% per annum or lower for a 5-year term.

VEB-Leasing. SME Leasing Services

VEB-Leasing was established in 2003 at the initiative and involving State Corporation Rosoboronexport for the purposes of raising the competitiveness of manufactured products and re-equipping the defense industry (DI) and civil mechanical engineering enterprises. Since its acquisition by Vnesheconombank in 2008, VEB-Leasing has worked not only with DI enterprises but also with other entities interested in leasing services.

Apart from developing its corporate sector, which dominates the company's portfolio, VEB-Leasing actively promotes retail business and finances the purchases

of motor vehicles, special machinery and equipment by SMEs. A key objective of VEB-Leasing is to render services to SMEs in as many regions as possible, including the North Caucasian Federal District and single-industry towns. VEB-Leasing offers a standard set of leasing services in all the regions in which it operates at common tariffs irrespective of SME location.

Accelerated growth of the regional network and the implementation of new technologies that reduce the duration of a retail leasing transaction, the development of new specialized leasing products for trucks and commercial transport, special machinery and equipment allowed for VEB-Leasing to increase the number of clients in the SME segment from 1,114 (89.98% of the total number of the company's clients) as of January 1, 2011, to 5,579 (94.75% of the total number of the company's clients) as of January 1, 2012, and to raise the amount of leasing agreements of the SME segment from RUB 2.25 billion as of January 1, 2011, to RUB 15.52 billion as of January 1, 2012.

SME Support in the Republic of Belarus Involving Belvnesheconombank

As of the end of 2011, Belvnesheconombank provided services to more than 14 thousand SMEs, accounting for 98% of the bank's corporate clients.

In 2011, for the purposes of developing mutually beneficial cooperation with SMEs and strengthening its positions in this loan market sector, Belvnesheconombank developed standard products providing for the simplified microlending procedure, with the requests considered within 3 business days.

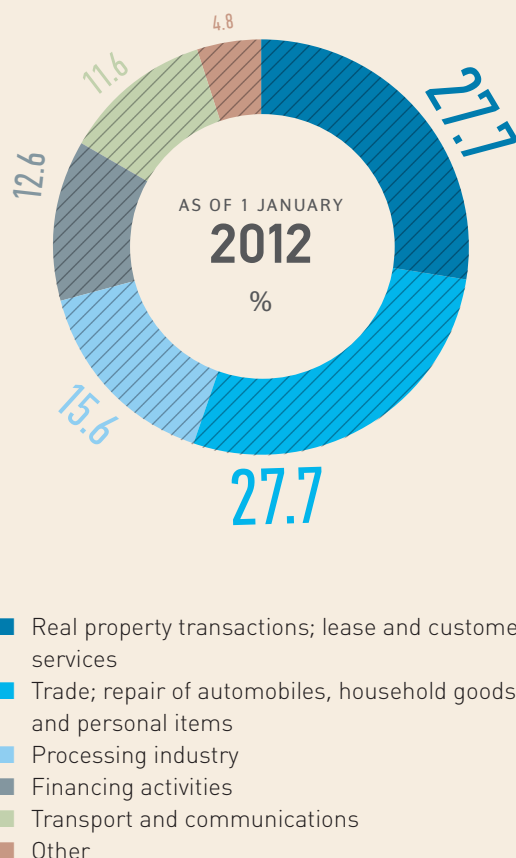
The number of the microlending agreements executed during 2011 grew from 218 to 442. The total amount of outstanding microloans increased from BYR 9.3 billion to BYR 38.1 billion.

In December 2010, Belvnesheconombank and the European Bank for Reconstruction and Development (hereinafter "EBRD") entered into a Loan Agreement for the financing of small and medium businesses. The agreement performance contributed to the implementation of the international standards of lending to SMEs in the Republic of Belarus.

For the purposes of complying with the environmental and social requirements for the lending operations executed using the funds of EBRD, Belvnesheconombank approved the Environmental and Social Policy in accordance with which Belvnesheconombank assumed the following obligations:

- to apply the procedures for assessing environmental and social risks adjusted for the risk assessment criteria adopted by EBRD for the consideration of loan requests from clients;
- to train employees of the structural divisions, engaged in lending transactions, in environmental and social policy matters;
- to submit to EBRD and the shareholders a report on compliance with the Environmental and Social Policy.

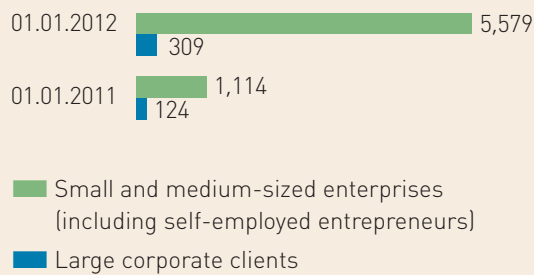
Sectoral Breakdown of the Portfolio of the Loans Extended by Belvnesheconombank to SMEs According to Data as of January 1, 2012 (percentage, %)



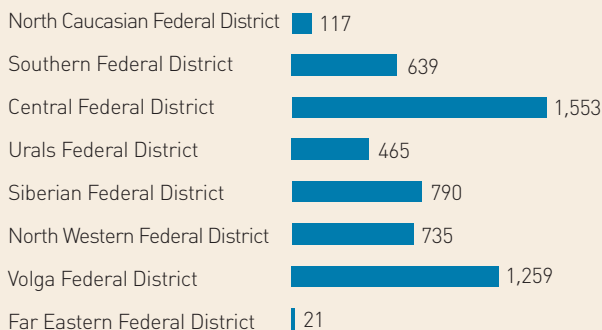
VEB-Leasing is one of Russia's largest leasing companies. It has 71 regional subdivisions in 58 cities and towns of Russia. VEB-Leasing's services are also available to SMEs in the cities and towns closest to the regional subdivision, which allowed for VEB-Leasing to expand the geography of its operations to the entire territory of Russia from Kaliningrad to Vladivostok

A promising area of work performed by VEB-Leasing is the creation of specialized leasing products aimed at innovative development. 2010 witnessed initial negotiations with producers on the creation of joint leasing products for the purchase of motor vehicles with electric and hybrid engines, contributing to higher energy efficiency and resource saving.

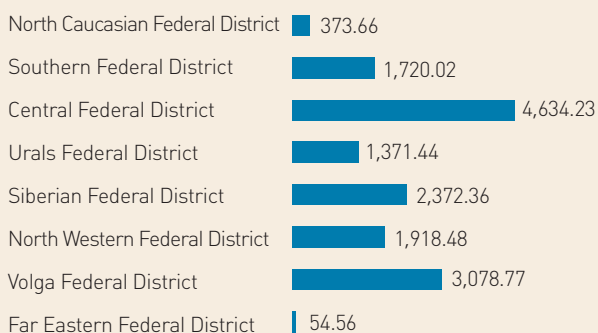
Total Number of the Existing Clients of VEB-Leasing according to Data as of January 1, 2011, and January 1, 2012



Regional Breakdown of the Leasing Portfolio in SME Segment by the Number of Lessees as of January 1, 2012 (Pieces)



Regional Breakdown of the Leasing Portfolio in the SME Segment by the Amount of Leasing Agreements as of January 1, 2012 (RUB, million)



Raising Financial Awareness among SMEs

An essential condition for the successful implementation of Vnesheconombank's objective of supporting small and medium-sized enterprises in the production and innovative sectors is more numerous qualified personnel in the SME sector. A number of initiatives of Vnesheconombank and its subsidiaries in the field of raising financial awareness among SMEs are intended to accomplish this objective.

In 2011, Vnesheconombank and the United Nations Conference on Trade and Development (UNCTAD) signed a Memorandum of Cooperation under the EMPRETEC programme aimed at developing entrepreneurship in the Russian Federation. The first outcome of the EMPRETEC programme implementation in Russia was the holding in December 2011 of pilot workshops based on the Harvard University methodology involving certified international UNCTAD lecturers

The implementation of EMPRETEC, one of the world's largest and most successful technical assistance programmes of the United Nations Conference on Trade and Development (UNCTAD), is of great importance for the development of small and medium-sized enterprises in Russia. The programme has been implemented since 1988 and is currently underway in more than 30 countries of the world. Its primary objective is to train entrepreneurs – small business leaders capable of ensuring the growth of their enterprises, thus raising employment rate, creating new jobs and increasing the income of low-income groups of individuals.

The initiatives of SME Bank have an important role to play in raising financial awareness among SMEs and the affordability of business education to SMEs. These include sponsorship support for the Finance University under the Government of the Russian Federation, implementing a programme of distance learning for SMEs. SME Bank also develops cooperation and renders financial support for MGIMO Innovation Development and Business Incubation Fund and OJSC Entrepreneurship Center, which developed and implemented (advanced) training programmes for entrepreneurs.

With a view to enhancing the affordability of business education to entrepreneurs, SME Bank finances Interna-

tional Institute of Management LINK (Private Higher Professional Education Institution). Since cooperation was launched, the distance learning programmes offered by the institute have been attended by 1,487 entrepreneurs from Moscow and the Moscow Region.

The objectives of information support for SMEs and the promotion of entrepreneurship are accomplished through the website of SME-Bank at: mspbank.ru. The website offers information and analytical materials on SME issues and practical recommendations for developing your own business. In 2011, the website was visited by about 1 million users.

SME development issues have been repeatedly discussed within the framework of the events initiated involving the VEB Group entities, including the meetings of International Bank Club Analytics Unlimited, founded by SVYAZ-BANK, and Donetsk forum on support for small and medium-sized enterprises, co-arranged by SME Bank and Promsvyazbank. The forum ended with signing a memorandum of further cooperation between Ukraine and the Russian Federation on the development of small- and medium-sized enterprises.

JOINT SME SUPPORT PROGRAMME OF VEB-LEASING AND MOSCOW CENTER FOR DEVELOPMENT OF ENTREPRENEURSHIP

VEB-Leasing and Moscow Center for Development of Entrepreneurship (MCDE) adopted the decision on joint participation in the programme for financial support for the Moscow enterprises which use leasing models. The programme is implemented by the Moscow Government, supervised by the Department of Science, Industrial Policy and Entrepreneurship for the City of Moscow and executed by MCDE. Under the programme the clients of VEB-Leasing are granted free irrecoverable subsidies offsetting an advance payment under the leasing agreement within RUB 5

million, yet no more than one-fourth of the leased item value, exclusive of VAT. The enterprises performing the highest-priority types of economic activities can obtain a subsidy offsetting one-fourth of the leased item value within RUB 5 million. The programme implementation will contribute to more numerous SME projects and to creating additional jobs.

2.9

Attracting Foreign Investment, Human Resources and Technologies into Russia

The topic of Russia's attractiveness to investors and the retention of investment into the sectors of domestic economy which are the highest priorities from the standpoint of modernization and innovative development is a key topic in the development bank's activities. Having Vnesheconombank as a partner gives foreign and Russian investors confidence that Vnesheconombank will help them get oriented in a challenging investment environment and assist in selecting top-priority projects of special importance to the Russian economy.

Interaction with the International Financial Institutions

The programme of cooperation between Vnesheconombank and the international and national financial institutions offers the possibility of joint financing of the investment projects implemented by the Russian and foreign companies in the Russian Federation. Another important aspect of cooperation is rendering technical assistance to borrowers by the World Bank and other international financial institutions in investment project procurement and delivery, including the alignment of project documentation with the requirements of potential investors.

December 2010 saw the establishment of the Working Group on Coordination of Interaction between the Subdivisions of Vnesheconombank and the International Financial Institutions. The goal of the Working Group is to organize interaction with the World Bank, European Bank for Reconstruction and Development, European Investment Bank, Eurasian Development Bank, Inter-American Development Bank, Asian Development Bank and other international financial institutions, specifically with regard to the detailed development and approval of cooperation programmes, the selection and monitoring of the preparation and implementation of projects and programmes involving IFIs

Joint Investment Programmes of IBRD and Vnesheconombank

In 2011, IBRD and Vnesheconombank developed in detail joint investment programmes and shaped a portfolio of projects. Vnesheconombank submitted requests to the leaders of the Russian regions proposing that they participate in the programmes shared with IBRD. More than 60 project proposals were received in response.

The joint investment programmes of IBRD and Vnesheconombank envisage financing for the projects aimed at reducing infrastructural constraints and enhancing energy efficiency and resource saving. Funds are expected to be extended to end borrowers for a term of 18 years or less. The interest rate for borrowers is adjusted for the cost of borrowing from IBRD and can be lower than the average market level. Participation in the investment programmes also offers borrowers the possibility of technical assistance from Vnesheconombank and IBRD in the preparation of project documentation and project delivery.

Partnership for Modernization Initiative of Russia and the European Union

The Partnership for Modernization initiative was put forward at a high government level for the purposes of assisting in accomplishing the objectives of modernization of the Russian economy, strengthening relationships between Russia and Europe and developing mutually beneficial cooperation between Russia and EU. The mechanisms of interaction in the investment project financing under the initiative were specified in the memorandums of understanding signed in 2011 between Vnesheconombank, European Bank for Reconstruction and Development (EBRD) and European Investment Bank (EIB).

Under the memorandums financial institutions intend to work jointly on the top-priority projects implemented by the European and Russian companies in Russia. It is possible that a total of USD 2.3 billion or less be allocated for such projects. The highest priorities of financing under the initiative are projects in energy efficiency, environmental protection, transport, telecommunications, SME development.

International Programme of Northern Dimension Environmental Partnership

Northern Dimension Environmental Partnership (NDEP) is a programme co-established by the Russian Federation and the international community for joint settlement of the most acute environmental issues faced by the Northwestern Region of Russia and supported by the international financial institutions as well as government agencies and private investors.

In 2011, Vnesheconombank submitted for consideration by NDEP Working Group a number of projects in environmental protection and mitigation of environmental pollution in the northwest of Russia. Vnesheconombank also took part in the meeting of the Northern Dimension Business Council (NDBC), a regional forum of the Northern Dimension, the establishment of which was initiated by the Duly Authorized Representative of the President of the Russian Federation in the Northwestern Federal District.

Establishment of International Development Finance Club (IDFC)

In 2011, Vnesheconombank participated in establishing the International Development Finance Club (IDFC). The relevant agreement was signed by 19 leading national and regional development banks during the session of the International Monetary Fund (IMF) and the World Bank in Washington. The Club establishment was initiated by KfW, a German bank group.

The International Club was established with a view to exchanging experience and new ideas concerning the implementation of projects in infrastructure, environment, energy efficiency, innovations, social development, small and medium business development, poverty reduction. The meetings of the Member Banks are expected to be linked to the annual sessions of IMF and the World Bank and other significant international events envisaging presentations on financing projects in the top priority areas of the club's activities.

Aid Granted to the Blokhin Research Institute of Children's Oncology and Hematology



GOAL



PROJECT

Since 2002, Vnesheconombank has regularly granted charitable aid to the Research Institute of Children's Oncology and Hematology named after N.N. Blokhin. This is Russia's only and Europe's largest specialized scientific research institute offering state-of-the-art treatment and medical rehabilitation of children with oncological diseases



DEVELOPMENT



SCOPE OF FINANCING

In 2011, Vnesheconombank allocated

RUB 7 million to purchase the necessary medical equipment for the Blokhin Research Institute of Children's Oncology and Hematology

HARMONY



MEDICAL EQUIPMENT

The Bank's allocations allowed for purchasing a new set of surgical instruments and equipment to perform high-tech conservative surgery

PROSPERITY

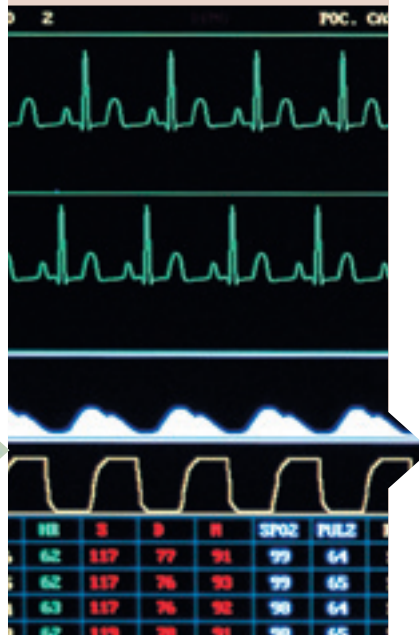


REHABILITATION

Vnesheconombank assists in organizing the traditional Sunny Day holiday for small patients of the Blokhin Research Institute of Children's Oncology and Hematology.

On 8 October 2011, the holiday was hosted by the Moscow Planetarium. More than

150 children took part in the event



Participation in Long-Term Investors Club (LTIC)

Since 2009, Vnesheconombank has been a member of Le club des investisseurs de long terme/Long-Term Investors Club. The establishment of Long-Term Investors Club was initiated by large European institutional investors for combining the efforts of the largest financial institutions and the entities from among long-term investors for the purposes of laying the foundation for developing a more stable and longer-term economic and financial system. As of January 1, 2012, the club members included financial institutions such as the European Investment Bank, China Development Bank, Cassa Depositi e Prestiti, KfW, Caisse des depots et Consignations (CDC), etc.

Within the framework of the club's activities in 2011, Vnesheconombank and CDC entered into the Cooperation Agreement on mutual exchange of experience in long-term investment project financing, SME support, etc. The parties also agreed on cooperation in the development of trade and economic ties between Russia and France and the financing of projects implemented in the North Caucasus, including those related to the preparation for the Sochi 2014 Olympic Games.

In 2011, Vnesheconombank and Cassa Depositi e Prestiti (CDP) signed a memorandum of understanding providing for exchange of experience in long-term project financing, joint scientific research into economic trends, business sector and industrial policy of the two countries.

Establishment of LLC RDIF Management Company

An important initiative aimed at attracting large foreign investment in the Russian economy was the establishment in 2011 of Russian Direct Investment Fund, a closed mutual fund for long-term direct investment. The idea of the fund was first voiced by Russian President Dmitry Medvedev at the Saint Petersburg International Economic Forum in June 2010.

In 2011, Vnesheconombank established a wholly-owned limited-liability subsidiary, RDIF Management Company (hereinafter "RDIF") focusing primarily on the asset management of Russian Direct Investment Fund.

The fund establishment was preceded by numerous consultations with business leaders and institutional investors, specifically within the framework of a Moscow visit by a group of leaders of the world's largest institutional investment funds that included a meeting with Russian Prime Minister Vladimir Putin.

RDIF mainly invests in Russian companies. In performing its investing activities, RDIF will use an innovative mechanism for mandatory co-investment in the fund's projects by the world's leading long-term financial and strategic investors. Top priority for RDIF will be to ensure maximum return on the capital invested by the fund and co-investors.

The co-investment mechanism will allow RDIF not only to intensify the inflow of considerable foreign investment into the Russian economy but will also ensure access to advanced foreign technologies and managerial experience. This will accelerate the adjustment of the Russian investment sector's activity to the standards accepted by the international financial community and will have a positive impact on domestic investment climate.

For the successful attraction of co-investors, RDIF relies on the internationally accepted criteria of success of direct investment funds such as return on investment, risk minimization, the execution of milestone transactions which contribute to strengthening the reputation of investors and simultaneously cause the growth of investing activity in the industries concerned.

Expert support for the activities of RDIF will be rendered by the International Expert Council established under the fund. The Council is not a management body of RDIF. It is composed of the internationally recognized leading experts and the heads of the largest sovereign investment funds whose objectives include ensuring the transparency of the fund's work for private investors



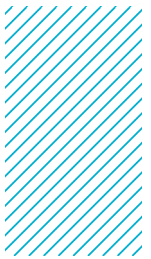
Participation of Vnesheconombank in Creating International Financial Center in Moscow

Vnesheconombank is among the initiators of the idea for creating an international financial center in the capital of the Russian Federation. Moscow has already become one of the largest centers hosting the leading international financial companies. However, much remains to be done, primarily as regards creating a favorable financial and investment climate, ensuring transparency and developing infrastructure.

Vladimir Dmitriev, Chairman of Vnesheconombank, is a member of the International Advisory Council on the Creation and Development of International Financial Center in the Russian Federation. The goal of the Council is to involve the leading international experts in resolving strategic issues such as development and integration of the Russian financial market into the global financial architecture, to harmonize the system of government regulation of activities in the financial market of the Russian Federation and

the regulation systems of the acknowledged financial centers.

7 work streams were established within the Taskforce to Create an International Financial Center in the Russian Federation under the Financial Market Development Council under the President of the Russian Federation. 2 streams (Long Term Market Development, including Infrastructure Financing, and The Regulatory and Administrative Environment) are headed by members of Vnesheconombank's Management Board



In June 2011, to assist in the creation of International Financial Center in the Russian Federation, the Russian-British Liaison Group was established. The first meeting of the Group was hosted by Vnesheconombank. Its participants, representing the leading Russian, UK and international institutions interested in creating the International Financial Center in Russia, discussed the issues of interaction on the development of competitive financial industry and the market for professional financial services in the Russian Federation, the creation of favourable conditions for foreign investors.

2.10

Pension Savings Investment

The transparency of the activities of the State Trust Management Company (hereinafter "STMC") and public availability of the information on the outcomes of investing the accumulative part of labor pensions are pre-conditions for strengthening the confidence of population in both the STMC and the pension insurance system in general. In conformity with the Standards of Disclosure of Information on the Investment of Pension Savings approved by the Ministry of Finance of the Russian Federation, Vnesheconombank, at established intervals, publishes information on the outcomes of the pension savings investment on Vnesheconombank's website at: <http://veb.ru/agent/pension/>.

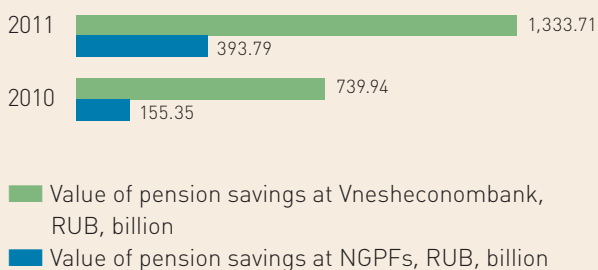
Acting as STMC in 2011

Vnesheconombank has acted as the State Trust Management Company (STMC) since 2003. The goal of STMC is to safeguard pension savings. The investment strategy of STMC is aimed at diversifying the portfolios of STMC with a view to protecting the interests of stakeholders, developing long-term investment market and fostering infrastructure. As of January 1, 2012, RUB 1,333.71 billion pension savings were under trust management by STMC.

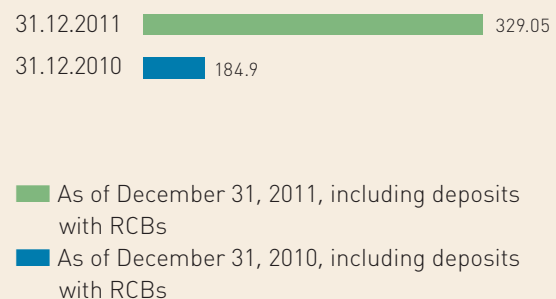
According to the information resource of the Federal Financial Markets Service (<http://www.fcsm.ru/>), as of the end of 2011, STMC accounted for some 76% of the total amount of pension savings of the Russian Federation citizens under trust management by the management companies and non-governmental pension funds (NGPF).

The share of STMC went down from 81% to 76% year-on-year due to an awareness raising campaign launched by the Pension Fund of the Russian Federation and non-governmental pension funds and managing companies, as well as due to more active selection by individuals of a private management company or non-governmental pension fund.

Value of Pension Savings at Vnesheconombank and NGPFs in 2009–2011 (RUB, billion)



STMC's Investment in New Instruments in 2010 and 2011 (RUB, billion)



In 2009, Vnesheconombank obtained the right to shape two investment portfolios depending on the risk level: extended investment portfolio and investment portfolio of government securities. It also broadened significantly the list of investment instruments by adding highly-reliable regional, corporate, mortgage-backed bonds, bonds of the international financial institutions, deposits with the Russian lending institutions. In 2011, the list of instruments eligible for pension savings investment remained unchanged.

Throughout the reporting period, to diversify the extended investment portfolio, STMC performed activities intended for:

- increasing the share of new instruments by investing the recent proceeds of pension savings primarily in corporate and mortgage-backed bonds as well as deposits with the Russian commercial banks;

- increasing the share of new instruments by purchasing the bonds (secured by the Russian Federation guarantee) of the issuing companies involved in the infrastructure projects of national importance;

- increasing the share of new instruments by purchasing the corporate bonds of AHML secured by the Russian Federation guarantees (RUB 60 billion or less)

as well as the mortgage-backed bonds issued by lending institutions and mortgage agents under the Programme of Vnesheconombank's Investment in Affordable Housing Construction and Mortgage Lending Projects from 2010 to 2013 (RUB 100 billion or less).

According to data as of January 1, 2012, in the reporting period, the value of investment in new instruments grew from RUB 184.9 billion (as of December 31, 2010, including deposits with the Russian lending institutions (RCB)) to RUB 329.05 billion (as of December 31, 2011, including deposits with RCBs).

However, new instruments as a percentage of the extended investment portfolio's market value as a result of transfer by the Pension Fund of the Russian Federation (PFRF) of pension savings in the form of federal loan bonds (FLB) showed a minor decrease from 25.06% (as of December 31, 2010) to 24.76% at 2011 year-end.

Return on Investment of Pension Savings in 2011

Vnesheconombank's requirements, as the STMC, to issuers of securities qualifying for investment are specified in Federal Law No. 111-FZ of July 24, 2002, "On Investing

Funds for Financing Accumulative Part of Labor Pensions in the Russian Federation”, the investment declarations of the STMC and other regulations of the Government of the Russian Federation. Specifically, legislative requirements include high creditworthiness rating reflecting the corporate governance level of the issuer.

As of 2011 year-end, investment yield of pension savings in the STMC’s extended investment portfolio was 5.47% per annum; in the investment portfolio of the STMC’s government securities, 5.90%.

To improve the pension savings investment landscape, soften the provisions of laws that restrict the investment opportunities of STMC and impede more active mobilization of long-term resources for the national economy, Vnesheconombank submitted to the specialized ministries and agencies a number of proposals for amending the laws adjusted for the conservative nature of the STMC investment portfolio management and risk appetite, and aimed at developing both the accumulative part of the pension system, the market for long-term investment and the securities market in general.

PROGRAMME OF VNESHECONOMBANK’S INVESTMENT IN AFFORDABLE HOUSING CONSTRUCTION AND MORTGAGE LENDING PROJECTS

In 2011, aiming to enhance the affordability of housing loans, Vnesheconombank continued implementing the Programme of Vnesheconombank’s Investment in Affordable Housing Construction and Mortgage Lending Projects in 2010-2013 (herein after the “Programme”). The Programme goal is to encourage the mortgage market, to increase the demand for mortgage loans by reducing the applicable interest rates for borrowers using the mechanism of securitization of the extended mortgage loans.

Agency Functions of LLC VEB Capital Related to Programme Implementation

Vnesheconombank’s agent for the Programme of the Bank’s Investment in Affordable Housing Construction and Mortgage Lending Projects is LLC VEB Capital.

The Supervisory Board of Vnesheconombank adopted the resolution to invest a total of RUB 250.0 billion under the Programme, namely: RUB 160.0 billion pension savings from the extended investment portfolio of STMC; Vnesheconombank’s proprietary funds of RUB 50.0 billion; resources from the National Wealth Fund of RUB 40.0 billion. RUB 100 billion pension savings are planned to be invested in the mortgage-backed bonds of lending institutions; RUB 60 billion, in the corporate bonds of the Agency for Housing Mortgage

Lending (AHML), secured by the Russian Federation Government guarantees.

LLC VEB Capital places the issues of bonds of lending institutions and AHML at the approved coupon rates under Vnesheconombank’s suretyship and controls fulfillment by the banks of mandatory conditions for participation in the Programme (including the maximum interest rate applicable to mortgage loans).

As of the end of 2011, the Programme included 12 participants from among commercial banks and specialized mortgage institutions.

The total value of requests for purchasing mortgage-backed bonds issued by Programme participants confirmed by Vnesheconombank was RUB 150.0 billion, which does not exceed the upper limit established by the Supervisory Board.

According to the Central Bank of the Russian Federation, in 2011, the Russian mortgage lending market demonstrated positive trends. The mortgage loans extended during the year were worth RUB 716.9 billion and almost doubled year-on-year as a result of Programme implementation as well.

The average weighted interest rates for housing mortgage lending in Russia in RUB went down from 13.1% per annum as of early 2011 to 11.9% per annum as of January 1, 2012.

2.11

Charity

In 2011, VEB Group entities allocated RUB 927.06 million to charity. The highest-priority charitable activities of VEB Group are healthcare, social support for individuals and child aid, development of science, education, art and culture, support for sport of records, support for the Russian Orthodox Church and environmental protection projects.

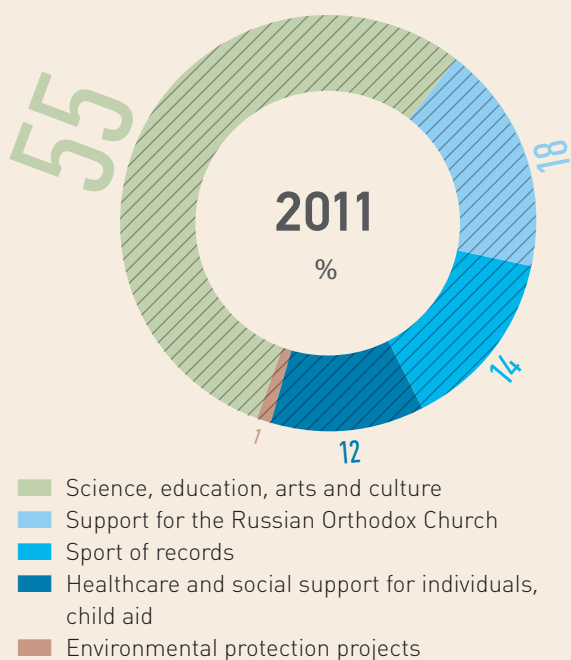
Charity Management by Vnesheconombank

The charitable activities of Vnesheconombank are performed under the Memorandum on Financial Policies, prescribing to finance all charitable projects of Vnesheconombank using its profit. Charitable programme is formed in Q4 every year primarily based on requests from the specialized ministries and agencies. The charity programme is approved by the Supervisory Board of Vnesheconombank and can be expanded by the individual resolutions of the Supervisory Board.

On December 29, 2011, the Supervisory Board of Vnesheconombank approved the programme of charitable activities for the next year. In 2012, Vnesheconombank will invest in charity some RUB 1 billion, which will be used, as before, for developing medicine, including pediatry and oncology, culture, including support for the young soloists of the Mariinsky Theater and the actors of the Pyotr Fomenko Studio Theater in Moscow, sports, projects for the Russian Orthodox Church

One of Russia's oldest banks, Vnesheconombank places a special focus on charitable continuity. The majority of the most significant charity projects have been implemented by Vnesheconombank for a number of years. That being said, new recipients are added to the charity programme every year.

Highest-priority Charitable Activities of Vnesheconombank in 2011 (% of Allocations)



The programme of Vnesheconombank's charitable activities envisages assistance to healthcare institutions, orphanages, organizations supporting the disabled and veterans of the Great Patriotic War, the families of military personnel and the employees who were killed or injured at flashpoints.

In 2011, Vnesheconombank continued supporting the Research Institute of Children Oncology and Hematology named after N. N. Blokhin, the First Children's Oncological Hospice, and the Moscow Region Psychoneurological Children's Hospital. The funds allocated by Vnesheconombank were used to purchase medical equipment for Bakoulev Scientific Center for Cardiovascular Surgery and St. Vladimir Children's City Hospital.

The beneficiaries of Vnesheconombank also include Regional Public Fund for Long-distance Aviation Sup-

port, Ivanovo All-Russia Public Charitable Foundation Veteran of the Ministry of the Interior of Russia, Interregional Public Association of the Veterans of War and Military Service of Russia, MOOI Pilgrim and some other entities. Vnesheconombank rendered support in organizing summer vacation for the children of the employees of the Ministry of the Interior killed at flashpoints.

Since 2002, Vnesheconombank has rendered regular charitable aid to the Research Institute of Children Oncology and Hematology named after N. N. Blokhin. This is Russia's only and Europe's largest specialized scientific research institute, offering state-of-the-art treatment and medical rehabilitation of children with oncological diseases. The Research Institute has eight departments, including the first domestic department of bone-marrow transplantation, which has developed a unique technique for the transplantation of parents' stem cells, which allows for performing transplantation to ill children within the shortest time limits and saving funds spent to find a donor abroad.

Vnesheconombank assists in holding a traditional holiday "Sunny Day" for little patients of the Research Institute. At the holiday in 2011, the representatives of Vnesheconombank presented to the institute a symbolic RUB 7 million check to purchase the necessary medical equipment.

Traditionally, Vnesheconombank pays great attention to developing the Russian sport of records. The Bank has rendered regular support to the All-Russian Volleyball Federation, the All-Russian Bicycling Federation, the Hockey Federation of Russia, the All-Russian Swimming Federation and a number of other sports organizations.

In December 2010, Russia won the right to host 2018 Football World Cup, which ensured Russia's participation in the 2018 FIFA World Cup competition after gaining an absolute majority of votes cast by the FIFA Executive Committee members. In this regard, the Supervisory Board of Vnesheconombank adopted the resolution to allocate RUB 90 million (not planned earlier) for preparing the event. Preparation for the World Cup envisages the construction and rehabilitation of 16 stadiums and significant upgrading of the transport and tourist infrastructure in the cities that will host the World Cup.

Charity within VEB Group

Charitable activities are widely spread among the subsidiary banks of VEB Group. In 2011, all six subsidiary banks of the group implemented charitable projects aimed at solving acute social problems and supporting socially disadvantaged groups of population. The specialized entities of VEB Group do not perform any charitable activities.

The highest-priority areas of charitable activities of subsidiary banks are healthcare and social support for individuals, science, education, arts, culture and sports.

Belvnesheconombank places a special focus on the preservation and multiplication of the historic and cultural heritage of the Republic of Belarus. The Bank supports projects in sports, education, culture and healthcare and renders assistance to the socially disadvantaged groups of individuals.

Top-priority areas of charitable activities of GLOBEXBANK is support for the disadvantaged groups of population, primarily children, elderly people, the disabled and individuals in a challenging life situation. The largest charitable project implemented by GLOBEXBANK in 2011 was the Russian Booker Literature Prize guardianship.

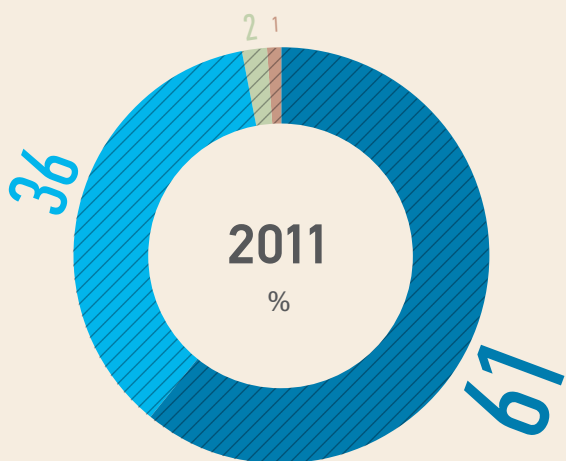
The top-priority areas of charitable activities of Prominvestbank in 2011 included support for veterans, the disabled, low-income groups of population and the victims of the Chernobyl NPP disaster, development of science, culture, arts and sports as well as assistance to healthcare institutions, law enforcement agencies, military personnel and fire brigades.

In 2011, ROSEXIMBANK supported the "Young Russian Culture in Italy" festival and open All-Russian Olympics for Bachelors Graduating from Higher Education Institutions "The Magic of Master's Degree Studies. Let's Combine Science and Practice!"

The charitable activities of SVYAZ-BANK in 2011 were performed in such areas as health protection and social support for citizens, science, education, arts, culture and sport of records.

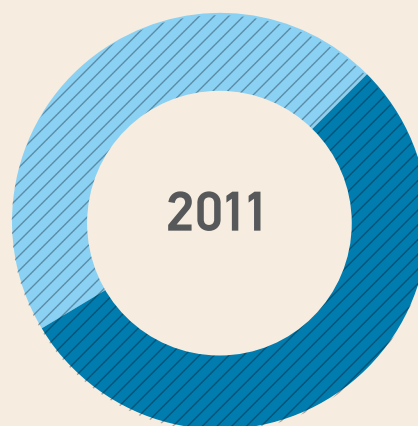
SME-Bank's charitable efforts in 2011 were concentrated on support for arts, culture and education and child aid.

Highest-priority Areas of Charitable Activities of VEB Group Subsidiaries in 2011 (% of Allocations)



- Healthcare and social support for individuals, child aid
- Science, education, arts and culture
- Sport of records
- Other

Charitable Activities Performed by VEB Group Entities in 2011



- Do not perform charitable activities (VEB Capital, VEB Engineering, VEB-Leasing, NCDC, RDIF, FCPF, EXIAR)
- Implement charitable projects on a regular basis (Belvnesheconombank, Prominvestbank, SME-Bank, Roseximbank, GLOBEXBANK, Svyaz-Bank)

A central role in the charitable activities of Vnesheconombank belongs to science, education, arts and culture projects. For many years, Vnesheconombank has supported creative teams such as the Pyotr Fomenko Studio Theater in Moscow and the Academy of Young Soloists of the Mariinsky Theater. In 2011, Vnesheconombank rendered assistance in creating a Museum Town on the base of the Pushkin State Museum of Fine Arts and the Science and Technology Museum on the base of the Polytechnical Museum.

Vnesheconombank renders regular assistance to the Russian Orthodox Church, allocating funds for the construction and rehabilitation of cathedrals. In 2011, Vnesheconombank supported further construction of the Patriarch Center for Spiritual Growth of Children and Youth at the St. Daniel Monastery of Moscow, renovation of the Solovetsky Transfiguration Monastery, the Cathedral of St. Peter and Paul of St. Sergius' Laura of the Holy Trinity, Church of Our Saviour, village of Ubory; Cathedral of Theodore Icon of the Mother of God, Saint Petersburg; John the Forerunner Cathedral, village of Butyrka, and a number of other buildings. In 2011, two new projects were added to the charity programme of Vnesheconombank: the construction of Hospitage of the Russian Orthodox Church of the Moscow Patriarchate on the Jordan River and an orthodox monastery for men in Hetzendorf, Germany.

In 2010, Vnesheconombank launched a new area of charitable activities, namely: support for environmental protection projects. Rendering assistance to the Belovezhskaya Pushcha National Park was the first project.

Belovezhskaya Pushcha is among the world's oldest national parks, believed to be officially founded in 1409. At present, the Pushcha territory is divided into the Belarus and Polish parts by the national border. The Belarus part is home to the national park, which is a specially protected natural site of republican significance.

The national park was created for preserving, studying and restoring natural complexes and sites of special environmental, historic cultural value. In the quantity of plants and animals Belovezhskaya Pushcha ranks second to none in Europe. In 1992, by decision of UNESCO, the best surviving area of old woodland in the national park was included in the World Heritage List. In 1993, Belovezhskaya Pushcha obtained the status of biosphere reserve; in late 1997, the Council of Europe awarded it the European diploma as a benchmark environmental protection institution of the continent.

3.1

Anti-corruption Procedures

The activities of Vnesheconombank aimed at implementing anti-corruption procedures are performed in strict compliance with the applicable Russian laws and the provisions of international law. In 2011, Vnesheconombank worked actively to improve the internal procedures aimed at combating corruption and integrating new legislative requirements tightening the respective regulation into the activities of Vnesheconombank and its subsidiaries.

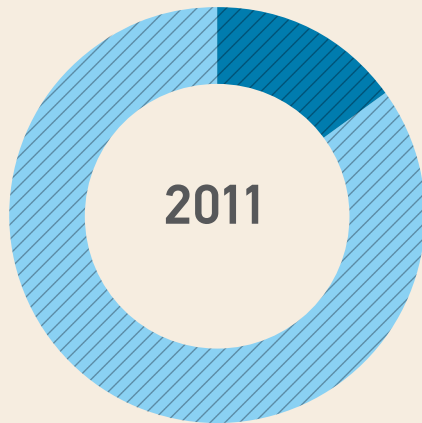
Procurement Management

In 2011, in connection with the entry into force as from January 1, 2012, of Federal Law of the Russian Federation No. 223-FZ of July 18, 2011, "On Procurement of Goods, Works and Services by Individual Types of Corporate Entities", Vnesheconombank performed work aimed at shaping a new procurement system and aligning the regulations of Vnesheconombank governing procurement operations with the new legislative requirements

With a view to accomplishing the above-mentioned objective, Vnesheconombank formed a working group on transition to the new procurement system; the resolution of the Supervisory Board approved the Regulations on the Procurement of Goods, Performance of Works, Rendering of Services for the Needs of Vnesheconombank, developed the procedural rules for performing procurement operations. The above-mentioned documents rely on the principle of information transparency, equality of rights, fairness, non-discrimination against procurement participants, proper and cost-effective spending of funds on the purchase of goods, works, services.

The new procurement system envisages a number of important amendments concerning the planning of procurement operations, the organization and conducting of procurement procedures, the execution of agreements and the submission of reports on procurement, namely:

Organization of Procurement Operations by Vnesheconombank Group Entities



- Group entities that are subject to Federal Law No. 223-FZ of July 18, 2011 (VEB Engineering, GLOBEXBANK, SME Bank, Roseximbank, Svyaz-Bank, VEB-Leasing, VEB Capital, NCDC, RDIF, FCPF, EXIAR, The Far East and Baikal Region Development Fund)
- Group entities that are not subject to Federal Law No. 223-FZ of July 18, 2011 (Belvnesheconombank, Prominvestbank)

In accordance with Federal Law No. 223-FZ of July 18, 2011, "On Procurement of Goods, Works and Services by Individual Types of Corporate Entities" the subsidiaries in which more than fifty percent of authorized capital is owned by state corporations, have applied the provisions of the above-mentioned law since January 1, 2013.

Consequently, during 2012, all subsidiaries of Vnesheconombank, with the exception of Belvnesheconombank, Belarus, and Prominvestbank, Ukraine, will perform work to align their internal regulations governing procurement operations with the new requirements of laws of the Russian Federation.

■ annual publication on the official website of Vnesheconombank of the product procurement plan for the next calendar year;

■ organization and conducting of procurement procedures, including their electronic forms (auction sales, bidding, request for quotations, competitive negotiations, competitive selection);

■ establishment of the Procurement Commission of Vnesheconombank, composed of functional managers and intended for making collegial decisions on the supplier selection by carrying out publicly available fair procedures, etc.

In 2011, within the framework of transition to the new procurement system, Vnesheconombank trained its em-

ployees and the Working Group members on the implementation of the new procurement system in accordance with Federal Law No. 223-FZ of July 18, 2011, "On Procurement of Goods, Works and Services by Individual Types of Corporate Entities".

Anti-Money Laundering and Counter Terrorist Financing

In 2011, in connection with the amendment of the applicable laws, the restated principal document of Vnesheconombank governing the procedure for exercising internal control over anti-money laundering and counter terrorist financing (hereinafter "AML/CTF"), namely: the Rules of Internal Control within Vnesheconombank for the Purposes of AML/CTF was

AML/CTF within Subsidiaries

Vnesheconombank Group entities perform AML/CTF activities in accordance with the requirements of the Russian laws and the Bank of Russia.

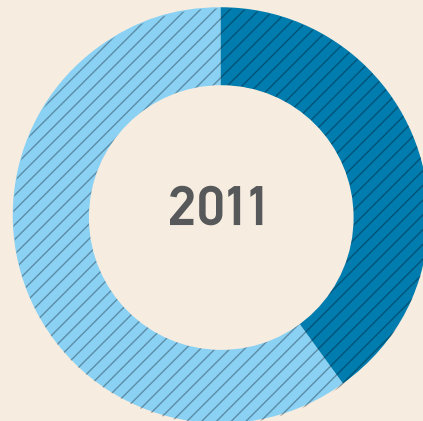
The only exceptions are North Caucasus Development Corporation, The Far East and Baikal Region Development Fund, FCPF and VEB Engineering, not covered by Federal Law No. 115-FZ of August 7, 2001, "On Anti-money Laundering and Counter Terrorist Financing". Belvnesheconombank and Prominvestbank perform AML/CTF activities in accordance with the laws of their respective countries.

The activities of Vnesheconombank's subsidiaries in AML/CTF matters are governed by the appropriate Internal Control Rules on anti-money laundering and counter terrorist financing.

In 2011, the Internal Control Rules on AML/CTF were adopted by RDIF, while ROSEXIMBANK, VEB-Leasing and SVYAZ-BANK approved the restated version of the rules.

In 2011, 9 subsidiaries of Vnesheconombank, including GLOBEXBANK, SME Bank, ROSEXIMBANK, SVYAZ-BANK, VEB-Leasing, VEB Capital, RDIF, Belvnesheconombank and Prominvestbank, trained their employees in anti-corruption policies and procedures. During the year, AML/CTF training was attended by more than 4.4 thousand employees, accounting for some 27% of the actual headcount of Vnesheconombank Group.

AML/CTF Issues Training for the Employees of Vnesheconombank's Subsidiaries in 2011



- Group entities that are subject to Federal Law No. 115-FZ of August 7, 2001 (GLOBEXBANK, SME Bank, Roseximbank, Svyaz-Bank, VEB-Leasing, VEB Capital, RDIF, EXIAR)
- Group entities that are not subject to Federal Law No. 115-FZ of August 7, 2001 (VEB Engineering, FCPF, Belvnesheconombank, Prominvestbank, NCDC, The Far East and Baikal Region Development Fund)

approved and agreed in accordance with the prescribed procedure by the Operations Department of the Regional Branch of the Bank of Russia for the City of Moscow and the Federal Financial Markets Service of Russia.

2011 also witnessed development and approval of the restated Programme for Educating and Training the Employees of Vnesheconombank in AML/CTF and the Regulations for Interaction among Divisions in the Implementation of Internal Control Rules of Vnesheconombank on AML/CTF and the programme for its implementation; the amendment of the applicable regulatory documents.

The above-mentioned measures allowed for improving the existing AML/CTF System of Vnesheconombank in compliance with the applicable laws.

In 2011, the scheduled AML/CTF activities involved 516 employees of Vnesheconombank. The orientation (initial) briefing was undertaken by 137 employees. 83 employees took special briefings in AML/CTF matters related to Vnesheconombank's activity in the securities market. In accordance with amendment of the applicable laws and internal regulatory documents, 595 employees of Vnesheconombank undertook unscheduled briefings. In 2011, AML/CTF training was attended by more than 700 employees, accounting for some 38% of the actual headcount

Vnesheconombank continued work on the Presidium of the Committee on AML/CTF and Compliance Risk of the Association of Russian Banks. Vnesheconombank participated in developing Methodology Recommendations for Organizing the AML/CTF Procedure in Respect of Politic-



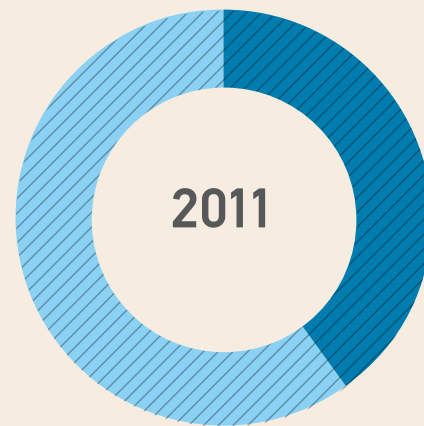
Combating Improper Use of Insider Information and Market Manipulation within the Subsidiaries of Vnesheconombank

The subsidiaries of Vnesheconombank perform activities aimed at combating improper use of insider information and market manipulation in accordance with Federal Law No. 224-FZ.

Federal Law No. 224-FZ applies to all Russian subsidiary banks of Vnesheconombank as well as VEB-Leasing and VEB Capital. Since VEB Engineering, NCDC, RDIF, FCPF and The Far East and Baikal Region Development Fund are specializing in rendering advisory services for the benefit of Vnesheconombank, the issues regarding the use of insider information are not directly related to the activities of the above-listed entities. Therefore, such entities as well as Belvnesheconombank, Belarus, and Prominvestbank, Ukraine, are not covered by Federal Law No. 224-FZ.

In 2011, the regulatory scope of Federal Law No. 224-FZ did not cover the activities of EXIAR either, whose primary goal is insurance against entrepreneurial/commercial and political risks taken by the Russian exporters and investors. However, in accordance with paragraph 4.12 of the Articles of Association of EXIAR, the entity is entitled to issue and place bonds and other issue-grade securities. In this case, EXIAR will have to perform all the procedures provided for by laws.

Legal Regulation on Combating Improper Use of Insider Information and Market Manipulation by the Subsidiaries of Vnesheconombank in 2011



■ Group entities that are subject to Federal Law No. 224-FZ of July 27, 2010 (GLOBEXBANK, SME Bank, Roseximbank, Svyaz-Bank, VEB-Leasing, VEB Capital)

■ Group entities that are not subject to Federal Law No. 224-FZ of July 27, 2010 (VEB Engineering, Belvnesheconombank, Prominvestbank, RDIF, FCPF, EXIAR, NCDC, The Far East and Baikal Region Development Fund)

ally Important Persons, Agreeing Draft Information Bulletins and Preparing Proposals Concerning Draft Federal Law and Regulations of the Bank of Russia.

Combating Improper Use of Insider Information and Market Manipulation

In 2011, for the purposes of ensuring fair pricing of financial instruments, foreign currency and goods, equal treatment of investors and strengthening confidence among the participants in investing activities, Vnesheconombank performed work aimed at creating the System of Combating Improper Use of Insider Information and Market Manipulation. Activities in this area were performed in accordance with Federal Law No. 224-FZ of July 27,

2010, "On Combating Improper Use of Insider Information and Market Manipulation and on the Amendment to Individual Legislative Acts of the Russian Federation" (hereinafter "Federal Law No. 224-FZ").

To that end, Vnesheconombank:

■ laid a common legal and methodology foundation for such activities, developed and approved documents such as the List of Insider Information of Vnesheconombank; the Regulations on Accessing the Insider Information of Vnesheconombank, the Rules for Securing Information Confidentiality and Controlling Compliance with the Requirements of Federal Law No. 224-FZ of July 27, 2010, and the regulations adopted in accordance therewith; the Regulations Concerning the Procedure for Notify-

ing Persons of Their Inclusion in and Removal from the List of Insiders of Vnesheconombank; the Regulations Concerning the Procedure for Delivering the List of Insiders of Vnesheconombank to Trading Institutions; the Regulations Concerning the Procedure and Time Limits for Delivery by Vnesheconombank of Notices of the Executed Operations and the Recording of Notices from the Insiders of Vnesheconombank; the Regulations on Interaction among Divisions for the Purposes of Disclosing the Insider Information of Vnesheconombank;

■ appointed an executive officer to control compliance with the requirements of Federal Law No. 224-FZ and the regulations adopted in accordance therewith;

■ established the Unit for Control over Insider Information;

■ developed relevant software;

■ conducted training events for the employees of Vnesheconombank.

3.2

Client-centered Practices

Feedback from stakeholders is an important part of the corporate governance system of Vnesheconombank, which allows for identifying the business pain points and, accordingly, raising the efficiency of interaction in the principal operating areas. Vnesheconombank Group entities, on a regular basis, conduct partner and client satisfaction surveys, put in place mechanisms for accepting requests to assess the efficiency of interaction, identify and respond to emerging problems in a timely manner.

Assessment of Client and Partner Satisfaction

Since 2010, Vnesheconombank has been assessing partner satisfaction on an annual basis. Upon completion of random surveying of the key partners of Vnesheconombank conducted in 2010, the divisions of the investment segment of Vnesheconombank took internal administrative measures to reduce the duration of approval of the investment project documentation and enhance the promptness of management of the projects under way.

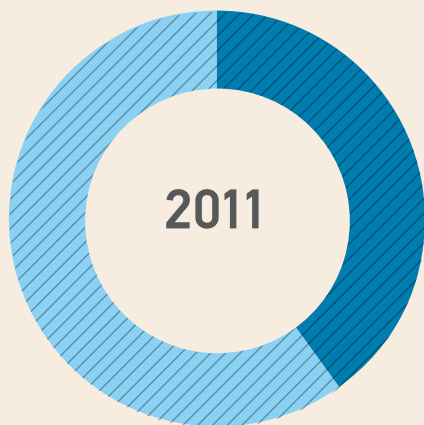
Random surveying of Vnesheconombank's partners conducted in 2011 showed high level of counterparty satisfaction. Neither critical comments nor proposals for raising the efficiency of interaction were received.

Client Request Acceptance Mechanisms

Complaint and request acceptance mechanisms are an important part of Vnesheconombank's procedures aimed at receiving stakeholder feedback.

For ensuring prompt feedback and informing a wide range of stakeholders, in 2008, Vnesheconombank opened

Practices in Assessment of Client and Partner Satisfaction Level within Vnesheconombank Group in 2011

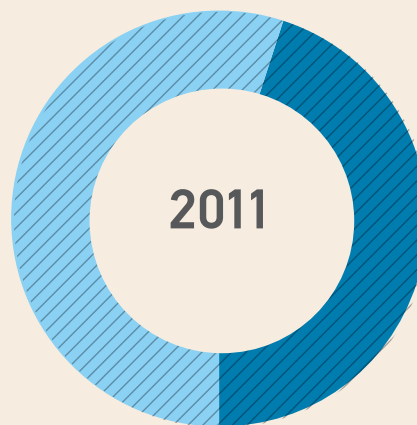


- Group entities which do not practice assessment of client and partner satisfaction (VEB Capital, Roseximbank, VEB Engineering, VEB-Leasing, NCDC, RDIF, FCPF, EXIAR)
- Group entities which practice assessment of client and partner satisfaction (GLOBEXBANK, Svyaz-Bank, SME Bank, Belvnesheconombank, Prominvestbank)

Vnesheconombank Group entities intensely use the mechanisms for obtaining stakeholder feedback.

The procedures for assessing the level of satisfaction and considering complaints and proposals from clients and partners have been implemented by all subsidiary banks of Vnesheconombank Group that provide services to individuals and are used by SME-Bank. Furthermore, in 2012, VEB Engineering, which in 2011 developed the appropriate internal documents, also plans to start implementing the client satisfaction assessment practices.

Complaint and Request Acceptance Mechanisms within Vnesheconombank Group in 2011



- Group entities which did not put in place complaint and request acceptance mechanisms (SME Bank, Roseximbank, VEB Engineering, VEB Capital, NCDC, RDIF, FCPF, EXIAR)
- Group entities which put in place complaint and request acceptance mechanisms (GLOBEXBANK, Svyaz-Bank, VEB-Leasing, Belvnesheconombank, Prominvestbank)

The mechanisms for accepting complaints and requests from clients and partners were put in place by all subsidiary banks of Vnesheconombank Group which provide services to individuals and are used by VEB-Leasing and North Caucasus Development Corporation.

a Call Center. By calling (495) 721-18-63, anyone can ask the Call Center operators any questions concerning the activities of Vnesheconombank. In 2011, 18,297 calls were recorded. The official website of Vnesheconombank also has the Feedback section at: <http://www.veb.ru/feedback/>, created for the purposes of accepting requests from a wide range of stakeholders.

Individual Service Practices of Subsidiary Banks

Within Vnesheconombank Group, services to individuals are rendered by GLOBEXBANK, SVYAZ-BANK, Belvnesheconombank and Prominvestbank.

ASSESSMENT OF CLIENT AND PARTNER SATISFACTION WITHIN THE SUBSIDIARIES OF VNESHECONOMBANK

GLOBEXBANK

The level of satisfaction of the private customers and corporate clients of GLOBEXBANK is reviewed semiannually using the surveying method. Each bank product is assessed in three areas: consumer features, price characteristics, standardization level and the product selling and handling optimality.

Upon finalization of the assessment carried out in 2011, the corporate clients of GLOBEXBANK assessed all characteristics of the bank's products as fully or partly satisfying their needs. The private customers gave the highest grade to the level of standardization and optimization of the product selling and handling process: 78.9% of respondents are satisfied. However, 10.5% of the private clients participating in the survey are dissatisfied with the price characteristics of the bank's products; 5.3%, with their consumer features.

SVYAZ-BANK

SVYAZ-BANK conducts regular surveys for assessing customer satisfaction level during personal meetings, telephone interviews and client surveying as well as through the Contact Center and corporate website of the bank.

BELVNESHECONOMBANK

In 2011, Belvnesheconombank assessed client service level using the "mystery consumer" method and prepared recommendations for the managers of the bank's front offices. Belvnesheconombank also conducted a survey among its potential clients on satisfaction with the new Development Service Package.

PROMINVESTBANK

Prominvestbank assesses client satisfaction level using the Customer Satisfaction Index. The bank also conducts surveys for identifying potential client demand for new services, including surveying using PIB-ONLINE system.

In 2011, as part of interacting with the corporate clients, Prominvestbank conducted survey of client satisfaction with the quality and value of RUB-denominated transactions, the clients' needs for foreign economic transactions with their counterparties in the Russian Federation and the Republic of Belarus, the clients' needs for making settlements in RMB.

SME BANK

For studying the level of partner and SME satisfaction with the services and products offered by SME Bank, the entity's official website opened a hotline on SME support programmes, conducts regular surveys among its partners, arranges conferences and roundtables. In 2011, SME Bank established the Analytical Center, which, among other things, reviews the level of satisfaction of SMEs, partners, regional and municipal authorities.

MECHANISMS FOR THE ACCEPTANCE OF CLIENT REQUESTS BY VEB SUBSIDIARIES

GLOBEXBANK

GLOBEXBANK accepts requests from clients via the bank's Call Center, e-mail and post as well as through the feedback book available from any office of the bank. Client requests are considered within 10 business days; upon the completion of consideration, formal response is sent to the client.

In 2011, GLOBEXBANK received 161 client requests, including 16 complaints about the client service quality and 142 requests related to complexities in the execution of transactions, operations and deals.

For the purposes of eliminating the identified drawbacks, GLOBEXBANK performed work to improve its IT system, implemented the service of "transfers in favor of corporate entities through CONTACT system", conducted outreach conversations with its employees and made refunds in respect of all complaints from the bank's clients other than those settled automatically upon restoration after a technical failure. For the purposes of improving the overall client service level, the employees of the bank took training courses and subsequent tests.

SVYAZ-BANK

In 2011, SVYAZ-BANK received 3,175 requests. All incoming complaints were considered within 5 to 30 business days; upon the completion of consideration, formal response was sent to the client.

BELVNESHECONOMBANK

In 2011, 62 oral and 282 written requests were submitted to Belvnesheconombank by individuals and corporate entities, including 54 gratitude letters and 105 complaints and more than 130 requests filed through the corporate website.

For the purpose of eliminating the identified shortcomings, Belvnesheconombank arranged training for the bank employees engaged in rendering services to individuals, sales technologies and client interaction, conducted outreach conversations with its employees with respect to specific complaints, took measures for switching over to extended business hours of the bank's offices for services to individuals, conducted corporate investigations into operational failures in hardware and software.

PROMINVESTBANK

In 2011, Prominvestbank implemented a new procedure for handling client requests in accordance with which all requests from private customers are processed in a centralized manner by the Complaint Handling Unit. Clients may submit their requests by telephone, e-mail and post. Each applicant is given response primarily through the channel via which client request is submitted to the bank.

An average of 280 to 400 requests per week are filed by the bank's clients. Most of them are related to the connection of SMS service and payment card reissue. More than 80% of requests are processed within 48 hours. Upon completion of request consideration, Prominvestbank modified its client service processes, the ATM machine service model and adopted managerial decisions in respect of poorly performing employees.

VEB-LEASING

At VEB-Leasing, the issues of client interaction upon the execution of leasing agreements are handled by the Client Service Division. In 2011, VEB-Leasing received 4 formal claims. All claims were settled amicably.

NORTH CAUCASUS DEVELOPMENT CORPORATION

NCDC accepts complaints from its partners and other stakeholders via e-mail, telephone and fax. All the complaints are subject to official consideration procedure; the outcomes are communicated to the Director General of NCDC and the request initiator. In 2011, NCDC did not receive any complaints from its partners.

NUMBER AND PERCENTAGE OF OFFICES EQUIPPED WITH THE TOOLS EASING ACCESS TO THE PREMISES FOR THE HANDICAPPED AS OF JANUARY 1, 2012

■ GLOBEXBANK*	15	50%
■ Svyaz-Bank	23	11.4%
■ Prominvestbank	26	16.6 %

* Data refer only to the Moscow offices of GLOBEXBANK.

The provision of services to individuals by subsidiary banks is built upon the principles of high availability of financial services to all groups of population and the prevention of excessive loan burden on individual borrowers as well as the provision of socially important bank products, including mortgage loans at preferential terms to socially disadvantaged groups of population.

The subsidiary banks of the Group intensely develop remote service channels, including Internet banking, the Call Center and Online Consultant information systems, which enable clients to receive full and qualified information about the banks' products and services.

The subsidiary banks of the Group seek to create all conditions to enhance the availability of their products and services to handicapped groups of individuals. In designing and building new offices, subsidiary banks consider the needs of the disabled, relying on federal laws, the applicable urban construction standards, the construction rules and regulations of the Russian Federation. Simultaneously, whenever possible, the banks work to equip the existing offices with the amenities easing access for the disabled.

Provision of Socially Important Bank Products to Individuals

GLOBEXBANK implements a wide range of mortgage lending programmes, including the Military Mortgage Lending Programme aimed at solving the housing prob-

lems faced by military personnel. In 2011, under the Military Mortgage Lending Programme, 206 loans worth RUB 396.720 million were extended and 183 loans worth RUB 273.967 million were refinanced. Loans were extended based on the standards of AHML. As of January 1, 2012, the loans extended under the Military Mortgage Lending Programme accounted for 33.51% of the outstanding loans owed by individuals.

SVYAZ-BANK continued developing the Military Mortgage Lending Programme designed in accordance with Federal Law No. 117-FZ "On Savings and Mortgage System of Housing Provision for Servicemen". In conformity with the programme a serviceman participating in SMS (Savings and Mortgage System) can purchase housing using a mortgage loan 3 years after joining SMS. The initial contribution for the purchase of residential real property and loan repayment is made by FGU Rosvoenipoteka using the proceeds entering the serviceman's individual savings account. As of January 1, 2012, military mortgage lending accounted for 26% of the total amount of loans extended by SVYAZ-BANK for the purchase of housing. In addition, SVYAZ-BANK further implemented the Housing for Youth Programme enabling young people (aged 35 years and under) to obtain a loan with the lowest possible initial contribution of 10% or above. According to data as of January 1, 2012, mortgage loans for young people accounted for 1.1% of the total amount of loans extended by SVYAZ-BANK.

With a view to supporting youth, Prominvestbank implements the programmes of extending student higher education loans. For studies at the Kyiv Banking Institute,

MEASURES AIMED AT EASING LOAN BURDEN ON INDIVIDUAL BORROWERS

In 2011, Belvnesheconombank adopted the resolution "Concerning the Measures Aimed at Preventing Excessive Burden on Individual Borrowers", including:

- One (1) year or shorter deferment of repayment of the principal amount and/or payment of the loan interest, followed by the deferred repayment of the principal amount and/or payment of the loan interest, accrued for the period of deferment, until the expiration of the loan agreement;
- substitution of the borrower monetary obligations denominated in foreign currency by BYR-denominated monetary obligations at the official rate of the National Bank of the Republic of Belarus or above and at the interest rate equal to the applicable refinancing rate of the National Bank of the Republic of Belarus plus 9 percentage points;
- prolongation of the complete loan repayment period by 2 years or less;
- reduction of the loan interest rate specified in the loan agreement.

In the circumstances of strong devaluation expectations, the administrative limitations on setting the exchange rate of foreign currency to national currency and the resulting inability of individuals to purchase foreign currency, Belvnesheconombank sold foreign currency to individuals for the repayment of foreign-currency-denominated loans.

In 2011, Prominvestbank took the following measures for easing the loan burden on individual borrowers:

- lowering for one-year the interest rate on mortgage loans down to the level calculated in conformity with the approved algorithm (yet at least 3% per annum) for Prominvestbank's employees and individuals whose guarantors are the employees of Prominvestbank provided that at the moment of the decision adoption the borrower's principal and interest payments exceed 60% of their average monthly income; the restructuring of past due interest is also permitted by setting the monthly payment schedule in equal installments for two years;
- prolongation of the deadline for loan repayment to 24 months (for the loans repayable on December 31, 2011, or earlier);
- deferment of repayment of the outstanding loans by 2 years or less.

Furthermore, Prominvestbank adopted individual decisions to lower interest rates on loans because of the borrowers' financial predicaments as a result of diseases, loss of job or a breadwinner or the conversion of foreign-currency denominated debts into national currency.

loans are extended at a rate of 3% per annum. As of January 1, 2012, the loans were used by 370 students. The interest rate on loans for students of other higher education institutions is 15% per annum. As of January 1, 2012, the loans were used by 25 students. Furthermore, Prominvestbank is the bank duly authorized to administer the current accounts of retired citizens and aid recipients in 2011.

In 2011, Belvnesheconombank performed activities aimed at implementing client-centered model of business conduct, which included the implementation of 15 standard programmes of lending to individuals, including overdraft lending to temporarily insolvent clients.

4 CORPORATE LIFE

4.1

HR Policy

In the reporting year, HR Policy was implemented in accordance with Vnesheconombank's Development Strategy for the Period from 2011 to 2015 and was aimed at enhancing the flexibility of the personnel management system and ensuring its rapid and effective adaptation to changes in the laws and labor market situation.

Responsible Labor Practices

The HR Policy of Vnesheconombank is based upon strict compliance with the requirements of the Labor Code of the Russian Federation. In labor relations matters, Vnesheconombank adheres to the principle of equal opportunities and guarantees non-discrimination with regard to gender, religion, political views, age, nationality, financial status, etc. In 2011, no breaches of labor laws by Vnesheconombank were recorded.

The fulfillment of terms and conditions of the employment contracts and internal regulatory documents of Vnesheconombank governing issues such as occupational health and safety, non-state pension benefits for employees is controlled by the Trade Union of Vnesheconombank. As of January 1, 2012, 39.4% of Vnesheconombank's employees (733 people) were members of the Trade Union. The existing collective bargaining agreement governing social and labor relations was entered into by and between the Primary Trade Union Organization and Vnesheconombank for a 3-year term and came into force on November 25, 2009

In 2011, Vnesheconombank continued implementing HR policies aimed at creating favorable conditions for professional development and increasing personnel motiv-

VI INTERNATIONAL INTERBANK HR CONFERENCE “HUMAN CAPITAL. BEST PRACTICES OF PERSONNEL MANAGEMENT AT THE TURN OF DECADES”

Vnesheconombank retained its leading role in the development of a dialogue and exchange of experience among HR experts of the Russian and foreign financial institutions, thus proving its status as the leading expert institution in HR management.

Since 2006, the annual “Human Capital” conference has been held under the aegis of Vnesheconombank, Gazprombank and the International Moscow Interbank School. It is the only permanent domestic platform for professional communication among HR managers of the Russian and foreign banks.

2011 witnessed VI international interbank HR conference titled “Human Capital. Best Practices of Personnel Management at the Turn of Decades”. The conference was attended by the managers

of Vnesheconombank, the HR managers of the largest commercial banks and financial institutions in Russia and CIS. The issues discussed at the conference include the implementation of state-of-the-art standards in labor relations, the accomplishment of socially important programmes, the shaping of client-centered employee behavior and encouraging their involvement in the achievement of strategic corporate targets and business performance of the company.

ation, strengthening social protection of employees and members of the Council of Retirees of Vnesheconombank, occupational health and safety.

Vnesheconombank’s Staff Characteristics

As of January 1, 2012, the actual headcount of Vnesheconombank was 1,863 people, including 20 part-time employees (1.07% of the actual headcount) and 48 employees of Vnesheconombank’s representative offices in Russia and abroad (2.58% of the actual headcount). The actual personnel headcount increased by 82 people year-on-year.

Employees with higher education diplomas make the bulk of the staff (83.15% of the total number of employees).

Vnesheconombank’s personnel breakdown by gender and age remained almost the same as in 2010. As in 2010, minor domination of women still persists (52.7%), most employees are aged between 31 and 50.

In 2011, the personnel turnover rate was 5.59% (against 4% in 2010).

In 2011, 97 people were dismissed, an increase of 47% (31 people) year-on-year.

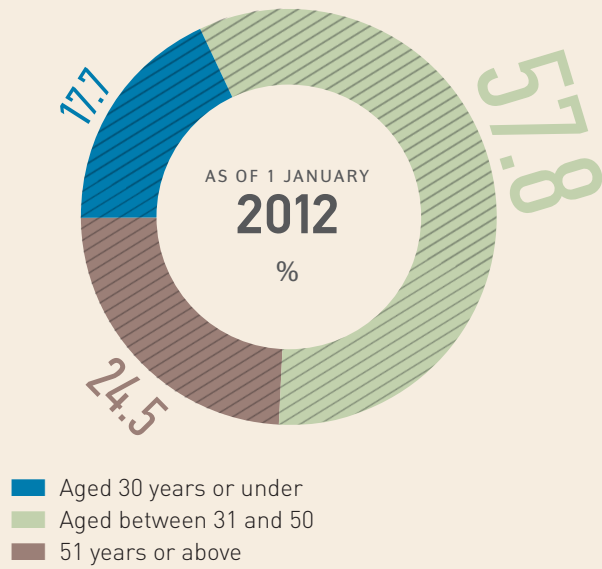
Personnel Satisfaction Assessment

Vnesheconombank, on an annual basis, conducts My Bank Survey intended to assess the rate of employee involvement and analyze the efficiency of the existing HR management policies. For the past 5 years, employee engagement surveys have been conducted in accordance with the methodology of the international consultancy Hewitt Associates, which allows for comparison of the results of previous periods and of other entities, including the financial sector, at a high confidence level.

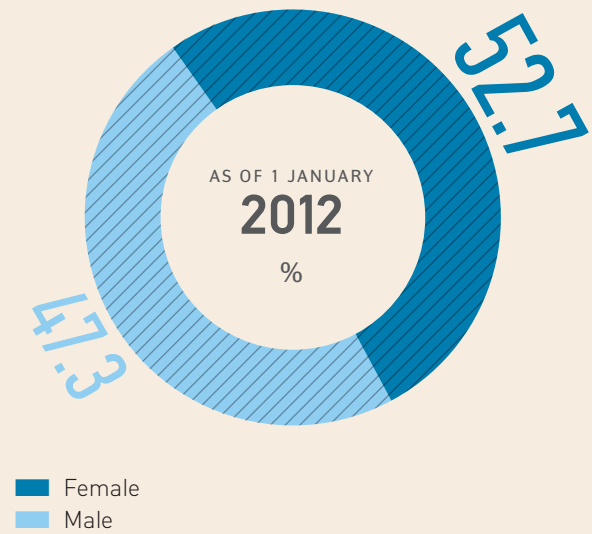
The 2011 performance survey involved 956 employees (51.3% of the actual headcount). The employees of Vnesheconombank demonstrated the engagement rate of 57%, which implies that more than half of the respondents are willing to demonstrate high individual performance indicators to improve the corporate KPIs.

Based on My Bank Survey, Vnesheconombank intends to review and improve the system of personnel motivation and assessment and conduct a consultation with

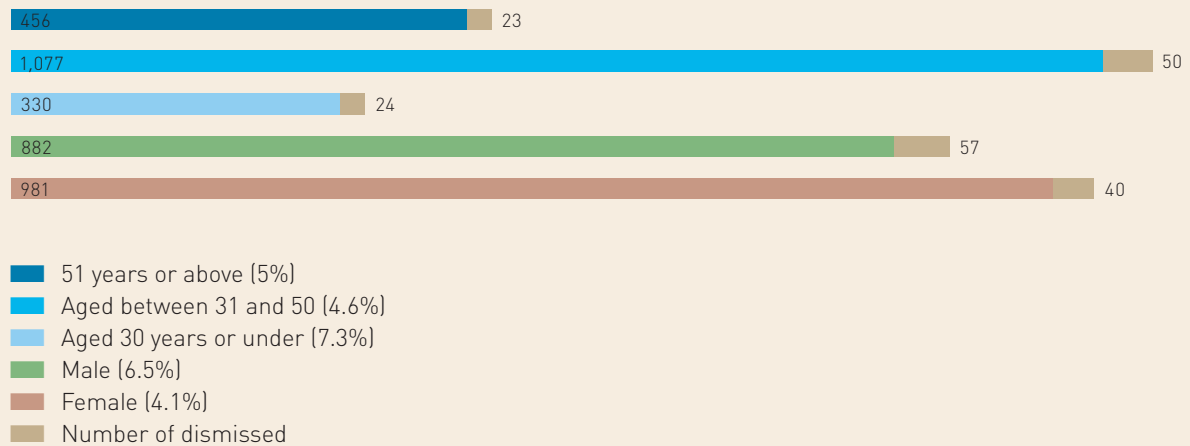
Vnesheconombank's Personnel Breakdown by Age (% of actual headcount)



Vnesheconombank's Personnel Breakdown by Gender (% of actual headcount)



Number and Percentage of Employees Dismissed by Vnesheconombank in 2011



Vnesheconombank Group's Staff Characteristics

The actual headcount of Vnesheconombank Group, according to data as of January 1, 2012, was 16,352 employees*.

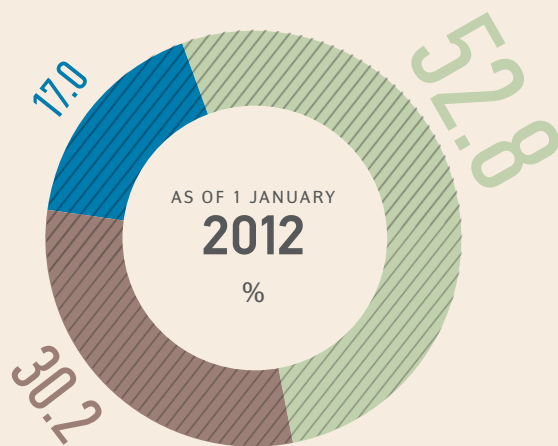
In general, Vnesheconombank Group entities (with the exception of Vnesheconombank, ROSEXIMBANK and RDIF, established in 2011) demonstrated a high turnover rate. The Group's average was 22.01%**.

At a number of entities, a high turnover rate was caused by headcount optimization. Specifically, the reporting year witnessed complete alteration of the organizational structure of Prominvestbank: actually, the entity's backbone was re-adjusted for new strategic goals, its branch network was reorganized, the number of branches was reduced.

2011 also saw restructuring of the head office and territorial network of Belvnesheconombank and headcount optimization.

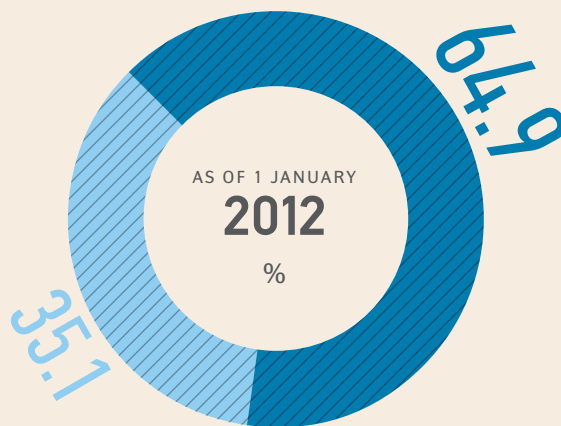
The Group entities performed regular activities aimed at reducing the staff turnover. The most integrated approach to accomplishing the objective is implemented by VEB-Leasing. During 2011, VEB-Leasing, on a quarterly basis, analyzed the reasons for the staff turnover, specifically interviewed and surveyed employees quitting the job. Upon completion of the staff turnover analysis, top managers took a decision to develop activities aimed at eliminating bottlenecks in 2012. The principal activities include creation of a group for business process automation and rationalization, improvement of the employee remuneration system, implementation of the ongoing employee assessment and employee mentoring systems, implementation of the Leasing School project, distance learning, publication of the most common questions from employees and detailed answers on the internal portal.

Vnesheconombank Group Personnel Breakdown by Age (% of actual headcount)



- Aged between 31 and 50
- Aged 30 years or under
- 51 years or above

Vnesheconombank Group Personnel Breakdown by Gender (% of actual headcount)

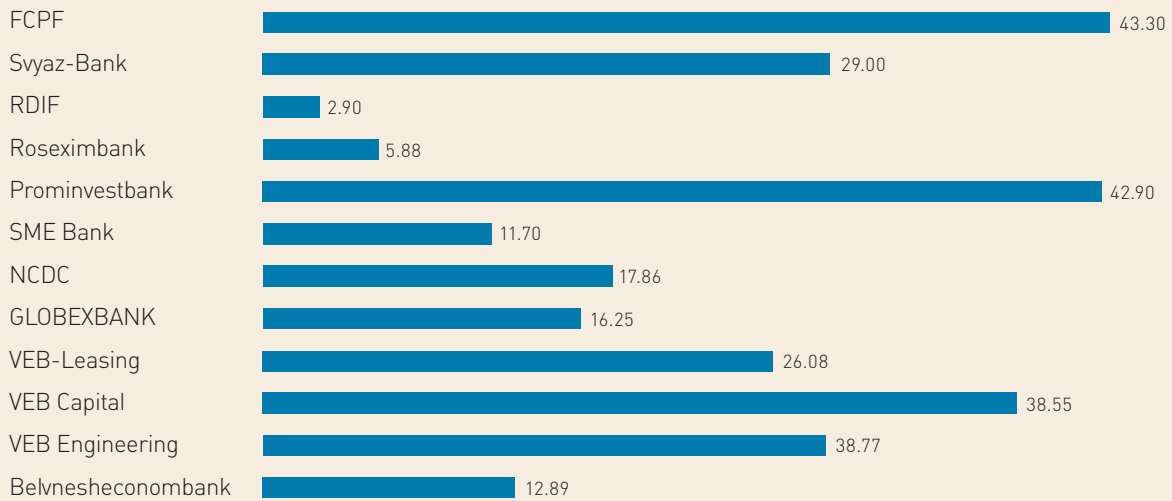


- Female
- Male

* With respect to EXIAR and The Far East and Baikal Region Development Fund, consolidated data concerning HR policy issues include only information about the personnel headcount and breakdown.

** Dismissed employees include all employees quitting the Group entities irrespective of the reasons behind the employment contract termination.

Vnesheconombank Group Personnel Turnover Rate in 2011 (%)



STRENGTHS AND WEAKNESSES OF VNESHECONOMBANK'S HR POLICIES IDENTIFIED BY "MY BANK" SURVEY 2011

Strengths

- Stability, credibility, sustainability in the market
- Challenging and interesting job, ensuring continuous professional growth of employees
- Vast opportunities for training and development
- Favourable team spirit

Weaknesses

- Non-transparent career growth system
- Incoherent system of performance-related pay and remuneration

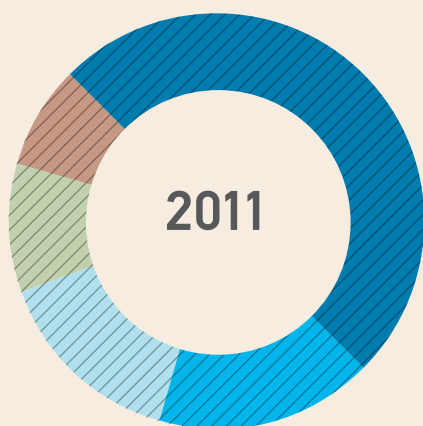
the top management of Vnesheconombank with a view to developing an action plan for correcting the HR policy weaknesses.

Furthermore, for the purpose of receiving feedback about VEB's activities and in addition to surveys of the personnel engagement rate, the corporate Intranet portal conducts regular topical surveys among the employees. 34 surveys conducted in 2011 were devoted mostly to the assessment of HR policy, including training quality and satisfaction with the social programmes.

Employee Compensation and Incentive System

Vnesheconombank ensures that the remuneration for its employees is not lower than the minimum salary level for Moscow specified in the supplementary agreement dated July 1, 2011, between the Moscow Government, Moscow trade union associations and Moscow employer associations. The initial salary paid by Vnesheconombank, as of the 2011 year end, was RUB 13,600, which is 1.2-fold higher than the existing minimum salary level for Moscow. In general, the current remuneration level conforms to

Mechanisms for Assessment of Employee Satisfaction and Interaction with Staff in VEB Group Subsidiaries



- Personal meetings with functional managers (VEB Engineering, SME Bank, Roseximbank, Belvnesheconombank, Prominvestbank, FCPF)
- Procedure for holding employee/top executives meetings to address staff personal matters (GLOBEXBANK, NCDC)

Surveys aimed at assessing personnel satisfaction are not a common practice among Vnesheconombank Group entities. Interaction with employees is mainly performed as part of daily operations, specifically during personal meetings with the division executive managers. For instance, GLOBEXBANK and NCDC use the procedure of employee/top executives meetings to address staff personal matters.

The most integrated approach to interaction and assessment of employee satisfaction was implemented by VEB-Leasing, which in 2011 surveyed the managers and employees of the head office and regional offices. 36% of the total number of employees were surveyed. The survey included assessing the personnel awareness and loyalty level, motivation factors and the employee expectations.

The results of the surveys revealed key bottlenecks, including untimely notification of the regional personnel about changes in the entity, long approval periods, low front office automation during the execution of retail leasing transactions, inadequate level of training of sales managers. The data obtained were used for remuneration, personnel training and assessment systems and for rationalizing business processes in execution of retail leasing transactions.

- Personnel satisfaction assessment is not performed (Svyaz-Bank, RDIF)
- Topical surveys among employees (VEB Capital)
- Comprehensive assessment of personnel satisfaction (VEB-Leasing)

the average market indicators of the financial industry. The male/ female base salary ratio for all categories of employees, irrespective of their gender, is 1:1.

The new system of compensation and incentives payable to the employees of Vnesheconombank, introduced on January 1, 2011, includes a permanent salary component, based on the assessment of positions, and a remuneration component based on KPIs*.

In 2011, for the purposes of switching over to the new compensation and incentive system, Vnesheconombank:

- conducted coaching sessions for the functional managers of Vnesheconombank on the "Principles and

* For details of the new compensation and incentive system of Vnesheconombank, see the Sustainability Report 2010.

Approaches to Goal Setting as Part of Year-End Remuneration Payment System";

- approved individual targets for the Deputy Chairmen of Vnesheconombank, members of the Management Board of Vnesheconombank, Deputy Chairmen of Vnesheconombank, who are not members of the Management Board of Vnesheconombank as well as individual targets for the managers of stand-alone divisions.

Given that members of the Supervisory Board of Vnesheconombank are civil servants, decisions on their remuneration were not adopted in 2011.

Information about the income, property and property obligations of the Chairman, members of the Management Board and Deputy Chairmen of Vnesheconombank are

published on an annual basis on the official website of Vnesheconombank within the scope provided for by the Russian laws.

In 2011, 269 employees (14.4% of the total staff headcount) were given awards by Vnesheconombank for dedicated and impeccable work. The awards include diplomas of honour (with a record in Vnesheconombank's Book of Honor), the title of the Exemplary Employee of Vnesheconombank, photograph placement on Vnesheconombank's Honor Board, etc. The employee survey ("What Is the Most Important Vnesheconombank's Award to You?") showed that 56% of respondents consider the title of the Exemplary Employee of Vnesheconombank to be a strong incentive. It is an institutional certificate of excellence in labor, which, upon condition of the necessary length of employment, is recognized by the authorities for social protection of Moscow population as sufficient ground for awarding the Labor Veteran title.

Qualification Enhancement Training

Vnesheconombank implements an integrated multi-module programme of personnel training, which allows for quick employee adaptation to changes in laws and the business environment, optimizing expenses, while seeking to maintain the quality training standards.

In 2011, Vnesheconombank continued implementing the training programmes that not only secure employee qualification enhancement but also provide specialist knowledge. Admittedly, that helps maintain professional competitiveness and an appropriate qualification level throughout their careers. In the 2010/2011 academic year, foreign language courses were taken by 249 employees; in the 2011/2012 academic year, 270 people began studies. 7 employees were engaged in studying for MBAs; 19 people were obtaining higher and second higher education.

The average number of training hours per employee in 2011 was 34.3 hours. In 2011, a total of 826 employees of Vnesheconombank, accounting for 44.3% of the actual staff headcount, took training courses (versus 736 in 2010).

Number of Vnesheconombank's Employees Who Took Training Courses Between 2009 and 2011



Average Number of Training Hours per Employee of Vnesheconombank between 2009 and 2011



Career Management

Vnesheconombank seeks to create favorable conditions for personal and professional self-actualization of its employees and ensure that they clearly understand their career development prospects from the moment they join the Bank.

In 2011, for the purposes of timely and proper introduction of new employees to competencies required for their business positions, Vnesheconombank put in place the employee adaptation system. The adaptation programme covers all newly recruited employees as well as the employees who return to work from parental leaves.

In 2006, with a view to shaping managerial and expert succession pool, Vnesheconombank developed the Career Management programme. The programme was tested in 2007-2008. Out of the 49 employees who passed a comprehensive assessment, 40.8% received a promotion; 63.2%, an increase in income. However, during the crisis, significant changes in Vnesheconombank's activities necessitated adjusting the programme. Its renewed version is planned to be launched in 2012.

Personnel Training by VEB Group Entities

Most subsidiaries of Vnesheconombank give preference to various forms of corporate training and experience sharing.

For example, the employees of ROSEXIMBANK, directly authorized to implement investment projects using the funds of the international financial institutions, including IBRD, studied the World Bank's project implementation rules and procedures.

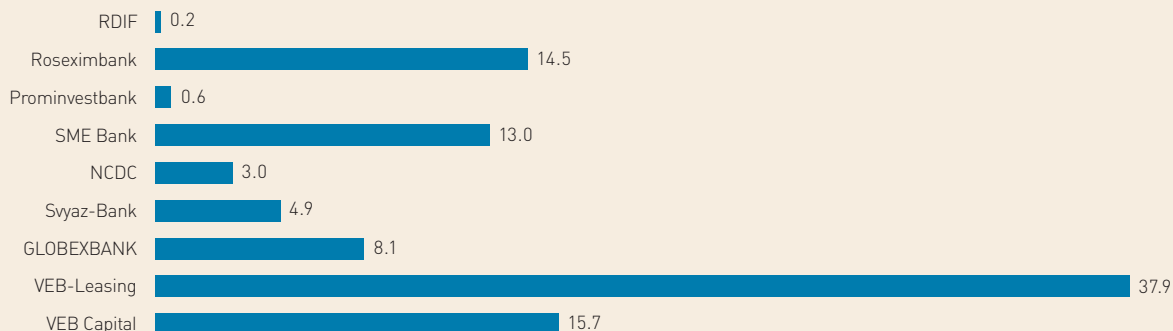
In the reporting year, seminars on investment project financing were conducted by the employees of the World Bank as well as special institutions, with the variety of topics ranging from environmental criteria and requirements for projects, compliance with the responsible financing principles (for example, proper spending of project funds), procurement procedures and other requirements and standards of the World Bank. The knowledge obtained was used in developing the Bank's internal regulatory documents governing the implementation of the World Bank's programme for financing investment in environmental and energy conservation projects.

VEB Engineering, when required, holds seminars on application of regulations in environmental management and protection (EMP) and performs social and environmental assessment of investment projects.

As part of implementing an integrated programme of employee training, Prominvestbank created Knowledge Base on its corporate portal for each employee to access training materials, regulatory documents, video-courses and other materials required for proper business conduct.

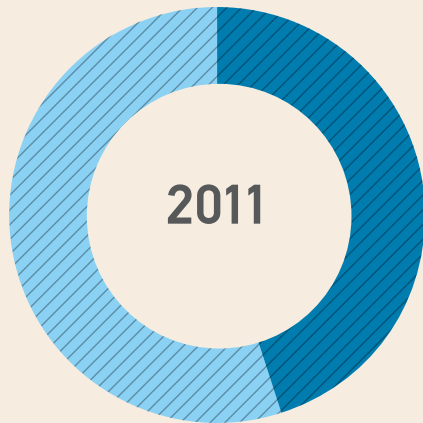
In 2011, VEB-Leasing developed the Leasing School project for the purpose of corporate training of the employees involved in the sales of retail leasing services.

Average Number of Training Hours per Employee of Vnesheconombank Group Entities in 2011*



* Data concerning Prominvestbank rely on the total duration of training events (and ignore the number of trainees from among the employees), causing significant understatement of the indicator. Data about Roseximbank refer to two categories of employees (managers and employees). The reason for the lack of data from Belvnesheconombank is that in 2011 the entity did not record the duration (in hours) of the training events conducted by third-party entities.

Foreign Language and Computer Technology Training for the Employees of Vnesheconombank Group



■ Arrange foreign language and computer technology training for employees (Svyaz-Bank, VEB-Leasing, SME Bank, Belvnesheconombank, Prominvestbank)

The training programmes which enable employees to become more sought after in the labor market, most widely used by the subsidiaries, are foreign language and computer technology training.

In 2011, a total of more than 120 employees of the Group subsidiaries took foreign language courses; more than 570 employees - computer technology courses.

■ Do not arrange foreign language and computer technology training for employees (VEB Engineering, VEB Capital, GLOBEXBANK, Roseximbank, NCDC, RDIF, FCPF)

Occupational Safety and Health

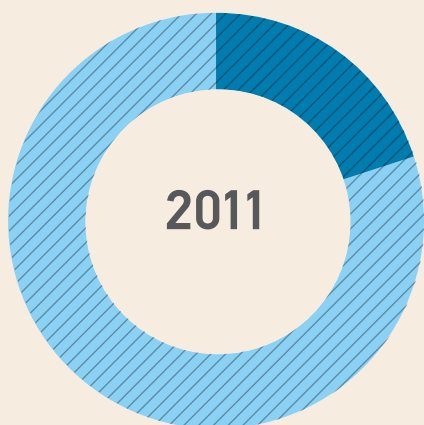
Vnesheconombank undertakes a set of measures to secure occupational safety and health protection (see the Chart below). In 2011, due to the action taken, the total number of sick-leave days of Vnesheconombank's employees went down to 7,069 days against 2010 (with the exception of pregnancy and maternity-leave days). Employee absenteeism rate was 3.1 (versus 3.4 year-on-year). In 2011, Vnesheconombank did not record any industrial accidents. Neither supervisory bodies nor the management of Vnesheconombank received any complaints from employees concerning issues such as working conditions, labor protection and fire safety.

Vnesheconombank, on a continuous basis, performs work aimed at preventing the rates of injury and professional diseases, including mandatory orientation for newly recruited employees and scheduled orientation for engineering personnel as well as annual training and knowledge checks in the field of occupational safety. In 2011, these seminars were attended by 162 employees of Vnesheconombank.

Furthermore, in 2011, Vnesheconombank performed attestation of 333 workplaces with regard to labour conditions: measured the working surface lighting levels and workplace microclimate, measured the pulsation factor, the strength of magnetic field from displays. The tests were followed by preparing an action plan for improving Vnesheconombank's working conditions and health protection.

In 2011, Vnesheconombank continued implementing the programme of Voluntary Health Insurance (VHI), which had been an integral element of the Bank's social policy for more than 10 years. Vnesheconombank's VHI programmes include all types of health services, including ambulatory polyclinic treatment at the leading health-care facilities, home care, dentist service, ambulance and emergency care, emergency and scheduled hospital service from the leading Moscow hospitals on an unlimited hospital stay basis. The above-mentioned services are rendered using the mechanism of expense sharing by Vnesheconombank and its employees. In 2011, the annual limit of Vnesheconombank's expenses per employee was increased by RUB 5 thousand to RUB 25 thousand.

Mechanisms of Employee Performance Assessment by Vnesheconombank Group Entities



- Use personnel performance assessment mechanisms (Belvnesheconombank, SME Bank)
- Do not use any personnel performance assessment mechanisms (VEB Engineering, VEB Capital, VEB-Leasing, Roseximbank, Svyaz-Bank, GLOBEXBANK, Prominvestbank NCDC, FCPF, RDIF)

The practices of comprehensive personnel performance assessment and career development are not widely applied by Vnesheconombank Group entities.

In 2011, a total of more than 1,000 of the Group's employees passed attestation and other types of performance assessment. Only 13.14% were promoted or nominated for career promotion.

Belvnesheconombank

In 2011, Belvnesheconombank undertook personnel qualifications attestation, which was passed by 277 employees of the Bank's head office and bank service centers, including 94 managers and 728 employees of branches, inclusive of 189 managers.

SME-Bank

In 2011, SME-Bank approved Regulations on Personnel Qualifications Attestation, in accordance with which 45 managers were certified; 30 out of 45 employees were included in the talent pipeline.

As of the 2011 year end, 2,014 employees were insured under VHI agreements, including members of the Council of Retirees of Vnesheconombank. In addition, 246 relatives of Vnesheconombank's employees were insured under corporate VHI agreement in 2011 at a preferential tariff

In 2011, Vnesheconombank also continued implementing maternity and childhood protection programmes. Since 2010, the female employees of Vnesheconombank have been able to receive the Obstetric Care services from the best Moscow specialized clinics, which allows for easing the financial burden associated with baby birth. Furthermore, the Prenatal Care programme is in place.

In 2011, the services of the Obstetric Care programme, financed by Vnesheconombank, were used by 11 female employees of Vnesheconombank; the Prenatal Care programme services, by 21 female employees of Vnesheconombank

Moreover, Vnesheconombank on an annual basis executes the accident insurance agreement providing for insurance coverage of cash desk employees executing cash transactions. The agreement includes the risks of partial disability (injury), permanent disability (handicap of Groups I, II, III) and death as a result of an accident. In 2011, the insurance agreement was executed for 13 cash desk employees, the individual amount of insurance against each of the insured risks was RUB 250,000.

OCCUPATIONAL SAFETY AND HEALTH PROTECTION MEASURES UNDERTAKEN IN 2011

CURRENT STATUS ASSESSMENT

The attestation of 333 workplaces with respect to working conditions was performed

Action plan was developed for improving Vnesheconombank's working conditions and health protection

Mandatory regular health inspection of 1,252 employees was organized.

A trilateral statement containing recommendations for ambulatory polyclinic treatment for employees was prepared

A survey was conducted to identify the level of employee satisfaction with VHI services

Bidding-based selection of the counterparty for 2012, which developed the lowest tariff in combination with a broader and more flexible set of VHI health services was ensured
In 2011, the annual limit on Vnesheconombank's VHI expenses per employee was raised by RUB 1,000 to RUB 26,000



ACTIVITIES AIMED AT REDUCING DISEASE RATE AND RAISING THE EMPLOYEE WORK CAPACITY

Health services for the employees of Vnesheconombank under the Office Doctor programme were arranged. 17,509 visits were recorded. Influenza vaccination of 500 employees was performed

Issuance of 32 corporate membership cards at preferential tariffs for the employees and their family members at one of the 16 Moscow leading fitness clubs

Food service areas in Vnesheconombank's offices were provided

A decision was taken to expand the social benefits package and provide VEB's employees and their families with an opportunity for recreation and holiday-making at the camp in the Astrakhan Region. Vnesheconombank pays 100% of the voucher price for an employee; 80%, for a family member

OCCUPATIONAL SAFETY PROTECTION ACTIVITIES WITHIN VEB GROUP

More than half of VEB Group subsidiaries, on a regular basis, perform occupational safety protection activities: job attestation, occupational safety training for employees, including practical emergency training, etc.

In 2011, a total of more than 700 employees of Vnesheconombank Group were involved in occupational safety training activities.

In 2011, one accident was recorded within the whole Group (at Prominvestbank). The commission revealed that the reason was the breach of occupational safety regulations by the injured woman while cleaning the premises. The employees of Prominvestbank took unscheduled orientation for accident preventive purposes.

Low rate of injury evidences the effectiveness of personnel health protection measures taken by the Vnesheconombank Group entities.

The implementation of an integrated approach to occupational safety and the prevention of professional diseases is exemplified by the practices of Prominvestbank. All new employees of the entity, including the employees of branches, take introductory training, including orientation classes on occupational safety, fire and electrical safety, first aid to employees injured in accidents and the pattern of behavior in

case of emergency, fire or natural disasters. Orientation classes are also attended by the employees of contractors performing work on a contractual basis. In 2011, a total of 436 people from the head office of Prominvestbank took introductory training, including 73 employees of third-party entities. Furthermore, 15 employees of the head office and 33 employees of the branches performing or managing extra-dangerous work and appointed as accountable for occupational safety within the bank's divisions took training and knowledge checks on occupational safety issues at specialized educational institutions.

In 2011, Prominvestbank also established a permanent commission on occupational safety rules and regulations. Employee on-the-site training was provided. During the year, the commission certified 36 managers of different levels responsible for creating safe working conditions within the divisions of Prominvestbank.

Vnesheconombank provides insurance protection to the individuals (employees and their insured relatives) traveling beyond their permanent place of residence. In 2011, 806 policies of Insurance for Individuals During Their Travel Outside the Russian Federation were issued jointly with the insurance company.

In 2011, for the purposes of partial reimbursement for the expenses associated with expensive treatment and consumables not paid for by the insurance company, Vnesheconombank rendered monetary assistance to 12 employees of the Bank totaling RUB 3,895,632.92

In 2011, with a view to enhancing the effectiveness of VHI programme, a survey was conducted to reveal the level of employee satisfaction with the quality of services received under the programme. Upon completion of the survey:

work was performed to select a counterparty on a bidding basis for the execution of VHI agreements for 2012, resulting in the approval of the insurance company which developed the lowest possible tariff with a broader and more flexible set of health services;

for the purpose of easing financial burden on employees and returning to the pre-crisis period of VHI

organization, 2012 witnessed the development of a basic programme valued at RUB 26,000 and the adoption of the decision to finance the Prenatal Care and Obstetric Care options in full using the funds of Vnesheconombank;

new programmes were developed. The programmes are financed by Vnesheconombank and aim to strengthen social protection of the Bank's employees: insurance coverage of the employees' children aged 3 or under, treatment abroad, payment for consumables.

In 2011, Vnesheconombank also implemented a number of measures for maintaining the health and reducing the risk of diseases among employees:

entered into an agreement for sports and health-care services with a leading fitness club chain of Moscow, which enabled the employees of Vnesheconombank and their family members to attend first-class sports and fitness clubs of various orientation and price category at a discount of 37%. Furthermore, members of Vnesheconombank Trade Union are entitled to additional reimbursement of RUB 15 thousand for the corporate card price. In 2011, 32 people benefited from the offer;

the Management Board of Vnesheconombank adopted a resolution to expand the social benefits package

**GOAL****PROJECT**

Vneshconombank develops a set of measures intended for securing occupational safety and health protection, as well as performs works aimed at preventing occupational traumatism and professional diseases



DEVELOPMENT



REHABILITATION

In 2011, Vnesheconombank launched a social project on organizing recreation and holiday-making for VEB's employees and their families at the camp in the Astrakhan Region. Vnesheconombank pays

100%

of the voucher price for an employee

and

80%

for a family member



HARMONY



PHYSICAL TRAINING

The Bank entered into an agreement for sports and healthcare services with a leading fitness club chain of Moscow, which enabled the employees of Vnesheconombank and their family members to arrange corporate membership at a discount of

37%



PROSPERITY



HEALTH IMPROVEMENT

Preventive measures resulted in the reduced absentee rate

3.1 in 2011

versus

3.4 year-on-year



offered to employees and their families in the Astrakhan Region. Under the programme, Vnesheconombank pays 100% of the voucher price for an employee; 80%, for a family member (parents, spouses, children, including those in ward or under patronage). The project secures implementing long-term recreation and rehabilitation programmes for the employees of Vnesheconombank and their families and is an important part of social benefits package.

In order to raise the level of social protection and ensure higher level of income compensation, the Personalized Insurance Programme, co-implemented jointly with NGPF Support, applies to the retiring employees of Vnesheconombank. Under the programme Vnesheconombank on a monthly basis transfers money to the personal retirement accounts of the employees after at least 1 year of work for the Bank. The amount of pension contribution depends on the employee's position and base salary. As of the end of 2011, the programme involved 1,566 employees. When a person is eligible for pension, it is paid on a monthly basis until the employee's personal retirement account is exhausted (for at least 5 years). As of the end of 2011, a private pension was paid to 72 retirees.

Corporate Volunteering

In 2011, Vnesheconombank's volunteer movement saw further development.

19 voluntary projects were arranged. These include the Donor's Days, assistance to children from the Voskresensk orphanage for orphans and abandoned children, Easter Days of Kindness, the gathering of money to help Vnesheconombank's employees and their family members who find themselves in a predicament situation, etc.

The employees of Vnesheconombank have welcomed the project to support children from the Voskresensk orphanage. It has become a tradition to hold the annual initiatives such as "New Year Tree of Wishes" and "Together to School", in which the employees of Vnesheconombank give New Year presents to the orphanage children and buy them school supplies: textbooks, stationery, creativity kits. Equally popular events are Birthdays, when the employees of Vnesheconombank come to visit the orphanage children to celebrate together their birthdays and give presents.

In 2011, members of Vnesheconombank's corporate paintball team ("Web") arranged a paintball tournament for children from the Voskresensk school. The orphanage children also took part in the Partners of the XXI Century sports festival organized by Vnesheconombank for the Group's employees and their families.

Another good tradition is semiannual Donor's Days, involving the employees of Vnesheconombank and other Group entities. In 2011, more than 100 employees of Vnesheconombank were engaged in donor initiatives.

SUPPORT FOR RETIREES FROM AMONG MEMBERS OF THE COUNCIL OF RETIREES OF VNESHECONOMBANK

The Council of Retirees of Vnesheconombank, established in 2000, continued functioning. The members of the Council of Retirees are employees who retire from the Bank after reaching a certain age or due to disability (groups I and II) after at least 10 years of work with the Bank. As of the end of 2011, 357 retirees of the Bank were paid private pension by NGPF Vnesheconombank fund.

Due to the existing retirement programme of Vnesheconombank and NGPF Vnesheconombank fund the retirees of Vnesheconombank are paid private monthly pension. In December 2011, the Management Board of Vnesheconombank insured that the amount of a monthly lifelong private pension be raised by RUB 1 thousand per month.

Voluntary health insurance policies were issued to all retirees from among members of the Council of Retirees of Vnesheconombank. In December 2011, the resolution of the Management Board of Vnesheconombank, for

the purposes of raising the social protection level, created an effective mechanism of financial support for members of the Council of Retirees of Vnesheconombank, approved the Regulations on Paying Benefits to Members of the Council of Retirees, providing for various types of financial assistance, including partial reimbursement of the costs associated with expensive consumables not paid for by the insurance company as well as rehabilitation and remedial treatment.

Corporate events were organized and held for the veterans of Vnesheconombank, namely: celebration of the 66th anniversary of the Great Patriotic War Victory Day and the New Year Party. Members of the Council of Retirees of Vnesheconombank were given memorable souvenirs and presents.

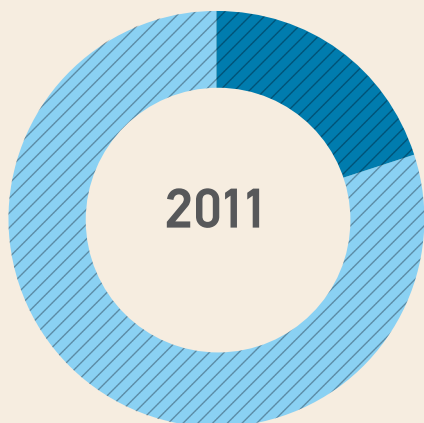
The survey among the employees of Vnesheconombank showed that the most popular initiatives are those aimed at helping orphans (59% of respondents) and the Bank's employees and their close relatives who find themselves in a challenging situation (42%). Furthermore, 12% of the employees questioned regularly participate in donor initiatives

The CSR Strategy of Vnesheconombank 2012–2015 envisages taking a set of measures for enhancing the engagement of the employees of Vnesheconombank and the Group entities in voluntary activities by expanding the areas of voluntary initiatives and implementing the mechanism for incentivizing the most active volunteers.

Areas of Vnesheconombank's Volunteer Activities in 2011



Corporate Volunteering Within Vnesheconombank Group



- Launch corporate voluntary projects (SME Bank, Prominvestbank)
- Corporate voluntary projects are not launched (GLOBEXBANK, Svyaz-Bank, VEB Capital, VEB Engineering, Roseximbank, Belvnesheconombank, VEB-Leasing, FCPF, RDIF, NCDC)

For the time being, corporate volunteer movement has not been widely practiced by Vnesheconombank Group entities. However, there are a few exceptions. Prominvestbank is most active in this respect.

In 2011, the employees of Prominvestbank joined the initiative of the All-Ukrainian Health Organization, in the framework of which the Blood Donor Day was held. The initiative involved 77 employees of Prominvestbank, who donated 29 liters of blood.

Throughout 2011, the employees of Prominvestbank supported the Kyiv City House of Child (Beryozka). Furthermore, the bank arranged collecting money for an orphan student's recovering from a serious injury, which helped put her in care during the rehabilitation and sanatorium therapy.

Voluntary activities are also gaining more popularity among the employees of SME Bank, who, on a regular basis, collect funds to help children, buy them toys, child clothes, medical goods.

4.2

Environmental Initiatives

The activities of Vnesheconombank and the Group entities do not seem to have a significant direct impact on the environment. However, the consolidated indicators of Vnesheconombank Group demonstrated that the objective of each particular entity, irrespective of the nature of its core business, is to mitigate the so-called ecological footprint. For instance, due to the measures taken in 2011, Vnesheconombank Group as a whole managed to reduce paper consumption by 32.34 tonnes, an equivalent of 549 trees.

Consumption of Resources

Resource consumption is metered in two office buildings owned by Vnesheconombank located at:

■ Prospect Akademika Sakharova, d. 9 (occupying a total of 33,437.5 square meters);

■ Ul. Serpukhovsky Val, d. 8 (occupying a total of 1,335.7 square meters).

The actual consumption of electricity, heat and water in leased premises is not metered. The cost of consumed resources is included in the rent or paid as a fixed amount of reimbursement for operating expenses.

The reporting year saw electricity consumption growth by 7.8%, deriving from the actual commissioning (after renovation) of new premises in the Vnesheconombank building located at: Prospect Akademika Sakharova, d. 9, namely: the number of automated workplaces increased; additionally installed power equipment was brought into commercial operation, specifically for organizing the operation of food service areas at Vnesheconombank.

Heat consumption remained virtually the same as in 2010. For the purposes of reducing heat losses, in 2011, a part of roof covering of Vnesheconombank's main building (Prospect Akademika Sakharova, d. 9) underwent ma-

CONSUMPTION OF RESOURCES BY VNESHECONOMBANK

Electricity Consumption, GJ



Heat Consumption, GJ



Cold Water Consumption, Cubic Meters



for repairs: the heat insulation layer of the roof covering "pie" structure was made thicker using the state-of-the-art insulation material, resulting in a much lower heat conductivity factor.

In 2011, owing to reasonable organization of the operation of water consuming systems, timely performance of the regular overhaul and maintenance of equipment and engineering systems, Vnesheconombank achieved significant reduction of cold water consumption (by 16%).

Paper Consumption

Vnesheconombank procures paper products from the companies pursuing responsible environmental and social policy. The paper used by Vnesheconombank is manufactured in accordance with the advanced environmental requirements and certified as compliant with the international standards, including Nordic Swan, EU Flower, PEFC, FCS.

Paper Consumption by Vnesheconombank in 2010 and 2011 (Tonnes)



Vnesheconombank seeks to reduce paper consumption using double-sided printing in preparing documents and implementing electronic workflows (as of the end of 2011, more than 1,400 employees (75% of the total number of employees) were connected to the automated record keeping system).

Despite the measures taken, in 2011, Vnesheconombank reported significant growth of paper consumption primarily due to higher volumes of information and representation printing materials. Furthermore, the aggregate volume of Vnesheconombank's business correspondence increased by 7% year-on-year.

Waste Disposal

Vnesheconombank's waste, with the exception of mercury lamps and fluorescent mercury-containing tubes of high (first) hazard class, do not pose any environmental threat.

Waste is disposed of by specialized entities holding appropriate licenses. Paper waste (documentation) is shredded, composted and delivered for recycling.

In 2011, no fines were imposed on Vnesheconombank for breaching EMP laws.

Pollutant Emissions Metering and Reduction Activities

Vnesheconombank has in place only mobile sources of pollutant emissions, namely: transport. 2011 witnessed the growth of total distance traveled by transport and

CONSUMPTION OF RESOURCES BY VNESHECONOMBANK GROUP*

Vnesheconombank Group as a whole saw the growth of electricity consumption, minor changes in the heat consumption data and lower cold water consumption.

For the purpose of reducing resource consumption, the subsidiaries of Vnesheconombank take the following action:

- replace ordinary incandescent filament lamps with energy-saving lamps;
- install heat controllers on heating batteries;
- replace wooden window frames with plastic insulated glass units;
- thermal renovation of outdoor building envelopes (restoration of the thermal characteristics of building envelopes);
- sound use of the balanced ventilation system;
- reduction of heat supply to idle premises;
- timely repair of plumbing fixtures.

However, the above-listed measures are implemented in a comprehensive manner only by Belvnesheconombank and regulated annually by the approved Energy Conservation Programme, encompassing the activities aimed at replacing outdated equipment with energy-efficient equipment. Other entities of the Group, as of January 1, 2012, address issues such as the reduction of resource consumption and negative environmental impact on a routine basis.

Electricity Consumption by Vnesheconombank Group, GJ



Heat Consumption by Vnesheconombank Group, GJ



Total Cold Water Consumption by Vnesheconombank Group, Cubic Meters



* The consolidated data about resource consumption exclude the indicators of VEB Capital, Svyaz-Bank, RDIF and EXIAR, which occupy leased premises and do not keep the relevant records. The indicators of VEB-Leasing and NCDC refer to 2011 only. The indicators of VEB Engineering and FCPF include only electricity consumption. Furthermore, VEB Engineering metered electricity consumption in the period from June 2010 to October 2011. In 2010 and 2011, Roseximbank did not meter heat and water consumption in its second office building at: Pokrovsky bulvar, d.4/17, str. 1, since the price of the above-mentioned services is part of rent.

The Group subsidiaries take action to ensure sound paper consumption.

The principal measures are as follows: transition to electronic workflows, reduction of hardcopy materials in the interaction among the Bank's divisions, use of drafts for printing documents for internal use.

The most significant reduction of paper consumption (by 41.9 tonnes) was achieved by Belvnesheconombank due to the transition of divisions to a common balance sheet and the paper consumption rationalization.

In 2011, Vnesheconombank Group reduced paper consumption by a total of 32.34 tonnes.

Total Paper Consumption by Vnesheconombank Group (Tonnes)**



** The consolidated paper consumption data exclude the indicators of RDIF, FCPF and EXIAR. NCDC data refer to 2011 only.

AGGREGATE VOLUME OF SOLID, PAPER AND MERCURY-CONTAINING WASTE OF VNESHECONOMBANK BETWEEN 2009 AND 2011

Indicator	2009	2010	2011
■ Solid waste, tonnes	486.7	453.9	587.7
■ Paper waste (documentation), tonnes	27.7	22.8	29.9
■ Mercury-containing waste (fluorescent lamps), pieces	2,550	2,650	2,804

fuel consumption, deriving from an increase in the number of the Bank's vehicles by 11%. Correspondingly, CO₂ emissions grew by 66.93 tonnes.

Moreover, in 2011, optimized transportation management, including the reduction of distance traveled given the maximum traffic artery load, allowed for reducing the average fuel consumption re-calculated per 1 automobile from 4.4 to 4.1 thousand liters.

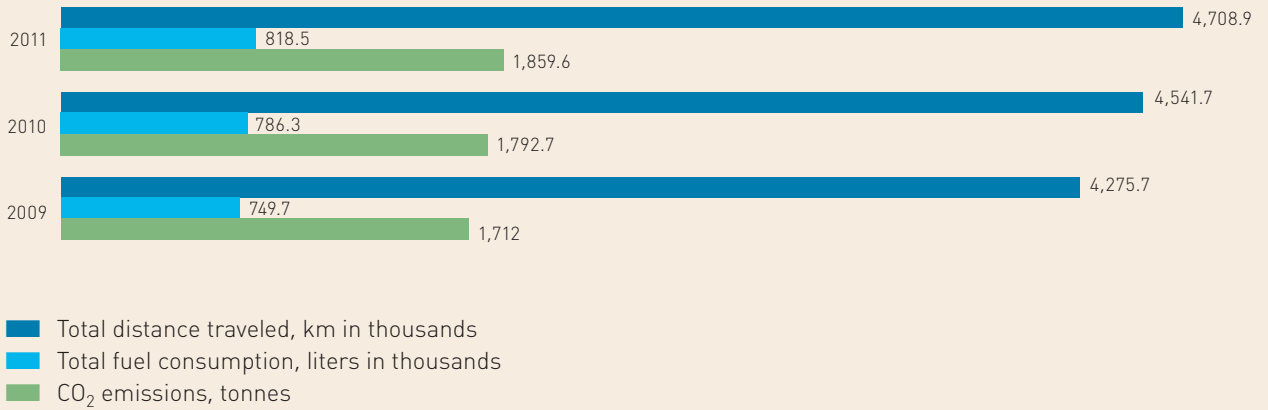
In 2011, the obsolete car fleet replacement was accompanied by the purchase of transport complying at least with the Euro 4 environmental standard. The percentage of such motor vehicles increased by 11%. In addition, Vnesheconombank purchases fuel complying with environmental standards such as Euro 4, GOST and technical specifications for this type of petroleum products, which is supported by the quality certificates issued by manufacturing plants available from retail stations.

For the purposes of reducing fuel consumption, Vnesheconombank, as mid-term action, plans to get rid of (on a step-by-step basis) the transport complying with the environmental standard below Euro 4 and higher fuel consumption and to purchase transport with lower per-unit fuel consumption and complying at least with the Euro 4 environmental standard. It is also planned to cut down fuel consumption by optimizing the routes of Vnesheconombank's motor vehicles and the duration of parking with a working engine.

The CSR Strategy of Vnesheconombank defines the following principal measures aimed at mitigating the environmental impact of Vnesheconombank's administrative and business activities:

- development and implementation of the Bank's corporate environmental policies;
- informing regularly the employees of Vnesheconombank of the necessity of compliance with the corporate environmental policies in managing the impact of the Bank's activities.

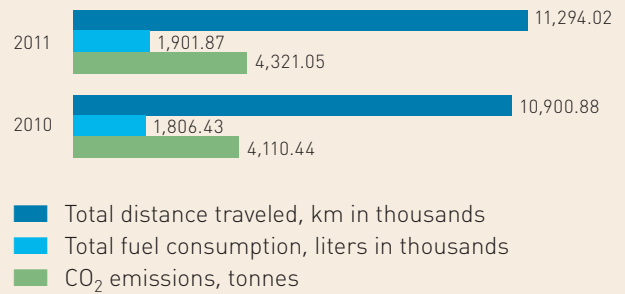
Total Distance Traveled, Fuel Consumption and CO₂ Emissions by Vnesheconombank's Motor Vehicles Between 2009 and 2011



In 2011, Vnesheconombank Group as a whole witnessed minor growth of the total distance traveled by the corporate motor vehicles, fuel consumption and CO₂ emissions. However, a number of the Group entities saw positive changes achieved due to optimizing general and administrative expenses (VEB Capital), purchasing and operating more cost-effective automobiles (ROSEXIMBANK).

Furthermore, Prominvestbank got rid of 188 automobiles failing to meet advanced environmental requirements; NCDC streamlined the schedules of business trips and introduced fuel consumption standards for each automobile.

Total Distance Traveled, Fuel Consumption and CO₂ Emissions by Vnesheconombank's Motor Vehicles in 2010 and 2011*



* The consolidated data about distance traveled, fuel consumption and CO₂ emissions exclude the indicators of RDIF and EXIAR, established in 2011, and the indicators of NCDC for 2011.

About the Report

This Sustainability Report of Vnesheconombank (hereinafter the "Report") is the third non-financial report of the Bank. The Report covers the principal events and performance of VEB Group in the field of CSR in 2011 as well as formulates the priority areas of CSR development for the period up to 2015. The Report is intended for a wide range of stakeholders.

Principal Topics of the Report

The Report was prepared in accordance with the Regulations on the Social (Non-financial) Reporting of Vnesheconombank, the Global Reporting Initiative Guidelines (GRI Guidelines, version 3.0) and GRI Financial Services Sector Supplement. Vnesheconombank self-declares a B+ GRI Application Level. In developing the procedures for communicating with its stakeholders as part of the Report preparation, Vnesheconombank relied on the requirements of the international standard AA1000SES (AccountAbility Institute). The Report also reflects the approaches of Vnesheconombank to achieving the principles of the UN Global Compact in areas such as human rights, labor, environment and anti-corruption.

The Report is prepared for the purposes of:

- informing stakeholders of Vnesheconombank's contribution to economic, environmental and social components of sustainable development;
- developing the system of communication with the stakeholders in implementing the CSR top priorities for Vnesheconombank;
- improving Vnesheconombank's approaches to managing impacts on the economic, environmental and social components of sustainable development.

Since in 2011 Vnesheconombank adopted the CSR Strategy for the Period from 2012 to 2015, the principal topics of the Report are the shaping of Vnesheconombank's strategic approach to managing its CSR activities and the implementation of the priority areas of CSR specified in the strategy, including the management of social and environmental impacts of the investing activities, the shaping of professional environment, the promotion of CSR principles in the business community, responsible labor and business practices, the management of corporate environmental impacts, charity and volunteering. In addition, the Report also includes the information about trust management of the pension savings of individuals as communication with the stakeholders revealed the importance of the issue.

In accordance with the Regulations on the Social (Non-financial) Reporting Vnesheconombank publishes non-financial reports on an annual basis. The previous report of the Bank for 2010 was approved by Vnesheconombank's Management Board on October 24, 2011, and Vnesheconombank's Supervisory Board on November 18, 2011.

Scope

The Report covers most topics concerning Vnesheconombank's and the Group entities' contribution to sustainability. The Report excludes information concerning Vnesheconombank's and the Group entities' financial performance and a number of issues related to the fulfillment of functional roles by Vnesheconombank and the Group entities unrelated to sustainable development. This information is available from the annual reports of Vnesheconombank and the Group entities for 2011 and the corporate websites of Vnesheconombank (www.veb.ru) and the Group entities.

Reference to other sources of information is given in the text of the Report and the Table of Report Compliance with GRI Guidelines on pages 126–138.

The information provided in the Report reflects the activities of Vnesheconombank and the Group entities in the calendar year 2011. Furthermore, the Report includes an overview of the most significant events related to

the post-reporting-period activities of Vnesheconombank and the Group entities in the field of sustainable development.

The Report excludes information on GRI indicators such as EN3, EN6, EN8-EN15, EN19, EN23-EN25, EN27, as non-applicable to the activities of Vnesheconombank and the Group entities due to the scope of their core business. Indicators such as PR1-PR3 are not applicable either since the lending and financial services of Vnesheconombank and the Group entities do not affect the health and safety of customers. PR4 is not applicable since Vnesheconombank and the Group entities do not manufacture any products and do not render any services subject to marking.

Comments on and supplements to other indicators as well as the methods used to measure data and calculations are provided in the Table of Report Compliance with GRI Guidelines.

Reporting Principles

In preparing the Report, Vnesheconombank relied on the principles set forth in the Regulations on the Social (Non-financial) Reporting of Vnesheconombank and based upon the principles of determining the report's content and quality set forth in the GRI Guidelines (see the Chart on page 115).

Reporting Boundaries

For the purposes of more complete disclosure of information about the CSR activities of VEB Group and promotion of the CSR principles among the subsidiaries, Vnesheconombank performs systemic work aimed at expanding the boundaries of non-financial reporting. For instance, the boundaries of Vnesheconombank's second Sustainability Report 2010 were broadened by adding information on four subsidiary banks (OJSC SME Bank, CJSC ROSEXIMBANK, OJSC SVYAZ-BANK, CJSC GLOBEXBANK). This Report contains information about all subsidiaries of VEB Group according to data as of January 1, 2012.

Principle	Use of the Principle in the Report Preparation
Materiality and completeness of the information provided	<p>The report records the most significant CSR events and performance of Vnesheconombank in the reporting period as well as information about VEB Group entities.</p> <p>The topics and indicators to be included in the Report were identified by analyzing and considering:</p> <ul style="list-style-type: none"> ■ the issues raised by the stakeholders as part of interaction in the principal areas of Vnesheconombank’s activities; ■ results of surveys conducted among the employees of Vnesheconombank, the interviews with managers of independent structural divisions and surveys conducted among members of the Working Group on CSR and non-financial reporting of Vnesheconombank; ■ media space analysis; ■ national documents of strategic importance, including the Concept of Long-term Social and Economic Development of the Russian Federation Until 2020, the Strategy of the Banking Sector Development for the Period Until 2015; ■ non-financial reports of foreign development banks
Sustainability context	The Report includes information about the effects of Vnesheconombank’s activities on the economic, environmental and social components of sustainable development.
Responding to the needs of the stakeholders	During the Report preparation, consideration was given to the comments received from stakeholders in the course of public hearings on Vnesheconombank’s Sustainability Report 2010.
Balance	The Report records the events of the reporting period irrespective of their positive or negative nature.
Credibility	The credibility of the information provided in the Report was ensured by Vnesheconombank’s existing system of information recording, systematization and analysis. The report underwent the external and internal assurance procedures.
Clarity	The Report does not use any specialized professional terminology or any details the understanding of which requires special knowledge. For the illustration of information, the Report uses tables, charts and diagrams.

As VEB Group does not have any legal status and is neither a banking nor a financial group, the responsibility of Vnesheconombank for the activities of its subsidiaries is limited and does not cover their daily operations. Given this circumstance, the GRI indicators which reflect the overall situation within the Group and allow for assessment of the CSR approaches used by the subsidiaries are disclosed for the entire VEB Group.

Process of Report Preparation

While preparing the Report, Vnesheconombank relied on the international and domestic best practices of

non-financial reporting as well as the experience of Vnesheconombank in preparing the two previous non-financial reports.

In 2011, Vnesheconombank first held public hearings to discuss the Bank’s Sustainability Report 2010. The hearings were attended by more than 25 representatives of the Bank’s stakeholders, including members of the expert community and other general public. In general, Vnesheconombank’s Report 2010 was assessed positively. In particular, the participants in the hearings noted that the reported information more completely discloses the CSR activities of Vnesheconombank as compared with the previous period. Simultaneously, the participants provided a number of recommendations con-

AMENDMENTS MADE AS RECOMMENDED BY INDEPENDENT EXPERT ORGANIZATIONS

While preparing the Report, Vnesheconombank considered the recommendations of the Swiss consultancy Schwery Consulting (a certified GRI training partner in the Central and Eastern Europe) and Ernst & Young (CIS) B.V., resulting from an independent audit of Vnesheconombank's report 2010:

- the boundaries of the Report were expanded by adding information on 9 subsidiaries of the Bank Group not included earlier in the scope of consolidation of the Bank's non-financial reporting;
- the Report contains information about the achievement of Vnesheconombank's CSR targets for 2011 recorded in the report for the previous period as well as the CSR targets to be delivered by 2015;
- the Report contents were clarified using dialogue-based forms of communication with the stakeholders;
- the Report was amended by adding information about the social effects of Vnesheconombank's investment projects, support for SMEs rendered by VEB Group entities, charity expenses.

cerning the report design and scope, the process of its preparation, structure and contents. Most recommendations received by Vnesheconombank during public hearings were taken into account in the Report preparation.

As part of preparing the Report, Vnesheconombank organized a workshop on the "Promotion of CSR Principles within VEB Group: Preparation of Sustainability Report 2011". The workshop was attended by 15 representatives of VEB Group entities, who were familiarized with the fundamentals of CSR and non-financial reporting and given explanations about the organization of the data collection process for the Report preparation purposes.

The Report was audited by Ernst & Young (CIS) B.V., an independent auditing firm. See the Independent Assurance Report on pages 140–142.

The qualitative and quantitative information provided in the Report was audited by the Internal Control System of Vnesheconombank.

The Report obtained the required public assurance by the RSPP Council on Non-financial Reporting.

The Report was approved by Vnesheconombank's Management Board on November 15, 2012 and by Vnesheconombank's Supervisory Board on December 17, 2012.



Appendices

Appendix 1. Charity within VEB Group Entities

Instituion	Healthcare and Social Support for Individuals, Child Aid	Sport of Records	Science, Education, Arts and Culture	Other	Total
■ Belvnesheconombank	304,200.00	1,029,600.00	222,261.00	0.00	1,556,061.00
■ GLOBEXBANK	2,266,000.00	0.00	13,425,210.00	0.00	15,691,210.00
■ SVYAZ-BANK	982,000.00	740,000.00	499,000.00	0.00	2,221,000.000
■ SME Bank	590,038.00	0.00	1,850,000.00	71,100.00	2,511,138.00
■ Prominvestbank	41,439,701.35	0.00	10,071,829.75	360,495.00	51,872,026.10
■ ROSEXIMBANK	0.00	0.00	1,309,648.00	0.00	1,309,648.00
■ Total	45,581,939.35	1,769,600.00	27,377,948.75	431,595.00	75,161,083.10

Appendix 2. Breakdown of VEB Group Personnel by Age and Gender as of January 1, 2012

Instituion	30 Years or under	31 to 50 Years	51 Years or above	Male	Female	Total
■ Belvnesheconombank	617	1,315	375	698	1,609	2,307
■ VEB Engineering	11	16	8	26	9	35
■ VEB Capital	16	40	19	43	32	75
■ VEB-Leasing	418	187	36	336	305	641
■ GLOBEXBANK	418	772	163	419	934	1,353
■ North Caucasus Development Corporation	18	21	1	25	15	40
■ SME Bank	98	210	58	166	200	366
■ Prominvestbank	1,432	3,211	1,230	1,997	3,876	5,873

Appendix 2 (continued)

Instituion	30 Years or under	31 to 50 Years	51 Years or above	Male	Female	Total
■ ROSEXIMBANK	23	67	59	55	94	149
■ RDIF	19	27	3	31	18	49
■ SVYAZ-BANK	1,534	1,628	349	1,003	2,508	3,511
■ The Far East and Baikal Region Development Fund	0	4	2	4	2	6
■ FCPF	3	20	10	16	17	33
■ EXIAR	15	31	5	35	16	51
■ Vnesheconombank	330	1,077	456	882	981	1,863
■ Total	4,952	8,626	2,774	5,736	10,616	16,352

Appendix 3. Electricity Consumption by VEB Group Entities in 2010 and 2011 (GJ)

Institution	2010	2011	Changes
■ Belvnesheconombank	5,565.00	6,038.00	473.00
■ VEB Engineering	108.59	144.22	35.63
■ VEB Capital	N/A	N/A	N/A
■ VEB-Leasing	N/A	1,091.03	N/A
■ GLOBEXBANK	3,447.62	3,868.45	420.83
■ North Caucasus Development Corporation	N/A	124.98	N/A
■ SME Bank	2,163.50	2,054.81	-108.69
■ Prominvestbank	16,268.91	19,133.98	2,865.07

Appendix 3 (continued)

Institution	2010	2011	Changes
■ ROSEXIMBANK	1,160.30	1,168.90	8.60
■ SVYAZ-BANK	N/A	N/A	N/A
■ RDIF	N/A	N/A	NA/
■ FCPF	337.10	286.11	-51.00
■ EXIAR	N/A	N/A	N/A
■ Vnesheconombank	29,274.0	31,765.6	2,491.6
■ Total	58,325.02	65,676.08	6,135.04

Appendix 4. Heat Consumption by VEB Group Entities in 2010 and 2011 (GJ)

Institution	2010	2011	Changes
■ Belvnesheconombank	451.00	397.66	-53.34
■ VEB Engineering	N/A	N/A	N/A
■ VEB Capital	N/A	N/A	N/A
■ VEB-Leasing	N/A	2,850.21	N/A
■ GLOBEXBANK	6,950.10	6,976.30	26.20
■ North Caucasus Development Corporation	N/A	N/A	N/A
■ SME Bank	1,190.30	945.38	-244.92
■ Prominvestbank	18,752.28	19,031.28	279
■ ROSEXIMBANK	1,821.30	1,520.00	-301.30
■ SVYAZ-BANK	N/A	N/A	N/A

Appendix 4 (continued)

Institution	2010	2011	Changes
■ RDIF	N/A	N/A	N/A
■ FCPF	N/A	N/A	N/A
■ EXIAR	N/A	N/A	N/A
■ Vnesheconombank	22,139.0	22,032.6	-106.4
■ Total	51,303.98	53,753.43	-400.76

Appendix 5. Cold Water Consumption by VEB Group Entities in 2010 and 2011 (Cubic Meters)

Institution	2010	2011	Changes
■ Belvnesheconombank	18,893.00	17,189.00	-1,704.00
■ VEB Engineering	N/A	N/A	N/A
■ VEB Capital	N/A	N/A	N/A
■ VEB-Leasing	N/A	1,785.97	N/A
■ GLOBEXBANK	6,659.00	6,601.80	-57.20
■ North Caucasus Development Corporation	N/A	N/A	N/A
■ SME Bank	1,813.00	1,775.00	-38.00
■ Prominvestbank	41,055.00	36,893.00	-4,162.00
■ ROSEXIMBANK	2,008.00	2,058.00	50.00
■ SVYAZ-BANK	N/A	N/A	N/A
■ RDIF	N/A	N/A	N/A
■ FCPF	N/A	N/A	N/A

Appendix 5 (continued)

Institution	2010	2011	Changes
■ EXIAR	N/A	N/A	N/A
■ Vnesheconombank	20,741.8	17,386.9	-3,354.9
■ Total	91,169.8	83,689.67	-9,266.1

Appendix 6. Paper Consumption by VEB Group Entities (Tonnes)

Instituion	2010	2011	Changes
■ Belvnesheconombank	187.20	145.30	-41.90
■ VEB Engineering	0.75	0.83	0.08
■ VEB Capital	4.49	2.67	-1.82
■ VEB-Leasing	6.46	13.57	7.11
■ GLOBEXBANK	28.73	30.50	1.77
■ North Caucasus Development Corporation	N/A	0.82	N/A
■ SME Bank	13.77	14.40	0.63
■ Prominvestbank	47.03	43.40	-3.63
■ ROSEXIMBANK	5.62	5.57	-0.05
■ SVYAZ-BANK	N/A	N/A	N/A
■ RDIF	47.53	45.00	-2.53
■ FCPF	N/A	N/A	N/A
■ EXIAR	N/A	N/A	N/A
■ Vnesheconombank	77.7	85.7	8
■ Total	419.28	387.75	-32.34

Appendix 7. Total Distance Traveled by Transport (Km, Thousand)

Instituion	2010	2011	Changes
■ Belvnesheconombank	2,012.00	2,030.50	18.50
■ VEB Engineering	34.41	64.37	29.96
■ VEB Capital	284.80	233.72	-51.07
■ VEB-Leasing	231.69	251.10	19.41
■ GLOBEXBANK	689.77	675.75	-14.02
■ North Caucasus Development Corporation	N/A	105.40	N/A
■ SME Bank	293.10	322.40	29.30
■ Prominvestbank	1,320.05	1,230.64	-89.41
■ ROSEXIMBANK	210.3	245.5	35.20
■ SVYAZ-BANK	N/A	N/A	N/A
■ RDIF	1,259.5	1,391.9	132.40
■ FCPF	23.56	33.84	10.28
■ EXIAR	N/A	N/A	N/A
■ Vnesheconombank	4,541.7	4,708.9	167.2
■ Total	10,900.88	11,294.02	287.75

Appendix 8. Total Fuel Consumption (Liters, Thousand)

Institution	2010	2011	Changes
■ Belvnesheconombank	245.60	247.90	2.30
■ VEB Engineering	6.25	12.16	5.91
■ VEB Capital	50.05	47.35	-2.70
■ VEB-Leasing	53.32	54.32	1.00
■ GLOBEXBANK	118.04	116.51	-1.53
■ North Caucasus Development Corporation	N/A	19.20	N/A
■ SME Bank	60.50	68.20	7.70
■ Prominvestbank	174.25	190.41	16.16
■ ROSEXIMBANK	47.6	47.2	-0.40
■ SVYAZ-BANK	N/A	N/A	N/A
■ RDIF	263.6	274.7	11.10
■ FCPF	0.92	5.42	4.50
■ EXIAR	N/A	N/A	N/A
■ Vnesheconombank	786.3	818.5	32.2
■ Total	1,806.43	1,901.87	76.24

Appendix 9. CO₂ Emissions (Tonnes per Year)

Institution	2010	2011	Changes
■ Belvnesheconombank	558.00	563.23	5.23
■ VEB Engineering	14.20	27.63	13.43
■ VEB Capital	113.71	107.58	-6.13
■ VEB-Leasing	121.14	123.42	2.27
■ GLOBEXBANK	268.19	264.71	-3.48
■ North Caucasus Development Corporation	N/A	43.62	N/A
■ SME Bank	137.46	154.95	17.49
■ Prominvestbank	395.9	432.61	36.71
■ ROSEXIMBANK	108.15	107.24	-0.91
■ SVYAZ-BANK	N/A	N/A	N/A
■ RDIF	598.90	624.12	25.22
■ FCPF	2.09	12.31	10.22
■ EXIAR	N/A	N/A	N/A
■ Vnesheconombank	1,792.70	1,859.63	66.93
■ Total	4,110.44	4,321.05	166.98

Table of Compliance with GRI Guidelines

Disclosure/GRI Performance Indicator	Section of the Report/Comments and Additional Information/References to Other Sources
1.1	Statement from the most senior decision-maker of the reporting organization about the relevance of sustainability for the organization P. 4-7
1.2	Description of key impacts, risks, and opportunities P. 12-14, 15-18 <i>See also Vnesheconombank's Development Strategy for the Period from 2011 to 2015:</i> http://www.veb.ru/common/upload/files/veb/veb_strat15.pdf , <i>Quarterly Report of Vnesheconombank for Q4 2011 at:</i> http://www.veb.ru/common/upload/files/veb/ejo/2011_4_rep.pdf
2.1	Name of the organization P. 140
2.2	Primary brands, types of products and/or services P. 8-10, 13-14 <i>See also Vnesheconombank's Annual Report 2011 at:</i> http://www.veb.ru/common/upload/files/veb/reports/annual/VEB_Annual_2011f_e.pdf
2.3	Operational structure of the organization P. 8-10
2.4	Location of the organization's headquarters P. 140

Disclosure/GRI Performance Indicator	Section of the Report/Comments and Additional Information/References to Other Sources	
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	P. 8–10
2.6	Nature of ownership and legal form	P. 140
2.7	Markets served	P. 8–10, 21–23 <i>See also Vnesheconombank's Annual Report 2011 at: http://www.veb.ru/common/upload/files/veb/reports/annual/VEB_Annual_2011f_e.pdf</i>
2.8	Scale of the reporting organization	P. 8–10, 13–14, 21–23, 27–55, 59–69, 72–76, 92–94
2.9	Significant changes during the reporting period regarding size, structure, or ownership	P. 8–10, 28–29, 37, 47–48, 72
2.10	Awards received in the reporting period	<i>Long-term ratings assigned to Vnesheconombank by leading rating agencies (Fitch Ratings, Standard&Poor's, Moody's) are at par with the national credit ratings of the Russian Federation. See also Vnesheconombank's Annual Report 2011 at: http://www.veb.ru/common/upload/files/veb/reports/annual/VEB_Annual_2011f_e.pdf</i>
3.1	Reporting period for information provided	P. 114
3.2	Date of most recent previous report	P. 113–114
3.3	Reporting cycle	P. 113–114
3.4	Contact point for questions regarding the report or its contents	P. 140
3.5	Process for defining the report content	P. 115–116
3.6	Boundary of the report	P. 114–115
3.7	Any specific limitations on the scope or boundary of the report	P. 114
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	P. 8–10, 114–116

Disclosure/GRI Performance Indicator	Section of the Report/Comments and Additional Information/References to Other Sources
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report P. 114
3.10	Explanations of the effect of any re-statements of information provided in earlier reports, and the reasons for such restatement P. 114 <i>The Sustainability Report 2010 contains a technical error in the description of paper consumption</i>
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report P. 114–116
3.12	Table identifying the location of the Standard Disclosures in the report P. 126–135
3.13	Policy and current practice with regard to seeking external assurance for the report P. 137–139
4.1	Governance structure of the organization, including the principal committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight P. 10–11
4.2	Indicate whether the Chair of the highest governance body is also an executive officer of the company P. 10–11
4.3	For organizations that have a unitary board, state the number of members of the highest governance body that are independent and/or non-executive members <i>Not applicable, since Vnesheconombank's corporate structure does not provide for a unitary board structure</i>
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body P. 10–11, 93, 96–97
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives and the organization's performance P. 12–13, 96–98
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided P. 10–11
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics P. 10–11 <i>High level of qualifications and expertise of the members of Vnesheconombank's Supervisory Board, including economic, environmental and social topics, is confirmed by many years of their effective civil service as Deputy Chairmen of the Government of the Russian Federation and federal ministers</i>

Disclosure/GRI Performance Indicator	Section of the Report/Comments and Additional Information/References to Other Sources
4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their practical implementation	P. 10–11, 13–14, 15–19
4.9 Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	P. 15–18, 19–20, 23–26 <i>Vnesheconombank submits reports to the Government of the Russian Federation and the Supervisory Board of Vnesheconombank in accordance with Article 7 of the Federal Law "On Bank for Development" and Article 11 of the Memorandum on Financial Policies of Vnesheconombank</i>
4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	<i>The list of details submitted by Vnesheconombank to the Government of the Russian Federation and the Supervisory Board of Vnesheconombank is specified in the Federal Law "On Bank for Development", the Memorandum on Financial Policies of Vnesheconombank and other regulations</i>
4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization	P. 23–26 <i>Vnesheconombank does not directly address the precautionary principle to its activities. Approach to the risk management is described in the Annual Report and the issuer's statements available from: www.veb.ru/en/</i>
4.12 Externally developed economic, environmental, and social charters, principles or other initiatives to which the organization subscribes or endorses	P. 15–18, 19–20, 23–26, 68–69, 72, 73
4.13 Memberships in associations (such as industry associations) and/or national/international advocacy organizations	P. 19–20, 63, 68–69, 72
4.14 List of stakeholder groups engaged by the organization	P. 15–18, 113–116 <i>The list of stakeholders did not undergo any major changes versus the previous reporting periods. See Vnesheconombank's Sustainability Report 2009 and 2010: http://www.veb.ru/en/about/kso/rsd/</i>
4.15 Basis for identification and selection of stakeholders with whom to engage	<i>See p. 123 of Vnesheconombank's Sustainability Report 2010 at: http://www.veb.ru/common/upload/files/veb/reports/rsd/rsd_10_eng.pdf</i>
4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	P. 15–18, 93, 96, 113–116 <i>See also Vnesheconombank's Sustainability Report 2010 at: http://www.veb.ru/common/upload/files/veb/reports/rsd/rsd_10_eng.pdf</i>

Disclosure/GRI Performance Indicator	Section of the Report/Comments and Additional Information/References to Other Sources
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting

P. 18-19, 93, 96, 113-114, 115-116

GRI FINANCIAL SERVICES SECTOR SUPPLEMENT

	Management Approach	P. 21-26
FS1	Policies with specific environmental and social components applied to business lines	P. 12-14, 15-20, 23-26, 77, 81-82
FS2	Procedures for assessing and screening environmental and social risks in business lines	P. 18-19, 23-26, 30-31, 38, 41-42
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	P. 19-20, 23-26
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	P. 18-20, 98-99
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	P. 18-20, 86-91
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	P. 8-10, 21-23, 27-28, 60-66 <i>See also Vnesheconombank's Annual Report 2011 at: http://www.veb.ru/common/upload/files/veb/reports/annual/VEB_Annual_2011f_e.pdf</i>
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	P. 28-35, 50-51, 54-55, 74-76, 90-91
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	P. 21-23, 40-44
FS13	Access points in low-populated or economically disadvantaged areas by type	P. 2-28, 60-62, 64-66, 87, 90
FS14	Initiatives to improve access to financial services for disadvantaged people	P. 87, 90, 91
FS16	Initiatives to enhance financial literacy by type of beneficiary	P. 49-51, 52-53, 56-58, 66-67, 68-69, 72

Disclosure/GRI Performance Indicator	Section of the Report/Comments and Additional Information/References to Other Sources
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ECONOMIC PERFORMANCE INDICATORS

	Management Approach	P. 12–18, 21–23, 27–35, 49–51, 54–55, 59–67, 74–77
EC3	Coverage of the organization's defined benefit plan obligations	P. 106
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	P. 96–98
EC8	Development and impact of infrastructure investments and services provided primarily of public benefit through commercial, in-kind, or pro bono engagement	P. 21–23, 27–35, 40–44, 50–51, 54–55, 73, 74–76, 90–91
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	P. 12–20, 21–23

ENVIRONMENTAL PERFORMANCE INDICATORS

	Management Approach	P. 15–19, 21–23, 108–112
EN1	Materials used by weight or volume	P. 109–110
EN2	Percentage of materials used that are recycled input materials	<i>Neither Vnesheconombank nor its subsidiaries use any materials classified as recycled or reused waste</i>
EN4	Indirect energy consumption by primary source	P. 108–110
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	P. 108–110
EN16	Total direct and indirect greenhouse gas emissions by weight	P. 109, 111–112 <i>The total volume of the Group's indirect emissions is 14,868.38 tonnes of CO₂ equivalent. Emissions are calculated using the method of Intergovernmental Panel on Climate Change: http://www.ipcc.ch/index.htm</i>
EN17	Other relevant indirect greenhouse gas emissions by weight	P. 109, 111–112
EN21	Total water discharge by quality and destination	P. 108–110 <i>The volume of discharge is equal to the volume of consumption</i>
EN22	Total weight of waste by type and disposal method	P. 109, 111

Disclosure/GRI Performance Indicator	Section of the Report/Comments and Additional Information/References to Other Sources
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation P. 108–112
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations P. 109, 111 <i>In the reporting year, no significant fines and non-monetary sanctions were imposed on Vnesheconombank for non-compliance with environmental laws and regulatory requirements. 2011 did not witness any court proceedings related to non-compliance with environmental laws</i>
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce P. 109, 111–112

LABOR PRACTICES PERFORMANCE INDICATORS

	Management Approach	P. 13–14, 15–19, 92–107
LA1	Total workforce by employment type, employment contract, and region	P. 93–95
LA2	Total number and rate of employee turnover by age group, gender, and region	P. 93–96
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	P. 96–98 <i>See also Vnesheconombank's Sustainability Report 2010 at: http://www.veb.ru/common/upload/files/veb/reports/rsd/rsd_10_eng.pdf</i>
LA4	Percentage of employees covered by collective bargaining agreements	P. 92
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	<i>The current version of the collective agreement does not provide for the definition of the minimum employees' notice period regarding significant operational changes. The employees are notified of significant operational changes in Vnesheconombank and its subsidiary banks in accordance with the Labor Code of the Russian Federation</i>
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region	P. 100–106
LA8	Education, training, counseling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases	P. 100–106

Disclosure/GRI Performance Indicator	Section of the Report/Comments and Additional Information/References to Other Sources
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LA9	Health and safety topics covered in formal agreements with trade unions	P. 92 <i>The current version of the collective agreement does not comprise the occupational health and safety issues</i>																																								
LA10	Average hours of training per annum per employee, by employee category	P. 98–100																																								
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	P. 98–100, 100–106																																								
LA12	Percentage of employees receiving regular performance and career development reviews	P. 98, 105																																								
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	P. 93–94 Breakdown of the Supervisory Board by Gender and Age as of January 1, 2012 <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>Age</th> <th>Aged 30 years or under</th> <th>Aged between 31 and 50 years</th> <th>Aged 51 or above</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Male</td> <td>0</td> <td>1</td> <td>7</td> <td>8</td> </tr> <tr> <td>Female</td> <td>0</td> <td>1</td> <td>0</td> <td>1</td> </tr> <tr> <td>Total</td> <td>0</td> <td>2</td> <td>7</td> <td>9</td> </tr> </tbody> </table> Breakdown of the Management Board by Gender and Age as of January 1, 2012 <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>Age</th> <th>Aged 30 years or under</th> <th>Aged between 31 and 50 years</th> <th>Aged 51 or above</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Male</td> <td>0</td> <td>3</td> <td>6</td> <td>9</td> </tr> <tr> <td>Female</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Total</td> <td>0</td> <td>3</td> <td>6</td> <td>9</td> </tr> </tbody> </table>	Age	Aged 30 years or under	Aged between 31 and 50 years	Aged 51 or above	Total	Male	0	1	7	8	Female	0	1	0	1	Total	0	2	7	9	Age	Aged 30 years or under	Aged between 31 and 50 years	Aged 51 or above	Total	Male	0	3	6	9	Female	0	0	0	0	Total	0	3	6	9
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Male	0	3	6	9																																						
Female	0	0	0	0																																						
Total	0	3	6	9																																						
LA14	Ratio of basic salary of men to women by employee category	P. 96–98																																								

HUMAN RIGHTS PERFORMANCE INDICATORS

	Management Approach	P. 92–93
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Disclosure/GRI Performance Indicator	Section of the Report/Comments and Additional Information/References to Other Sources
HR4	Total number of incidents of discrimination and actions taken <i>No incidents of gender, race, or nationality discrimination were revealed in the practices of Vnesheconombank</i>
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights <i>Neither Vnesheconombank nor its subsidiaries are involved in any activities in which the right to exercise freedom of association and collective bargaining may be at risk</i>
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor <i>Neither Vnesheconombank nor its subsidiaries are involved in any activities which may have significant risk for incidents of child labor</i>
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor <i>Neither Vnesheconombank nor its subsidiaries are involved in any activities which may have significant risk for incidents of forced or compulsory labor</i>
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken <i>Neither Vnesheconombank nor its subsidiaries are involved in any activities which may have significant risk for incidents of violations involving rights of indigenous people</i>

SOCIETY PERFORMANCE INDICATORS

	Management Approach P. 15-20, 23-26, 81-85, 86-87, 89
S03	Percentage of employees trained in organization's anti-corruption policies and procedures P. 82-84
S04	Actions taken in response to incidents of corruption <i>During 2011, there was no court litigation falling under the definitions of the Federal Law "On Combating Corruption" and related to opposing competition</i>
S05	Public policy positions and participation in public policy development and lobbying P. 10-11, 27-28, 36-37, 45-47, 50-51, 54, 59-60, 73, 82-84
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country <i>Given that the authorized capital of Vnesheconombank includes federal property (shares, real estate, asset contribution made by the Government), Vnesheconombank is an entity which is not entitled to support political parties in accordance with the Federal Law "On Political Parties"</i>
S07	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes <i>During 2011, there was no court litigation falling under the definitions of the Federal Law "On Combating Corruption" and related to opposing competition</i>
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations P. 40-44, 92-93 <i>In the reporting year, Vnesheconombank was not liable to any significant fines or non-monetary sanctions for non-compliance with laws and regulatory requirements</i>

Disclosure/GRI Performance Indicator

Section of the Report/Comments and Additional Information/References to Other Sources

PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS

	Management Approach	P. 18-20, 23-26, 52-53, 56-58, 86-91, 113-116
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	P. 86-89
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	<i>In 2011, there was no court litigation concerning either breaches of privacy of Vnesheconombank's clients or client data loss</i>
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	<i>In 2011, Vnesheconombank was not liable to any significant fines for non-compliance with the laws and regulatory requirements concerning the provision and use of products and services</i>



Progress Report on Observing the 10 Principles of UN Global Compact

In 2011, Vnesheconombank joined the United Nations Global Compact (UNGC), thus proving its intent to comply with and promote in the business community the ten principles of UNGC in areas such as human rights, labor, environment and anti-corruption. In accordance with the recommendations of UNGC the statement of progress is prepared based on the GRI Guidelines.

Principle of the UN Global Compact	GRI Performance Indicator
HUMAN RIGHTS	
1. Businesses should support and respect the protection of internationally proclaimed human rights	EC5, LA4, LA7, LA8, LA9, LA13, LA14, HR4, HR5, HR6, HR7, HR9, SO5, PR8
2. Businesses should make sure that they are not complicit in human rights abuses	HR4, HR5, HR6, HR7, HR9, SO5
LABOR	
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	LA4, LA5, HR5, SO5
4. Businesses should uphold the elimination of all forms of forced and compulsory labor	HR7, SO5
5. Businesses should uphold the effective abolition of child labor	HR6, SO5
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation	LA2, LA13, LA14, HR4, SO5
ENVIRONMENT	
7. Businesses should support a precautionary approach to environmental challenges	FS1,FS2, FS3, EN26, SO5
8. Businesses should undertake initiatives to promote greater environmental responsibility	FS1, FS2, FS3, EN1, EN2, EN4, EN7,EN16,EN17,EN21, EN22, EN26, EN28, EN29, SO5
9. Businesses should encourage the development and diffusion of environmentally friendly technologies	FS1, FS2, FS3, EN2, EN7, EN26, SO5
ANTI-CORRUPTION	
10. Businesses should work against corruption in all forms, including extortion and bribery	SO3, SO4, SO5, SO6

Independent Assurance Report

on the Sustainability Report 2011 of Vnesheconombank Group

To the Supervisory Board of State Corporation 'Bank for Development and Foreign Economic Affairs (Vnesheconombank)'

Engagement

At the request of State Corporation 'Bank for Development and Foreign Economic Affairs (Vnesheconombank)' (hereinafter 'the Bank') we have performed an assurance engagement. The subject matter of our engagement is the qualitative and quantitative information for 2011 disclosed in the Sustainability Report 2011 (hereinafter 'the Report') of the Bank and its subsidiaries (collectively 'the Group') except for the following matters:

- Data provided by third parties, and
- Any forward-looking statements on events or planned activities.

The objective of our engagement was to provide a limited level of assurance that the information in the Report is, in all material aspects, a reliable and sufficient representation of sustainability policies, activities, events and performance of the Group during 2011.

As defined in the International Framework for Assurance Engagements issued by International Federation of Accountants (hereinafter 'IFAC'), evidence-gathering procedures in order to obtain limited assurance are substantially less in scope than procedures to obtain reasonable assurance and consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Criteria

We have assessed the Report against the GRI Sustainability Reporting Framework (hereinafter 'the GRI Framework'), including version 3.0 of the Sustainability Reporting Guidelines (hereinafter 'the GRI G3.0 Guidelines') and reporting principles stated in Regulation on Social (Non-Financial) Reporting of the Bank as set out in section 'About the Report' on page 115 of the Report. We believe that these criteria are appropriate given the purpose of our assurance engagement.

Responsibility of the Bank's Management

The management of the Bank is responsible for the preparation of the Report and the information contained therein. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of a sustainability report that is free from material misstatements, selecting and applying appropriate reporting principles and using measurement methods and estimates that are reasonable in the circumstances. The choices made by the management, the scope of the Report and the reporting principles, including any inherent limitations that could affect the reliability of information, are set out in section 'About the Report' on pages 113-116 of the Report.

Our Responsibility

Our responsibility in performing this assurance engagement is to express conclusions with regard to the information in the Report.

We have performed our engagement in accordance with International Standard on Assurance Engagements 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by IFAC.

We have performed the procedures deemed necessary to provide a basis for our conclusions. Our principal procedures consisted of the following:

- Interviews with the employees and divisions' heads of the Group's organizations who are responsible for its sustainability policies, activities and relevant reporting,

- Analysis of internal regulatory documents related to the Group's sustainability policies, activities and relevant reporting,

- Benchmarking of the Report against sustainability reports of selected national and international development banks,

- Review of a selection of corporate and external publications with respect to the Group's sustainability policies, activities and events in the 2011,

- Identification of material issues based on the procedures described above and analysis of their reflection in the Report,

- Review of data samples regarding human resources, charity and environmentally and socially significant investment projects, as well as data collection processes to assess whether these data have been collected, prepared, collated and reported appropriately,

- Visits to offices of the Group's organizations in Moscow, Kyiv and Minsk in order to gather evidence supporting the assertions made in the Report on the Group's sustainability policies, activities, events and performance,

- Collection on a sample basis of evidence substantiating the qualitative and quantitative information included in the Report,

- Assessment of the Report's compliance with the sustainability reporting principles used by the Bank, and

- Assessment of compliance of information and data disclosures in the Report with the requirements of B+ Application level of the GRI G3.0 Guidelines.

Basis for Qualified Conclusions

Due to inconsistencies in information gathering processes of the Group's organizations as further explained in section 'About the Report' on pages 113-116 of the Report, information on employee headcount, turnover and training hours, and charity for certain subsidiaries is not provided for the prior period which does not comply with the comparability principle of the GRI G3.0 Guidelines.

Qualified Conclusions

Based on our work performed, except for the effect on the Report of the matter described in the Basis for Qualified Conclusions paragraph, nothing has come to our attention that causes us to believe that the information in the Report, in all material aspects, does not provide

reliable and sufficient representation of sustainability policies, activities, events and performance of the Group in accordance with the GRI Framework and reporting principles stated in Regulation on Social (Non-Financial) Reporting of the Bank.

Nothing has come to our attention that causes us to believe that the Report does not meet the requirements of B+ Application Level of the GRI G3.0 Guidelines.

Observations

This is the third year that Ernst & Young (CIS) B.V. has been engaged by the Bank to provide limited assurance on its sustainability report. Our observations and identified areas for improvement will be raised in a separate report to the management of the Bank. Selected observations are provided below. These observations do not affect our conclusions set out above.

Sustainability reporting boundaries: the Bank has significantly expanded its reporting boundaries as compared with the previous reporting period, and it has released its Report at the Group level. This approach is considered to be the best practice in the Russian financial services sector. We suggest that the Bank continue publishing key consolidated indicators at the Group level regardless of whether the Bank's subsidiaries produce their own sustainability reports.

Stakeholder engagement process: the Bank aims to improve its stakeholder engagement practices. For example, within the conference held in 2011 titled 'Investment in Sustainability: Role of Financial Sector' the Bank presented its 2010 sustainability report to participants of the event so it could consider their comments in planning for its 2011 Report. Nevertheless, the Bank has no stakeholder engagement techniques designed specifically to define the content of its sustainability reports. We suggest that the Bank formalize the stakeholder engagement process within the preparation of its sustainability reports, and use the output from such dialogue to address the information needs of key stakeholders.

Corporate social responsibility goals: the Bank has adopted a Corporate Social Responsibility strategy for 2012–2015 that contains goals for the key topics of its corporate social responsibilities. Consequently, the goals published in the 2011 Report are more specific and measurable compared to those of previous years. Nevertheless, they are not presented uniformly in the Report. We suggest that the Bank publish a corporate social responsibility scorecard and in future reports and present its progress against the goals set therein.

Ernst & Young (CIS) B.V.

Moscow

1 October 2012

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