



VNESHECONOMBANK

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

2009 Sustainability Report

As of 01.01.2010
Vnesheconombank
participated in

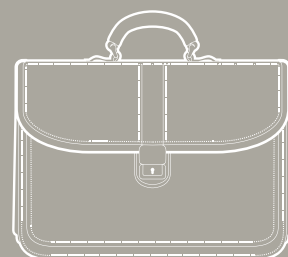
78

investment
projects

In 2009

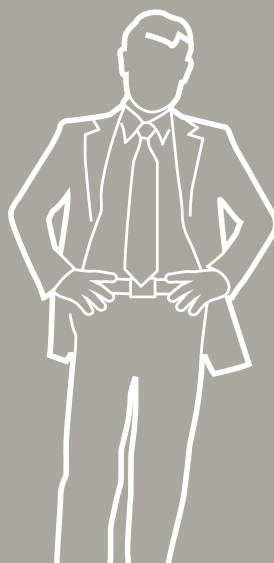
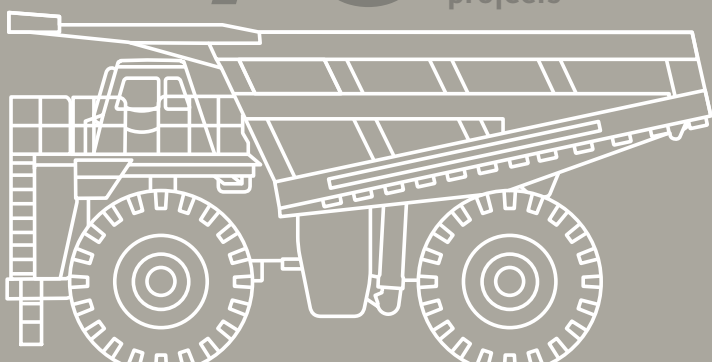
121

guarantees were
issued to support
Russian Exports



84%

the STMC share in the overall
amount of the pension savings
at the end of 2009







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CHAIRMAN'S ADDRESS



Dear Colleagues and Partners!

We present for your kind attention and consideration Vnesheconombank's first sustainability report for 2009. Admittedly, it is for the first time that such comprehensive and complete data on the Bank's achievements in the areas of economic profitability, social responsibility, environmental sustainability, on the Bank's overall management system and that of the Bank's various business units, as well as on business ethics and HR policies are published in a single document.

Why is it exactly now that we decided to publish the first report? Obviously, for the national and global economies the year 2009 proved to be a difficult period. The financial and economic crisis revealed weak points and vulnerabilities in Russia's economy, such as excessive dependence on commodity exports and low competitiveness of non-raw materials economy sectors. Globally, the crisis resulted in shrinking industrial production, growing unemployment, reduced household incomes, worsening quality of life and mounting social pressures.

The measures undertaken by the RF Government helped, within the shortest timeframes possible, rehabilitate the banking sector, optimize budget expenditure, provide significant support for small- and medium-sized enterprises (SMEs), further develop housing programs, healthcare and the labor market. A clear political course was set. The Bank, as a key state financial institution, perceived it as guidance for emergency action. Steering that course, Vnesheconombank was quick to provide aid packages to the banking sector, the stock market and the system-forming enterprises of the real economy.

Being fully aware of our responsibility towards the state, the people engaged in the production, the regions, where the production lines are located, and towards the country's economy as a whole, we carefully weigh the decisions that are key for many Russian companies and the Bank itself. Each project of the Bank requires much complicated work. It is the outcome of the efforts made by the line ministries, state bodies and agencies, regional administrations, state and commercial financial institutions, independent experts and professional auditors. Actually, the stakeholder engagement, an ability to stand up for its own interests in decision-making and continuous capturing and accumulating new knowledge secured performance success for the Bank.

Given an exceptional role the Bank plays in Russia and its significance in pursuit of the government economic policies, as well as recognizing the heightened public interest, we thought it would be wise to come up with the Bank's first sustainability report in this difficult period. Notably, it is the Bank for Development, whose activities are essentially of a non-commercial, socially oriented character that became the first state corporation to publish an independently assured sustainability report.

To spell out the Bank's stance on sustainability, we made the best use of the most credible sustainability reporting framework devised by Global Reporting Initiative (GRI). The process of the report preparation, in which all the Bank's divisions were engaged, helped us to reappraise the outcomes of the non-financial aspects of activities and realize the need for improved corporate governance and new efforts to enhance the legal framework. That will broaden the Bank's opportunities and enable it to more efficiently perform its functions.

What does the Bank stand for? The areas of its business endeavors include projects in practically all the key sectors of Russia's economy, which contribute to creating tens of thousands of jobs all over Russia and to growing revenues to the budgets of all levels. Priority areas for Bank's projects are trust management of pension savings of the RF citizens; healthcare and pharmaceuticals; energy saving technologies; Olympic facilities, whose construction secures the fulfillment of Russia's international commitments; laying solid groundworks for new high-tech manufacturing in the most important industries of economy; support for SMEs, whose potential is viewed by the Government as a driving force to improve the employment situation in the regions.

All activities of Vnesheconombank are aimed at creating preconditions for further socio-economic development of the Russian Federation, ensuring economic growth without damaging the environment and social welfare of the people.

I am absolutely sure that Vnesheconombank, having weathered the crisis storm, having embraced new powers and accelerated investment projects delivery, enhancing their scale, geographic and sectoral reach, has laid solid groundworks for the country's post-crisis development and its own work achievements in the future.

It is obvious that with the economic stabilization, time has come to focus on areas contributing to the economy modernisation, support for innovation and high-tech exports. That could help drive up the economic growth rates and serve as a strong leverage for Russia's competitiveness.

We acknowledge that, but for the staff job dedication, all the achievements so strategically meaningful for Russia would not be possible. Our team that comprises about 1,500 employees has successfully met tough challenges, demonstrated professionalism, showed an ability to adapt to new stringent realities and still managed to deliver efficiency gains. That all brought us together and now, we firmly believe, Vnesheconombank acts as a strong, professionally equipped and well-established team.

In 2009, the Bank marked the 85th anniversary of its establishment. Celebrating this jubilee, the Bank can boast of immense experience and expertise. Also, it is noted for a well-deserved reputation of a stable and credible lending institution and commands high respect in the international banking, political and economic communities. It is largely due to the Bank's efforts that the milestone changes in Russia, which allowed the country to start integrating into the global business community and enhance its international image, were made possible.

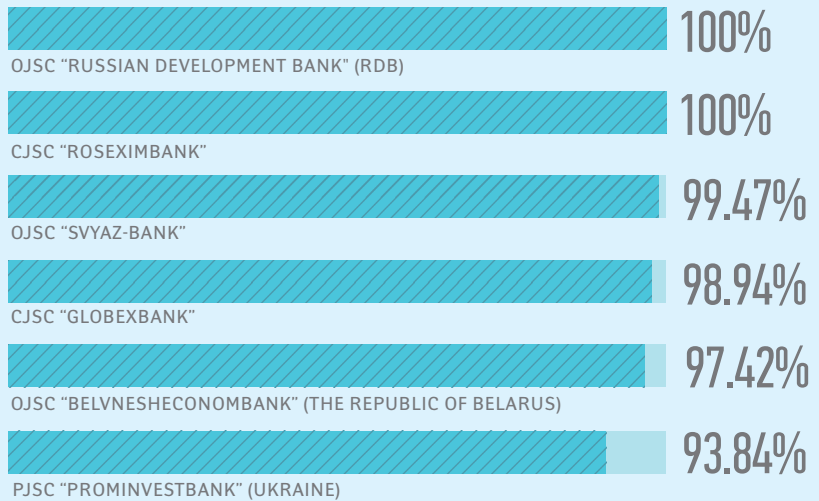
In the future, we would be aiming to regularly inform the Russian and foreign public of our accomplishments in the area of sustainability. I am fairly confident that the Bank's report will become a convenient, transparent and effective instrument to inform the colleagues and partners of the outcomes of the Bank's activities and our new accomplishments.

V. Dmitriev
Chairman of Vnesheconombank

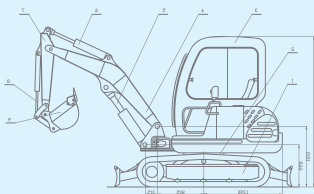
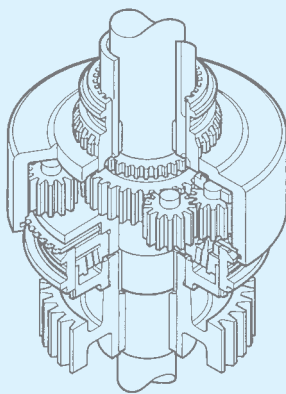


VNESHECONOMBANK'S PROFILE

VNESHECONOMBANK'S SUBSIDIARIES AS OF 01.01.2010



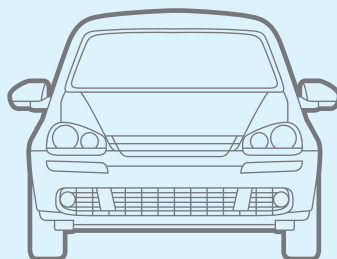
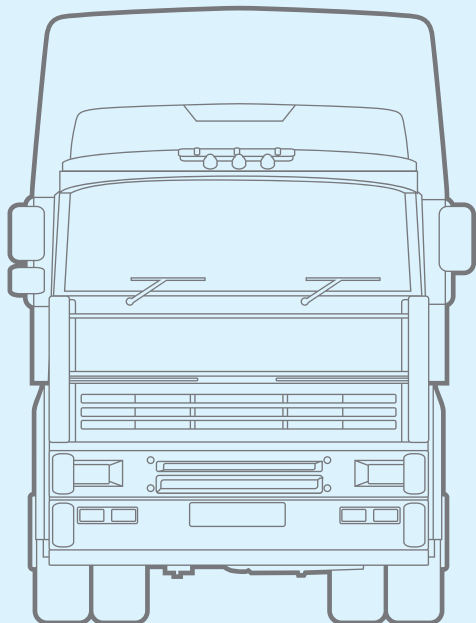
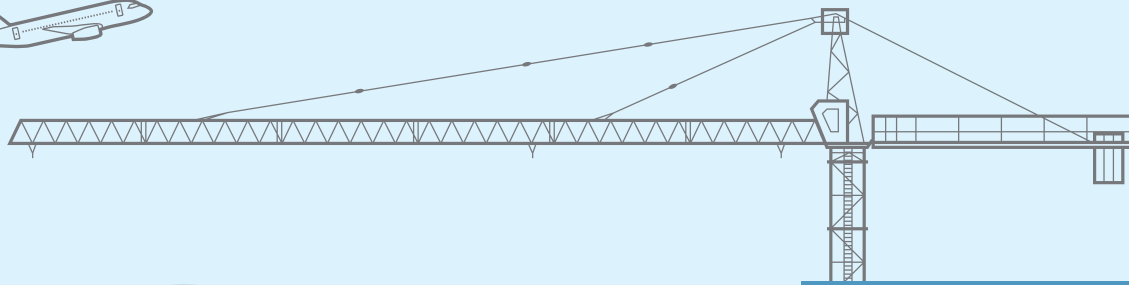
VNESHECONOMBANK'S MAJOR BUSINESS LINES IN 2009



ACTIVITIES IN LINE WITH THE TASKS AND GOALS OF A BANK FOR DEVELOPMENT

VNESHECONOMBANK'S INVESTMENT ACTIVITIES

- Implementation of investment projects designed to remove infrastructure constraints impeding economic growth, including development of energy and transport infrastructure, housing and public utilities infrastructure, as well as tourism
- Implementation of investment projects aimed at fostering innovations
- Participation in projects designed to enhance the efficiency of resource utilization, protect environment, improve ecological situation, as well as in projects aimed at boosting energy efficiency
- Participation in projects aimed at the development of small- and medium-sized enterprises by way of extending loans to credit institutions and legal entities, which provide support to small- and medium-sized businesses
- Support for exports of agricultural and industrial production and services with a view, among other things, to diversifying national exports



Vnesheconombank shall act to promote competitiveness of the Russian Federation economy, its diversification, and encourage investment activity

FINANCIAL ACTIVITIES

- Resource base enhancement
- Temporary idle funds (liquidity) management
- Risk management



ACTING IN CAPACITY OF AN AGENT FOR THE GOVERNMENT OF THE RUSSIAN FEDERATION AND OF A STATE TRUST MANAGEMENT COMPANY

- Managing sovereign foreign and internal debt
- Managing state financial assets
- Extending state guarantees
- Managing pension savings



PARTICIPATION IN THE FINANCIAL BAIL-OUT PROGRAM OF THE RF GOVERNMENT

- Refinancing foreign debt of Russian companies incurred prior to September 25, 2008
- Extending subordinated loans to Russian banks
- Support for stock market to ensure its stabilization and diversification



System of Corporate Governance

Vnesheconombank's system of corporate governance complies with its strategic imperatives and priorities, promotes vertical and horizontal integration of structural units' activities and secures the possibility for establishment, on a permanent basis, of effective control by the Supervisory Board, regulatory and supervisory authorities.



VNESHECONOMBANK'S GOVERNING BODIES AS OF 01.01.2010

SUPERVISORY BOARD

**CHAIRMAN OF THE SUPERVISORY BOARD —
CHAIRMAN OF THE GOVERNMENT OF THE RUSSIAN FEDERATION**
V.V. Putin

First Deputy Chairman
of the RF Government
V.A. Zubkov

Deputy Chairman
of the RF Government
S.B. Ivanov

Deputy Chairman of the
RF Government – Minister
of Finance of the Russian
Federation
A.L. Kudrin

Deputy Chairman
of the RF Government
D.N. Kozak

Minister of Economic
Development of the
Russian Federation
E.S. Nabiullina

Minister of Transport
of the Russian Federation
I.E. Levitin

Minister of Industry and Trade
of the Russian Federation
V.B. Khristenko

CHAIRMAN OF VNESHECONOMBANK

V.A. Dmitriev

VNESHECONOMBANK'S BOARD

Member of the Board –
First Deputy Chairman
N.N. Kosov

Member of the Board –
First Deputy Chairman
A.V. Tikhonov

Member of the Board –
Deputy Chairman
A.B. Ballo

Member of the Board –
Deputy Chairman
S.A. Vasilyev

Member of the Board –
Deputy Chairman
M.Yu. Kopeikin

Member of the Board –
Deputy Chairman
S.P. Lykov

Member of the Board –
Deputy Chairman
P.M. Fradkov

Member of the Board –
Chief Accountant
V.D. Shapriniski

Vnesheconombank's Activities: Aims and Goals; Legal Regulation

State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" (hereinafter – Vnesheconombank or the Bank) was established in May 2007 through reorganisation, by way of transforming, of the Bank for Foreign Economic Affairs of the USSR (Vnesheconombank of the USSR).

The Bank's legal status, organisational principles, aims and goals of its establishment and functioning, the procedures for its reorganisation and liquidation are set forth by Federal Law No. 82-FZ "On Bank for Development" dated May 17, 2007 (hereinafter – the Federal Law "On Bank for Development").

As distinct from other Russian banks (including those with state participation), whose activities are governed by Federal Law No. 395-I "On Banks and Banking Activities" dated December 2, 1990, Vnesheconombank effects banking operations specified in the Federal Law "On Bank for Development" in the absence of a license from the Central Bank of the Russian Federation (hereinafter – the CBR). The Bank provides data to the CBR on the basis of a special agreement. The legislation on banks and banking activities shall apply to the Bank only to the extent that it does not contradict the above Federal Law "On Bank for Development" and subject to certain specifics.

The major goal of Vnesheconombank's activities is ensuring enhancement of a competitive edge of Russia's economy, its diversification, as well as further stimulating investment activities. This should be achieved by means of credit and investment, guarantee, insurance, consultancy and other activities of the Bank envisaged by the Law and related to implementation of projects both in Russia and abroad, including those with the participation of foreign capital.

The Bank's core business areas and indicators, including quantitative and qualitative restrictions on the Bank's investment and financial activities designed to ensure its financial stability, are defined by Memorandum on Financial Policies of State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" approved by Directive of the Government of the Russian Federation No. 1007-r

dated July 27, 2007 (hereinafter – Memorandum on Financial Policies).

The Bank's Governing Bodies

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

The Supervisory Board is Vnesheconombank's supreme governing body. The Chairman of the Russian Federation Government is the Chairman of Vnesheconombank's Supervisory Board. The Chairman of Vnesheconombank is on the Supervisory Board ex officio.

The members of Vnesheconombank's Supervisory Board are appointed by the Government of the Russian Federation for a term of five years and are not, except for Vnesheconombank's Chairman, regular employees of the Bank. In 2009, the Supervisory Board included the RF Government Deputy Chairmen and federal ministers. That might be viewed as a guarantee of the highest qualification and professional competences of the Supervisory Board members, including economic, environmental and social issues.

In compliance with Federal Law dated June 3, 2009 No. 102-FZ "On Report of the RF Government and the CBR Information on Implementing Measures to Support the Financial Market, Banking System, Labour Market, Branches of the Russian Economy, Welfare Services, and Other Social Policy Measures", information on the Bank's activities related to the support for the Russian financial market is included in the list of issues subject to disclosure by the RF Government on a quarterly basis.

The Board is a collegiate executive body of the Bank consisting of the Bank's Chairman and eight Board members. The Chairman of Vnesheconombank heads the Board.

Vnesheconombank's Chairman is the sole executive body of Vnesheconombank managing its day-to-day operations. The Chairman is appointed to office by the President of the Russian Federation on the nomination of the Chairman of the Russian Federation Government.

The Federal Law "On Bank for Development" defines the functions, powers and activities of Vnesheconombank's governing bodies. Pursuant to the Law, the resolution of the Russian Federation Government approved the Provisions on the Supervisory Board of State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)". The Bank's Supervisory Board approved the Provisions on the Board and Vnesheconombank's Chairman, as well as the respective by-laws defining the procedure for decision-making by Vnesheconombank's Board.

The Bank issued an order for segregation of duties and responsibilities between the Bank's Chairman, Deputy Chairmen and the Chief Accountant. The order expressly segregates the respective powers and duties and specifies the levels of responsibility required for making decisions and securing operative management of the Bank's activities. To reduce or eliminate possible conflicts of interest, the Bank regulates the core business processes.

The Bank's Organisational Structure

The Bank's organisational structure includes 30 independent structural units operating on the basis of the respective Provisions.

In 2009, 9 main collegiate working bodies (committees) operated at the Bank: Budget Committee; Committee on Pension Savings Trust Management; Committee on Scrutinizing Borrower Applications for Foreign Debt Refinancing; Committee on Subordinated Loans; Committee for Development of Investment Operations; Committee for Strategic Development; Credit Committee; Committee for Situational Assessment and Technology Committee.

Expert Council is Vnesheconombank's consultative working body.

Vnesheconombank's Representative Offices in Russia and Abroad

As of 01.01.2010, Vnesheconombank had 9 representative offices, including 7 representative offices abroad and 2 in the Russian Federation.

In line with the current Russian legislation, the repre-

sentative offices are not legal entities proper and do not have the right to effect banking operations and carry out commercial activities. The Bank's representative offices provide information and analytical support for Vnesheconombank's activities, help arrange interaction between the Bank's structural divisions, state authorities and business organisations in the cities or countries of their location. The Supervisory Board makes a decision on opening or closing a representative office.

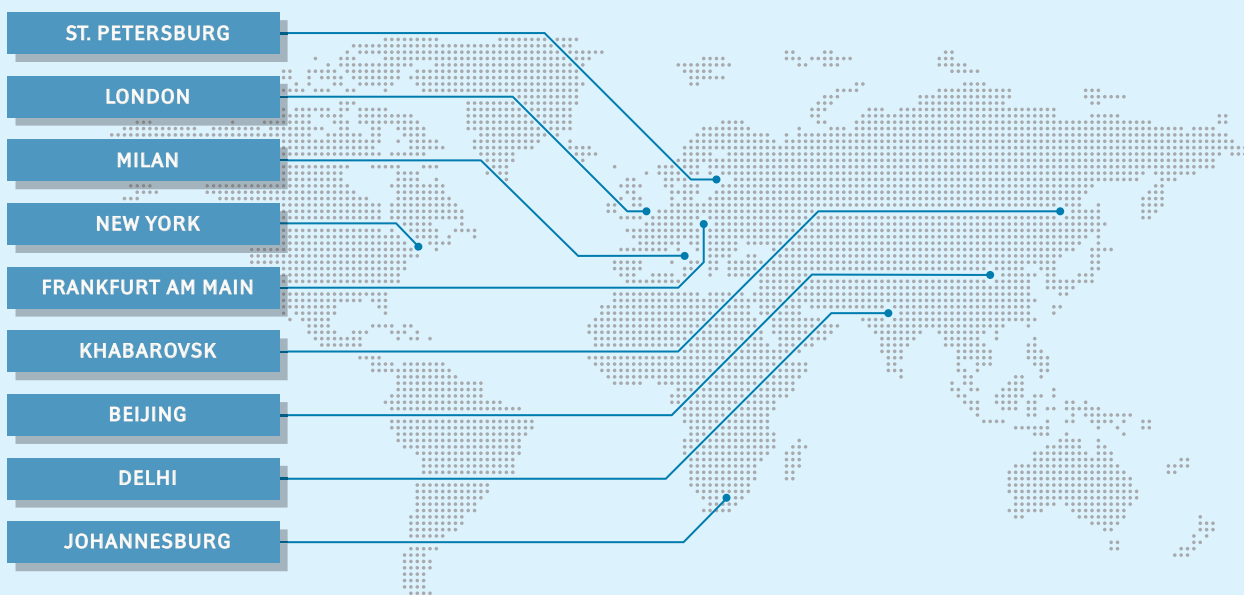
Vnesheconombank's representative offices abroad carry out their activities in accordance with the procedures established by the legislation of the Russian Federation and in line with the legislation of the country of the office location. Major tasks of Vnesheconombank's representative offices are the following:

- assisting the Bank's customers in their activities on the territory of the office location;
- assisting the Bank in raising resources for Vnesheconombank and its Russian customers;
- establishing, maintaining and developing contacts with state and commercial organisations operating on the territory of the office location;
- developing cooperation with financial institutions on the territory of the office location.

Major goals of Vnesheconombank's representative offices' activities are to:

- represent and protect the Bank's interests in the region;
- identify worthwhile investment projects in the area of responsibility of the representative office;
- assist state and commercial organisations in preparation of the appropriate documentation required for the Bank to conduct expert evaluation of projects;
- ensure organizational and technical assistance to Vnesheconombank's delegations in arranging events in the areas of responsibility of the representative offices;
- strengthen the existing and establish new business contacts with regional state bodies, local

VNESHECONOMBANK'S REPRESENTATIVE OFFICES IN RUSSIA AND ABROAD AS OF 01.01.2010



public bodies and agencies, as well as commercial organisations operating in the regions of the Bank's representative office location.

Group of Subsidiary Banks

Subsidiary banks are the lending institutions, in which Vnesheconombank due to its controlling interest (ownership of more than 50% of the charter capital) has the final say in decision-making.

As of 01.01.2010, the Group of subsidiary banks included 6 banks. Each subsidiary bank provides a special range of banking services (see table on page 10).

- OJSC "Russian Development Bank" (RDB);
- CJSC "ROSEXIMBANK";
- OJSC "Svyaz-Bank";
- CJSC "GLOBEXBANK";
- OJSC "Belvnesheconombank" (the Republic of Belarus);

- PJSC "Prominvestbank" (Ukraine).

Vnesheconombank's equity investment in charter capitals of OJSC "RDB" and CJSC "ROSEXIMBANK" is stipulated by the provisions of the Federal Law "On Bank for Development", with Vnesheconombank's stake amounting to 100%.

Vnesheconombank's equity investment in CJSC "GLOBEXBANK" and OJSC "Svyaz-Bank" was made with the aim to urgently rehabilitate and stabilize the banks.

Possible bankruptcy of OJSC "Svyaz-Bank", which is one of the major retail banks of the Russian Federation and a communications sector bank, would not only cause problems in paying out salaries to employees of the state telecommunications companies, but could also raise a serious social discontent, since it is through this particular bank that pension funds are transferred to the local post offices to be distributed among pensioners. As to CJSC "GLOBEXBANK", its possible default on obligations to depositors could have led to serious negative consequences.

VNESHECONOMBANK'S SUBSIDIARIES AS OF 01.01.2010

100%

OJSC "RUSSIAN DEVELOPMENT BANK" (RDB)

A specialised financial development institution equipped with the instruments and potential (financial, legal and regulatory, technical and HR) required for implementing the tasks of SMEs support set forth by the Government of the Russian Federation. The RDB is the key financial instrument for ensuring funds for SMEs

100%

CJSC "ROSEXIMBANK"

A specialised commercial bank aimed at providing support for Russian industrial exports. "ROSEXIMBANK" is the agent for the RF Government in ensuring guarantee support for industrial exports

99.47%

OJSC "SVYAZ-BANK"

A universal financial institution, which is viewed by Vnesheconombank as a long-term investment project. The geographic reach embraces 50 RF constituent entities. It is planned to establish a Post Office Bank of Russia on the basis of "Svyaz-Bank" (with the participation of the Federal State Unitary Enterprise "Russian Post")

98.94%

CJSC "GLOBEX-BANK"

The Bank's priorities include providing services to corporate clients, including enterprises of the real economy sector, system-forming and city-forming enterprises, companies operating in the investment area, as well as to SMEs. "GLOBEX-BANK" is viewed by Vnesheconombank as an investment project, the strategy of which is aimed at maximising value of the capital in the medium term. The bank has 6 affiliates

97.42%

OJSC "BELVNESHECONOMBANK" (THE REPUBLIC OF BELARUS)

Vnesheconombank's strategic partner ensuring support for foreign economic activities of Russian and Belarusian companies. OJSC "Belvnesheconombank" is one of the major banks of Belarus, which provides services to the real economy. The bank possesses an extensive branch network comprising 24 branches and 3 banking services centres

93.84%

PJSC "PROMINVESTBANK" (UKRAINE)

A universal commercial bank securing support for foreign economic activities of Russian and Ukrainian companies. The bank is viewed by Vnesheconombank as a strategic investment. The bank's branch network is one of the most extensive in Ukraine. Vnesheconombank plans to undertake appropriate measures to secure the bank's ranking among the top five Ukrainian banks

As a result of prompt and timely measures, uninterrupted and smooth payment transfers were secured. Moreover, it helped banks to honor or restructure obligations towards their counterparties. All that enabled the banks to retain major part of their staff.

The aim of equity investment in the charter capital of PJSC Prominvestbank (Ukraine) was to support Russian and Ukrainian companies in stimulating cooperation and economic integration. OJSC "Belvnesheconombank" (the Republic of Belarus) has a key role to play in ensuring investment and integration processes between Russia and the Republic of Belarus.

In 2009, to coordinate interaction with the subsidiary banks, an independent structural unit of the Bank – Department for Subsidiary Banks – was established, with a personal coordinating manager appointed for every subsidiary bank.

Throughout 2009, major priority areas, principles and mechanisms of Vnesheconombank's interaction with subsidiary banks were developed and agreed, monitoring of the loan portfolio quality and of the changes in overdue loans of the subsidiary banks was carried out, forms and patterns of managerial accounting and reporting were coordinated. Besides, assistance was rendered in working out subsidiary banks' business-plans for 2010, and concrete proposals concerning enhancement of performance efficiency were made.

In 2009, Vnesheconombank's Supervisory Board approved the major areas of the subsidiary banks development.

In this context, various scenarios of transforming OJSC "Svyaz-Bank" were devised. The creation on the basis of OJSC "Svyaz-Bank" of a Post Office Bank of the Russian Federation (with the participation of the Federal State Unitary Enterprise "Russian Post") was agreed as the best suited form of transformation. The project of establishing the Post Office Bank will entail substantial investment in modernising Russian Post. That will obviously facilitate access to banking services for most people in the Russian regions.

One of the most important accomplishments of the period under review is that all the subsidiary banks have succeeded in achieving the break even level before

reserves, while four of them even achieved the level of profitability.

Internal Control System

The internal control system (hereinafter referred to as Vnesheconombank's ICS) has a special role to play in the Bank's structure. The ICS is accountable to Vnesheconombank's Supervisory Board. The Supervisory Board also defines the procedures of its day-to-day activities.

Vnesheconombank's ICS supervises all the Bank's activities. It is authorised to exercise control over business operations of each of the Bank's structural unit and staff member.

Major goals of Vnesheconombank's ICS's activities are to:

- enhance efficiency of the Bank's financial and economic activities;
- exercise control over correctness, completeness, objectiveness and timeliness in keeping records, as well as preparing financial statements, accounting and other reporting in accordance with the requirements set out by the Russian legislation and internal regulatory documents;
- exercise control over compliance with the requirements set out by the Russian legislation by all members of the Bank's staff;
- exercise control over the Bank's independent risk management structural units to ensure efficient risk management;
- exercise control over compliance of the Bank's staff with the established procedures and the respective delegated powers to avoid conflicts of interest between the Bank's units and/or employees;
- exercise control over the Bank's units and staff to prevent engaging and participating in unlawful activities;
- exercise control over timely and duly correcting of identified errors and distortions that can occur during operations of independent structural units;

STAGES OF RISK MANAGEMENT PROCEDURE



- present to the Bank's Supervisory Board and Chairman, in a complete and timely manner, information on financial, economic and other Bank's activities for objective decision-making in managing the Bank;
- exercise continued control (monitoring) over Vnesheconombank's ICS functioning, as well as over the Bank's functioning as a securities market professional participant;
- improve the Bank's business reputation.

Risk Management

The Bank's activities are impacted by such factors as external environment, changing economic conditions and financial markets trends, changing legal and regulatory frameworks that underlie banking activities, new technologies in the banking services markets, illegal actions by counterparties. No less important are the impacts of internal environment, such as efficiency of the control system, organizational structure, the level of the applicable technologies and changes in technolo-

gies, the level of the staff members' professional skills and the staff turnover, misconduct, if any, by some employees, etc.

The risk management system has been introduced in the Bank to ensure the Bank's financial sustainability, control over the level of possible losses and/or a negative change in financial indicators due to the impacts of external and internal risk factors. The system complies with recommendations of the Basel Committee on Banking Supervision and the best international practices in risk management.

In compliance with the Procedure on risk management, Vnesheconombank's major risks embrace:

- financial risks that comprise credit risk, liquidity and market risk.

Due to the specifics of Vnesheconombank's activities, credit risk is the most material (accounts for more than 80% in the aggregate risk assessment), which is inherent to the Bank's investment and financial activities. Credit risk is associated with the Bank's participation in investment projects intended for implementing the provisions of Memorandum on Financial Policies, with investment of the temporary idle funds in the financial markets and with other operations that are exposed to the risk of delayed or incomplete repayment of the funds invested by the Bank.

Market and liquidity risk exposure arises from the use of financial instruments traded in the interbank, OTC and exchange markets, as well as a result of decision-making within the Bank's asset/liabilities management procedure;

- operational risks comprise risks of losses that occur due to the use of inappropriate internal procedures when effecting banking operations, malfunctioning or negligence of the staff or the third parties, inappropriateness or a failure of technological, information and other systems, as well as due to impacts of external events;
- risk of loss of the business reputation. Reputational risk is the risk that arises as a result of a negative public perception of the Bank's financial stability, quality of provided services or the nature of business in general

and causes losses for the Bank, in particular, due to a decrease in the number of customers;

→ strategic risk is related to losses incurred due to mistakes and errors in decision-making that defines the strategy of the Bank's activities and development.

The Risk Management Department ensures maintaining the effectiveness of the risk management centralised system and coordinates the risk management-related activities of the Bank's independent structural units. The Bank's major internal regulatory documents in respect of risk management and assessment are subject to Vnesheconombank's Supervisory Board approval.

More details about the Bank's risk management policies could be found in Vnesheconombank's Annual Report for 2009.

Vnesheconombank's Activities Transparency and Openness to Public

In conformity with Memorandum on Financial Policies, Vnesheconombank operates abiding by the principle of transparency and openness of its investment and financial activities.

Major financial highlights of the Bank are published in Vnesheconombank's Annual Report and the annual financial statements. The Bank's Annual Report is approved by the Bank's Supervisory Board. To check the Bank's annual financial statements, the Supervisory Board selects, on a tender basis, an auditing company that conducts a mandatory audit of the Bank's financial statements. The Independent Auditors' Report and the annual financial statements are subject to mandatory publication.

Vnesheconombank's Annual Report for 2008 was announced the winner in the nomination "The Best Level of Information Disclosure in State Corporations' Annual Reports" at the XIIth Annual Federal Contest of Annual Reports and Websites.

Guided by the principle of openness and in conformity with "Standards of Information Disclosure on Pension Savings Investment" approved by the RF Ministry of Finance, the Bank updates its official website

www.veb.ru with information on the results of the pension savings investment, including Vnesheconombank's investment declarations, the Auditors' Report on Vnesheconombank's accounting and the financial records related to the formation and investment of the pension savings, the Bank's reports on the pension savings investment, computation of the pension savings investment yield, the dynamics of the pension savings investment, etc.

Transparency of the activities of the State Trust Management Company (STMC), easy access to the information on the outcomes of the investment of the accumulative part of the labour pension motivates increased confidence of the citizens both in the STMC and the pension system as a whole.

Through publishing its sustainability report, the Bank seeks to increase transparency of its activities, including those in the non-financial areas. Details are given in the section "About the Report" on page 81.

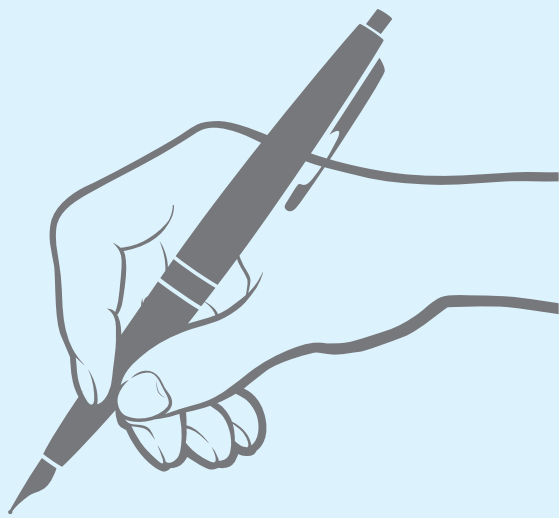
In pursuit of openness and transparency, the Bank presents on its official website www.veb.ru the information spelling out Vnesheconombank's major business lines, investment application forms, recommendations on business plans preparation, financial models and other reference documents. Also, on a regular basis, the Bank presents analytical information (macroeconomic surveys), reviews of the best practices of strategic management in foreign development institutions, as well as reference information on the Bank's PPP projects.

Vnesheconombank seeks to timely and regularly inform the public of the outcomes of the Bank's activities and highlights its plans for the future. The Bank's top executives come out with articles and interviews in the leading Russian and foreign mass media. On the outcomes of Vnesheconombank's Supervisory Board meetings, briefings by the Bank's Chairman are held.

In 2010–2011, it is planned to update the website to include data on social and economic effects from investment project delivery and from implementing the Bank's CSR policies required for increased transparency, and to present the information on the non-financial aspects of the Bank's activities.

Major Business Lines

12



42 INVESTMENT PROJECTS
WERE APPROVED
BY THE BANK'S
GOVERNING BODIES

121 GUARANTEES
AS SUPPORT
FOR RUSSIAN
EXPORTS
WERE EXTENDED
IN 2009

Vnesheconombank – the first bank for development created in Russia that has a special status. Underlying the Bank's strategy and mechanisms of the strategy implementation is a wide range of tasks that comprises: removing infrastructure constraints to economic growth, enhancing efficiency of natural resource utilisation, developing high-tech sectors of economy, unleashing innovative and industrial potential of SMEs and supporting the national industrial exports.

Vnesheconombank's Development Strategy

Vnesheconombank's development strategy for 2008-2012 was devised in conformity with the Bank's activity goals and functions in the capacity of a state corporation set forth by the Federal Law "On Bank for Development" and in line with major areas of investment and financial activities stipulated in Memorandum on Financial Policies. The development strategy was approved by the Supervisory Board and adopted by the Bank's Board in 2008.

The strategy does not only serve as guidance for the Bank's development in the short term (setting goals, tasks, specific financial indicators in major business lines), but also defines quality benchmarks, in compliance with which the Bank is to undertake the role of:

- a major institution to facilitate innovative and socially oriented development of the economy;
- a key organisation to ensure expert evaluation of projects, arrange financing and administer major public investment projects;
- a center to take PPP mechanisms forward;
- a centre to secure financial support for national exports;

- a major organisation to manage the RF Pension Fund's resources;
- a commercially viable and sustainable financial organisation.

The Bank's strategy was developed in a stable macroeconomic situation. However, the period when the strategy was approved was characterised by the challenging environment of the global financial crisis and practically coincided with the spill-over of the crisis into Russia. That meant the strategy had to be adapted to the new tasks and functions assigned to Vnesheconombank in implementing the RF Government crisis management package.

Presently, changes in the external environment both in Russia and abroad are being thoroughly analysed. Based on the outcomes of a careful scrutiny, a new strategy of the Bank's development for the period of up to 2014 will be devised.

Factors That Seriously Impacted Vnesheconombank's Activities in 2009

Establishing of a bank for development in 2007 was motivated by the need to ensure sustainable economic growth and diversify the economy. Definitely, these tasks could not be met simply through the use of market mechanisms. The Bank's major objectives included:

- financial support for investment projects, which are a priority for the development of the economy but are underfunded by the private sector (due to high risks and long payback periods);
- financial support for exports of the Russian goods and services, including that of extending guarantees.

A downturn in the economic and investment activities, a dramatic change in the macroeconomic environment and, consequently, a shift in the economic policy priorities seriously impacted Vnesheconombank's activities in 2009.

Despite the fact that there was a modernisation component in the state economic policy, in 2009, it was mainly

aiming to mitigate the crisis effects on the citizens and the economy and to prevent losses in the industrial and technical potential.

Vnesheconombank's activities in 2009 were impacted by the following crisis-related factors:

- need for supporting the banking sector and system-forming enterprises by way of the Bank's participation in the Government bail-out program;
- limited opportunities to raise funds in the financial markets;
- increased risks associated with investment project implementation.

In planning and implementing the crisis management program, Vnesheconombank is primarily guided by the goals of creating a new competitive economy. Consequently, it is planned that the Bank's further participation in the Government stimulus effort would be effectively combined with the Bank's major functions set out by the Federal Law "On Bank for Development". Overall, the focus in the Government crisis management program would be shifted from bailing out the distressed enterprises and owners to propping up the demand, stimulating the development of businesses and enhancing the competitive edge of the Russian economy.

In 2009, Vnesheconombank operated along 3 major business lines (see table on page 17):

- performing the tasks of a bank for development;
- performing the functions of the agent for the RF Government and acting as the STMC for trust management of the pension savings;
- engaging in the Government's crisis management program.

Activities in Line with the Tasks and Goals of a Bank for Development

Performing the functions of a bank for development, Vnesheconombank carries out the investment and lending activities aimed at financing and securing guarantee support for the delivery of large-scale projects (in

line with major areas/sector priorities of its investment activities stipulated by Memorandum on Financial Policies).

Also, Vnesheconombank ensures guarantee support for Russian exports of agricultural production and industrial goods and services to countries with high levels of political risks, where contract execution is objectively hindered and/or where Russian commercial banks are not represented. In 2009, 121 guarantees amounting to RUB 34.1 bn were extended. The RF Government Directive No. 100 "On the Procedure for Arranging by State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" of Export Credits Insurance against Commercial and Political Risks" dated February 19, 2008 stipulates major provisions of export credit insurance against commercial and political risks.

Export financing of major projects in aircraft-building, agricultural and transport machine-engineering, in construction and reconstruction of energy facilities, nuclear power and in other key sectors of economy enables the country to develop the industrial potential of the Russian producers and opens up new opportunities for the Russian exporters to move to foreign markets.

Performing the Functions of the Agent for the RF Government and of the STMC

Over 2009, the Bank in full volume and in line with the effective RF Government directives and resolutions acted in an agency capacity and performed the functions of the STMC.

The agency functions performed by the Bank comprise managing sovereign foreign debt and state external financial assets, recovery of debts owed to the Russian Federation by legal entities, the constituent and municipal entities, extending and executing state guarantees.

More details on Vnesheconombank's agency effort can be found in Vnesheconombank's Annual Report for 2009.

Starting from 2003, the Bank has been acting as the STMC tasked with trust managing the pension savings. For more details about the Bank's activities in the area of trust management see page 45.

Engaging in Implementing the RF Government Crisis Management Measures

In the conditions of the global financial and economic crisis, Vnesheconombank was given a clear mandate to act as a financial crisis manager and was committed to assist the state in ensuring sustainability of the national financial system and major real economy enterprises.

In order to implement the bail-out package to shore up the banking system of the Russian Federation in line with the RF Government Directive No. 854-r dated June 23, 2009, RUB 100 bn worth of the RF budget funds were contributed to Vnesheconombank's charter capital. Also, in conformity with the RF Government Directive No. 1891-r dated December 10, 2009, the Russian Federation made an asset contribution to Vnesheconombank's charter capital amounting to RUB 21 bn for a subsequent purchase by the Bank of additional shares of OJSC "United Aircraft Corporation".

The total amount of funds appropriated for the stimulus program exceeded the volume of resources channeled for financing the investment projects and for the national exports support.

The Bank's goals in implementing the RF Government measures to shore up the RF banking system are set out by the RF Federal Law No. 173-FZ dated October 13, 2008 "On Additional Measures to Support the Financial System of the Russian Federation" (hereinafter referred to as "Federal Law "On Additional Measures to Support the Financial System of the Russian Federation").

In line with the Law, the following business lines have become the focus of the Bank's efforts:

- refinancing Russian corporates' foreign debt incurred prior to September 25, 2008;
- extending subordinated loans to Russian banks.

Within the framework of the RF Government crisis management effort, Vnesheconombank was assigned the job of propping up the stock market with the aim of its stabilization.

MAJOR BUSINESS AREAS OF VNESHECONOMBANK'S ACTIVITIES IN 2009

ACTIVITIES IN COMPLIANCE WITH GOALS AND FUNCTIONS OF A BANK FOR DEVELOPMENT

INVESTMENT ACTIVITIES

- Delivery of investment projects aimed at removal of infrastructure constraints impeding economic growth, including development of energy and transport infrastructure, housing and public utilities infrastructure, as well as tourism
- Delivery of investment projects aimed at development of innovations
- Participation in projects designed to enhance efficiency of natural resource utilization, protect environment and improve ecological situation, as well as in projects aimed at enhancing energy efficiency
- Participation in projects aimed at SME development by way of

- extending loans to banks and legal entities that provide support for SMEs
- Support for exports of agricultural and industrial production and services with a view, among other things, to diversifying national exports

FINANCIAL ACTIVITIES

- Resource base enhancement
- Temporary idle funds (liquidity) management
- Risk management



ACTING IN CAPACITY OF AN AGENT FOR THE GOVERNMENT OF THE RUSSIAN FEDERATION AND OF A STATE TRUST MANAGEMENT COMPANY

- Managing sovereign foreign and internal debt
- Managing state financial assets
- Extending state guarantees
- Managing pension savings



PARTICIPATION IN THE FINANCIAL BAIL-OUT PROGRAM OF THE RF GOVERNMENT

- Refinancing foreign debt of Russian companies incurred prior to September 25, 2008
- Extending subordinated loans to Russian banks
- Support for stock market to ensure its stabilization and diversification



Refinancing Russian Corporates' Foreign Debt Incurred Prior to September 25, 2008

In 2008-2009, Vnesheconombank arranged extending loans to refinance Russian corporates' foreign debt incurred prior to September 25, 2008.

Key criteria and requirements to the borrowers and to the loan transaction terms, the procedure for con-

ducting a scrutiny of the borrowers' applications for refinancing debt towards foreign financial institutions are defined by the Procedure for implementing by Vnesheconombank of measures stipulated in Articles 1 and 2 of Federal Law No. 173-FZ dated October 13, 2008 "On Additional Measures to Support the Financial System of the Russian Federation" approved by the Bank's Supervisory Board.

Among the key eligibility criteria for selecting borrowers are:

- possibility of threat to economic security of the Russian Federation and/or of loss of the borrower's material assets in the event of cancellation of the loan transaction that could cause a substantial reduction in the volume of the borrower's operations in the Russian Federation and/or lead to the borrower's bankruptcy and, as a result, to a complete termination of operations and job cuts;
- borrower's obligations eligible for refinancing should have been formed as a result of raising finance for the delivery of major projects in the Russian Federation or for purchasing assets that will allow the borrower to substantially enhance activities in the Russian Federation;
- borrowers (both enterprises and banks) should carry out their core activities/financing in the real sector of economy in the Russian Federation;
- borrower's activities should be of pivotal importance for the economy and social stability of the Russian Federation and for socio-economic development of the respective region or a constituent entity of the Russian Federation.

Since the moment the Federal Law "On Additional Measures to Support the Financial System of the Russian Federation" came into force, loans amounting to USD 11.6 bn have been extended to 10 organisations.

The funds provided by Vnesheconombank helped stave off bankruptcies of many companies, enabled the country to prevent a sell-off of the strategic assets of the Russian enterprises pledged abroad. That, in its turn, served as a driver for ensuring stabilization of the socio-economic situation in the country.

Extending Subordinated Loans to Russian Banks

Extending subordinated loans to Russian banks is one of the crisis management measures assigned to Vnesheconombank.

The measure was aimed at stabilizing the financial position of the Russian banks and at channelling funds accumulated in the National Wealth Fund (NWF) into the real economy.

The loans were extended by the Bank in conformity with the Procedures for implementing by State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" of measures stipulated in Articles 4, 6 and 6.1 of Federal Law No. 173-FZ dated October 13, 2008 "On Additional Measures to Support the Financial System of the Russian Federation" approved by the Bank's Supervisory Board.

Priority was given to borrowers oriented towards financing the real sector of economy, to banks that accumulated individual deposits and gained a strong position in the respective constituent entity of the Russian Federation.

In 2009, loans amounting to RUB 179.0 bn were extended to 15 Russian banks. Overall, within the framework of Federal Law "On Additional Measures to Support the Financial System of the Russian Federation", Vnesheconombank extended subordinated loans in the total amount of RUB 404.0 bn.

Obviously, in the most challenging period of the crisis, the financial rescue program secured the stabilization of the national economy. Since the subordinated loans were extended for a term of 10 years, it is expected that in the future the additional resources will deliver long-term economic value.

Shoring up the Stock Market

To shore up the stock market, RUB 175.0 bn worth of funds were allocated from the NWF to Vnesheconombank in conformity with the RF Government Directive No. 18 dated January 19, 2008. These funds, in line with the rules and regulations approved by Vnesheconombank's Supervisory Board, were invested in the instruments of the Russian financial market, namely, the Russian issuers' equities and bonds. In December 2009, these funds were repaid to the RF Ministry of Finance (ahead of schedule, in full volume plus interest accrued).

Approach to Sustainability

13

“ SUSTAINABILITY MEANS STRIKING THE RIGHT BALANCE

WHEN ADDRESSING SOCIO-ECONOMIC OBJECTIVES AND CHALLENGES OF ENVIRONMENT CONSERVATION TO CREATE LONG-TERM VALUE FOR THE PRESENT AND FUTURE GENERATIONS ”

The scope of Vnesheconombank's investment and financial activities, its economic, environmental and social impacts both in Russia and globally call for responsible and efficient management of the non-financial aspects of its activities. The Bank seeks to improve efficiency of its environmental and social performance and business ethics by signing up to the system of corporate social responsibility and non-financial reporting.

Vnesheconombank's Policies of Corporate Social Responsibility

The Bank's system of corporate social responsibility (CSR) is a set of interrelated policies, programs and procedures integrated into the Bank's business activities and decision-making at all levels. It implies responsibility for the past, present and future activities, as well as for the impacts of the Bank's performance on the external environment.

The fundamentals, objectives and goals of the CSR, as well as the mechanism for pursuing the CSR policies are defined in Regulations on Vnesheconombank's CSR approved in 2009.

The Bank's CSR policies aim to:

- create a sound and reliably operating CSR system;
- improve efficiency of environmental and social performance and enhance business ethics;
- strengthen stakeholders' trust in Vnesheconombank.

ROLE AND PLACE OF VNESHECONOMBANK IN SECURING SUSTAINABILITY

| ECONOMY | SOCIAL SPHERE | ENVIRONMENT |
|---|---|---|
| <ul style="list-style-type: none"> By accomplishing its major business objectives, Vnesheconombank helps enhance competitiveness of the Russian economy, promote its diversification and stimulate investment processes on an innovative basis | <ul style="list-style-type: none"> Through its credit and investment activities, the Bank helps create new jobs, improve employment rates, reduce housing shortages and increase tax revenues to the budget The Bank's HR strategy is aimed at developing its potential in terms of human resources | <ul style="list-style-type: none"> The Bank participates in projects aimed at increasing efficiency of the natural resource utilization, protecting environment and improving ecological situation, as well as energy efficiency Investment projects evaluation is conducted based on the state or public environmental impact assessment and independent environmental audit |

When pursuing the CSR policies, the Bank adheres to the following principles:

- openness and transparency of business conduct;
- prioritizing projects of social dimension;
- support for projects designed to improve the quality of environmental protection and raise the standards of ecological efficiency;
- responsibility towards stakeholders for economic, environmental and social impacts on the national and global sustainability;
- conformity of the CSR policies with the best practices adopted by national and international financial institutions for development.

The results of application of the above principles are reflected in the annual sustainability report. The report aims to regularly provide the public and stakeholders with targeted information about the Bank's economic, environmental and social impacts on Russia's social and economic development.

The Regulations on social (non-financial) reporting of Vnesheconombank approved in 2009 define the con-

tents, basic principles, objectives, goals, procedures and timeframes of the preparation, coordination and approval of the report on sustainable development by the internal and external auditors.

For more details on the report, see page 81.

Managing CSR Policies

The CSR policies implementation involves most of the Bank's divisions and units responsible for development of specific areas. The policies include: designing the system of corporate governance, increasing the efficiency of investment banking, securing conditions needed to develop external, including international, relations of the Bank, promoting a positive corporate image, etc. In 2009, a seminar on Corporate Social Responsibility and Non-Financial Reporting of Development Banks was conducted for division managers with a view to working out a unified conceptual framework.

First Deputy Chairman of Vnesheconombank exercises control over the CSR policies implementation.

The Administrative Directorate performs coordinating and methodological functions to address the CSR policies in various areas.

In 2009, Vnesheconombank established a working group to tackle issues relating to the CSR policies and preparation of a non-financial reporting. The working group comprises heads of Vnesheconombank's independent structural divisions and units engaged in delivering the CSR agenda and First Deputy Chairman of Vnesheconombank who supervises the Administrative Directorate. The composition of the working group is approved by the Bank's order.

Translation of the Financial Services Sector Supplement to GRI Sustainability Reporting Guidelines

In 2009, Vnesheconombank signed an agreement with Global Reporting Initiative (GRI) on granting the Bank a status of an official translator of the Financial Services Sector Supplement to GRI Sustainability Reporting Guidelines. Major Russian banks and financial institutions could benefit from this document when preparing their non-financial reports.

Leading experts from the WWF-Russia and "Ernst&Young (CIS) B.V." international assurance and advisory firm were invited as independent reviewers of the translation.

The translation is scheduled for final approval in 2010.

Areas of Development

The responsibility of Vnesheconombank as a large public investor towards the society makes responsible financing a key CSR policy theme. Today, the Bank is modernizing the existing system for assessment of environmental and social risks inherent in the investment projects implemented with its participation. In the near future, the possibility of Vnesheconombank officially joining international initiatives on sustainable development and responsible financing is to be explored.

In 2010-2011, Vnesheconombank is to devise its CSR Strategy. The Strategy will define long-term goals and objectives by CSR areas (in terms of impacts on the Bank's strategic goals). The CSR Strategy will lay the groundwork for devising specific CSR policies and procedures.

Remarkably, the Bank seeks to constantly upgrade its CSR management process and get as many stakeholders engaged in it as possible. To debate Vnesheconombank's voluntary commitments and engage stakeholders in defining ways for the Bank's CSR development, it is planned to arrange and hold various public dialogue events (round tables, conferences, public consultations, etc.).

Interaction with External Environment

1.4

THE FORMS OF INTERACTION WITH THE BANK'S STAKEHOLDERS

PROVIDING STAKEHOLDERS
WITH TIMELY AND CREDIBLE INFORMATION
ABOUT VNESHECONOMBANK'S ACTIVITIES

ARRANGING OF AND PARTICIPATING
IN DIALOGUE EVENTS

SECURING FEEDBACK TO INCREASE
AWARENESS OF STAKEHOLDERS' EXPECTATIONS
AND STUDY THEIR OPINION

PROVIDING ADVISORY AND EXPERT
SUPPORT FOR STAKEHOLDERS
WITH REGARD TO THE BANK'S ACTIVITIES

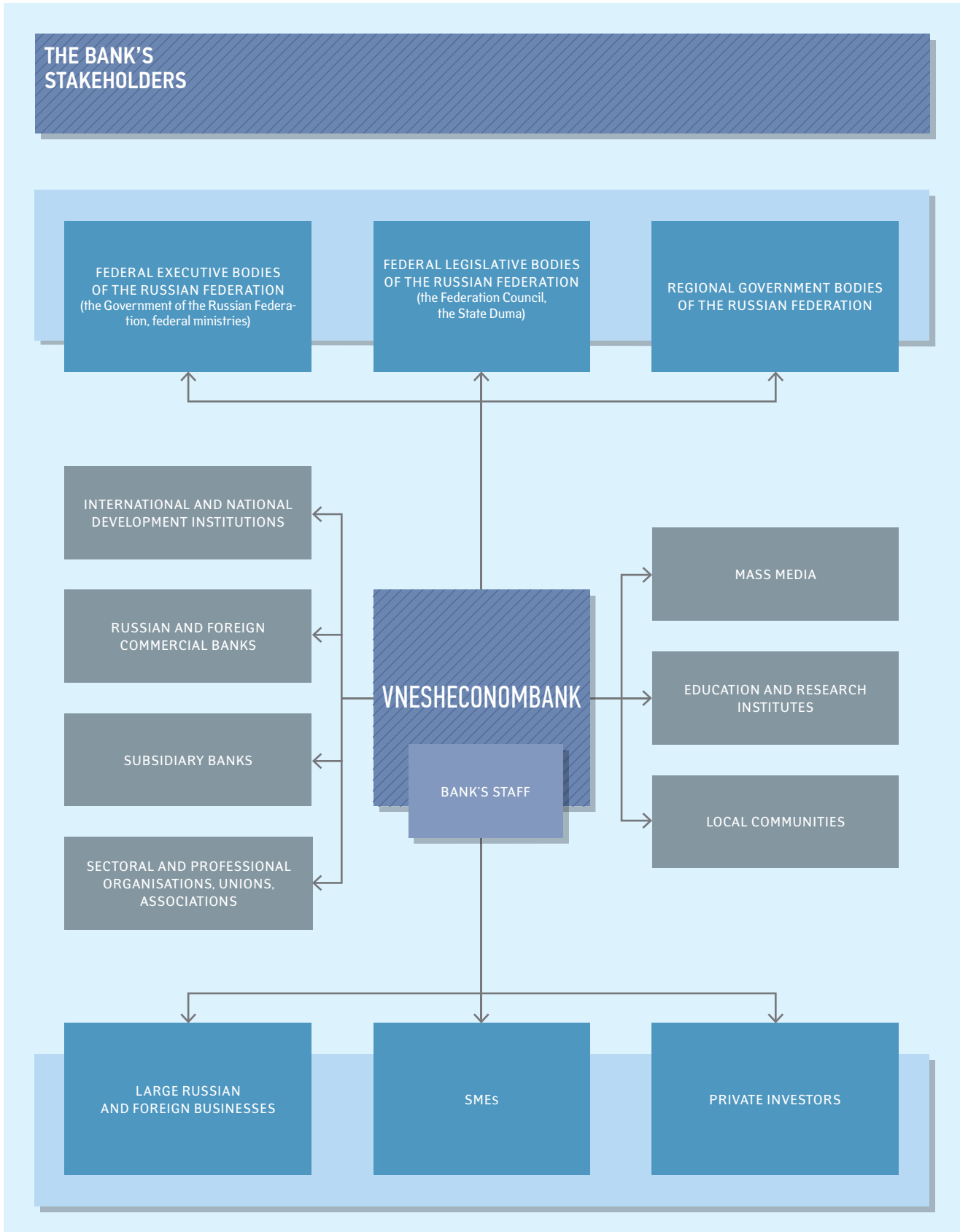
The global financial crisis has once again proved the concept of universal interdependence. It has also demonstrated that overcoming the crisis would require joint efforts of international, political and regional organizations. The need for identifying new ways to stabilize the economic situation and promote further development has contributed to improvement of the ongoing dialogue between the state and business community.

The Bank's Stakeholders

The Bank's stakeholders include physical and legal persons or groups of persons (federal and regional authorities of the Russian Federation, the business community, Vnesheconombank's employees, etc.) involved, to a variable extent, in the Bank's activities, influencing the Bank's performance and/or influenced by it (see the chart on page 23).

Through stakeholders engagement, the Bank sees its core objective in securing favourable conditions to promote external, in particular, international relations for accomplishing goals/functions set forth by the Federal Law "On Bank for Development" and Memorandum on Financial Policies. The Bank strives to build long-term mutually beneficial partner relations with the major groups of stakeholders. With this aim in view, the Bank gives preference to the most efficient and productive forms of interaction, which include:

- providing stakeholders with timely and credible information about Vnesheconombank's activities via publications in mass media, on corporate website www.vneb.ru, corporate printed editions, etc.;
- arranging of and participating in dialogue events (including conferences, forums, seminars, working



meetings, participation in the work of sectoral and other associations, government commissions, etc.) to address specific issues, discuss the existing problems, undertake joint efforts, and establish strategic partnerships;

- securing feedback to increase awareness of stakeholders' expectations and study their opinion by conducting polls, surveys, round tables and public consultations;

- providing advisory and expert support for stakeholders with regard to the Bank's activities.

Such an approach to interaction enables the Bank to fully and impartially assess the external environment and identify new strategic opportunities, prove its reputation of a credible partner, as well as pool resources of various stakeholders in order to accomplish common objectives vital for the national development and stability of both the Russian and global financial systems.

Engaging in State Policies Development

In its activities, Vnesheconombank, as one of the key vehicles of the state investment policies performing the agency functions and the functions of the RF Government crisis manager, is guided by the national interests and abides by the policy line agreed upon with the RF Government.

Vnesheconombank actively participates in formulating the state policies in the areas of:

- developing SMEs;
- driving PPP mechanisms forward;
- implementing socio-economic policies;
- managing sovereign foreign debt and external state financial assets of the Russian Federation.

The Bank participates in upgrading the legal framework and preparing proposals on issues coming within the Bank's remit and competences. In 2009, the Bank participated in preparing proposals that fall within the following remit:

- implementing the RF Government crisis management program for 2009 and major lines of the RF Government rescue effort for 2010;

- upgrading the state system of support for industrial exports;

- upgrading the legal framework to enhance the investment opportunities of the STMC;

- shaping up the state SME support policies;

- developing the framework for PPPs.

In 2009, the Bank engaged in the work of various governmental and intergovernmental committees and working groups, including:

- Government Committee on Investment Projects of National Significance;

- Government Committee on Economic Development and Integration;

- Council for Foreign Economic Activities (The RF Ministry of Economic Development) and its working groups, etc.

In the capacity of the agent for the RF Government, in respect of keeping the applicable records, servicing and redemption of the sovereign foreign debt and managing external state financial assets of the Russian Federation, the Bank participates in international negotiations with foreign creditors/debtors and in the work of intergovernmental committees, as well as prepares proposals/recommendations on the RF Government legal and regulatory draft laws in the respective area.

Vnesheconombank's engagement in formulating the state policies contributes to strengthening its reputation of a modern national financial development institution and helps the Bank promote its own interests, while participating in defining the RF foreign economic policies, supporting the priority sectors of the Russian economy and developing PPP mechanisms.

International Cooperation

In conformity with the Federal Law "On Bank for Development", to deliver its goals, the Bank interacts with international development organisations, foreign corporations and development institutions and participates in projects implemented by the international development organisations in the Russian Federation.

Major areas of Vnesheconombank's interaction with international organisations are as follows:

- delivery of joint investment projects designed to enhance economic integration, as well as to promote modernisation and development of the national economy. Joint financing of projects implemented in the Russian Federation is carried out through crediting and extending guarantees by the Bank and by way of co-funding. In 2009, agreements were signed with such financial institutions as China Development Bank, Sumitomo Mitsui Banking Corporation, Citibank Europe Plc., Export Import Bank of China, Czech Export Bank, DZ Bank and others;
- cooperation with enterprises-exporters of Russian goods, foreign buyers of Russian products, foreign financial institutions that arrange financing for purchases of Russian goods;
- participation in the activities of associations, unions and other non-commercial organisations that are being established (have been established) in the Russian Federation and abroad and whose activities aim to foster economic development and investment (see Annex 1, page 94). A tight focus is placed on developing the global and national financial systems, devising sectoral standards and regulations, stimulating international trade, facilitating fundraising and representing the interests of the Russian banks abroad.

These are the highlights of the Bank's cooperation activities in 2009:

- Vnesheconombank was entrusted with the role of chairing the Shanghai Cooperation Organisation Interbank Consortium (SCO IBC). The SCO IBC was set up in line with the Agreement on Interbank Cooperation within the framework of the Shanghai Cooperation Organisation (October 26, 2005) to

develop the mechanisms of financing and servicing by banks of investment projects supported by the Governments of the SCO IBC member-states. Apart from Vnesheconombank, the members of the IBC are as follows: the Development Bank of Kazakhstan, the China Development Bank, the "RSK Bank" (the Republic of Kyrgyzstan), "Amonatbank" (the Republic of Tajikistan) and the National Bank for Foreign Economic Activity of the Republic of Uzbekistan. Throughout 2009, engaging the financial institutions of the SCO observer-states in the IBC activities was one of the key issues on the SCO IBC's agenda. As a result, the Provisions on cooperation with financial institutions of the SCO observer-states and on the SCO IBC observer-bank status were adopted. The document regulates relations of the SCO with observer-states financial institutions within the framework of the SCO activities. In appreciation and recognition of Vnesheconombank's outstanding contribution to securing Russia's chairmanship in the SCO in 2008 and 2009 and an active participation in preparing and conducting events during Russia's chairmanship in the SCO, the Bank was awarded a Certificate of Appreciation by D. Medvedev, President of the Russian Federation, and a Certificate of Appreciation by S. Prikhodko, Chairman of the Organizational Committee on preparation and securing Russia's chairmanship in the SCO in 2008-2009;

- joining by Vnesheconombank of the Long-Term Investors' Club established on the initiative of major European institutional investors – the European Investment Bank, the German state bank KfW, CDP Group SpA – Italy and the French state bank CDC – with the aim to developing joint investment policies and strengthening interaction of the world's major investors.

Arranging Public Dialogue Events

Vnesheconombank is prepared for an open and public dialogue with the business elite and the society seeking to work out effective solutions for the crisis management policy and economic development. Public events based on a meaningful constructive dialogue between the representatives of state bodies, the Russian and foreign financial institutions and the expert community appear to be the most effective way of decision-making.

In order to coordinate the interests of the state and business in regulating the socio-economic policy, Vnesheconombank regularly acts as a sponsor and a patron of the leading Russian and international economic forums and conferences.

For Vnesheconombank, arranging public dialogue events – conferences, forums and round tables – is an integral part of its responsible business practice. In 2009, Vnesheconombank rendered support for the respective All-Russia and international events and arranged major conferences. The leadership of the country, the CEOs of the Russian banks and foreign development banks delivered overall support for Vnesheconombank's events. Largely as a consequence, concrete practical proposals and ideas related to the Russian economy modernisation and an economic rebound were worked out.

The most meaningful events arranged by Vnesheconombank in 2009 were:

→ the All-Russia Forum on SMEs arranged by the Bank in cooperation with the RF Ministry of Economic Development and the "OPORA ROSSII" public organisation. The participants in the Forum – members of the RF Government, CEOs of the Russian state banks, SME representatives – discussed issues of SMEs support and financing, as well as removal of administrative barriers to SMEs development;

→ international conference "Modernisation of the Russian Economy: Role and Place of Development Institutions" timed to coincide with the 85th anniversary of the Bank. Members of the RF Government, CEOs of major foreign and Russian financial institutions took part in the conference. The role and place of state development institutions in investment development and modernisation of the Russian economy were discussed;

→ IVth International Interbank HR-Conference "Human Capital. Role of HR Management in Coping with the Crisis". Starting from 2006, the conference has been held on an annual basis. It is the only floor in Russia, which brings together the heads of HR Departments of major Russian and foreign banks with the aim of jointly debating HR-related issues.

Consulting and Methodological Support for the Stakeholders

Vnesheconombank seeks to create a most favorable environment for the development of business and strengthening partnership relations not only through direct financial injections, but also by way of communicating, consulting and methodological support.

Presently, shortage of skilled professionals to take the development of the RF constituent entities forward at all levels – federal, regional and municipal – acquires a new urgency and calls for relentless joint efforts.

Vnesheconombank develops educational programs and guidance documents required for implementing the Bank's major business lines. These programs are designed to support SME professionals, public authorities (state and municipal levels) and regional business bodies. The programs provide for consulting services on a wide range of problems, including lending, taxation and legal issues.

In 2009, Vnesheconombank in cooperation with the Russian Academy of Public Administration under the President of the Russian Federation (RAPA) devised an educational project "Preparation of Specialists – Participants in Investment Projects Implemented with the Support of Development Institutions". Vnesheconombank acts as the initiator of the project concept and ensures expert support in the course of project delivery.

Within the framework of the project, the first training event in the format of one-week skills enhancement training course was held at RAPA in December 2009. The representatives of Moscow and regional businesses, line ministries of the Khabarovsk territory, the Orenburg region and the Republic of Buryatia attended the training program.

The project is aimed at enhancing the professional level and specialist skills of all the investment process participants in project preparation, working out standard documentation and effective delivery of investment projects, including those implemented on the PPP basis.

As a rule, professors representing the country's major higher education institutions, experts from the scientific-research institutes and the respective federal ministries and development institutions, as well as independent experts and the Bank's employees are invited as key speakers.

Vnesheconombank's Call-Centre

In 2008, Vnesheconombank's Call-Centre started to operate. Information on terms and conditions of participation in investment projects is made readily available (call (495) 721-18-63). The staff members of the Call-Centre streamline and analyze all the incoming enquiries and, based on that, prepare reports for the management on key issues that are raised by the stakeholders. The information collected is taken into account when developing new banking products and technologies, modernizing and streamlining interaction with the stakeholders. The Bank seeks to provide comprehensive and credible information to every caller.

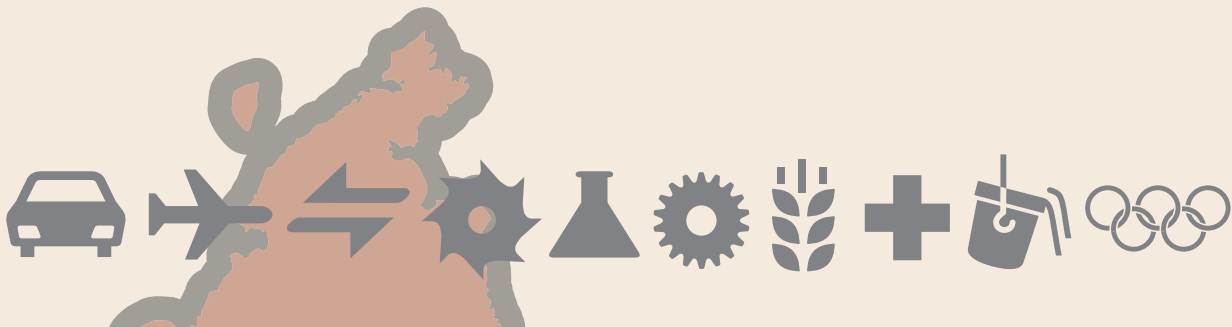
The Call-Centre operation is regulated by the internal regulatory documents – Procedure for professional communication over the telephone by authorised staff members of the structural divisions and the Procedure for taking and answering calls by operators-consultants of the Call-Centre.

INVESTMENT IN SUSTAINABILITY

GEOGRAPHIC REACH



| | |
|---|--|
| <p>VOLGA FEDERAL DISTRICT</p> <ul style="list-style-type: none"> Organisation of motor-driven compressors and foundry production Delivery of an automatic press line and press-tools for producing components of VAZ car bodies Organisation of production of building blocks and slabs from autoclaved lightweight concrete in the Saratov region Reconstruction of a large size casting plant on the basis of the "VKM-Stal" LLC facilities Organisation of production of four- and six-cylinder engines with the cubic capacity of 4 to 7 liters Construction of a cement plant in the Penza region | <p>CENTRAL FEDERAL DISTRICT</p> <ul style="list-style-type: none"> Technical reequipping of power-generating unit No. 3 of the Kashira SDPP Constructing and putting into operation the 1st stage of the "Nagatino-ZIL" Moscow municipal technopark Construction of "Pig-Breeding Complex Safonovskiy" LLC Modernization of the production capacity of the "Razgulyai" Agro-Industrial Holding Company and development of innovation Acquiring a 100 percent stake in the charter capital of "Complex-Stroi" LLC to deliver a project for the construction of business-administrative, business-hotel and business-retail complexes in Moscow Purchase of a railway rolling stock for OJSC "First Cargo Company" Construction of the "Golden Ring Resort" infrastructure complex in the Yaroslavl region Delivery by CJSC "SCAC" of 10 Sukhoi Superjet 100 aircraft for OJSC "VEB-Leasing" with a subsequent leasing to OJSC "Aeroflot- Russian Airlines" Organisation and construction of a plant for the production of antibiotics and cancer medications on the territory of the "Terbuny" Specialised Economic Zone (SEZ), the Lipetsk region Construction and organization of production of a new YaMZ-530 engine family with the power range of 100-315 hp |
| <p>SOUTHERN FEDERAL DISTRICT</p> <ul style="list-style-type: none"> Construction of a cargo area in the seaport of Sochi in the mouth of the Mzymta river Construction of Olympic facilities of "Mountain Carousel" sports and holiday complex Completing the construction of an air terminal complex (ATC) in Sochi Construction of the Olympic village Construction of CCGT-HPP unit in the city of Znamensk, the Astrakhan region, with electric power capacity 44MW and heat power capacity 26Gcal/H | <p>URALS FEDERAL DISTRICT</p> <ul style="list-style-type: none"> Development of power generating facilities for housing and public utilities in the Sverdlovsk Region Construction of a polypropylene plant with the productive capacity of 500 thousand tons per year in the city of Tobolsk Construction of the Urengoi SDPP |



CONVENTIONAL SIGNS

| | |
|--|---|
| | Transport machine engineering |
| | Aircraft building |
| | Infrastructure |
| | Building-materials industry |
| | Chemical and oil and natural gas industry |
| | Machine building |
| | Agro-industrial complex |
| | Pharmaceutics |
| | Metallurgy |
| | Olympic facilities |
| | Propulsion engineering |
| | Mining industry |



| | | | | |
|-------------------------------|--|---|---|--|
| SIBERIAN FEDERAL DISTRICT | <ul style="list-style-type: none"> Construction of the "Tolmachevo" logistic complex Organization of ferromanganese alloys metallurgical production Construction of the "Kyzyl-Kuragino" railway branch in the context of development of Elegestsk coking coal field in the Republic of Tyva | FAR EASTERN FEDERAL DISTRICT | <ul style="list-style-type: none"> Construction of a coal transshipment complex in the Vanino port, the Khabarovsk territory Construction of a car and car components production line in the Primorski territory (an interregional project to be delivered in the Volga Federal District as well) Construction of a new passenger terminal at the International Airport in Vladivostok Reconstruction and modernisation of OJSC "Khabarovsk Oil Refinery" | <ul style="list-style-type: none"> Construction of the Inaglinskiy Coal Complex in the Republic of Sakha (Yakutia) Completing the investment program and ensuring financial stability of OJSC "Amurmetall" |
| NORTHWESTERN FEDERAL DISTRICT | <ul style="list-style-type: none"> Construction of CCGT-110 at the Volgodonsk Heat and Power Plant with the capacity of 110MW Construction of a tanker terminal complex in the "Ust-Luga" commercial seaport (plus the guarantee issued) Construction of a cement plant in the city of Slantsy, the Leningrad region Development of "Concordia" LLC – a production complex for meat processing in the Kaliningrad region (plus the guarantee issued) Reconstruction and exploitation of the "Pulkovo" international airport | <ul style="list-style-type: none"> Purchase by OJSC "IFC" of 6 An-148 aircraft with a subsequent leasing to FGUP "GTK "Russia" | NEAR AND FAR ABROAD COUNTRIES | <ul style="list-style-type: none"> Reconstruction of the Trans-Korean line in the Khasan (Russia) – Rason (The Democratic People's Republic of Korea) section and construction of a container terminal in the port of Rason Modernisation of electricity supply networks in the Republic of Armenia Construction of power-generating Unit III at the Ekibastuz GRES-2 state regional power station (the Republic of Kazakhstan) |

Vnesheconombank's Investment Activities

2.1

“ IMPLEMENTATION OF LARGE-SCALE PROJECTS AND CONSTRUCTION OF NEW INDUSTRIAL FACILITIES

GIVE STRONG IMPETUS TO
SOCIO-ECONOMIC DEVELOPMENT
OF THE RF TERRITORIES, DRIVE UP
BUDGET REVENUES AND
JOB CREATION



The Bank's investment activities are aimed at ensuring enhanced competitiveness of the Russian economy and its diversification. The Bank finances investment projects that contribute to the introduction of innovation, development of infrastructure, enhancement of the efficiency of natural resource utilisation, development of the industry and enhancement of the living standards.

Approach to Delivery of Investment Projects

Considerable differences in the levels of industrial and socio-economic development of the regions do not only constitute serious impediments to facilitating the national development, to reducing or eliminating reliance on commodity exports and to ensuring an efficient switch over to innovative development, but also pose a threat to the country's territorial integrity and security and involve considerable political, social and economic risks.

Primarily, the national regional policy is focused on addressing the problems of depressed and underdeveloped regions, as well as those of the single-industry settlements. Among the major challengers faced by most regions of the Russian Federation is the need to resolve social issues, ensure a balanced and sustainable economic growth, enhance the living standards and improve the quality of life for individuals, remove imbalances and disproportions in living conditions in different parts of the regions and upgrade them to the all-Russia level. Admittedly, development of industries and regions that face serious problems requires implementing not only individual investment projects, but also carrying out comprehensive development programs and strategies.

Vnesheconombank's approach to delivery of investment projects responds to the regional economic policy agendas and complies with Vnesheconombank's major business lines and priority areas of activities by sectors of economy as defined by Memorandum on Financial Policies.

Requirements for Investment Projects

Vnesheconombank engages in financing investment projects that meet the following requirements set forth by Memorandum on Financial Policies:

- compliance with the major business lines and the priority areas of Vnesheconombank's investment activities by sectors of economy (§§ 6, 7 of the Memorandum on Financial Policies);
- compliance with the principles underlying Vnesheconombank's activities (§ 4 of the Memorandum) and with qualitative requirements specified in §§ 11, 12, 17, 20, 21 of the Memorandum on Financial Policies.

In conformity with the Provisions on Investment Projects Evaluation, the projects are supposed to have a positive effect on the economy and society.

Expert Evaluation of Investment Projects

Expert evaluation of investment projects comprises two stages: preliminary and comprehensive.

At the stage of the preliminary evaluation, the Bank defines if a project qualifies for Vnesheconombank's financing. At this stage, the Bank is to establish, whether it is expedient to further assess the project at the stage of the comprehensive evaluation.

At the stage of the comprehensive evaluation, the Bank performs a detailed analysis as to the completeness, correctness and thoroughness of factual/forecasting information on the project.

By order of Vnesheconombank's governing bodies, to ensure an in-depth scientific analysis of the Bank's investment activities, the Bank's Expert Council conducts an independent comprehensive evaluation of investment projects. In 2009, the Expert Council's activities were aimed, first and foremost, at providing bailout support for the banking system.

Regional Priorities of the Bank's Investment Activities

In 2009, in pursuit of the task to reduce interregional imbalances in the socio-economic development of the RF constituent entities and eliminate the disproportions in the development levels and growth rates of the regions, Vnesheconombank elaborated a Concept of Regional Investment Priorities.

The Concept helps the Bank to harmonize its investment activities with the state regional policies (with due regard for the specifics of the socio-economic development of the regions and the major lines of the state regional economic policies) and formulate additional criteria for evaluating investment projects and taking managerial decisions.

The Bank's regional investment priorities include a region/a group of regions and/or a settlement/a group of settlements that demonstrate positive or negative growth rates and development indicators, specific levels of risks, and have a position of great geostrategic importance for ensuring the national security, defense capability, Russia's sovereignty and territorial integrity.

The priorities embrace:

- regions demonstrating the socio-economic development indicators worse than national average (low volumes of gross regional product and investment per capita, high-subsidy policies, high unemployment rates, low wages, etc.);
- regions and single-industry settlements facing high risks of social conflicts, with special measures taken by the Government to stabilize the social and economic situation;
- regions incurring high risks of man-made and ecological disasters and catastrophes, with the respective industry, transport, energy, housing and public utilities infrastructure exhibiting a critical wear rate and requiring modernisation on the basis of innovative technological solutions;
- regions having a favourable geostrategic position, pivotal to ensure national security, the country's territorial integrity and sovereignty (the Far East and

Far North regions, the Northern Caucasus republics and the Kaliningrad region);

→ regions or settlements having a well-developed innovation infrastructure (science campuses, national research centres, etc.) and showing innovative, scientific and technological potential required to ensure modernisation of the Russian economy;

→ regions eligible for the delivery of pilot projects (complex development of single-industry settlements: infrastructure, roads, new sites for constructing modern facilities, technoparks, business incubators, etc.).

Geographic Reach of the Bank's Investment Activities in Russia

The Bank makes up its project portfolio in compliance with the major business lines and priority areas of activities by sectors of economy defined by Memorandum on Financial Policies. Decisions on extending credits are taken by the Bank's governing bodies in line with the powers established by the Federal Law "On Bank for Development".

As of 01.01.2010, the Bank engaged in financing 78 investment projects.

In 2009, Vnesheconombank's governing bodies approved 42 investment projects (see table on pages 28-29).

Most projects (25%) approved by the Bank's governing bodies in 2009 are delivered/planned to be delivered on the territory of the Central Federal District and 14% in each of the Volga, Far Eastern and Northwestern Federal Districts (see diagram on page 35).

Actually, 50% of projects approved in 2009 are intended for removing infrastructure constraints to economic growth, 26% – for enhancing efficiency of natural resource utilisation, environment protection and improving ecological situation, as well as enhancing energy efficiency, 17% – for fostering innovation and 7% – for supporting exports of agricultural and industrial production (see diagram on page 35).

Given below are the projects of special importance in the context of sustainable development. These projects

are in line with innovative, socially oriented program of Russia's economy development and conform to the major areas of investment activities defined by the Memorandum on Financial Policies.

Infrastructure Development

The development of infrastructure that serves as a basis for enhanced efficiency and reduced costs in all the sectors of the Russian economy is one of the major strategic priorities of socio-economic development of the Russian Federation and one of the Bank's main business lines.

Notably, the projects delivered in the run up to the Olympics are of pivotal importance for the Bank. Developing infrastructure for the Olympic and Paralympic Games 2014 is a major investment project on creating in the Russian Federation of the first year-round world-class resort and enhancing the investment attractiveness of the Black Sea resorts of the Krasnodar region and the country at large.

Increased participation of the state in the Olympic projects is attributable to the objective difficulties faced by many private investors in the Olympic facilities (due to the financial and economic crisis) and, first and foremost, to long payback periods and liquidity problems. In compliance with the decision of the Supervisory Board, the Bank has become one of the major creditors engaged in the Olympic construction, while maintaining the primary focus on the PPP approaches.

A typical example is the Olympic project "Construction and Operation of the "Roza Khutor" Mountain Ski Resort", including the "Roza Khutor" ski resort (hotel and restaurant complexes, "Mzymta" upper base, "Nizhnyaya Mzymta" training center); ski center; snowboard park; freestyle center; mountain Olympic village; upstream facilities in the finish area, sewerage utilities and upstream facilities in the low station area.

Social and economic benefits:

→ increased revenues for the budgets of all levels approximating to USD 205 375 thousand (within the period of project delivery);

- removal of infrastructure constraints impeding economic growth of the Krasnodar region;
- development of infrastructure required for promoting sports and training the Olympic reserve;
- creation of 1 300 new jobs.

Innovation Development

The year 2009 witnessed the Bank's continued thrust on projects designed to support innovations and economy modernisation.

In this context, innovation and modernisation imply successful creation and introduction of technologically new products and processes or those technologically upgraded, their introduction into the market (product innovation) or their utilisation in industrial processes (process innovation).

Projects of innovative origin or those that may be included into an innovation category are subject to expert evaluation by the relevant institutions: the Ministry of Economic Development, the Ministry of Industry and Trade and the Ministry of Transport.

An illustrative example of innovation-related activities is the project on development and creation of GLONASS/GPS navigation receivers and subscriber terminals and organisation of their production on the territory of the Russian Federation. The project's goal is commercialization of the Global Navigation Satellite System (GLONASS) through:

- creating the Russian GLONASS/GPS navigation receiver on the basis of the GLONASS/GPS microchip;
- organizing production of the GLONASS/GPS subscriber terminals using the GLONASS/GPS navigation receiver;
- developing software/hardware packages to provide services (based on locating the subscribers via the GLONASS/GPS satellite signals) to the owners of the GLONASS/GPS navigation subscriber terminals.

Social and economic benefits:

- creating a modern competitive GLONASS/GPS microchip to be installed in various ground equipment;
- starting up production of the GLONASS/GPS subscriber terminals on the territory of the Russian Federation and introducing new competitive Russian electronics into the telematic services market;
- providing complex services within the framework of commercialization of the Global Navigation Satellite System (GLONASS), including communication- and navigation-related services;
- creating 500 new jobs in Moscow;
- increasing budget revenues.

Projects on Enhancing Energy Efficiency

Enhancement of energy efficiency is a challenging and strategically important task confronting the state. The positive outcomes depend not only on reduced energy consumption, but also on innovative technological solutions.

It primarily concerns the following sectors: energy industry, housing and public utilities, transport and construction.

Most representative example of innovative projects aimed at saving resources and reducing energy consumption is the construction of a new cement plant with the production capacity of 1.86 million tons per year in the city of Slantsy, the Leningrad region.

Social and economic benefits:

- increased revenues for the budgets of all levels approximating to RUB 2 billion;
- creating 450 new jobs.

A leading-edge technology based on dry-mix process allows for a considerable resource saving and energy efficiency. Unique technological equipment makes it possible to use an accumulated schist waste as a raw

material for the cement production, thereby reducing production costs, as well as improving the environment.

Enhancing the Efficiency of Natural Resource Utilisation

Most Russian regions have a considerable economic and natural resource potential. Among them is the Krasnoyarsk territory and, in particular, the Nizhneye Priangariye. The region is rich in natural resources (about 30 million hectares of wood) and minerals (gold, lead-zinc ore, iron ore, etc.).

To effectively exploit the region's potential and tackle critical impediments to economic growth, an investment program "Comprehensive Development of Nizhneye Priangariye" was developed. Its implementation envisages creation of two clusters: a cluster made up of the energy and metallurgy industries and a pulp-and-paper cluster, including industrial and infrastructure facilities.

Within the framework of the program, the construction of a timber-processing complex in the Boguchansk area (the Krasnoyarsk territory) is under way. The construction has the status of a priority investment project in the area of wood development.

Social and economic benefits:

- enhanced industrial potential of the territories in the East of the country due to creating and developing the transport and energy infrastructure, harnessing natural resources and constructing industrial facilities;
- enhanced living standards and social stability in the region.

Support for Exports of Industrial Production and Services

Support for exports is one of the priority areas of the Bank's activities.

In 2009, the governing bodies made a decision on financing the project for the construction of Power-Generating Unit III at the Ekibastuz GRES-2 state regional

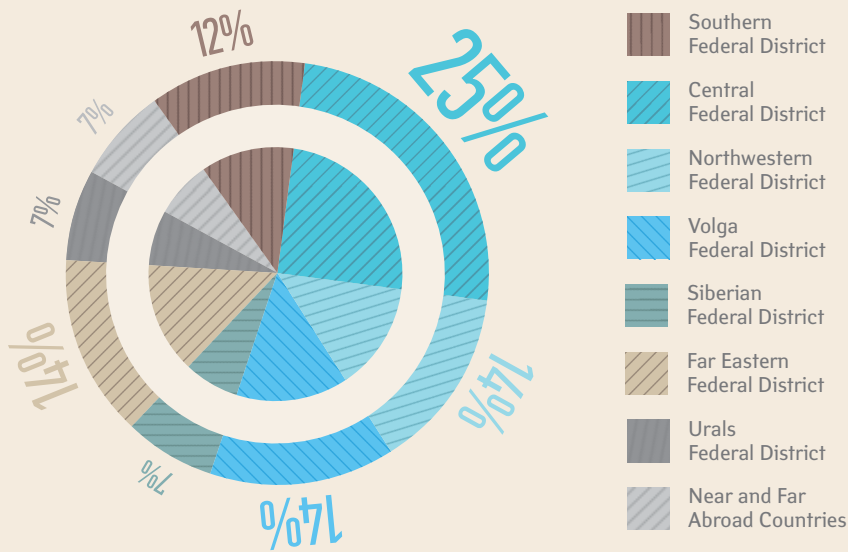
power station (the Republic of Kazakhstan). Within the framework of the project, the Russian manufacturers will deliver the basic power equipment, thus enhancing the export potential and bolstering development of the national power machine-building. Besides, the electric power generated will be partially exported to the Russian Federation to ensure power supply of the frontier areas.

Also, in the reporting year, the Bank signed a number of documents on financing the project "Modernisation of Electricity Supply Networks in the Republic of Armenia" in cooperation with the EBRD and CJSC "Armenian Electricity Network". The project provides for modernisation and reconstruction of the switching substations, distribution points and transmission lines equipment on the territory of Armenia.

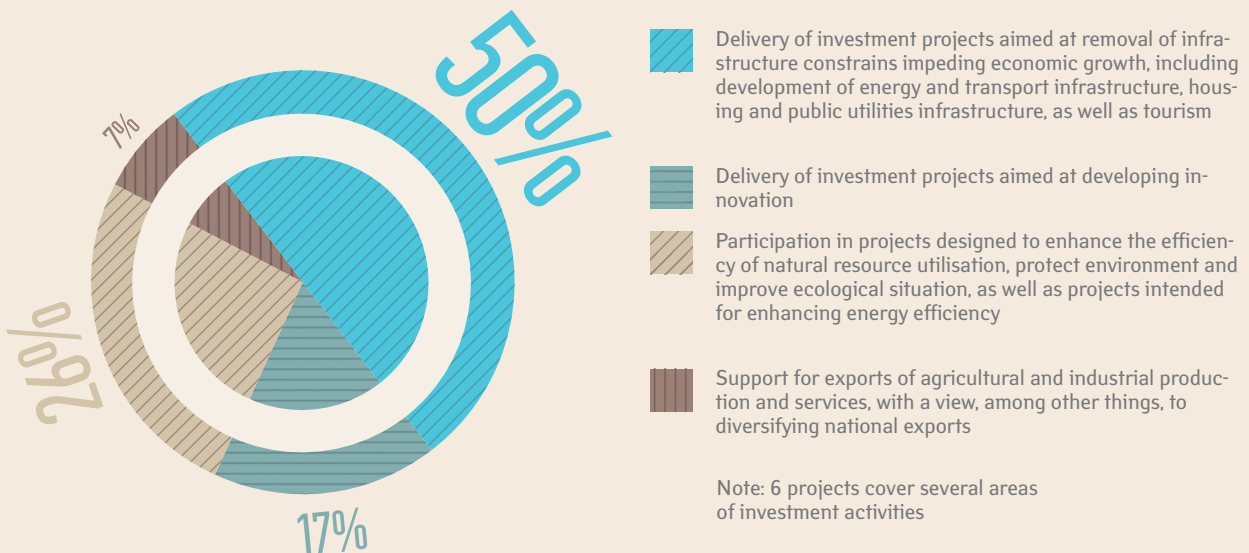
Developing energy infrastructure, Vnesheconombank performs the functions of an export credit institution that finances the purchases of Russian equipment and services.

PROPORTION OF INVESTMENT PROJECTS APPROVED BY VNESHECONOMBANK'S GOVERNING BODIES IN 2009

REGIONAL STRUCTURE OF INVESTMENT PROJECTS APPROVED BY VNESHECONOMBANK'S GOVERNING BODIES IN 2009



STRUCTURE OF INVESTMENT PROJECTS APPROVED BY VNESHECONOMBANK'S GOVERNING BODIES IN 2009 BY MAJOR AREAS OF THE BANK'S INVESTMENT ACTIVITIES



Developing the Mechanisms of Public-Private Partnership

22

“IT WAS WITH BANK'S CONSULTATIVE ASSISTANCE THAT PPP CENTRES IN 10 RUSSIAN REGIONS WERE ESTABLISHED.

RECOMMENDATIONS ON PPP CAPABILITY AND CAPACITY BUILDING TO SET UP THE RESPECTIVE CENTRES IN 37 REGIONS ARE BEING PROVIDED

”

In 2008, with a view to developing the mechanisms of public-private partnership (hereinafter – PPP) to drive forward investment projects eligible for Vnesheconombank's financing in line with the decision of its government bodies, an independent structural unit – the Bank's Centre for Public-Private Partnership (hereinafter – the PPP Centre) – was established. The establishment of the PPP Centre within the Bank's structure was clearly motivated by the need to launch in Russia the market of projects to bridge the public infrastructure gap.

Development and Delivery of Investment Projects Adopting a PPP Approach at the Federal and Regional Level

Generally, securing the development of public infrastructure comes within the remit and competences of public authorities. At the same time, for public authorities, taking a PPP alternative for project delivery requires a huge amount of preparation work in comparison with the conventional procedure of goods and services purchasing to meet public needs.

In the processes of project preparation, not only do the public authorities have to address all the tender arrangement issues and define winner selection criteria, but also have to secure management of risks related to their contractual project commitments. Consequently, they are supposed to design and take complex solutions when drafting contracts, secure long-term economic regulation of the project, develop mechanisms of public funds utilisation over the period of project delivery and, in particular cases, implement the necessary institutional transformations.

Admittedly, preparation of quality projects entails substantial costs, including those needed for performing highly specialised legal, financial and technical works, as well as for carrying out expertise. Given the novelty,

costliness and complexity of the PPP project preparation, to take the Russian PPP projects market forward, the need to offer public authorities support was identified.

In 2009, the PPP Centre activities were focused on the following:

- creating enabling institutional conditions for launching PPP projects in the Russian regions;
- devising mechanisms of public infrastructure development taking a PPP option.

Creating Institutional Conditions Conducive to Launching PPP Projects in the Russian Regions

In 2009, in pursuit of the above goal, Vnesheconombank was intent on accomplishing the following tasks:

- ensuring the development of the PPP legislative and regulatory framework. To achieve this, the Bank interacts with the commissions and committees operating under the auspices of the State Duma and the Federation Council. It primarily concerns drafting various regulatory documents on the issues of PPP project delivery. Regional legislative and executive authorities are offered overall support in developing local legislation and upgrading the administrative and legal aspects of regulating investment activities. The end of 2009 witnessed the adoption of the respective local legislation enabling the launch of PPP projects in 11 regions of the Russian Federation;
- networking with professional PPP market participants. To this end, Vnesheconombank actively cooperates with professional PPP market participants. These include legal companies, engineering consultancies, auditing companies, companies that provide strategic planning advice in respect of sectoral and territorial development, the scientific community that offers guidance in the area of political economy of development and institutional theory;
- establishing regional PPP units within public bodies and agencies. Within the framework of the Concept for establishing regional PPP centres, the Bank devised a guidance document "Methodological

Recommendations on Establishing Regional PPP Centres and Building PPP Capability and Capacity". It was with Vnesheconombank's assistance that PPP centres in the 10 Russian regions were set up. Also, methodological support for establishing the respective centres in 37 regions is provided;

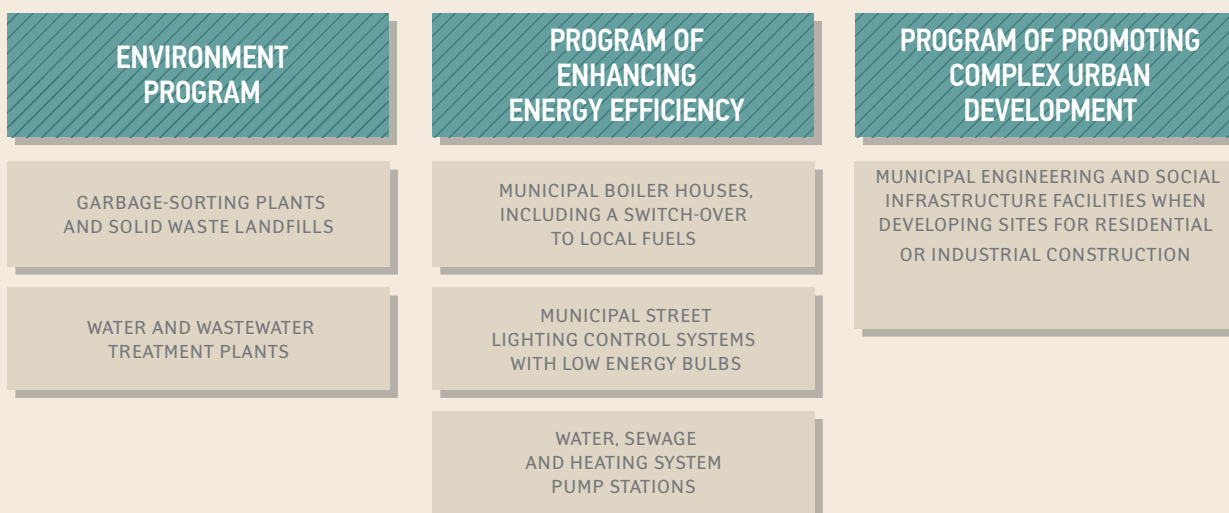
- providing assistance in further specialist PPP training for public staff representing the state and municipal levels. The Bank participates in working out PPP capability and capacity building requirements for public staff in respect of the most important attributes of PPP project preparation, procurement and delivery management benefiting from the educational opportunities offered by its partners: the High School of Economics, the Russian Academy of State Service under the RF Government, the High School of State Administration (the Lomonosov Moscow State University), and the State Academy of Investment Specialists. At special requests submitted to Vnesheconombank by regional administrations, specialist seminars are arranged.

Developing Mechanisms to Bridge the Public Infrastructure Gap Adopting a PPP Approach

In 2009, Vnesheconombank began preparing and developing pilot Programs of standard PPP projects for public infrastructure development. It primarily concerned projects, the financing of which could be PPP-based with the engagement of Vnesheconombank and other financial institutions. The Programs aim to facilitate cooperation between Vnesheconombank and the international financial organisations in joint delivery of projects that fully comply with all the requirements of these organisations.

During the year, the Bank commenced the development of standard contract and tender documentation for a subsequent selection by public authorities of a private investor prepared to deliver concrete infrastructure projects. This documentation envisages an opportunity for conducting joint tender procedures. That could facilitate the selection of an investor to engage in a series of standard small and medium scale projects that could come within the responsibility and competences of various municipalities.

THE BANK'S PILOT PROGRAMS THAT MAY BE IMPLEMENTED IN 2011-2013 ON THE BASIS OF PPP SOLUTIONS



To identify the business areas, where the demand for pilot PPP-based programs is most acute, Vnesheconombank, engaging the services of the expert community, held consultations with the administrations representing the constituent entities and municipalities of the Russian Federation.

The consultations suggest that in 2009 the most highly sought-after projects included environment-related problems, enhancing energy efficiency and social infrastructure development. Based on the results of the consultations, a decision on originating a pipeline of Vnesheconombank's pilot programs covering these business areas was made.

Also, a careful scrutiny of the submitted expressions of interest in respect of standard projects (initiated by the regional and municipal authorities) revealed that, by the end of 2009, the demand for implementing projects for modernisation and new construction of municipal boiler houses, social infrastructure facilities and garbage sorting plants was strong.

We recognise that, for public authorities, the development by Vnesheconombank of standard pilot programs means facilitation of the tender procedures for a subsequent selection of a private investor to deliver concrete programs. Private investors – the tender winners – on

submitting standard documentation will be able to apply for financing to Vnesheconombank and the international financial organisations.

To better communicate the PPP Concept developed by the Bank to public authorities and the potential investors, to establish and maintain interaction with the professional community, the Bank is gearing up for launching in 2010 a "PPP in Russia" website.

More detailed information on the Bank's PPP effort is presented in its Annual Report for the year 2009.

Support for Small- and Medium-Sized Enterprises

2.3

In many countries, it is small- and medium-sized enterprises (SMEs) that employ a considerable part of economically active population and generate more than half of the GDP. SMEs are noted for flexible and speedy decision-making, the ability to timely react to market environment changes and adapt to new economic and social conditions.

Challenges for SMEs

Support for SMEs is one of the most important conditions for sustainable socio-economic development and enhancement of the competitive edge of the national economy. Nevertheless, the Russian SMEs face difficulties, also due to a tightened flow of credit. In the crisis environment, the challenge acquired a new urgency.

Since 2007, Vnesheconombank has been a major development institution, through which the Government delivers its SME support agenda. In 2009, against the backdrop of the crisis effects on the economy, fresh impetus was given to the development of state support for SMEs. Actually, SME development is an effective crisis management measure enabling the country to secure the growth of production and create new jobs. At the same time, the Bank's task is not reduced to just facilitating access to a flow of credit for SMEs, but also to rendering SMEs overall support, encouraging formation of the middle class, bolstering employment and self-employment and promoting social and economic stability in the regions.

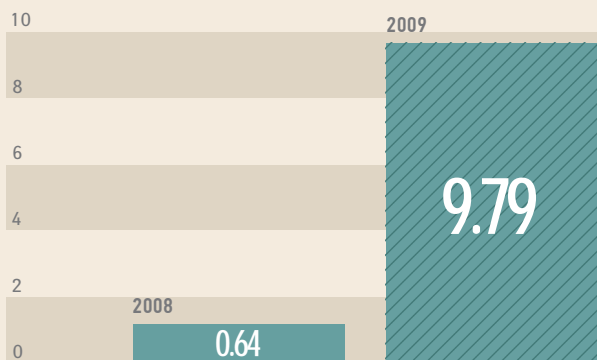
Unlike SME financing programs launched by commercial banks, for Vnesheconombank, projects intended to develop scientific-technical and innovative potential of



In 2009, support for SMEs was delivered in 78 regions. By 2012, the Bank plans to implement SME support programs in all the RF constituent entities

VOLUME OF TAX REVENUES FROM SMES THAT RECEIVED SUPPORT WITHIN THE FRAMEWORK OF THE RDB SME SUPPORT PROGRAMS*

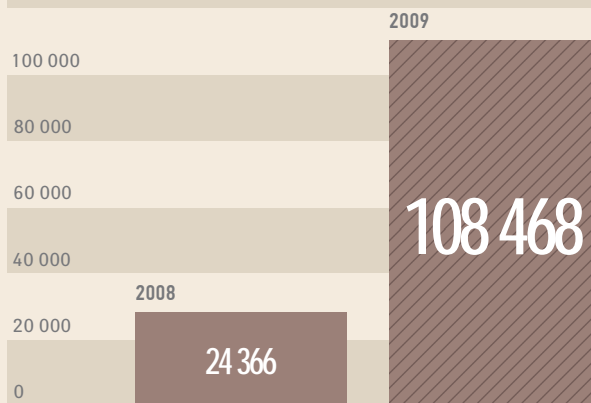
RUB, bn



* Note: According to OJSC "RDB"

NUMBER OF JOBS IN SMES THAT RECEIVED SUPPORT WITHIN THE FRAMEWORK OF THE RDB SME SUPPORT PROGRAMS*

units



* Note: According to OJSC "RDB"

SMEs, help create new or modernize the existing production facilities in SMEs and develop exports and import substitution are an overriding priority.

SME Support: Major Goals and Areas

The major SME support goals that were in the Bank's focus in 2009 included:

- ensuring equal access for SMEs to mid- and long-term financial resources on the whole territory of the Russian Federation, primarily through providing lending at soft rates and enhancing the geographic reach of SME support through partner-banks possessing an extensive branch network in the regions;
- facilitating SME support infrastructure development.

In 2009, Vnesheconombank continued its efforts in the existing areas of SME support and launched some new lines (see table on page 41).

Refinancing Program

In June 2009, Vnesheconombank embarked on implementing a new program called "Refinancing". It con-

cerns lending to private banks within the regional limits set for every constituent entity of the Russian Federation against the existing portfolio of loans extended to SMEs. Such an approach helped increase the number of the program participants and generate a multiplying effect of the state program of SME support.

The program of financial support for SMEs aims to ensure equal access to financial resources for SMEs in all the regions. It envisages a possibility of increasing limits for regions where the demand for SMEs financing is strong. That could obviously be done using the undrawn facilities in regions with weak demand.

Support for SMEs Engaged in Innovative Projects Delivery

In 2009, for Vnesheconombank, developing approaches and instruments of support for SMEs engaged in innovative projects delivery was a major SME support line.

In this context, the development of a new program "Financing for Innovations and Modernisation" was started. The program is intended for financing innovative and modernisation-oriented projects delivered by SMEs in the industrial and high technologies sectors.

SME SUPPORT AREAS IN 2009

Financing SMEs through OJSC "RDB" within the frames of a two-tier mechanism with the use of a partner-banks network and organisations of SME support infrastructure

This area is a priority. It is implemented by Vnesheconombank in compliance with the Procedure for rendering by Vnesheconombank of financial support for SMEs.

In 2009, the total amount of funds allocated by Vnesheconombank to the RDB to provide financial support for SMEs made RUB 40 bn, including:

RUB 30 bn – funds extended for a term of 8 years at the rate of 8.5% per annum and intended for financing the existing SME support program;

RUB 10 bn – additional equity investment into the RDB's charter capital. The funds will be appropriated for enhancing the existing SME support program of the RDB, as well as for financing new SME support projects implemented by Vnesheconombank through the RDB

Financing SMEs by other Vnesheconombank's subsidiary banks

To enhance and diversify SME support, Vnesheconombank arranges financing SMEs through its other subsidiary banks (beyond the frameworks of programs implemented through the RDB). As of 01.01.2010, the portfolio of loans extended to SMEs by OJSC "Svyaz-Bank" and CJSC "GLOBEXBANK" amounted to RUB 5.0 bn. Overall, over the year, the loans to SMEs extended by these banks amounted to RUB 6.2 bn

Cooperation with international and foreign financial institutions

KREDITANSTALT FÜR WIEDERAUFBAU BANKENGRUPPE (KfW)

On February 4, 2009, an Agreement "On German-Russian Initiative on Financing SMEs" was signed with KfW, within the framework of which individual loan agreements were signed between 8 Russian banks and KfW, as well as a USD 32.8 mn guarantee was issued by Vnesheconombank for "Promsvyazbank". In project selection, the priority is given to projects intended for the introduction of energy efficient technologies and environment protection

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)

On December 8, 2009, within the framework of the International Conference "Modernisation of the Russian Economy: Role and Place of Development Institutions", a Memorandum of Understanding was signed with the EBRD, which concerns Vnesheconombank's and the EBRD's participation in long-term funding of Russia's SMEs amounting up to Euro 500 mn

INTESA SANPAOLO SPA (INTESASANPAOLO)

On December 3, 2009, within the framework of the Russian-Italian top level intergovernmental consultations in Rome (Italy), a Framework Agreement on cooperation in SME development was signed with IntesaSanpaolo, a major Italian private financial institution. The Agreement provides for extending financial resources amounting to Euro 100 mn by IntesaSanpaolo to Russian banks under Vnesheconombank's guarantees

In line with the respective program, it is planned to ensure lending both for innovative projects (commercializing SMEs' own development) and modernisation ones (upgrading and renovating machinery, equipment and technological processes). The financing is supposed to be arranged within the framework of the operating two-tier SME support system through the RDB using the partner-banks' branch network and organisations representing the SME support infrastructure.

In 2009, Vnesheconombank initiated the development of a multilateral agreement on cooperation between the development institutions and the stakeholders in ensuring continuous financing of SMEs innovative projects at all stages of an innovation cycle ("innovation lift").

The agreement will underlie an organizational mechanism designed to secure information exchange on projects that are under way. Also, it will give the parties freedom of choice in respect of support instruments best suited for a particular development stage of an innovative company.

Vnesheconombank seeks to regularly expand the geographic reach and range of instruments of SME support based on the judgments and proposals coming from SMEs, the line ministries and federal and regional authorities.

In 2009, support for SMEs was delivered in 78 regions. By 2012, the Bank plans to implement SME support programs in all the RF constituent entities.

SME Support: Major Outcomes

In 2009, SMEs that received support within the framework of the RDB's SME support programs produced goods and services amounting to RUB 165.6 bn (a 4.7-fold increase on 2008). Also, RUB 9.8 bn worth of taxes were paid (a 15-fold increase on 2008).

As compared to the data obtained at the end of 2008, the number of jobs in SMEs, which used the services of the partner-banks and infrastructure organisations within the frameworks of the RDB SME support programs, saw a 4.5- time increase (see diagram on page 40).

Environmental and Social Impacts Management

2.4

“THE BANK PARTICIPATES IN IMPLEMENTING PROJECTS

DESIGNED TO RAISE EFFICIENCY OF RESOURCE UTILIZATION, ENHANCE THE QUALITY OF ENVIRONMENTAL PROTECTION AND IMPROVE ECOLOGY



By financing investment projects, the Bank exerts indirect social and environmental impacts at project venue. Vnesheconombank strives to minimize environmental and social risks and maximize positive investment impacts. In doing so, the Bank adheres to Memorandum on Financial Policies, the current Russian legislation, internal rules and regulations of the Bank and embraces the best practices adopted by major international financial institutions for development.

Environmental Impact Assessment

Environmental responsibility is one of the basic principles underlying Vnesheconombank's activities. The Bank does not participate in investment projects that do not comply with the environmental requirements and standards of environmental efficiency.

The Bank's environmental and social impacts are being managed based on Provisions on Investment Projects Evaluation and Strategy on Monitoring Investment Projects Implemented with Vnesheconombank's Participation. With a view to separating the powers and avoiding a conflict of interest, the procedure of investment projects evaluation and monitoring comes within the competences of different structural divisions of the Bank.

For preliminary evaluation, an investee (a project initiator) submits, among other documents, a state expert report, state or public environmental opinion, and an independent environmental audit on the investment project (if any). A detailed list of documents to be presented by a project initiator is available at www.veb.ru/ru/strategy/invest.

If the Bank lacks any information or reasonably believes that a project does not comply with environmental requirements or involves inefficient use of natural resources, the investee would have to revise the project or introduce the respective changes to the project proposal. If necessary, the Bank engages a third-party firm to conduct the environmental impact assessment (EIA).

By law, for those projects that are subject to state environmental assessment, the respective opinion is mandatory. If a project fails to comply with such a require-

ment, it is rejected as non-corresponding to the high quality principle.

In 2010–2011, Provisions on Investment Projects Evaluation are to be updated to include the current environmental requirements and standards of environmental efficiency and bring them into conformity with the best practices of international and national development institutions.

Evaluating Social and Economic Efficiency of Investment Projects

In its investment application, an investee should specify social and economic efficiency of the proposed project at the municipal, regional or federal level (depending on the project scale).

During the preliminary evaluation, the Bank verifies the compliance of the project with macroeconomic efficiency criteria, including:

- impact on the employment rates (creation of new jobs);
- higher wages, benefits and other compensations to the project workforce as compared to the sectoral/regional average;
- construction of new/reconstruction of the existing facilities, improvement/diversification of services related to the education, public health, culture, social security, housing and community services, etc.;
- environmental impacts;
- impacts on the efficient use of natural resources;
- impacts on the demographics;
- increased labour productivity.

In some cases, the Bank would have to coordinate investment project plans with the regional authorities to bring projects into conformity with plans for development of the Russian constituent entities.

Estimating Budget Efficiency of Investment Projects

Provisions on Investment Projects Evaluation also lay down the criteria for the project budget efficiency,

which is estimated by an investee and verified by the Bank in the course of the preliminary evaluation.

When estimating the budget efficiency, the Bank views the following as the budget revenues:

- annual increase in tax and other payments to the budget, as well as to off-budget funds;
- saving of the budget expenditures that were included in the budget but would not be used if the project is implemented;
- additional dividend payments (in case of the equity financing by the Government);
- interest income (in case of the debt financing by the Government);
- indirect budgetary revenues.

The following may be treated as the budget expenditures:

- budgetary non-refundable financing;
- subsidizing of interest rates under the loans granted by commercial financial institutions or the Bank to implement a project;
- indirect budgetary expenditures.

Investment Project Monitoring

The Bank monitors investment projects both independently and through third-party firms.

The observation of environmental targets is controlled indirectly, by monitoring whether technical requirements are complied with in the course of the project implementation.

The procedure of monitoring of how social and economic targets are met by groups of stakeholders, regions and industries is provided for in Strategy on Monitoring Investment Projects Implemented with Vnesheconombank's Participation, as approved by the Board of Vnesheconombank at the end of 2009.

New Strategy for Pension Savings Investment

2.5

In 2009, as a result of Vnesheconombank's long-standing efforts, opportunities for investment of pension savings that are trust managed by Vnesheconombank as the STMC were substantially expanded.



Functions of the State Trust Management Company

Vnesheconombank has been performing the functions of the STMC to manage pension savings since 2003 in conformity with the RF Directive No. 34 dated January 22, 2003 "On Designation of the Bank for Foreign Economic Affairs of the USSR (Vnesheconombank) as the State Trust Management Company to Trust Manage Pension Savings", Federal Law No. 82-FZ dated May 17, 2007 "On Bank for Development", Federal Law No. 111-FZ dated July 24, 2002 "On Investing Funds for Financing Accumulative Part of Labor Pension in the Russian Federation".

Initially, the STMC managed the funds of the insured citizens who have not exercised the right to choose a private pension fund or a private asset management company. Until 2007, these funds accounted for about 97% of the overall pension savings.

Later on, as a result of the information campaigns launched by the RF Pension Fund and the non-governmental pension funds designed to encourage more action and initiative among the citizens in choosing a private asset management company or a non-governmental pension fund, the STMC share in the overall volume of the pension savings gradually decreased and,

according to the data on the website www.investfunds.ru, on the outcomes of 2009, approximated to 84%, which, in absolute terms, makes RUB 480 bn.

In conformity with the legislation on the pension savings investment, for the STMC, till the end of 2009, the ruble- and foreign currency-denominated government securities served as the main and, actually, the only eligible instrument for investment. Lack of diversification of the STMC portfolio in the circumstances of a budget surplus did not allow the STMC to fully meet its major goal – ensuring the safety of the pension savings transferred to Vnesheconombank for trust management, that is to ensure the investment yield at least matching the current inflation rate.

Extending the STMC Investment Declaration

In order to enhance efficiency of the pension savings management, to achieve the level of yield on investment that will continuously exceed that of the inflation, as well as to address the need of the Russian economy for long-term resources, the Bank time and again turned to the relevant ministries and state bodies with proposals for extending the STMC Investment Declaration. The issue was also submitted to Vnesheconombank's Supervisory Board for consideration.

On the outcomes of the proposals scrutiny, the respective ministries and state bodies and agencies were requested to speed up the process of amending Federal Law No. 111-FZ dated July 24, 2002 "On Investment of Funds for Financing Accumulative Part of Labour Pension in the Russian Federation". These amendments envisage the extension of the STMC list of instruments eligible for investment by inclusion corporate (inclusive of infrastructure) and mortgage bonds, as well as by removal of a restriction on placing the STMC pension savings on deposits with commercial banks. Vnesheconombank's proposals on amending the legislation related to diversifying and extending the STMC investment opportunities (approved by the Supervisory Board) became part of the RF Government crisis management package for 2009.

In 2009, in line with Federal Law No. 182-FZ dated July 18, 2009 "On Introduction of Amendments to the Federal Law "On Non-governmental Pension Funds" and

the Federal Law "On Investment of Funds for Financing Accumulative Part of Labour Pension in the Russian Federation", Vnesheconombank was granted the right to form two investment portfolios depending on levels of risk. Alongside that, the list of instruments eligible for investment of pension savings was considerably extended by inclusion of highly reliable regional, corporate, and mortgage bonds, bonds of international financial institutions and deposits placed with Russian banks. Thus, starting from November 1, 2009, the STMC started to form two portfolios: an extended investment portfolio and an investment portfolio of government securities (see the chart on page 47).

After adoption of the appropriate by-laws, the Bank was granted an opportunity to diversify the portfolio and thereby enhance the efficiency gains of pension savings investment aiming to ensure the protection of the pension savings transferred for trust management.

Trust Management of the RF Citizens Pension Savings

On the outcomes of 2009, the yield on the extended investment portfolio amounted to 9.52% per annum, while the inflation rate was estimated as running at 8.8% per annum. That enabled the STMC to meet its major goal of ensuring the protection of the pension savings transferred to Vnesheconombank for trust management.

It should be noted that the yield on the investment portfolio comprising government securities (standing at 5.72% per annum) did not exceed the inflation rate, which, in this particular case, could be attributed to a short while of the portfolio management – actually one month.

In order to more effectively manage the STMC portfolios, the appropriate risk control procedures are put in place. They include a set of measures: territorial separation, restricted rights to access the information on the trust management of the pension savings, the policy of setting risk limits, the processes control system etc.

In particular, within the frameworks of the analysis and assessment of the bond quality of this or that issuer, non-financial accounting and reporting of Russian economic entities are also subject to scrutiny, though

COMPOSITION OF THE STMC INVESTMENT PORTFOLIOS

THE RF GOVERNMENT SECURITIES INVESTMENT PORTFOLIO

THE RF GOVERNMENT SECURITIES

RUSSIAN ISSUERS' CORPORATE BONDS GUARANTEED BY THE RUSSIAN FEDERATION

CASH ON TRUST MANAGER'S ACCOUNTS



EXTENDED INVESTMENT PORTFOLIO

THE RF GOVERNMENT SECURITIES

SUBFEDERAL (REGIONAL) BONDS

BONDS OF THE RUSSIAN ECONOMIC ENTITIES, INCLUDING THOSE GUARANTEED BY THE RUSSIAN FEDERATION

DEPOSITS (IN RUBLES AND FOREIGN CURRENCY) WITH RUSSIAN COMMERCIAL BANKS

MORTGAGE SECURITIES

BONDS OF INTERNATIONAL FINANCIAL INSTITUTIONS

CASH ON TRUST MANAGER'S ACCOUNTS

social and environmental criteria do not significantly impact the STMC investment decisions.

The rights and interests of the pension savings owners and those of the insured citizens are secured by the Provisions of the Code of Business Ethics of Vnesheconombank that performs the functions of pension savings formation and investment. The Code includes a set of rules and procedures mandatory for the Bank's employees, as well as sets out the standards of professional ethics in carrying out the respective activities.

AML/CTF System

2.6

KEY AML/CTF INTERNAL CONTROL ELEMENTS

AML/CTF INTERNAL CONTROL SYSTEM

KNOW YOUR CUSTOMER PROCEDURES

IDENTIFYING TRANSACTIONS SUBJECT TO MANDATORY CONTROL, AS WELL AS SUSPICIOUS TRANSACTIONS

TRAINING EMPLOYEES

SUBMITTING INFORMATION TO ROSFINMONITORING

STORING INFORMATION

CONFIDENTIALITY

Since 2002, a system of anti-money laundering and counter terrorist financing (AML/CTF) has been functioning at Vnesheconombank. The system is in line with the current Russian legislation and recommendations from the CBR, government authorities and international financial institutions. It is also grounded on practical experience gained by the leading foreign and domestic financial institutions.

The AML/CTF System embraces all the areas of the Bank's activities and those of its customers guided by the principle of transactions transparency.

The System is intended for:

- minimizing the risk of involving the Bank in money laundering/terrorist financing activities;
- protecting the Bank against potential reputation and financial risks in case of an attempt to involve the Bank in transactions related to money laundering and terrorist financing;
- preventing involvement and co-participation of the Bank's employees in the transactions aimed at money laundering and terrorist financing.

An executive officer appointed by a special administrative order is in charge of the AML/CTF System functioning. The officer heads the Bank's structural unit responsible for elaborating and implementing the AML/CTF internal policies and procedures, for a subsequent AML/CTF control over operations/transactions and for reporting suspicious activities and/or transactions to the appropriate authorities in compliance with Federal Law No. 115-FZ "On Combating Money Laundering and Terrorist Financing" dated August 7, 2001 and the CBR's regulatory acts.

Vnesheconombank's Chairman, as the sole executive body, supervises the AML/CTF System functioning.

AML/CTF Internal Policies and Procedures

The key elements of the System are the AML/CTF internal policies and procedures approved by the Bank's Chairman and agreed upon with the CBR and the Federal Financial Markets Service.

Underlying principles:

- mandatory internal control over the operations/ transactions carried out by the Bank and its customers;
- prohibition on informing the customers and other persons about the AML/CTF measures;
- confidentiality of the AML/CTF documents adopted by the Bank;
- maintaining banking secrecy and confidentiality of other data specified by the Bank;
- preventing the Bank employees' participation in money laundering and terrorist financing.

The key principle underpinning the AML/CTF internal policies and procedures is ensuring participation of all the Bank's employees, irrespective of their seniority level, in identifying, within their competences, the customers' operations/transactions subject to mandatory control, as well as cash and/or asset transactions suspected of money laundering and terrorist financing.

The AML/CTF policies and procedures are binding for the Bank's employees engaged in conducting or administering banking operations and/or other transactions. The employees are personally liable for the failure to comply with the above policies and procedures.

The AML/CTF policies and procedures include the procedures for documenting the relevant information and ensuring its confidentiality, qualifying requirements for staff training, identification criteria and specific features of suspicious transactions, as well as the respective AML/CTF Programs that envisage:

- identification of customers and beneficiaries;
- detection of transactions subject to mandatory control and other cash/asset transactions suspected of money laundering and terrorist financing;
- verification of information about the customers, their transactions and beneficiaries to confirm the customers' suspected involvement in money laundering and terrorist financing;
- storage of information and documents related to implementing the AML/CTF policies and procedures;
- employee training upon anti-money laundering and counter terrorist financing, etc.

The Programs specify the functions and patterns of interaction among the structural units and the Bank's employees in the area of anti-money laundering and counter terrorist financing, a set of measures allowing the Bank to timely detect the customers' operations/ transactions subject to mandatory control and suspicious operations/transactions, to identify beneficiaries, to measure the risks of money laundering and terrorist financing, to document and store information on the customers, their operations/transactions and appropriate anti- money laundering and counter terrorist financing measures.

AML/CTF Training Programs

On a continuous basis, the Bank organizes AML/CTF employee training programs that reflect amendments to the current legislation, interpret the AML/CTF policies and procedures, clarify the respective AML/CTF programs and demonstrate their practical application, clear up specific features of suspicious operations and specify the appropriate countermeasures.

The AML/CTF training program (hereinafter – the Training Program) is viewed as an independent program of implementing the internal AML/CTF policies and procedures and is to be approved by Vnesheconombank's Chairman.

The Training Program complies with the CBR's requirements and ensures the respective AML/CTF training of all the Bank's employees that participate in effecting

or administering banking operations or other transactions.

The Program includes:

- training procedures in the form of:
 - basic (primary) instruction;
 - unscheduled (target) instruction;
 - skill upgrading (scheduled instruction);
- testing the Bank's employees on the AML/CTF issues.

Training in the form of skill upgrading (scheduled instruction) is conducted on the basis of the AML/CTF teaching program to be annually approved by the Bank's Chairman.

The training envisages individual and/or group sessions in the form of lectures, seminars and conferences. Distance training is allowed, with the necessary materials provided. On the outcomes of the training, the Bank's employees get standard training certificates.

In 2009, more than 30% of the Bank's employees participated in AML/CTF training programs, including basic instructions. The outcomes of regular AML/CTF tests might well be viewed as clear evidence of the Programs' efficiency.

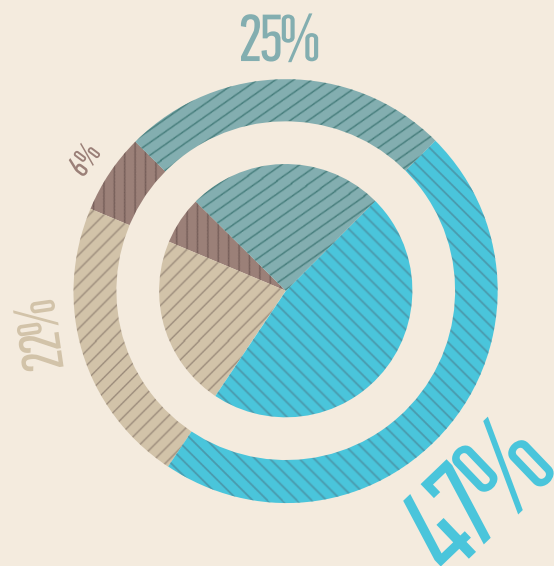
Charitable Activities

2.7

Charitable activities are a major component of the Bank's participation in the life of the country and development of the society. It is with the Bank's financial support that many socially important programs were implemented. These programs include healthcare and sports, the development of intellectual potential, preserving the country's cultural heritage, enhancing the country's competitive edge through support for Russia's science and education. The Bank makes endeavors to meet concrete social challenges.

AREAS OF CHARITABLE ACTIVITIES IN 2009

in % of the total amount of the appropriated funds



- Healthcare and social support for citizens
- Science, education, arts and culture
- Support for Russian Orthodox Church
- Record-setting sports

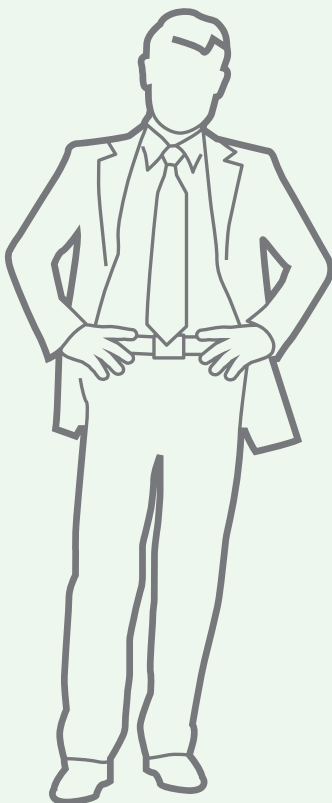
Pursuant to Vnesheconombank's Memorandum on Financial Policies, projects intended for rendering sponsorship and charitable aid are financed out of the Bank's profit. Vnesheconombank's program of charitable and sponsorship support for every coming year is subject to approval by the Bank's Supervisory Board, whose members, on submission by the Bank's Board of a list of proposals, scrutinize the needs of each group of beneficiaries and define priority areas of social investment.

In 2009, the priority areas of the Bank's charitable activities included healthcare and support for socially unprotected groups of population (the disabled, pensioners, families of those killed in combat or when serving in the armed forces, etc), aid to the Russian Orthodox Church.

Despite the fact that for some objective reasons and the need to cut spending Vnesheconombank's charitable program saw a 22.3% reduction on the previous year, the Bank not only continued carrying out its charitable activities, but also included a number of new beneficiaries into the list of charity projects (see Annex 2, page 98).

CORPORATE LIFE

AVERAGE NUMBER OF TRAINING HOURS PER EMPLOYEE PER YEAR BY CATEGORY



TYPES OF TRAINING

| | |
|--|--|
| Orientation program for new employees | <ul style="list-style-type: none"> ■ introduction to the history of Vnesheconombank, its organizational structure and Internal Labour Rules; ■ briefing on occupational safety; ■ study of internal regulatory documents; ■ mentoring |
| Short-term professional training | <ul style="list-style-type: none"> ■ seminars and trainings both at corporate level on Vnesheconombank's premises and at specialized training centers; ■ mandatory certification of employees according to the current legislation; ■ training at foreign financial institutions for development; ■ participation in conferences |
| Medium-term professional training | <ul style="list-style-type: none"> ■ professional retraining of specialists and executives (a minimum of 500 class hours); ■ professional training as a supplement to higher education (MBA programs) (a minimum of 1000 class hours) |
| Long-term professional training | <ul style="list-style-type: none"> ■ higher and/or second higher professional education |
| Foreign language classes for employees | <ul style="list-style-type: none"> ■ English, German and French classes for employees |



37



51

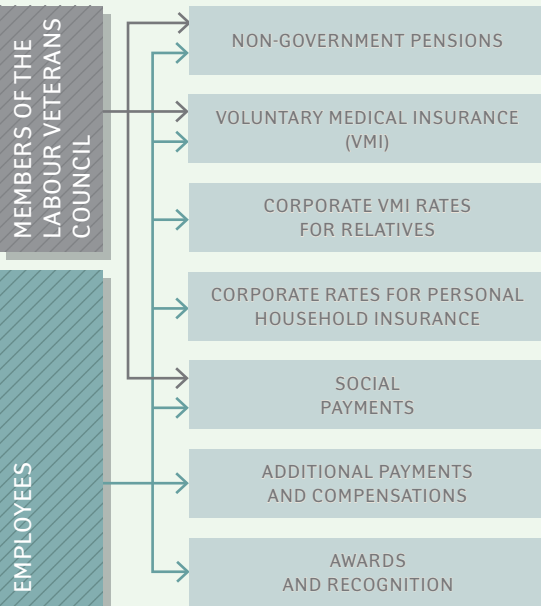
SENIOR MANAGERS



TOP-MANAGERS

68 EMPLOYEES
2 507 HOURS

42 EMPLOYEES
2 126 HOURS

SOCIAL PACKAGE COMPONENTS



| STAFF AS OF 01.01.2010 |  |  | TOTAL |
|------------------------|---|---|-------------|
| Up to 30 | 167 | 133 | 300 |
| From 31 to 50 | 566 | 437 | 1003 |
| From 51 | 147 | 231 | 378 |
| TOTAL | 880 | 801 | 1681 |



HR Strategy

31

“ THE BANK
MANAGED TO
MAINTAIN SOCIAL
BENEFITS AND
STAFF AT THE
PRE-CRISIS
LEVELS

AND SECURED DECENT
WORKING CONDITIONS
FOR EMPLOYEES



The Bank views human capital as its most important strategic resource, which largely determines the Bank's successful performance. Indeed, not only did the employees help secure the financial system stability, but also made it possible to proceed with implementing most of the pre-crisis strategic objectives.

HR Strategy: Major Areas

The major strategic areas of Vnesheconombank's personnel policies are defined in its current HR Strategy for 2008-2012. Being an integral part of the Bank's Development Strategy for 2008-2012, HR Strategy defines key objectives and goals of personnel management.

The principal objective of HR Strategy is to secure the accomplishment of the Bank's mission and strategic goals for 2008-2012, namely, the establishment of an efficient modern state institution for financing investment projects of state significance and ensure its sustainable operation. These priorities impact the Bank's objectives and goals with regard to staff recruitment, headcount management and professional development.

Reform of the remuneration system (a closer linkage between individual performance-related pay and attaining corporate goals) is among the key issues of HR Strategy. In this context, a new approach to assessing each employee efficiency and input into the Bank's overall performance acquires a new dimension. It is essential to streamline business processes, introduce advanced knowledge management systems, and ensure continuous upgrade of professional skills for those

employees who have a high potential and motivation for professional and personal development.

Influenced by external and internal factors, the need for retaining the Bank's professionals, as well as recruiting highly skilled specialists in the labour market becomes more urgent. In this connection, maintaining the Bank's reputation and image of an attractive employer takes centre stage.

The HR Department of the Bank's Administrative Directorate is steering Bank's HR Strategy implementation. Moreover, to hold various events that require participation of the Bank's executive functions, an ad hoc working group, including the Bank's CEOs may be set up.

Accomplishment of the Bank's strategic objectives is impossible without raising the status of the HR Service as a strategic business partner responsible for the people that are the Bank's major asset.

The Bank's HR strategy is in strict compliance with the Russian Labour Code, which prohibits any sexual, racial or national discrimination, as well as forced or involuntary labour. The Bank grants equal rights and opportunities to all the employees, offers them legal support with regard to the Labour Code and provides favourable conditions for maternity and child welfare.

Objectives in the Period of the Global Economic Crisis

In 2009, Vnesheconombank like many other financial institutions faced a dilemma: on the one hand, the need to cut personnel costs and introduce a headcount freeze and on the other hand – the requirement to ensure proper quality of an increased work amount.

Vnesheconombank set up a commission for streamlining administrative and maintenance costs. The Commission comprised heads of the Bank's structural divisions. Collective decisions taken by the Commission helped mitigate the negative effects inevitably brought about by the cuts in administrative and maintenance spending. In particular, everything was done to avoid redundancies, maintain the pre-crisis level of social benefits and secure decent working conditions for the employees.

The Bank managed to quickly adapt to changing social and economic factors. In many respects, it could be explained by a strong emphasis invariably placed on social responsibility, development of human potential and enhancement of individual performance efficiency.

Staff Characteristics

The need for personnel is identified based on the strategic objectives and goals of the Bank, occupational requirements set forth in the occupational instructions, staffing table, and documents governing various organizational and management processes and specifying staff composition requirements.

3.2



ACTUAL NUMBER OF EMPLOYEES

As of 01.01.2010, the actual number of Vnesheconombank's employees made 1681 people, including 20 employees in Vnesheconombank's representative offices in Russia and abroad, and 22 part-time employees.

880 FEMALE



801 MALE



| Age | Female | Male | Total |
|---------------|------------|------------|-------------|
| Up to 30 | 167 | 133 | 300 |
| From 31 to 50 | 566 | 437 | 1003 |
| From 51 | 147 | 231 | 378 |
| TOTAL | 880 | 801 | 1681 |

VNESHECONOMBANK'S REPRESENTATIVE OFFICES IN RUSSIA AND ABROAD

| | Number of employees as of 01.01.2010 |
|---|--|
| Vnesheconombank's representative office in the United Kingdom of Great Britain and Northern Ireland (London) | 1 |
| Vnesheconombank's representative office in the Republic of India (New Delhi) | 2 |
| Vnesheconombank's representative office in the Republic of Italy (Milan) | 1 |
| Vnesheconombank's representative office in the Peoples Republic of China (Beijing) | 2 |
| Vnesheconombank's representative office in the United States of America (New York) | 3 |
| Vnesheconombank's representative office in the Republic of South Africa (Johannesburg) | 1 |
| Vnesheconombank's representative office in the Federal Republic of Germany (Frankfurt am Main) | 1 |
| Vnesheconombank's representative office in St.-Petersburg | 7 |
| Vnesheconombank's representative office in Khabarovsk | 2 |
| TOTAL | 20 |

SUPERVISORY BOARD AS OF 01.01.2010

| Age | Female | Male | Total |
|---------------|----------|----------|----------|
| Up to 30 | 0 | 0 | 0 |
| From 31 to 50 | 1 | 1 | 2 |
| From 51 | 0 | 7 | 7 |
| TOTAL | 1 | 8 | 9 |

BOARD AS OF 01.01.2010

| Age | Female | Male | Total |
|---------------|----------|----------|----------|
| Up to 30 | 0 | 0 | 0 |
| From 31 to 50 | 0 | 3 | 3 |
| From 51 | 0 | 6 | 6 |
| TOTAL | 0 | 9 | 9 |

Employee Turnover Rate

In 2009, the employee turnover rate at Vnesheconombank made 4.2%.

A low employee turnover rate that does not exceed the so-called natural rate is a direct result of a well thought-out personnel policy pursued by the Bank to retain highly qualified employees. The employee turnover rate was also influenced by the situation in the labour market, and namely, a lower demand for personnel in the financial and banking sector.

SHARE OF EMPLOYEES DISMISSED IN 2009 (IN % OF THE ACTUAL NUMBER OF EMPLOYEES)

| | | Number of employees | Number of employees dismissed | Share of employees dismissed in 2009 |
|--------|---|---------------------|-------------------------------|--------------------------------------|
| AGE | up to 30 | 300 | 18 | 1.07% |
| | from 31 to 50 | 1003 | 30 | 1.78% |
| | from 51 | 378 | 18 | 1.07% |
| GENDER | male | 801 | 45 | 2.67% |
| | female | 880 | 21 | 1.25% |
| REGION | Moscow | 1661 | 65 | 3.86% |
| | Bank's representatives in Russia and abroad | 20 | 1 | 0.06% |

Remuneration System

3.3

“THE BANK INVARIABLY SEEKS TO CREATE AN EFFICIENT HR MANAGEMENT SYSTEM.

THIS IS ACHIEVED THROUGH THE INTRODUCTION OF A NEW PERFORMANCE-RELATED PAY SYSTEM



The year 2009 was marked by close attention of the Russian Government and mass media to controls over remuneration in state corporations and its level. Pursuant to the Russian Government instruction and previously scheduled measures, Vnesheconombank proceeded to develop a new remuneration system. Its creation might well be viewed as just another step towards enhanced transparency of the corporate governance.

Ratio of Entry-Level Wage to Minimum Wage in Moscow

The minimum wage of the Bank's employees in Moscow is determined based on the social and economic conditions and subsistence level of the able-bodied population in Moscow and cannot be below the minimum wage fixed in the Federal Law. The minimum wage in Moscow as of the end of 2009 amounted to RUB 8700 per month. The entry-level wage for the Bank's employees is 2.3 times higher than the minimum wage in the respective region.

Remuneration for Supervisory Board and Board members

Members of the Supervisory Board, with the exception of Vnesheconombank's Chairman, do not work for Vnesheconombank on a regular basis. In accordance with the Federal Law "On Bank for Development", the Government of the Russian Federation approves the amount of remuneration and/or compensation to the members of Vnesheconombank's Supervisory Board. Since currently the Supervisory Board comprises of officials holding public posts in the Russian Federation that are remunerated in accordance with Federal Law No. 79-FZ "On Public Service in the Russian Federation" dated 27 July 2004, no decisions on remuneration pay-

able to the Bank's Supervisory Board members have been taken throughout the existence of Vnesheconombank in the capacity of a bank for development (starting from June 2007).

The amount of remuneration and/or compensation to members of the Vnesheconombank's Board approved by the Supervisory Board of Vnesheconombank is a condition of a five-year labour contract. Decisions on the bonuses to be paid out to the members of the Board at the end of the year are made by the Supervisory Board based on a comprehensive evaluation of the Bank's performance, including its social and economic outcomes. Despite a positive evaluation of the Bank's performance as of the end of 2009, the issue of paying out bonuses to the Board members was not submitted for consideration by the Supervisory Board.

According to Russian President's Decree No. 560 "On Information to be Submitted by Citizens Applying for Executive Positions in State Corporations, Funds and other Organizations and by Persons Holding Executive Positions in State Corporations, Funds and other Organizations, on Income, Property and Property Related Obligations" dated 18 May 2009, Chairman of the Bank, members of the Board and deputy chairmen along with other state employees must submit information concerning the earned income to the President's Directorate for Personnel and State Awards, Property and Property-Related Obligations. The information on the income, property and property-related obligations of their spouses and minor children is also required. Such information is also available on Vnesheconombank's Internet website at www.veb.ru.

Remuneration Range in the Labour Market

The Bank's development strategy covers various aspects of the Bank's functioning, including its approaches to employee incentivising. The market value of the Bank's professionals in the banking and financial communities is quite high, and to retain them, the remuneration system should respond to the labour market situation.

The current remuneration and incentive system applied by Vnesheconombank was approved in 2004. It allows attracting and retaining high-quality specialists, which is evidenced by low employee turnover rates and regular surveys on employee job satisfaction. However,

reorganization of the Bank in 2007-2008, as well as the emergence of new anti-crisis objectives called for modernization of the existing remuneration system in order to ensure quality and timely accomplishment of the tasks the Bank was charged with.

In 2009, the Government of the Russian Federation instructed state corporations, including Vnesheconombank, to elaborate uniform principles and approaches to the employee remuneration. Following these instructions, the Bank secured monitoring of the financial and banking sector labour market. Furthermore, the Bank participated in the survey on wages conducted by leading international audit and consulting firms. Along with major Russian banks and state-owned banks, the reference group also included state corporations.

The results of the survey demonstrated that the current annual remuneration schemes for Vnesheconombank's employees do not exceed the average market values in the lending and financial sectors.

Based on the information prepared in order to execute the Russian Government's instructions, and on the outcomes of the wage survey, a Concept was devised to develop Vnesheconombank employee remuneration and incentive system.

Concept for the Development of Remuneration and Incentive System

The Concept outlines general principles and approaches to employee remuneration, as well as the major areas and measures to upgrade the remuneration and incentive system.

Designing its new remuneration system, the Bank is guided by the following priorities:

- creation of solid standardized mechanisms for determining a remuneration level based on the value and significance of the tasks accomplished by employees and on the individual performance assessment;
- maintaining the remuneration rate at a competitive level.

According to the Bank's new remuneration system, the base remuneration for each individual is to be fixed based on the importance, value and urgency of the work fulfilled by him (her), as well as on the market remuneration rate for the respective position. The variable (bonus) portion of the remuneration is directly related to the individual performance and corporate goals accomplishment.

Such a disciplined approach makes it possible to strike the right balance between the fixed and variable portions of remuneration depending on an individual employee's impact on the Bank's performance and his (her) responsibility for the achievement of the key performance indicators (KPIs). The new remuneration system will also allow for a more precise and impartial assessment of the individual and each division's contribution to the Bank's overall performance.

Modernized remuneration system is expected to provide the Bank with:

- a flexible and easy to administrate remuneration and incentive schemes highly responsive to changes in the Bank's strategic objectives and external conditions;
- a transparent salary system based on the job grading system that reflects the Bank's performance priorities;
- a mechanism for maintaining the competitiveness of the Bank's remuneration and incentive system.

Further upgrade of the remuneration system would enhance the Bank's competitiveness in the labour market and increase efficiency of the staff costs management.

Work on the introduction of the Bank's new remuneration and incentive system is to be completed in 2011.

Staff Recruitment and Rotation

3.4

PERSONNEL EVALUATION METHODS

REVIEW OF CV INFORMATION

INTERVIEW TO IDENTIFY COMPETENCIES

EVALUATION BY A SUPERIOR

PROFICIENCY TESTS

ABILITY TESTS

CASE STUDIES EXERCISES

In the context of enhanced functions, the Bank's need for staff with expertise in investment banking and crisis management has considerably increased. However, due to the forced administrative and maintenance cost cuts, in April 2009, a moratorium was imposed on staff recruitment in all supporting and operational divisions of the Bank. At the same time, business units engaged in investment and responsible for developing new business lines were given a carte blanche to take on staff.

Competency Profile

In recruiting managerial staff and experts, Vnesheconombank is primarily focused on a prospective candidate's professionalism, reputation and a proven track record of working for state organisations.

To make the process of personnel recruitment for vacant positions more efficient and to build up a personnel reserve, in 2009 the Bank issued an order approving competency profiles for executives and experts.

The approved competency profiles are used to evaluate candidates for vacancies and serve as an essential tool in creating a harmonious HR management system designed to promote efficient work of Vnesheconombank's structural divisions through quality recruitment, unlocking and realizing the potential of the most efficient and promising employees.

Recruitment Procedure

In order to streamline administrative and maintenance costs, in 2009 recruitment was mainly conducted by the officers of the HR Department.

At Vnesheconombank, the recruitment procedure is governed by Provisions on recruiting staff for vacant

positions. The Provisions apply to all the divisions of the Bank, including its representative offices in Russia and abroad.

The Bank's recruitment procedure demonstrates strict adherence to the Russian Labour Code, as well as to the moral and ethical principles:

- all the candidates who meet the established requirements enjoy equal opportunities to participate in a competitive selection;
- personal data about candidates for vacant positions are subject to non-disclosure policy provisions;
- the results of the candidate evaluation procedure are treated as strictly confidential. It is only those Vnesheconombank's officers who take decisions on employment that may access this information.

Impartial assessment of candidates' proficiency and aptitudes, appreciation of their accomplishments, as well as their ability to professionally and efficiently cope with the tasks set is ensured through methods that are widely applied by both Russian and foreign companies.

All the procedures related to professional and psychological testing of candidates are conducted by certified specialists based on the licensed reliable methodologies and specialized software packages.

Based on the outcomes of evaluating candidates' compliance with competency profiles, special candidate evaluation sheets are compiled. These contain a brief profile of a candidate (personal qualities, professional skills, motivation, etc.), recommendations on further professional development, as well as fix a decision on a candidate employment or a refusal to employ properly explained.

Internal Recruitment

In filling vacancies priority is given to promotion of current employees, which makes it possible to cut the costs associated with the search for candidates and recruitment and to efficiently exploit the labour potential.

It was in 2009 that information on vacancies in Vnesheconombank was first made available on its corporate intranet site. Any employee of the Bank can get access to the list of vacancies and submit his/her candidacy for consideration. In this case, an employee will have to go through the same procedures as in external recruitment.

Staff Training and Development

3.5

AVERAGE NUMBER
OF TRAINING HOURS



In view of the constantly developing banking technologies and expanding functions, Vnesheconombank pursues a policy aimed at raising specialist skills in compliance with the current strategic priorities and needs. Despite the necessity of cutting staff costs in 2009, the Bank sought to retain the volume of investment into staff training. Many of the training programs were re-focused and rationalised through a switch over to a corporate format.

Training Needs Evaluation

The need for raising employee skills is prioritized depending on the Bank's key objectives and aimed at delivering specific practical results.

Training needs are estimated on a yearly basis in accordance with employee job responsibilities and the requirements of the Bank's structural divisions. Any changes in the legislation, an employee opinion, recommendations of an immediate superior, as well as the outcomes of knowledge evaluation (through questionnaires or testing) must be taken into account on a mandatory basis. Every year, based on the results of the training needs evaluation, a Professional Development Plan for Vnesheconombank's employees is drawn up and approved.

Types of Training

The Bank has devised a complex, targeted and multi-module training program, which includes various types of training (see table on page 65).

Employees undergo training throughout their career at Vnesheconombank on a regular basis, with the frequency depending on their specialization and position. Training programs aim to enhance the competitiveness of employees on the labour market.

All the Bank’s employees enjoy equal access to learning opportunities, except for expensive formats of higher and/or second higher professional education and training under MBA programs.

According to the Bank’s rules, it is only those who have worked for Vnesheconombank for at least 1 year that are entitled to obtaining higher and/or second higher professional education and training under MBA programs. To exercise this right, it is necessary to prove the need for higher and/or second higher professional education and training under MBA programs and submit the respective rationale papers to the Bank’s management for a careful scrutiny.

Employees admitted to entrance examinations at higher professional educational institutions are granted an unpaid leave. The law specifies the leave duration.

Employees receiving second higher professional education are entitled to an extra paid leave in accordance with the labour or training contract.

Financing of employee higher and/or second higher professional education programs and MBA programs is effected for the Bank’s account or on a parity basis. Vnesheconombank finances the respective education programs subject to an addendum to be concluded to the labour contract. Such an addendum fixes a term within which an employee is to work for Vnesheconombank after the training has been completed, and the amount of compensation he (she) is to pay to Vnesheconombank in case of an early resignation.

In 2009, with a view to streamlining staff costs, priority was given to a corporate format of training on the Bank’s premises.

TYPES OF TRAINING

| | |
|--|--|
| Orientation program for new employees | <ul style="list-style-type: none"> ■ introduction to the history of Vnesheconombank, its organizational structure and Internal Labour Rules; ■ briefing on occupational safety; ■ study of internal regulatory documents; ■ mentoring |
| Short-term professional training | <ul style="list-style-type: none"> ■ seminars and trainings both at corporate level on Vnesheconombank’s premises and at specialized training centers; ■ mandatory certification of employees according to the current legislation; ■ training at foreign financial institutions for development; ■ participation in conferences |
| Medium-term professional training | <ul style="list-style-type: none"> ■ professional retraining of specialists and executives (a minimum of 500 class hours); ■ professional training as a supplement to higher education (MBA programs) (a minimum of 1000 class hours) |
| Long-term professional training | <ul style="list-style-type: none"> ■ higher and/or second higher professional education |
| Foreign language classes for employees | <ul style="list-style-type: none"> ■ English, German and French classes for employees |

Experience Exchange with Foreign Financial Development Institutions

In the reporting year, in order to cut costs associated with the staff training abroad, individual program training sessions abroad were replaced by corporate group training at foreign partner-banks.

To illustrate, 2009 saw a number of experience exchange events organized with Nordic Investment Bank (Finland). The outcomes of such events often served as a basis for preparation of proposals intended to deliver efficiency gains.

Furthermore, the Bank has engaged in dialogue about experience exchange and staff training with member-banks of the Interbank Consortium of the Shanghai Cooperation Organization (IBC SCO), primarily, with China Development Bank (CDB).

In June 2009, Agreement on cooperation in personnel training and experience sharing between IBC SCO member-banks was signed.

Within the framework of the above Agreement, a number of personnel development events were organized. Vnesheconombank's employees took part in a seminar on human resources development arranged by CDB. In July 2009, within the experience exchange activities, Vnesheconombank received in Moscow a delegation represented by the Heads of CDB structural divisions.

Based on such trainings, the Bank's employees produce detailed reports with recommendations and suggestions on how to translate most innovative and efficient technologies applied by foreign financial development institutions into Vnesheconombank's policies and practices.

Foreign Language Classes for Employees

Enhanced networking with foreign financial development institutions obviously motivated the need to upgrade the system of foreign languages teaching.

Thus, a new foreign language-training program was developed and launched in 2009. The program is tailored to the Bank's needs. It envisages holding tests at

various training stages with a view to rationalizing the formation of student groups. It also ensures control over the training quality and allows for adjustment of programs to employee individual qualities.

Employee Career Management Program

The Bank appreciates its employees' ability to professionally and efficiently accomplish the tasks assigned to them, as well as their loyalty and devotion to corporate interests, and seeks to impartially evaluate each employee talents, achievements and personal contribution.

To provide employees with conditions required for personal and professional self-realization and give them a clear vision of career prospects in the Bank, Employee Career Management Program was approved in 2006. The program is aimed at building up managerial and personnel reserve of the Bank.

Employees participate in the program on a voluntary basis. All the employees are offered equal opportunities to realize their potential and satisfy career aspirations. Full information on measures with regard to evaluation and potential development, as well as the career prospects is made readily available for them. Information on enlistment in managerial and expert reserve is disseminated through information letters to divisions and via intranet site.

Candidates evaluation for personnel reserve is conducted by certified in-house specialists.

Building up personnel reserve from amongst those Bank's employees who have knowledge, skills and abilities necessary to efficiently accomplish tasks within their job responsibilities made it possible to promptly fill in vacancies of executives and experts at various levels.

The program was tested during the reorganization procedure. Out of 49 employees who successfully passed personnel reserve selection procedure, 40.8% got a promotion, and 63.2% – a pay raise.

Self-Education Opportunities

The Bank ensures all the necessary conditions for employees to upgrade their skills through self-education

by providing structural divisions with educational and guidance materials, as well as the latest training means (electronic textbooks, distance training courses, multimedia courses, etc.). The corporate intranet site is regularly updated with analytical documents on anti-crisis programs, national and international development banks' strategic management practices, press reviews, materials of seminars and trainings that were conducted.

Adaptation of Dismissed Employees

During the reorganization in 2007-2008, in the context of new objectives and functions, the focus of Vnesheconombank's activities was considerably shifted. That necessitated dismissal of employees. Being fully aware of the need to support its staff in hard times, Vnesheconombank elaborated a program for adaptation of the dismissed employees. The program is intended to maintain dismissed staff employability, as well as render them support when their careers have ended.

One of the main tasks related to the employee dismissal is to make the process less painful. In such a situation,

it is essential to strictly comply with the Labour Code and keep up the positive image of Vnesheconombank as an employer.

The adaptation program designed for the employees to be dismissed includes the following measures:

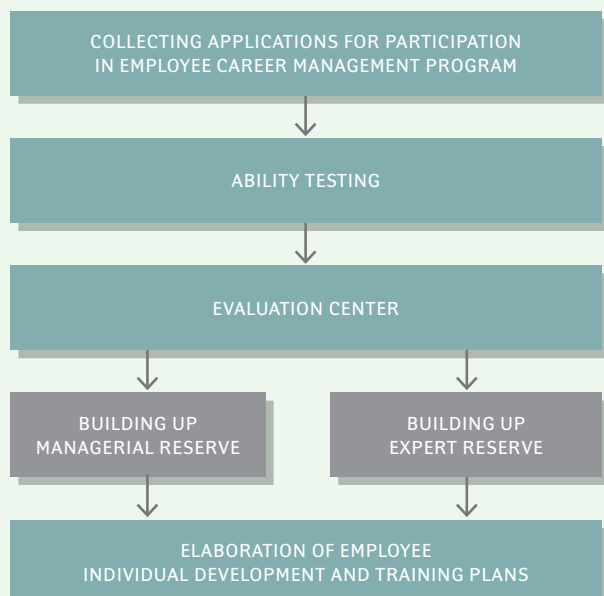
- production of various information materials including recommendations as to how to search for a job and do job interviews, lists of employment agencies, e-mails of employment sites;
- assistance in writing and posting CVs on specialized sites;
- development of the adaptation program in cooperation with psychologists and career advisors.

In 2009, despite the need to cut labour costs, the Bank still managed to avoid staff reductions and the program was not altogether implemented. However, it is regularly updated and, if necessary, the Bank would be able to render employment assistance for its staff.

AVERAGE NUMBER OF TRAINING HOURS PER EMPLOYEE PER YEAR BY CATEGORY

| Category of employees | Number of employees | Total number of hours | Average number of hours per one employee |
|-----------------------|---------------------|-----------------------|--|
| Top-managers | 42 | 2 126 | 51 |
| Senior managers | 68 | 2 507 | 37 |
| Middle managers | 465 | 12 992 | 28 |
| Specialists | 897 | 22 113 | 25 |
| Technical officers | 16 | 47 | 3 |
| Workers | 193 | 610 | 3 |
| TOTAL | 1681 | 40 395 | 24 |

BUILDING UP AND DEVELOPING PERSONNEL RESERVE



Job Satisfaction Evaluation

Within the framework of measures aiming to bolster corporate culture, Vnesheconombank conducts "My Bank" annual survey to obtain full and credible information on strong and weak points in the Bank's management system, employee job satisfaction, their loyalty, and to develop new areas of HR activities.

The survey is conducted on an anonymous basis. The Bank's management receives statistically processed data (percentage by answer option and employee job satisfaction indices).

In 2009, 1100 employees, i.e. 65.4% of the actual number of the Bank's staff, took part in the survey.

The results produced by the year 2009 "My Bank" survey demonstrate that to maintain employee satisfaction at an optimum level, it is necessary to secure a higher level of income and pay incentives, development and realization of professional skills, as well as an opportunity to have a fulfilling job.

Significant (motivating) factors impacting the level of job satisfaction include: fair evaluation of work by a manager, practical work outcomes, relations with the management and colleagues, belonging to a team of professionals, staff professionalism, credibility and business standing of the company, as well as social packages for employees.

Answering the question "What do you like about your job most of all?" the majority of the respondents, in the first place, mentioned a good team spirit, credibility and stability of the Bank, an opportunity to have a fulfilling job and increase the proficiency level.

The respondents view interpersonal relations in the team as the Bank's strong side. However, they believe that such aspects of organizational interaction as a feedback from managers in respect of the work outcomes and a system of fair performance evaluation by managers still call for improvement.

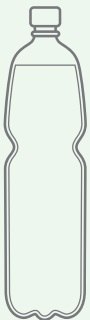
Based on the results of the yearly "My Bank" survey, the Bank's management is offered recommendations on improving HR activities.

The Bank supports initiatives undertaken by individual employees and structural divisions designed to improve the Bank's activities. The procedure for working out and submitting the respective proposals for consideration by the Bank's governing bodies, as well as the procedures for decision-making by the governing bodies are governed by the Bank's internal regulatory documents, which enables structural units to communicate their initiatives to the management.

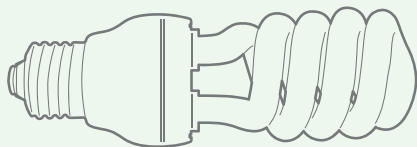
Occupational Health and Safety

3.6

GREATER COMFORT AND SAFETY AT WORKPLACES



PURE DRINKING WATER



ADDITIONAL LIGHTING



GREENERY OF THE OFFICES



ERGONOMIC FURNITURE

Obviously, the lower is the employee sickness rate, the more efficiently the labour functions are performed. That is why occupational health and safety are among major elements of the Bank's HR policies. Not only is it the task of Occupational Safety Service and Social Programs Section, who bear responsibility for preventive and remedial (reactive) measures related to occupational health and safety, but also that of each employee of the Bank.

Main Risk Factors to Occupational Health and Safety

In order to detect and assess the risk factors potentially dangerous to health and related to performing labour functions, Occupational Safety Service of Vnesheconombank, on a continuous basis, conducts certification of workplaces in terms of working conditions (measurement of lighting, temperature, safety, etc.).

The results of the last certification in 2008 demonstrate that due to the nature of the principal activities, the majority of the Bank's employees spend most of their working time at a computer. Moreover, the survey conducted on the Bank's intranet portal revealed that 80% of the employees work at a computer for more than 6 hours a working day. Consequently, eyesight impairment poses a major risk for the employee health.

Apart from the working conditions, employee health is considerably influenced by such a factor as the mode of life (smoking, unbalanced diet, stress, hypodynamia, etc.). For objective reasons, the Bank cannot directly influence the employee behavior patterns in their free time. Nevertheless, there are certain measures that could secure and advocate a healthy life-style. Thus, in 2010-2011, it is planned to conduct a campaign against smoking, provide eating places on the Bank's premises, conduct a series of trainings on stress management.

Control over Compliance with Sanitary Regulations and Implementation of Preventive Measures

In 2009, the Bank inspected compliance with sanitary regulations and implementation of sanitary and anti-epidemic (preventive) measures.

The inspection included measurement of the following ergonomic and safety parameters:

- intensity of electromagnetic field of monitors at workplaces;
- lighting of the working zone and luminescent lamps pulsation factor;
- measurement of microclimate in the working zone.

The results obtained during the ergonomic and safety parameters measurement and evaluation evidence that in some working areas the permissible levels of a low frequency electromagnetic field are exceeded, lighting of the working surface and pulsation factor do not comply with the norm, and the air speed in some rooms is low.

In 2009, a set of remedial measures was taken to remove the revealed deviations from the permissible levels:

- inspection of electricity supply network in the respective rooms;
- checkup of ground connection quality;
- bringing of lighting in the respective rooms in compliance with the standard;
- replacement of outdated luminescent lamps with the more modern ones having a minimum pulsation ratio;
- adjustment and balancing of room terminal units;
- replacement of monitors.

Mandatory Health Check

In compliance with Article 213 of the Labour Code of the Russian Federation and Order N 83 dated 16.08.2004 by the Ministry of Healthcare and Social Development of the Russian Federation "On Approval of the List of Harmful and Dangerous Industrial Factors and Works Requiring Regular Medical Examination, and the Procedure for such Examinations" and with a view to protecting employee health and preventing infectious and occupational diseases, Vnesheconombank's employees undergo mandatory health checks:

- pre-employment medical check;
- regular medical checks (once every two years).

In 2009, Vnesheconombank performed an obligatory periodical medical check, which made it possible to reveal a number of diseases at an early stage and take necessary measures.

Pre-employment and periodical medical checks serve as an effective preventive measure implemented fully at the expense of the Bank.

"Physician in the Office" Program

In order to provide employees with first aid and advice on healthcare, the Bank operates an ambulance room.

In 2009, the ambulance room embarked on "Physician in the Office" program, which provides for:

- physician's advice;
- electrocardiogram, blood pressure, injections, wound treatment;
- emergency hospitalization;
- vaccination;
- pre-shift medicals for the Bank's drivers;
- raising employee awareness of sanitary and health-improving measures.

Training Programs Aimed at Preventing Occupational Diseases and Traumatism

Training programs aimed at preventing occupational diseases and traumatism serve as a significant preventive measure to ensure employee health and safety at workplaces. The Bank organizes regular training on improving working conditions and labour protection at workplace (see the table).

In 2010, all Vnesheconombank’s technical and engineering staff will participate in training programs on preventing occupational diseases and traumatism.

Vnesheconombank’s Trade Union

Vnesheconombank’s trade union basic organization is a member of the Moscow largest territorial trade union organization, i.e. Moscow municipal trade union of employees of state institutions and public services of the Russian Federation.

As of 01.01.2010, Vnesheconombank’s trade union comprised 771 people, i.e. 45.9% of the Bank’s staff. Any employee of the Bank who agrees with Regula-

tions of the trade union of employees of state institutions and public services of the Russian Federation and pays membership fees may join the trade union.

Vnesheconombank’s trade union greatly contributes to the responsible management and enables the employees to exercise their right to freedom of association and/or collective bargaining. In 2009, the trade union and Vnesheconombank concluded a collective agreement governing social and labour relations. The collective agreement signed for a 3-year term came into force on November 25, 2009.

The trade union safeguards employee interests and compliance with the labour, pension as well as labour protection legislation, including inspection of labour conditions and occupational safety at workplaces.

The trade union plays an essential role in measures designed to promote a healthy life style. It was under the auspices of the trade union that the Bank’s bowling, paintball, football and hockey teams were organized.

Trade union meetings are held as required to give trade union members an opportunity to share their views, make remarks and proposals as to the activities of the

TRAINING PROGRAMS AIMED AT PREVENTING OCCUPATIONAL DISEASES AND TRAUMATISM

| TRAINING PROGRAMS IMPLEMENTED IN 2009 | CATEGORIES OF THE EMPLOYEES TRAINED |
|---|--|
| Engaging in activities related to in-house labour protection | All the newly employed staff, managers, deputy managers, specialists of Maintenance Department of the Administrative Directorate, staff of Labour Protection Service |
| Labour protection and harmful industrial factors | |
| Industrial accidents and occupational diseases | |
| First aid to victims of industrial accidents | Staff of Labour Protection Service, medics |
| Rules and regulations applying to electric installations and energy consumers | Heads of sections, engineers and technicians of Maintenance Department, the Administrative Directorate |
| Modern requirements to tests of electric installations (voltage up to 1000 V) | |
| Traffic safety | Managers and employees of Transport Service |
| Qualification training on truck lift on the RF territory | Managers and employees of Fire Prevention Section, Labour Protection Service, engineers and technicians |
| Training of employees in fire safety, fundamentals of electro-gas welding | |

trade union and the Bank as a whole. Decisions are taken by a majority vote and registered in protocol. If necessary, the decisions adopted may be submitted to the Bank's management for consideration. Trade union's financial and economic activities related to the spending of membership fees and the funds allocated by the Bank for targeted financing of cultural, sport and recreational activities are required to be disclosed by the audit and review commission at the trade union conferences.

Ergonomics

The Bank seeks to ensure maximum labour productivity, in particular, through greater comfort and safety at workplace. To this end, the Bank uses on its premises ergonomic furniture and greenery, provides the employees with pure drinking water and, if necessary, with additional lighting.

Safety in Emergency Cases

Vnesheconombank pays considerable attention to the employee and visitor safety in case of emergency: it conducts quarterly checks of computer-aided systems of escape ways, as well as regular training to enhance and coordinate actions of Vnesheconombank's duty services and police guards in case of a fire or other emergency.

In 2009, the Bank established Commission on prevention and elimination of emergencies and securing fire safety. The Commission comprises heads of the Bank's structural divisions. The Commission is chaired and controlled by the First Deputy Chairman of Vnesheconombank.

Moreover, the Bank has Civil Defense Command and Evacuation Commission in place to perform the functions related to civil defense activities, prevention and elimination of emergencies.

In accordance with Russian Federal Laws No. 28-FZ "On Civil Defense" dated 12 February 1998 and No. 68-FZ "On Protection of Population and Territories from Natural and Industrial Disasters" dated 21 December 1994, as well as Russian Government's Decrees No. 574 "On Training of Population in Protection from Natural and Industrial Disasters" dated 4 September

2003 and No. 841 "On Organization of Training of Population in Civil Defense" dated 2 October 2010, the Bank conducts training of employees in civil defense and protection from natural and industrial disasters. Every year an order is issued to approve a Plan of basic measures related to the civil defense and protection from emergencies, to appoint officials responsible for training courses and individual training in each independent structural unit. Training is conducted in groups led by the most competent managers. Thus, all the employees are involved in the process.

Training is conducted in line with an annual training program, 14 hours per an academic year.

Below are the life safety topics Vnesheconombank's employees studied in 2009:

- civil defense as a set of national measures designed to protect the population from the hazards arising out of or in connection with military operations;
- specifics of the hazards arising out of or in connection with military operations;
- unified state system to prevent and eliminate emergencies and the Moscow municipal system to prevent and eliminate emergencies as its component;
- employee actions in case of natural disasters;
- employee actions in case of industrial disasters;
- civil defense measures aimed at protection of the population from emergencies in peace- and war-time;
- first aid, fundamentals of nursing.

Training is conducted in the form of workplace seminars, trainings or individual studies of the subject.

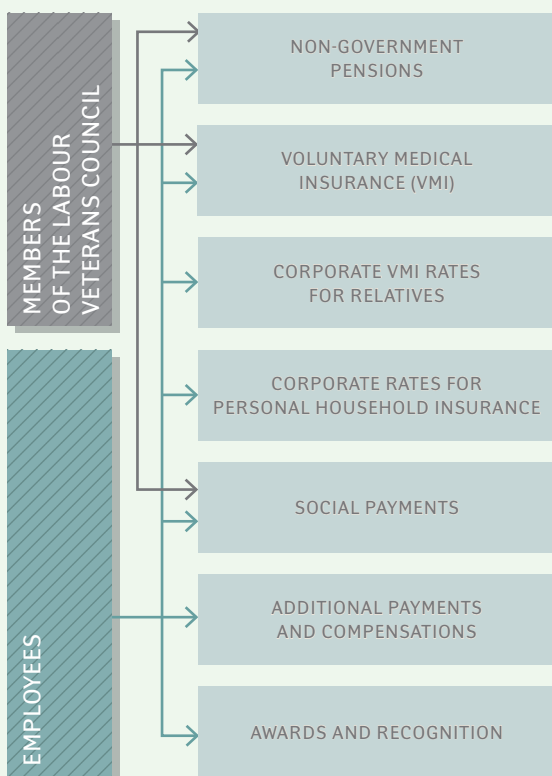
Furthermore, the Bank's intranet portal contains guidance documents (various subjects), as well as emergency instructions (rules of how to behave in case of natural and industrial disasters, terror scares, finding explosive (suspicious) objects, etc.).

Social Programs

3.7

The Bank seeks to support its employees and retirees – people who helped build its reputation of a credible and highly professional partner. Social support assumed special importance in times of the global economic crisis when many financial and banking institutions had to cut financing of social programs.

SOCIAL PACKAGE COMPONENTS



Social Package

Vnesheconombank chose to retain social programs having resorted to the scheme of co-financing voluntary medical insurance (hereinafter – VMI) by both the employer and employee. As for the financing of VMI for pensioners – members of the Labour Veterans Council, this was fully financed at the expense of Vnesheconombank just as before the crisis.

In 2009, Vnesheconombank’s management approved a list of guarantees and benefits for the Bank’s employees in the form of a flexible social package designed to provide various incentives (good working conditions, recruitment and retention of specialists).

Vnesheconombank’s social package comprises a wide range of social guarantees and benefits to secure efficient work of employees, better social security and favourable working and life conditions.

All the full-time employees are provided with a complete social package.

Vnesheconombank’s Labour Veterans Council

Vnesheconombank pays great attention to its labour veterans – people, who at various stages of the Bank’s

history demonstrated the most active participation in its life, worked hard for its welfare, delivered a significant contribution to its establishment, stability and helped strengthen its position in the financial community.

Vnesheconombank's Labour Veterans Council was established to engage pensioners in the Bank's social life and provide them with social, legal and financial assistance. In its activities, the Council is guided by Provisions on Vnesheconombank's Labour Veterans Council.

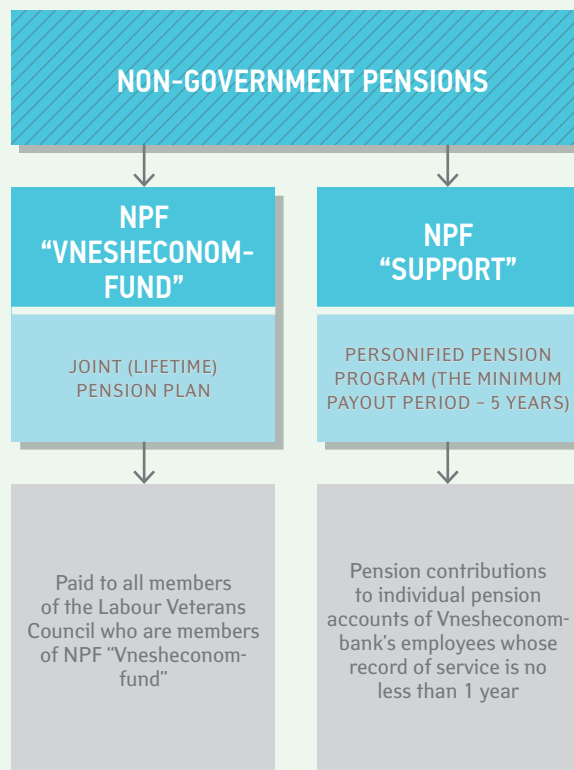
According to the Provisions, employees who were pensioned off or dismissed due to disablement (I and II disability groups, at least a 10-year record of work for Vnesheconombank) qualify for the Labour Veterans Council membership. If all the above prerequisites are met, the Bank's management takes a decision on each candidate based on his (her) individual contribution to the Bank's performance. Those employees, who demonstrated dedicated service to the Bank, may be admitted to the Labour Veterans Council irrespective of the duration of their employment with the Bank. If a pensioner is awarded the "Exemplary Employee of Vnesheconombank" award, he (she) is eligible for the Council membership.

At present, members of the Labour Veterans Council have voluntary medical insurance and receive non-government lifetime pension, as well as financial support. Based on the annual orders and with a view to financially supporting members of the Labour Veterans Council, Vnesheconombank effects the following payments: on the occasion of the Motherland Defender Day, International Women's Day, International Senior Citizens Day, New Year's Day, Victory Day, jubilees, and partial compensation of the costs associated with buying medicines. Besides, the family of a deceased pensioner or the person bearing the funeral costs also receives financial support.

Non-Government Pension Plans

Vnesheconombank provides non-government pensions through two non-government pension funds, NPF "Vnesheconomfund" and NPF "Support", under the two pension schemes: joint (lifetime) and personified (the minimum payout period – 5 years).

IMPLEMENTATION OF VNESHECONOMBANK'S PENSION PROGRAM



General procedure for providing non-government pensions is governed by Provisions on non-government pensions for Vnesheconombank's employees.

An employee becomes entitled to a non-government pension if on the date of dismissal he (she) qualifies for the government pension age or disability (I and II disability groups) pension.

Moreover, employees retain the right to a non-government pension if he (she) is appointed to an elective office, takes on a job in public service, is transferred to the Bank's subsidiary, as well as when dismissed less than 2 years prior to becoming entitled to a state pension.

Joint Pension Plan

The joint pension plan provides for the payment of non-government lifetime pensions to all members of Vnesheconombank's Labour Veterans Council who are members of NPF "Vnesheconomfund".

The procedure for granting and calculating lifetime pensions is established based on Instruction as to how to grant and calculate non-government pensions for Vnesheconombank's employees.

The amount of a non-government pension depends on the amount of the Bank's minimum non-government pension and duration of employment with Vnesheconombank. If an employee is awarded "Exemplary Employee of Vnesheconombank" award, he (she) receives a bonus for outstanding service to the Bank.

The lifetime pension is paid on a monthly basis from Vnesheconombank's joint account opened with NPF "Vnesheconomfund". This pension plan is designed to create incentives for employees and encourage their professional achievements, long-term work for Vnesheconombank, as well as support them upon retirement.

In 2009, Vnesheconombank's management decided to increase the amount of the lifetime pension for the pensioners who are members of NPF "Vnesheconomfund" and receive a lifetime pension.

Personified Plan

In accordance with Personified Pension Plan, Vnesheconombank effects monthly payments to individual pension accounts of Vnesheconombank's employees, whose period of employment with Vnesheconombank is no less than 1 year. The amount of pension contributions is calculated based on an employee's position and official salary. Upon occurrence of pension qualifications, the pension is paid monthly until the depletion of funds on the employee's account for no less than 5 years.

Implementation of the Personified Pension Plan helps increase the level of Vnesheconombank employee social protection and secure a higher level of income replacement upon retirement.

Voluntary Medical Insurance

In 2009, employees were provided with voluntary medical insurance according to the "Standard" program, which includes such major options as ambulatory care, dental health service, prenatal care, emergency, planned and emergency hospitalization. Moreover, there are corporate rates for voluntary medical insurance for the employee's relatives.

In 2009, the Bank introduced an obstetrics program designed to ensure that female employees receive quality services at the best clinics of Moscow under the comprehensive program of voluntary medical insurance.

Corporate Discounts on Household and Car Insurance

Besides voluntary medical insurance and non-government pension plans, the Bank's employees benefit from corporate rates of household and personal car insurance with leading insurance companies.

All the employees including those who combine jobs are entitled to a corporate discount in the amount depending on the position of an employee.

Social Security Payments

Vnesheconombank effects social security payments to those employees who are in trouble. As a rule, financial assistance is rendered to the employees undergoing expensive treatment for diseases excluded from the insurance schemes or victims of natural disasters, fire, theft or terrorist acts.

Social security payments are made to an employee based on a structural division manager's application and supporting documents evidencing the need for financial assistance.

Additional Payments and Compensations

The Bank's employees are entitled to various additional payments and compensations in the following cases:

- combining jobs (positions); expanded service area; greater volume of work; discharging duties of a temporarily absent employee without being released

from one's own contractual duties; overtime work; working on weekends and holidays or at night; child rearing leave; educational leave; temporary disablement; additional paid leave for irregular working hours, as well as other types of additional payments and compensations guaranteed by the Labour Code of the RF irrespective of employment conditions.

Furthermore, to improve employee social security, the Bank effects additional payments and provides benefits in compliance with the internal regulatory acts. Such payments and benefits include:

- additional paid leaves: a personal need leave; marriage leave; close relative death leave, parental leave;
- financial aid to employees with many children; to Chernobyl rescuers and disabled rescuers; in view of a close relative death.

In 2009, the Bank introduced a program designed to improve social security of children who have lost one or both parents (former employees of Vnesheconombank). The Program implementation is governed by Provisions on allowance paid to minor children of Vnesheconombank's employees due to the loss of a breadwinner.

The above benefits and compensations are intended for all the employees of the Bank except for irregular working hours leave, which is not provided to the employees who combine jobs.

Awards and Recognition

At Vnesheconombank, considerable attention is paid to non-financial incentives for the employees who have made a major personal contribution to increased efficiency of the Bank's performance and development and excelled in professional duties.

The Bank's regulatory documents provide for the following awards and recognitions:

- "Exemplary Employee of Vnesheconombank" badge award;
- "Certificate of Appreciation by Chairman of Vnesheconombank";

- "The Best Performing Employee" award;
- The Board of Honour of Vnesheconombank;
- The Book of Honour of Vnesheconombank.

"Exemplary Employee of Vnesheconombank" badge award is treated as an institutional mark of distinction for granting a "Labour Veteran" status.

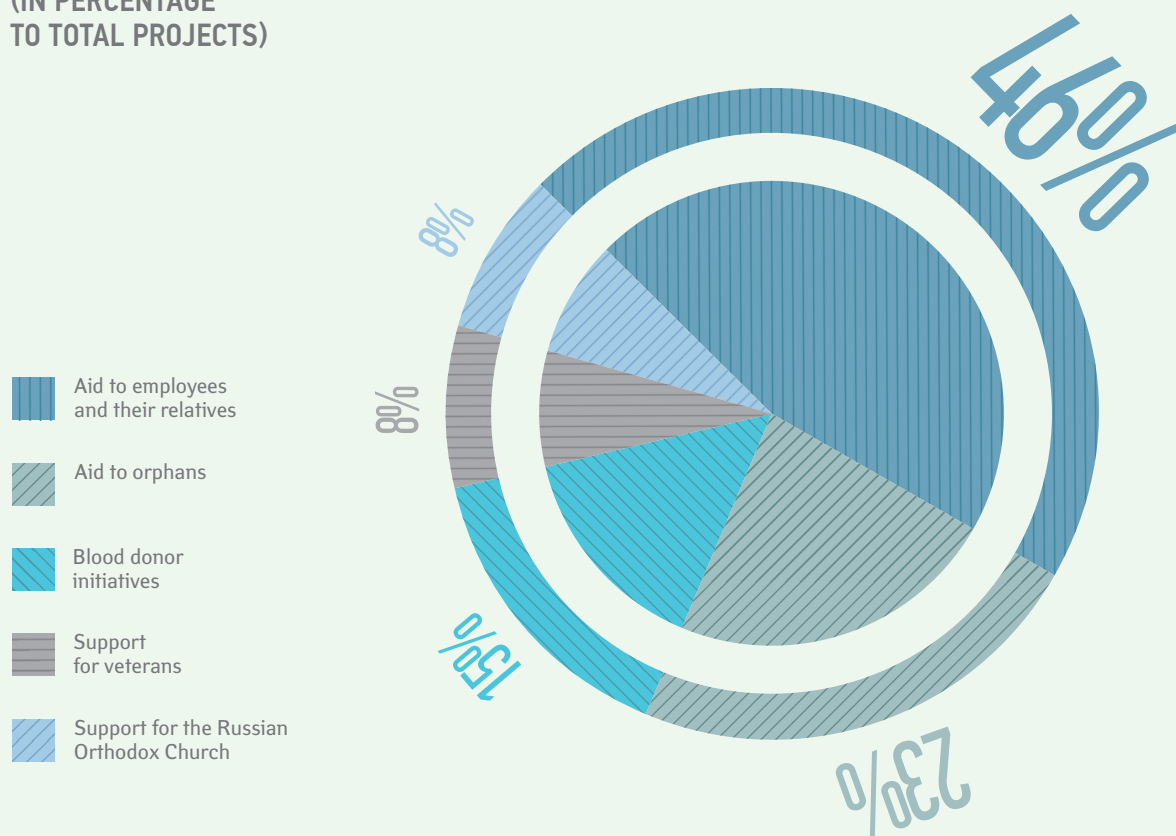
All awards are given by order of Vnesheconombank and accompanied by cash payments. Information about awards is recorded in an employee's service record book.

Corporate Volunteering

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Corporate volunteering is an essential part of the Bank's CSR system. Organized volunteer movement was started up in 2008 in order to provide conditions for engaging employees in socially important activities. Employees initiate all the volunteer projects. The projects may include targeted long-term programs, special topic events, single initiatives and other activities serving the welfare of the society.

AREAS OF VOLUNTEER ACTIVITIES IN 2009
(IN PERCENTAGE TO TOTAL PROJECTS)



In accordance with Vnesheconombank's Provisions on corporate volunteering, top priority areas of volunteering include: support for disadvantaged groups (sick children, children living in orphanages, disabled people, pensioners, etc.), aid to victims of catastrophes and military conflicts, preservation of historic and cultural heritage, environmental protection, activities in the sphere of education, science, etc.

Moreover, volunteering implies aid to those Vnesheconombank's employees who are faced with a complicated situation. The intranet portal operates a hotline. The employees may call for help if they or their relatives are in an extraordinary situation. As experience evidences, often colleagues offer not only the most substantial financial assistance, but also provide moral support. Out of thirteen volunteer projects implemented in 2009, six were on rendering assistance to the employees who called the hotline.

The projects on support for children from the Voskresensk municipal orphanage received a very enthusiastic employee response. The project was launched in 2008 with New Year congratulations to children and then followed by a series of initiatives in various spheres of children's life. By September 1, the Bank's employees did their best to help prepare children for the school year and bought necessary school accessories, textbooks, stationary, etc. During an influenza epidemic, necessary medications were purchased and sent to the orphanage. On the eve of the year 2010 and Christmas, a "New Year Tree of Wishes" initiative was launched. Vnesheconombank's employees fulfilled children's wishes and gave them gifts, from toy cars and dolls to cell phones. To preserve and continue this tradition, for the year 2010, a new "Birthday" project is planned. The project provides for monthly congratulations to children on occasion of their birthdays.

Increasingly more employees become blood donors. The year 2009 witnessed two donor initiatives, the first of which involved 39 employees, whereas the second one – 50 employees.

Overall, more than 300 people participated in volunteer projects in 2009. Another 200 employees are about to join the volunteer movement. The most active participants in volunteer projects are employees representing maintenance and support administrative divisions and

mid-level managers. Employees, whose service record is under 1 year are less informed of volunteer projects and, consequently, participate in them less often. To raise awareness, it is planned to include information on the volunteer projects in the booklet for newcomers.

Volunteer projects organization and coordination is performed by the Bank's executive charged with the task. If necessary, company vehicles are used. All the projects to be implemented are agreed upon with Vnesheconombank's trade union.

In employees' opinion, participation in volunteer projects and initiatives brings people together giving them an opportunity to demonstrate a proactive approach to life, feel themselves part of the society and contribute to solving acute social problems.

Raising Environmental Consciousness

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“ ALL EMPLOYEES MUST USE TWO-SIDED PRINTING WHEN PRODUCING DOCUMENTS

IN ACCORDANCE WITH INTERNAL ORDER “ON EFFICIENT USE OF PAPER



Protection of environment through the use of energy saving lighting, power efficient equipment, saving of paper and water is a mode of life. Environmental impacts are felt on a personal level as well: day-to-day employees' activities determine overall performance of the Bank. Vnesheconombank seeks to reduce impacts of its activities on the environment. To this end, in its activities related to maintenance, operation and logistical support of its premises, the Bank pursues the policy that aims to reduce power and resource consumption.

Measures for Reducing Environmental Impacts

Measures taken to reduce the Bank's environmental impacts include intensifying efforts to improve maintenance, servicing and efficient utilization of buildings, constructions and facilities of the Bank, as well as adjacent territories and to ensure operational capacity of pipelines and networks, technological improvements, readjustment or replacement of equipment, and optimization of the equipment operational schedules.

In addition, other means are used to enhance the resource utilization efficiency such as waste recycling, rational use of paper, an automatic lighting system, advocating and advertising energy- and resource-saving technologies.

In the mid-term, it is planned to implement a number of measures that aim to reduce the consumption of electric and thermal power, water and paper without detriment to comfortable working conditions.

The action plan includes development of a corporate environmental policy, which is to outline the Bank's basic approaches to the consumption of power and resources required to maintain the premises, as well

BUSINESS ACTIVITIES RESULTS IN 2009

| Energy and Resource Consumption | 2008 | 2009 | Trend |
|---------------------------------|--------|--------|---------|
| Electric energy (GJ) | 23 993 | 27 300 | + 3 307 |
| Thermal energy (GJ) | 15 469 | 17 901 | + 2 432 |
| Water (cubic meters) | 21 610 | 22 739 | + 1 129 |
| Paper (tons) | 86.931 | 90.501 | + 3.570 |

**BUSINESS TRIPS
BY COMPANY VEHICLE**

| Indicator | 2008 | 2009 | Trend |
|--|----------|----------|-----------|
| Engine power as of the year-end, hp | 39 188 | 36 778 | -2 410 |
| Kilometrage, in thousands of km | 4 184.1 | 4 275.7 | + 91.6 |
| Fuel consumption, in thousands of litres | 705.3 | 749.7 | + 44.4 |
| Fuel consumption, GJ | 23 723.9 | 25 239.7 | + 1 515.8 |
| Fuel consumption per 1 km, KJ per 1 km | 5 670.0 | 5 903.0 | + 233 |

WASTE MANAGEMENT METHODS

| Hazardous Waste | |
|----------------------|--|
| Storage batteries | Managed by a specialized contracting company in accordance with equipment maintenance and repair contract |
| Tyres | Managed by service centers in accordance with the respective motor transport maintenance contracts |
| Luminous lamps | Managed by a specialized company. Number of lamps recycled in 2009 - 2 550 (in 2008 - 1 500). Cost of luminous lamps recycling in 2009 - RUB 17.8 thousand (in 2008 - RUB 9.6 thousand) |
| Non-hazardous Waste | |
| Solid domestic waste | Disposed of at a landfill by a contracting company. |
| Construction waste | Managed by contracting companies making repairs of the Bank's premises |
| Paper | Shredded and delivered to a contracting company for subsequent recycling |
| IT products | Managed by a specialized contracting company |

as environmentally responsible behavior standards, which could be equally applicable to all employees of the Bank.

Power and Resource Consumption

The Table below contains the results of the Bank's business activities.

Calculations evidence a considerable increase in 2009 in electric and thermal energy consumption in comparison with the previous year. Not only is it caused by the year 2009 weather conditions, but also by a more intensive use of the office equipment due to substantially increased reporting on the implementation of the Bank's new anti-crisis functions.

Waste Recycling Methods

In the course of its business activities, Vnesheconombank produces waste of two types: hazardous (storage batteries, tires, luminous lamps, etc.) and non-hazardous (solid domestic waste, paper). To reduce

environmental impacts, the greater part of waste is recycled by specialized contractors (see the table).

Saving Paper

In order to streamline administrative and business expenses and assume greater corporate environmental responsibility, Vnesheconombank in 2009 took measures to ensure efficient use of paper. In accordance with internal order "On Efficient Use of Paper", all the employees must use two-sided printing when producing documents. This measure helped reduce the quantity of the paper used in QIV 2009 by 20% as compared to QI-QIII of the reporting period.

Despite the efforts to secure efficient use of paper, its total consumption over the period under report has gone up by 3.57 tons due to increased business activities.

An electronic document processing system is to be introduced to substantially cut the amount of paper used.

About The Report

This is the first publication of Vnesheconombank's Sustainability Report, which covers the results and outcomes of the Bank's economic, environmental and social activities and achievements in 2009 as of 1 January 2010.

The present report (hereinafter – the Report) is prepared in compliance with GRI's Sustainability Reporting Guidelines, version 3.0, and Financial Services Sector Supplement, which was officially translated into Russian by Vnesheconombank.

Defining Report Content

The Report provides a balanced and reasonable representation of the Bank's economic, social and environmental performance. Information in the Report is presented based on the Bank's management assessment of its activities over the reporting period.

The Report includes information, which, from the Bank's viewpoint, may be of interest to the majority of stakeholders. The key topics of the Report are defined in the context of interaction between structural divisions and stakeholders with due regard to the issues within their respective competences. Other foreign financial development institutions' non-financial reports were analyzed employing an expert evaluation method.

Moreover, to select the important topics and determine priorities that could arouse interest of the Bank's stakeholders, a thorough scrutiny of public opinion was secured. That was achieved through a survey analysis of mass media and interviewing heads of the Bank's key departments.

Report Preparation Process

The Report is prepared in compliance with the preparation, coordination and approval procedure and in timeframes stipulated in Regulations on social (non-financial) reporting of Vnesheconombank.

The information was collected as follows:



- analysis of the forms of management and statistical reporting, as well as internal documents of the Bank relating to the economic, environmental and social performance was conducted;
- requests for information to be included into the Report were sent to the structural divisions;
- verification procedure to confirm the reliability of the qualitative and quantitative data was conducted.

Data Measurement and Calculation Methods

For data measurement and calculation the following methods were employed:

- mathematical method and method of financial analysis (in compliance with the Russian systems).

GRI APPLICATION LEVEL

| | | C | C+ | B | B+ | A | A+ |
|-----------|-------------------------------|---|----|---|---|---|----|
| Mandatory | Self-declaration | | | |  | | |
| Optional | Verification by a third party | | | |  | | |
| | Verification by GRI | | | | | | |

Financial performance was measured in Roubles, Euro and US Dollars;

→ statistical data were measured based on the regulatory documents approved by the federal government bodies and internal regulatory documents of the Bank;

→ employee turnover rate was calculated using the following formula:

$ETR = A/B \times 100\%$, where ETR stands for an employee turnover rate;

A – for a number of employees dismissed;

B – for an average payroll number of employees for the period;

→ average payroll number (1564 people in 2009) was calculated based on Order No. 258 by the Federal State Statistics Service "On Approving the Guidance on Completing Federal Statistical Observation Form No. 1-T "Information on the Number and Pay of Employees" dated 13 October 2008;

→ number of employees dismissed included all the employees who quit voluntarily, retired or were discharged for other reasons, as well the cases of

labour contract cancellation due to an employee's death (in accordance with GRI Guidelines LA2 performance indicator);

→ number of training hours per employee per year by category was calculated based on the ratio of total hours for an employee category to the total number of employees within the category;

→ "My Bank" survey results were obtained using SPSS statistics program;

→ data on the power and resource consumption were measured based on the readings of water, electric and thermal power meters, as well as an acceptance certificate for the work performed and services rendered.

Reporting Principles

When producing the Report, the Management of the Bank applied the following principles:

→ Materiality and completeness of the information presented in the Report. The Report covers all Vnesheconombank's significant economic, environmental and social impacts;

- Sustainability context. Information on Vnesheconombank's performance is included in a wider environmental and social context;
- Responding to the needs of the stakeholders. The Report reflects the issues that are of major significance to the stakeholders;
- Balance. The Report reflects both positive and negative aspects of the Bank's performance over the reporting period;
- Credibility. Information used in the preparation of the Report was gathered, recorded, compiled, analyzed and disclosed in such a way that it can be verified and proved;
- Clarity. Information is made available in a manner that is understandable and accessible to a wide number of readers.

Report Boundaries

The Bank's first Sustainability Report does not include qualitative data on the business units that are controlled by the Bank, but remain legally independent, inclusive of subsidiary banks. The fundamental reason is that the Bank acquired the controlling interest in a number of subsidiaries in 2009. The main lines of the subsidiaries' development were also elaborated in the same 2009. Consequently, work on establishing an information consolidation system (the non-financial aspects of subsidiaries' activities) was not completed as of the Report preparation date.

Some sections of the Report contain qualitative information on the subsidiary banks, which were included in the Report based on Vnesheconombank's ownership of more than 50% in their charter capital.

In the future, the reporting boundaries are to be extended to comprise performance indicators and information on approaches to management of credit and other institutions that are under the Bank's control or under a considerable influence and create substantial social and economic impacts. Significance of a business unit in terms of information collection would be determined based on the scale of its impacts on

Vnesheconombank's activities in the area of sustainable development.

In accordance with Regulations on social (non-financial) reporting, Vnesheconombank will produce its sustainability reports on a yearly basis. Non-financial reporting is intended to become an effective instrument to assess the performance of the Bank and its subsidiaries in terms of environmental protection, social sphere and business ethics and contribute to their consistent improvement.

GRI Application Level

Vnesheconombank self-declares a B+ GRI Application Level (see GRI Application Level Table on page 82).

In addition to the self-declaration, Vnesheconombank:

- obtained an external assurance from Ernst&Young (CIS) B.V.;
- conducted internal audit of the Report. Vnesheconombank's Internal Audit Service performed analysis to verify and prove qualitative and quantitative data presented in the Report.

Such an approach is designed to raise stakeholders' confidence in the information presented in the Report.

Table: The Report Compliance With GRI Guidelines

| Disclosure/GRI Performance Indicator (wording in accordance with GRI Guidelines) | Section of the Report/Comments/ References to other sources | Pages | |
|---|---|---|---|
| 1.1 | Statement from the most senior decision-maker of the reporting organization about the relevance of sustainability for the organization and its strategy | Chairman's Address | 2-3 |
| 1.2 | Description of key impacts and opportunities | Chairman's Address 1.1. System of Corporate Governance 1.2. Major Business Lines 1.3. Approach to Sustainability <i>The Bank's system for establishing sustainability-related targets and goals is being developed and not all the goals have been established in the reporting year. The Bank intends to finalize its targets and goals with respect to sustainability in its subsequent reports</i> | 2-3 12-13 15 21 |
| 2.1 | Name of the organization | 1.1. System of Corporate Governance | 7 |
| 2.2 | Primary brands, products, or services | 1.2. Major Business Lines | 15-18 |
| 2.3 | Operational structure of the organization | 1.1. System of Corporate Governance | 8 |
| 2.4 | Location of the organization's headquarters | Contact Information | 104 |
| 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 | 1.1. System of Corporate Governance | 8-9 |
| 2.6 | Nature of ownership and legal form | 1.1. System of Corporate Governance | 7 |
| 2.7 | Markets served | 1.1. System of Corporate Governance 1.2. Major Business Lines | 8-9 15-18 |
| 2.8 | Scale of the reporting organization | 1.2. Major Business Lines 2.1. Vnesheconombank's Investment Activities 2.2. Developing the Mechanisms of Public-Private Partnership 2.3. Support for Small- and Medium-Sized Enterprises (SMEs) 2.5. New Strategy for Pension Savings Investment 3.2. Staff Characteristics <i>Also, see Annual Report 2009 (1. Development Dynamics: Major Financial Highlights)</i> | 15-18 32 37 40-42 45-46 56 |
| 2.9 | Significant changes during the reporting period regarding size, structure, or ownership | 1.1. System of Corporate Governance | 9-10 |

| Disclosure/GRI Performance Indicator (wording in accordance with GRI Guidelines) | Section of the Report/Comments/ References to other sources | Pages |
|---|--|---|
| 2.10 | Awards received in the reporting period 1.1. System of Corporate Governance 1.4. Interaction with External Environment <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. For more details, see Annual Report 2009 and www.veb.ru</i> | 13 25 |
| 3.1 | Reporting period (e.g., fiscal/calendar year) for information provided | About the Report 81 |
| 3.2 | Date of most recent previous report (if any) | <i>Not applicable, since the Report is being first published</i> — |
| 3.3 | Reporting cycle (annual, biennial, etc.) | About the Report 83 |
| 3.4 | Contact point for questions regarding the report or its contents | Contacts Information 104 |
| 3.5 | Process for defining the report content | About the Report 81 |
| 3.6 | Boundary of the report | About the Report 83 |
| 3.7 | State any specific limitations on the scope or boundary of the report | About the Report 83 |
| 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 | About the Report 83 |
| 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 | About the Report 81–83 |
| 3.10 | Explanations of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement | <i>Not applicable, since the Report is being first published</i> — |
| 3.11 | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report | <i>Not applicable, since the Report is being first published</i> — |
| 3.12 | Table identifying the location of the Standard Disclosures in the report | Table: The Report Compliance with GRI Guidelines 84–93 |
| 3.13 | Policy and current practice with regard to seeking external assurance for the report | About the Report 81, 83 |

| Disclosure/GRI Performance Indicator (wording in accordance with GRI Guidelines) | Section of the Report/Comments/ References to other sources | Pages |
|---|--|-------------------|
| 4.1 Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight | 1.1.. System of Corporate Governance | 6–8 |
| 4.2 Indicate whether the Chair of the highest governance body is also an executive officer | 1.1. System of Corporate Governance | 7–8 |
| 4.3 For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members | <i>Not applicable, since the Bank's corporate governance system 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 | 1.1. System of Corporate Governance 3.5. Staff Training and Development 3.6. Occupational Health and Safety | 7 68 71 |
| 4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance) | 3.3. Remuneration System | 59–60 |
| 4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided | 1.1. System of Corporate Governance | 8 |
| 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 | 1.1. System of Corporate Governance | 7 |
| 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 implementation | 1.2. Major Business Lines 1.3. Approach to Sustainability 2.5. New Strategy for Pension Savings Investment | 14–15 19 47 |
| 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 | 1.1. System of Corporate Governance | 7–8 |
| 4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance | 1.1. System of Corporate Governance | 7 |

| Disclosure/GRI Performance Indicator (wording in accordance with GRI Guidelines) | Section of the Report/Comments/ References to other sources | Pages |
|---|---|--------------------|
| 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organization <i>The Bank does not directly address the precautionary principle in its activities. Approach to risk management is described in Section 1.1 "System of Corporate Governance"; measures for preventing negative environmental impacts are described in Section 2.4. "Environmental and Social Impacts Management"</i> | 12-13 43-44 |
| 4.12 | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses | 25 94-97 |
| 4.13 | Memberships in associations (such as industry associations) and/or national/international advocacy organizations | 94-97 |
| 4.14 | List of stakeholder groups engaged by the organization | 23 |
| 4.15 | Basis for identification and selection of stakeholders with whom to engage | 22 |
| 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group | 22, 24 |
| 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 <i>1.4. Interaction with External Environment About the Report Informational needs of the stakeholders are identified in the course of the Bank's day-to-day activities. The Bank intends to consolidate information about key topics and concerns, raised or identified in the course of interaction with the stakeholders, in its subsequent sustainability reports</i> | 24-27 81 |

GRI FINANCIAL SERVICES SECTOR SUPPLEMENT

| | | | |
|-----|--|--|-------|
| FS1 | Policies with specific environmental and social components applied to business lines | 2.4. Environmental and Social Impacts Management | 43 |
| FS2 | Procedures for assessing and screening environmental and social risks in business lines | 2.4. Environmental and Social Impacts Management | 43-44 |
| FS3 | Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions | 2.4. Environmental and Social Impacts Management | 44 |

| Disclosure/GRI Performance Indicator (wording in accordance with GRI Guidelines) | Section of the Report/Comments/ References to other sources | Pages | |
|---|--|--|-------------|
| FS6 | Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector | 2.1. Vnesheconombank's Investment Activities | 32, 35 |
| FS13 | Access points in low-populated or economically disadvantaged areas by type | N/A | — |
| FS14 | Initiatives to improve access to financial services for disadvantaged people | N/A | — |
| FS16 | Initiatives to enhance financial literacy by type of beneficiary | 1.4. Interaction with External Environment 2.2. Developing the Mechanisms of Public-Private Partnership | 25–27 37 |

ECONOMIC PERFORMANCE INDICATORS

| | | | |
|-----|---|---|----------------|
| | Management Approach | 1.2. Major Business Lines 3.1. HR Strategy | 14–15 54–55 |
| EC4 | Significant financial assistance received from government | 1.2. Major Business Lines | 16, 17 |
| EC5 | Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation | 3.3. Remuneration System | 59 |

ENVIRONMENTAL PERFORMANCE INDICATORS

| | | | |
|-----|---|---|----|
| | Management Approach | 3.9. Raising Environmental Consciousness | 79 |
| EN1 | Materials used by weight or volume | 3.9. Raising Environmental Consciousness | 80 |
| EN2 | Percentage of materials used that are recycled input materials | <i>The Bank does not use recycled input materials</i> | — |
| EN3 | Direct energy consumption by primary energy source | N/A | — |
| EN4 | Indirect energy consumption by primary source | 3.9. Raising Environmental Consciousness | 80 |
| EN6 | Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives | N/A | — |

| Disclosure/GRI Performance Indicator (wording in accordance with GRI Guidelines) | Section of the Report/Comments/ References to other sources | Pages |
|---|--|-------|
| EN7 | Initiatives to reduce indirect energy consumption and reductions achieved 3.9. Raising Environmental Consciousness <i>The Report describes the measures taken to increase the energy efficiency. The Bank intends to disclose information about reduced energy consumption in subsequent reports</i> | 80 |
| EN8 | Total water withdrawal by source | — |
| EN9 | Water sources significantly affected by withdrawal of water | — |
| EN10 | Percentage and total volume of water recycled and reused | — |
| EN11 | Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | — |
| EN12 | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas | — |
| EN13 | Habitats protected or restored | — |
| EN14 | Strategies, current actions, and future plans for managing impacts on biodiversity | — |
| EN15 | Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk | — |
| EN19 | Emissions of ozone-depleting substances by weight | — |
| EN23 | Total number and volume of significant spills | — |
| EN24 | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally | — |
| EN25 | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff | — |

| Disclosure/GRI Performance Indicator (wording in accordance with GRI Guidelines) | Section of the Report/Comments/ References to other sources | Pages | |
|---|--|---|----|
| EN27 | Percentage of products sold and their packaging materials that are reclaimed by category | N/A | — |
| EN28 | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations | <i>In the reporting year, the Bank was not liable to any significant fines or sanctions for noncompliance with environmental laws and regulations</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 | 3.9. Raising Environmental Consciousness | 80 |

LABOUR PRACTICES PERFORMANCE INDICATORS

| | | | |
|------|--|--|-------|
| | Management Approach | 3.1. HR Strategy | 54–55 |
| LA1 | Total workforce by employment type, employment contract, and region | 3.2. Staff Characteristics | 56–57 |
| LA2 | Total number and rate of employee turnover by age group, gender, and region | 3.2. Staff Characteristics | 56–58 |
| LA3 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations | 3.7. Social Programs | 73–76 |
| LA4 | Percentage of employees covered by collective bargaining agreements | 3.6. Occupational Health and Safety | 71 |
| LA7 | Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region | <i>In the reporting year, there were no injuries or work-related fatalities</i> | — |
| LA8 | Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases | 3.6. Occupational Health and Safety | 70–71 |
| LA9 | Health and safety topics covered in formal agreements with trade unions | 3.6. Occupational Health and Safety <i>The current version of collective bargaining agreement does not comprise the occupational health and safety issues</i> | 71–72 |
| LA10 | Average hours of training per year per employee, by employee category | 3.5. Staff Training and Development | 67 |
| LA11 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings | 3.5. Staff Training and Development | 64–67 |

| Disclosure/GRI Performance Indicator (wording in accordance with GRI Guidelines) | Section of the Report/Comments/ References to other sources | Pages |
|---|---|-------------------------------------|
| LA13 | Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity | 3.2. Staff Characteristics 56-57 |

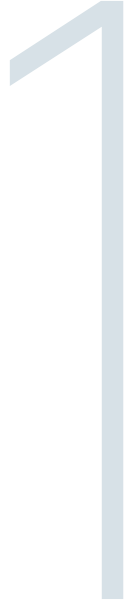
HUMAN RIGHTS PERFORMANCE INDICATORS

| | | | |
|-----|---|--|-------------------------|
| | Management Approach | 3.1. HR Strategy 3.4. Staff Recruitment and Rotation 3.6. Occupational Health and Safety | 54-55 62-63 69-70 |
| HR4 | Total number of incidents of discrimination and actions taken | <i>No incidents of gender, race, or nationality discrimination revealed in Vnesheconombank's practices</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>The Bank is not involved in any activities, in which the right to exercise freedom of associations 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>The Bank does not engage 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>The Bank does not engage in any activities, which may have significant risk for incidents of forced or compulsory labor</i> | — |

SOCIETY PERFORMANCE INDICATORS

| | | | |
|-----|---|--|--------------|
| | Management Approach | 1.4. Interaction with External Environment 2.7. Charitable Activities | 22, 24 51 |
| S03 | Percentage of employees trained in organization's anti-corruption policies and procedures | 2.6. AML/CTF System | 50 |
| S05 | Public policy positions and participation in public policy development and lobbying | 1.1. System of Corporate Governance 1.4. Interaction with External Environment | 7 24-25 |
| S07 | Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes | <i>No such legal actions brought over the reporting year</i> | — |
| S08 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations | <i>In the reporting year, the Bank was not liable to any significant fines or non-monetary sanctions for noncompliance with laws and regulations</i> | — |

| Disclosure/GRI Performance Indicator (wording in accordance with GRI Guidelines) | Section of the Report/Comments/ References to other sources | Pages | |
|---|--|--|-------|
| PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS | | | |
| | Management Approach | 2.4. Environmental and Social Impacts Management | 43-44 |
| PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services | <i>In the reporting year, the Bank was not liable to any significant fines for noncompliance with laws and regulations concerning the provision and use of products and services</i> | — |



ANNEX 1

Vnesheconombank's participation in associations, unions and other non-commercial organisations engaged in promoting economic development and investment (as of 01.01.2010)

| NAME | Year of Entry | Participation Goals |
|--|---------------|---|
| ACI – The Financial Markets Association | 1955 | Efficient operation in the financial market |
| International Capital Market Association (ICMA) | 1989 | Development of risk management system in compliance with current market trends |
| American-Russian Business Council | 2000 | Development of trade and economic relations between Russian and American companies and banks; obtaining market information |
| Russian-Arab Business Council | 2005 | Promoting trade and economic business cooperation; establishing new and bolstering the ongoing relations with Arab business and banking circles |
| Association of Development Financial Institutions in Asia and the Pacific (ADFIAP) | 2007 | Exchange of experience in financing the priority national investment projects |
| Association of Bill Market Participants | 1999 | Efficient operation in the bill market; legal support and activities coordination |
| Italian-Russian Chamber of Commerce | 2004 | Development of bilateral trade and economic relations with Italy; establishing new and bolstering the ongoing relations with Italian business and banking circles |
| Long-Term Investors Club | 2009 | Development of joint investment policy; interaction and experience exchange between major global investors |
| Coordinating Committee on Economic Cooperation with Sub-Saharan Africa | 2009 | Consolidation of efforts of business circles, the Russian government and social institutions to promote foreign economic activities in the African markets and create an effective mechanism of support for Russian export-oriented companies |
| Interbank Consortium within the Shanghai Cooperation Organisation (SCO IBC) | 2005 | Developing the mechanism of financing and administering the investment projects supported by the governments of the SCO member-countries |
| National Association of Stock Market Participants | 1999 | Efficient operation in the securities market; legal support and activities coordination |
| Non-commercial association of legal entities "Russian-American Business Council" | 2006 | Securing partnership relations between Russian and American business circles; bolstering economic cooperation |
| Non-commercial partnership "CIS Finance and Banking Council" | 2006 | Promoting trade, economic, industrial, scientific, technological and investment cooperation between the CIS member-countries |
| National Foreign Currency Association | 2000 | Efficient operation in the Russian financial market; legal support and activities coordination |
| Association of Russian Banks | 1997 | Promoting efficient operation of the RF banking system and ensuring its stability |

| NAME | Year of Entry | Participation Goals |
|--|---------------|--|
| Russian Europay Members' Association | 2000 | Obtaining organisational, information, analytical, methodical, legal and other assistance in operations with MasterCard products |
| Moscow Chamber of Commerce and Industry | 1994 | Promoting entrepreneurial activities in Moscow; creating modern industrial, financial, information and commercial infrastructure |
| Russian National Association S.W.I.F.T (ROSSWIFT) | 1995 | Cooperation in standardizing the SWIFT infrastructure used by Vnesheconombank and its subsidiaries; use of the SWIFTNet platform; application of ISO standards in the Russian financial market |
| Investment Support Fund under the Governor of the Sverdlovsk Region | 2006 | Development of investment potential of the Sverdlovsk region |
| Russian National Committee of the International Chamber of Commerce | 1998 | Elaborating uniform international policies and procedures of conducting business; analyzing business sentiment on a wide range of issues (trade, investment policy and sustainable development, most acute technical and sectoral problems) |
| Russian Trading System Stock Exchange | 1999 | Conducting operations in financial markets in compliance with globally accepted standards |
| Global Economic Forum | 1997 | Promoting international cooperation; establishing and maintaining business contacts |
| Russian Union of Manufacturers and Entrepreneurs | 2008 | Striking the right balance between the interests of the civil society, government and business circles; encouraging sustainable development cooperation with companies in the key sectors of economy |
| Professional Association of Registrars, Transfer Agents and Depositories | 1999 | Upgrading the Russian stock market accounting system, establishing a central depository; ensuring effective use of the electronic document processing system by depositories and registrars |
| Russian-British Chamber of Commerce | 2000 | Promoting bilateral trade and economic relations with the United Kingdom; establishing new and bolstering the ongoing relations with British business and banking circles |
| Russian-Italian Civil Society Forum-Dialogue | 2004 | Developing new highly potential areas of cooperation between the two countries; bolstering bilateral relations at the non-governmental level. These embrace economy, science and education, cultural and human exchanges (non-governmental and social organisations) |
| Russian-Chinese Chamber on Facilitation of Trade in Equipment, Machinery and Innovations | 2008 | Increased volume of Russian-Chinese commodity turnover; diversification of the bilateral trade structure towards increased share of value added products |

| NAME | Year of Entry | Participation Goals |
|----------------------------------|---------------|---|
| Russian-Chinese Business Council | 2004 | Delivery of joint Russian-Chinese economic projects; promoting cooperation between the Russian and Chinese business circles |
| "St. Petersburg Dialogue" Forum | 2005 | Promoting Russian-German cooperation |



ANNEX 2

Program of Vnesheconombank's
charitable activities in 2009

| CHARITY RECIPIENT | Beginning of Cooperation | Charitable Activities |
|--|--------------------------|--|
| HEALTHCARE AND SOCIAL SUPPORT FOR CITIZENS | | |
| Research Institute of Children's Oncology and Hematology named after N.N. Blokhin | 2002 | Purchase of medical equipment (a dermatome, a dermatoscope, laser and other medical equipment). Arranging the annual festive "Sunny Day" event for recovering children in the Tsaritsino museum estate. |
| Moscow Region psycho-neurological clinic for children with central nervous system disorders | 2002 | Purchase of : <ul style="list-style-type: none"> ■ sophisticated equipment for the restoration of movement functions, correction of defects in posture and scoliosis treatment; ■ BIODEX SYSTEM 4 PRO diagnosis equipment required to ensure smooth management of the clinic; ■ specialized medical beds |
| First Hospice for children with cancer diseases | 2002 | Providing the necessary treatment and consultative services to seriously-ill children |
| Regional Clinical Hospital in the city of Ivanovo | 2009 | Acquisition of a lithotripter (a device for performing operations and treating urinary stone disease and other kidney diseases) |
| Central Military Clinical Aviation Hospital | 2005 | Purchase of medications and medical equipment |
| Orphanage in the city of Aleksin | 2005 | Purchase of computers |
| Orphanage in the city of Klimovsk | 2008 | Equipping the territory with sports amenities (volleyball and basketball courts) and planting greenery |
| Orphanage No. 14, Moscow | 2003 | Purchase of computers, equipping the territory with sports amenities |
| <p>"Veteran" (Russian civil society of disabled veterans and workers, as well as persons disabled from childhood);</p> <p>Moscow civil society of disabled veterans and Russian military recruits;</p> <p>War, Labor and Armed Forces Veterans (Pensioners) Fund;</p> <p>War and Armed Forces Veterans (Pensioners) Hall in Moscow;</p> <p>"Taganskoye" (all-Russia society of invalids in the Moscow central administrative district);</p> <p>"Pilgrim" (interregional civil society of invalids)</p> | 2002 | Social support for war participants, disabled veterans and workers |

| CHARITY RECIPIENT | Beginning of Cooperation | Charitable Activities |
|---|--------------------------|-----------------------|
| Russian civil society of the MIA internal military forces invalids; Regional branch of "SKARN" LLC, the city of Ivanovo; Council of veterans, the municipal district "Ivanovskoe" | 2003 | |
| Moscow male choir of the World War II participants | 2004 | |
| Russian civil society of war participants- disabled veterans and former employees of the RF Ministry of Foreign Affairs; Support for Long-Range Aviation Fund | 2006 | |
| Council of war, labor, Armed Forces and law-enforcement agencies veterans, the Moscow Southern administrative district | 2008 | |

RECORD-SETTING SPORTS

| | | |
|-------------------------------------|------|--------------------------|
| All-Russia Volleyball Federation | 2005 | Financing national teams |
| All-Russia Cycling Sport Federation | 2009 | |

SCIENCE, EDUCATION, CULTURE AND ARTS

| | | |
|--|------|---|
| Institute for Geophysics named after O.Yu. Schmidt | 2009 | Financing of scientific research into the world's ocean bed |
| Academy of Young Opera Singers of the Mariinskiy Theatre | 2000 | Vnesheconombank's prizes to the most talented young singers of the Mariinskiy Theatre for participation in the premieres |
| Moscow theatre "P.N. Fomenko Studio" | 1998 | Social support for the Studio's staff |
| Moscow Kremlin Museums | 2006 | Assistance to the Moscow Kremlin Museums in making copies of reliquaries |
| Cultural institutions of Northern Ossetia and Abkhazia | 2009 | Support for cultural institutions of the Republic of Northern Ossetia - Alania engaged in teaching children from Southern Ossetia and Abkhazia that suffered during the armed conflict with Georgia |

| CHARITY RECIPIENT | Beginning of Cooperation | Charitable Activities |
|--|--------------------------|---|
| SUPPORT FOR RUSSIAN ORTHODOX CHURCH | | |
| Presvyataya Bogoroditsa Pokrov Church (the village of Tyunezh, the Tula region) | 2005 | Reconstruction of churches representing the cultural heritage and having great historic value |
| Svyatye Petr and Pavel Apostols Church of Svyato-Troitze-Sergieva Lavra | 2006 | |
| Spasskiy Temple in the village of Ubory | 2007 | |
| Bishop Metochion of the Samara Eparchy Head; Project on construction of the Povolzsk orthodox institution (Bishop Metochion of the Samara Eparchy Head); Patriarch Metochion in Zariadye | 2009 | |
| Danilov Monastery | 2002 | <ul style="list-style-type: none"> ■ Financing construction and completion works for the Patriarch Centre for Spiritual Development of Children and Young People at the Moscow Danilov Monastery; ■ Financial support for the youth spiritual development programs; ■ Financing construction and repair works on the territory of the cloister |
| Spaso-Preobrazhenskiy Solovetskiy Monastery | 2004 | Financing construction and restoration works in the monastery |
| Representation of the Russian Orthodox Church in the Council of Europe in Strasbourg | 2006 | Servicing website of the Russian Orthodox Church |
| Construction of the Russian Orthodox Church hospitium at the Jordan river | 2009 | Financing construction of hospitium at the Jordan river, at the place of Jesus Christ Baptism, to strengthen the Russian presence in the Holy Land |

Independent Assurance Report

on the Sustainability Report
2009 of State Corporation
“Bank for Development and Foreign
Economic Affairs (Vnesheconombank)”

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 2009 disclosed in the Sustainability Report 2009 of the Bank (hereinafter “the Report”) except for the following matters:

- Data provided by third parties, including Bank’s subsidiaries, and
- Any forward-looking statements on events or planned activities of the Bank.

Our engagement is aimed to obtain 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 Bank during 2009.

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 “GRI Framework”) and reporting principles stated in Regulation on Social (Non-Financial) Reporting of the Bank as set out in section “About the report” on

page 81 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 therein. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of a sustainability report that is free of 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 81-83 of the Report.

Our Responsibility

Our responsibility in performing this assurance engagement is to express a conclusion 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 conclusion. Our principal procedures were:

- Interviews with the Bank’s employees and divisions’ heads responsible for its sustainability policies, activities, performance and relevant reporting,
- Analysis of internal regulatory documents related to the Bank’s sustainability policies, activities, performance and relevant reporting,
- Benchmarking of the Report against sustain-

ability reports of selected national and international development banks,

- Review of a selection of publications with respect to the Bank's sustainability policies, activities, events, and performance in 2009,
- Identification of material issues based on the procedures described above and analysis of their reflection in the Report,
- Review of data samples for key indicators related to human resources, environment, health and safety, charity, and project finance as well as data collection processes to assess whether these data have been collected, collated and reported appropriately,
- Collection on a sample basis of evidence substantiating the qualitative and quantitative information included in the Report,
- Assessment of the sustainability reporting principles used by the Bank, and
- Assessment of disclosure of elements required by B+ application level of GRI Guidelines of GRI Framework.

Conclusion

Based on our work performed 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 Bank during 2009 in accordance with GRI Framework and reporting principles stated in Regulation on Social (Non-Financial) Reporting of the Bank.

Observations

This is the first 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 conclusion set out above.

Stakeholder engagement process: We have noted that the Bank aims to reflect all issues important to its stakeholders in the Report. We suggest that the Bank undertake stakeholder engagement activities especially for the sustainability report preparation in order to address information needs of various stakeholder groups more specifically.

Sustainability goals and objectives: We have noted that the Bank has published a number of goals related to sustainability policies, activities, events and performance in the Report. We suggest that the Bank report against these goals and publish more specific and measureable goals in the next sustainability report.

Sustainability reporting internal assurance procedures: We have noted that the Bank has established strong internal assurance procedures to ensure the accuracy of information and data included in the Report. We suggest that the Bank continue this practice and apply it in subsidiaries as well.

Ernst & Young (CIS) B.V.

Moscow
31 August 2010

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