



RUSSIAN FEDERATION

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
№1007-p dated July 27, 2007

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by Directive of the Government of the Russian Federation
№1007-p dated July 27, 2007

(as amended by the Russian Government Directives

№1697-p dated November 19, 2008,

№1783-p dated November 26, 2009,

№ 1170-p dated July 15, 2010,

№ 2088-p dated November 21, 2011,

№ 1766-p dated September 24, 2012,

№ 1784-p dated September 26, 2012,

№ 2311-p dated December 10, 2012,

№ 2610-p dated December 29, 2012,

№ 1316-p dated July 25, 2013,

№ 739 dated August 26, 2013,

№ 8-p dated January 13, 2014,

№ 1451-p dated August 02, 2014,

№ 16 dated January 16, 2015.

№ 158-p dated January 31, 2017)

Moscow,
August 2, 2007
№ 2065



**BANK
FOR DEVELOPMENT**

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

Memorandum on financial policies of state corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)"



General Provisions

- 1 Memorandum on financial policies of state corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)” (hereinafter referred to as the “Memorandum”) sets forth the core business areas and indicators of investment and financial activities of state corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)” (hereinafter referred to as “Vnesheconombank”), inclusive of quantitative and qualitative restrictions on Vnesheconombank’s investment and financial activities imposed to ensure its financial stability.

Besides, the Memorandum establishes the principle terms and conditions of, the procedure to apply to, and the tenors for extending credits and loans, issuing guarantees, acquiring interest in charter capital of business entities, as well as the procedure for rendering financial support for the Opened Joint Stock Company established by Vnesheconombank that arranges insuring export credits and investment against entrepreneur and (or) political risks. The Memorandum also imposes quantitative restrictions on raising funds (as amended by the Russian Government Directive № 2088-p dated November 21, 2011).

- 2 The Memorandum provides the basis for Development of Vnesheconombank’s investment and financial policies, as well as for the risk management policy.

- 3 Vnesheconombank shall carry out banking and other operations envisaged by Federal Law “On Bank for Development” subject to the restrictions placed by the Memorandum. Vnesheconombank shall effect banking operations when implementing investment projects that meet the requirements imposed by the Memorandum, as well as when managing temporary idle funds (liquidity) in compliance with the requirements set out by the Memorandum. The provisions of the Memorandum shall be binding upon the Board and the Chairman of Vnesheconombank.
- 4 Underlying Vnesheconombank’s activities are the following principles:
 - a) Absence of competition from commercial financial institutions. When engaging in investment activities, Vnesheconombank shall give preference to those investment projects, implementation of which does not entail any competition from commercial financial institutions. As a rule, Vnesheconombank participates in investment projects when commercial financial institutions are unable to offer more competitive terms of financing as compared with those offered by Vnesheconombank;
 - b) Transparency. Vnesheconombank shall carry out its investment and financial activities following the principles of information openness and transparency and using best practices of corporate governance;
 - c) Viability. Vnesheconombank shall participate in implementing investment projects provided these projects are viewed as commercially viable;
 - d) Public-Private Partnership (PPP). Vnesheconombank shall give priority to the projects to be carried out on the PPP basis;

e) Environmental responsibility. Vnesheconombank shall not participate in the investment projects that do not fully comply with environmental protection requirements and ecological efficiency standards.

5 Analysis of investment projects compliance with the principles envisaged by § 4 of the Memorandum shall be performed at the stage of expert evaluation of investment projects in conformity with the Memorandum.

The results of applying the above principles shall be reflected in Vnesheconombank's annual report.

5.1 Vnesheconombank carries out operations and transactions under which the Bank's counterparties or the counterparties' end beneficiaries are legal entities registered on the territories included in the approved by the Russian Federation Finance Ministry list of states and territories that offer preferential tax regime and (or) do not envisage disclosure of information on financial transactions (offshore zones) or physical entities that have citizenship of a foreign state, included in the given list, in compliance with the procedure that is subject to approval by Vnesheconombank's Supervisory Board (as amended by the Russian Federation Government Resolution № 16 dated 16.01.2015).

Major Areas of Vnesheconombank's Investment Activities

- 6 The major areas of Vnesheconombank's investment activities are:
 - a) implementation of investment projects designed to remove infrastructure restrictions impeding economic growth, including Development of energy and transportation infrastructure, housing and public utilities infrastructure, as well as tourism;
 - b) implementation of innovation-focused projects and participation in National Technological Initiative projects (as amended by the Russian Government Directive №158-p dated January 31, 2017);
 - c) participation in projects designed to enhance the efficiency of natural resources utilization, protect environment and improve ecological situation participation in implementing projects aimed at increasing energy efficiency (as amended by the Russian Government Directive №1783-p dated November 26, 2009);
 - d) 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;

- e) support for exports of industrial production and services with a view, inter alia, to diversify national exports (as amended by the Russian Government Directive № 1697-p dated November 19, 2008);
 - f) arranging insurance of export credits and investment against entrepreneur or (and) political risks by means of establishing an Opened Joint Stock Company and rendering financial support to the company (as amended by the Russian Government Directive № 2088-p dated November 21, 2011);
 - g) implementation of investment projects aimed at Development of territorial clusters (as amended by the Russian Government Directive № 2311-p dated December 10, 2012);
 - h) implementation of investment projects aimed at Development of single-industry municipalities (as amended by the Russian Government Directive № 2311-p dated December 10, 2012);
- 7 In 2007–2016 (as amended by the Russian Government Directive № 1316-p dated July 25, 2013), the priority areas of Vnesheconombank's investment activities by sectors of economy shall be:
- a) aircraft industry and space and missile complex;
 - b) shipbuilding;
 - c) electronics;
 - d) nuclear industry, inclusive of nuclear power;

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- e) heavy, transport, special and power engineering (as amended by the Russian Government Directive № 1784-p dated September 26, 2012);
 - f) metallurgy (special steel production);
 - g) wood-working industry;
 - h) military-industrial complex;
 - i) agro-industrial complex (as amended by the Russian Government Directive №1697-p dated November 19, 2008);
 - j) strategic computer technologies and software (as amended by the Russian Government Directive №1783-p dated November 26, 2009);
 - k) information communications systems (as amended by the Russian Government Directive №1783-p dated November 26, 2009);
 - l) medical equipment and pharmaceuticals (as amended by the Russian Government Directive №1783-p dated November 26, 2009).
- 8 Vnesheconombank shall participate in implementation of investment projects following the established procedures and complying with the terms and conditions defined by the Memorandum and Vnesheconombank's internal documents, by way of (as amended by the Russian Government Directive № 2088-p dated November 21, 2011):
- a) extending credits and loans, effecting leasing operations and arranging financing on recovery basis in other forms

envisaged by Federal Law “On Bank for Development” (hereinafter referred to as “financing on recovery basis”);

- b) issuing guarantees and sureties;
 - c) acquiring interest in charter capital of business entities;
 - d) ensuring guarantee support for exports.
- 9 Vnesheconombank shall participate in implementing investment projects of national dimension carried out on the PPP basis, including projects to be financed out of the Russian Federation Investment Fund’s money, as well as investment projects related to construction of infrastructure facilities and other facilities designed to ensure functioning of special economic zones.

Vnesheconombank shall participate in investment projects to be implemented within the framework of federal target programs provided that these projects are in conformity with the requirements established by the Memorandum.

In exceptional cases, Vnesheconombank may participate in implementation of other investment projects following the established procedures and on terms and conditions defined by Vnesheconombank’s Supervisory Board.

- 10 When engaging in investment activities, Vnesheconombank shall ensure the minimum capital adequacy ratio of not less than 10 percent.

The capital adequacy ratio is calculated as a ratio of Vnesheconombank’s equity (capital) to its risk weighted assets.

The methodology for calculating the Bank's equity (capital) comprising, in particular, its core capital, and the risk-weighted assets, as well as the methodology for calculating capital adequacy ratio and core capital adequacy ratio shall be worked out using the approaches set out in the Bank of Russia's regulatory documents, as well as in compliance with the global principles and approaches, and approved by Vnesheconombank's Supervisory Board on submission by Vnesheconombank's Board (as amended by the Russian Government Directive № 1451-p dated August 02, 2014).

10.1 The sources of the Bank's own funds calculated as Vnesheconombank's additional capital include deposits obtained by Vnesheconombank from the Sovereign Wealth Fund pursuant to the respective decisions by the Russian Federation Government, subject to such deposits meeting the following requirements:

- a) A depositary agreement shall contain provisions that make it impossible to demand an early repayment of the deposit or any part thereof or deposit interest, and an early termination of the depositary agreement or any obligations thereunder;
- b) An interest rate shall be equal to those applicable to the USD-denominated deposits placed with Vnesheconombank using the resources of the Sovereign Wealth Fund;
- c) A depositary agreement shall provide that in liquidation of Vnesheconombank, any claims pertaining to such deposit shall be satisfied after all other creditors' claims have been satisfied;
- d) The minimum term of a deposit shall be 5 years;

- e) A depositary agreement shall contain a provision to the effect that if the core capital adequacy ratio falls below 2 percent, then:

No unpaid interest on the deposit shall be refunded or accrued on account of Vnesheconombank's obligation to pay interest accrued on the deposit having been terminated in full or in part;

Vnesheconombank's obligation to repay the principal of the deposit shall be terminated in full or in part (in case Vnesheconombank incurs any losses resulting in the core capital adequacy ratio falling below 2 percent, subject to Vnesheconombank using the retained profit and reserve fund to cover such losses) (as amended by the Russian Government Directive № 1451-p dated August 02, 2014).



Terms and Conditions of, Procedures to Apply to, Tenors of, Restrictions and Limits on Extending Banking Credits and Loans, Issuing Guarantees and Sureties and Arranging Financing on Recovery Basis

- 11 Vnesheconombank shall extend credits and loans, issue guarantees and sureties, as well as arrange financing on recovery basis with a view to implement investment projects complying with major areas of Vnesheconombank's investment activities defined by the Memorandum, as well as meeting the following criteria:
 - a) payback period – over 5 years;
 - b) total project value – more than RUB 2 bn, except for projects implemented in the area envisaged by subparagraph “g” of paragraph 6 of the Memorandum; the total value of each of these projects is more than RUB 1 bn (as amended by the Russian Government Directive № 2311-p dated December 10, 2012).
- 12 The minimum volume of the aforementioned credits and loans, guarantees and sureties, as well as of financing on recovery basis with the aim to implement an investment project shall make RUR 1 billion or its equivalent in foreign currency. When implementing a project in the area envisaged by subparagraph “g” of paragraph 6 of the Memorandum the minimum amount of the credits and loans, guarantees and sureties, as well as of financing on a recovery basis to be extended

by Vnesheconombank shall make RUB 0.5 bn or its equivalent in foreign currency (as amended by the Russian Government Directive № 2311-p dated December 10, 2012).

- 13 The terms and conditions of and procedures to apply to extending credits and loans, issuing guarantees and sureties, as well as arranging financing on recovery basis, inclusive of loan security requirements and requirements for borrowers, shall be established by the directive on credit policy of Vnesheconombank to be submitted by Vnesheconombank's Board and approved by Vnesheconombank's Supervisory Board.
- 14 Prior to making decisions on extending credits and loans, issuing guarantees and sureties, as well as arranging financing on recovery basis, Vnesheconombank shall carry out expert evaluation of investment projects in compliance with the procedures envisaged by § 41 of the Memorandum.
- 15 Primarily, Vnesheconombank shall arrange medium- and long-term (exceeding 3 years) financing of investment projects.
- 16 The percentage of medium- and long-term credits and loans in the total loan portfolio shall not be less than 80 percent of the total volume of credits and loans extended by Vnesheconombank.
- 17 To mitigate credit risks, Vnesheconombank shall impose the following limits:
 - a) limit of exposure for a single borrower or a group of 'tied' borrowers shall not exceed 25 percent of Vnesheconombank's equity (capital);
 - b) aggregate volume of large exposures shall not exceed 800 percent of Vnesheconombank's equity (capital).

- 18 The Supervisory Board of Vnesheconombank shall be entitled to set additional limits, including those related to the structure of Vnesheconombank's loan portfolio.
- 19 The methodology and procedures to apply to calculation of the indicators and limits set out in § 17 of the Memorandum shall be established with regard to the risk assessment principles defined in the regulatory documents of the Bank of Russia and shall be approved by Vnesheconombank's Supervisory Board.

IV

Terms and Conditions of, and Procedures to Apply to Acquiring Interest in Charter Capital and/or Bonds of Business Entities; Restrictions and Limits on Acquiring Interest in Charter Capital and/or Bonds of Business Entities

- 20 Vnesheconombank shall take decisions on acquiring interest in charter capital and/or bonds of business entities provided that a business entity implements investment projects complying with the major areas of Vnesheconombank's investment activities established by the Memorandum, as well as meeting the following criteria:
- a) payback period – over 5 years;
 - b) the amount of financing required for project implementation shall make more than RUB 2 bn with the exception of projects delivered in the area envisaged by subparagraph “g” of paragraph 6; the amount of financing of each of these projects shall make more than RUB 1 bn (as amended by the Russian Government Directive № 2311-p dated December 10, 2012)
- 21 The minimum volume of funds to be appropriated for acquiring interest in charter capital and/or bonds of a business entity shall make RUR 1 billion or its equivalent in foreign currency. When projects are implemented in the area envisaged by subparagraph “g” of paragraph 6 of the Memorandum the minimum amount of funds to be appropriated for acquiring interest in charter capital and/or bonds of a business entity

shall make RUB 0.5 bn or its equivalent in foreign currency (as amended by the Russian Government Directive № 2311-p dated December 10, 2012).

- 22 Prior to taking decisions on acquiring interest in charter capital and/or bonds of a business entity Vnesheconombank shall carry out expert evaluation of investment projects in compliance with the procedure envisaged by § 41 of the Memorandum.
- 23 Vnesheconombank may acquire interest in charter capital of financial institutions (credit institutions, professional securities market participants, insurance companies) in compliance with Federal Law “On Bank for Development” and in line with the decision of Vnesheconombank’s Supervisory Board.

Decision on approving a transaction related to increasing (decreasing) Vnesheconombank’s equity investment in credit institutions operating in Ukraine and Belarus shall be made by Vnesheconombank’s governing body in compliance with powers and authorities specified by Federal Law “On Bank for Development” (as amended by the Russian Government Directive No. 1766-p dated September 24, 2012).

- 24 The restrictions provided for by §§ 20–23 of the Memorandum shall not cover operations with securities of business entities when managing temporary idle funds (liquidity) and risks in conformity with the requirements set out in the Memorandum nor shall they cover the terms, the procedure, restrictions and limits of Vnesheconombank’s equity investment in the charter capital of the Opened Joint Stock Company that arranges insurance of export credits and investment against entrepreneur or (and) political risks, as well as the terms, the procedure, restrictions and limits of Vnesheconombank’s purchasing the respective company’s bonds (as amended by the Russian Government Directive № 2088-p dated November 21, 2011).

Terms and Conditions of, and Procedures to Apply to Providing Guarantee Support for Exports and Securing Financial Support to the Opened Joint Stock Company established by Vnesheconombank that Arranges Insurance of Export Credits and Investment against Entrepreneur and Political Risks; Restrictions and Limits on Guarantee and Financial Support (as amended by the Russian Government Directive № 2088-p dated November 21, 2011)

- 25 Vnesheconombank, in conformity with the Bank's tasks and functions, shall provide financial and guarantee support for exports of industrial production, as well as financial support for the established by the Bank Joint Stock Company that arranges insurance of export credits and investment against entrepreneur or (and) political risks through, among other things, by extending bank guarantees for the JSC to perform its obligations in insuring exports credits and investment against entrepreneur or (and) political risks or by other means (as amended by the Russian Government Directive № 2088-p dated November 21, 2011).

When exports of the Russian industrial production is connected with performing works, rendering services and incurring other financial costs in the importer's country, the amount of financing, in such cases, shall not exceed 30 % of the total value of the Russian exporter's contract (as amended by the Russian Government Directive № 2311-p dated December 10, 2012).

- 26 Vnesheconombank shall provide financial support to the established by the Bank Joint Stock Company that arranges insurance of export credits and investment against entrepreneur or (and) political risks in compliance with the procedure approved by Vnesheconombank's Supervisory Board (as amended by the Russian Government Directive № 2088-p dated November 21, 2011).
- 27 The maximum percentage of Vnesheconombank's commitments related to providing guarantee support for exports for a single borrower or a group of 'tied' borrowers shall not exceed 25 percent of Vnesheconombank's equity (capital) (as amended by the Russian Government Directive № 2088-p dated November 21, 2011).
- 27.1 The maximum percentage of Vnesheconombank's support for the established by the Bank Joint Stock Company that arranges insurance of export credits and investment against entrepreneur or (and) political risks shall not exceed 25% of Vnesheconombank's equity (capital) (as amended by the Russian Government Directive № 2088-p dated November 21, 2011).
- 27.2 The Development Strategy of the established by the Bank Joint Stock Company that arranges insurance of export credits and investment against entrepreneur or (and) political risks shall be approved by Vnesheconombank's Supervisory Board (as amended by the Russian Government Directive № 2088-p dated November 21, 2011).

VI

Terms and Conditions of, Procedures to Apply to, and Restrictions on Providing Financial Support to Credit Institutions and Legal Entities with a View to Develop Small- and Medium-Sized Enterprises

- 28 Vnesheconombank shall issue guarantees and sureties and extend credits to credit institutions and legal entities, which provide support to small- and medium-sized enterprises, in compliance with the procedures approved by Vnesheconombank's Supervisory Board.
- 29 The tenor of loans to be extended to small- and medium-sized enterprises shall exceed 2 years. The loan amount shall not exceed RUR 150 million.
- 30 Annually, starting from 2007, the aggregate sum of guarantees, sureties and credits to be extended to credit institutions and legal entities, which provide support to small- and medium-sized enterprises, shall be defined by Vnesheconombank's Supervisory Board for the next year.
- 31 The sum of guarantees, sureties and credits to be extended by Vnesheconombank to support small- and medium-sized enterprises shall be taken into account when calculating the indicators and limits set forth in §§ 17 and 18 of the present Memorandum.

VI.1

Terms and Conditions of Rendering Financial and Guarantee Support to Organizations Engaged in Implementing State Defense Orders and Targeted Federal Programs in Defense and Security (as amended by the Russian Government Directive № 2610-p dated December 29, 2012)

- 31.1. Vnesheconombank provides financing to organizations engaged in implementing state defense orders and targeted federal programs in the area of defense and security, as well as issues guarantees and sureties to secure fulfillment of obligations of the respective organizations (as amended by the Russian Government Directive № 2610-p dated December 29, 2012).
- 31.2. The terms and restrictions specified in the Memorandum (paragraphs 11 and 12) shall not apply to financing organizations engaged in implementing state defense orders and targeted federal programs in defense and security, as well as to issuing guarantees and sureties to secure fulfillment of obligations of the respective organizations.

Vnesheconombank's Supervisory Board shall be entitled to work out criteria for and set limits on financing organization engaged in implementing state defense orders and targeted federal programs in defense and security, as well as to issuing guarantees and sureties to secure fulfillment of obligations of the respective organizations (as amended by the Russian Government Directive № 2610-p dated December 29, 2012).

VI.II

Terms and Conditions for Participation of Vnesheconombank in National Technological Initiative Projects (as amended by the Russian Government Directive №158-p dated January 31, 2017)

31.3 Vnesheconombank shall participate in National Technological Initiative projects in compliance with the terms and procedures set forth in this Section and in-house regulation of Vnesheconombank by providing repayable financing and issuing guarantees.

Vnesheconombank shall also facilitate the implementation of National Technological Initiative projects through its participation in setting up a business accelerator for such projects, by providing banking support for National Technological Initiative projects and settlements between the participants thereof, as well as in any other manner stipulated by Federal Law On Bank for Development.

Vnesheconombank shall participate in expert evaluation of National Technological Initiative projects that comply with the major areas and industry priorities of Vnesheconombank's investment activities, and provide its opinion on such projects eligibility for repayable financing in conformity with the Regulation on Elaboration, Selection, Realization and Monitoring of Projects for Implementation of National Technological Initiative Road Maps as approved by Russian Government Ordinance No.317 dd. 18 April 2016 On Implementation of National Technological Initiative (hereinafter, the Regulation

on Elaboration, Selection, Realization and Monitoring of Projects for Implementation of National Technological Initiative Road Maps), in particular, with the engagement of Russian and international experts, based on agreements to be signed with an entity authorized to act as a National Technological Initiative project office.

Vnesheconombank shall facilitate the raising of repayable financing for the term of 1 to 5 years in the maximum amount of RUB500 million or its foreign currency equivalent, as well as the allocating of the funds for equity participation in business entities in the maximum amount of RUB500 million or its foreign currency equivalent, with an equity interest of no more than 50% held by a company established by Vnesheconombank to promote innovation, with a view to implementing National Technological Initiative projects that have created a technology/product/service prototype and obtained approval from the National Technological Initiative Interagency Task Force under the auspices of the Presidium of the Presidential Council for Economic Modernisation and Innovative Development of the Russian Federation, as provided for in the Regulation on Elaboration, Selection, Realization and Monitoring of Projects for Implementation of National Technological Initiative Road Maps.

31.4 Vnesheconombank shall provide repayable financing for National Technological Initiative projects that comply with the key areas and industry priorities of the Bank's investment activities specified in this Section, as well as with the following criteria:

- a) Payback period to exceed 5 years;
- b) Total project value to exceed RUB 1 billion or its foreign currency equivalent;

- c) A National Technological Initiative project aiming to launch and/or scale-up innovative production has been approved by the National Technological Initiative Inter-agency Task Force under the auspices of the Presidium of the Presidential Council for Economic Modernisation and Innovative Development of the Russian Federation as provided for in the Regulation on Elaboration, Selection, Realization and Monitoring of Projects for Implementation of National Technological Initiative Road Maps.

31.5 Vnesheconombank's maximum commitment in terms of repayable financing for a National Technological Initiative project in the total funds allocated therefor shall be determined on an annual basis by the Management Board of Vnesheconombank. Vnesheconombank shall provide repayable financing for National Technological Initiative projects for the term of 5 to 10 years in the minimum amount of RUB 0.5 billion or its foreign currency equivalent.

In compliance with the terms and procedures to be established by the Supervisory Board of Vnesheconombank, Vnesheconombank shall be entitled to participate in National Technological Initiative projects that do not conform to the conditions and limitations imposed by the Memorandum.

The conditions and limitations imposed by Paragraphs 11 and 12 of the Memorandum, shall not apply to repayable financing provided by Vnesheconombank for National Technological Initiative projects (as amended by the Russian Government Directive №158-p dated January 31, 2017).

Major Areas of Vnesheconombank's Financial Activities

- 32 The major areas of Vnesheconombank's financial activities are:
- a) enhancing the resource base of Vnesheconombank and the credit institutions in Ukraine and Belarus eligible for equity investment pursuant to the decision of Vnesheconombank's Supervisory Board made in compliance with Federal Law "On Bank for Development";
 - b) managing the temporary idle funds (liquidity) of Vnesheconombank and the credit institutions in Ukraine and Belarus eligible for equity investment pursuant to the decision of Vnesheconombank's Supervisory Board made in compliance with Federal Law "On Bank for Development";
 - c) managing the risks of Vnesheconombank and the credit institutions in Ukraine and Belarus eligible for equity investment pursuant to the decision of Vnesheconombank's Supervisory Board made in compliance with Federal Law "On Bank for Development" (as amended by the Russian Government Directive No. 1766-p dated September 24, 2012).
- 33 In order to enhance the resource base of Vnesheconombank and the credit institutions in Ukraine and Belarus eligible for equity investment pursuant to the decision of Vnesheconombank's Supervisory Board made in compliance with Federal

Law “On Bank for Development”, and to manage temporary idle funds (liquidity) and risks, Vnesheconombank shall be entitled to:

- a) raise financial resources on the domestic and foreign markets, inclusive of the interbank loan market;
- b) place temporary idle funds on the domestic and foreign markets, inclusive of the interbank loan market, as well as with the credit institutions in Ukraine and Belarus eligible for equity investment pursuant to the decision of Vnesheconombank’s Supervisory Board made in compliance with Federal Law “On Bank for Development”;
- c) participate in transactions that contemplate payment by the parties thereto of sums depending on fluctuation in the price of goods and securities, exchange rate of a specific currency, interest rate and inflation level;
- d) buy and sell foreign currency (as amended by the Russian Government Directive No. 1766-p dated September 24, 2012).

34 Vnesheconombank shall be entitled to raise financial resources by way of issuance and placement of bonds and other securities on the domestic and foreign markets in compliance with the Russian legislation regarding the securities market, as well as with the applicable foreign laws. The decision on bond issuance and on the procedure to apply to securities issuance by Vnesheconombank shall be taken by Vnesheconombank’s Supervisory Board.

35 To prevent conflict of interest, Vnesheconombank shall not acquire any corporate bonds or other securities issued by it when exercising the functions of a state trust management

company for trust management of pension savings funds in compliance with Article 21, § 2 of Federal Law “On Bank for Development”, as well as the functions of an agent of the Pension Fund of the Russian Federation.

- 36 To manage temporary idle funds (liquidity), Vnesheconombank shall be entitled to effect transactions on the securities market in conformity with the legislation of the Russian Federation.
- 37 The Supervisory Board of Vnesheconombank shall be entitled to set out requirements with regard to the volume and structure of the securities and other financial instruments portfolio that is to be made up to manage temporary idle funds (liquidity), as well as to the volume and types of transactions to be effected by Vnesheconombank in compliance with § 33 of the Memorandum.
- 38 Annually, starting from 2007, the Supervisory Board of Vnesheconombank shall set limits on the funds to be appropriated for management of Vnesheconombank’s temporary idle funds (liquidity).
- 39 Vnesheconombank shall form funds out of the profit generated and on the basis of the directive on Vnesheconombank’s funds approved by Vnesheconombank’s Supervisory Board.

Charity- and sponsorship-related projects shall be financed out of Vnesheconombank’s profit. Vnesheconombank’s Supervisory Board shall approve the program of Vnesheconombank’s charitable activities and sponsorship for the next year.

VII.1

The Procedures to Apply to Vnesheconombank's Decisions on Investment of Pension Savings in Bonds Secured by the Russian Federation State Guarantee and in Bonds of Russian Economic Entities that Have a Long-term Credit Rating in the Russian Currency or in a Foreign Currency of One of the International Rating Agencies Accredited in Compliance with the Procedure Established by the legislation of the Russian Federation. The Rating shall be at Par with the Russian Federation Sovereign Rating under Obligations in the Russian Currency or in a Foreign Currency (the Respective Rating shall be Assigned at least by One of the Aforementioned Rating Agencies). The Bonds shall be Issued to Finance Infrastructure Projects of National Significance (as amended by the Russian Government Directive № 739 dated August 26, 2013)

39.1. In order to perform the function of the State Trust Management Company (STMC) to manage pension savings Vnesheconombank's Supervisory Board defines the major parameters of the transactions (the projected amount of the purchasing, the share in the respective amount of the issuance, profitability, maturity) in respect of investment of the pension savings eligible for inclusion in the extended investment portfolio of the STMC for trust management in bonds secured by the Russian Federation guarantee and in bonds of the Russian economic entities that have a long-term credit rating in the Russian currency or in a foreign currency of one of the international rating agencies accredited in compliance with the procedure established by the legislation of the Russian Federation.

The rating shall be at par with the Russian Federation sovereign rating under obligations in the Russian currency or in a foreign currency (the respective rating shall be assigned at least by one of the aforementioned rating agencies) (as amended by the Russian Government Directive № 8-p dated January 13, 2014).

VIII

Expert Evaluation of Investment Projects and Transactions (as amended by the Russian Government Directive № 2610-p dated December 29, 2012)

- 40 In order to participate in investment projects and projects related to Russian exporters' export contracts, as well as to effect transactions aimed at implementing state defense orders and federal targeted programs in defense and security, Vnesheconombank shall carry out expert evaluation thereof (as amended by the Russian Government Directive № 2610-p dated December 29, 2012).
- 41 On the basis of the expert evaluation of investment projects, projects related to export contracts of Russian exporters, as well as transactions aimed at implementing state defense orders and federal targeted programs in defense and security a conclusion shall be drawn comprising the analysis of qualitative and quantitative parameters, project (transaction) efficiency and its compliance with the requirements established by the Memorandum.

The procedures for carrying out the above expert evaluation shall be defined by the Board of Vnesheconombank (as amended by the Russian Government Directive № 2610-p dated December 29, 2012).

41.1 To provide its opinion on the eligibility of National Technological Initiative projects for repayable financing in compliance with the Regulation on Elaboration, Selection, Realization and Monitoring of Projects for Implementation of National Technological Initiative Road Maps and to extend repayable financing, Vnesheconombank shall carry out expert evaluation of such projects in compliance with the procedure to be approved by the Management Board of Vnesheconombank (as amended by the Russian Government Directive №158-p dated January 31, 2017).

IX

Terms and Conditions of, and Procedures to Apply to Provision by Vnesheconombank of Advisory Services in its Capacity as an Investment Advisor on Implementation of Investment Projects

- 42 On a commission basis, in its capacity of an investment advisor, Vnesheconombank shall provide advisory services on implementation of investment projects that comply with the major areas of Vnesheconombank's investment activities and meet the requirements established by the Memorandum, including the structuring of investment project financing.
- 43 The amount of the commission fee and other terms and conditions for provision by Vnesheconombank of advisory services, in its capacity as an investment advisor, on implementation of investment projects shall be approved by the Board of Vnesheconombank.

Major Principles of Risk Management Policy

- 44 Vnesheconombank shall make loan loss provisions with respect to loan and similar indebtedness on the basis of regulations and requirements approved by Vnesheconombank's Supervisory Board, which shall be established in compliance with the requirements set forth by the regulatory documents of the Bank of Russia, as well as generally accepted international principles and approaches.
- 45 Vnesheconombank shall create a reserve fund.

The minimum percentage of annual allocations to the reserve fund shall be 20 percent of Vnesheconombank's profit.

Financial Statements and Information Disclosure

- 46 Vnesheconombank shall submit to the Government of the Russian Federation annual reports, annual consolidated financial statements compiled in conformity with the International Financial Reporting Standards (IFRS), and auditors' reports within 10 business days of receipt of the auditors' report.
- 47 Additionally, on a quarterly basis, Vnesheconombank shall submit to Vnesheconombank's Supervisory Board information on:
- a) investment projects meeting the requirements set forth by the Memorandum, with regard to which Vnesheconombank has carried out expert evaluation and passed a decision to arrange financing, inclusive of information on the extent and forms of participation in project implementation;
 - b) investment projects meeting the requirements set forth by the Memorandum with regard to which Vnesheconombank has carried out expert evaluation and passed a decision to reject the request to arrange financing, inclusive of information on the reasons for rejection;
 - c) investment projects with a volume of financing exceeding 1 percent of Vnesheconombank's equity (capital);

- d) the volume and structure of the securities portfolio made up with a view of managing temporary idle funds (liquidity) and risks.
 - e) amounts of investment of the pension savings eligible for inclusion in the extended investment portfolio of the STMC for trust management in bonds secured by the Russian Federation Guarantee and in bonds of the Russian economic entities that have a long-term credit rating in the Russian currency or in a foreign currency of one of the international rating agencies accredited in compliance with the procedure established by the legislation of the Russian Federation. The rating shall be at par with the Russian Federation sovereign rating under obligations in the Russian currency or in a foreign currency (the respective rating shall be assigned at least by one of the aforementioned rating agencies). The information shall be presented on a quarterly basis (as amended by the Russian Government Directive № 8-p dated January 13, 2014).
- 48 Vnesheconombank shall disclose brief information regarding its activities on its Internet website (excluding information restricted or prohibited in conformity with the legislation of the Russian Federation).

The list and contents of this information, as well as the procedures applicable thereto and the timeframes for its disclosure shall be approved by Vnesheconombank's Supervisory Board.

- 49 Vnesheconombank's Board, the internal audit department and the auditors shall control compliance with the provisions of the Memorandum. Vnesheconombank's internal audit department shall submit quarterly reports for consideration by Vnesheconombank's Supervisory Board.

