

5. Agent for the Government of the Russian Federation

Federal Law No. 216-FZ dated 3 December 2012, "On Federal Budget for 2013 and 2014-2015 Planning Period"

Directive by the Government of the Russian Federation No. 1272 dated 10 December 2012, "On Measures to Implement the Federal Law "On Federal Budget for 2013 and 2014-2015 Planning Period"

In 2013, Vnesheconombank continued to perform the functions of an agent for the Government of the Russian Federation in keeping records, servicing and redemption of Russia's sovereign foreign debt and state loans extended to foreign borrowers, securing repayment of debt on monetary obligations owed to the Russian Federation by legal entities, constituent entities of the Russian Federation and municipalities, as well as the functions related to extending and executing of the Russian Federation state guarantees, keeping analytical records of issued state guarantees of the Russian Federation, of commitments of the principal, its guarantors and other entities related to extension and execution of state guarantees of the Russian Federation and recovery of debts owed by the above entities.

As at 01.01.2014, the amount of assets and liabilities administered by Vnesheconombank totaled above RUB 5.6 tn, which exceeded the previous figure by RUB 1 tn as at the beginning of 2013.

Over the period under review, Vnesheconombank executed 1083 instructions of the Russian Federation Ministry of Finance, developed more than 556 opinions for the

Russian Ministry of Finance on sovereign foreign debt settlement, the recovery of debts owed to the Russian Federation, and on issuance and execution of state guarantees of the Russian Federation.

Acting in an agency capacity, Vnesheconombank's professionals prepared information and analytical documents for the meetings of intergovernmental bodies, committees and subcommittees on trade and economic, and scientific and technical cooperation, as well as for official summit meetings. The Bank's specialists directly participated in international negotiations on debt recovery and state external financial asset management.

The Bank's representatives participated in the work of the Russian delegation at 9 sessions of the Paris Club of creditors, in the annual Club meeting with the representatives of the private sector and a number of sovereign creditors, as well as in the joint conference of the Paris Club of creditors and the G-20. Besides, Vnesheconombank participated in the status of an observer in multilateral negotiations of the Paris Club of creditors with two debtors (Myanmar and the Comoros).

5.1. Servicing the Sovereign Foreign Debt of the Russian Federation

In 2013, the amount of the sovereign foreign debt of the Russian Federation recorded on Vnesheconombank's books increased from USD 37.45 bn to USD 42.89 bn.

The amount increased due to the inclusion into the Bank's books on the instruction of the Russian Federation Ministry of Finance of obligations under 4 issues of the Russian Federation Eurobonds with final maturities in 2019, 2020, 2023 and 2043 (issuance of 2013).

In 2013, Vnesheconombank participated in negotiating 4 intergovernmental draft documents and developing the respective draft Directives by the Russian Government on sovereign foreign debt settlement. Also, the signing of 4 supplements to the interbank agreements on the procedure for book-keeping/settlements of indebtedness was ensured (the Slovak Republic, the Czech Republic, Finland and Kuwait).

Over the reporting period, Vnesheconombank in due time effected payments totaling USD 4.0 bn (drawing on the Russian Federation budget funds) in redemption and servicing of the Russian Federation sovereign foreign debt.

The bulk of payments (USD 3.75 bn) were made in redemption and servicing of the Russian Federation Eurobonds.

In 2013, the Bank's professionals kept records, carried out servicing and made payments in redemption of the indebtedness under 2 tied credits (foreign trade contracts under which Russian organizations acted as importers of goods and services) extended

by foreign counterparties under the Russian Federation Government guarantees after 1 January 1992. Payments amounting to USD 27.6 mn were made in favor of German and Japanese creditors.

Also, scheduled payments in the sum equivalent to USD 93.19 mn under the financial credit raised from Japan Bank for International Cooperation, Tokyo, were made.

In 2013, the Bank ensured the redemption and servicing of the sovereign foreign debt of the former USSR and the Russian Federation owed to the countries that are not members of the Paris Club of creditors and Finland in the total amount of USD 137.55 mn. That included debt redemption through the goods and services delivery schemes amounting to USD 20.96 mn (China, Finland and Serbia). Indebtedness of the Russian Federation towards the Slovak Republic, the Czech Republic, Serbia, Finland and Montenegro was fully redeemed. Vnesheconombank, on the instructions of the Russian Federation Ministry of Finance related to the writing off the sovereign foreign debt of the Russian Federation under the former USSR commercial indebtedness, claims on which were considered compliant to the set criteria but were not presented by the holders for settlement before 1 January 2013, wrote the balances of the respective category indebtedness amounting to USD 1.0 mn off the Bank's books. Apart from this, Vnesheconombank wrote off the Bank's books the balances of the unsettled obligations under the IANs interest bonds – the London Club creditors' debt instruments – in the amount of USD 32.87 mn, as well as the respective sums of the interest accrued.

5.2. Managing State External Financial Assets of the Russian Federation

Over the reporting period, Vnesheconombank acting as an agent for the Government of the Russian Federation kept records and effected settlements related to debts owed to Russia by 53 debtor-countries under state loans extended by the former USSR and the Russian Federation in accordance with 272 loan agreements.

In 2013, with the participation of Vnesheconombank's professionals the signing of following documents was ensured:

- / 9 trilateral agreements between the Russian Federation Ministry of Finance, Vnesheconombank and Russian organizations on the procedure regulating the provision of budget financing to Russian exporters that supply goods and render services utilizing state credits;

- / 7 technical agreements and supplements with designated foreign organizations on technical procedure of bookkeeping/settlements under state credits;

Apart from this, in 2013 the Bank's professionals participated in negotiating 14 draft intergovernmental documents and draft resolutions and directives of the Russian Federation Government on settlement of debt owed by debtor-countries to the Russian Federation, on extension of new state loans by the Russian Federation and prolongation of the terms of their utilization.

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

As at 01.01.2014, Vnesheconombank kept records of indebtedness amounting to RUB 367.3 bn owed by 360 borrowers to the Russian Federation.

In 2013, the total amount of settled indebtedness owed to the federal budget exceeded RUB 14.6 bn. That included the following efforts:

- / more than RUB 4.4 bn were transferred to the federal budget (including RUB 2.3 bn in conformity with the previously concluded amicable and restructuring agreements);
- / the indebtedness amounting to RUB 10.2 bn was written off from the Bank's books.

Over the period under review, within the framework of the Bank's activities on settlement of indebtedness towards the Federal Budget related to financing the building of German manufactured vessels,

Vnesheconombank assessed the financial standing and the property pledged by 6 new debtors to the federal budget. Agreements on the termination of 2 fishing vessels mortgage /pledge contracts were concluded (the indebtedness was restructured and partially redeemed). Also, 4 consents of the mortgage holder for the fishing vessels time-charter were formalized.

Apart from that, Vnesheconombank undertook measures to ensure that all the court rulings were properly enforced. Thus, 21 applications were submitted to the Federal Service of Court Bailiffs of Russia, 8 applications and complaints were forwarded to the Arbitration Court.

5.4. Extension and Execution of the Russian Federation State Guarantees

As at the end of 2013, Vnesheconombank kept records of 317 extended state guarantees of the Russian Federation amounting to RUB 1,640.9 bn (as at 01.01.2013 – 243 state guarantees amounting to USD 1,205.7 bn).

In the period under review, the Bank made a thorough scrutiny and analysis of 101 sets of documents for provision of state guarantees of the Russian Federation for the total sum of RUB 474.2 bn for 79 principals. Based on the results of reviews and analyses, 417 opinions were prepared and submitted to the Russian Federation Ministry of Finance. These include 74 final positive opinions amounting to RUB 411.8 bn.

Over 2013, Vnesheconombank's professionals prepared and submitted to the Russian Federation Ministry of Finance 83 opinions on making amendments/supplements to loan agreements and contracts on securing commitment fulfillment, which are covered by the Russian Federation state guarantees.

The year 2013 witnessed scrutiny of 13 beneficiaries' claims to execute state guarantees of the Russian Federation. As a result, 2 positive opinions and 11 opinions on non-compliance of the claims with the established procedures in respect of state guarantees of the Russian Federation were prepared.

Over the period under review, in the context of executing state guarantees of the Russian Federation, Vnesheconombank duly prepared 11 agreements on assignment of rights/claims in respect of 9 principals and registered the rights of the Russian Federation (the Russian Federation Ministry of Finance) under 31 real property pledge agreements (1182 facilities) and under 1 share pledge agreement.

In 2013, Vnesheconombank's representatives participated in 94 court hearings concerning provision and execution of state guarantees of the Russian Federation.

Over 2013, the Bank verified the financial standing of 60 principals that were given the Russian Federation state guarantees.