

IMPORTANT NOTICE

IMPORTANT: You must read the following before continuing. The following disclaimer applies to the base prospectus supplement dated 2 February 2012 attached to this electronic transmission (the "**Base Prospectus Supplement**") to the base prospectus dated 30 June 2011, as supplemented by the Base Prospectus Supplements dated 28 September 2011 and 22 November 2011 (together, the "**Base Prospectus**"), and you are advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Base Prospectus Supplement. In accessing the attached Base Prospectus Supplement, you agree to be bound by the following terms and conditions, including any modifications to them as at any time you receive any information from us as a result of such access.

NOTHING IN THE ATTACHED BASE PROSPECTUS SUPPLEMENT CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED BASE PROSPECTUS SUPPLEMENT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO A U.S. PERSON, A PERSON IN THE UNITED STATES OR A U.S. ADDRESS, EXCEPT AS OTHERWISE SET FORTH HEREIN. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED TO ACCESS THE ATTACHED BASE PROSPECTUS SUPPLEMENT OR USE IT FOR ANY PURPOSE AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your representation: In order to be eligible to view the attached Base Prospectus Supplement or make an investment decision with respect to the securities described therein, investors must be (i) "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) that are also "qualified purchasers" as defined in Section 2(A)(51) of the U.S. Investment Company Act of 1940, as amended, or (ii) non-U.S. persons (as defined in Regulation S under the Securities Act) outside the United States who are not acting for the account or benefit of U.S. persons. By accessing these materials, you shall be deemed to have represented to us that you (i) are a qualified institutional buyer and a qualified purchaser or (ii) are outside the United States and are not a U.S. person and not acting for the account or benefit of a U. S. person.

The Base Prospectus Supplement may only be provided to persons in the United Kingdom in circumstances where Section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer.

The Base Prospectus and the related Base Prospectus Supplement, as prepared pursuant to the Prospectus (Directive 2003/71/EC) Regulations 2005, will be available from the registered office of the Issuer and the website of the Central Bank of Ireland (the "**Central Bank**").

The securities described in the attached Base Prospectus Supplement are not eligible for placement and circulation in the Russian Federation unless and to the extent otherwise permitted by Russian law. The information provided in this Base Prospectus Supplement is not an offer, or an invitation to make offers, sell, exchange or otherwise transfer Notes in the Russian Federation or to or for the benefit of any Russian person or entity.

You are reminded that you are accessing the attached Base Prospectus Supplement on the basis that you are a person by whom the attached Base Prospectus Supplement may be lawfully accessed in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the attached Base Prospectus Supplement to any other person.

The attached Base Prospectus Supplement does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that an offer or solicitation be made by a licenced broker or dealer and the underwriters or any affiliate of the underwriters is a licenced broker or dealer in the relevant jurisdiction, such offer or solicitation shall be deemed to be made by the underwriters or such affiliate on behalf of VEB Finance plc in such jurisdiction.

The attached Base Prospectus Supplement has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, neither State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)", VEB Finance plc nor the Dealers or the Arrangers (each as defined in the Base Prospectus), nor any person who controls any of them, nor any director, officer, employee or agent of it or affiliate of any such person, accepts any liability or responsibility whatsoever

in respect of any difference between this Base Prospectus Supplement distributed to you in electronic format and the hard copy version available to you on request from State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)", VEB Finance plc or any Dealer or Arranger.

BASE PROSPECTUS SUPPLEMENT

Dated 2 February 2012



VNESHECONOMBANK

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

U.S.\$30,000,000,000

Programme for the Issuance of Loan

Participation Notes to be issued by, but with

limited recourse to,

VEB Finance plc

for the purpose of financing loans to

State Corporation

"Bank for Development and Foreign Economic Affairs (Vnesheconombank)"

This base prospectus supplement (the "**Base Prospectus Supplement**") is prepared in connection with the U.S.\$30,000,000,000 Programme for the Issuance of Loan Participation Notes (the "**Programme**") to be issued by, but with limited recourse to, VEB Finance plc (the "**Issuer**") for the purpose of financing loans to State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" ("**VEB**" or the "**Borrower**") and amends and supplements, and should be read in conjunction with, the base prospectus dated 30 June 2011, as supplemented by the Base Prospectus Supplements dated 28 September 2011 and 22 November 2011 (together, the "**Base Prospectus**"). Capitalised terms used, but not otherwise defined in this Base Prospectus Supplement, shall have the meanings ascribed to them in the Base Prospectus.

This Base Prospectus Supplement has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under the Directive 2003/71/EC (the "**Prospectus Directive**"). The Central Bank only approves this Base Prospectus Supplement as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. This Base Prospectus Supplement constitutes a base prospectus supplement for the purposes of the Prospectus Directive. This Base Prospectus Supplement constitutes neither an offer to sell nor a solicitation of an offer to buy any Notes by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

Noteholders will be deemed to have accepted and agreed that they will be relying solely on the credit and financial standing of VEB in respect of the payment obligations of the Issuer under any Notes. **AN INVESTMENT IN NOTES INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" IN THE BASE PROSPECTUS.**

THE NOTES AND THE CORRESPONDING LOANS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT ("**REGULATION S**")). THE NOTES MAY BE OFFERED AND SOLD (I) WITHIN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS ("**QIBS**"), AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**"), THAT ARE ALSO QUALIFIED PURCHASERS ("**QPS**"), AS DEFINED IN SECTION 2(A)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"), IN RELIANCE ON THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144A (THE "**RULE 144A NOTES**"); AND (II) TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATIONS (THE "**REGULATION S NOTES**"). THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF RULE 144A NOTES MAY BE RELYING ON THE EXEMPTION

FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. THE NOTES ARE NOT ELIGIBLE FOR PLACEMENT AND CIRCULATION IN THE RUSSIAN FEDERATION UNLESS AND TO THE EXTENT OTHERWISE PERMITTED BY RUSSIAN LAW. THE INFORMATION PROVIDED IN THIS BASE PROSPECTUS SUPPLEMENT IS NOT AN OFFER, OR AN INVITATION TO MAKE OFFERS, TO SELL, EXCHANGE OR OTHERWISE TRANSFER NOTES IN THE RUSSIAN FEDERATION OR TO OR FOR THE BENEFIT OF ANY RUSSIAN PERSON OR ENTITY. FOR A DESCRIPTION OF THESE AND CERTAIN OTHER RESTRICTIONS, SEE "*SUBSCRIPTION AND SALE*" AND "*TRANSFER RESTRICTIONS*" IN THE BASE PROSPECTUS.

The purpose of this Base Prospectus Supplement is to amend the risk factor headed "*VEB's payments under any Loan may be subject to Russian withholding tax*" in the section of the Base Prospectus entitled "*Risk Factors—Risks Relating to the Notes and the Trading Market*", as that risk factor was previously deemed to be replaced in the Base Prospectus by virtue of the Base Prospectus Supplement dated 22 November 2011.

The information included in this Base Prospectus Supplement is intended to supplement, and to the extent it is inconsistent therewith replace, the information about the Programme and VEB contained in the Base Prospectus (as supplemented prior to the date hereof).

Save as disclosed in this Base Prospectus Supplement and the previous Base Prospectus Supplements, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus, which is capable of affecting the assessment of the Notes issued under the Programme after the publication of the Base Prospectus.

Each of the Issuer and VEB accepts responsibility for the information contained in this Base Prospectus Supplement. To the best of the knowledge and belief of each of the Issuer and VEB (having taken all reasonable care to ensure that such is the case), the information contained in the Base Prospectus, as supplemented by this Base Prospectus Supplement, is in accordance with the facts and does not omit anything likely to affect the import of such information.

VEB's legal name is State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)". VEB's registration number is 1077711000102 and the address of its registered office is 9 Akademika Sakharova, Moscow B-78, GSP-6, 107996, Russian Federation. The telephone number of the registered office is +7 (495) 721 98 40. The Issuer's legal name is VEB Finance plc. The Issuer is registered in Ireland under registration number 481529 and its registered address is 53 Merrion Square, Dublin 2, Ireland. The Issuer's telephone number is +353 1 614 6240.

This Base Prospectus Supplement does not constitute an offer of, or an invitation by or on behalf of, the Issuer, VEB, the Group, the Trustee, any Swap Counterparty, any Agent, the Dealers or the Arrangers (each as defined in the "*Overview of the Programme*" in the Base Prospectus) to subscribe for or purchase any of the Notes.

This Base Prospectus Supplement is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

The distribution of the Base Prospectus or this Base Prospectus Supplement and the offer or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus Supplement or the Base Prospectus comes are required by the Issuer, VEB, the Group, the Trustee, any Swap Counterparty, the Agents, the Dealers and the Arrangers to inform themselves about, and to observe, any such restrictions. Further information with regard to restrictions on offers and sales of the Notes and the distribution of the Base Prospectus, as supplemented by this Base Prospectus Supplement, is set out under "*Subscription and Sale*" in the Base Prospectus.

No person is authorised to provide any information or make any representation not contained in the Base Prospectus, as supplemented by this Base Prospectus Supplement, and any information or representation not contained in the Base Prospectus, as so supplemented by this Base Prospectus Supplement, must not be relied upon as having been authorised by or on behalf of the Issuer, VEB, the Group, the Trustee, any Swap

Counterparty, any Agent, any of the Dealers or the Arrangers or any of their respective directors, affiliates, advisors or agents. The delivery of the Base Prospectus or this Base Prospectus Supplement at any time does not imply that the information contained in it is correct as at any time subsequent to its date. The websites of VEB and its subsidiaries do not form any part of the contents of the Base Prospectus or this Base Prospectus Supplement.

Neither the delivery of this Base Prospectus Supplement nor the offer, sale or delivery of any Note shall in any circumstances create any implication that there has been no change, or any event reasonably likely to involve any change, in the condition (financial or otherwise) of the Issuer, VEB or the Group since the date of this Base Prospectus Supplement.

None of the Issuer, VEB, the Group, the Trustee, any Swap Counterparty, any Agent, the Dealers or the Arrangers, nor any of their respective representatives, directors, affiliates, advisors or agents, is making any representation to any offeree or purchaser of Notes regarding the legality of an investment by such offeree or purchaser under relevant investment or similar laws. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of its purchase of Notes.

Prospective purchasers must comply with all laws that apply to them in any place in which they buy, offer or sell any Notes or possess the Base Prospectus or this Base Prospectus Supplement. Any consents or approvals that are needed in order to purchase any Notes must be obtained by such prospective purchasers. None of the Issuer, VEB, the Group, the Trustee, the Agents, the Dealers or the Arrangers, nor any of their respective directors, affiliates, advisors or agents, is responsible for compliance with these legal requirements. The appropriate characterisation of any Notes under various legal and investment restrictions, and thus the ability of investors subject to these restrictions to purchase such Notes, is subject to significant interpretative uncertainties. No representation or warranty is made as to whether or the extent to which any Notes constitute a lawful investment for investors whose investment power is subject to legal restrictions. Such investors should consult their legal advisers regarding such matters.

Any investment in Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Central Bank. The Issuer is not and will not be regulated by the Central Bank as a result of issuing the Notes.

In connection with the issue of Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) in the relevant Final Terms (the "**Stabilising Manager**"), or persons acting on behalf of the Stabilising Manager, may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that such Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake such stabilisation actions. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of relevant Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date of such Notes and 60 days after the date of allotment of such Notes. Any stabilisation action or over-allotment shall be conducted in accordance with all applicable laws and rules.

NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE BY THE TRUSTEE, ANY AGENT, THE DEALERS OR THE ARRANGERS OR ANY OF THEIR RESPECTIVE DIRECTORS, AFFILIATES, ADVISORS OR AGENTS AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH IN THE BASE PROSPECTUS, AS SUPPLEMENTED BY THIS BASE PROSPECTUS SUPPLEMENT, AND NOTHING CONTAINED IN THE BASE PROSPECTUS, AS SUPPLEMENTED BY THIS BASE PROSPECTUS SUPPLEMENT, IS, OR SHALL BE RELIED UPON AS, A PROMISE OR REPRESENTATION, WHETHER AS TO THE PAST OR THE FUTURE. NONE OF THE DEALERS OR THE ARRANGERS ASSUMES ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THE BASE PROSPECTUS, AS SUPPLEMENTED BY THIS BASE PROSPECTUS SUPPLEMENT.

EACH PERSON CONTEMPLATING MAKING AN INVESTMENT IN ANY NOTES ISSUED UNDER THIS PROGRAMME FROM TIME TO TIME MUST MAKE ITS OWN INVESTIGATION AND ANALYSIS OF THE CREDITWORTHINESS OF THE ISSUER, VEB AND THE GROUP AND ITS OWN DETERMINATION OF THE SUITABILITY OF ANY SUCH INVESTMENT, WITH PARTICULAR REFERENCE TO ITS OWN INVESTMENT OBJECTIVES AND EXPERIENCE AND ANY OTHER FACTORS WHICH MAY BE RELEVANT TO IT IN CONNECTION WITH SUCH INVESTMENT.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR

ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE NOTES OR THE ACCURACY OR THE ADEQUACY OF THE BASE PROSPECTUS, AS SUPPLEMENTED BY THIS BASE PROSPECTUS SUPPLEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("**RSA 421-B**") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENCED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

RISK FACTORS

Risks Relating to the Notes and the Trading Market—VEB's payments under any Loan may be subject to Russian withholding tax.

The risk factor entitled "*VEB's payments under any Loan may be subject to Russian withholding tax*" on pages 30 and 31 of the Base Prospectus, as previously deemed to be replaced in the Base Prospectus by the Base Prospectus Supplement dated 22 November 2011, is hereby deleted in its entirety and replaced with the following:

"VEB's payments under any Loan may be subject to Russian withholding tax.

In general, interest or other payments akin to interest on borrowed funds made by a Russian entity to a non-resident legal entity or organisation having no registered presence and/or no permanent establishment in the Russian Federation are subject to Russian withholding tax at a rate of 20%, unless such tax is reduced or eliminated pursuant to the terms of an applicable double taxation treaty. In particular, the Agreement between the Government of Ireland and the Government of the Russian Federation for the Avoidance of Double Taxation with respect to Taxes on Income signed on 29 April 1994 (the "**Convention**") establishes that Russian withholding tax could be eliminated provided certain criteria specified in the Convention are satisfied by the recipient of the income.

In relation to Loans made under the Programme, there is a risk that the Russian tax authorities may disallow application of the Convention if they do not view the Issuer as the beneficial owner of the interest income in respect of the Loans, and, instead, consider the Noteholders to be the beneficial owners of the interest income in respect of the Loans. A draft law envisaging the introduction of the concept of "actual recipient of income" to the Tax Code of the Russian Federation became available in December 2009. Although the draft law neither uses the term "beneficial owner" nor defines the term "actual recipient of income" (which is used in the Russian versions of double taxation treaties), it is likely that the intent of the proposed amendments is to introduce a concept of beneficial ownership in the Russian tax legislation and to combat the abuse of double taxation treaties where the beneficiary of income resides in a jurisdiction which has not concluded a double taxation treaty with the Russian Federation. This draft law, if enacted as currently drafted, would increase the existing uncertainty and inconsistency in the application of double tax treaties in the Russian Federation. It may result in the inability for foreign entities to claim benefits under a double taxation treaty through structures which historically were subject to double taxation treaty protection in the Russian Federation. It is currently uncertain if and when this draft law may be introduced, as well as how it would be interpreted and applied by the tax authorities and/or courts in practice and what effect it may have on taxpayers, including VEB. Further, in August 2011 the Russian Government also proposed in its Main Directions of Russian Tax Policy for 2012 and planned for 2013-2014 legislative changes concerning an anti-avoidance mechanism with respect to double tax treaty benefits in cases where ultimate beneficiaries of income do not reside in the relevant double tax treaty country. The introduction of such concept may result in the inability of foreign entities to claim benefits under double tax treaties through structures which historically were subject to double tax treaty protection in Russia, including the structure of the Programme as described in the Base Prospectus under consideration.

It should be noted that there are at least four instances when the Russian tax authorities tried to challenge the application of double tax treaty benefits in eurobond and similar structures. In one instance the court upheld the position of the taxpayer. In the second case, the tax authority eventually withdrew its claim. As at the date of this Base Prospectus the third and the fourth cases continue to be under dispute with the Russian tax authorities. VEB is aware of the recent letter from the Ministry of Finance addressed to the Federal Tax Service (the "**Tax Letter**") which considers a eurobond structure and concludes that the SPV issuer of eurobonds cannot be regarded as the beneficial owner of the interest income and therefore not eligible to benefit from the Convention. Although the transaction commented on in the Tax Letter is different from the structure of the Programme, it is likely that once the Tax Letter is circulated within the Federal Tax Service, it would become mandatory for the Russian tax authorities to follow it and, therefore, it would be relied upon in order to challenge taxpayers who are the borrowers in eurobond structures. The Tax Letter indicates a new approach to the beneficial ownership concept in the context of financing structures which has not been the practice of the Russian tax authorities so far.

On 27 January 2012, the Ministry of Finance issued a press-release confirming the opinion reflected in the Tax Letter. However, the Ministry of Finance also confirmed that it is considering introducing changes to the Russian Tax Code that will exempt Russian companies borrowing in eurobond structures from withholding tax agent functions with respect to interest income paid to a foreign SPV, at least in cases where bondholders are tax residents in countries that have entered into a double tax treaty with Russia. This draft law is envisaged to have

retrospective effect from 1 January 2012 and is likely to be submitted to the State Duma for consideration in the upcoming spring legislative session. At this stage it is not possible to predict whether such a draft law would be enacted, what its effect would be (if enacted) and how it would impact the Notes and the relevant Loans.

At this stage it is not possible to predict whether the position of the Ministry of Finance as set out in the Tax Letter would be upheld by courts in similar cases. Therefore it is possible that interest payments on the relevant Loan made to the Issuer may not be able to benefit from relief from the Russian withholding tax under the terms of the Convention and, even if previously available, such relief may not continue to be available throughout the term of any Loan made under the Programme.

If payments under the relevant Loan are subject to any Russian withholding tax (as a result of which the Issuer would reduce payments under the Notes in the amount of such withholding taxes), VEB will be obliged to increase the amounts payable as may be necessary, by "grossing-up", to ensure that the Issuer and/or (subject to certain exceptions) the Noteholders receive a net amount that will not be less than the amount they would have received in the absence of such withholding taxes. It should be noted, however, that the tax gross-up provisions may not be enforceable under Russian law. In the event that VEB fails to make increased payments, such failure would constitute an Event of Default pursuant to the Loan Agreement.

If VEB is obliged to increase payments under any Loan Agreement, it is allowed under the terms of the Loan Agreement (without premium or penalty), subject to certain conditions, prepay the relevant Loan in full pursuant to Special Payment for Tax Reasons or Change in Circumstances clause in the Loan Agreement. In such case, all outstanding Notes would be redeemable at par together with accrued and unpaid interest and additional amounts, if any, to the date of redemption.

In circumstances where payments under any Loan Agreement become payable to the Trustee pursuant to the Trust Deed, any benefits of the Convention will cease and payments of interest under such Loan Agreement to the Trustee should be subject to Russian withholding tax at the rate of 20% (or such other rate as may be in force at the time of payment). It is not expected that the Trustee will, or will be able to claim a withholding tax exemption under any double taxation treaty under such circumstances. In such cases, the Noteholders may seek reduction or refund of withholding tax under applicable double taxation treaties entered into between their countries of residence and the Russian Federation, where such treaties exist and to the extent they are applicable. However, treaty relief may not be available in practice in this case."

ISSUER

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