



**BANK
FOR DEVELOPMENT**

Approved by Supervisory Board
of State Corporation
“Bank for Development and
Foreign
Economic Affairs
(Vnesheconombank)”
(Minutes No. 12-DSP dated 27
July 2017)

**STATE CORPORATION
“BANK FOR DEVELOPMENT AND FOREIGN ECONOMIC
AFFAIRS (VNESHECONOMBANK)”**

Annual Report

2016

CONTENTS

VNESHECONOMBANK SUPERVISORY BOARD	4
VNESHECONOMBANK MANAGEMENT BOARD	5
KEY MILESTONES AND ACHIEVEMENTS 2016	6
DEVELOPMENT DYNAMICS: MAJOR FINANCIAL HIGHLIGHTS	7
VNESHECONOMBANK’S RATINGS AS AT 01.01.2017	8
1. VNESHECONOMBANK STRATEGY: BACKGROUND INFORMATION	9
2. OVERVIEW OF THE RUSSIAN ECONOMY	12
3. ASSISTING THE DEVELOPMENT OF THE NATIONAL ECONOMY	14
3.1. SUPPLY OF FINANCE TO INVESTMENT PROJECTS	18
3.2. CONTRIBUTION TO STRATEGIC PLANNING ON THE FEDERAL AND REGIONAL LEVELS	25
3.3 SUSTAINABLE INTEGRATED TERRITORIAL DEVELOPMENT AND PUBLIC-PRIVATE PARTNERSHIP (PPP) PROJECTS	27
3.4. SUPPORT FOR SINGLE-INDUSTRY TOWNS	32
3.5. EXPORT SUPPORT	35
3.6. BORROWING IN CAPITAL MARKETS	39
4. VNESHECONOMBANK’S ACTIVITIES RELATED TO SCO IBC AND BRICS INTERBANK COOPERATION MECHANISM	44
5. FX AND INTERBANK MONEY MARKET OPERATIONS, MANAGING THE BANK’S SECURITIES PORTFOLIO	45
6. DEPOSITORY ACTIVITIES	47
7. AGENT OF THE GOVERNMENT OF THE RUSSIAN FEDERATION	49
3.5. SERVICING THE EXTERNAL DEBT OF THE RUSSIAN FEDERATION	51
3.6. MANAGING EXTERNAL FINANCIAL ASSETS OF THE RUSSIAN FEDERATION	51
3.7. ENSURING REPAYMENT OF DEBT OWED TO THE RUSSIAN FEDERATION BY LEGAL ENTITIES, RUSSIAN CONSTITUENT ENTITIES AND MUNICIPALITIES	52
3.8. GOVERNMENT GUARANTEES	53
8. PENSION SAVINGS MANAGEMENT	55
9. RISK MANAGEMENT SYSTEM	62
10. CORPORATE SOCIAL RESPONSIBILITY	65
10.1 DEVELOPING AND INTRODUCING THE BANK’S CSR SYSTEM	65
10.2 INVESTMENTS IN HUMAN CAPITAL	67
10.3 VOLUNTEERING	72

11. CORPORATE GOVERNANCE	73
11.1 VNESHECONOMBANK ORGANIZATIONAL STRUCTURE	73
11.2 GOVERNING BODIES	74
11.3 ACCOUNTING AND REPORTING	77
11.4 INTERNAL CONTROL SYSTEM.....	78
12. COMMUNICATION POLICY.....	81
13.IT INFRASTRUCTURE	83
14.VNESHECONOMBANK PROCUREMENT SYSTEM.....	85
15.VNESHECONOMBANK’S PARTICIPATION IN NON-COMMERCIAL ORGANIZATIONS	87
16.ADDRESSES AND TELEPHONES OF REPRESENTATIVE OFFICES	89

RUSSIAN EXPORT CENTER:

2016 ACTIVITY REPORT

AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF RETAINED EARNINGS

STATEMENT OF CREATION AND UTILIZATION OF RESERVES AND PROVISIONS

INFORMATION ON INCOME AND EXPENSES FROM INVESTMENT OF TEMPORARILY IDLE FUNDS (ANNEX 3 TO THE RESOLUTION OF THE GOVERNMENT OF THE RUSSIAN FEDERATION NO. 387 DATED 25 APRIL 2012)

Vnesheconombank Supervisory Board

as at 01 January 2017

Chairman of the Supervisory Board

Dmitry Medvedev Chairman of the Government of the Russian Federation

Members of the Supervisory Board

Igor Shuvalov First Deputy Chairman of the Russian Federation
Government

Arkady Dvorkovich Deputy Chairman of the Russian Federation Government

Dmitry Kozak Deputy Chairman of the Russian Federation Government

Aleksandr Khloponin Deputy Chairman of the Russian Federation Government

Andrei Belousov Assistant to President of the Russian Federation

Maksim Oreshkin Minister of Economic Development of the Russian Federation

Anton Siluanov Minister of Finance of the Russian Federation

Sergey Gorkov Chairman of Vnesheconombank

VNESHECONOMBANK MANAGEMENT BOARD

as at 01 January 2017

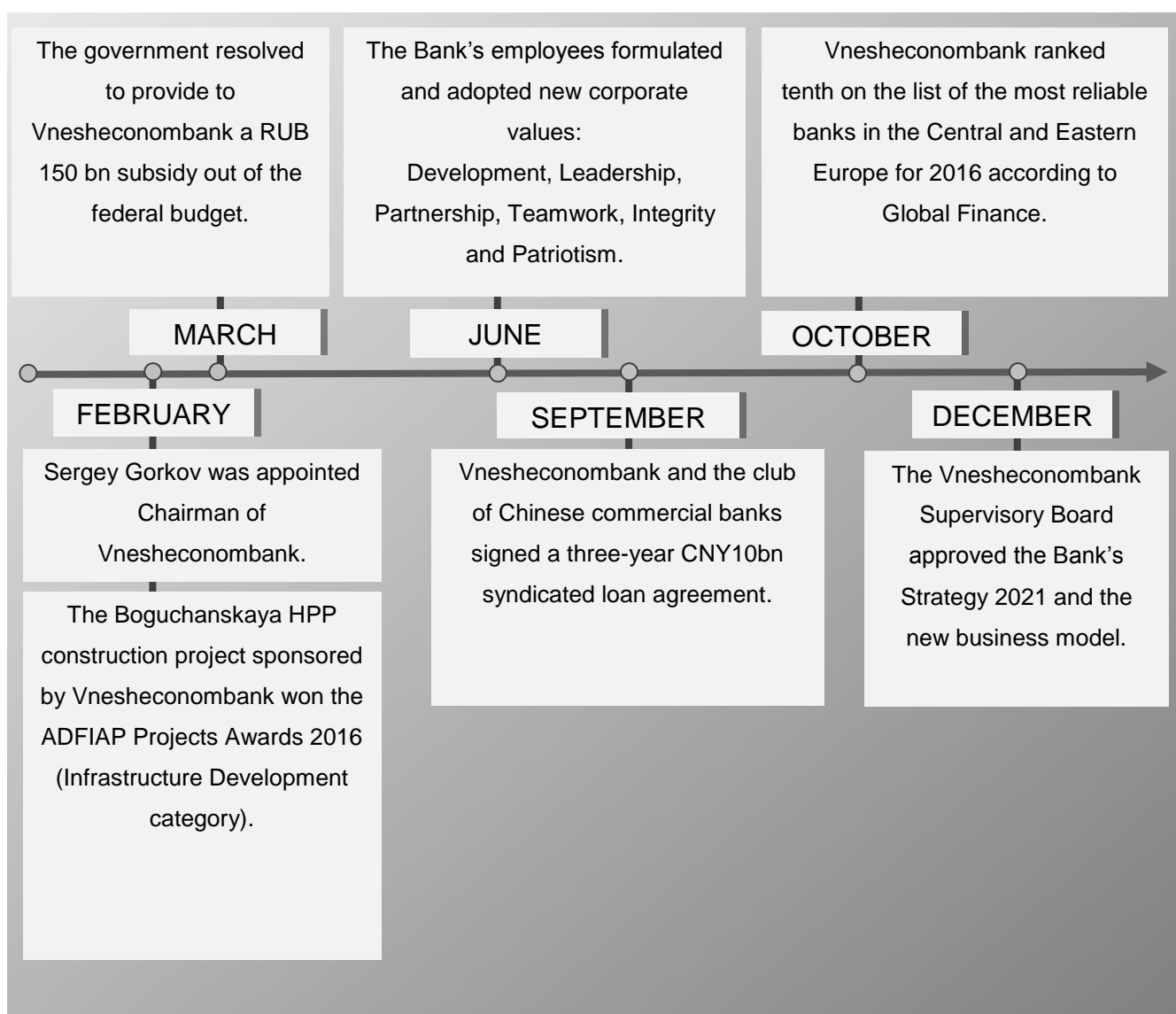
Sergey Gorkov	Chairman of Vnesheconombank
Nikolay Tsekhomskiy	First Deputy Chairman of Vnesheconombank
Mikhail Poluboyarinov	First Deputy Chairman of Vnesheconombank
Yulia Karpova	Deputy Chairman of Vnesheconombank
Andrey Klepach	Deputy Chairman of Vnesheconombank (Chief Economist)
Sergey Lykov	Deputy Chairman of Vnesheconombank
Tatiana Sakharova	Deputy Chairman of Vnesheconombank
Vladimir Shaprinskiy	Chief Accountant of Vnesheconombank

Key Milestones and Achievements 2016

Vnesheconombank is the largest development institution in Russia.

The Vnesheconombank mission is to contribute to the long-term economic development of Russia, first and foremost through the support of downstream industries and high-tech projects, promotion of exports and infrastructure-driven economic growth.

In 2016, Vnesheconombank started a large-scale revamp involving the revision and reorganization of its business processes, readjustment of its current functional management model and determination of a new strategy.



Development Dynamics: Major Financial Highlights¹

(RUB bn)

	as at 01.01.2016	as at 01.01.2017
Total balance sheet²	4,222.5	4,115.7
Equity (capital)	460.1	526.8
Profit (loss)	-87.4	-128.1
Term resources raised from banks	1,062.1	807.3
Resources raised from bond placement	1,058.6	975.6
Loan portfolio, including:	2,432.8	2,232.5
<i>development bank's loan portfolio</i>	1,355.5	1,147.6
<i>loan portfolio of special projects (transactions)</i>	1,077.3	1,084.9
Equity investment (participation interests) in authorized capital of companies	398.0	690.3
Securities portfolio³	531.8	441.4
Portfolio of guarantees and sureties	459.7	972.2

¹ In the given report, all the financial indicator values are calculated based on the accounting data (formats 0409101 and 0409102).

² With consideration for income/expense balance, as well as positive and negative revaluation of securities available for sale (total balance sheet by sub-ledger accounts).

³ Debt and equity securities (excluding equity investment), and units in investment funds.

Vnesheconombank's Ratings as at 01.01.2017

	Fitch Ratings	Standard & Poor's	Moody's
Long-term ratings			
in national currency	BBB- (assigned on 16.01.2015)	BBB- (assigned on 29.01.2015)	Ba1 (assigned on 24.02.2015)
in foreign currency	BBB- (assigned on 16.01.2015)	BB+ (assigned on 29.01.2015)	Ba1 (assigned on 24.02.2015)
Short-term ratings			
in national currency		A-3 (assigned on 29.01.2015)	NP (assigned on 24.02.2015)
in foreign currency	F3 (assigned on 04.02.2009)	B (assigned on 29.01.2015)	NP (assigned on 24.02.2015)

1. VNESHECONOMBANK STRATEGY: BACKGROUND INFORMATION

In early 2016, Vnesheconombank faced a number of challenges: an increase in accrued troubled assets including special projects, and the limitations in the Bank's funding mechanisms resulting from the imposed sanctions.

Despite the difficulties with its loan portfolio and liquidity, Vnesheconombank remained a major long-term investor in the economy and Russia's largest development institution.

The Bank's team also focused on anti-crisis policies, a new business model and development strategy.

The Vnesheconombank strategy 2015-2020 was adopted in 2014 (the Strategy) and is aimed at increasing investment volumes. The size of the Bank's loan portfolio at the end of the reporting year was within the target range established by the modernization scenario of the Strategy, meanwhile the amount of export promotion loans was 74% below the target. The amount of market borrowings nearly reached the targeted strategic level and the scope of state aid was within the range specified by the Strategy.

Achievement in 2016 of the Strategy 2015-2020 Modernization Scenario Targets

Indicators	Strategy	Actual Results	%	
	RUB bn		of the lower target limit	
Loan portfolio	2,100 - 2,330	2,233	106	
	bank for development	965 - 1,070	1,148	119
	special projects	1,135 - 1,260	1,085	96
Export promotion loans	260	68	26	
Funds raised				
Total	2,565 - 2,820	2,596	101	
market borrowings	1,205	1,204	100	
state aid	1,360 - 1,615	1,392	102	

In the reporting year, the Bank concentrated on building its new business model and strategy based on the analysis of the Bank's previous performance and the best practices of development banks worldwide, and with due regard for the priorities and needs of the Russian economy. The key parameters of Vnesheconombank's new business model were formulated in July 2016.

In December 2016, the Vnesheconombank Supervisory Board approved the Strategy 2021 and the Bank's new business model.

As part of the Strategy 2021, the reporting year saw the process of Vnesheconombank transformation.

By the end of 2016, the transformation efforts brought about the following qualitative results:

- ✓ restructuring of a portion of troubled assets;
- ✓ further financing of major investment projects;
- ✓ fulfilment of domestic and foreign debt obligations.

Moreover, the Bank adopted new corporate values, developed a new investment process, established a sectoral business solutions function, defined the strategy-related initiatives, created a register of the Bank's transformation projects, and identified investment priorities and the role of its subsidiaries in the target business model.

The Strategy's key priority is the mobilization of funds for the nationally significant sectors of economy.

Vnesheconombank focused on the segments that have utmost importance for the transformation of the domestic economy, and in which the Bank can act as a key player. These include infrastructure, downstream industries, high-tech projects and non-commodity exports and innovations.

Furthermore, Vnesheconombank is involved in the National Technological Initiative projects and the conversion of defense production to civilian purposes.

According to the Strategy, 2017 will witness Vnesheconombank's switch over from the anti-crisis management to the next stage: the Bank's transformation. Vnesheconombank will be changing in accordance with its new competencies and corporate values, concentrating its efforts on divesting non-core assets, launching new strategic investment and introducing a new investment project support process.

Vnesheconombank's Strategy: Priority to Advanced Development of the Country

In 2016, Vnesheconombank defined two key directions in its strategy for the development of the Russian economy: "catching-up" development and "advanced" development.

“Advanced” development entails innovative directions where Russia can become the global leader:

- ✓ Blockchain in the public administration system and the Russian economy.
- ✓ B2B marketplace for scaling up the Russian defense company diversification system, and for innovative products and services (an element of the innovation ecosystem).
- ✓ NBICS technologies (convergent technologies): man-machine neurointerface and cyber physical systems.
- ✓ Quantum technologies, including computer calculations, quantum sensors and quantum data transmission.
- ✓ Private capital in the space industry, in particular, Russian projects for building new-generation small-size space vehicles.
- ✓ Infrastructure for new technologies.
- ✓ Conversion of the defense industry to downstream civilian products.

“Catching-up” development entails directions providing opportunities for the growth of the Russian economy:

- ✓ Downstream industries, in particular, in the segments meeting the national priorities.
- ✓ Infrastructure: transport, energy, high-tech health care infrastructure and infrastructure for industrial sites.
- ✓ Promotion of non-resource exports.

2. OVERVIEW OF THE RUSSIAN ECONOMY

In 2016, the effect of the negative shock connected with the slump in oil prices gradually dissipated, while overall the economy worsened. The GDP was down 0.2% after a reduction of 2.8% in 2015. In the first half of the year, oil prices remained low - on average, less than USD40 per barrel – causing the ruble to be depreciated and a relatively fast price inflation in the consumer market. During this period, inflation substantially limited purchasing power. In H1 2016, household incomes in real terms and consumer expenses were rapidly decreasing. Investment demand was also going down in connection with severe loan restrictions and the reduction of government investments.

In Q2 2016, the GDP trend hit a low point after which economic activity gradually began to increase. The environment in the global commodity markets began to improve - in the second half of 2016 the price of oil reached USD44-52 per barrel. In addition, the global prices for metals, coal and the European price for the pipeline gas started to grow. The weakening of the ruble stimulated the export-oriented sector. Accelerated growth of exports was observed not only in mineral raw materials, but also in machine building, chemistry, metallurgy and wood processing products. This triggered the growth of industrial production in general, which in 2016 increased by 1.3%. Good weather conditions ensured record high grain harvest figures, which also contributed to the revival of economic growth in the second half of the year.

Following the increase in oil prices, the exchange rate of the ruble began to rise, which, alongside with good harvest figures and the zero growth of food stock prices in the world markets, led to the rapid decline in inflation. Thus, the growth of the consumer price index for 2016 amounted to 5.4%. The decreasing pace of inflation slowed down the decline in the real income of the population, and the levels of salaries in real terms began to demonstrate growth. However, the consumer demand remained weak. High interest rates stimulated the preservation of high propensity for savings in the context of the volatile flow of income.

In H2 2016, the decline in investment demand was replaced by the fast growth of investments in the energy sector, export-oriented industries, wholesale trade and financial services.

In general, the reduction of investments in fixed assets was negligible - by just 0.9% - while the investments of small businesses remained at the 2015 level.

The main macroeconomic indicators of the economy in 2016 can be described as follows.

Macroeconomic indicators	2015	2016	2017
	Actual Results		Forecast
Urals oil prices (global), USD / barrel	51	42	51
GDP, %	-2.8	-0.2	0.8
Manufacturing output	-0.8	1.3	1.5
Investments, %	-10.1	-0.9	2.2
Retail turnover, %	-10.0	-4.6	1.5
Consumer price index, December to December	12.9	5.4	3.6
Export, USD bn	341	282	328
Import, USD bn	193	191	221

3. ASSISTING THE DEVELOPMENT OF THE NATIONAL ECONOMY

In 2016, Vnesheconombank faced the challenges of limited access to global capital markets, decreased support from the state and an increased portfolio of accumulated troubled assets.

Nevertheless, the Bank was fully meeting its obligations to finance investment and export promotion projects, and other projects and transactions.

Changes in the size of loan portfolios in 2016 (RUB bn):

	year end	year start
Bank for Development's loan portfolio	1,147.6	1,355.5
Portfolio of export promotion loans	67.7	86.6
Portfolio of loans to companies involved in the government defence order	2.7	43.9

Bank for Development's loan portfolio: sectoral structure, %



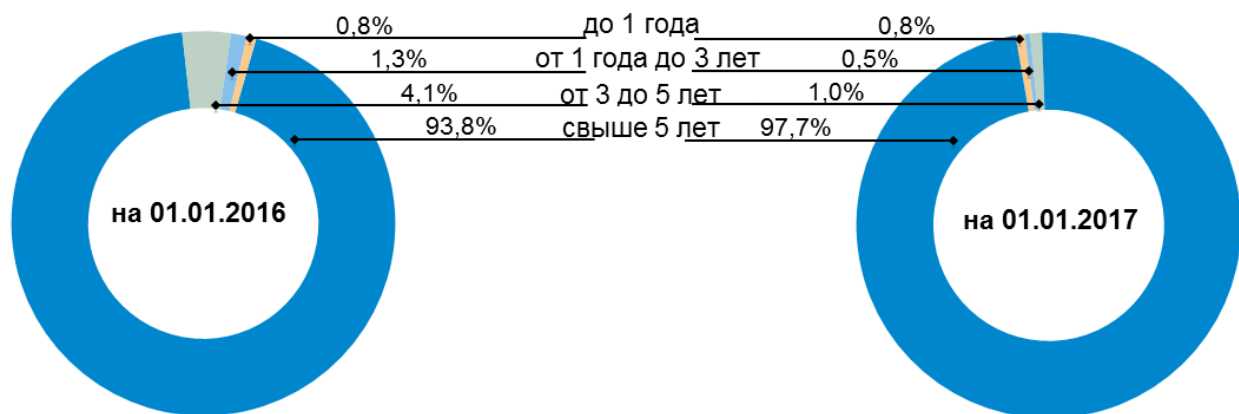
на 01.01.2016	as at 01.01.2016
на 01.01.2017	as at 01.01.2017
Секторы инфраструктуры	Infrastructure

Машиностроение (кроме авиастроения)	Machine engineering (except aircraft building)
Деревообрабатывающая промышленность	Timber processing industry
Оборонно-промышленный комплекс	Defense industry
Медицинская техника и фармацевтика	Medical equipment and pharmaceuticals
Прочие отрасли	Other
Химическая и нефтегазовая промышленность	Chemicals and petrochemicals
Металлургия	Metallurgy
Электронная промышленность	Electronics
Авиастроение	Aircraft building
Ракетно-космический комплекс	Rocket and space complex

The bulk of the Bank for Development's loan portfolio consists of infrastructural, chemical and petrochemical loans.

Bank for Development's loan portfolio: by maturity, %

на 01.01.2016	as at 01.01.2016
---------------	------------------



на 01.01.2017	as at 01.01.2017
до 1 года	up to 1 year
от 1 года до 3 лет	1 to 3 years
от 3 лет до 5 лет	3 to 5 years
свыше 5 лет	above 5 years

At the end of the reporting year, the share of loans with tenors exceeding 5 years in the total loan portfolio of the Bank for Development increased by about 4 percentage points to reach 97.7%.

In 2016, Vnesheconombank developed a new business model focused on the key national economic priorities, including:

- ✓ financing investment-intensive projects on a co-financing basis - borrowings from banks and foreign investments;
- ✓ investing in breakthrough technologies.

The new model provides for completion and commissioning of facilities under more than 20 projects that, subject to additional funding, could contribute within 2 years to positive GDP growth, creation of high-performance jobs and increased fiscal revenues.

Financing major investment projects among key objectives of the national development bank

Financing initiated **2** projects

Total value, RUB **71.7** bn

FOR REPORTING YEAR

Bank's commitment, RUB **42.2** bn

Funding delivered **12** projects

149 projects

AT YEAR-END

Total loans, RUB **1,212.7** bn

Equity financing, RUB **56.9** bn

3.1. Supply of finance to investment projects

At year-end 2016, Vnesheconombank granted loans to **149** investment projects.

In the reporting year, Vnesheconombank completed financing of **12** investment projects.

Funds provided by the Bank in the form of loans and equity investments were fully repaid. As a result, more than 1,338 new jobs were created with benefits exceeding costs by almost RUB23.8bn.

Below are a few examples of investment projects completed in 2016:

/ **Ka-226 helicopter modernization R&D.** The project resulted in the serial production of the Ka-226T light multipurpose helicopter with unique flight characteristics;

/ **Reconstruction and technical upgrade of the Klimov company's research and production facilities for the development and manufacturing of gas turbine engines.** The project provided for the transfer of existing production facilities from the center of St. Petersburg, construction of new production buildings and utilities infrastructure, and the purchase of state-of-the-art high-tech equipment. The Klimov first modern design and production facility was launched in 2014. The new manufacturing facilities are now in use to produce finished products;

/ **Construction of the SU-35 Multipurpose Fighter.** The Bank had been financing the project since 2006. The result was the creation of the 4++ generation super-maneuverable multipurpose fighter, which is aimed at increasing the export potential of Russian high-tech products.

In the reporting year, Vnesheconombank began financing **2** new investment projects totaling **RUB71.7bn**, with the Bank's commitment standing at **RUB42.2bn**. Overall, in 2016, the Bank extended **RUB4.9bn** worth of loans to deliver these projects.

One of the projects aims at **setting up the production of import-substituting pharmaceutical substances and finished pharmaceutical products in the Yaroslavl Region, and financing the R-Pharm R&D programme.**

Total project value:
RUB26.6bn
Vnesheconombank's
commitment:
RUB14.6bn

The project provides for the construction of a factory to produce pharmaceutical substances in Rostov (the Yaroslavl Region), the second construction phase of the factory to produce finished pharmaceutical products in Yaroslavl, and the completion of R&D for seven R-Pharm brand-name medications intended for the domestic market and for export. The R&D programme saw all the study phases for the chronic hepatitis C medication completed and the medication registered with the Russian Ministry of Health in May 2016. The main line of brand-name medications is expected to be registered before 2020.

Along with financing new projects, the Bank continued to provide financial support to investment projects launched before 2016. Below are the reporting year's investment project highlights:

/ **Construction of an innovative complex for the development, introduction and manufacturing of bio- and nanotechnology-based pharmaceuticals.** The Bank has been providing financial backing for the project since 2011. The project is aimed at the construction of a GMP-compliant pharmaceutical plant.

Total project value:
RUB6.9bn
Vnesheconombank's
commitment:
RUB5.1bn

In addition, the company's influenza vaccine plant became operational. The company has considerably reconstructed its production facilities and upscaled product sales: in 2016 – 9.15m doses of influenza vaccine (in 2015 – 2.2m doses), in 2017, the sales are expected to reach 17.8m doses.

Social and economic effects⁴:

Benefits exceeded costs by RUB430.5m

388 new jobs

/ **Construction of the CSKA football stadium in Moscow.**

The first loan disbursement was made in 2013. The project for the construction of the CSKA football stadium with a multifunctional complex of class A commercial real estate is designed to increase the number of public sports facilities in Moscow.

Total project value:
RUB16.3bn
Vnesheconombank's
commitment:
RUB14.7bn

Put into operation on 17 August 2016, the new arena hosted CSKA's first official game on 10 September 2016.

⁴Here and elsewhere: accumulated social and economic effects from the beginning of the project's implementation.

/ **Construction of the Western High-Speed Diameter Toll Motorway.** The project provided for the construction of the central section (11.6 km) of the WHSD toll motorway (46.6 km) in St. Petersburg and the operation of its three sections (northern, central and southern). The project was implemented on a public-private partnership basis.

Total project value:
RUB120.2bn
Vnesheconombank's
commitment:
RUB25.0bn

In December 2016, the central section was finished and opened for traffic.

Social and economic effects:

64 new jobs

/ **Construction of a 500,000 tpa polypropylene production facility in Tobolsk.** The project resulted in the construction of Russia's largest associated gas component processing facility for the production of popular polymer classes. The facility ranks among the top three global leaders in terms of output. The polypropylene production facility was launched in October 2013. By the end of 2016, the facility produced some 460,000 tons of polypropylene reaching 90% of its production capacity

Social and economic effects:

372 new jobs

/ **Construction of the Boguchany Timber Processing Complex in the Krasnoyarsk Region.** The project was initiated by Kraslesinvest, a wholly-owned subsidiary of Vnesheconombank. In 2016, the company completed a pilot launch of a timber mill which delivers steady production performance. The plant sells its products to the People's Republic of China. To recycle its main production waste, the project provided for the construction of a facility to produce up to 105,000 tons of fuel pellets per year. The equipment suppliers have been already selected, and the project will become fully operational in 2017.

Total project value:
RUB17.7bn
Vnesheconombank's
commitment: RUB16.8bn

Currently, the company is developing a project for the construction of a pulp mill for the production of up to 750,000 tons of pulp per year using Kraslesinvest facilities. The FEED is scheduled to be completed in 2017.

The project is designed to set up a zero-waste highly profitable manufacturing facility, create new jobs and significantly increasing payments into budgets and extra-budgetary funds.

Social and economic effects:

Benefits exceeded costs by RUB2,128.5m

451 new jobs

'Immediate effect' projects

The investment project portfolio comprises projects that are 80-85% funded by Vnesheconombank and require relatively small investment. These are 'immediate effect' projects, 21 of which are capable of ensuring a 0.2-0.3% growth in the national GDP. These include:

- / construction of a timber processing complex in the Krasnoyarsk Territory;
- / construction of an infusion solution plant in the Kaluga Region;
- / construction of high-yield beef cattle production facilities in five Russian constituent entities.

The 'immediate effect' projects provide for the construction of new manufacturing facilities in Russia's five federal districts in sectors including: timber industry, metallurgy, medical equipment and pharmaceuticals, engineering and agribusiness.

Vnesheconombank finances investment projects primarily in the form of loans. For some projects, Vnesheconombank provides equity financing and issues guarantees.

Changes in loan and equity financing for investment projects in 2016 (RUB bn):

	At year end 2016	At year start 2016
Loan financing for investment projects	1,212.7	1,359.2
Equity financing for projects (equity investment)	56.9	35.4

At the end of 2016, loans for innovation projects accounted for **33.4%** (RUB405.6bn, **34** investment projects) of the investment loan portfolio. Furthermore, **RUB0.8bn** worth of equity financing was extended to finance an innovation investment project.

In the year under report, three investment projects also received guarantee support.

The Boguchanskaya HPP project sponsored by Vnesheconombank won an ADFIAP Award 2016 in the Infrastructural Development category. The annual ADFIAP Awards 2016 ceremony was held in conjunction with the 39th annual ADFIAP meeting in Apia, the Independent State of Samoa.

The Boguchanskaya HPP ranks among the top five largest domestic hydraulic plants, covering one-third of the Krasnoyarsk Territory's power needs.

In 2016, Vnesheconombank management approved the Bank's financing of **3** investment projects for a total of **RUB79.2bn**, with the Bank's commitment standing at **RUB56.8bn**.

These include:

/ **construction of a PET and synthetic fibres complex in the Ivanovo Region**. The project value is EUR356.5m, with the Bank's commitment standing at EUR278.9m. The project provides for the construction of a 175,000 tpa polyester staple fiber production facility with a 30,000 tpa PET chips unit. Pertaining to the high-tech industry sector, it aligns with Vnesheconombank's strategic priorities and is aimed at substituting consumer goods and textile imports in Russia. The complex is scheduled to go on stream by 2020. The project is included in the Subprogramme "Consumer Goods Industry" of the State Program on Industrial Development and Improving Industrial Competitiveness approved by Order of the Russian Government No. 328 dated 15 April 2014, and is classified as a category I top priority investment project under the Russian Chemical and Petrochemical Industry Strategy to 2030 approved by Order No. 651/172 dated 08 April 2014 of the Russian Ministry of Industry and Trade and the Russian Ministry of Energy.

Furthermore, by end of the reporting year, Vnesheconombank has considered **18** investment projects with a total value of around **RUB503.7bn**, with the expected Bank's commitment standing at **RUB295.4bn**.

Development Award for a significant contribution to social and economic development of Russia

In 2016, the Vnesheconombank Development Award competition attracted a record number of entries (303 projects), which is a testament to the strong interest from the business community and confirms that there is a sufficient number of investment projects in Russia that deserve high recognition.

The winners of the Development Award are listed below:

Category	Project
Best Infrastructure Project	Integrated Infrastructure for Lipetsk Industrial and Production Special Economic Zone, OJSC Lipetsk Industrial Production Special Economic Zone, Lipetsk Region.
Best Industrial Project	Facilities for the production of socially valuable medicines and active pharmaceutical substances, Geropharm LLC, St. Petersburg
Best Project on Integrated Territorial Development	Belokurikha-2 Tourist Cluster, JSC KurortBelokurikha, Altai Territory
Best SME Project	Research and manufacturing complex for the research and production of active pharmaceutical substances, CJSC Medical-Biological Research and Production Complex Citomed, St. Petersburg
Best Innovation/High-Tech Project	“Three factors”: production of recombinant coagulation factor medicines for the treatment of haemophilia, CJSC GENERIUM, Vladimir Region
Best Environment and Green Technology Project	Power-independent mixed waste utilization facilities using anaerobic digestion to produce biomethane along with multi-purpose microbiological by-products, Kompleksnyie Sistemy Utilizatsii LLC, Orenburg Region
Best Export Project	Development of Technology and Expanded Production of Sapphire and Sapphire Plate for Sale to Global Manufacturers of LEDs, Smartphones and Other Commercial Products”, JSC Monokristall, Stavropol Territory
Best Project with Foreign	Integrated Facilities for Deep Processing of Grain for the

Participation

Production of Amino Acids in Volgodonsk, Rostov Region,
Donskiye Biotekhnologii LLC, Rostov Region

3.2. Contribution to strategic planning on the federal and regional levels

In the modern world, the development of the strategic planning system is key for improving the competitiveness of the Russian economy, making it possible to exploit the potential of new scientific and engineering solutions.

As a national development institution, Vnesheconombank provides expert assistance in elaborating the strategic planning framework, as envisaged by Federal Law No. 172-FZ dated 28 June 2014 “On Strategic Planning in the Russian Federation”.

In 2016, Vnesheconombank contributed to creating the Russian Spatial Development Strategy concept, the first of its kind in Russia to combine the strategic and spatial approaches to planning.

Furthermore, Vnesheconombank has conducted an expert review of:

- InnoKamStandalone Innovation and Production Center concept;
- Komsomolsk-on-Amur long-term social and economic development plan.

The findings and expert opinions were presented to federal and regional executive authorities.

Additionally, as part of its cooperation with the local executive authorities, Vnesheconombank provided expert opinions on the regional development potential and prospects, proposals for improving the strategic planning practices in the regions and mapping out their social and economic development strategies.

Economic forecasting and macroeconomic policy reports

The Bank issues and updates on a regular basis Russia’s mid-term and long-term economic forecasts. In March and August 2016, Vnesheconombank prepared and published on its website its 2016 to 2018 Russian Economic Development Forecast. The Bank’s forecasts provide insight into different scenarios depending on external conditions and fiscal and monetary policy measures aimed at encouraging investment, adjusting the monetary policy, supporting household incomes and stimulating exports.

The Bank has been continuously engaged in preparing mid- and long-term development forecasts for a number of key industries, including mechanical engineering, metallurgy, agriculture and transport. The forecasts identify the key factors shaping sector trends and evaluate a number of key sector performance indicators.

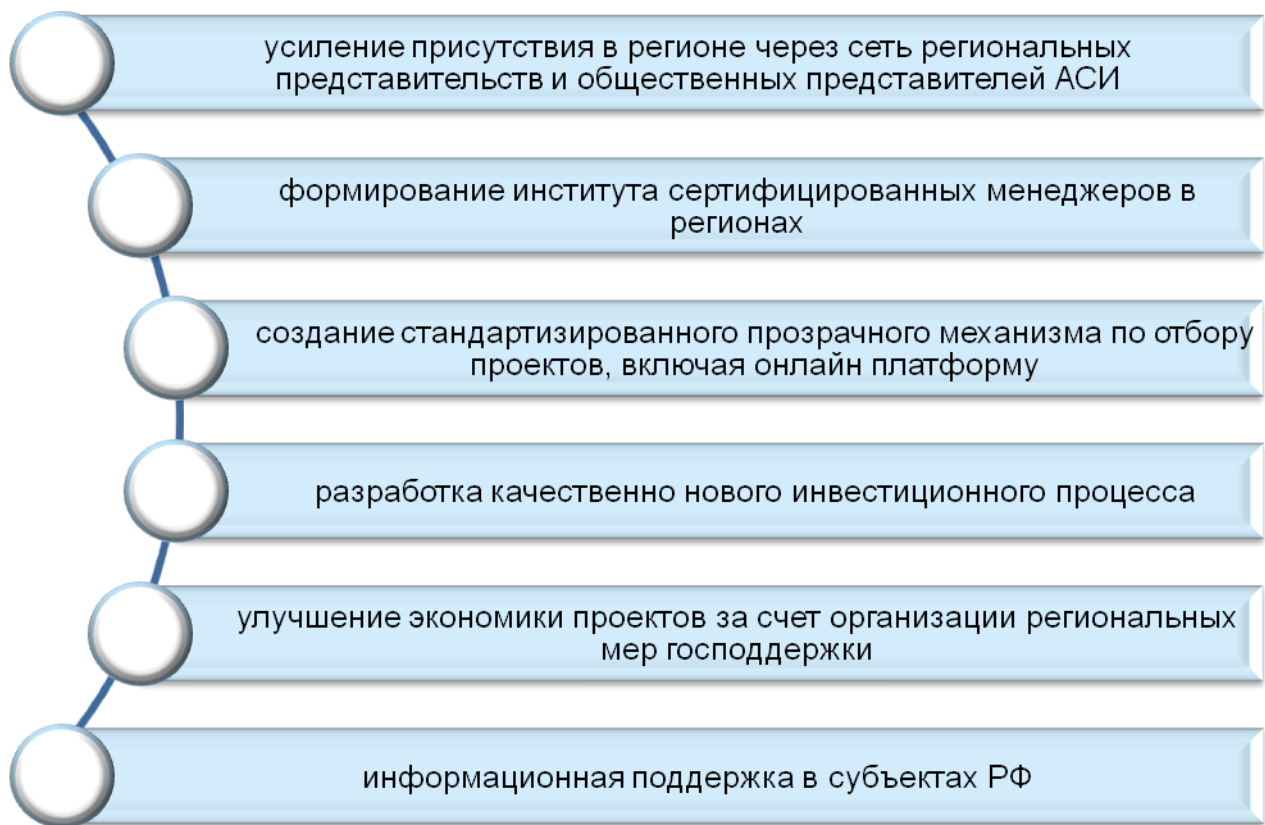
In 2016, the Bank also released a monthly VEB GDP Index report presenting the analysis of current macroeconomic trends and the estimation of economic development potential as well as *Vnesheconombank's SEMAFON*, a composite indicator for the media landscape based on the economic monitoring results.



3.3 Sustainable integrated territorial development and public-private partnership (PPP) projects

In 2016, Vnesheconombank's activities were aimed at developing a new cooperation model with Russian constituent entities as well as building relationships with regional authorities and development institutions to coordinate the supply of finance and encourage interest in the joint implementation of large-scale regional investment projects.

In the reporting year, the Bank identified new possibilities and areas of joint work with the Agency for Strategic Initiatives to Promote New Projects (ASI).



усиление присутствия в регионе через сеть региональных представительств и общественных представителей АСИ	expanding regional presence through a network of ASI regional representative offices and public representatives
формирование института сертифицированных менеджеров в регионах	establishing a regional certified managers institution
создание стандартизированного прозрачного механизма по отбору проектов, включая онлайн платформу	creating a standardized transparent project selection mechanism, including an online platform
разработка качественно нового инвестиционного процесса	developing a qualitatively new investment process
улучшение экономики проектов за счет организации региональных мер господдержки	improving the economy of projects through regional state support measures
информационная поддержка в субъектах РФ	providing information support to the Russian constituent entities
Взаимодействие Внешэкономбанка и АСИ	Vnesheconombank and ASI cooperation

The new model offers novel approaches to interaction with regional authorities. This is also one of the reasons why the Bank closed its representative offices in Russia in the reporting year.

At the 15th Sochi International Investment Forum 2016, Vnesheconombank signed memoranda on cooperation with the authorities of six regions, such as the Ivanovo, Kaluga, Orenburg, Tula, Yaroslavl Regions, the Republic of Chechnya, and with the Governor of the Krasnoyarsk Territory. The memoranda laid out the main areas of cooperation, which include: selecting investment projects, developing possible funding options, ensuring collaborative support for and implementation of investment projects.

As at the end of the reporting period, Vnesheconombank signed cooperation agreements/memoranda with 61 constituent entities of the Russian Federation.

In 2016, the VEB Group continued implementing joint activity plans for integrated territorial development with the Administration of the Primorsk Territory (2013-2018), the Governments of the Astrakhan and Rostov Regions (2013-2018), and the Samara Region (2014-2019). The joint activity plans are seen as a road map for the Bank's cooperation with the regions in searching for and implementing key investment projects.

**Activities
in the North-Caucasian
Federal District
(NCFD)**

During the reporting year, the Bank continued providing financial support to **6** investment projects in the NCFD. As at 1 January 2017, the total financial stock offered by the Bank amounted to **RUB22.8bn** (1 January 2016: RUB23.5bn).

Vnesheconombank's subsidiary – JSC North Caucasus Development Corporation (NCDC, or the Corporation) – has been also actively engaged in attracting investment and implementing industrial and infrastructure projects in the NCFD.

At the end of 2016, NCDC's portfolio included **4** investment projects in the NCFD:

- / establishment of an innovative medical cluster in the Caucasian Mineral Waters Region;
- / construction of Minvody EXPO multipurpose exhibition complex in the Caucasian Mineral Waters Region;
- / development of adventure tourism and ecotourism on the basis of the North-Caucasian Mountain Club (the NCMC). The main objective is to arrange and support year-round adventure and ecotoursim tours in the North Caucasus;

/ construction of the Kazbek Innovation Construction Technological Park.

In 2016, the Corporation completed **2** investment projects.

Among them is the Stavropol Intensive Crop Farming project (IrriCo), involving the installation of a 5,000 ha irrigation system and the purchase of modern equipment for the maintenance of agricultural land.

**Activities
in the Far Eastern Federal
District (FEFD)
and the Baikal Region**

In 2016, the number of investment projects funded by Vnesheconombank in the FEFD decreased from **10** (as at year start) to **8** (as at year end). Among them is an interregional investment project which is also implemented in the FEFD. By the end of the reporting year, the total loans granted to FEFD projects amounted to **RUB42.6bn**, with equity financing of **RUB25.1bn**.

In the reporting year, Vnesheconombank completed **2** investment projects. The funds provided for their implementation were repaid in full.



One of the projects completed in 2016 involved the construction of a Ka-62 multi-purpose helicopter. The objective was to conduct R&D to design and build a Ka-62, a globally competitive and up-to-date next-generation civil multi-purpose, medium class 6.5 tons helicopter, the economic efficiency of which would exceed that of equivalent helicopters available in the global market. The project was included in the Federal Targeted Program “Development of Civil Aviation Technology”.

During the 2nd Eastern Economic Forum in Vladivostok, Vnesheconombank, the Khabarovsk Territory Government, RFP Group and Asia Les signed an agreement of intent on the establishment of the Far East forestry cluster. According to the agreement, the parties intend to join their efforts in creating and subsequently developing the cluster. Vnesheconombank is to coordinate public funding to cluster residents and to provide comprehensive support on finance issues. The largest forestry investment projects in the region have been implemented with Vnesheconombank’s support. As at 1 January 2017, the total funds provided by the Bank for the implementation of forestry projects in the Far East exceeded RUB29bn.

The Far Eastern Federal District and Baikal Region Development Fund (the Fund) is part of the system of institutions facilitating the economic development of the region.

The Fund's sole shareholder is Vnesheconombank.

In 2016, the registered capital of the Fund increased by RUB2.9bn through subsidies from the federal budget granted for the implementation of priority investment projects in the Far East and the Baikal Regions.

As at the end of the reporting period, **12** investment projects for a total of **RUB150.4bn** with the Fund's commitment standing at **RUB21.7bn** were named eligible for priority funding from the Fund's budget.

The implementation of the above 12 projects in the Far Eastern and Baikal Regions will result in the growth of the macro-regional gross regional product (GRP) by more than RUB494.1bn and an increase in tax revenues of the government, constituent entities and municipalities of the Russian Federation by RUB96.1bn.

In 2016, the Fund commenced financing the following **3** projects:

- / construction of the Russian Post logistics hub in the Far East (the Khabarovsk Territory). The funding was provided for the purchase of two aircraft and the construction of an automated logistic postal center in Khabarovsk;
- / construction of housing for personnel at the Zvezda shipbuilding facility;
- / affordable loans for SMEs.

As at the end of the reporting year, the Fund participated in the financing of 6 investment projects. As at 1 January 2017, the total stock of finance provided for their implementation amounted to RUB4.8bn.

Development of Public-Private Partnership

Public-private partnership (PPP) as a mechanism for raising funding from non-government sources is intended to facilitate infrastructural and socially important investment projects, thus providing mutual benefit for both the state and the business.

For a number of years, Vnesheconombank has been actively engaged in developing and promoting PPP principles in Russia. Along with co-financing PPP projects, Vnesheconombank advises state authorities and local governments on procurement and finance matters.

As provided for by Resolution of the Russian Government No. 134 dated 1 March 2008 "On approving rules for arranging and using budgetary allocations from the Russian Investment Fund", Vnesheconombank monitors the use of investment funds for projects

which have received state support out of the Investment Fund resources. In 2016, Vnesheconombank monitored the performance of investment project obligations by 8 investors. Based on the monitoring results, Vnesheconombank prepared and submitted quarterly reports to the Russian Ministry of Economic Development.

Vnesheconombank is a sole provider of advisory services to address the public needs of Russian constituent entities in terms of PPP investment project procurement.

In 2016, Vnesheconombank rendered consulting services to the public authorities in three Russian constituent entities.



In compliance with a contract signed in 2014, Vnesheconombank provided investment consulting services for the Perm Territory (reconstruction of the Perm - Berezniki highway). In the reporting year, the services envisaged by the final stage of the project were rendered in full. By the end of 2016, Vnesheconombank honoured all its commitments under the contract. The services provided by the Bank were accepted and paid for by the constituent entity.

In 2016, as part of its investment consulting services for a project on the construction of a motorway and an on-ramp to a federal highway in the Republic of Bashkortostan, Vnesheconombank signed additional agreements releasing Vnesheconombank as a contractor from the liability for any delays caused through the fault of government authorities.

At the end of the reporting year, Vnesheconombank delivered and the Omsk Regional Ministry of Industry, Transport and Innovative Technologies accepted three phases of the investment consulting services for the Omsk-Fedorovka airport construction and operation project.

3.4. Support for Single-Industry Towns

Vnesheconombank has been promoting development, diversification and economic modernization of single-industry towns seeking to enhance their investment potential and stimulate investment activities.

In 2016, Vnesheconombank started financing two new single-industry town projects for a total of approx. RUB32bn, with the approved commitment of Vnesheconombank standing at RUB17.8bn.

Overall, in 2016 Vnesheconombank extended RUB25.6bn worth of financing for single-industry towns.

In the reporting year, Vnesheconombank completed 5 single-industry town projects with a total value of RUB127bn. The funds provided by Vnesheconombank since the start of the project financing totaled RUB47bn.

As at 1 January 2017, total loans extended by Vnesheconombank to fund projects in single-industry towns reached RUB189.8bn. As of the reporting date, Vnesheconombank was financing 16 such projects.

To help find new investors, Vnesheconombank collected and processed information about industrial sites in Russian single-industry towns by 76 technical condition and business environment criteria. Passports for 192 industrial sites in 76 single-industry towns are available on the Vnesheconombank website.



Single-Industry Town Development Fund

Established by Vnesheconombank in late 2014, non-commercial organization Single-Industry Town Development Fund (SITD, or the Fund) is promoting infrastructure development and economic diversification in single-industry towns.

In June 2016, the Russian Government by its Resolution No. 549 expanded the Fund's mandate to include, alongside with the most socially and economically disadvantaged single-industry towns, all single-industry towns of the Russian Federation.

In 2016, SITD and constituent entities of the Russian Federation signed 40 framework cooperation agreements on the development of Russian single-industry municipalities.

In the year under report, SITD committed to co-finance the Russian constituent entities and municipalities' costs of construction and/or reconstruction of infrastructure facilities required to deliver new investment projects in 10 single-industry towns. To honour its commitments in 2016, SITD remitted RUB619.2m to Russian constituent entities. Since its inception, SITD has transferred RUB3.7bn under the cost co-funding agreements to the budgets of Russian constituent entities to deliver investment projects to 14 single-industry towns.

By the end of 2020, the co-funding agreements concluded by SITD and Russian constituent entities as at 1 January 2017 are expected to create nearly 19,000 new jobs and raise approximately RUB85bn worth of investment.

Russian export support is one of the key priorities of Vnesheconombank

financial support was provided for Russian export projects
(transactions)

**FOR REPORTING
YEAR**

to **31** countries worldwide

size of the loan portfolio RUB **67.7** bn

AT YEAR-END

size of the guarantee portfolio RUB **807** bn

3.5. Export Support

In accordance with the Strategy 2021 and Vnesheconombank’s business model, the support for Russian non-resource exports is one of the Bank’s key priorities.

In the reporting year, Vnesheconombank provided financial support for the projects (transactions) involving the export of Russian products to 31 countries worldwide. The key export support areas included power generation, transport, specialist and power engineering, the nuclear industry, including the nuclear power industry, aircraft engineering and the rocket and space complex.

Development dynamics: export support activities (RUB, bn)



Гарантии в целях поддержки экспорта	Guarantees to support exports
Предэкспортное финансирование	Pre-export finance
Экспортные кредиты	Export credits
На 01.01.2016	as at 01.01.2016
На 01.01.2017	as at 01.01.2016

The production and subsequent export of high-tech Russian products are supported, among other things, through subsidies that cover part of Vnesheconombank’s costs of foreign buyer financing. As at 1 January 2017, the Vnesheconombank foreign buyers loan portfolio for the purchase of Russian-manufactured high technology products amounted to RUB24.6bn (as at 1 January 2016 - RUB22.7bn).

During the Minsk meeting in late 2016, the Government of the Republic of Belarus, Vnesheconombank, Bank for Development of the Republic of Belarus, Bank BelVEB and ROSEXIMBANK signed a Memorandum of Intent on the establishment of an integration

development platform to create a financial infrastructure for export projects and projects with high integration potential. The integration platform is aimed at supporting supplies of Russian and Belorussian jointly manufactured products to third-country markets.

In the reporting year, Russia's foreign economic activity in the sphere of financial and non-financial export support has expanded, largely owing to the efforts of the Russian Export Center (the Center), Vnesheconombank's dedicated subsidiary. The Center provides Russian exporters with tailored 'one-stop-shop' export support solutions. In 2016, as part of the measures to improve non-commodity export support conditions, Vnesheconombank received targeted subsidies for a total of RUB8.8bn, of which RUB8.1bn was used to increase the capital of ROSEXIMBANK and RUB732m was allocated to the Russian Export Center.

The Russian Export Center's activity report 2016 is attached hereto.

Granting export support loans

As at 1 January 2017, Vnesheconombank's lending in support of export activity amounted to RUB67.7bn (as at 1 January 2016 - RUB86.6bn).

Total export-aid loans granted in 2016 equaled RUB15.8bn (as determined at the Bank of Russia's exchange rate as at 31 December 2016).

To raise additional funding for new projects, the bank sold part of its export portfolio. Specifically, it assigned to the International Investment Bank the right to claim repayment of USD40m in principal and interest under a syndicated loan for Termogas Machala project.



The Bank provided USD92.8m to cover the costs of RJ Leasing Ltd (Ireland) for purchasing 3 Sukhoi Superjet 100 passenger planes manufactured by Sukhoi Civil Aircraft, with EXIAR providing the insurance coverage. The jets will subsequently be delivered to CityJet airline (Ireland) under an operational lease.

This marks the first time in the recent history that, through co-funding from Vnesheconombank, Russian civil aircrafts have entered the highly competitive European market. Fifteen jets will be supplied under a fixed-price contract and another sixteen — under an option agreement. This deal will contribute to further strengthening and

expanding the partnership between Russian exporters and foreign buyers of Russian aircraft.



In December 2016, the Bank started disbursement of loans to finance Metrovagonmash's export contract for the supply of 222 subway cars under the Budapest subway modernization programme (Hungary). Vnesheconombank's total commitment for this project stands at RUB3bn. Funding comes from the National Welfare Fund (NWF), which allows to apply a lower interest rate.

The use of NWF funds for this project is another step in the development of new forms of government support to promote Russian high-technology exports.



Vnesheconombank, through its subsidiary Bank BelVEB, provided EUR3.1m to finance the supplies of Russian power generation equipment to Belarus under the Grodno CHP-2 reconstruction project.

Guarantees as a mechanism to support export

By the end of 2016, the portfolio of guarantees extended by Vnesheconombank to support exports has more than doubled.

In the reporting year, the Bank provided 87 export guarantees for a total equivalent of RUB247.3bn (calculated at the Bank of Russia's exchange rate as at 31 December 2016). The aggregate number of export guarantees issued by Vnesheconombank as at the end of 2016 has reached 151 for a total of RUB357.6bn (calculated at the Bank of Russia's exchange rate as at 31 December 2016).

Among those that recently received export guarantees are RJC, NOVATEK, Chelyabinsk Pipe-Rolling Plant (ChelPipe), Inter RAO Export. The total value of guarantees issued to new counterparts stands at RUB184.3bn (calculated at the Bank of Russia's exchange rate as at 31 December 2016).



Specifically, Vnesheconombank provided, at ChelPipe's request, a EUR29m guarantee for Nord Stream 2 AG, Zug (Switzerland) to secure the 2016 – 2018 pipe supply contract under the Nord Stream 2 project.

Furthermore, the limit used by EXIAR under a USD10bn limited liability guarantee provided by Vnesheconombank to secure EXIAR's obligations to Russian and foreign insurers grew almost threefold from USD2.6bn (at the Bank of Russia's exchange rate as at 31 December 2015) to an equivalent of USD7.4bn (at the Bank of Russia's exchange rate as at 31 December 2015).

3.6. Borrowing in Capital Markets

The recovery of energy prices and the reduction of the base rate by the Bank of Russia has had a positive influence on the Russian debt market, allowing the largest Russian issuers, including Vnesheconombank, to reduce the cost of financing and increase the duration of loans.

In the reporting year, Vnesheconombank ensured the performance of all its obligations to creditors and investors and borrowed the resources necessary for its operation in capital markets.

In 2017, the situation in the domestic debt market will largely depend on the external environment and the level of oil prices. In the context of persisting limitations due to sanctions, the refinancing policy of the Central Bank of Russia will be an important factor determining the investment appeal of debt instruments for the players on the Russian financial market. The gradual reduction of the base rate of the Bank of Russia will ensure a slight reduction of the passive rate in the domestic market.

Raising resources with the use of securities market instruments

As part of its capital market funding activities in 2016, Vnesheconombank placed RUB54.6bn nominal worth of RUB-denominated bonds and USD600m of USD-denominated bonds with settlement in Russian rubles, the first ever foreign-currency-denominated bond issuance of this kind in the Russian securities market.

Bonds placed on the domestic market

Bond issue	Month	Maturity	Coupon rate, % p.a.	Currency,	Issue amount, currency units bn
PBO-001P-01	February	9 years	11.6	RUB	19.6
PBO-001P-02	May	3 years	10.9	RUB	15.0
PBO-001P-03	July	5 years	4.9	USD	0.6
PBO-001P-04	July	3 years	10.15	RUB	20.0

The Bank refinanced RUB89bn and USD500m nominal worth of 8 bond issues to meet its current liquidity needs.

Refinanced bonds in 2016

Bond issue	Put date	Time to the nearest put/call option date	Coupon rate, % p.a.	Currency,	Issue amount, currency units bn
Series 09	28.03.2016	1 year and 6 months	11.4	RUB	15.0
Series BO-16v	05.05.2016	1 year	3.0	USD	0.5
Series 21	08.09.2016	2 years and 6 months	10.0	RUB	15.0
Series 10	29.09.2016	3 years and 6 months	9.85	RUB	15.0
Series 18	11.10.2016	3 years	9.8	RUB	10.0
Series 19	17.10.2016	4 years and 6 months	9.75	RUB	10.0
Series 08	20.10.2016	4 years	9.7	RUB	15.0
Series BO-02	28.11.2016	1 year	9.75	RUB	9.0

In February 2016, Vnesheconombank fully paid off Eurobonds at a total of 500m Swiss francs.

Use of NWF funds

In 2016, Vnesheconombank employed for the first time the resources of the National Welfare Fund (NWF) to finance projects in the real economy. The Bank signed deposit agreements with the Federal Treasury on depositing NWF funds with Vnesheconombank to finance a RUB3bn project for the modernization of Budapest subway cars and the acquisition and lease-out of the Moscow Metro cars for a total of RUB27.8bn. Project financing is underway.

Fundraising via bank

The sanctions imposed on Russia by Western countries remained in effect in 2016. Therefore, the majority of Russia's largest companies and banks, including Vnesheconombank, remained affected by the restrictions on borrowings in foreign capital markets for a term exceeding 30 days.

In December 2016, Vnesheconombank and Japan Bank for International Cooperation (JBIC) signed cooperation agreements defining their main areas of work while under sanctions:

- A bilateral agreement between Vnesheconombank and JBIC designed to promote Japanese equity investments in Russian companies, cooperation



in financing projects delivered in Russia, primarily, in Eastern Siberia and Russia's Far East, including financing foreign trade contracts between Russian and Japanese companies, and project co-financing. Priority industries include infrastructure development, power generation and energy saving projects, downstream projects in petrochemicals, timber processing and engineering.

- A tripartite agreement between Vnesheconombank, JBIC and ZAO Nakhodka Fertilizer Plant on a project to construct a mineral fertilizer factory in Nakhodka, including an integrated facility with an annual production capacity of 2.2m tons of ammonia, 2m tons of urea and 1m tons of methanol, with the total project cost estimated at USD 6.3 bn. Acting as a project coordinator and arranger, Vnesheconombank will help identify equity investors. The project will enable the creation of up to 2,000 new jobs and the launch of a training program for highly qualified personnel at the Far East Federal University.



In 2016, Vnesheconombank and a club of Chinese commercial banks signed a CNY10bn syndicated loan agreement for a 3-year term with an optional extension for another 3 years. Importantly, the loan proceeds under the agreement are not allocated for any specific investment projects and may be used to finance a broad range of Vnesheconombank investment and export projects and current commitments.

Furthermore, in November 2016, the Bank and China Development Bank signed a CNY6bn framework agreement for a term of up to 15 years. In particular, the agreement provides for the co-financing of power generation, energy efficiency, and infrastructure projects, China cross-border projects, as well as sustainable development and cooperation projects in Russia's Far East.

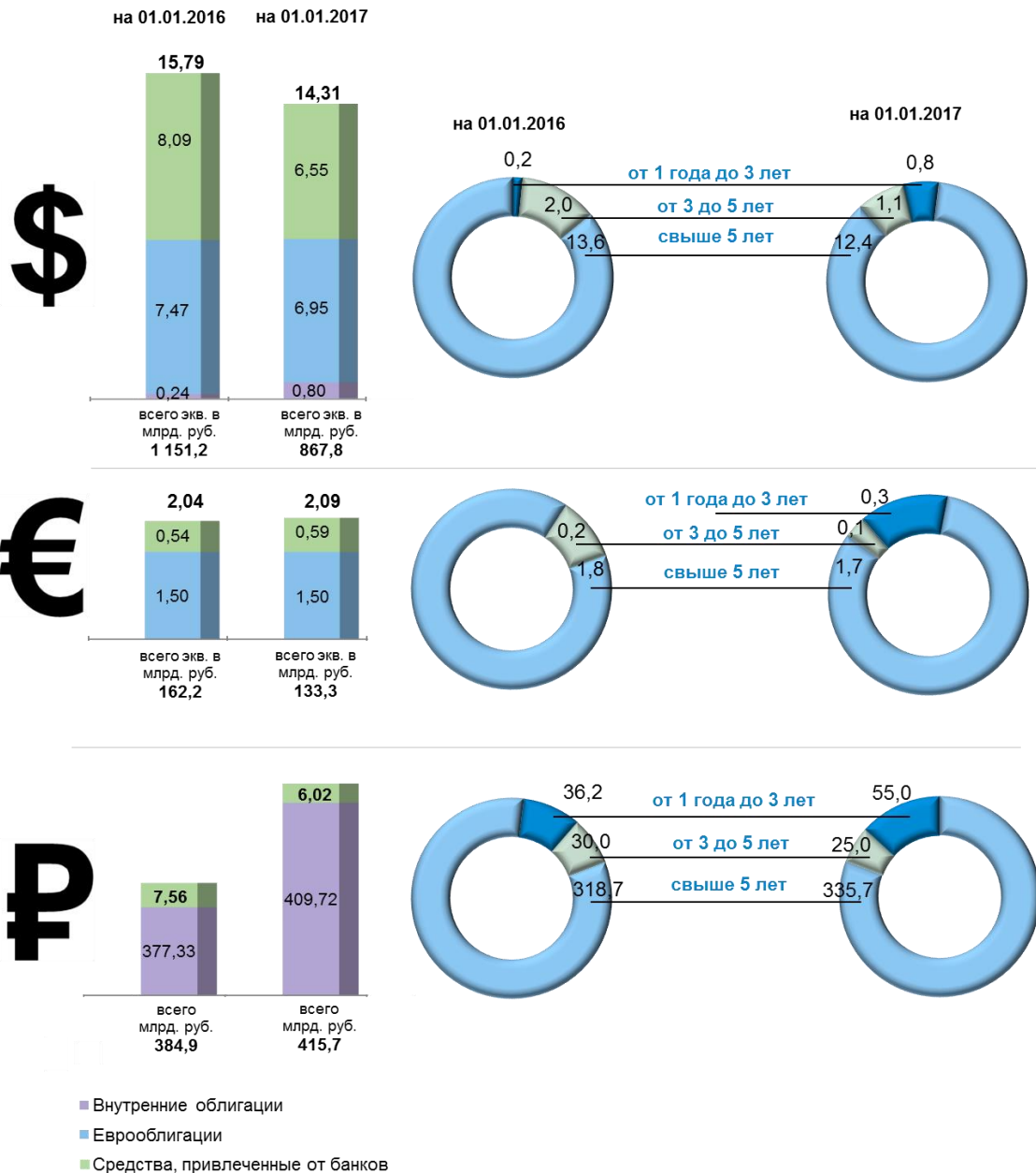
In the reporting year, Vnesheconombank performed its debt servicing obligations to foreign banks for a total of approximately RUB137bn (as calculated at the Bank of Russia's exchange rate as of 31 December 2016).

The diagrams below represent the structure of the Bank's resource base composed of the funds mobilized in capital markets, as broken down by currency, instrument and maturity.

Funds borrowed in capital markets, currency units bn

By instrument

By maturity



Внутренние облигации	Domestic bonds
Еврооблигации	Eurobonds
Средства, привлеченные от банков	Bank financing
на 01.01.2016	as at 01.01.2016
на 01.01.2017	as at 01.01.2017
всего экв. в млрд руб. 1151,2	Total RUB 1,151.2 equivalent, bn
всего экв. в млрд руб. 867,8	Total RUB 867.8 equivalent, bn
всего экв. в млрд руб. 162,2	Total RUB 162.2 equivalent, bn
всего экв. в млрд руб. 133,3	Total RUB 133.3 equivalent, bn
всего экв. в млрд руб. 384,9	Total RUB 384.9 equivalent, bn
всего экв. в млрд руб. 415,7	Total RUB 415.7 equivalent, bn
от 1 года до 3 лет	1 to 3 years
от 3 до 5 лет	3 to 5 years
свыше 5 лет	above 5 years

Partner (Islamic) financing

In the reporting year, the Bank continued to pursue its efforts to raise debt finance in capital markets new to Vnesheconombank, in particular, in the Middle East and South-East Asia, using Sharia-compliant financing instruments. In May 2016, the Bank signed a memorandum of understanding with the Islamic Development Bank Group, a core international institution in the Islamic finance market, representing 57 member states of the Organization of Islamic Cooperation (OIC).



In the future, Vnesheconombank intends to arrange a fundraising deal using Islamic or traditional financing instruments with the intention of promoting cooperation with financial institutions in the Middle East.

Furthermore, Vnesheconombank has been actively engaged in the activities of a partnership banking work group established under the auspices of the Bank of Russia, primarily, in terms of improving the Russian legal framework. In particular, in March 2016, the work group approved a road map to promote partnership banking for the period of 2016-2017.

In 2017, Vnesheconombank plans to continue upgrading the Russian legal framework to enable efficient fundraising from Islamic financial institutions.

4. VNESHECONOMBANK'S ACTIVITIES RELATED TO SCO IBC AND BRICS INTERBANK COOPERATION MECHANISM

In 2016, the primary focus of the Shanghai Cooperation Organization Interbank Consortium (SCO IBC) member-banks was to build on the relations with financial institutions of the observer states and the SCO dialogue partners, as well as to establish contacts with new financial development institutions in the SCO domain and in the Asian region.

Vnesheconombank took part in the SCO IBC Council Meeting that adopted a resolution to grant the SCO IBC partner bank status to the Development Bank of Mongolia.

In the reporting year, Vnesheconombank actively participated in drafting a medium-term SCO IBC development strategy (2017-2021), as well as the Memorandum on Partnership between the SCO IBC and the Silk Road Fund. The documents are scheduled to be signed in 2017.

During the BRICS Summit in Goa on 15-16 October 2016, BRICS Interbank Cooperation Mechanism (BRICS ICM) member banks and the New Development Bank signed a Memorandum on Cooperation envisaging joint implementation of projects in BRICS countries.

Two new working groups were established under the auspices of BRICS ICM to set up a new rating agency and conduct financial research. The first meetings of the working groups were held before the end of the reporting year.

5. FX AND INTERBANK MONEY MARKET OPERATIONS, MANAGING THE BANK'S SECURITIES PORTFOLIO

FX and interbank money market

In 2016, the Russian ruble strengthened by 16.8% demonstrating one of the best results among the currencies of developing countries. Its exchange rate followed the trend of oil prices. In mid-January, it reached the bottom low of RUB83.59 for USD 1 and then, as oil prices were recovering, strengthened to reach RUB60.66 for USD 1 by the year-end.

The ruble appreciation was attributed to a tight monetary policy of the Bank of Russia. Against the backdrop of high interest rates for ruble-denominated financial instruments and a stable exchange rate, speculative carry trade operations by international investors increased to provide additional support for the ruble.

In 2016, the Bank's total FX transactions dropped to RUB3,461bn (in 2015, RUB13,445.9bn). Spot transactions more than doubled to make RUB85bn (in 2015, RUB39.6bn). Forward transactions totaled RUB8.8bn as opposed to RUB15.1bn in 2015. The turnover of swap transactions came to RUB2,433bn (RUB12,201bn in 2015).

Currency/ruble transactions fell from RUB10,501.7bn in 2015 to RUB2,626.9bn in 2016. The total turnover of currency/currency transactions decreased from RUB2,944.2bn in 2015 to RUB834.1bn in 2016.

In 2016, the total turnover of funds placed in the interbank market demonstrated an almost twofold increase on the previous year (RUB5,441bn) reaching RUB10,453.8bn in ruble equivalent.

The total turnover of funds borrowed in the interbank market amounted to RUB5,584.9bn in ruble equivalent against RUB6,632.4bn in 2015.

Income received by Vnesheconombank in the reporting year from transactions in the interbank market totaled RUB6.5bn, which is ten times higher than the previous year's result (RUB0.65bn).

Securities portfolio

In 2016, the Russian stock market demonstrated an appreciably faster growth than mature markets and most of the developing markets. The USD-denominated RTS index increased by 52.2% (in 2015 and 2014, it lost 4.3% and 45.2%, respectively) and the RUB-

denominated MICEX index went up by 26.8% (in 2015 it grew by 26.1% after a 6.6% decrease in 2014).

In the reporting year, Vnesheconombank sold a block of shares and depository receipts representing Gazprom shares. As a result, Vnesheconombank's securities portfolio in monetary terms (subject to the revaluation of accrued coupon yield) was reduced by 33.5% from RUB400.3bn as of 1 January 2016 to RUB266.1bn as of 1 January 2017.

The Bank's financial results related to trade in shares of Russian issuers jumped to RUB7.4bn from RUB0.49bn.

The bulk of investment in promissory notes as at 1 January 2017 were accounted for by promissory notes of Russian issuers (60%), T-bills (17.6%), and Eurobonds of Russian issuers (15.5%), with the bond yield totaling RUB18.1bn.

Structure of securities portfolio, %



Государственные долговые обязательства РФ	Russian Federation debt securities
Корпоративные долговые обязательства резидентов РФ (облигации, еврооблигации и векселя)	Corporate debt securities of RF residents (bonds, Eurobonds and promissory notes)
Другие долговые обязательства (облигации иностранных эмитентов и кредитные ноты, привязанные к корпоративному и суверенному риску)	Other debt securities (bonds of foreign issuers and credit notes linked to corporate and sovereign risks)
Акции и депозитарные расписки	Shares and depository receipts
на 01.01.2016	As at 01.01.2016

6. DEPOSITORY ACTIVITIES

The Federal Law “On the Bank for Development” allows Vnesheconombank to engage in depository activities in the securities market.

The Vnesheconombank Depository offers its customers a wide range of flexible services, enabling them to conduct depository transactions in securities of Russian and foreign issuers. The Depository has highly automated operational processes in place to ensure speedy and precise execution of customers’ orders.

Support for Vnesheconombank investment projects.

The Depository is part of the system to manage and monitor projects delivered with Vnesheconombank’s participation. The function of the Depository is to keep records of the securities accepted by Vnesheconombank as collateral to secure the counterparties’ obligations. Consequently, it ensures online monitoring of pledged assets and mitigates project risks incurred by both the pledgee and the pledgor.

Technologies employed by the Depository enable the entire spectrum of transactions in securities that are put/held in pledge. Along with the pledge registration and deregistration, the Depository registers the assignments of pledgees’ rights under pledge agreements, transfers of title to pledged securities, creation or termination of any subsequent pledge, and alterations to pledge conditions, as well as effects settlements in case of pledge enforcement in compliance with the statutory procedures.

As at the end of 2016, the Depository kept records of 74 issuers’ securities pledged to the Bank under 48 investment projects.

Customer service

In 2016, Vnesheconombank opened 18 client depository accounts. As at the end of the reporting year, the Depository maintained 491 client depository accounts.

The total market value of the securities kept in the clients’ depository accounts as at 1 January 2017 amounted to RUB632.4bn in ruble equivalent.

In the period under review, Vnesheconombank effected on behalf of its clients 15,497 settlement transactions over their depository accounts, and 6,270 operations in connection with the issuers' corporate actions.

In the reporting year, Vnesheconombank transferred to its clients USD462.96m worth of gains on securities (at the Bank of Russia's exchange rate effective as at 1 January 2017).

In 2016, securities of 638 issues were deposited with Vnesheconombank. Overall, as at the end of the reporting year, Vnesheconombank held 2,810 issues of issue-grade securities, with foreign and international securities accounting for 83%, and the Russian issuers' securities, for 17%.

Payments on issuers' bonds

In its capacity of the paying agent, Vnesheconombank effected in 2016 RUB19.8bn worth of coupon yield payments on bonds issued by the Agency for Housing Mortgage Lending (AHML), United Aircraft Corporation, RUSNANO, Western High-Speed Diameter, North-West Concession Company, and Russian Highways (Avtodor), as well as payments in redemption of the AHML securities (Series A7 and A9) and the Avtodor securities (Series 01) in favor of 1,320 security holders.

Servicing sovereign internal currency debt and liaising with the Russian Ministry of Finance

In accordance with the Federal Law "On the Bank for Development" and the agreement with the Russian Ministry of Finance authorizing Vnesheconombank to act as the agent for the Government of the Russian Federation, Vnesheconombank provides depository services for sovereign debt management.

In 2016, the Bank effected payments in repayment of the sovereign internal currency debt for a total of USD78,600. Upon the settlement of accounts, the number of blocked and special currency accounts fell by 30 to 3,148 at the end of the reporting period.

7. AGENT OF THE GOVERNMENT OF THE RUSSIAN FEDERATION

Vnesheconombank acts as an agent of the Government of the Russian Federation and is responsible for:

- accounting for, managing and repaying the external sovereign debt and external financial assets of the Russian Federation;
- ensuring the repayment of debt owed to the Russian Federation by legal entities, constituent entities and municipalities of the Russian Federation;
- providing, administering and performing state guarantees of the Russian Federation.

In 2016, Vnesheconombank carried out the functions of an agent of the Government of the Russian Federation in accordance with Federal Law No. 359-FZ dated 14 December 2015 “On Federal Budget for 2016”, Resolution of the Government of the Russian Federation No. 1456 dated 28 December 2015 “On Measures for the Implementation of the Federal Law ‘On Federal Budget for 2016’”, acts of the Government of the Russian Federation governing specific areas of activity of the Bank and in accordance with the Agreement for the performance of functions of an agent of the Government of the Russian Federation No. 01-01-06/04-472 dated 25 December 2009 between the Russian Ministry of Finance and Vnesheconombank.



Объем администрируемых Внешэкономбанком активов и обязательств по состоянию на 1 января 2017 г. составил более 7,6 трлн рублей.	As at 1 January 2017, assets and liabilities managed by Vnesheconombank exceeded RUB7.6tn.
Учет, обслуживание и погашение внешних финансовых активов и обязательств 4,5 трлн руб.	Accounting for, servicing and repaying external financial assets and liabilities of the Russian Federation — RUB4.5tn.
Предоставление, сопровождение и исполнение государственных гарантий Российской Федерации 2,6 трлн руб.	Providing, administering and performing state guarantees of the Russian Federation — RUB2.6tn.
Обеспечение возврата (погашения) задолженности перед Российской Федерацией 511,3 млрд руб.	Ensuring repayment of debt owed to the Russian Federation — RUB511.3bn.

In 2016, Vnesheconombank participated in the international negotiation of the interstate debt of the Russian Federation. Specifically, as part of the Russian delegation Vnesheconombank took part in all 8 sessions of the Paris Club, the annual meeting with private sector representatives and sovereign creditors, the Paris Club Forum and several rounds of bilateral negotiations with representatives of foreign borrowers/creditors.

7.1. Servicing the external debt of the Russian Federation

In 2016, the sovereign foreign debt of the Russian Federation recorded in Vnesheconombank's books increased from USD37.2bn to USD38.7bn, primarily due to the registration of obligations under the external bond loan of the Russian Federation issued in 2016 with maturity in 2026.

Over the reporting period, Vnesheconombank effected USD3.9bn worth of payments (drawing on the Federal Treasury resources) in redemption and management of the Russian sovereign foreign debt.

In 2016, the Bank ensured the redemption and management of the foreign debt of the former USSR and the Russian Federation through deliveries of goods and services for the total amount of USD124.3m (Kuwait, Macedonia). Repayment of the debt via "debt in exchange for goods" conversion operations was fully completed.

As part of the final stage of the settlement of the foreign debt of the Russian Federation owed by the former USSR to Bosnia and Herzegovina, Vnesheconombank's experts participated in drafting and negotiating the terms of the intergovernmental agreement and the corresponding technical agreement covering the accounting procedure and repayment of the debt.

7.2. Managing external financial assets of the Russian Federation

The revenues of the Federal Treasury in 2016 from operations connected with government external financial assets were generated by debt and debt service payments from foreign borrowers and proceeds from the tender sale of debt funds in clearing and settlement currencies.

As at 1 January 2017, Vnesheconombank ensured the accounting of and settlements in respect of the arrears of 49 borrowing countries on government loans extended by the former USSR and the Russian Federation under 150 intergovernmental agreements.

In 2016, the obligations of China, Mongolia, Nepal and Uzbekistan to the Russian Federation were fully settled.

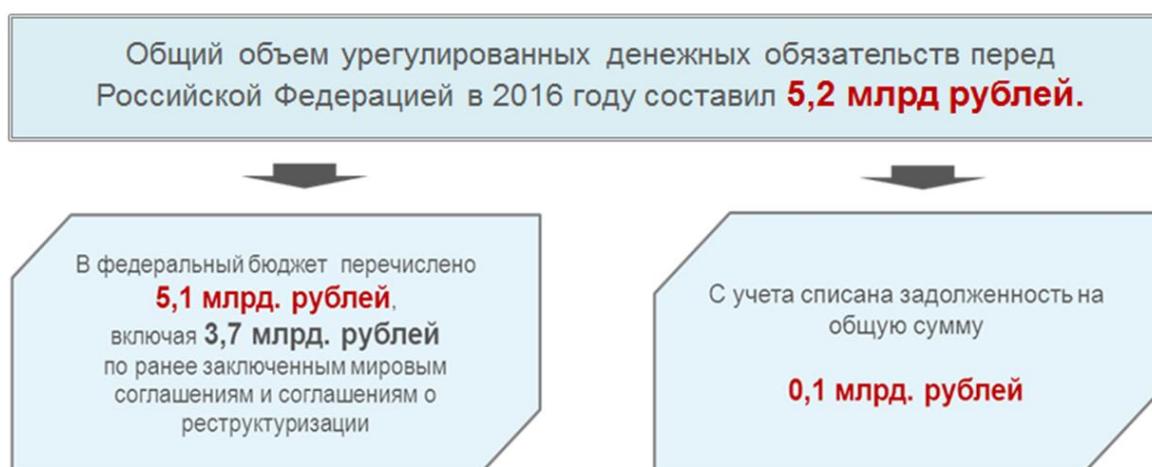
Vnesheconombank conducted an expert review of 12 draft intergovernmental agreements, supplements, protocols and of a set of regulatory documents on the ratification of the intergovernmental agreement.

The Bank and the authorized foreign financial organizations signed 12 technical agreements, supplements, protocols and letters of exchange to the technical agreements on accounting procedure and settlement of government loans extended by the Russian Federation, as well as a quadripartite protocol on the implementation of the intergovernmental agreement.

7.3. Ensuring repayment of debt owed to the Russian Federation by legal entities, Russian constituent entities and municipalities

As at 1 January 2017, Vnesheconombank's records showed RUB511.3bn worth of debt owed to the Russian Federation by 220 borrowers (as at 1 January 2016, RUB560.8bn and 268 borrowers, respectively).

In the reporting year, the Bank continued to ensure the repayment of the federal budget loans by 5 debtors under Sakhalin and Kamchatka projects. It assessed the debtors' financial standing, arranged for the provision of authorization (consent) of the pledgee for the lease of fishing vessels, the beneficiary's consent for the payment of the insurance proceeds to the insurers of the fishing vessels when insured events occur and authorized reorganization of the debtor through merger by absorption of a third party.



Общий объем урегулированных денежных обязательств перед Российской Федерацией в 2016 году составил 5,2 млрд рублей.

Overall, the liabilities to the Russian Federation settled in 2016 totaled RUB5.2bn.

В федеральный бюджет перечислено 5,1 млрд рублей, включая 3,7 млрд рублей по ранее заключенным мировым соглашениям и соглашениям о реструктуризации	RUB5.1bn transferred to the federal budget (including RUB3.7bn under previously concluded settlement and restructuring agreements)
С учета списана задолженность на общую сумму 0,1 млрд рублей	RUB0.1bn worth of arrears written off the Bank's books

Pursuant to the instruction of the Accounts Chamber of the Russian Federation, Vnesheconombank, in conjunction with the Russian Ministry of Industry and Trade and the Ministry of Finance, conducted comprehensive work to reconcile and record in the accounts of the Russian Ministry of Industry and Trade RUB288.3bn worth of liabilities of 87 fuel and energy companies on the loans extended by the Russian Ministry of Fuel and Energy in 1992-2000.

7.4. Government guarantees

In 2016, Vnesheconombank checked and reviewed 122 filings of 64 principals for the provision of state guarantees of the Russian Federation for a total of RUB356.7bn. As a result, 113 state guarantee agreements were signed, with RUB337.7bn worth of state guarantees of the Russian Federation issued and recorded in a sub-ledger journal.

As at 1 January 2017, Vnesheconombank recorded on its sub-ledger accounts 298 effective government guarantees totaling RUB2,614.6bn.

Vnesheconombank has been regularly assessing the financial standing of the principals, whose obligations are secured by state guarantees. In the reporting year, the Bank reviewed the financial standing of 155 principals.

Vnesheconombank performs ongoing monitoring of the obligations secured by state guarantees of the Russian Federation, including the analysis and preliminary approval (at the creditors' and/or principals' requests) of amendments to be made in the loan and collateral documents and the conditions of bonds backed by government guarantees. In 2016, Vnesheconombank considered 306 requests from beneficiaries and principals.

In the reporting year, Vnesheconombank also implemented a set of measures to comply with the Resolution of the Government of the Russian Federation on the early repayment by the relevant principals of 200 loans previously acquired under the state guarantees of the Russian Federation.

In 2016, return on invested pension savings significantly exceeded inflation

Extended investment portfolio

10.53%

Government securities portfolio

12.20%

INFLATION

5.4% p.a.

Payment reserve portfolio **11.1%**

Term payment pension portfolio

11.24%

8. PENSION SAVINGS MANAGEMENT

Federal Law No. 111-FZ dated 24 July 2002 “On Investing Funds to Finance the Funded Component of Retirement Pension in the Russian Federation”



Federal Law No. 360-FZ dated 30 November 2011 “On Procedure for Financing Payments Drawing on Pension Savings”

Resolution by the Russian Government No. 34 dated 22 January 2003 “On Designating the Bank for Foreign Economic Affairs of the USSR (Vnesheconombank) as State Trust Management Company for Pension Savings”

Resolution by the Russian Government No. 503 dated 14 June 2013 “On the Term of State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank) Acting as State Trust Management Company for Pension Savings, and State Management Company for Payment Reserve Resources”

For over 10 years, Vnesheconombank has been performing the functions of a state trust management company for pension savings of insured Russian citizens.

In 2016, Vnesheconombank as a state management company focused on the following objectives:

- minimization of the liquidity risk to secure obligations under trust management agreements;
- safe-keeping (ensuring positive yield) of the portfolios of the state trust management company for pension savings and the state management company for payment reserve resources;
- outlining proposals to enhance the regulatory framework applicable to trust management of pension savings.

Trust management of pension savings is effected by Vnesheconombank in compliance with the legislation of the Russian Federation and on an arm’s length basis.

As a state trust management company for pension savings of Russian citizens and a state management company for payment reserve resources, Vnesheconombank in 2016 built up four portfolios: an extended investment portfolio (EI portfolio), a government securities portfolio (GS portfolio), a payment reserve portfolio (PR portfolio), and a term payment pension portfolio (TP portfolio). The Bank formed its portfolios in accordance with the investment declarations approved by Russian Government Resolutions No. 540 dated 01 September 2003, No. 842 dated 24 October 2009, and No. 550 dated 4 June 2012.

Management of pension savings in 2016 was considerably affected by global geopolitical tensions, the US and EU sanctions imposed on the Russian Federation and its major companies, a tough market environment, and the need to reserve a significant part of

pension savings to ensure their repayment to the Pension Fund of the Russian Federation.

Nevertheless, at the year-end, the Bank ensured absolute safety (adjusted for inflation) of the pension savings.

Доходность инвестирования средств пенсионных накоплений по итогам 2016 года (% годовых)



Доходность инвестирования средств пенсионных накоплений по итогам 2016 года (% годовых)	Yield on invested pension savings at the end of 2016 (% p.a.)
Расширенный инвестиционный портфель	Extended investment portfolio
Портфель средств выплатного резерва	Payment reserve portfolio
Портфель государственных ценных бумаг	Government securities portfolio
Портфель средств пенсионных накоплений застрахованных лиц, которым установлена срочная пенсионная выплата	Term payment pension portfolio
Инфляция	Inflation

Extended investment portfolio

At the end of 2016, the market value of the EI portfolio amounted to RUB1,939.7bn (at the beginning of the year: RUB1,990.2bn).

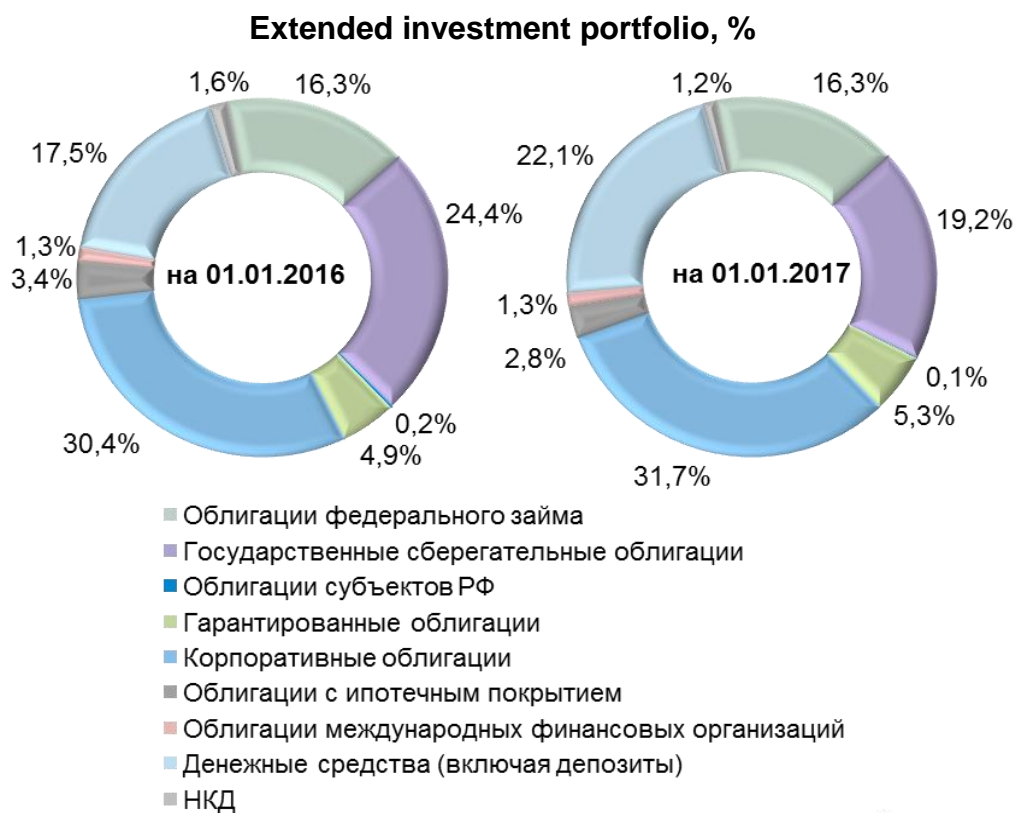
The pension savings repaid to the Russian Pension Fund in the reported period using the EI portfolio funds totaled RUB290.1bn (in 2015: RUB425.6bn). Throughout 2016, the Russian Pension Fund transferred RUB49.2bn worth of funds to SMC to form the EI portfolio (in 2015: RUB287.7bn).

To reserve part of pension savings within the EI portfolio in order to ensure their subsequent repayment to the Russian Pension Fund, Vnesheconombank in 2016

conducted three deposit auctions. Deposits with credit institutions totaled RUB240.6bn (in 2015: RUB333bn), with the weighted average interest rate on the deposits running at 10.25% p.a. (in 2015: 11.21% p.a.).

In 2016, Vnesheconombank spent about RUB70bn to acquire bonds issued by Russian infrastructure and manufacturing companies, in particular, ROSSETI, KAMAZ, and Atomenergoprom.

The funds of the EI portfolio invested in 2016 in non-government bonds totaled RUB95.3bn (at the market value, net of accrued coupon yield) (in 2015: RUB136.2bn).



Облигации федерального займа	OFZs (Federal Loan Bonds)
Государственные сберегательные облигации	GSOs (Government Savings Bonds)
Облигации субъектов РФ	RF constituent entities' bonds
Гарантированные облигации	Guaranteed bonds
Корпоративные облигации	Corporate bonds
Облигации с ипотечным покрытием	Mortgage-backed bonds
Облигации международных финансовых организаций	IFO bonds
Денежные средства (включая депозиты)	Cash (including deposits)
НКД	Accrued coupon yield
На 01.01.2016	As at 01.01.2016

Government securities portfolio

At the end of 2016, the market value of the GS portfolio amounted to RUB28.8bn (at the

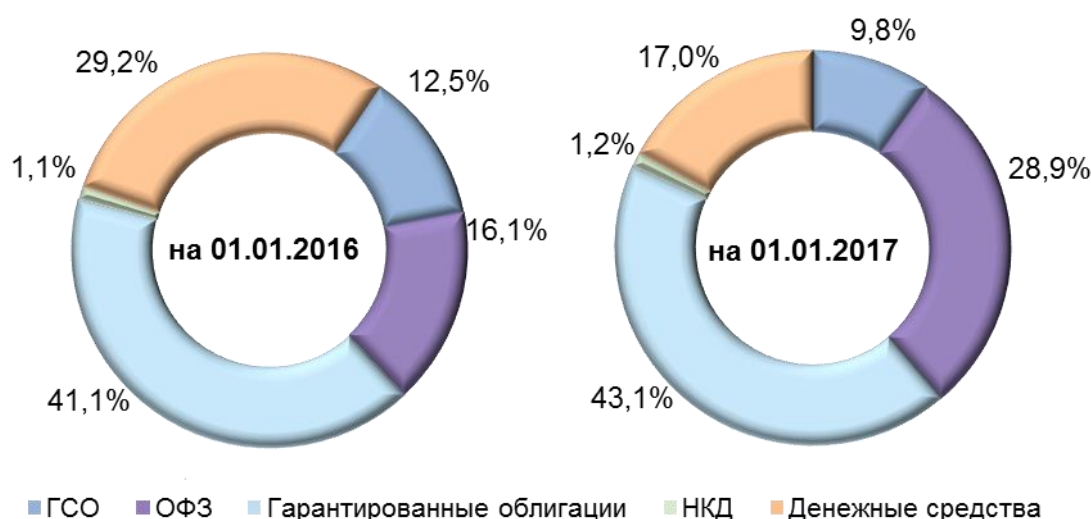
beginning of the year: RUB22.7bn).

In 2016, the funds of the GS portfolio repaid by the state trust management company to the Russian Pension Fund amounted to RUB3.4bn (in 2015: RUB3.1bn). The funds received in the reporting year from RPF to build the GS portfolio totaled RUB6.5bn (in 2015: RUB 12.9bn).

Seeking to diversify the GS portfolio and earn a higher coupon yield than that on the government bonds, Vnesheconombank acquired in the secondary market RUB2.9bn worth of bonds (at the market value, net of accrued coupon yield) issued by the Western High-Speed Diameter and backed by the Russian government guarantee. As a result, a share of bonds secured by state guarantees of the Russian Federation in the GS portfolio during the period under report increased from 41.1 to 43.1%.

At the same time, in the lack of opportunities to acquire other Russian government-backed bonds, OFZs remained in the reporting period the main investment instrument of the GS portfolio, with the share of OFZs increasing from 16.1 to 28.8%. In absolute terms, the total of these bonds increased from RUB 3.6bn to RUB 8.3bn (at the market value, net of accrued coupon yield).

Government securities investment portfolio, %



На 01.01.2016	As at 01.01.2016
ГСО	GSOs
ОФЗ	OFZs
Гарантированные облигации	Guaranteed bonds
НКД	Accrued coupon yield
Денежные средства	Cash

Trust management of payment reserve resources and pension savings of insured citizens entitled to a term pension payment

At the end of 2016, the market value of the PR and TP portfolios stood at RUB7,307.0m and RUB1,888.6m, respectively (as at the beginning of the year: RUB4,916.1m and RUB565.0m, respectively).

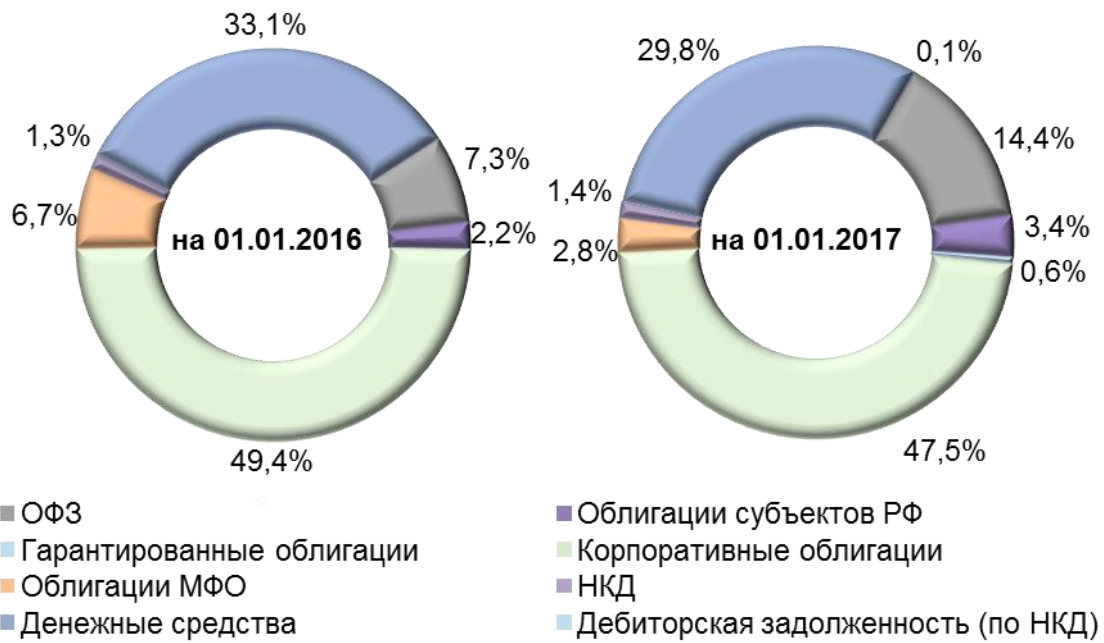
In 2016, Vnesheconombank repaid RUB311.4m and RUB172.5m worth of PR and TP portfolio funds, respectively, to the Russian Pension Fund. To build up the respective portfolios, the Russian Pension Fund remitted RUB2,077.6m (PR portfolio) and RUB1,394.8m (TP portfolio) to be held in trust with Vnesheconombank.

To enhance investment efficiency of the PR and TP portfolios, the Bank also acquired corporate bonds and bonds issued by Russian constituent entities. The funds allocated in 2016 to purchase such securities totaled RUB1,808.9m and RUB888.7m (at the market value, net of accumulated coupon yield), respectively. As a result, by the end of the year, such bonds still accounted for a significant share in the PR and TP portfolios: 54.3 and 57.9%, respectively.

Furthermore, Vnesheconombank purchased OFZs for its PR and TP portfolios, in particular, the series 52001 OFZ-INs with the inflation-adjusted par value to ensure preservation of pension savings (subject to consumer price increase) and accommodate the interests of insured citizens, as well as the high-yield series 24019 OFZs with RUONIA⁵-linked coupon. Overall, the Bank acquired RUB676.0m and RUB154.8m worth of OFZs (at the market value, net of accumulated coupon yield) for its PR and TP portfolios, respectively.

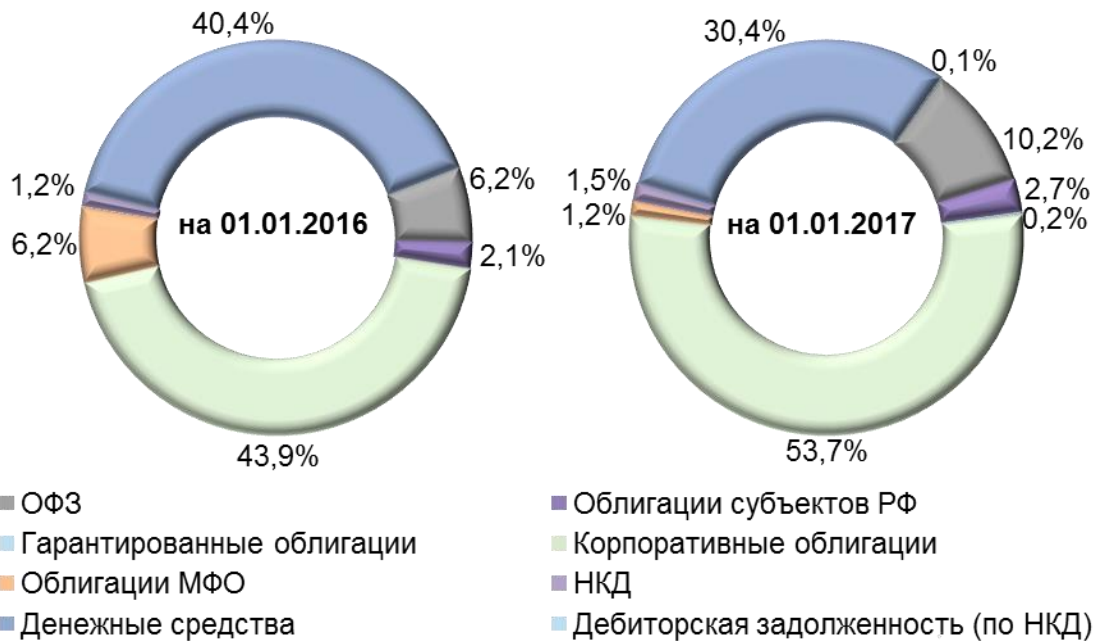
Payment reserve portfolio, %

⁵ RUONIA - Ruble OverNight Index Average



На 01.01.2016	As at 01.01.2016
Гарантированные облигации	Guaranteed bonds
Облигации МФО	IFO bonds
Денежные средства	Cash
Облигации субъектов РФ	RF constituent entities' bonds
Корпоративные облигации	Corporate bonds
НКД	Accrued coupon yield
Дебиторская задолженность (по НКД)	Accrued coupon yield receivable

Term payment pension portfolio, %



На 01.01.2016	As at 01.01.2016
Гарантированные облигации	Guaranteed bonds
ОФЗ	OFZs

Облигации МФО	IFO bonds
Денежные средства	Cash
Облигации субъектов РФ	RF constituent entities' bonds
Корпоративные облигации	Corporate bonds
НКД	Accrued coupon yield
Дебиторская задолженность (по НКД)	Accrued coupon yield receivable

9. RISK MANAGEMENT SYSTEM

To manage financial and non-financial risks associated with its operations, Vnesheconombank employs a complex of methodological, administrative and IT solutions designed to secure its financial sustainability.

Vnesheconombank's governing and working bodies (Supervisory Board, Management Board, Risk Management Committee, Managing Committee, Assets and Liabilities Committee, and Credit Committee) determine the levels of the aggregate risk and specific types of risks assumed by the Bank. The risk management goals and objectives, and principles and procedure are defined in the approved Risk Management Policy of the VEB Group. The internal regulatory framework governing the risk management procedures is structured in accordance with the Policy.

Risk management includes risk identification, assessment and monitoring, as well as risk mitigation measures.

The risks are assessed in accordance with the approaches approved by the management. The approaches enable assessing both expected and contingent losses as the maximum possible losses at a given probabilistic level and time horizon. Contingent losses are assessed by analyzing the statistics on loss risk factors and patterns (models) of correlation between any changes in risk factors and the occurrence of losses.

The Bank also uses stress-testing to simulate stress situations and elaborate action plans in case of events deemed to be statistically improbable.

Risk monitoring and mitigation is based on a system of limits. The established limits reflect the level of risk the Bank is ready to take and are consistent with the Bank's strategic priorities by business line.

To assess and control its aggregate exposure to significant credit, market and operating risks, the Bank calculates its capital adequacy ratio. Currently, the minimum capital adequacy ratio is 10%.

Information on the status of and trends in the internal and external factors by business line is reviewed for early detection, analysis and control of risks, with the respective reports and analytical comments submitted to the governing bodies and the Internal Control Service.

The reports provide information (broken down by risk type and core business line) on the compliance with the established risk limits, counterparty creditworthiness monitoring, and loan portfolio parameters in general. Furthermore, they describe expected, contingent and stress losses, and results of the gap analysis and analysis of the Bank's sensitivity to foreign exchange, interest rate and liquidity risks.

In 2016, Vnesheconombank operated amid the recession that had hit the Russian economy in the second half of 2014. The economic downturn was conditioned by external shocks such as a collapse in oil prices and significantly restricted access to global capital markets, which led to a sharp fall in the ruble exchange rate, consumer price increase and an overall decline in business and consumer confidence. A tighter monetary policy together with budgetary cuts increased the negative impacts.

The above factors triggered the realization of credit and market risks, which, along with a lack of access to long-term financing in overseas markets, weakened the Bank's liquidity position.

The new Strategy provides for the following measures to mitigate the risks assumed:

- developing specialized models to assess project, borrower and portfolio risks; introducing individual financial monitoring; drafting special credit documentation; augmenting the system of limits and other restrictions to manage credit risks
- introducing a new investment process to ensure better project quality
- disposing of high-risk market instruments in the portfolio of liquid assets; introducing a system of limits on operations in financial markets with tight restrictions on credit and portfolio market risks
- maintaining adequate liquidity; enhancing prediction accuracy of factors that may adversely affect the bank's liquidity; adopting consolidated liquidity management within the VEB Group.

Seeking to further develop its risk management system in 2016, Vnesheconombank developed and approved approaches to the risk appetite and formal risk identification procedures; adopted risk appetite levels, operating risk management procedure, integrated stress-testing methodology, and IAS 39-compliant provisioning, as well as organized regular training for Vnesheconombank's employees in operating risk management. The Bank also approved the Liquidity Risk Management Standard and the Operating Risk Management Standard to be applied within the VEB Group.

Furthermore, the Bank placed an increased focus on developing its information systems and integrating key risk controls in business processes, and, in particular, launched:

- A joint project of its business and risk-management units for improving the investment process. The project is aimed at changing the Bank's project support model, enhancing its current IT solutions standards in terms of investment process automation, including integrated key risk controls;
- A project to set up a system for credit risk limits accounting and monitoring and provide the Bank with new credit risk assessment and management tools;
- A project to automate the operating of the risk management process.

10. CORPORATE SOCIAL RESPONSIBILITY

10.1 Developing and introducing the Bank's CSR system

The Vnesheconombank corporate social responsibility (CSR) system is based on principles contemplated by key Russian and international CSR and sustainability standards and initiatives, including the international standard and its equivalent Russian GOST ISO 26000-2012 "Guidance on Social Responsibility", the principles of the UN Global Compact (UNGC), the Guide to Banking and Sustainability of the United Nations Environment Programme Finance Initiative (UNEP FI).

Since 2013, Vnesheconombank has been chairing the UN Global Compact Network Russia and performing functions related to the Network's operations on the national and global levels, as well as to its institutional development and expansion of outreach. In 2016, the Bank continued to promote the values of the UN Global Compact in Russia.

In December 2015, Vnesheconombank approved a Sustainability Road Map. According to the Map, the Bank is to implement the initiatives focused on its adoption of "green" financial instruments, promotion of the sustainability principles in the business community, etc.

In the reporting year, following the results of the annual contest held by the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) and the European Organization for Sustainable Development (EOSD), Vnesheconombank's Sustainability Road Map was honoured with a special diploma "For Outstanding Achievements in the Introduction of the Sustainability Principles into a Company's Business Processes".

In 2016, Vnesheconombank took part in the work of the Task Force on "green" financing of the Group of Twenty (G20 GSFG), thus involving in the process of elaboration and promotion of innovative green financial mechanisms, which is actively pursued globally.

The green efforts of Vnesheconombank are regulated by the instruction of the Russian President Vladimir Putin given following the meeting of the Council of State on "Economic Development of the Russian Federation for the Benefit of Future Generations" held on 27 December 2016, in terms of the formulation of proposals on the application of green mechanisms by Russian development institutions and public companies.

In its CSR and sustainability efforts, Vnesheconombank adheres to openness and transparency principles. Since 2009, the Bank has been publishing its annual non-financial

reports with consolidated information on the contribution of all the VEB Group entities to sustainable development in compliance with the requirements of the international Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI).

10.2 Investment in human capital

Recruitment and onboarding

In 2016, in the context of Vnesheconombank's new strategy, the Personnel Selection and Onboarding Department was entrusted with the ambitious task of recruiting the best professionals available in the market for key positions in the Bank. To accomplish this task, the Bank transformed its personnel selection function, namely by forming a personnel selection and onboarding team and introducing new mechanisms for the search and evaluation of candidates. Currently, the Bank is automating the selection process and developing a new personnel onboarding approach. In 2016, more than 200 highly qualified top- and medium-level managers were employed by Vnesheconombank.



Nurturing young talents

In 2016, the Bank continued its work with students and graduates of the leading financial and economic institutions of higher education: 75 students from 18 Russian universities passed undergraduate and pre-graduation practical training at various subdivisions of Vnesheconombank.

In the reporting year, the Bank organized a pilot targeted internship program for students with knowledge of Chinese. Following the results of selection procedures, three students of the Department of International Economic Relations of the Financial University under the Government of the Russian Federation did internships at Vnesheconombank's relevant subdivisions for several months. The students were offered a chance to obtain practical knowledge about the activities of the SCO IBC and BRICS, legal regulation of banking in the PRC and cultivation of financial and economic relations between China and Russia. The results of the pilot program led to the decision to expand this practice in 2017.

Personnel training and development

In 2016, the Bank's employees had an opportunity to undergo the training primarily focused on the extension of knowledge and skills that directly help support the corporate business and are required in accordance with the applicable law. Moreover, according to the Bank's Strategy 2021, major emphasis was placed on the development of new corporate competencies in current technologies, project management, performance improvement and business optimization. Apart from basic training formats, such as training

courses and seminars, the focus shifted to new modern training formats aimed at broadening of cross-functional interaction skills: workshops, strategic and facilitation sessions, including those using a design thinking technique.

During the reporting year, more than 50 corporate training courses and seminars were organized for the Bank's employees. The training was focused, in particular, on the following topics: role of leaders in performance management, organization of procurement, project management for investment managers and optimization of business processes.

The Bank's employees could upgrade their qualifications and improve professional skills through training courses in computer technologies at Vnesheconombank's computer lab (during the year, more than 400 employees received the training). In addition, using the Bank's training portal, a large percentage of employees completed e-learning related to fire safety, operational risk management and anti-corruption (90% of employees completed e-learning).

During the year, with a view to obtain special professional knowledge and skills, more than 200 employees got training at external training organizations on important topics such as information technologies, accounting, IAS, audit, securities markets, personnel management and anti-corruption.

Leaders of change

Leaders of Change is the Vnesheconombank strategic project aimed at building a team of talented, self-motivated employees who care about the Bank's problems and are actively involved in the Bank's transformation projects.

Any employee of the Bank could join the project after passing several selection phases:

- testing for business qualities, capability and readiness to change;
- writing an essay describing the proposed program for the improvement of the Bank's operations;
- taking part in a strategic session during which the potential Leaders of Change prepared plans for integrating initiatives for the improvement of the Bank's operations and were evaluated on embodiment of corporate values.

At the end of all selection stages, the Leaders of Change were provided an opportunity to become a member of the working groups involved in Vnesheconombank's transformation projects and to participate in dedicated training events.

The most significant projects of the Leaders of Change included the implementation of the efficient cost management system, the development of an end-to-end business process for handling troubled debts, a client service model and a single treasury within the VEB Group.

In 2016, the Bank organized off-site design brainstorming training events and Agile workshops for the participants, as well as seminars and training courses for heads of project groups aimed at the extension of teamwork skills and improvement of personal performance under the common name “Communication Effectiveness Laboratory of the Leaders of Change”.

Remuneration and functional organization

In 2016, the Bank launched a project for building a new employee compensation and incentive scheme.

The main objectives of the employee compensation scheme are to motivate employees to work effectively and to the highest standard, to maintain the employee’s remuneration at the competitive (market) level, to develop transparent and standardized mechanisms for determining the remuneration level of employees, based on the value and importance for Vnesheconombank of the tasks carried out by them and the assessment of their performance. The new remuneration system is based on the following principles:

- Meritocracy - Vnesheconombank motivates employees of all levels for overachievements. Employees are well compensated for high performance.
- Competitiveness - a fair and competitive remuneration in accordance with Vnesheconombank’s legal status and goals in order to recruit and retain various categories of employees who possess the skills required for the implementation of its strategic objectives, subject to the Bank’s financial constraints.
- Support of Vnesheconombank’s new values.

Furthermore, for the purposes of the Vnesheconombank Strategy 2021 and new business model, the Bank initiated the introduction of a new functional organization structure. When creating the new structure, the key focuses were:

1) development of new competencies at Vnesheconombank:

- establishing an industry analysis function to select the niches for financing of projects by the VEB Group;

- establishing a center of competencies to analyze projects and business models based on industry expertise and offering integrated business solutions;
- establishing a center of competencies to provide the expert analytical and financial support to the National Technological Initiative projects;
- forming a separate function to manage bad and non-core assets;
- establishing a center of competencies to aggregate the government's project support measures;

2) efficiency improvement:

- building productive relationships with investors, structuring and international finance;
- strengthening and developing the function to support Russian non-resource exports;
- modernizing the information technology function to create state-of-the-art IT solutions for improving the efficiency of project support;
- introducing a common system of risk management within the VEB Group, integrated risk management and comprehensive risk assessment;

3) internal centralization of functions within Vnesheconombank and the VEB Group:

- reducing management levels;
- establishing an investment block and a sectoral business solutions block using a function- and sector-based approach as part of an end-to-end investment process;
- introducing project teamwork techniques (including Agile elements) without applying a rigid hierarchy to the sectoral structure;
- eliminating unreasonable duplication of functions within structural subdivisions and centralizing similar functions within Vnesheconombank and the VEB Group entities.

Corporate volunteering project Never Too Old to Dream - targeted aid to elderly home patients

**Sponsorship of residential care
homes for the elderly
and disabled people:**

Vyshniy Volochek,

Dubna, Tula Region,

Ostashevo, Moscow Region

**(half of 1000 patients of these
residential care homes
are bedridden)**

the Bank provided medical
rehabilitation and care equipment:
wheelchairs, portable toilets,
walkers, bed linen, diapers,
personal hygiene products for
bedridden patients

received private donations of

RUB **5.216**_m

organized volunteering visits

held the New Year celebration for
the patients of the Vyshnevolotskiy
residential care home (more than
500 patients)

collected and provided over 1000
New Year gifts for 3 residential care
homes

10.3 Volunteering

The Vnesheconombank volunteering movement has a long history.

In 2016, the Bank and the VEB Group employees took part in a series of corporate volunteering events, including:

- blood donor initiatives with the participation of employees of Vnesheconombank and the VEB Group. All collected blood (more than 153 liters) was donated to the child patients of the Dmitry Rogachev Federal Scientific and Clinical Center for Pediatric Hematology, Oncology and Immunology);
- collecting medical supplies and accessories for learning games, raising funds to produce orthoses for disabled children, residents of the Kuntsevskiy Family Education Assistance Center;
- aid to the Church of the Annunciation, Yaroslavl Region.

In October 2016, the Bank launched a corporate volunteering project named “Never Too Old to Dream”. As part of the project, volunteers from Vnesheconombank and the VEB Group’s entities took under patronage patients of three elderly homes:

- Dubenskiy residential care home for the elderly and disabled, Dubna, Tula Region;
- Vyshnevolotskiy residential care home for the elderly and disabled people, Vyshniy Volochek, Tver Region;
- Nursing care department at the Ostashevo hospital, Moscow Region.

Volunteers collect essentials and holiday gifts, make private donations, visit sponsored homes and communicate with patients.

Since the launch of the project, volunteers collected medical care and rehabilitation products for patients and met the needs of the sponsored institutions for Q4 2016. Vnesheconombank received private donations to start renovation works at the Vyshnevolotskiy residential care home, including the equipping of 4 shower rooms and 2 mini-kitchens and developing IT infrastructure.

11. CORPORATE GOVERNANCE

11.1 Vnesheconombank organizational structure

As at 31 December 2016, the Vnesheconombank organizational structure comprised 55 stand-alone structural subdivisions and 10 separate structural subdivisions – Vnesheconombank representative offices abroad (as at the beginning of 2016: 34 stand-alone structural subdivisions and 17 separate structural subdivisions, including 7 Vnesheconombank representative offices in the Russian Federation).

In 2016, to improve its organizational structure, the Bank:

- reorganized some stand-alone structural subdivisions by optimizing functions and number of employees of such subdivisions and establishing new ones;
- closed down all Vnesheconombank’s representative offices in the Russian Federation;
- made decisions to form several functional blocks within Vnesheconombank’s subdivisions:
 - sectoral business solutions;
 - economics and finance;
 - treasury, relations with investors and financial institutions;
 - operating activities.



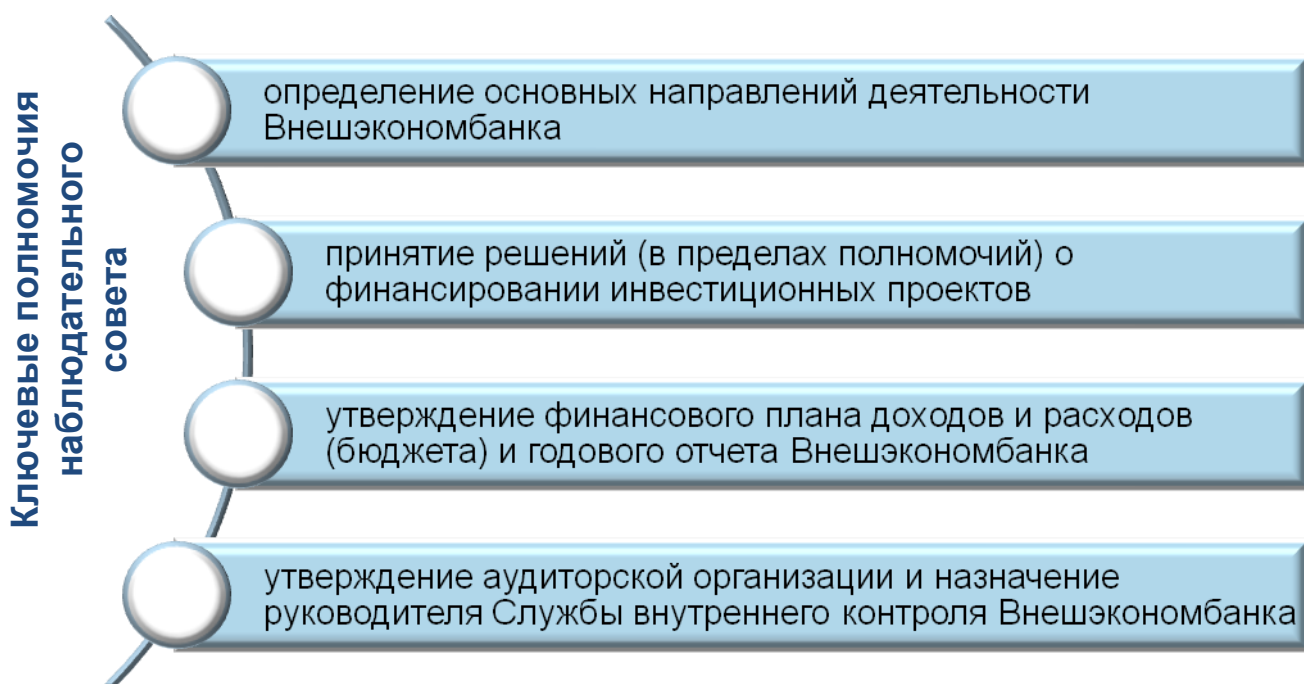
All organizational and staff measures implemented in 2016 fully met the requirements of the labour legislation of the Russian Federation.

11.2 Governing bodies

Vnesheconombank Supervisory Board

Highest Governing Body

Composition: Eight members and the Chairman of Vnesheconombank (ex officio). The Chairman of the Russian Federation Government is the Chairman of Vnesheconombank Supervisory Board. The members of the Supervisory Board are appointed by the Government of the Russian Federation for a term of five years.



Ключевые полномочия наблюдательного совета	Key powers of the Supervisory Board
определение основных направлений деятельности Внешэкономбанка	defining Vnesheconombank major business lines
принятие решений (в пределах полномочий) о финансировании инвестиционных проектов	making decisions (within its competence) on financing of investment projects
утверждение финансового плана доходов и расходов (бюджета) и годового отчета Внешэкономбанка	approving Vnesheconombank revenues/expenditures plan (budget) and Vnesheconombank annual report
утверждение аудиторской организации и назначение руководителя Службы внутреннего контроля Внешэкономбанка	approving an independent external auditor and appointing the head of Vnesheconombank Internal Control Service

During the reporting period, 21 meetings of the Supervisory Board were held and 117 issues were scrutinized.

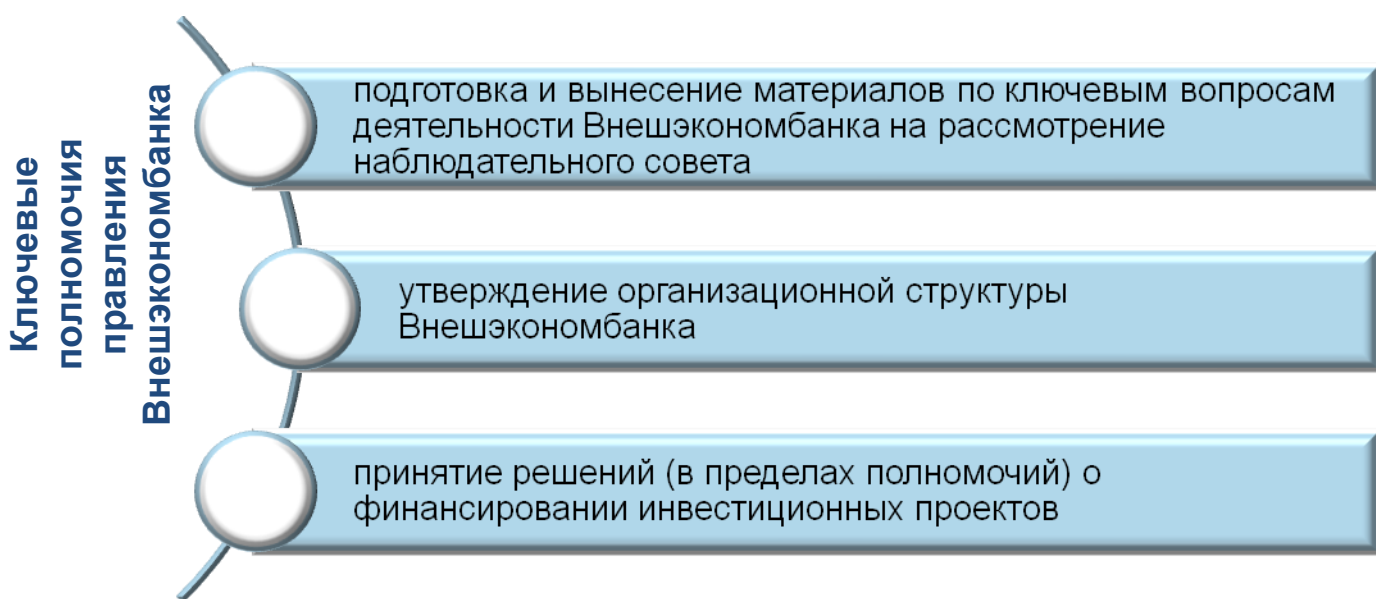
The matters falling within the competence of the Supervisory Board are subject to preliminary consideration by the Task Force on Considering the Materials for the Meetings

of Vnesheconombank Supervisory Board and the Personnel and Remuneration Committee under Vnesheconombank Supervisory Board.

Vnesheconombank Management Board

Collective Executive Body

Composition: Eight members and the Chairman of Vnesheconombank (ex officio). The Chairman of Vnesheconombank superintends the Management Board activities. The members of the Management Board are appointed by Vnesheconombank Supervisory Board.



Ключевые полномочия правления Внешэкономбанка	Key powers of Vnesheconombank Management Board
подготовка и вынесение материалов по ключевым вопросам деятельности Внешэкономбанка на рассмотрение наблюдательного совета	preparing and submitting for approval of Vnesheconombank Supervisory Board proposals relating to key issues of Vnesheconombank activities
утверждение организационной структуры Внешэкономбанка	approving Vnesheconombank organizational structure
принятие решений (в пределах полномочий) о финансировании инвестиционных проектов	making decisions (within its competence) on financing of investment projects

During the reporting period, 340 Vnesheconombank Management Board meetings were held and 915 issues were scrutinized.

With a view to supporting the activities of Vnesheconombank's Management Board, collective working bodies prepare recommendations on the relevant issues. These include:

- Committee for Strategic Development;
- Committee for Development of Investment Operations;

- Credit Committee;
- Committee for Assets/Liabilities Management;
- Budget Committee;
- Risk Management Committee;
- Situational Committee;

In 2016, in order to improve the Bank and the VEB Group's corporate governance system, Vnesheconombank established new collective working bodies:

- Managing Committee;
- Troubled Asset Management Committee;
- Process and Technology Management Committee;
- VEB Group Security Committee;
- Subsidiary and Associate Management Committee;

Chairman of Vnesheconombank

Sole Executive Body

The Chairman of Vnesheconombank is appointed by the President of the Russian Federation for a term of up to five years.

The Chairman of Vnesheconombank is responsible for the management of the Bank's day-to-day operations.

Sergei Gorkov was appointed as the Chairman of Vnesheconombank pursuant to Decree No. 85 by the President of the Russian Federation dated 26 February 2016.

11.3 Accounting and reporting

Pursuant to Federal Law No. 82-FZ “On Bank for Development” dated 17 May 2007, Vnesheconombank organizes its accounting procedure in accordance with the accounting and reporting rules established for Russian credit institutions, subject to certain conditions applied to Vnesheconombank by the Central Bank of Russia.

Over 2016, the Bank maintained accounting records in accordance with the Accounting Rules for the Credit Institutions Located in the Russian Federation approved by Directive of the Bank of Russia No. 385-P dated 16 July 2012.

As provided for by the Tax Code of the Russian Federation, Vnesheconombank pays taxes in Russia and is registered with the Interregional Tax Inspectorate for Major Taxpayers No. 9 of the Russian Federal Tax Service.

Pursuant to the laws of the Russian Federation and the requirements imposed by the international financial community, the Bank prepares and publishes its financial statements in conformity with the international financial reporting standards.

11.4 Internal Control System

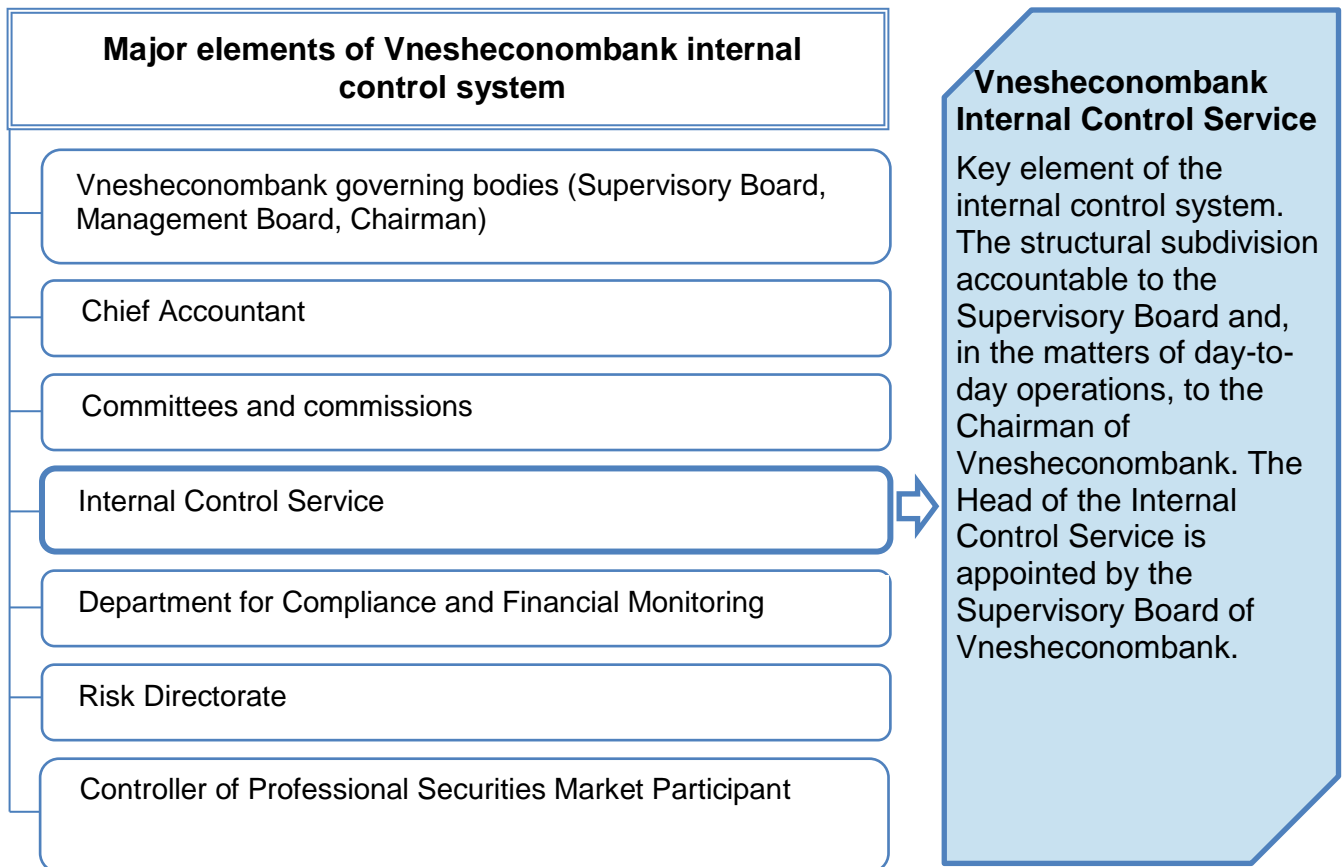
The Vnesheconombank internal control system is based on the international best practices, embraces all of its business areas, fully meets the legal requirements of the Russian Federation and is designed to ensure its financial and operational efficiency and compliance with the legislation, regulations, rules and standards governing its activities.



Основные задачи внутреннего контроля и аудита	Major tasks of internal control and audit
независимая оценка эффективности систем внутреннего контроля, управления рисками, бухгалтерского учета и отчетности, бизнес-процессов, деятельности подразделений и работников, а также оценка экономической целесообразности и эффективности совершаемых операций	independent assessment of the effectiveness of the systems of internal control, risk management, accounting and reporting, business processes, and the performance of subdivisions and employees, as well as evaluation of the economic feasibility and efficiency of conducted operations
проверка надежности внутреннего контроля за использованием автоматизированных информационных систем	review of the reliability of internal control over the use of automated information systems
проверка применяемых способов (методов) обеспечения сохранности имущества	assessment of the techniques (methods) applied to ensure the safety of property
мониторинг основных областей рисков и	monitoring of the main risk profiles and controls to

контрольных механизмов в целях выявления недостатков системы внутреннего контроля, создание механизмов превентивного контроля для предупреждения рисков событий	identify weaknesses of the internal control system; developing of preventive control mechanisms to anticipate risk events
выработка рекомендаций по совершенствованию и повышению эффективности систем, процессов, процедур, результативности деятельности Банка и Группы	preparing recommendations for improving and enhancing the efficiency of the systems, processes or procedures, and the performance of Vnesheconombank and the Group.
организация эффективного взаимодействия с внешними контролирующими органами и внешними аудиторами	ensuring effective interaction with external supervisory agencies and auditors

In order to assist the governing bodies in ensuring the efficiency of Vnesheconombank’s operations, Vnesheconombank established an Internal Control Service responsible for auditing Vnesheconombank subdivisions and processes, IT audit, monitoring operations in financial markets and providing independent recommendations on the improvement of Vnesheconombank’s activities and control procedures.



On a regular basis, the Internal Control Service reviews the adequacy and efficiency of the risk assessment and management methodologies and procedures and prepares recommendations for their improvement. The Internal Control Service reports the results of the audit of Vnesheconombank and the Group risk management system to the Management Board.

In the reporting year, the Internal Control Service carried out 33 reviews (full scope audits, limited scope audits, and inspections) as part of the internal audit of Vnesheconombank subdivisions.

Furthermore, the Internal Control Service conducted 37 financial and economic audits of Vnesheconombank's subsidiaries and affiliates.

12. COMMUNICATION POLICY

Underlying the Vnesheconombank communication policy are the principles of maximum openness, timeliness and availability of the information on its activities. In the reporting year, in the context of regular appearances of Vnesheconombank representatives in mass media and public events, the key topic of communication was the creation of an image for the new Bank implementing a modern business model.



In 2016, the communication policy transformation resulted in a rise in attention to Vnesheconombank activities from mass media and the public. As compared with 2015, the number of media publications about Vnesheconombank and its subsidiaries increased fivefold.⁶ Vnesheconombank continues to rank among the top 3 Russian banks for its media profile. Vnesheconombank representatives regularly appear in the leading Russian and foreign mass media and actively discuss issues of high priority for the state, business and economy. At the end of 2016, the Vnesheconombank management also received the top 3 media rating among Russian banks.

As part of its communication policy, in the reporting year the Bank put special emphasis on the adoption and implementation of its new Strategy 2021, staff changes, establishment of a new management team, introduction of a new business model and modern business approaches, and involvement in investment projects relevant for the state and the Russian economy.

Major forums and exhibitions, both in Russia and abroad, served as an effective means of communication between the Vnesheconombank team, the business community and public authorities. Vnesheconombank arranged the session entitled “New Growth Economy: Role of Development Institutions. Realizing Ambitions” and held the Development Award ceremony during the St. Petersburg International Economic Forum to mark the contribution to the social and economic development of Russia. Vnesheconombank also presented information on its operations as a development institution at the Annual Meeting of the World Economic Forum in Davos, the 2nd Eastern Economic Forum in Vladivostok and the Sochi-2016 International Investment Forum.

⁶ According to Medialogia. Rating based on the mass media database, which currently includes more than 37,700 sources.



In 2016, through its communication policy, Vnesheconombank built a positive media profile with regard to the transformation of the Bank and development of its brand.

13. IT INFRASTRUCTURE

In 2016, IT infrastructure upgrade comprised the modification of existing and the introduction of new IT systems and services according to the needs of the business subdivisions, the Strategy 2021 and the Vnesheconombank business model, as well as the management of smooth operation of IT systems.

In particular, in the reporting year Vnesheconombank:

- launched the projects named “Transition to the Vnesheconombank New Automated Banking System” provided for the introduction of a modern IT-platform, and “Creation of a Prototype “Digital Contract” (Blockchain) System” to build an electronic contract administration system;
- developed its SDO Monitoring module in compliance with the legal requirements for the presentation of information to a single information system for the state defense order;
- set up an electronic archive of daily accounting records to compile, sign and keep ledgers and to store transaction memos;
- designed a system to keep electronic legal files of Vnesheconombank customers;
- as part of the project “Customer’s Electronic Office”, created the prototype modules “Monitoring of Conditions”, “Single Electronic File” and “Feedback/Communications: Chat”;
- upgraded the inventory record system, the software for reporting, bookkeeping, tax, pension and depository accounting, compliance and financial monitoring, as well as the non-financial counterparty analysis system to implement the methodology for calculating counterparty and transaction ratings;
- automated the processes of preparation and processing of documents received by the collective governing bodies, as well as the procedures for monitoring the compliance with decisions made by the collective governing bodies.

In 2016, Vnesheconombank deployed a corporate Wi-Fi network on all its premises, thus allowing for high-speed controlled Internet access for the employees.



In addition, the Bank improved the mobile signal reception on Vnesheconombank’s premises and set up a base station system and a relay network.

In 2017, Vnesheconombank intends to explore the issues related to automating business processes of a number of Vnesheconombank subdivisions, liquidity monitoring, creating the Development Project Factory to proactively search and select investment projects in regions, upgrading the Dashboard of the Chairman of Vnesheconombank to reflect and monitor changes in the key parameters of Vnesheconombank activities. The Bank will continue to implement the analytical system of the software package designed to deal with problems related to the Vnesheconombank asset and liability management on the system level.

In order to improve the reliability of its IT infrastructure, Vnesheconombank will upgrade the core of its local area network, structured cabling system, active equipment and communication channels.

14. VNESHECONOMBANK PROCUREMENT SYSTEM

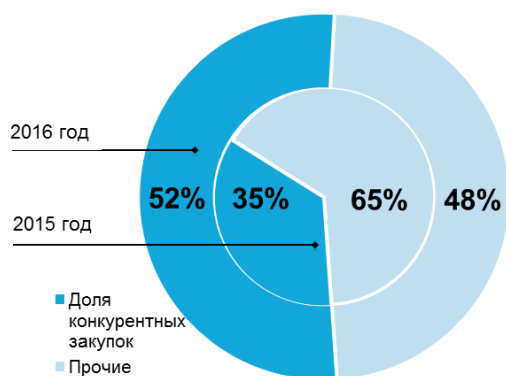
A key objective of Vnesheconombank’s procurement activities is to timely and completely satisfy the Bank’s needs for goods, works and services subject to maintaining a balance between the price, the quality of the purchased products and efficient use of Vnesheconombank’s funds, procurement transparency and competition.

Vnesheconombank’s procurement activities are carried out in accordance with Federal Law No. 223-FZ “On Procurement of Goods, Works and Services by Certain Types of Legal Entities” dated 18 July 2011 (Federal Law No. 223-FZ) and the Bank’s internal regulatory documents.



According to the National Procurement Transparency Rating, in 2016 Vnesheconombank was for the second time assigned the highest category, “guaranteed transparency”, among customers whose activity is regulated by Federal Law No.223-FZ.

During 2016, Vnesheconombank managed to achieve a substantial increase in its procurement efficiency and improve its procurement system.

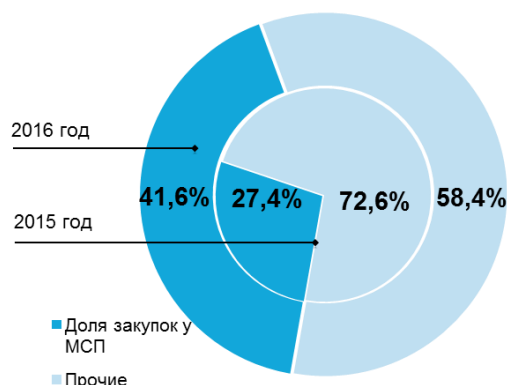


The share of competitive procurement increased by 1.4 times. Most of competitive procurement procedures (96%) were effected in electronic form.

In 2016, the average number of participants per each competitive procurement increased, compared to the previous period, and was 4.2 (in 2015: 2.1).

109 procurement procedures resulted in the conclusion of agreements with small and medium enterprises. As compared with the previous year, the share of procurements from SMEs increased by 1.44 times.

The total number of procurement procedures carried out in 2016 was 322. The savings from the procurement activities amounted to RUB87.7m.



Доля конкурентных закупок	Share of competitive procurements
Прочие	Other
Доля закупок у МСП	Share of procurements from SMEs
Прочие	Other

Information about Vnesheconombank’s procurement activities was regularly published in the Unified information system www.zakupki.gov.ru, on the website of the United Electronic Market Place www.roseltorg.ru and on the Vnesheconombank official website www.veb.ru.

In order to optimize and improve the quality of procurement procedures in the reporting year, the Bank developed and adopted a system of category procurement management and a new service model of “turnkey procurement” and implemented a package solution for the procurement service (preparation of procurement documentation and procurement procedure) for the Bank's initiating subdivisions in accordance with Vnesheconombank’s procurement activities.

The plans for 2017 include the centralization of procurement functions within the VEB Group in order to unlock the synergies of procurement efficiency and cost savings from the procurement procedures by the companies of the Group, as well as putting into service the Vnesheconombank Procurement Portal.

15. VNESHECONOMBANK'S PARTICIPATION IN NON-COMMERCIAL ORGANIZATIONS

At the end of the reporting year, Vnesheconombank participated in more than 30 Russian and international associations, unions and other non-commercial organizations. Such membership enables Vnesheconombank to develop economic relations, promote cooperation with partners on business lines of strategic importance to the Bank, efficiently exchange experience with leading international organizations and bolster the Bank's image of a leading development institution.

Major NCOs in which Vnesheconombank is a participant/member as at 1 January 2017 (by business lines)

Developing trade and economic relations	World Economic Forum
	Russo-British Chamber of Commerce
	Moscow Chamber of Commerce and Industry
	Italian-Russian Chamber of Commerce
	Norwegian-Russian Chamber of Commerce
	Franco-Russian Dialogue Association
	Russian Union of Industrialists and Entrepreneurs (All-Russian Association of Employers)
	International Chamber of Commerce – The World Business Organization
Fostering and improving business relationships	Russian-American Council for Business Cooperation (Non-Profit Association of Legal Entities)
	Russian-Chinese Business Council
	Russian-Arab Business Council
	Russian-American Business Council
	Association of Russian Banks
	Dialogue Forum Non-Profit Partnership
	Russian Finance and Banking Union
	CIS Finance and Banking Council (Non-Profit Partnership for Cooperation between CIS Member-States)
	Russian Public Relations Association – RASO (Non-Profit Partnership)

Creating favorable conditions for the development of innovation process	Foundation for Development of the Center for New Technologies Development and Commercialization (Non-Profit Organization)
	Fund to Operate the Financial Aid Program for Innovation Projects of the Skolkovo Foundation (Non-Profit Organization)
Co-financing projects	Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)
	The Latin American Association of Development Financing Institutions
Supporting development of single-industry municipalities	Single-Industry Town Development Fund (Non-Profit Organization)
Developing and using professional standards in the securities market	National Stock Association (Self-Regulating Non-Profit Organization)
	International Capital Market Association
Developing standards and regulations for conducting transactions in the payment services market	Association of MasterCard Participants (before 13.05.2013 – Association of the Russian Members of Europay)
	Russian National SWIFT Association

16. ADDRESSES AND TELEPHONES OF REPRESENTATIVE OFFICES



Great Britain, London

Representative Office of Vnesheconombank in the United Kingdom of Great Britain and Northern Ireland

53 Chandos Place, London, WC2N 4HS, UK

tel.: +44 207 812-6466

fax: +44 207 812-6666

e-mail: vebuk@veb.ru



Italy, Milan

Representative Office of Vnesheconombank in the Italian Republic
8, Piazzale Principessa Clotilde, Milano, 20121, Italy

tel.: +39 02 653-625

fax: +39 02 655-1697

e-mail: vebitaly@veb.ru



China, Beijing

Representative Office of Vnesheconombank in the People's Republic of China

20A, CITIC Building, 19, Jianguomenwai dajie, Beijing, 100004, China

tel.: +86 10 6592-8905

fax: +86 10 6592-8904

e-mail: vebchina@veb.ru



USA, New York

Representative Office of Vnesheconombank in the United States of America

777 Third Avenue, Suite 29B, New York, NY 10017, USA

tel.: +1 212 421-8660

fax: +1 212 421-8677

e-mail: vebusa@veb.ru



India, Mumbai

Representative Office of Vnesheconombank in the Republic of India, Mumbai

Shop No. 11, Arcade Ground Floor, World Trade Center, Cuffe Parade, Colaba, Mumbai 400005, India

tel.: +91 22 2218-2705

fax: +91 22 2218-5845

e-mail: vebmumbai@veb.ru

India, New-Delhi

Representative Office of Vnesheconombank

Plot EP-15, Dr. Jose P. Rizal Marg, Chanakyapuri, New Delhi-110021, India

tel.: +91 11 2412-1282

fax: +91 11 2412-1577

e-mail: vebindia@veb.ru



Germany, Frankfurt-am-Main

Representative Office of Vnesheconombank in the Federal Republic of Germany

Taunusanlage 1, 60329, Frankfurt, Germany

tel.: +49 69 272-2197 00

fax: +49 69 272-2197 29

e-mail: vebgermany@veb.ru



France, Paris

Representative Office of Vnesheconombank in the French Republic

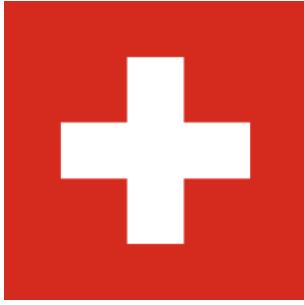
24, Rue Tronchet, 75008 Paris, France

tel.: +33 1 40 07-19 76

fax: +33 1 40 07-07 18

e-mail: vebfrance@veb.ru

[Switzerland, Zurich](#)



Representative Office of Vnesheconombank in the Swiss Confederation

Talstrasse, 58, 8001 Zurich, Switzerland

tel.: +41 44 213-6642

fax: +41 44 213-6645

e-mail: vebch@veb.ru



[South Africa, Johannesburg](#)

Representative Office of Vnesheconombank in the Republic of South Africa

2024, 2nd fl., Chelsea Place, 138 West Street, Sandton, Johannesburg, RSA

tel.: +27 11 783-3425

fax: +27 11 784-4688

e-mail: vebsar@veb.ru