

IMPORTANT NOTICE

18 November 2020

Dear Ladies and Gentlemen

Proposed offering of EUR 750,000,000 1.125 per cent. Bonds due 2027 and EUR 1,250,000,000 1.850 per cent. Bonds due 2032 (the "Bonds") issued by the Ministry of Finance of the Russian Federation (the "Issuer") acting on behalf of the Russian Federation

The Issuer is proposing to undertake an offering (the "**Offer**") of the Bonds on the terms set out in prospectus dated 18 November 2020 (the "**Prospectus**") which is being sent or made available to you with this letter. This letter contains important information relating to restrictions with respect to the offer and sale of the Bonds (including pursuant to the CBW Act Directive (as defined below)).

RESTRICTIONS WITH RESPECT TO THE CBW ACT DIRECTIVE

Pursuant to the directive issued by the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**") under Executive Order 13883 (the "**CBW Act Directive**"), U.S. banks (as defined in the CBW Act Directive) are prohibited from participating in the primary market for non-rouble denominated bonds issued by the Russian sovereign (as defined in the CBW Act Directive).

By purchasing, or making or accepting an offer to purchase, any Bonds (or a beneficial interest in such Bonds) from the Issuer and/or any of Bank GPB International S.A., JSC "Sberbank CIB" (who may act through any of its affiliates, including Sberbank CIB (UK) Limited) and VTB Capital plc (the "**Lead Managers**"), each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Lead Managers that:

- (1) it is not a U.S. bank (as defined in the CBW Act Directive), is not acting on behalf of, in the interests of or at the expense of a U.S. bank and is not using facilities of a U.S. bank (including as custodian, account bank or otherwise) in connection with its participation in the Offer of the Bonds;
- (2) whether or not it is subject to the CBW Act Directive, it will not communicate (including the distribution of the prospectus in preliminary form or the final prospectus relating to the Bonds) or approve any invitation or inducement to participate in, acquire or underwrite the Bonds (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a U.S. bank (as defined in the CBW Act Directive); and
- (3) it will at all times comply with the CBW Act Directive and all guidance thereto.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Bonds (or any beneficial interests therein) from the Issuer and/or any Lead Manager, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client(s).

You acknowledge that each of the Issuer and the Lead Managers will rely upon the truth and accuracy of the representations, warranties, agreements and undertakings set forth herein and

are entitled to rely upon this letter and are irrevocably authorised to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby. This letter is additional to, and shall not replace, the obligations set out in any pre-existing general engagement terms entered into between you and any one of the Lead Managers relating to the matters set out herein.

Capitalised but undefined terms used in this letter shall have the meaning given to them in the Prospectus.

This document is not an offer to sell or an invitation to buy any Bonds.

Your offer or agreement to buy any Bonds will constitute your acceptance of the terms of this letter and your confirmation that the representations and warranties made by you pursuant to this letter are accurate.

This letter and any non-contractual obligations arising out of or in connection with it are governed by English law. The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this letter (including a dispute relating to the existence or validity of this letter or any non-contractual obligations arising out of or in connection with this letter) or the consequences of its nullity.

Should you require any further information, please do contact us.

Yours faithfully,

The Lead Managers

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATIONS REFERRED TO BELOW) AND ARE LOCATED OUTSIDE OF THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the prospectus (the "**Prospectus**"), whether received by e-mail, accessed from an internet page or received as a result of electronic transmission, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information as a result of such access.

The Prospectus has been prepared solely in connection with the proposed offering to certain institutional and professional investors of the securities described herein (the "**Bonds**").

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE BONDS DESCRIBED IN THE PROSPECTUS IN THE UNITED STATES OR IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

PURSUANT TO THE DIRECTIVE ISSUED BY THE U.S. TREASURY DEPARTMENT'S OFFICE OF FOREIGN ASSETS CONTROL ("OFAC") UNDER EXECUTIVE ORDER 13883 (THE "CBW ACT DIRECTIVE"), U.S. BANKS (AS DEFINED IN THE CBW ACT DIRECTIVE) ARE PROHIBITED FROM PARTICIPATING IN THE PRIMARY MARKET FOR NON-ROUBLE DENOMINATED BONDS ISSUED BY THE RUSSIAN SOVEREIGN (AS DEFINED IN THE CBW ACT DIRECTIVE) SUCH AS THIS OFFERING OF THE BONDS. IN PARTICULAR, THE BONDS MAY NOT BE INITIALLY OFFERED OR SOLD TO ANY U.S. BANKS IN VIOLATION OF THE CBW ACT DIRECTIVE.

ANY BOND TO BE ISSUED HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION OF THE UNITED STATES. THE BONDS MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT ("REGULATIONS")) AND MAY ONLY BE OFFERED AND SOLD TO A PERSON WHO IS NOT A U.S. PERSON (AS DEFINED IN REGULATIONS) IN AN OFFSHORE TRANSACTION PURSUANT TO RULE 903 OR RULE 904 OF REGULATIONS IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THE PROSPECTUS MAY ONLY BE DISTRIBUTED IN "OFFSHORE TRANSACTIONS", AS PERMITTED BY REGULATIONS. ALSO THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO U.S. BANKS IN THE PRIMARY MARKET FOR THE BONDS IN VIOLATION OF THE CBW ACT DIRECTIVE. ANY REPRODUCTION OF THE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THESE

RESTRICTIONS MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your representation: In order to be eligible to view the Prospectus or make an investment decision with respect to the Bonds, you must be a person other than a U.S. person for the purposes of Regulation S under the Securities Act and other than a U.S. bank (as defined in the CBW Act Directive). By accepting this electronic transmission and accessing, reading or making any other use of the Prospectus, you shall be deemed to have represented to the Ministry of Finance of the Russian Federation (the "**Issuer**") acting on behalf of the Russian Federation and to Bank GPB International S.A., JSC "Sberbank CIB" (who may act through any of its affiliates, including Sberbank CIB (UK) Limited) and VTB Capital plc (the "**Lead Managers**"), that (1) you understand and agree to the terms set out herein; (2) you are (or the person you represent is) a person other than a U.S. person (as defined in Regulation S), and that the e-mail address to which, pursuant to your request, the Prospectus has been delivered by electronic transmission is not located in the United States for the purposes of Regulation S under the Securities Act; (3) you are not a U.S. bank (as defined in the CBW Act Directive), are not acting on behalf, in the interests of or at the expense of a U.S. bank and are not using facilities of a U.S. bank (including as custodian, account bank or otherwise) in connection with your participation in this offering of the Bonds; (4) whether or not you are subject to the CBW Act Directive, you will not communicate (including, without limiting the generality of (7) below, the distribution of the Prospectus in preliminary form or the final Prospectus) or approve any invitation or inducement to participate in, acquire or underwrite the Bonds (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a U.S. bank (as defined in the CBW Act Directive); (5) you will at all times comply with the CBW Act Directive and all guidance thereto; (6) you consent to delivery by electronic transmission; (7) you will not transmit the Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Issuer and the Lead Managers; and (8) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the Bonds.

Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFiD II**"); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFiD II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person and in particular to any U.S. address. Failure to comply may result in a direct violation of the Securities Act or the applicable laws of other jurisdictions. The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not

permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Lead Managers or any affiliate of any of the Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Lead Managers or such affiliate on behalf of the Issuer and the Lead Managers in such jurisdiction.

Under no circumstances shall the Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently none of the Issuer, the Russian Federation or any officials thereof, any of the Lead Managers, any person who controls any of the foregoing, any director, officer, employee, representative or agent of any of the foregoing or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and any hard copy version available to you.



Russian Federation

EUR 750,000,000 1.125 per cent. Bonds due 2027
Issue Price: 100 per cent.

AND

EUR 1,250,000,000 1.850 per cent. Bonds due 2032
Issue Price: 100 per cent.

The Ministry of Finance of the Russian Federation (the "**Ministry of Finance**" or the "**Issuer**") acting on behalf of the Russian Federation ("**Russia**" or the "**Russian Federation**") is issuing an aggregate principal amount of (i) EUR 750,000,000 1.125 per cent. Bonds due 2027 (the "**2027 Bonds**") and (ii) EUR 1,250,000,000 1.850 per cent. Bonds due 2032 (the "**2032 Bonds**"), and together with the 2027 Bonds, the "**Bonds**").

Interest on the 2027 Bonds is payable annually in arrear on 20 November in each year. See "*Terms and Conditions of the 2027 Bonds—Interest*". Payments under the 2027 Bonds will be made free and clear of, and without withholding or deduction for, any taxes imposed by the Russian Federation, to the extent described under "*Terms and Conditions of the 2027 Bonds—Taxation*". Interest on the 2032 Bonds is payable annually in arrear on 20 November in each year. See "*Terms and Conditions of the 2032 Bonds—Interest*". Payments under the 2032 Bonds will be made free and clear of, and without withholding or deduction for, any taxes imposed by the Russian Federation, to the extent described under "*Terms and Conditions of the 2032 Bonds—Taxation*".

Unless previously redeemed, or purchased and cancelled, the 2027 Bonds will be redeemed at their principal amount together with accrued interest on 20 November 2027 and are not redeemable prior to that date. See "*Terms and Conditions of the 2027 Bonds—Redemption, Purchase and Cancellation*". Unless previously redeemed, or purchased and cancelled, the 2032 Bonds will be redeemed at their principal amount together with accrued interest on 20 November 2032 and are not redeemable prior to that date. See "*Terms and Conditions of the 2032 Bonds—Redemption, Purchase and Cancellation*".

SEE "**RISK FACTORS**" FOR A DISCUSSION OF CERTAIN FACTORS TO BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE BONDS STARTING ON PAGE 7.

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any State or other jurisdiction of the United States of America (the "**United States**"). The Bonds are being offered and sold outside the United States in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S). The Bonds may not be initially offered or sold to any U.S. banks in violation of the CBW Act Directive (as defined below). For a summary of certain restrictions on resale, see "*Plan of Distribution*" and "*Overview of Provisions Relating to the Bonds While in Global Form*". The Bonds will be offered and sold in registered form in denominations of EUR 100,000.

Upon issue, the 2027 Bonds will be represented by beneficial interests in the global bond (the "**2027 Global Bond**"), in registered form without interest coupons attached, which will be registered in the name of, and shall be deposited on or about 20 November 2020 (the "**Closing Date**") with, the National Settlement Depository ("**NSD**"). Upon issue, the 2032 Bonds will be represented by beneficial interests in the global bond (the "**2032 Global Bond**"), and together with the 2027 Global Bond, the Global Bonds), in registered form without interest coupons attached, which will be registered in the name of, and shall be deposited on or about the Closing Date with NSD.

This Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). The Central Bank only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of either the Issuer or as an endorsement of the quality of any Bonds that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Bonds. Such approval relates only to the Bonds which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU and/or which are to be offered to the public in any Member State of the European Economic Area. There can be no assurance that any such admission to trading will be obtained. Application has been made to the Euronext Dublin for the Bonds to be admitted to the official list (the "**Official List**") and trading on its regulated market. The regulated market of the Euronext Dublin is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and the Council on markets in financial instruments (as amended, "**MiFID II**").

It is expected that the Bonds will be issued on the Closing Date. Beneficial interests in the Global Bonds will be shown on, and transfers thereof will be effected only through, records maintained by NSD and its participants ("**Participants**"), which include Euroclear Bank SA/NV ("**Euroclear**"). Settlement with investors on the Closing Date will occur through the facilities of NSD and Euroclear. Except as described herein, certificates will not be issued in exchange for beneficial interests in the Global Bonds.

Lead Managers

Bank GPB International S.A.
(GAZPROMBANK)

Sber CIB

VTB Capital

Prospectus dated 18 November 2020

The Russian Federation accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Russian Federation, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Bonds and the listing of the Bonds on the Official List and admission of the Bonds to trading on the regulated market of Euronext Dublin.

Information contained herein that is identified as being derived from a publication of the Russian Federation or one of its agencies or instrumentalities is included herein on the authority of such publication as an official public document of the Russian Federation. All other information contained herein is included as an official public statement made on the authority of the Minister of Finance of the Russian Federation.

No person has been authorised in connection with the offering of the Bonds to give any information or make any representation regarding the Issuer or the Bonds other than as contained in this Prospectus. Any such representation or information should not be relied upon as having been authorised by the Issuer or any agency thereof or any of Bank GPB International S.A., JSC "Sberbank CIB" (who may act through any of its affiliates, including Sberbank CIB (UK) Limited) or VTB Capital plc (the "**Lead Managers**"). You should carefully evaluate the information provided by the Issuer in light of the total mix of information available to you, recognising that neither the Issuer nor any other person can provide any assurance as to the reliability of any information not contained in this Prospectus. Neither the delivery of this Prospectus nor any sales made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change in the affairs of the Issuer since the date hereof.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of, the Issuer or any agency thereof or any of the Lead Managers in any jurisdiction where an offer or invitation by or on behalf of the Issuer or any agency thereof or any of the Lead Managers is not permitted by the laws of such jurisdiction. The distribution of this Prospectus and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of the Bonds and distribution of this Prospectus, see "*Plan of Distribution*" and "*Overview of Provisions Relating to the Bonds While in Global Form*".

Except as otherwise provided herein, any reference in this Prospectus to an action being taken by the Russian Federation should be construed as a reference to such action being taken by the Ministry of Finance acting on behalf of the Russian Federation.

NSD makes no representation regarding this Prospectus or the Bonds.

To the fullest extent permitted by law, none of the Lead Managers accepts any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made in connection with the issue and offering of the Bonds. The Lead Managers accordingly disclaim all and any liability whether arising in tort or contract or otherwise which any of them might otherwise have in respect of this Prospectus or any such statement. Each person receiving this Prospectus acknowledges that such person has not relied on any of the Lead Managers or any person affiliated with any of the Lead Managers in connection with its investigation of the

accuracy of such information or its investment decision. Each person contemplating making an investment in the Bonds must make its own investigation and analysis of the creditworthiness of the Issuer and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. Furthermore, potential investors should (i) understand thoroughly the terms of the Bonds; (ii) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the information contained in this Prospectus and the merits and risks of investing in the Bonds; (iii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of their particular financial situation, an investment in the Bonds and the effect that investment will have on their overall investment portfolio; (iv) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds; and (v) be able to evaluate (either alone or with the help of a financial advisor) how the Bonds will perform under changing conditions as well as possible economic, interest rate, exchange rate and other developments that may affect their investment and their ability to bear all of the risks of that investment.

Information contained in this Prospectus may not correspond to the risk profile of a particular investor, does not take into account one's personal preferences and expectations on risk and/or profitability and therefore does not constitute an individual investment recommendation (including for the purposes of Russian law).

In connection with the issue of the Bonds, Bank GPB International S.A. (the "**Stabilising Manager**") or any person acting on behalf of the Stabilising Manager may over-allot the Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Closing Date and 60 days after the date of the allotment of the Bonds. Any stabilisation or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

The Issuer and the Lead Managers reserve the right to reject any offer to purchase the Bonds, in whole or in part, for any reason.

Credit ratings of the Russian Federation included or referred to in this Prospectus have been issued by Moody's Investors Service Ltd. ("**Moody's**"), S&P Global Ratings Europe Limited ("**Standard & Poor's**") and Fitch Ratings Limited ("**Fitch**"). Standard & Poor's is established in the EU and registered under Regulation (EC) No. 1060/2009 of the European Parliament and European Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**"), and included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation. Each of Moody's and Fitch is established in the United Kingdom and registered under the CRA Regulation, and included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in the MiFiD II; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional

clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the MiFiD II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Singapore Securities and Futures Act Product Classification

Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Bonds are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore).

Notice relating to the United States Securities Act

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and the Bonds are subject to U.S. tax law requirements. Bonds may not be offered, sold or delivered within the United States of America or to U.S. persons (as defined in Regulation S).

Notice relating to the CBW Act Directive

Pursuant to the directive issued by the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**") under Executive Order 13883 (the "**CBW Act Directive**"), U.S. banks (as defined in the CBW Act Directive) are prohibited from participating in the primary market for non-rouble denominated bonds issued by the Russian sovereign (as defined in the CBW Act Directive). In particular, the Bonds may not be initially offered or sold to any U.S. banks in violation of the CBW Act Directive.

By accessing, reading or making any other use of this Prospectus, you shall be deemed to have represented to the Issuer acting on behalf of the Russian Federation and to the Lead Managers, that:

- (1) you are not a U.S. bank (as defined in the CBW Act Directive), are not acting on behalf, in the interests of or at the expense of a U.S. bank and are not using facilities of a U.S. bank (including as custodian, account bank or otherwise) in connection with your participation in this offering of the Bonds;
- (2) whether or not you are subject to the CBW Act Directive, you will not communicate (including the distribution of the Prospectus in preliminary form or the final Prospectus) or approve any invitation or inducement to participate in, acquire or underwrite the Bonds (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a U.S. bank (as defined in the CBW Act Directive); and
- (3) you will at all times comply with the CBW Act Directive and all guidance thereto.

Notice to Prospective Investors in the United Kingdom

In the United Kingdom (the "**United Kingdom**"), this document is being distributed only to and is directed only at: (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), (b) high net worth entities falling within Article 49(2) of the Order and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). This Prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this Prospectus or any of its contents.

PRESENTATION OF CERTAIN INFORMATION

In this Prospectus, all references to "**RUB**", "**Russian rouble**" or "**rouble**" are to the lawful currency of the Russian Federation, all references to "\$", "**U.S.\$**", "**U.S. dollar**" and "**dollar**" are to the lawful currency of the United States, all references to "**EUR**", "**euro**" and "**€**" are to the lawful single currency of Member States of the EU that adopt or have adopted the euro as their currency in accordance with the legislation of the EU relating to the European Economic and Monetary Union, all references to the "**Pound sterling**" are to the lawful currency of the United Kingdom, all references to the "**Swiss franc**" are to the lawful currency of Switzerland, and all references to interest accruing from a specified date or to a specified date are to interest accruing from and including the first specified date to but excluding the second specified date.

Except as otherwise provided, translations of amounts from one currency into another currency are solely for the convenience of the reader and are made at various exchange rates. No representation is made that amounts referred to herein could have been, or could be, converted into another currency at any particular exchange rate or, in the case of rouble, euro and dollar amounts, at all.

Statistical information reported herein has been derived solely from official publications of, and information supplied by, the U.S. Federal Reserve, solely in respect of dollar to euro exchange rates presented in the section "*Exchange Rates*", the World Bank solely in respect of the average price of natural gas discussed in "*Risk Factors*", the International Monetary Fund (the "**IMF**") solely in respect of the size of the international reserves discussed in "*Balance of Payments and Foreign Trade*", the U.S. Department of the Interior, BP International Limited solely in respect of estimations of production of mineral resources discussed in the section "*Russian Federation*" and other sections of this Prospectus, the World Trade Organisation (the "**WTO**"), solely in respect of the average final bound tariff rates discussed in "*Balance of Payments of Foreign Trade—Foreign Trade—Foreign Trade Regime*", financial news agency "Cbonds" ("**Cbonds**"), and the following agencies of the Russian Federation: the Federal Service for State Statistics ("**Rosstat**"), the Central Bank of the Russian Federation (the "**Bank of Russia**"), the Central Election Commission, the Ministry of Finance, the Ministry of Justice, the Federal Customs Service (the "**Customs Service**"), the Ministry of Transport, the Ministry of Health, the Ministry of Labour and Social Protection, the Ministry of Energy, the Ministry of Foreign Affairs, the Ministry of Economic Development, the Ministry of Industry and Trade, the Federal Air Transport Agency, the Federal Agency for Maritime and River Transport and State Development Corporation "VEB.RF" (formerly known as Vnesheconombank) ("**VEB.RF**" or "**Vnesheconombank**"). In certain instances, historical statistical information related to the Russian economy has been revised as compared to numbers disclosed by the Ministry of Finance as the issuer of foreign currency denominated bonds, reflecting corresponding revisions and corrections of such information by Rosstat. In certain cases, the Ministry of Finance has performed arithmetic calculations or otherwise determined the form in which information is classified or presented herein. Unless otherwise stated, all annual information, including budget information, is based on calendar years, and interim statistical information has not been annualised. Data included in this Prospectus have been subject to rounding adjustments; accordingly, data shown for the same item of information may vary, and total figures may not be arithmetical sums of their components. In addition, certain data presented herein differ from data made public previously due to regular revisions conducted by Rosstat, the Bank of Russia, the Ministry of Finance, the Customs Service, VEB.RF and other Russian authorities. The Issuer confirms that such information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information

published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. All statements other than statements of historical fact included in this Prospectus regarding, among other things, the Russian Federation's economy, fiscal condition, politics, debt or prospects may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "project", "intend", "estimate", "anticipate", "believe", "continue", "could", "should", "would" or the like. Although the Issuer believes that expectations reflected in its forward-looking statements are reasonable as at the date of this Prospectus, there can be no assurance that such expectations will prove to have been correct. The Issuer undertakes no obligation to update the forward-looking statements contained in this Prospectus or any other forward-looking statement it may make.

For the Issuer, in addition to the factors described in this Prospectus, including, but not limited to, those discussed under "*Risk Factors*", the following factors, among others, could cause future conditions to differ materially from those expressed in any forward-looking statements made herein:

- External factors, such as:
 - the impact of changes in the international prices of commodities, particularly oil and gas;
 - the impact of the international political and economic environment on the Russian economy, including international political and economic responses to geopolitical events;
 - the degree of liquidity in the international financial markets and volatility in international equity, debt and foreign exchange markets;
 - interest rates in financial markets outside the Russian Federation;
 - the impact of any changes in the credit ratings of the Russian Federation;
 - economic conditions in Russia's major export markets; and
 - the effects of the COVID-19 pandemic on the global economy.
- Internal factors, such as:
 - general economic and business conditions in the Russian Federation;
 - the level of foreign direct and portfolio investment;
 - changes in interest rates and the depreciation or appreciation of the rouble;
 - governmental, statutory, regulatory or administrative initiatives;
 - the effects of the COVID-19 pandemic and related response measures on the Russian economy.

EXCHANGE RATES AND ROUNDING

The following tables set forth the rouble to dollar, the rouble to euro and the dollar to euro exchange rates for the last day of the periods indicated, the average exchange rates during the periods indicated and the low and high exchange rates for the periods indicated.

	Exchange Rate Information					Starting from 1 January 2020
	2015	2016	2017	2018	2019	
	<i>(roubles per U.S.\$)⁽³⁾</i>					
Low	49.18	60.27	55.85	55.67	61.72	60.95
High	72.88	83.59	60.75	69.97	69.47	80.88
Average for the period ⁽¹⁾	60.66	66.90	58.33	62.54	64.73	71.90
Period end ⁽²⁾	72.88	60.66	57.60	69.47	61.91	77.19
	<i>(roubles per €)⁽³⁾</i>					
Low	52.91	63.02	59.61	67.88	68.41	67.82
High	81.15	91.18	71.95	81.39	79.46	93.76
Average for the period ⁽¹⁾	67.43	74.06	65.78	73.88	72.49	81.45
Period end ⁽²⁾	79.70	63.81	68.87	79.46	69.34	91.35
	<i>(U.S.\$ per €)⁽⁴⁾</i>					
Low	1.06	1.04	1.04	1.13	1.09	1.07
High	1.20	1.16	1.21	1.25	1.15	1.22
Average for the period ⁽¹⁾	1.11	1.11	1.13	1.18	1.12	1.13
Period end ⁽²⁾	1.09	1.05	1.20	1.15	1.12	1.19

Notes:

- (1) The average rates are calculated as the average of the average monthly exchange rates for the period.
- (2) The period-end rates are quoted for the last business day of the relevant period.
- (3) The information is provided as of 9 November 2020 and for the period from 1 January 2020 to 9 November 2020.
- (4) The information is provided as of 9 November 2020 and for the period from 1 January 2020 to 9 November 2020.

Sources: Bank of Russia; European Central Bank (for U.S.\$ to € data only).

Rounding of Figures

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them. Unless otherwise specified, all percentages have been rounded to the nearest one-tenth of one per cent.

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OVERVIEW

Issuer Ministry of Finance of the Russian Federation acting on behalf of the Russian Federation.

The Russian Federation is a sovereign and democratic federal law-governed state, consisting of 85 sub-federal political units, also referred to as "**Federation subjects**". The Russian Federation is the largest country in the world by land mass, covering 17.1 million square kilometres (as of 1 January 2019). The Russian Federation borders 18 countries (two of which are by maritime boundary only) and spans eleven time zones, extending some 9,000 kilometres from the Baltic Sea in the west to the Pacific Ocean in the east and some 4,000 kilometres from its southern border on the Black and Caspian Seas to its northern limits on the Arctic Ocean.

Legal Entity Identifier of Issuer 5493004EHVGF71PDBU58

Lead Managers Bank GPB International S.A., JSC "Sberbank CIB" (who may act through any of its affiliates, including Sberbank CIB (UK) Limited) and VTB Capital plc.

The Lead Managers are offering to sell the Bonds. The Issuer will issue the Bonds to the Lead Managers which will acquire them on their issue date. In return, the Lead Managers will pay the Issuer EUR 1,999,000,000.

Bonds

Title EUR 750,000,000 1.125 per cent. Bonds due 2027 (the "**2027 Bonds**").

EUR 1,250,000,000 1.850 per cent. Bonds due 2032 (the "**2032 Bonds**", and together with the 2027 Bonds, the "**Bonds**").

Interest The 2027 Bonds bear interest from 20 November 2020 at 1.125 per cent. per annum. Interest on the 2027 Bonds is payable annually in arrear on 20 November in each year, commencing on 20 November 2021.

The 2032 Bonds bear interest from 20 November 2020 at 1.850 per cent. per annum. Interest on the 2032 Bonds is payable annually in arrear on 20 November in each year, commencing on 20 November 2021.

Redemption Unless previously redeemed, or purchased and cancelled, each 2027 Bond will be redeemed at its principal amount together with accrued interest on 20 November 2027 subject as provided in Condition 7 set out in "*Terms and Conditions of*

the 2027 Bonds". The terms and conditions of the 2027 Bonds are referred to as the "**2027 Bonds Conditions**".

Unless previously redeemed, or purchased and cancelled, each 2032 Bond will be redeemed at its principal amount together with accrued interest on 20 November 2032 subject as provided in Condition 7 set out in "*Terms and Conditions of the 2032 Bonds*". The terms and conditions of the 2032 Bonds are referred to as the "**2032 Bonds Conditions**". References herein to "**Conditions**" are to the 2027 Bonds Conditions and the 2032 Bonds Conditions.

Repurchase

The Issuer may at any time purchase the Bonds in the open market or otherwise at any price. Any Bonds so purchased may be cancelled or held and resold (provided that any such resale takes place outside the United States).

Status

The Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and, as at their date of issue, rank *pari passu* without any preference among themselves and *pari passu* with all other unsecured and unsubordinated obligations of the Issuer.

Events of Default

1. Failure to pay any amount of principal or interest in respect of the Bonds when due and such failure continues for a period of 30 calendar days.
2. Failure to perform or comply with any obligation in respect of the Bonds, which default (if capable of remedy) is not remedied within 60 days after written notice from any Bondholder (as defined in the relevant Condition 1(b)).
3. The acceleration of the maturity of any Public External Indebtedness (as defined in the relevant Condition 4(c)), any failure to pay the final installment of principal in respect of any Public External Indebtedness following the expiration of any applicable grace period, or the acceleration of any obligation under a guarantee constituting Public External Indebtedness or the failure to pay the final installment of principal in respect of any such guaranteed obligation following the expiration of any applicable grace period, and such guarantee is not honoured; provided that the aggregate amount of the relevant Public External Indebtedness equals or exceeds U.S.\$ 75,000,000 (or its equivalent in any other currency or currencies).

4. The Issuer declares a moratorium on the payment of principal of or interest on any part of its Public External Indebtedness.
5. The Russian Federation or any agency or entity acting on behalf of the Russian Federation contests the validity of the Bonds or denies any of the Russian Federation's obligations under such Bonds or it is or becomes unlawful for the Russian Federation to perform or comply with any of its obligations under or in respect of such Bonds or any of such obligations shall be or become unenforceable or invalid.
6. Any regulation, decree, consent, approval, licence or other authority necessary to enable the Russian Federation to enter into or perform its obligations under the Bonds or for the validity or enforceability thereof expires or is withheld, revoked or terminated or otherwise is void or ceases to remain in full force and effect or is modified in a manner which adversely affects any rights or claims of any holder of such Bonds.
7. The Bonds do not rank *pari passu* without any preference among themselves or *pari passu* with any other unsecured and unsubordinated obligations of the Russian Federation, and any such failure to rank *pari passu* continues for a period of 60 calendar days.

Negative Pledge

So long as any of the Bonds remains Outstanding (as defined in the relevant Conditions), the Russian Federation will not create or permit to subsist any Lien (as defined in the relevant Condition 4(c)) upon the whole or any part of the International Monetary Assets (as defined in the relevant Condition 4(c)) to secure any Public External Indebtedness unless, at the same time or prior thereto, the obligations of the Russian Federation under such Bonds are secured equally and rateably therewith.

Form

The Bonds will be issued in registered form, without interest coupons attached.

The 2027 Bonds will be represented by beneficial interests in the 2027 Global Bond, which will be registered in the name of, and shall be deposited on or about the Closing Date with, NSD.

The 2032 Bonds will be represented by beneficial interests in the 2032 Global Bond, which will be registered in the name of, and shall be deposited on or about the Closing Date with, NSD.

Settlement with investors on the Closing Date will occur through the facilities of NSD and Euroclear. Interests in the Global Bonds may be held (directly or indirectly) through NSD and its Participants, including Euroclear. Investors wishing to hold beneficial interests in the Global Bonds through any other international clearing system will not be able to do so until such clearing system makes an eligibility determination with respect to the Bonds, which may be made only if and when customers of such clearing system instruct it to receive the Bonds. See "*Overview of Provisions Relating to the Bonds While in Global Form*".

For a description of certain restrictions on offers and sales of the Bonds and distribution of this Prospectus, see "*Plan of Distribution*" and "*Overview of Provisions Relating to the Bonds While in Global Form*".

Currency Election

While the Bonds are represented by beneficial interests in the Global Bonds payments of principal and interest on the Bonds will be made, or procured to be made, (i) in Russian roubles, in the case of a Bondholder who has irrevocably elected to receive the relevant payment in Russian roubles and has so notified the Registrar on or prior to the time required by NSD for the relevant payment to be made in Russian roubles and (ii) in the case of all other holders of the Bonds, in euros or the Alternative Payment Currency (as defined in the relevant Condition 7).

Bondholders whose interests in the Bonds are represented by the Bond Certificates (as defined in the relevant Condition 1(a)) shall receive all payments in euros or the Alternative Payment Currency, unless such Bondholders irrevocably elect to receive the relevant payment on the Bonds in Russian roubles in accordance with the relevant Condition 7.

Further Issues

The Russian Federation shall be at liberty from time to time, without the consent of the holders of the Bonds, to create and issue further bonds ranking equally in all respects (or in all respects save for payments made prior to the issuance of such further bonds and, if applicable, the date and amount of the first payment on such further bonds) so that the same shall be consolidated and form a single series with the Bonds.

Denomination

EUR 100,000

Alternative Payment Currency Event

Notwithstanding any other provisions in the relevant Conditions, if, for reasons beyond its control, the Russian Federation is unable to make payments of principal or interest (in whole or in part) in respect of the Bonds in euros, the Russian Federation shall make such payments (in whole or in part) in U.S. dollars, Pound sterling or Swiss francs or, if for

reasons beyond its control the Russian Federation is unable to make payments of principal or interest (in whole or in part) in respect of the Bonds in any of these currencies, in Russian roubles on the due date at the Alternative Payment Currency Equivalent (as defined in the relevant Condition 7) of any such euro-denominated amount.

Governing Law

English law.

No Waiver of Immunity

The Russian Federation has not waived any of its sovereign immunity, and has not submitted to the jurisdiction of any court, in respect of its obligations under the Bonds.

Listing and Admission to Trading

Application has been made to Euronext Dublin for the Bonds to be admitted to the Official List and trading on its regulated market. It is expected that admission of the Bonds to trading will be granted on or the next working day after the Closing Date. Transactions will normally be effected for delivery on the second working day after the day of the transaction, subject only to the issue of the Global Bonds.

Risk Factors

Risks associated with the Russian Federation generally include: (1) the worldwide economic effects of the outbreak of the COVID-19 pandemic and the economic shutdown caused by it has adversely affected, and will continue to affect, Russian economy, and the impact could be material; (2) decline in crude oil and natural gas prices adversely affect the revenues of the Russian Federation and any sustained period of low crude oil and/or natural gas prices may have a prolonged or great adverse effect; (3) the Russian Federation's economy, like many economies, is vulnerable to external shocks. A global economic crisis, significant future economic difficulties of the Russian Federation's major trading partners and more general "contagion" effects could all have a material adverse effect on the Russian Federation's economic growth and the market for the Bonds; (4) emerging markets such as the Russian Federation are subject to greater risks than more developed markets; (5) geopolitical events had and may continue to have a significant impact on foreign trade and the economy; (6) exchange rate risks and consequences for foreign exchange reserves; (7) the economy of the Russian Federation is subject to the risk of inflation; and (8) official economic data published by the Russian Federation may not be directly comparable with data produced by other sources, and may be subject to revision and amendment.

Risks associated with the Bonds generally include: (1) the terms of the Bonds may be modified pursuant to their collective-action provisions; (2) the Russian Federation is a sovereign state, has not waived any rights to sovereign immunity it may have in any jurisdiction and has not

submitted to the jurisdiction of any court and accordingly it may be difficult or impossible to obtain or enforce judgments against it; (3) Russia's credit ratings may not reflect all risks associated with an investment in the Bonds; (4) legal investment considerations may restrict certain investments; (5) payments on the Bonds may be affected by compliance requirements of international financial institutions; (6) if, for reasons beyond control of the Russian Federation, payment in euro cannot be made, such payments will instead be made in an Alternative Payment Currency; (7) risks relating to the exercise of the currency election; and (8) a trading market for the Bonds may not develop, and if a market does develop, it may not be liquid. These risk factors are described in greater detail under "*Risk Factors*".

RISK FACTORS

The Russian Federation believes that the factors described below represent the principal risks inherent in investing in the Bonds. All of these factors are contingencies, which may or may not occur.

The Russian Federation does not represent that the statements below are an exhaustive list of the risks inherent in investing in the Bonds, and the Russian Federation may be unable to pay amounts due on the Bonds for reasons not described below. Prospective investors should read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Risks Relating to the Russian Federation

The worldwide economic effects of the outbreak of the COVID-19 pandemic and the economic shutdown caused by it has adversely affected, and will continue to affect, Russian economy, and the impact could be material

The outbreak of the COVID-19 pandemic is currently having an adverse impact on the world economy. COVID-19 was reportedly first detected in Wuhan, Hubei Province, China, and first reported to the World Health Organisation ("WHO") country office in China on 31 December 2019. On 30 January 2020, the WHO declared COVID-19 a public health emergency of international concern and on 11 March 2020, the WHO declared the outbreak a pandemic. The COVID-19 pandemic has had, and will continue to have, numerous effects worldwide on commercial activity. Russia and many of Russian trading partners, have undertaken various public health measures to control the spread of COVID-19, including the imposition of mandatory quarantines, forced economic shutdowns and travel restrictions, as well as economic measures aimed at mitigating the impacts of such public health policies on their respective national economies.

According to Rosstat, in the first half of 2020, Russian gross domestic product ("GDP") contracted by 3.4% as compared to the first half of 2019. During COVID-19 outbreak in April and May 2020, manufacturing in Russia contracted with severe negative impacts in metals production and transport vehicles. Mineral-resource extraction also decreased and, as a result, industrial production contracted. The Russian transportation sector was hit by falling trade and travelling volumes since the beginning of 2020. The COVID-19 pandemic's spread resulted in reduced fiscal revenues and a weakened Russian rouble. In the first five months of 2020, the federal budget registered a deficit as compared to a surplus in the same period of 2019 on the back of higher spending and lower oil and gas revenues. After accelerating in April 2020, inflation slightly slowed in May 2020 and sequentially increased in June-September of 2020, reaching 3.7% for the 12 months ended 30 September 2020.

COVID-19 is present in Russia, with a total of 1,774,334 confirmed cases and 30,537 deaths as of 8 November 2020 and the Russian government has taken extensive steps to mitigate the spread of the disease and its impact on public health. Since March 2020, the Russian government has introduced several measures to address the COVID-19 pandemic (see "*Recent Developments*"). Certain measures implemented have resulted, to a certain degree, in a slowdown in economic activity in the first half of 2020 that adversely affected economic growth in the first half of 2020 and possibly might affect the economic growth in the second half of 2020 and 2021. The COVID-19 pandemic has severely disrupted the global economy as well, causing financial markets to decline materially and their volatility to increase to

historically high levels, high levels of unemployment, a reduction in international trade and investment and a significant decrease in oil prices. These global effects, including negative effects on important trading partners of Russia, together with the measures taken by the Russian government to slow the spread of the virus, has had and may continue to have a material impact on the economy of the Russian Federation. The effects of the COVID-19 pandemic and subsequent governmental measures may also result in a lower level of revenues, creating greater financing needs than anticipated in the budget, an increase in the level of public debt and widening of the public deficit.

If the economic and public health crisis caused by the COVID-19 pandemic continues and the Russian government's measures are not effective, the economic performance of the country may suffer more than currently anticipated, as a result of adverse effects on the industrial production, financial services and international business, among other things. The effects of the COVID-19 pandemic and the economic shutdown may also include an increase in unemployment, a reduction in GDP, a reduction in household income, a reduction in budget revenues, increased expenditures and, accordingly, a deterioration of financial condition of the Russian Federation.

The COVID-19 pandemic, any second wave or resurgence and/or new pandemic in Russia or elsewhere may also have the effect of heightening the other risks described in this "Risk Factors" section. Consequently, the current COVID-19 pandemic and its potential impact on the economy of Russia, its principal trading partners or globally may require the Russian government to enact additional changes to existing regulations or implement more stringent regulations, which may further adversely impact financial condition of the Russian Federation.

Decline in crude oil and natural gas prices adversely affect the revenues of the Russian Federation and any sustained period of low crude oil and/or natural gas prices may have a prolonged or great adverse effect

The Russian Federation's revenues are affected by international oil and natural gas prices. A large portion of the Russian Federation's budgetary revenues are derived from oil and gas extraction and export taxes and levies, which together accounted for 9,018 billion roubles in 2018, representing 46.4% of overall federal budget revenues for the year, 7,924 billion roubles in 2019, representing 39.3% of overall federal budget revenues for the year, and 3,854 billion roubles in January-September of 2020, representing 29.2% of overall federal budget revenues for the period.

In response to global supply and demand, general economic conditions, competition from other energy sources and other factors, oil and natural gas prices fell sharply in late 2014. The average price per barrel of Urals oil was U.S.\$107.45 in the first six months of 2014. Beginning in September 2014, the price of Urals oil began to fall precipitously, resulting in an average price of U.S.\$97.60 per barrel in 2014. The price declined further in early 2015 and remained low throughout the year, with an average price per barrel of U.S.\$51.23. In 2016, the average price per barrel of Urals oil was U.S.\$41.9. In 2017, the price of Urals oil gradually increased, resulting in an average price of U.S.\$53.03 per barrel in 2017. According to Ministry of Finance, the average price per barrel of Urals oil was U.S.\$70.01 in 2018, U.S.\$63.59 in 2019 and U.S.\$40.84 in the first nine months of 2020. Starting from March 2020, the price of, and global demand for crude oil declined significantly in response to the ongoing spread and economic effects of the COVID-19 pandemic, including significant government measures being implemented globally to control the spread of COVID-19 such as lockdowns, quarantines, travel restrictions, business shutdowns and physical distancing requirements (see

"—*The worldwide economic effects of the outbreak of the COVID-19 pandemic and the economic shutdown caused by it has adversely affected, and will continue to affect, Russian economy, and the impact could be material*"). In addition, crude oil prices continued to decline as a result of a disagreement in oil production cuts among OPEC+ members in March 2020. As a result, in April 2020 Urals oil price reached the lowest of U.S.\$18.22 per barrel. The Russian Federation's budget for 2020 and the forecast for 2021-2022 assume an average price per barrel of Urals oil of U.S.\$57.7 for 2020, U.S.\$56.0 for 2021 and U.S.\$55.0 for 2022. According to the Ministry of Economic Development, average price per barrel of Urals oil in 2022 is expected to be U.S.\$46.6.

Natural gas prices likewise declined significantly in recent years, in part because crude oil prices often provide a benchmark for natural gas prices. According to the World Bank, the average price of natural gas in Europe per MMBTU was U.S.\$6.8 in 2015, U.S.\$4.6 in 2016, U.S.\$5.7 in 2017, U.S.\$7.7 in 2018, U.S.\$4.8 in 2019 and U.S.\$2.6 in the first nine months of 2020.

The decline in oil and natural gas prices adversely affected the budgetary revenues and financial condition of the Russian Federation, including its foreign currency reserves. Revenues from export of goods and services declined from U.S.\$562.6 billion in 2014 to U.S.\$393.1 billion in 2015 and U.S.\$332.4 billion in 2016. The decline in 2016 was mainly due to a reduction in exports of mineral products, which include oil, gas and coal exports, and which fell from U.S.\$219.2 billion in 2015 to U.S.\$168.4 billion in 2016. Export revenues increased in 2017 to U.S.\$410.5 billion, or by 23.5% as compared to 2016, and in 2018 to U.S.\$508.6 billion, or by 23.9% as compared to 2017. However, in 2019, export revenues decreased by 5.1% to U.S.\$482.6 billion as compared to 2018 and by 22.4% to U.S.\$181.2 billion in the first half of 2020 as compared to the same period of 2019 as a result of decrease in oil and gas prices. There can be no assurance that there will be no further declines in the future.

Largely in response to lower oil and natural gas prices, the Bank of Russia freely floated the rouble in November 2014. The shock absorbing feature of the free-floating regime allowed the rouble to depreciate in line with the drop in oil prices, thereby mitigating the impact of lower oil prices on the Russian economy and budgetary revenues. However, foreign exchange reserves have been significantly impacted by lower foreign currency revenues coupled with efforts by the Bank of Russia to support the rouble and to provide U.S. dollar refinancing for the banking sector, and have declined from U.S.\$469.6 billion as of 31 December 2013 to U.S.\$317.5 billion as of 31 December 2016. Foreign exchange reserves subsequently increased and amounted U.S.\$444.0 billion as of 31 December 2019 and U.S.\$444.2 billion as of 31 October 2020, but there can be no assurance that there will not be further declines in the future.

If oil and gas prices decline further or remain low for a sustained period of time, exports and foreign exchange revenues will continue to be adversely affected. A prolonged period of low oil and gas prices therefore could have a material adverse impact on the financial condition of the Russian Federation.

The Russian Federation's economy, like many economies, is vulnerable to external shocks. A global economic crisis, significant future economic difficulties of the Russian Federation's

major trading partners and more general "contagion" effects could all have a material adverse effect on the Russian Federation's economic growth and the market for the Bonds

The Russian Federation's economy is vulnerable to external shocks. For example, Russian exports were adversely affected by the 2008-2009 global financial crisis and the subsequent sovereign debt crisis in the Eurozone, which was marked by low or even negative growth rates in certain countries in the EU, including many of the Russian Federation's principal trading partners. Economic growth and demand for Russian exports were also affected by slowing growth in certain countries not a part of the Organisation for Economic Cooperation and Development (the "OECD"), particularly China, which is a major purchaser of Russian exports, a surplus of oil on the world markets and geopolitical events in 2014. A continued deceleration of economic growth in China, a significant decline in the economic growth of the EU or any of the Russian Federation's other major trading partners, including as a result of trade-related disagreements between certain countries which may lead to 'trade wars' and potential deterioration of global economic conditions, the persistence of excess global oil inventories, or the renewal of sustained volatility on global financial markets could have a material adverse effect on the Russian Federation's balance of trade and adversely affect the Russian Federation's economic growth.

The COVID-19 pandemic has triggered a deep global economic recession in 2020. Economic activity contracted across major economies in the first quarter of 2020, including in China, Europe, the United States and Japan, as these countries grappled with the pandemic to varying degrees. Overall, global GDP is estimated to have sharply contracted in the first quarter of 2020 by 11.1% as compared to the first quarter of 2019 (seasonally adjusted annual rate), and is expected to drop by 5.2% in 2020, according to the World Bank (Group Russian Economic Report No. 43 of July 2020). In the first half of 2020, global industrial production suffered its steepest fall since the 2008 global financial crisis, reflecting collapse in services and manufacturing amid lockdown measures. Manufacturing activity and new export orders, as measured by the Purchasing Managers' Index ("PMI"), have slid into a deep contraction as global trade suffered from supply disruptions and weakened demand. Many emerging market and developing economies, including Russia, have experienced capital outflows greater than during the 2008 global financial crisis as aversion to risk has spread and portfolio investors have moved to safer grounds. Activity in the EU, Russia's trading partner, contracted, with several economies registering record declines. Retail sales and industrial production in the EU both experienced their largest contraction on record in March 2020. The economy of China, another trading partner of Russia, was also adversely affected as a result of the COVID-19 outbreak. According to the World Bank, China's GDP fell by 6.8% in the first quarter of 2020, which was the first negative growth since 1992. Although economic activity in China is gradually returning to normal pre-COVID-19 levels, the recovery remains fragile. Any "second wave" or future outbreak of COVID-19 (or other similar communicable diseases) may further affect the global economy, the investment sentiment and result in sporadic volatility in global capital markets. In addition, restrictions on travel and public transport and prolonged closures of workplaces as a result of such pandemic outbreaks may also adversely affect the global economy and, as a result, the economy of the Russian Federation.

Events occurring in one geographic or financial market sometimes result in an entire region or class of investments being disfavoured by international investors – so-called "contagion effects". The Russian Federation has been adversely affected by contagion effects in the past, and it is possible that the market for Russian investments, including the Bonds, will be similarly

affected in the future by negative economic or financial developments in countries whose economies or credit ratings are similar to those of the Russian Federation.

There can be no assurance that a future external economic crisis will not have a negative effect on investors' confidence in the Russian Federation's markets or on the Russian Federation's economy or ability to raise capital in the international debt markets, all of which could have a material adverse effect on the trading price of the Bonds.

Emerging markets such as the Russian Federation are subject to greater risks than more developed markets

Emerging markets such as the Russian Federation are subject to increased political, economic and legal risks. Changes in the political or economic policies of the Russian government, or the overall political or economic environment in the Russian Federation may result in heightened volatility. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Investors should also note that emerging markets such as the Russian Federation are subject to rapid change and that the information set forth in this Prospectus may become outdated relatively quickly. If financial or economic problems occur in the future, or if the perceived risks associated with investing in emerging economies become more acute, this could dampen foreign investment in the Russian Federation and adversely affect the Russian economy, as well as result in a decrease in the market value of the Bonds.

Geopolitical events had and may continue to have a significant impact on foreign trade and the economy

The Russian Federation's economic relations with certain of its trading partners were affected by geopolitical events, particularly involving Ukraine and the Middle East, as well as allegations relating to cyber-security issues. Differences of views between the Russian Federation and certain other countries (including the United States and Member States of the EU) regarding events in Ukraine have resulted in the Russian Federation, on the one hand, and the United States, the EU and certain other countries, on the other hand, imposing economic sanctions against certain entities and individuals, as well as restrictions on the import or export of certain products, technology and services.

In particular, a number of Russian government officials, entrepreneurs, banks and companies, as well as companies owned or controlled by such persons and entities, or certain entities that allegedly assisted with prohibited actions by such entities or persons, have been included on the List of Specially Designated Nationals and Blocked Persons (the "**SDN List**") maintained by the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**") and are subject to blocking sanctions. This sanctions regime also extends by operation of law to any entity directly or indirectly owned 50% or more in the aggregate by one or more SDNs (collectively, "**Blocked Persons**"). The sanctions imposed require U.S. persons to freeze all assets of Blocked Persons in their possession or control. In addition, the blocking sanctions broadly prohibit the involvement of U.S. persons or U.S. territory (including the clearing of U.S. dollar payments through the U.S. financial system) in transactions or other dealings (including the provision of services) directly or indirectly with or for the benefit of Blocked Persons. Violations of these U.S. sanctions may be subject to a fine of up to US\$307,922 or twice the value of the transaction, for each violation or criminal liability (up to 20 years of imprisonment

and/or penalty up to US\$1 million for each violation). Non-U.S. persons facilitating significant transactions with Blocked Persons might be included on the SDN List.

Along with the United States, EU has also introduced sanctions against certain Russian individuals and entities in respect of actions allegedly undermining or threatening the territorial integrity, sovereignty and independence of Ukraine. Those sanctions include a travel ban, an asset freeze and restrictions on making funds or economic resources available directly or indirectly to or for the benefit of designated targets. Most recently, in October 2020 two individuals and four entities were designated under this regime in connection with their role in the design, building and use of a railway bridge over the Kerch Strait.

In addition, in 2014, the EU introduced sanctions which restrict certain business with and investment in Crimea and Sevastopol (these sanctions were recently extended until 23 June 2021). In 2014, the U.S. also imposed comprehensive sanctions against Crimea, that prohibit the involvement of U.S. persons (including the clearing of U.S. dollar payments through the U.S. financial system) in transactions or other dealings (including the provision of goods or services) to Crimea, unless authorised by a license or exemption. The U.S. sanctions related to Crimea remain in effect.

In addition, the U.S. and EU have imposed "sectoral" sanctions, whereby entities in certain sectors of the Russian economy are designated as targets of such sanctions. Such sectors include defence, financial services and energy. The relevant sectoral sanctions currently provide for restrictions on transactions with new debt or equity securities of designated entities in the financial sector, restrictions on transactions with new debt securities of designated entities in the energy sector, restrictions on transactions with new debt securities of designated entities in the defence sector, and restrictions on the provision of goods, services or technology in support of Arctic offshore, deepwater or shale projects with the potential to produce oil that involve designated entities in the energy sector. The U.S. sectoral sanctions apply by operation of law to any entity directly or indirectly owned 50% or more by a company on OFAC's Sectoral Sanctions Identifications List.

The U.S. has also significantly tightened export controls on the provision of goods subject to the U.S. Export Administration Regulations ("**EAR**") (including U.S. origin goods, goods that contain more than 25% export-controlled U.S. content, and certain goods made outside the United States that are the direct product of certain U.S. technology and software) and that may be used in the Russian defence or energy sectors. In particular, on 6 August 2014, the U.S. Commerce Department's Bureau of Industry and Security ("**BIS**"), under its "Russian Industry Sector Sanctions" imposed a licensing requirement on, among other things, the export, re-export or transfer (in-country) of certain goods, software and technology subject to the EAR when the exporter knows they will be used directly or indirectly in exploration for, or production of, oil or gas in (a) Russian deepwater (greater than 500 feet), (b) Russian Arctic offshore locations, or (c) shale formations in Russia. In addition, BIS has added a number of Russian companies to its "Entity List" thereby imposing additional export licensing restrictions on the export or re-export of goods, software or technology subject to the EAR to those companies.

These events resulted in a significant reduction in foreign trade among the countries involved, and also limited new investment projects that depend on access to foreign products, technology and services. Limitations imposed by foreign governments on the ability of their financial institutions and other parties to provide funding to or purchase equity of certain Russian banks and entities also impaired those Russian banks' and entities' access to international bank and

capital markets financing (which required the Russian government measures to recapitalise certain financial institutions in 2014 and 2015). The related political and economic tensions contributed to capital outflows and the depreciation of the rouble, which in turn (together with lower oil and gas prices) reduced the Russian Federation's foreign exchange reserves, particularly in 2014 and 2015.

Disagreements between Russia and Ukraine have also resulted in the imposition of sanctions against each other. From the Ukrainian side restrictions were widened both by President V. Zelensky and former President P. Poroshenko, including sanctions in relation to conducting business in Crimea and sanctions aimed at Russian individuals and entities (such as Russian Geographical Society, Moscow State University, Hermitage Museum, Russian social networks). The Russian Federation also imposed sanctions on another significant trading partner, Turkey, following military actions taken against Russian Federation aircraft on a mission in northern Syria, although most of these sanctions have since been lifted.

On 2 August 2017, the President of the United States signed into law the Countering America's Adversaries Through Sanctions Act ("**CAATSA**") that includes additional sanctions against Russian entities. CAATSA, among other things: (a) codifies the previously established sanctions against Russia; (b) allows the U.S. President to extend sectoral sanctions to state-owned companies operating in mining and metals, as well as the railway sector of the Russian economy; (c) reduced the permitted terms of financing under the existing sectoral sanctions and further restricted supplies of equipment to certain Russian energy companies; and (d) provides for imposing a set of "secondary sanctions", which target activities of non-U.S. persons, such that foreign persons who engage in certain activities in Russia (in relation to, among other things, construction, modernisation and repair of energy export pipelines, intelligence and defence sectors, sanctions evasion, privatisations and activities that undermine the cybersecurity of any person or government) now face the prospect of adverse economic consequences from the United States in the form of a denial of U.S. benefits. Under Section 231(e) of CAATSA the U.S. State Department publishes a list of persons determined to be part of the defense or intelligence sectors of the Government of the Russian Federation. Persons determined to have knowingly, after 2 August 2017, engaged in a significant transaction with such persons in the Russian defence or intelligence sectors have been sanctioned. Measures applied to such persons may include a ban on credit financing equal to or exceeding US\$10 million from U.S. financial institutions, the imposition of blocking sanctions and a ban on the U.S. government purchasing goods or services from the sanctioned person.

On 29 January 2018, the U.S. Treasury Department (the "**U.S. Treasury**") released the unclassified portion of the Report to Congress Pursuant to Section 241 of CAATSA Regarding Senior Foreign Political Figures and Oligarchs in the Russian Federation and Russian Parastatal Entities ("**Section 241 Report**"), which lists senior political figures and oligarchs with an estimated net worth of US\$1 billion or more. No restrictions or prohibitions are imposed on persons by the Section 241 Report or on dealing with such persons by either U.S. or foreign persons. In addition, the U.S. Treasury issued a report under Section 242 of CAATSA ("**Section 242 Report**") addressing the potential effects of expanding U.S. sanctions to include Russian sovereign debt and derivatives. The unclassified portion of the Section 242 Report stated that given the size of Russia's economy and its interconnectedness and prevalence in global asset markets, the magnitude and scope of the consequences from expanding sanctions to sovereign debt and derivatives is uncertain and the effects could be borne by both Russian and U.S. investors and businesses.

CAATSA widened the differences between the scope and substance of U.S. and EU sanctions against Russia. In June 2020, the EU extended its sectoral sanctions in relation to Russia to apply until 31 January 2021 but has not adopted new broader sanctions like those in CAATSA. The EU typically reviews and considers whether to renew its sanctions every six to 12 months. In addition, all current EU sanctions will continue to apply in the United Kingdom until 31 December 2020. From that date, those sanctions will remain part of United Kingdom law but the United Kingdom may thereafter amend its sanctions programs independently from the EU. It is currently unknown whether the United Kingdom will in all cases continue to fully align itself to the EU's policy on Russia thereafter.

Since 2014 the United States has added a number of Russian individuals and entities to the SDN List. Among these designations, on 6 April 2018, OFAC added 38 Russian business persons, officials and entities to the SDN List. Three of the entities were subsequently removed from the SDN List on 27 January 2019. The United States also added to the SDN List (i) three individuals and nine entities (most of which are based or operating in the Republic of Crimea) on 8 November 2018; (ii) 18 Russian individuals and four Russian entities on 19 December 2018; (iii) 17 individuals and seven legal entities for alleged participation in or affiliation with a Russian-based cybercriminal organisation in December 2019; (iv) eight individuals (seven of which are Crimean officials) and one Russian legal entity (for operating in Crimea) in January 2020; (v) three individuals and five legal entities (related to a targeted financier of Russian entities who has allegedly engaged in illicit sanctions evasion activity) in July 2020; (vi) three Russian individuals (and one Ukrainian individual) for alleged attempts to influence the U.S. electoral process in September 2020; and (vii) two Russian individuals and one Russian government entity (for allegedly undermining cybersecurity) in September and October 2020. Also in January 2020, the EU added certain Crimean officials to the list of designated targets subject to an EU asset freeze.

In addition to the above, OFAC has designated at least one Russian and two Russian-owned entities as SDNs under its Venezuela-related sanctions. In particular, in March 2019 OFAC designated OJSC Evrofinance Mosnarbank, a Russian financial institution, for providing material assistance and support to Petr leos de Venezuela S.A., and in February and March 2020 OFAC designated Rosneft Trading S.A. and TNK Trading International S.A., respectively, both Swiss trading companies that are Russian-owned, for operating in the oil sector of the Venezuelan economy.

In August 2018, in response to an alleged violation of international law in connection with a nerve gas incident in the United Kingdom, the United States made a determination that triggers limited additional sanctions under the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991 (the "**CBW Act**") on the Russian government. The first round of these sanctions took effect on 27 August 2018 and targets U.S. exports to the Russian Federation of certain items that could have military use or dual-use technologies. On 2 August 2019, pursuant to the CBW Act, the United States decided to impose a second round of sanctions that include the following: (i) the United States will oppose the extension of any loan or financial or technical assistance to Russia by international financial institutions (such as, for example, the World Bank or International Monetary Fund); (ii) U.S. banks are prohibited from participating in the primary market for non-rouble denominated bonds issued by the Russian sovereign and lending non-rouble denominated funds to the Russian sovereign (defined not to include state-owned entities); and (iii) licence applications for exports to Russia of dual-use chemical and biological items controlled by BIS for weapons proliferation reasons are subject to a

"presumption of denial" policy. On 2 August 2019, OFAC also issued the CBW Act Directive to implement the prohibition in (ii) above.

In October 2018, the Council of the EU adopted a regime of restrictive measures to address the use and proliferation of chemical weapons ("**Decision (CFSP) 2018/1544**"). This authorises the EU to impose sanctions on persons and entities allegedly involved in the development and use of chemical weapons. The restrictive measures target persons and entities alleged by the EU to be directly responsible for the development and use of chemical weapons as well as those who provide financial, technical or material support, and those who assist, encourage or are associated with them. The sanctions imposed include a travel ban, an asset freeze and a prohibition on making funds or economic resources available directly or indirectly to or for the benefit of designated targets. In January 2019, four Russian individuals were designated under this regime. On 14 October 2020, a further six individuals and one entity were designated under this regime.

In May 2019, the Council of the EU adopted a regime of restrictive measures in relation to persons and/or entities allegedly responsible for cyber-attacks or attempted cyber-attacks, as well as those involved in or offering financial, technical or material support for these attacks and those who assist, encourage, facilitate or are associated with them. The sanctions imposed include a travel ban, an asset freeze and a prohibition on making funds or economic resources available directly or indirectly to or for the benefit of designated targets. In July 2020, four individuals in Russia and one entity were designated under this regime. On 22 October 2020, two individuals and one entity were designated under this regime in connection with a cyber-attack on the German Federal Parliament in April and May 2015.

On 13 February 2019, members of the U.S. Senate introduced a bill "To strengthen the North Atlantic Treaty Organisation, to combat international cybercrime, and to impose additional sanctions with respect to the Russian Federation, and for other purposes" ("**DASKAA 2019**") in the Senate. DASKAA 2019, if enacted, would require the U.S. President to, among other things, impose sanctions prohibiting U.S. persons from dealing in new Russian sovereign debt issued on or after the 90th day after a determination by the U.S. Director of National Intelligence that Russia "has engaged in malicious cyber activities targeting election infrastructure that has been designated as critical infrastructure". In addition, DASKAA 2019 would require the U.S. President to impose certain sanctions on persons that the U.S. President determines to knowingly, on or after DASKAA 2019's enactment: (i) provide certain support to new crude oil development within Russia, (ii) make certain investments in Russian liquefied natural gas (LNG) export facilities outside of Russia, or (iii) invest in new energy projects outside of Russia in which a Russian state-owned entity has a 33 percent or greater interest or ownership of a majority of the voting interests. DASKAA 2019 would also authorise, among other things, the imposition of sanctions on Russian banks that support Russian efforts to undermine democratic processes or elections outside of Russia and on Russia's shipbuilding sector if Russia interferes in the freedom of navigation. It remains unclear whether or when DASKAA 2019 will become law.

On 8 April 2019, members of the U.S. Senate introduced a bill "Defending Elections from Threats by Establishing Redlines Act of 2019" (the "**DETER Act 2019**") in the Senate. The DETER Act 2019, if enacted, would require, if the U.S. Director of National Intelligence determines that the Russian government or a foreign person acting as an agent or on behalf of the Russian government interfered with a U.S. election (such determination to be made on or before the 60th day following a U.S. election), that the U.S. President within 30 days of such a determination impose various sanctions, including sanctions prohibiting U.S. persons from

dealing in new Russian sovereign debt issued on or after the date of the DETER Act 2019's enactment. In addition, if that determination is made, the DETER Act 2019 would require the U.S. President to, among other things, (i) impose additional sanctions on certain Russian state-owned financial institutions (one of the versions of DETER Act 2019 names 5 Russian banks), (ii) prohibit new U.S. investment in Russia's energy sector or in Russian energy companies, (iii) impose certain sanctions on foreign persons making a new investment in Russia's energy sector or in Russian energy companies, (iv) impose certain sanctions on entities that the U.S. President determines to be part of, or operating for or on behalf of, the defence or intelligence sectors of the Russian government and entities 50% or more owned by such entities, and (v) impose certain sanctions on senior political figures in Russia or Russian oligarchs listed in an updated version of the Section 241 Report who directly or indirectly contributed to any Russian government interference in a U.S. election. It remains unclear whether or when the DETER Act 2019 will become law.

On 20 December 2019, the U.S. President enacted the Protecting Europe's Energy Security Act of 2019 ("**PEESA**") as part of the National Defense Authorisation Act for Fiscal Year 2020, which mandates the imposition of sanctions on persons providing pipe-laying vessels for the Nord Stream 2 and TurkStream gas export pipelines after enactment of PEESA.

During 2019, members of the U.S. Congress introduced other legislation that would, if enacted, impose additional sanctions with respect to Russia, including purportedly mandatory sanctions targeting (i) new investment, and the sale, lease, or provision of goods, services, technology, information or support, that directly and significantly contributes to the enhancement of the ability of the Russian government or its owned or controlled entities to construct energy export pipelines, which are currently targeted by non-mandatory sanctions, and (ii) foreign persons and foreign state agencies/instrumentalities determined to be a "critical cyber threat actor". If enacted, and depending on the sanctions imposed on any designated person under the enacted legislation, potential sanctions could include (among other things): prohibiting any U.S. person from investing in or purchasing significant amounts of equity or debt instruments of the sanctioned person; limiting non-humanitarian development and/or security assistance from the U.S. to the foreign state; opposing loans from international financial institutions that would benefit the sanctioned entity; prohibiting U.S. Export-Import Bank assistance for exports to the sanctioned person; prohibiting banking transactions through the U.S. financial system in which the sanctioned person has an interest; prohibiting U.S. federal procurement from the sanctioned person, and/or denying export licenses to export items to the sanctioned person.

On 4 June 2020, members of the U.S. Senate introduced a bill "Protecting Europe's Energy Security Clarification Act of 2020" ("**PEESCA**") that would expand PEESA to mandate the imposition of sanctions on persons providing vessels for pipe-laying activities for the construction of the Nord Stream 2 and the TurkStream gas export pipelines, persons who facilitate providing those vessels, and persons who provide insurance, certain port facilities, or tethering services for those vessels, and companies that provide certifications for Nord Stream 2 to begin operations. PEESCA is included in the draft of National Defence Authorisation Act for Fiscal Year 2021 ("**NDAA 2021**"). On 21 July 2020, the House of Representatives approved the Senate based version of NDAA 2021.

In addition, on 15 July 2020, the U.S. State Department issued amended guidance on Section 232 of CAATSA, which authorises sanctions on persons determined to have made specified investments or provided specified goods, services, technology, information or support to Russian energy export pipelines on or after CAATSA's date of enactment (i.e., 2 August 2017). The amended guidance seeks to deter completion of the Nord Stream 2 pipeline and the second

line of the TurkStream pipeline by stating that implementation of Section 232 *"will now include investments or other activities related to a broader scope of Russian energy export pipelines, including Nord Stream 2 and the second line of TurkStream"*.

On 1 October 2020, members of the U.S. House of Representatives introduced a bill referred to as the "Safeguarding Elections by Countering Unchallenged Russian Efforts (SECURE) Act" (the "**SECURE Act**"). If enacted, the SECURE Act would prohibit U.S. persons from purchasing newly issued Russian government bonds or debt. It remains unclear whether or when the SECURE Act will become law.

In September and October 2020, members of the U.S. Senate and the U.S. House of Representatives introduced bills referred to as the "Holding Russia Accountable for Malign Activities Act of 2020" (the "**Malign Activities Act**"). If enacted, the Malign Activities Act would authorise the imposition of blocking sanctions on certain current or former Russian officials. It remains unclear whether or when the Malign Activities Act will become law.

On 20 October 2020, the U.S. State Department issued guidance on its interpretation of PEESA's authorisation for the President to impose sanctions based on a foreign person knowingly providing pipe-laying vessels for the construction of the Nord Stream 2 and TurkStream gas export pipelines. The guidance states that the authorisation *"may cover foreign firms or persons who provide certain services or goods that are necessary or essential to the provision or operation of a vessel engaged in the process of pipe-laying for such projects."* The guidance also states that *"[t]he Department of State is committed to fully implementing sanctions authorities in" PEESA* and that *"the Department of State and the Department of Treasury are prepared to use the full range of sanctions authorities to halt construction of these pipelines"*.

While the overall strength of the Russian Federation's economy has thus far limited the impact of the geopolitical events described above, they have increased market volatility and sharply reduced investment by both foreign and domestic investors, which could impact future economic growth. More generally, continued geopolitical tensions, particularly if they were to result in additional sanctions (including those relating to Russian sovereign debt) and retaliatory measures, could have a material adverse impact on the Russian Federation's economy, the economies of the other countries involved, global economic conditions and the trading price of the Bonds.

Exchange rate risks and consequences for foreign exchange reserves

The depreciation of the rouble against the dollar or other major currencies may adversely affect the financial condition of the Russian Federation, as well as the Russian Federation's ability to repay its debt denominated in currencies other than the rouble, including amounts due under the Bonds. In response to a host of factors, particularly a decline in oil and natural gas prices and market reactions to geopolitical events in 2014, the rouble experienced significant depreciation against major world currencies in the second half of 2014, continuing into 2015. The rouble/dollar exchange rate was 72.88 roubles/dollar as of 31 December 2015, compared to 32.73 roubles/dollar as of 31 December 2013. The rouble/euro rate was 79.70 roubles/euro as of 31 December 2015, compared to 44.97 roubles/euro as of 31 December 2013. The Bank of Russia responded by raising interest rates on several occasions, and by using foreign exchange reserves in an attempt to stabilise the rouble. Although the rouble strengthened somewhat in 2016 and 2017 (rising to 57.60 roubles/dollar and 68.87 roubles/euro as of 31 December 2017), it depreciated again in 2018. As of 31 December 2018, the rouble/dollar

exchange rate was 69.47 roubles/dollar and the rouble/euro exchange rate was 79.46. Although the rouble appreciated in 2019 (as of 31 December 2019, the rouble/dollar exchange rate was 61.91 roubles/dollar and the rouble/euro exchange rate was 69.34), it depreciated again in 2020, reaching the roubles/dollar exchange rate of 77.19 and the rouble/euro exchange rate of 91.35 on 9 November 2020. There can be no assurance that it will not come under further pressure in the future. Should the rouble come under pressure, and should the Bank of Russia decide to expend reserves to stabilise the exchange rate within its powers to support Russia's financial system, the Russian Federation's foreign exchange reserves may be further depleted, which may adversely affect its ability to service its external debt. Furthermore, as the value of the rouble declines, payments on the Bonds and other Russian Federation obligations denominated in foreign currencies become relatively more expensive in rouble terms.

The Russian government in the past used Reserve Fund ("**Reserve Fund**") and National Wealth Fund ("**National Wealth Fund**" and together with the Reserve Fund, the "**Funds**") balances (which comprise parts of the Russian Federation's foreign exchange reserves) to finance the federal budget. The budgetary rules effective since 1 February 2016 allowed the use of oil and gas revenues as well as assets from both Funds to be used to finance the federal budget expenditures. The use of these Funds (as well as oil and gas proceeds that are meant to replenish these Funds) for budgetary purposes have affected the Russian Federation's foreign exchange reserves. In February 2018, the Reserve Fund was liquidated. As of 30 September 2020, the National Wealth Fund balances amounted to 13,733.1 billion roubles (U.S.\$172.3 billion). While budgetary rules in effect since 30 July 2017 limit the use of National Wealth Fund assets to fund the budget, such rules are subject to change, and any future use of such assets to fund the budget could adversely affect the Russian Federation's ability to service external debt.

The economy of the Russian Federation is subject to the risk of inflation

Consumer price inflation ("**CPI**") increased from 11.4% in 2014 to 12.9% in 2015 and decreased to 5.4% in 2016 and 2.5% in 2017. The CPI increased to 4.3% in 2018 and decreased to 3.0% in 2019 and again increased to 3.7% in the 12 months ended in 30 September 2020. Industrial producer price inflation ("**PPI**") decreased from 10.7% in 2015 to 7.5% in 2016 and again increased to 8.4% in 2017 and to 11.7% in 2018 and became negative (i.e. producer prices decreased) and equalled negative 4.3% in 2019 and became null for the 12 months ended 30 September 2020. The increase in inflation in 2014, 2015, 2018 and the 12 months ended 30 September 2020 was mainly due to the depreciation of the rouble and an increase in food prices. The decrease in inflation in 2019 was mainly due to the appreciation of the rouble, tight monetary policy and increase in grain crop. The increase in PPI in 2017 and 2018 was mainly due to an increase in prices in mining, and the PPI decrease in 2019 and the 12 months ended 30 September 2020 was mainly driven by a decrease in prices of mining and quarrying. Although the Russian government has taken, and plans to continue to take, measures to control inflation and the Bank of Russia has established inflation target objectives (please see "*Monetary and Financial System—Monetary Policy—Monetary Policy Guidelines for 2021-2023*"), there can be no guarantee that these measures will continue to be effective to maintain inflation at the targeted levels. Renewed and sustained high inflation could lead to market volatility, a reduction in consumer purchasing power, particularly as imports become more expensive, and erosion of consumer and/or investor confidence.

Official economic data published by the Russian Federation may not be directly comparable with data produced by other sources, and may be subject to revision and amendment

While a range of official and other sources, including, among others, the Ministry of Finance, the Bank of Russia and Rosstat, produce statistics on the Russian Federation and its economy, there can be no assurance that these statistics are comparable with those compiled by other bodies or in other countries, which may use different methodologies. Accordingly, data relating to Russia's economy may differ from data prepared by international bodies, such as the International Monetary Fund (the "IMF").

In addition, data compiled by the Ministry of Finance, the Bank of Russia, Rosstat and others is periodically subject to revision, including in respect of historical periods. As a result, data reported by these sources in future periods may differ from such data as presented in this Prospectus.

Risks Relating to the Bonds

Collective Action Clauses

The Bonds contain a collective action clause that governs voting procedures on matters related to the Bonds, including amendments, modifications and changes to the Bonds. Under these clauses, certain key provisions of the Bonds may be amended, modified or changed, including the maturity, principal amount, interest rate and payment terms, with the consent of the Russian Federation and the specified majority of Bondholders, as defined in the relevant Conditions (see "*Terms and Conditions of the 2027 Bonds—Meeting of the Bondholders; Written Resolutions*" and "*Terms and Conditions of the 2032 Bonds—Meeting of the Bondholders; Written Resolutions*"). Each such amendment, modification or change will be binding on all Bondholders, whether or not they voted in favour of such amendment, modification or change or voted at all and will be notified to the Bondholders in accordance with the Conditions (see "*Terms and Conditions of the 2027 Bonds—Notices*" and "*Terms and Conditions of the 2032 Bonds—Notices*").

In addition, the Bonds permit cross-series modifications to be made to the Bonds and one or more series of debt securities issued by the Russian Federation (as long as the other series of debt securities also contain a cross-series modification provision). In the case of a cross-series modification, a defined majority of the holders of the debt securities of all series (when taken in the aggregate) that would be affected by the proposed modification may bind all holders of such series, although in certain cases a lower defined majority of Bondholders of each affected series of Bonds must also approve the relevant amendment. See "*Terms and Conditions of the 2027 Bonds—Meetings of Bondholder; Written Resolutions—Modification of the Bonds only*" and "*Terms and Conditions of the 2032 Bonds—Meetings of Bondholder; Written Resolutions—Modification of the Bonds only*".

As a result of these provisions, the relevant Conditions may be amended, modified or waived with the affirmative vote of a lower percentage of the holders of the Bonds than the percentage that would have been necessary for an amendment, modification or waiver of the Bonds taken alone, without any other series. In addition, there is a risk that the provisions allowing for aggregation across multiple debt securities may make the Bonds less attractive to purchasers in the secondary market on the occurrence of an Event of Default (as defined in the relevant Conditions) or in a distress situation. Further, any such amendment, modification or waiver in relation to the Bonds may adversely affect their trading price.

No waiver of immunity; enforcement of liabilities

The Russian Federation is a sovereign state and has not waived any rights to sovereign immunity it may have in any jurisdiction. Accordingly, the Russian Federation may be entitled to immunity from suit in any action or proceeding in any jurisdiction arising out of the Bonds, and the Russian Federation and its assets, properties and revenues may be entitled to immunity in any related enforcement action. The Russian Federation also has not submitted to the jurisdiction of any court, agreed that any disputes may be resolved in any forum or appointed any agent for service of process in any jurisdiction, in connection with any action or proceeding arising out of the Bonds. As a result of the foregoing, it may be difficult or impossible for an investor to obtain a judgment against the Russian Federation in a foreign court and/or have such judgment recognised and/or enforced in any jurisdiction.

A final judgment rendered by a foreign court will generally be recognised and enforced in the Russian Federation if there is an international treaty in effect between the Russian Federation and the country where the judgment is rendered providing for the mutual recognition and enforcement of judgments. There are no international treaties in effect today providing for the mutual recognition and enforcement of foreign judgments rendered by courts in the Russian Federation and courts in most of the countries where many Bond investors are likely to reside, including the United Kingdom.

In the absence of an applicable treaty, enforcement of a final judgment rendered by a foreign court may still be recognised by a Russian court on the basis of reciprocity, if courts of the country where the foreign judgment is rendered have previously enforced judgments issued by Russian courts. While Russian courts in the past have recognised and enforced English and Dutch court judgments on these grounds, the existence of reciprocity must be established at the time the recognition and enforcement of a foreign judgment is sought, and it is not possible to predict whether a Russian court will in the future recognise and enforce on the basis of reciprocity a judgment issued by a foreign court, including an English or Dutch court.

Even if an applicable international treaty is in effect or a foreign judgment might otherwise be recognised and enforced on the basis of reciprocity, the recognition and enforcement of a foreign judgment will in all events be subject to exceptions and limitations provided for in Russian law. For example, a Russian court may refuse to recognise or enforce a foreign judgment if its recognition or enforcement would contradict Russian public policy.

As a result, it may be difficult or impossible to obtain recognition or enforcement in the Russian Federation of a foreign judgment in respect of the Bonds.

Credit ratings may not reflect all risks

The Russian Federation has been assigned foreign currency sovereign credit ratings of Baa3 with stable outlook (Moody's), BBB- with stable outlook (Standard & Poor's) and BBB with stable outlook (Fitch). The Bonds are expected to be assigned a BBB by Fitch. A credit rating is not a recommendation to buy, sell or hold the Bonds, and is subject to revision or withdrawal at any time by the assigning rating agency. Similar ratings on different types of bonds do not necessarily mean the same thing. Ratings do not address the likelihood that the principal on the Bonds will be prepaid or paid on an expected final payment date. Ratings also do not address the marketability of the Bonds at any market price. The significance of each rating should be analysed independently from any other rating. No assurance can be given that the Russian Federation's current or future sovereign ratings will not be downgraded or withdrawn entirely,

if circumstances in the future so warrant in the judgment of the assigning rating agency (including as a result of geopolitical events). The Russian Federation has no obligation to inform Bondholders of any revision, downgrade or withdrawal of its current or future sovereign credit ratings. A suspension, downgrade or withdrawal at any time of a credit rating assigned to the Russian Federation may adversely affect the market price of the Bonds.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by applicable authorities. Potential investors should consult their legal advisors to determine whether and to what extent (1) the Bonds are legal investments for them, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to their purchase or pledge of any Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

Payments on the Bonds may be affected by compliance requirements

Payments on the Bonds will be made through the facilities of various international financial institutions that clear euro transactions in the ordinary course of their business. While there are currently no legal or regulatory restrictions that restrict the ability of these financial institutions to process payments on the Bonds, it is possible that the application by some of these financial institutions of their internal compliance procedures might cause some holders to experience delays in receiving payments on the Bonds. While such delays, in the event they occur, should be of very limited duration (at least under currently applicable laws and regulations), they could temporarily impact the liquidity position of affected investors in the Bonds.

Investors will be subject to exchange rate risk if payments on the Bonds are made in an Alternative Payment Currency

Subject to certain conditions, the relevant Conditions set out that (i) if, for reasons beyond its control, the Russian Federation is unable to make payments on the Bonds in euro, payments of principal or interest (in whole or in part) will be paid in an alternative payment currency, such as Pound sterling, U.S. dollars, Swiss francs, or (ii) if for reasons beyond its control the Russian Federation is unable to make payments of principal or interest (in whole or in part) in respect of the Bonds in any of these currencies, Russian roubles.

The Alternative Payment Currency Equivalent (as defined in the relevant Condition 7) of the euro amounts due in respect of the Bonds will be calculated on the basis of the exchange rates determined as provided in the relevant Condition 7. Because currency exchange rates may vary between the time the Alternative Payment Currency Equivalent is calculated and the time payment is effectively received by a holder, there can be no assurance that investors will be able to use the amount received in the Alternative Payment Currency to purchase an amount of euro to the amount they would have received had the payment been made directly in euro.

Risks relating to the exercise of the currency election

The relevant Conditions provide that the Bondholders may give an irrevocable election notice to the Registrar (as defined in the relevant Condition 1(a)) to receive the relevant payment of interest or principal, as the case may be, in Russian roubles ("**Currency Election**"). Upon any such election in accordance with the foregoing, such interest or principal will be converted into

Russian roubles by NSD and paid to the relevant Bondholders. The euro interest and principal payments made by the Russian Federation in relation to Bonds will be converted into Russian roubles by NSD at a purchase price equal to (a) the bid price then used by NSD to purchase Russian roubles with euro or alternative payment currency, as applicable, for its own account, or (b) if no such bid price is then available from NSD, at the bid price for the purchase of Russian roubles with euro or alternative payment currency, as applicable, quoted by a leading foreign exchange bank in Moscow, London or New York City selected by NSD, in each case for delivery on the date on which a payment becomes due on the Bonds (the "**Relevant Bond Payment Date**"). Although NSD has agreed to ensure that each purchase of Russian roubles with the related aggregate euro or alternative currency amount will represent the "best execution" for that trade then available to NSD, no assurance can be given that the amount of Russian roubles received by an investor will be equal to the amount of Russian roubles that the investor could have realised in the foreign exchange market if the interest and principal payments made on the investor's Bonds were instead paid directly to the investor in euro or alternative payment currency, as applicable. Following submission by a Bondholder of a notice in relation to the Currency Election, the respective Bonds which are the subject of such Currency Election, will be blocked from trading from no later than the business day following such submission until the Relevant Bond Payment Date.

The secondary market generally

A trading market for the Bonds of any series may not develop, and if a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

TERMS AND CONDITIONS OF THE 2027 BONDS

The following is the text of the terms and conditions of the 2027 Bonds which, subject to amendment, will be endorsed on each Bond Certificate (as defined below) and will be attached and (subject to the provisions thereof) apply to the Global Bond representing the 2027 Bonds.

The 2027 Bonds will initially be issued in the form of the Global Bond deposited with and registered in the name of NSD, which will hold the Global Bond on behalf of its participants, including Euroclear. No definitive Bond Certificates will be issued except in the limited circumstances described in "Overview of Provisions Relating to the Bonds While in Global Form—Exchange of Interests in Global Bond for Bond Certificates".

The EUR 750,000,000 1.125 per cent. Bonds due 2027 (the "**Bonds**") (which expression includes any further bonds issued pursuant to Condition 14 and forming a single series with the Bonds) of the Ministry of Finance of the Russian Federation (the "**Ministry of Finance**" or the "**Issuer**") acting on behalf of the Russian Federation (the "**Russian Federation**") were authorised pursuant to Chapter 14.1 of the Budget Code of the Russian Federation (as amended) "Issuance and Circulation of State (Municipal) Securities"; Federal Law No. 380-FZ of 2 December 2019 "On the Federal Budget for 2020 and planning period of 2021 and 2022"; Decree of the Government of the Russian Federation dated 18 December 2019 No. 3078-р; Resolution of the Government of the Russian Federation dated 8 April 2010 No. 217; Order of the Ministry of Finance dated 24 February 2012 No. 31n and Order of the Ministry of Finance dated 12 November 2020 No. 1031.

1. **FORM, DENOMINATION AND TITLE**

(a) **Form and Denomination**

The Bonds are in definitive fully registered form, without interest coupons attached, in the denomination of EUR 100,000 (the "**authorised denomination**"). A certificate (each a "**Bond Certificate**") will be issued to each Bondholder in respect of its registered holding or holdings of Bonds. Each Bond Certificate will be numbered serially with an identifying number which will be recorded in the register (the "**Register**") which shall be kept either by the Issuer or by an agent acting on its behalf (the Issuer or such agent, in such capacity, the "**Registrar**").

(b) **Title**

Title to the Bonds will be evidenced and will pass by and upon registration in the Register. In these Conditions, "**Bondholder**" and "**holder**" mean the person in whose name a Bond is registered in the Register (or, in the case of joint holders, the first-named thereof). The holder of any Bond will (except as otherwise requested by such holder in writing, or as otherwise ordered by a court of competent jurisdiction or required by law) be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or any interest therein, any writing thereon by any person (other than a duly executed transfer thereof in the form endorsed thereon) or any notice of any previous theft or loss thereof, and no person will be liable for so treating the holder.

2. **TRANSFER OF BONDS AND ISSUE OF BONDS**

(a) **Transfer**

Subject to Condition 2(d), a Bond may be transferred in whole or in part in the authorised denomination upon the surrender of the Bond Certificate representing that Bond, together with the form of transfer (including any certification as to compliance with restrictions on transfer included in such form of transfer) endorsed thereon (the "**Transfer Form**") duly completed and executed, at the specified office of the Registrar or any agent (which may include the Issuer itself) appointed by the Issuer for purposes of recording transfers (a "**Transfer Agent**"), together with such evidence as the Registrar or, as the case may be, such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the persons who have executed the Transfer Form. In the case of a transfer of only part of the Bonds represented by a Bond Certificate, neither the part transferred nor the balance not transferred may be less than the authorised denomination and a new Bond Certificate in respect of the balance not so transferred will be issued to the transferor.

(b) **Delivery**

Each new Bond Certificate to be issued upon a transfer of any Bonds will, within five business days of the request for transfer being duly made, be delivered at the specified office of the Registrar or, as the case may be, any Transfer Agent or (at the request and the risk of such transferee) be mailed by uninsured post to such address as the transferee entitled to the Bonds represented by such Bond Certificate may have specified. In this Condition 2(b), "business day" means a day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign currencies) in the cities in which the Registrar and any such Transfer Agent have their respective specified offices.

(c) **No Charge**

Registration or transfer of Bonds will be effected without charge to the holder or transferee thereof, but upon payment (or against such indemnity from the holder or the transferee thereof as the Registrar or the relevant Transfer Agent may reasonably require) in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such registration or transfer.

(d) **Closed Periods**

No Bondholder may require the transfer of a Bond to be registered during the period of 15 calendar days ending on the due date for any payment of principal in respect of such Bond.

3. **STATUS**

The Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Russian Federation and the full faith and credit of the Russian Federation is pledged for the due and punctual payment of principal of, and interest on, the Bonds and for the performance of all other obligations of the Russian Federation pursuant to

the Bonds. As at their date of issue, the Bonds rank *pari passu* without any preference among themselves and *pari passu* with all other unsecured and unsubordinated obligations of the Russian Federation.

4. **NEGATIVE PLEDGE AND COVENANT**

(a) **Negative Pledge**

So long as any of the Bonds remains Outstanding, the Russian Federation will not create or permit to subsist any Lien upon the whole or any part of the International Monetary Assets to secure any Public External Indebtedness unless, at the same time or prior thereto, the obligations of the Russian Federation under the Bonds are secured equally and rateably therewith.

(b) **Covenant**

So long as any Bond remains Outstanding, the Russian Federation shall obtain, and do or cause to be done all things necessary to ensure the continuance of, all consents, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, which may at any time be required to be obtained or made in the Russian Federation for the execution, delivery or performance of the Bonds or for the validity or enforceability thereof.

(c) **Definitions**

In these Conditions:

"Excluded Indebtedness" means any obligation of the Russian Federation, the Government of the Russian Federation, the Ministry of Finance, Vnesheconombank of the U.S.S.R. (now known as state corporation VEB.RF) or any other person that may arise from time to time representing restructured indebtedness originally incurred prior to 1 January 1992 by the government of the former Soviet Union or any of its legally authorised entities, other than the Russian Federation U.S. Dollar Denominated Bonds due 2007 to 2030.

"External Indebtedness" means Indebtedness (i) which is not Excluded Indebtedness, (ii) which is denominated or payable, or at the option of the relevant creditor or holder thereof may be payable, in a currency other than the lawful currency of the Russian Federation and (iii) which was not originally incurred or assumed under an agreement or instrument made with or issued to creditors substantially all of whom were residents of the Russian Federation or entities having their head office or principal place of business within the territory of the Russian Federation. For the avoidance of doubt, External Indebtedness does not include Internal Government Hard Currency Bonds known as "OVVZs", "Taiga" bonds or "MinFins" or any bonds representing restructured internal hard currency bonds of the Government of the Russian Federation.

"Government of the Russian Federation" means the Government of the Russian Federation as provided in Article 110 of the Constitution of the Russian Federation, or any successor article, from time to time.

"**IMF**" means the International Monetary Fund.

"**Indebtedness**" means any legal obligation or any obligation intended by its terms to be a legal obligation (whether present or future, actual or contingent, secured or unsecured, incurred as principal, surety, guarantor or otherwise) for the payment or repayment of borrowed money created (or intended by its terms to have been created) under an agreement or instrument in which the Russian Federation, the Government of the Russian Federation or the Ministry of Finance is designated as the obligor, or which by operation of Russian law constitutes a legal obligation of the Russian Federation, the Government of the Russian Federation or the Ministry of Finance (it being understood that neither the Central Bank of the Russian Federation, nor any political subdivision, regional or municipal government, ministry (other than the Ministry of Finance), department, authority or statutory corporation of the Russian Federation nor any joint stock company, enterprise or other entity organised or existing under the laws or regulations of the Russian Federation or any of the above, is considered to be part of the Russian Federation, the Government of the Russian Federation or the Ministry of Finance for purposes hereof).

"**International Monetary Assets**" means all official holdings of gold, special drawing rights, reserve positions in the fund and foreign exchange of the Ministry of Finance or the Government of the Russian Federation from time to time (but not, for the avoidance of doubt, any such assets of the Central Bank of the Russian Federation at any time), and the terms "special drawing rights", "reserve positions in the fund" and "foreign exchange" have, as to the types of assets included, the meanings formally adopted by the IMF from time to time.

"**Lien**" means any lien, pledge, hypothecation, mortgage, security interest, deed of trust, charge or any other encumbrance arising under a security agreement or arrangement.

"**Outstanding**" means in relation to the Bonds (including, for the avoidance of doubt, Direct Rights (as defined in the Global Bond) in respect thereof), all such Bonds other than:

- (i) those which have been redeemed in accordance with the Conditions;
- (ii) to the extent that the Issuer has appointed any party to act as fiscal agent in respect of the Bonds (a "**Fiscal Agent**") or otherwise to make payment on its behalf under the Bonds (a "**Paying Agent**"), those in respect of which the date for redemption in accordance with the Conditions has occurred and the redemption monies wherefor (including all interest accrued thereon to such date for redemption) have been duly paid to any such Fiscal Agent or Paying Agent in the manner provided for herein (and, where appropriate, notice to that effect has been given to the relative Bondholders in accordance with the Conditions);
- (iii) those which have been purchased and surrendered for cancellation as provided in the Conditions and notice of the cancellation of which has been given to the Issuer or any such Fiscal Agent appointed to act on its behalf;

- (iv) those which have become void under the Conditions;
- (v) those mutilated or defaced Bonds which have been surrendered or cancelled and in respect of which replacement Bonds have been issued pursuant to the Conditions;
- (vi) (for the purpose only of ascertaining the amount of the Bonds outstanding and without prejudice to the status for any other purpose of the relevant Bonds) those Bonds the Bond Certificates in respect of which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to the Conditions; and
- (vii) any Global Bond to the extent that it has been validly exchanged for Bond Certificates in accordance with its terms;

and furthermore Bonds shall not be Outstanding in the circumstances set out in, and solely for the purposes of, Condition 12(j).

"Public External Indebtedness" means External Indebtedness which (i) is in the form of, or represented by, bonds, notes or other securities or any guarantee thereof and (ii) is, or may be, quoted, listed or ordinarily purchased and sold on any stock exchange, automated trading system or over-the-counter or other securities market (including, without prejudice to the generality of the foregoing, the market for securities eligible for resale pursuant to Rule 144A under the United States Securities Act of 1933, as amended (the **"Securities Act"**)).

5. **INTEREST**

Each Bond bears interest on its outstanding principal amount from 20 November 2020 at 1.125 per cent. per annum, payable annually in arrear on 20 November in each year until maturity, commencing on 20 November 2021 (each, an **"Interest Payment Date"**). Interest will be paid subject to and in accordance with the provisions of Condition 7. The period beginning on and including 20 November 2020 and ending on but excluding the first Interest Payment Date (the **"Interest Payment Date"**) and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next successive Interest Payment Date is called an **"Interest Period"**.

Each Bond will cease to bear interest from the due date for redemption unless, after surrender of such Bond, payment of principal is improperly withheld or refused, in which case the outstanding principal amount of such Bond will continue to bear interest at the rate specified above (after as well as before judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder and (b) the day which is seven days after notice has been given to the Bondholders that the Fiscal Agent has received all sums due in respect of the Bonds up to such seventh day (except, in the case of payment to the Fiscal Agent, to the extent that there is any subsequent default in payment in accordance with these Conditions).

If interest is to be calculated in respect of a period other than an Interest Period, the day-count fraction applied to calculate the amount of interest payable in respect of each

Bond shall be the number of days in the relevant period, from (and including) the date from which interest begins to accrue, to (but excluding) the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last) and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6. **REDEMPTION, PURCHASE AND CANCELLATION**

(a) **Redemption**

Unless previously redeemed, or purchased and cancelled, each Bond will be redeemed at its principal amount on 20 November 2027 (the "**Maturity Date**") subject as provided in Condition 7.

(b) **Purchase and Cancellation**

The Russian Federation and its affiliates may at any time purchase Bonds in the open market or otherwise at any price. Any Bonds so purchased may be cancelled or held and resold (provided that such resale is outside the United States, as defined in Regulation S under the Securities Act). Any Bonds so cancelled will not be reissued.

7. **PAYMENTS**

(a) **Principal**

Payments of principal in respect of each Bond will be made by transfer to an account of the Bondholder in the relevant currency. Such payment will be made only upon presentation and surrender of the relevant Bond Certificate at the specified office of the Issuer or any Paying Agent, to the extent that the Issuer has appointed any such Paying Agent, and will be rounded downwards, if necessary, to the nearest cent.

For the purposes of this Condition 7(a) the holder of such Bond will be deemed to be the person shown as the holder (or the first-named of joint holders) on the Register at the Registrar's close of business on the fifteenth day before the due date for such payment of principal and the outstanding amount of each Bondholder's registered holding will be deemed to be the amount shown as such on the Register for such Bondholder at the same time on that date.

In these Conditions:

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007 or any successor thereto;

"**TARGET System**" means the TARGET2 system.

(b) **Interest**

Payments of interest in respect of each Bond will be made by transfer to an account of the Bondholder in the relevant currency.

For the purposes of this Condition 7(b) the holder of such Bond will be deemed to be the person shown as the holder (or the first-named of joint holders) on the Register at the Registrar's close of business on the fifteenth day before the due date for such payment of interest.

(c) **Payments Subject to Fiscal Laws**

All payments of principal and interest in respect of the Bonds are subject in all cases to (i) any applicable fiscal or other laws and regulations and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, (or any regulations or agreements thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement), but in each case without prejudice to the provisions of Condition 8.

(d) **Payments of Alternative Payment Currency Equivalent**

Notwithstanding any other provision in these Conditions, if, for reasons beyond its control, the Russian Federation is unable to make payments of principal or interest (in whole or in part) in respect of the Bonds in euro (an "**Alternative Payment Currency Event**"), the Russian Federation shall make such payments (in whole or in part) in the Alternative Payment Currency on the due date at the Alternative Payment Currency Equivalent of any such euro-denominated amount. If an Alternative Payment Currency Event occurs, the Issuer shall give not less than 15 business days' notice to the Bondholders prior to the due date for payment, indicating the Alternative Payment Currency in which payments will be made. Such notice shall apply on all subsequent payment dates unless and until the Russian Federation provides a subsequent notice that payments shall once again be made in euro.

In the case of an Alternative Payment Currency Event, payment of the Alternative Payment Currency Equivalent of the relevant principal or interest in respect of the Bonds shall be made by transfer to the applicable Alternative Payment Currency account of the relevant Bondholder, provided that such Bondholder has provided details of its Alternative Payment Currency account for receipt of such payments.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of these Conditions by the exchange rate calculation agent, will (in the absence of manifest error) be binding on the Russian Federation and all Bondholders.

(e) **Currency Election**

Notwithstanding any other provision in these Conditions (including Condition 7(d) above, save where the Alternative Payment Currency selected by the Russian Federation is the Russian rouble), a Bondholder may, no earlier than thirty business days and no later than the fifth business day before the due date for any payment of interest or principal in respect of the Bonds, give an irrevocable election notice to the Registrar to receive such payment of interest or principal, as the case may be, in Russian roubles ("**Currency Election**"). The election notice for receiving the relevant payments on the Bonds in Russian roubles must be submitted by a Bondholder for each payment separately. Upon any such election in accordance with the foregoing, such interest or principal will be converted into Russian roubles by the National Settlement Depository ("**NSD**") and paid to the relevant Bondholders on the relevant payment date in Russian roubles in the amount calculated at the Exchange Rate, to an account specified in the currency election notice to the Registrar.

(f) **Commissions**

No commissions or expenses shall be charged to the Bondholders in respect of any payments of principal or interest in respect of the Bonds.

(g) **Payments on Business Days**

Payment instructions (for value the due date or, if that is not a business day, for value the first following day which is a business day) will be initiated on the due date for payment or, if later, in the case of principal and interest due on redemption, on the business day on which the relevant Bond Certificate is presented and surrendered to the Issuer or, to the extent that a Paying Agent has been appointed, at the specified office of any such Paying Agent.

In these Conditions, "**business day**" means a day on which the TARGET System is open and, in the case of the surrender of a Bond Certificate, in the place where the Bond Certificate is surrendered. In the case of a payment of an Alternative Payment Currency Equivalent denominated in U.S. dollar, a "business day" will only occur on a day (other than a Saturday or Sunday) on which commercial banks are open for business in Moscow, London and New York City. In the case of a payment of an Alternative Payment Currency Equivalent denominated in Swiss francs, a "business day" will only occur on a day on which commercial banks are open for business in Zurich.

(h) **Delay in Payments**

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving any amount due in respect of any Bond as a result of (i) the due date not being a business day; or (ii) the Bondholder being late in presenting or surrendering its Bond Certificate (if required to do so).

(i) **Partial Payments**

If at any time a partial payment is made in respect of any Bond, the Registrar shall endorse the Register with a statement indicating the amount and date of such payment.

(j) **Agents**

Initially, the Issuer shall perform the roles ascribed to any Fiscal Agent, Paying Agent and Transfer Agent (each, an "**Agent**") in these Conditions. The Issuer reserves the right at any time to appoint additional or other Agents and vary or terminate the appointment of any Agent. In the event that any Agent so appointed, other than the Issuer, is unable or unwilling to continue performing any such role, the Issuer shall appoint one or more financial institutions of international standing duly authorised by applicable law to act in such capacity, and, in the case of a Paying Agent, by law of the jurisdictions of the currency in which payment is to be made to perform such role. Notice of any appointment of an Agent and its specified office, or any change in the Agents or their specified offices, will promptly be given to the Bondholders in accordance with Condition 15.

(k) **Definitions**

In these Conditions:

"Alternative Payment Currency" means U.S. dollars, Pound sterling or Swiss francs or, if for reasons beyond its control the Russian Federation is unable to make payments of principal or interest (in whole or in part) in respect of the Bonds in any of these currencies, Russian roubles.

"Alternative Payment Currency Equivalent" means the relevant euro amount converted into the Alternative Payment Currency using the Exchange Rate for the relevant Calculation Date.

"Calculation Date" means the day which is two business days (as defined herein) before the due date for payment of the relevant amount under the Conditions.

"Exchange Rate" means, for a Calculation Date, (i) if the Alternative Payment Currency is the U.S. dollars, the rate for the purchase of Euros with U.S. dollars quoted by the European Central Bank at or around 11 a.m. (Central European time), (ii) if the Alternative Payment Currency is the Pound sterling, the rate for the purchase of Euros with Pound sterling quoted by the Bank of England at or around 11 a.m. (London time), (iii) if the Alternative Payment Currency is the Swiss franc, the rate for the purchase of Euros with Swiss francs quoted by the Swiss National Bank at or around 11 a.m. (Central European time), or (iv) if the Alternative Payment Currency is the Russian rouble and for the purposes of the Currency Election, a purchase price equal to (a) the bid price then used by NSD to purchase Russian roubles with euro or Alternative Payment Currency other than Russian roubles, if applicable, for its own account, or (b) if no such bid price is then available from NSD, at the bid price for the purchase of Russian

roubles with euro or Alternative Payment Currency other than Russian roubles, if applicable, quoted by a leading foreign exchange bank in Moscow, London or New York City selected by NSD. In the case of the Currency Election, NSD shall ensure that the purchase of Russian roubles with the related euro or Alternative Payment Currency amount represents the "best execution" of that trade then available to NSD. With respect to (i) to (iii) above, in the event that any such rate cannot be determined at the relevant time, the Exchange Rate shall be the rate for the purchase of euro with the Alternative Payment Currency quoted by a major bank in the London market at approximately the relevant time, for a transaction of a size approximately equal to that of the payment being made.

8. TAXATION

All payments of principal and interest in respect of the Bonds by the Russian Federation shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Russian Federation or any political subdivision or any authority thereof or therein having power to tax (together, "**Taxes**"), unless such withholding or deduction is required by law. If at any time any Taxes are withheld or deducted from such a payment by the Russian Federation, the Russian Federation shall increase the payment of principal or interest, as the case may be, to such amount as will result in the receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such increased amount shall be payable:

- (a) to a holder, or to a third party on behalf of a holder, if such holder is liable to such Taxes by reason of having some connection with the Russian Federation other than the mere holding of a Bond or the receipt of payments thereunder; or
- (b) if the Bond Certificate representing a Bond is presented and surrendered for payment more than 30 days after the Relevant Date, except to the extent that the holder would have been entitled to such additional amounts on presentation and surrender of such Bond Certificate for payment on the last day of such period of 30 days.

If, in relation to any payment under the Bonds (a "**Payment**"), any Bondholder has received any increased amount as provided in this Condition 8, the Russian Federation shall have the right to retain any refund of any amount withheld or deducted in respect of such Payment, which refund may be available under a tax treaty or otherwise to such Bondholder. Notwithstanding the foregoing, no Bondholder makes any representation or warranty that the Russian Federation will be entitled to any such refund (or to make any claim in respect thereof) and no Bondholder shall incur any obligation with respect thereto (including, without limitation, incurring any expense or liability in connection therewith).

For the avoidance of doubt, the Russian Federation acknowledges that it shall have no right to make any deduction or withholding in respect of (nor will it purport to set off any amount equal to) any such refund from any payment in respect of any Bond.

In these Conditions, "**Relevant Date**" means whichever is the later of (i) the date on which the payment in question first becomes due and (ii) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Bondholders.

Any reference in these Conditions to principal or interest in respect of the Bonds shall be deemed to include any increased amounts which may be payable under this Condition 8.

9. **EVENTS OF DEFAULT**

If any of the following occurs and is continuing (each an "**Event of Default**") in respect of the Bonds, as applicable:

(a) **Non-payment**

The Russian Federation fails to pay any amount of principal or interest in respect of the Bonds, as the case may be, when due and such failure continues for a period of 30 calendar days; or

(b) **Breach of other obligations or undertakings**

The Russian Federation defaults in performance or observance of or compliance with any of its other obligations or undertakings in respect of the Bonds, as the case may be, which default (if capable of remedy) is not remedied within 60 days after written notice of such default shall have been given to the Russian Federation by any holder of the Bonds, as the case may be, it being understood that a default in respect of the undertaking set forth in Condition 4(a) shall be deemed capable of remedy for purposes hereof; or

(c) **Cross-acceleration**

Any Public External Indebtedness shall become due and payable prior to the stated maturity thereof otherwise than at the option of the debtor following a default or the Russian Federation, the Government of the Russian Federation or the Ministry of Finance shall fail to make the final payment of principal in respect of any Public External Indebtedness on the date on which such final payment is due and payable or at the expiration of any grace period originally applicable thereto or, in the case of any guarantee which constitutes Public External Indebtedness, the underlying obligation in respect of which such guarantee has been given shall have become due and payable prior to the stated maturity thereof otherwise than at the option of the debtor following a default or the debtor shall have failed to make the final payment of principal in respect of such underlying obligation on the date on which such final payment is due and payable or at the expiration of any grace period originally applicable thereto and the guarantee shall not be honoured when due and called upon; provided that the aggregate amount of the relevant Public External Indebtedness in respect of which one or more of the events mentioned in this Condition 9(c) shall have occurred equals or exceeds U.S.\$75,000,000 (or its equivalent in any other currency or currencies); and provided, further, that any secured Public

External Indebtedness that by its terms is fully non-recourse to the Russian Federation, the Government of the Russian Federation or the Ministry of Finance shall not be counted as Public External Indebtedness for purposes of this Condition 9(c); or

(d) **Moratorium**

A moratorium on the payment of principal of, or interest on, all or any part of Public External Indebtedness; or

(e) **Unlawfulness or Invalidity**

The validity of the Bonds is contested by the Russian Federation or any agency or entity acting on behalf of the Russian Federation or the Russian Federation or any agency or entity acting on behalf of the Russian Federation shall deny any of the Russian Federation's obligations under the Bonds or it is or will become unlawful for the Russian Federation to perform or comply with any of its obligations under or in respect of the Bonds or any of such obligations shall be or become unenforceable or invalid; or

(f) **Consents etc.**

Any regulation, decree, consent, approval, licence or other authority necessary to enable the Russian Federation to enter into or perform its obligations under the Bonds or for the validity or enforceability thereof shall expire or be withheld, revoked or terminated or otherwise be void or cease to remain in full force and effect or shall be modified in a manner which adversely affects any rights or claims of any of the holders of the Bonds, as the case may be; or

(g) ***Pari passu***

The Bonds do not rank *pari passu* without any preference among themselves or *pari passu* with any other unsecured and unsubordinated obligations of the Russian Federation, and any such failure to rank *pari passu* continues for a period of 60 calendar days,

then holders of 25 per cent. or more in aggregate outstanding principal amount of the Bonds may declare the Bonds to be immediately due and payable whereupon the Bonds shall become immediately due and payable at their principal amount, together with accrued interest, without any further formality.

If the Russian Federation receives notice in writing from holders of at least 50 per cent. in aggregate principal amount of the outstanding Bonds to the effect that the Event of Default or Events of Default giving rise to any above mentioned declaration of acceleration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn, the Russian Federation shall give notice thereof to the Bondholders (with a copy to the Fiscal Agent), whereupon the relevant declaration shall be withdrawn and shall have no further effect, but without prejudice to any rights or obligations which may have arisen before the Russian Federation gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal

shall affect any other or any subsequent Event of Default or any right of any Bondholder in relation thereto.

10. **PRESCRIPTION**

Claims against the Russian Federation in respect of principal and interest shall become void unless made within a period of three years from the date following the Maturity Date or a relevant Interest Payment Date, as applicable.

11. **REPLACEMENT OF BOND CERTIFICATES**

If any Bond Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issuer or, if there is one that is not the Issuer, the specified office of the Registrar or the Transfer Agent subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Bond Certificates must be surrendered before replacements will be issued.

12. **MEETINGS OF BONDHOLDERS; WRITTEN RESOLUTIONS**

(a) **Certain Provisions for Meetings of Bondholders**

- (i) A holder of a Bond may by an instrument in writing (a "form of proxy") in the form included with the notice convening a meeting of Bondholders pursuant to Condition 12(b)(iv)(D) or available from the specified office of the Issuer or, if there is one that is not the Issuer, the specified office of the Fiscal Agent or the Registrar, as the case may be, in the English language, signed by the holder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation and delivered to the Issuer or, if there is one that is not the Issuer, the Fiscal Agent or the Registrar, as the case may be, not less than 24 hours before the time fixed for any meeting, appoint any person (a "proxy") to act on his or its behalf in connection with any meeting or proposed meeting of Bondholders or the signing of any Written Resolution that the holder is entitled to sign. The proxy named in any form of proxy need not be a Bondholder.

In these Conditions, "24 hours" shall mean a period of 24 hours including all or part of a day upon which banks are open for business in both the place where the relevant meeting is to be held and in Moscow (disregarding for this purpose the day upon which such meeting is to be held) and any such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of a day upon which banks are open for business as aforesaid.

- (ii) Any holder of a Bond which is a corporation may by delivering to the Issuer, or if there is one that is not the Issuer, the Fiscal Agent or the Registrar, as the case may be, not later than 24 hours before the time

fixed for any meeting a resolution of its directors or other governing body in the English language authorising any person to act as its representative (a "**representative**") in connection with any meeting or proposed meeting of Bondholders.

- (iii) Any proxy appointed pursuant to Condition 12(a)(i) above or representative appointed pursuant to Condition 12(a)(ii) above shall so long as such appointment remains in force be deemed, for all purposes in connection with any meeting or proposed meeting of Bondholders or the signing of any Written Resolution specified in such appointment, to be the holder of the Bond to which such appointment relates and the holder of the Bond shall be deemed for all such purposes not to be the holder. Any vote cast by a proxy will be valid notwithstanding the prior revocation or amendment of the appointment of that proxy unless the Issuer has received notice or has otherwise been informed of the revocation or amendment at least 24 hours before the time fixed for the commencement of the meeting at which the proxy intends to cast its vote or, if applicable, the signing of a Written Resolution.
- (iv) A person (who may, but need not, be a Bondholder) nominated in writing by the Issuer may take the chair at every such meeting but, if no such nomination is made or if at any meeting the person nominated shall not be present within 15 minutes after the time fixed for the meeting, Bondholders present representing more than 50 per cent. of the aggregate principal amount of the Bonds then Outstanding represented at the meeting shall appoint a chairman. The chairman of an adjourned meeting need not be the same person as was chairman of the original meeting.
- (v) Unless all of the Outstanding Bonds are held by one person (in which case the quorum shall be at least one person present in person holding all such Bonds or being a proxy or a representative and holding or representing all of such Bonds), subject as provided below, at any such meeting any two or more persons present in person holding Bonds or being proxies or representatives and holding or representing in the aggregate not less than one tenth in principal amount of the outstanding Bonds shall (except for the purpose of voting on a proposed modification of a Reserved Matter or non-Reserved Matter) form a quorum for the transaction of business, and no business (other than the choosing of a chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of business. The quorum at any such meeting for voting on a proposed modification of a non-Reserved Matter shall (subject as aforesaid in the event that all the outstanding Bonds are held by one person and subject as provided below) be two or more persons present in person holding Bonds or being proxies or representatives and holding or representing at least 50 per cent. of the aggregate principal amount of the outstanding Bonds; provided that, at any meeting the business of which includes any of the Reserved Matters (as defined below), unless all the outstanding Bonds are held by one person (in which case, the quorum shall be at least one person present in

person holding all such Bonds or being a proxy or a representative and holding or representing all of such Bonds), the quorum shall be two or more persons present in person holding Bonds or being proxies or representatives and holding or representing at least $66\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding Bonds.

- (vi) If within 30 minutes from the time fixed for any such meeting a quorum is not present, the meeting shall stand adjourned for such period, not being less than 14 days nor more than 42 days, and to such place, as may be decided by the chairman. Unless all of the outstanding Bonds are held by one person (in which case the quorum shall be at least one person present holding all such Bonds or being a proxy or a representative and holding or representing all of such Bonds), at any adjourned meeting at which Bondholders will vote on a proposed modification of a non-Reserved Matter, two or more persons holding Bonds or being proxies or representatives and holding or representing at least 25 per cent. of the aggregate principal amount of the outstanding Bonds shall form a quorum and may pass any resolution and decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place had a quorum been present at such meeting. At any adjourned meeting at which Bondholders will vote on a proposed modification of a Reserved Matter, unless all the outstanding Bonds are held by one person (in which case the quorum shall be at least one person present holding all such Bonds or being a proxy or a representative and holding or representing all of such Bonds), the quorum shall be two or more persons so present holding Bonds or being proxies or representatives and holding or representing at least 25 per cent. of the aggregate principal amount of the outstanding Bonds.
- (vii) The chairman may, with the consent of (and shall if directed by) any meeting, adjourn such meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place.
- (viii) At least 10 days' notice of any meeting adjourned through want of a quorum shall be given in the same manner as for an original meeting, and such notice shall state the quorum required at such adjourned meeting. It shall not, however, otherwise be necessary to give any notice of an adjourned meeting.
- (ix) The Issuer, the Russian Federation and its financial and legal advisers may attend and speak at any meeting of Bondholders. No one else may attend at any meeting of Bondholders or join with others in requesting the convening of such a meeting unless he is the holder of a Bond or is a proxy or a representative.
- (x) At any meeting every person who is so present shall have one vote in respect of each EUR 100,000 in principal amount of the Bonds that are Outstanding and so produced or in respect of which he is a proxy or a

representative. Any person entitled to more than one vote need not use all his votes or cast all the votes to which he is entitled in the same way.

- (xi) A meeting of Bondholders shall, subject to the Conditions, in addition to the powers given above, but without prejudice to any powers conferred on other persons by these Conditions, have power exercisable by resolution passed at such meeting duly convened and held in accordance with these provisions and by written resolution duly signed by the requisite majority of Bondholders:

- (A) to sanction any proposal by the Russian Federation for any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Bondholders against the Russian Federation; or
- (B) to assent to any modification of the Bonds; or
- (C) to authorise anyone to concur in and do all such things as may be necessary to carry out and give effect to any resolution; or
- (D) to appoint any persons (whether Bondholders or not) as a committee or committees to represent the interests of the Bondholders and to confer upon such committee or committees any powers or discretions which the Bondholders could themselves exercise by resolution;

provided that the special quorum provisions contained in the proviso to Condition 12(a)(v) and, in the case of an adjourned meeting, in the proviso to Condition 12(a)(vi) shall apply in relation to any resolution for the purpose of approving any Reserved Matters.

- (xii) Minutes of all resolutions and proceedings at every such meeting shall be made and entered in the books to be from time to time provided for that purpose by the Russian Federation and any such minutes, if purporting to be signed by the chairman of the meeting at which such resolutions were passed or proceedings transacted or by the chairman of the next succeeding meeting of Bondholders, shall be conclusive evidence of the matters contained in them and, until the contrary is proved, every such meeting in respect of the proceedings of which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at such meeting shall be deemed to have been duly passed and transacted.

(b) **Convening Meetings of Bondholders; Conduct of Meetings of Bondholders; Written Resolutions**

- (i) The Issuer may convene a meeting of the Bondholders at any time in respect of the Bonds in accordance with these Conditions. The Issuer will determine the time and place of the meeting and will notify the

Bondholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting.

- (ii) The Issuer will convene a meeting of Bondholders if the holders of at least 10% in principal amount of the Bonds that are Outstanding have delivered a written request to the Russian Federation (directly or through the Fiscal Agent, if there is one that is not the Issuer) setting out the purpose of the meeting. The Issuer will notify the Bondholders within 10 days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.
- (iii) The Issuer will set the procedures governing the conduct of any meeting in accordance with these Conditions.
- (iv) The notice convening any meeting will specify, *inter alia*;
 - (A) the date, time and location of the meeting;
 - (B) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;
 - (C) the record date for the meeting, which shall be no more than five business days before the date of the meeting;
 - (D) the documentation required to be produced by a Bondholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Bondholder's behalf at the meeting;
 - (E) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Bonds are traded and/or held by Bondholders;
 - (F) whether Condition 12(c), or Condition 12(d), or Condition 12(e) shall apply and, if relevant, in relation to which other series of debt securities it applies;
 - (G) if the proposed modification or action relates to two or more series of debt securities issued by it and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;
 - (H) such information that is required to be provided by the Issuer in accordance with Condition 12(g);
 - (I) the identity of the aggregation agent (the "**Aggregation Agent**") and the calculation agent (the "**Calculation Agent**"), if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 12(h); and

- (J) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.
 - (v) In addition, the Conditions contain provisions relating to Written Resolutions. All information to be provided pursuant to this Condition 12(b) shall also be provided, *mutatis mutandis*, in respect of Written Resolutions.
 - (vi) A "**record date**" in relation to any proposed modification or action means the date fixed by the Issuer for determining the Bondholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.
 - (vii) An "**Extraordinary Resolution**" means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.
 - (viii) A "**Written Resolution**" means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.
 - (ix) Any reference to "**debt securities**" means any notes, bonds (including the Bonds), debentures or other debt securities issued by the Issuer or the Russian Federation in one or more series with an original stated maturity of more than one year.
 - (x) "**Debt Securities Capable of Aggregation**" means those debt securities which include or incorporate by reference this Condition 12 and Condition 13 or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.
- (c) **Modification of the Bonds only**
- (i) Any modification of any provision of, or any action in respect of, these Conditions in respect of the Bonds may be made or taken if approved by a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.
 - (ii) A "**Single Series Extraordinary Resolution**" means a resolution passed at a meeting of Bondholders duly convened and held in accordance with the procedures prescribed by the Russian Federation pursuant to Condition 12(b) by a majority of:

- (A) in the case of a Reserved Matter, at least 75% of the aggregate principal amount of the Bonds that are Outstanding present or represented at such meeting; or
 - (B) in the case of a matter other than a Reserved Matter, more than 50% of the aggregate principal amount of the Bonds that are Outstanding present or represented at such meeting.
 - (iii) A "**Single Series Written Resolution**" means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:
 - (A) in the case of a Reserved Matter, at least 75% of the aggregate principal amount of the Bonds that are Outstanding; or
 - (B) in the case of a matter other than a Reserved Matter more than 50% of the aggregate principal amount of the Bonds that are Outstanding.
 - (iv) Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Bondholders.
 - (v) Any Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Bondholders, whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.
- (d) **Multiple Series Aggregation — Single limb voting**
- (i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, provided that the Uniformly Applicable condition is satisfied.
 - (ii) A "**Multiple Series Single Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer pursuant to Condition 12(b), as supplemented if necessary, which is passed by a majority of at least 75% of the aggregate principal amount of the debt securities that are Outstanding of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).
 - (iii) A "**Multiple Series Single Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the

applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75% of the aggregate principal amount of the debt securities that are Outstanding of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Bondholders or one or more holders of each affected series of debt securities.

- (iv) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Bondholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be.
- (v) The "**Uniformly Applicable**" condition will be satisfied if:
 - (A) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (A) the same new instrument or other consideration or (B) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or
 - (B) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to the currency of issuance).
- (vi) It is understood that a proposal under paragraph (d)(i) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other

exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).

- (vii) Any modification or action proposed under paragraph (d)(i) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 12(d) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

(e) **Multiple Series Aggregation — Two limb voting**

- (i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.
- (ii) A "**Multiple Series Two Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Russian Federation pursuant to Condition 12(b), as supplemented if necessary, which is passed by a majority of:
 - (A) at least 66 2/3% of the aggregate principal amount of the debt securities that are Outstanding of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
 - (B) more than 50% of the aggregate principal amount of the debt securities that are Outstanding in each affected series of Debt Securities Capable of Aggregation (taken individually).
- (iii) A "**Multiple Series Two Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:
 - (A) at least 66 2/3% of the aggregate principal amount of the debt securities that are Outstanding of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
 - (B) more than 50% of the aggregate principal amount of the debt securities that are Outstanding in each affected series of Debt Securities Capable of Aggregation (taken individually).
- (iv) Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each

signed or confirmed in writing by or on behalf of one or more Bondholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

- (v) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Bondholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be.
- (vi) Any modification or action proposed under paragraph (e)(i) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 12(e) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

(f) **Reserved Matters**

In these Conditions, "**Reserved Matter**" means any proposal:

- (i) to change the dates, or the method of determining the dates, for payment of principal, interest or any other amount in respect of the Bonds, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Bonds or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Bonds on any date;
- (ii) to change the currency in which any amount due in respect of the Bonds is payable or the place in which any payment is to be made;
- (iii) to change the majority required to pass an Extraordinary Resolution, a Written Resolution or any other resolution of Bondholders or the number or percentage of votes required to be cast, or the number or percentage of Bonds required to be held, in connection with the taking of any decision or action by or on behalf of the Bondholders or any of them;
- (iv) to change this definition, or the definition of "Extraordinary Resolution", "Single Series Extraordinary Resolution", "Multiple Series Single Limb Extraordinary Resolution", "Multiple Series Two Limb Extraordinary Resolution", "Written Resolution", "Single Series Written Resolution", "Multiple Series Single Limb Written Resolution" or "Multiple Series Two Limb Written Resolution";
- (v) to change the definition of "debt securities" or "Debt Securities Capable of Aggregation";
- (vi) to change the definition of "Uniformly Applicable";

- (vii) to change the definition of "Outstanding" or to modify the provisions of Condition 12(j);
- (viii) to change the legal ranking of the Bonds set out in Conditions 3 and/or 4;
- (ix) to change any provision of the Bonds describing circumstances in which Bonds may be declared due and payable prior to their scheduled maturity date, as set out in Condition 9;
- (x) to change the law governing the Bonds;
- (xi) to impose any condition on or otherwise change the Russian Federation's obligation to make payments of principal, interest or any other amount in respect of the Bonds, including by way of the addition of a call option;
- (xii) to modify the provisions of this Condition 12(f);
- (xiii) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Bonds or to change the terms of any such guarantee or security; or
- (xiv) to exchange or substitute all the Bonds for, or convert all the Bonds into, other obligations or securities of the Issuer or the Russian Federation or any other person, or to modify any provision of these Conditions in connection with any exchange of the Bonds for, or the conversion of the Bonds into, any other obligations or securities of the Issuer or the Russian Federation, which would result in the Conditions as so modified being less favourable to the Bondholders which are subject to the Conditions as so modified than:
 - (A) the provisions of the other obligations or debt securities of the Issuer or the Russian Federation or any other person resulting from the relevant exchange or conversion; or
 - (B) if more than one series of other obligations or debt securities results from the relevant exchange or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount.

(g) **Information**

- (i) Prior to or on the date that the Issuer proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 12(c), Condition 12(d) or Condition 12(e), the Issuer shall publish in accordance with Condition 13, the following information:
 - (A) a description of the Russian Federation's economic and financial circumstances which are, in the Issuer's opinion, relevant to the request for any potential modification or action, a description of the Russian Federation's existing debts and a description of its

broad policy reform programme and provisional macroeconomic outlook;

- (B) if the Russian Federation shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement and where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;
- (C) a description of the Russian Federation's proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and
- (D) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Bondholders in Condition 12(a)(iv)(G).

(h) **Claims Valuation**

For the purpose of calculating the par value of the Bonds and any affected series of debt securities which are to be aggregated with the Bonds in accordance with Condition 12(d) and Condition 12(e), the Issuer may appoint a Calculation Agent. The Issuer shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the Calculation Agent will calculate the par value of the Bonds and such affected series of debt securities. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Bonds and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

(i) **Manifest error**

The Bonds and these Conditions may be amended without the consent of the Bondholders to correct a manifest error.

(j) **Bonds controlled by the Russian Federation**

- (i) For the purposes of (a) determining the right to attend and vote at any meeting of Bondholders, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution, (b) Conditions 12(a)(v) and 12(a)(vi) and (c) Condition 9, Bonds shall be disregarded and shall not be Outstanding if they are held by or on behalf of (x) the Russian Federation or any public sector instrumentality or (y) a corporation, trust, financial institution or other entity that is controlled

directly or indirectly by the Russian Federation or any public sector instrumentality in cases where the holder of the Bond does not have autonomy of decision, where:

- (A) the holder of a Bond for these purposes is the entity legally entitled to vote the Bond for or against a proposed modification or, if different, the entity whose consent or instruction is by contract required, directly or indirectly, for the legally entitled holder to vote the Bond for or against a proposed modification;
 - (B) "public sector instrumentality" means the Bank of Russia or any department, ministry or agency of the Russian Federation;
 - (C) "control" means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity; and
 - (D) the holder of a Bond has autonomy of decision if, under applicable law, rules or regulations and independent of any direct or indirect obligation the holder may have in relation to the Russian Federation or any public sector instrumentality, as applicable:
 - (1) the holder may not, directly or indirectly, take instruction from the Issuer or public sector instrumentality, as applicable, on how to vote on a proposed modification; or
 - (2) the holder, in determining how to vote on a proposed modification, is required to act in accordance with an objective prudential standard, in the interest of all of its stakeholders or in the holder's own interest; or
 - (3) the holder owes a fiduciary or similar duty to vote on a proposed modification in the interest of one or more persons other than a person whose holdings of Bonds (if that person then held any Bonds) would be deemed to be not Outstanding.
- (ii) In advance of any meeting of Bondholders, or in connection with any Written Resolution, the Issuer shall make available for inspection a certificate prepared pursuant to Condition 13(d) which includes information on the total number of Bonds which are for the time being held by or on behalf of (x) the Russian Federation or any public sector instrumentality or (y) a corporation, trust, financial institution or other entity that is controlled directly or indirectly by the Russian Federation or any public sector instrumentality in cases where the holder of the

Bond does not have autonomy of decision (as such term is used in Condition 12(j)(i)) and, as such, such Bonds shall be disregarded and deemed not to remain Outstanding for the purposes described in Condition 12(j)(i). The Issuer shall make any such certificate available for inspection during normal business hours at its specified office and, upon reasonable request, will allow copies of such certificate to be taken.

(k) **Publication**

The Issuer shall publish all Extraordinary Resolutions and Written Resolutions which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 13(g).

(l) **Exchange and Conversion**

Any Extraordinary Resolutions or Written Resolutions which have been duly passed and which modify any provision of, or action in respect of, the Conditions may be implemented at the Issuer's option by way of a mandatory exchange or conversion of the Bonds and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Bonds is notified to Bondholders at the time notification is given to the Bondholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Bondholders.

13. **AGGREGATION AGENT; AGGREGATION PROCEDURES**

(a) **Appointment**

The Issuer will appoint an Aggregation Agent to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Bonds and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Issuer.

(b) **Extraordinary Resolutions**

If an Extraordinary Resolution has been proposed at a duly convened meeting of Bondholders to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Bonds and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

(c) **Written Resolutions**

If a Written Resolution has been proposed under the Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Bonds and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

(d) **Certificate**

- (i) For the purposes of Condition 13(b) and Condition 13(c), the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in Condition 12(c), Condition 12(d) or Condition 12(e), as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution:
- (ii) The certificate shall:
 - (A) list the total principal amount of Bonds and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and
 - (B) clearly indicate the Bonds and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain Outstanding as a consequence of Condition 12(j) on the record date identifying the holders of the Bonds and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.
- (iii) The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

(e) **Notification**

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 13 to be notified to the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given to the Bondholders.

(f) **Binding nature of determinations; no liability**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 13 by the Aggregation Agent and any appointed Calculation Agent

will (in the absence of manifest error) be binding on the Issuer and the Bondholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(g) **Manner of publication**

The Issuer will publish all notices and other matters required to be published pursuant to Condition 12, this Condition 13 and Condition 9:

- (i) on <https://minfin.gov.ru/>;
- (ii) in such other places and in such other manner as may be required by applicable law or regulation; and
- (iii) in such other places and in such other manner as may be customary.

14. **FURTHER ISSUES**

The Russian Federation shall be at liberty from time to time, without the consent of the Bondholders, to create and issue further bonds ranking equally in all respects (or in all respects save for payments made prior to the issuance of such further bonds and, if applicable, the date and amount of the first payment on such further bonds) so that the same shall be consolidated and form a single series with the Bonds.

15. **NOTICES**

Notices to the Bondholders will be sent to them by mail (airmail if overseas) at their respective addresses on the Register, and will be deemed to have been given on the fourth day after the date of mailing. So long as the Bonds are listed on the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**") and the rules and guidelines of that exchange so require, notices will be published via the companies' announcements of the Euronext Dublin. Any such notice shall be deemed to have been given on the date of such publication, or if published more than once or on different dates, on the first date on which publication is made.

16. **CURRENCY INDEMNITY**

Save as otherwise provided in Condition 7 hereof, Euro is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Bonds, including damages. Except in the case of an Alternative Payment Currency Event, any amount received or recovered in a currency other than Euro (whether as a result of, or the enforcement of, a judgement or order of a court of any jurisdiction or otherwise) by any Bondholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of Euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that Euro amount is less than Euro amount expressed to be due to the recipient under any Bond (a "**Currency Indemnity Event**"), the Issuer shall indemnify such recipient against any loss sustained by it as a result. In a Currency Indemnity Event, the Issuer shall

indemnify the recipient against the cost of making any such purchase. These indemnities constitute separate and independent obligations from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Bondholder and shall continue in full force and effect despite any judgement, order, claim or proof for a liquidated amount in respect of any sum due under any Bond or any judgement or order.

17. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

18. **GOVERNING LAW**

The Bonds and any non-contractual obligations arising out of or in connection with them shall be governed by and construed in accordance with the laws of England.

TERMS AND CONDITIONS OF THE 2032 BONDS

The following is the text of the terms and conditions of the 2032 Bonds which, subject to amendment, will be endorsed on each Bond Certificate (as defined below) and will be attached and (subject to the provisions thereof) apply to the Global Bond representing the 2032 Bonds.

The 2032 Bonds will initially be issued in the form of the Global Bond deposited with and registered in the name of NSD, which will hold the Global Bond on behalf of its participants, including Euroclear. No definitive Bond Certificates will be issued except in the limited circumstances described in "Overview of Provisions Relating to the Bonds While in Global Form—Exchange of Interests in Global Bond for Bond Certificates".

The EUR 1,250,000,000 1.850 per cent. Bonds due 2032 (the "**Bonds**") (which expression includes any further bonds issued pursuant to Condition 14 and forming a single series with the Bonds) of the Ministry of Finance of the Russian Federation (the "**Ministry of Finance**" or the "**Issuer**") acting on behalf of the Russian Federation (the "**Russian Federation**") were authorised pursuant to Chapter 14.1 of the Budget Code of the Russian Federation (as amended) "Issuance and Circulation of State (Municipal) Securities"; Federal Law No. 380-FZ of 2 December 2019 "On the Federal Budget for 2020 and planning period of 2021 and 2022"; Decree of the Government of the Russian Federation dated 18 December 2019 No. 3078-р; Resolution of the Government of the Russian Federation dated 8 April 2010 No. 217; Order of the Ministry of Finance dated 24 February 2012 No. 31n and Order of the Ministry of Finance dated 12 November 2020 No. 1032.

1. **FORM, DENOMINATION AND TITLE**

(a) **Form and Denomination**

The Bonds are in definitive fully registered form, without interest coupons attached, in the denomination of EUR 100,000 (the "**authorised denomination**"). A certificate (each a "**Bond Certificate**") will be issued to each Bondholder in respect of its registered holding or holdings of Bonds. Each Bond Certificate will be numbered serially with an identifying number which will be recorded in the register (the "**Register**") which shall be kept either by the Issuer or by an agent acting on its behalf (the Issuer or such agent, in such capacity, the "**Registrar**").

(b) **Title**

Title to the Bonds will be evidenced and will pass by and upon registration in the Register. In these Conditions, "**Bondholder**" and "**holder**" mean the person in whose name a Bond is registered in the Register (or, in the case of joint holders, the first-named thereof). The holder of any Bond will (except as otherwise requested by such holder in writing, or as otherwise ordered by a court of competent jurisdiction or required by law) be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or any interest therein, any writing thereon by any person (other than a duly executed transfer thereof in the form endorsed thereon) or any notice of any previous theft or loss thereof, and no person will be liable for so treating the holder.

2. **TRANSFER OF BONDS AND ISSUE OF BONDS**

(a) **Transfer**

Subject to Condition 2(d), a Bond may be transferred in whole or in part in the authorised denomination upon the surrender of the Bond Certificate representing that Bond, together with the form of transfer (including any certification as to compliance with restrictions on transfer included in such form of transfer) endorsed thereon (the "**Transfer Form**") duly completed and executed, at the specified office of the Registrar or any agent (which may include the Issuer itself) appointed by the Issuer for purposes of recording transfers (a "**Transfer Agent**"), together with such evidence as the Registrar or, as the case may be, such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the persons who have executed the Transfer Form. In the case of a transfer of only part of the Bonds represented by a Bond Certificate, neither the part transferred nor the balance not transferred may be less than the authorised denomination and a new Bond Certificate in respect of the balance not so transferred will be issued to the transferor.

(b) **Delivery**

Each new Bond Certificate to be issued upon a transfer of any Bonds will, within five business days of the request for transfer being duly made, be delivered at the specified office of the Registrar or, as the case may be, any Transfer Agent or (at the request and the risk of such transferee) be mailed by uninsured post to such address as the transferee entitled to the Bonds represented by such Bond Certificate may have specified. In this Condition 2(b), "business day" means a day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign currencies) in the cities in which the Registrar and any such Transfer Agent have their respective specified offices.

(c) **No Charge**

Registration or transfer of Bonds will be effected without charge to the holder or transferee thereof, but upon payment (or against such indemnity from the holder or the transferee thereof as the Registrar or the relevant Transfer Agent may reasonably require) in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such registration or transfer.

(d) **Closed Periods**

No Bondholder may require the transfer of a Bond to be registered during the period of 15 calendar days ending on the due date for any payment of principal in respect of such Bond.

3. **STATUS**

The Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Russian Federation and the full faith and credit of the Russian Federation is pledged for the due and punctual payment of principal of, and interest on, the Bonds and for the performance of all other obligations of the Russian Federation pursuant to

the Bonds. As at their date of issue, the Bonds rank *pari passu* without any preference among themselves and *pari passu* with all other unsecured and unsubordinated obligations of the Russian Federation.

4. **NEGATIVE PLEDGE AND COVENANT**

(a) **Negative Pledge**

So long as any of the Bonds remains Outstanding, the Russian Federation will not create or permit to subsist any Lien upon the whole or any part of the International Monetary Assets to secure any Public External Indebtedness unless, at the same time or prior thereto, the obligations of the Russian Federation under the Bonds are secured equally and rateably therewith.

(b) **Covenant**

So long as any Bond remains Outstanding, the Russian Federation shall obtain, and do or cause to be done all things necessary to ensure the continuance of, all consents, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, which may at any time be required to be obtained or made in the Russian Federation for the execution, delivery or performance of the Bonds or for the validity or enforceability thereof.

(c) **Definitions**

In these Conditions:

"Excluded Indebtedness" means any obligation of the Russian Federation, the Government of the Russian Federation, the Ministry of Finance, Vnesheconombank of the U.S.S.R. (now known as state corporation VEB.RF) or any other person that may arise from time to time representing restructured indebtedness originally incurred prior to 1 January 1992 by the government of the former Soviet Union or any of its legally authorised entities, other than the Russian Federation U.S. Dollar Denominated Bonds due 2007 to 2030.

"External Indebtedness" means Indebtedness (i) which is not Excluded Indebtedness, (ii) which is denominated or payable, or at the option of the relevant creditor or holder thereof may be payable, in a currency other than the lawful currency of the Russian Federation and (iii) which was not originally incurred or assumed under an agreement or instrument made with or issued to creditors substantially all of whom were residents of the Russian Federation or entities having their head office or principal place of business within the territory of the Russian Federation. For the avoidance of doubt, External Indebtedness does not include Internal Government Hard Currency Bonds known as "OVVZs", "Taiga" bonds or "MinFins" or any bonds representing restructured internal hard currency bonds of the Government of the Russian Federation.

"Government of the Russian Federation" means the Government of the Russian Federation as provided in Article 110 of the Constitution of the Russian Federation, or any successor article, from time to time.

"**IMF**" means the International Monetary Fund.

"**Indebtedness**" means any legal obligation or any obligation intended by its terms to be a legal obligation (whether present or future, actual or contingent, secured or unsecured, incurred as principal, surety, guarantor or otherwise) for the payment or repayment of borrowed money created (or intended by its terms to have been created) under an agreement or instrument in which the Russian Federation, the Government of the Russian Federation or the Ministry of Finance is designated as the obligor, or which by operation of Russian law constitutes a legal obligation of the Russian Federation, the Government of the Russian Federation or the Ministry of Finance (it being understood that neither the Central Bank of the Russian Federation, nor any political subdivision, regional or municipal government, ministry (other than the Ministry of Finance), department, authority or statutory corporation of the Russian Federation nor any joint stock company, enterprise or other entity organised or existing under the laws or regulations of the Russian Federation or any of the above, is considered to be part of the Russian Federation, the Government of the Russian Federation or the Ministry of Finance for purposes hereof).

"**International Monetary Assets**" means all official holdings of gold, special drawing rights, reserve positions in the fund and foreign exchange of the Ministry of Finance or the Government of the Russian Federation from time to time (but not, for the avoidance of doubt, any such assets of the Central Bank of the Russian Federation at any time), and the terms "special drawing rights", "reserve positions in the fund" and "foreign exchange" have, as to the types of assets included, the meanings formally adopted by the IMF from time to time.

"**Lien**" means any lien, pledge, hypothecation, mortgage, security interest, deed of trust, charge or any other encumbrance arising under a security agreement or arrangement.

"**Outstanding**" means in relation to the Bonds (including, for the avoidance of doubt, Direct Rights (as defined in the Global Bond) in respect thereof), all such Bonds other than:

- (i) those which have been redeemed in accordance with the Conditions;
- (ii) to the extent that the Issuer has appointed any party to act as fiscal agent in respect of the Bonds (a "**Fiscal Agent**") or otherwise to make payment on its behalf under the Bonds (a "**Paying Agent**"), those in respect of which the date for redemption in accordance with the Conditions has occurred and the redemption monies wherefor (including all interest accrued thereon to such date for redemption) have been duly paid to any such Fiscal Agent or Paying Agent in the manner provided for herein (and, where appropriate, notice to that effect has been given to the relative Bondholders in accordance with the Conditions);
- (iii) those which have been purchased and surrendered for cancellation as provided in the Conditions and notice of the cancellation of which has been given to the Issuer or any such Fiscal Agent appointed to act on its behalf;

- (iv) those which have become void under the Conditions;
- (v) those mutilated or defaced Bonds which have been surrendered or cancelled and in respect of which replacement Bonds have been issued pursuant to the Conditions;
- (vi) (for the purpose only of ascertaining the amount of the Bonds outstanding and without prejudice to the status for any other purpose of the relevant Bonds) those Bonds the Bond Certificates in respect of which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to the Conditions; and
- (vii) any Global Bond to the extent that it has been validly exchanged for Bond Certificates in accordance with its terms;

and furthermore Bonds shall not be Outstanding in the circumstances set out in, and solely for the purposes of, Condition 12(j).

"Public External Indebtedness" means External Indebtedness which (i) is in the form of, or represented by, bonds, notes or other securities or any guarantee thereof and (ii) is, or may be, quoted, listed or ordinarily purchased and sold on any stock exchange, automated trading system or over-the-counter or other securities market (including, without prejudice to the generality of the foregoing, the market for securities eligible for resale pursuant to Rule 144A under the United States Securities Act of 1933, as amended (the **"Securities Act"**)).

5. **INTEREST**

Each Bond bears interest on its outstanding principal amount from 20 November 2020 at 1.850 per cent. per annum, payable annually in arrear on 20 November in each year until maturity, commencing on 20 November 2021 (each, an **"Interest Payment Date"**). Interest will be paid subject to and in accordance with the provisions of Condition 7. The period beginning on and including 20 November 2020 and ending on but excluding the first Interest Payment Date (the **"Interest Payment Date"**) and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next successive Interest Payment Date is called an **"Interest Period"**.

Each Bond will cease to bear interest from the due date for redemption unless, after surrender of such Bond, payment of principal is improperly withheld or refused, in which case the outstanding principal amount of such Bond will continue to bear interest at the rate specified above (after as well as before judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder and (b) the day which is seven days after notice has been given to the Bondholders that the Fiscal Agent has received all sums due in respect of the Bonds up to such seventh day (except, in the case of payment to the Fiscal Agent, to the extent that there is any subsequent default in payment in accordance with these Conditions).

If interest is to be calculated in respect of a period other than an Interest Period, the day-count fraction applied to calculate the amount of interest payable in respect of each

Bond shall be the number of days in the relevant period, from (and including) the date from which interest begins to accrue, to (but excluding) the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last) and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6. **REDEMPTION, PURCHASE AND CANCELLATION**

(a) **Redemption**

Unless previously redeemed, or purchased and cancelled, each Bond will be redeemed at its principal amount on 20 November 2032 (the "**Maturity Date**") subject as provided in Condition 7.

(b) **Purchase and Cancellation**

The Russian Federation and its affiliates may at any time purchase Bonds in the open market or otherwise at any price. Any Bonds so purchased may be cancelled or held and resold (provided that such resale is outside the United States, as defined in Regulation S under the Securities Act). Any Bonds so cancelled will not be reissued.

7. **PAYMENTS**

(a) **Principal**

Payments of principal in respect of each Bond will be made by transfer to an account of the Bondholder in the relevant currency. Such payment will be made only upon presentation and surrender of the relevant Bond Certificate at the specified office of the Issuer or any Paying Agent, to the extent that the Issuer has appointed any such Paying Agent, and will be rounded downwards, if necessary, to the nearest cent.

For the purposes of this Condition 7(a) the holder of such Bond will be deemed to be the person shown as the holder (or the first-named of joint holders) on the Register at the Registrar's close of business on the fifteenth day before the due date for such payment of principal and the outstanding amount of each Bondholder's registered holding will be deemed to be the amount shown as such on the Register for such Bondholder at the same time on that date.

In these Conditions:

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007 or any successor thereto;

"**TARGET System**" means the TARGET2 system.

(b) **Interest**

Payments of interest in respect of each Bond will be made by transfer to an account of the Bondholder in the relevant currency.

For the purposes of this Condition 7(b) the holder of such Bond will be deemed to be the person shown as the holder (or the first-named of joint holders) on the Register at the Registrar's close of business on the fifteenth day before the due date for such payment of interest.

(c) **Payments Subject to Fiscal Laws**

All payments of principal and interest in respect of the Bonds are subject in all cases to (i) any applicable fiscal or other laws and regulations and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, (or any regulations or agreements thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement), but in each case without prejudice to the provisions of Condition 8.

(d) **Payments of Alternative Payment Currency Equivalent**

Notwithstanding any other provision in these Conditions, if, for reasons beyond its control, the Russian Federation is unable to make payments of principal or interest (in whole or in part) in respect of the Bonds in euro (an "**Alternative Payment Currency Event**"), the Russian Federation shall make such payments (in whole or in part) in the Alternative Payment Currency on the due date at the Alternative Payment Currency Equivalent of any such euro-denominated amount. If an Alternative Payment Currency Event occurs, the Issuer shall give not less than 15 business days' notice to the Bondholders prior to the due date for payment, indicating the Alternative Payment Currency in which payments will be made. Such notice shall apply on all subsequent payment dates unless and until the Russian Federation provides a subsequent notice that payments shall once again be made in euro.

In the case of an Alternative Payment Currency Event, payment of the Alternative Payment Currency Equivalent of the relevant principal or interest in respect of the Bonds shall be made by transfer to the applicable Alternative Payment Currency account of the relevant Bondholder, provided that such Bondholder has provided details of its Alternative Payment Currency account for receipt of such payments.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of these Conditions by the exchange rate calculation agent, will (in the absence of manifest error) be binding on the Russian Federation and all Bondholders.

(e) **Currency Election**

Notwithstanding any other provision in these Conditions (including Condition 7(d) above, save where the Alternative Payment Currency selected by the Russian Federation is the Russian rouble), a Bondholder may, no earlier than thirty business days and no later than the fifth business day before the due date for any payment of interest or principal in respect of the Bonds, give an irrevocable election notice to the Registrar to receive such payment of interest or principal, as the case may be, in Russian roubles ("**Currency Election**"). The election notice for receiving the relevant payments on the Bonds in Russian roubles must be submitted by a Bondholder for each payment separately. Upon any such election in accordance with the foregoing, such interest or principal will be converted into Russian roubles by the National Settlement Depository ("**NSD**") and paid to the relevant Bondholders on the relevant payment date in Russian roubles in the amount calculated at the Exchange Rate, to an account specified in the currency election notice to the Registrar.

(f) **Commissions**

No commissions or expenses shall be charged to the Bondholders in respect of any payments of principal or interest in respect of the Bonds.

(g) **Payments on Business Days**

Payment instructions (for value the due date or, if that is not a business day, for value the first following day which is a business day) will be initiated on the due date for payment or, if later, in the case of principal and interest due on redemption, on the business day on which the relevant Bond Certificate is presented and surrendered to the Issuer or, to the extent that a Paying Agent has been appointed, at the specified office of any such Paying Agent.

In these Conditions, "**business day**" means a day on which the TARGET System is open and, in the case of the surrender of a Bond Certificate, in the place where the Bond Certificate is surrendered. In the case of a payment of an Alternative Payment Currency Equivalent denominated in U.S. dollar, a "business day" will only occur on a day (other than a Saturday or Sunday) on which commercial banks are open for business in Moscow, London and New York City. In the case of a payment of an Alternative Payment Currency Equivalent denominated in Swiss francs, a "business day" will only occur on a day on which commercial banks are open for business in Zurich.

(h) **Delay in Payments**

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving any amount due in respect of any Bond as a result of (i) the due date not being a business day; or (ii) the Bondholder being late in presenting or surrendering its Bond Certificate (if required to do so).

(i) **Partial Payments**

If at any time a partial payment is made in respect of any Bond, the Registrar shall endorse the Register with a statement indicating the amount and date of such payment.

(j) **Agents**

Initially, the Issuer shall perform the roles ascribed to any Fiscal Agent, Paying Agent and Transfer Agent (each, an "**Agent**") in these Conditions. The Issuer reserves the right at any time to appoint additional or other Agents and vary or terminate the appointment of any Agent. In the event that any Agent so appointed, other than the Issuer, is unable or unwilling to continue performing any such role, the Issuer shall appoint one or more financial institutions of international standing duly authorised by applicable law to act in such capacity, and, in the case of a Paying Agent, by law of the jurisdictions of the currency in which payment is to be made to perform such role. Notice of any appointment of an Agent and its specified office, or any change in the Agents or their specified offices, will promptly be given to the Bondholders in accordance with Condition 15.

(k) **Definitions**

In these Conditions:

"**Alternative Payment Currency**" means U.S. dollars, Pound sterling or Swiss francs or, if for reasons beyond its control the Russian Federation is unable to make payments of principal or interest (in whole or in part) in respect of the Bonds in any of these currencies, Russian roubles.

"**Alternative Payment Currency Equivalent**" means the relevant euro amount converted into the Alternative Payment Currency using the Exchange Rate for the relevant Calculation Date.

"**Calculation Date**" means the day which is two business days (as defined herein) before the due date for payment of the relevant amount under the Conditions.

"**Exchange Rate**" means, for a Calculation Date, (i) if the Alternative Payment Currency is the U.S. dollars, the rate for the purchase of Euros with U.S. dollars quoted by the European Central Bank at or around 11 a.m. (Central European time), (ii) if the Alternative Payment Currency is the Pound sterling, the rate for the purchase of Euros with Pound sterling quoted by the Bank of England at or around 11 a.m. (London time), (iii) if the Alternative Payment Currency is the Swiss franc, the rate for the purchase of Euros with Swiss francs quoted by the Swiss National Bank at or around 11 a.m. (Central European time), or (iv) if the Alternative Payment Currency is the Russian rouble and for the purposes of the Currency Election, a purchase price equal to (a) the bid price then used by NSD to purchase Russian roubles with euro or Alternative Payment Currency other than Russian roubles, if applicable, for its own account, or (b) if no such bid price is then available from NSD, at the bid price for the purchase of Russian

roubles with euro or Alternative Payment Currency other than Russian roubles, if applicable, quoted by a leading foreign exchange bank in Moscow, London or New York City selected by NSD. In the case of the Currency Election, NSD shall ensure that the purchase of Russian roubles with the related euro or Alternative Payment Currency amount represents the "best execution" of that trade then available to NSD. With respect to (i) to (iii) above, in the event that any such rate cannot be determined at the relevant time, the Exchange Rate shall be the rate for the purchase of euro with the Alternative Payment Currency quoted by a major bank in the London market at approximately the relevant time, for a transaction of a size approximately equal to that of the payment being made.

8. TAXATION

All payments of principal and interest in respect of the Bonds by the Russian Federation shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Russian Federation or any political subdivision or any authority thereof or therein having power to tax (together, "**Taxes**"), unless such withholding or deduction is required by law. If at any time any Taxes are withheld or deducted from such a payment by the Russian Federation, the Russian Federation shall increase the payment of principal or interest, as the case may be, to such amount as will result in the receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such increased amount shall be payable:

- (a) to a holder, or to a third party on behalf of a holder, if such holder is liable to such Taxes by reason of having some connection with the Russian Federation other than the mere holding of a Bond or the receipt of payments thereunder; or
- (b) if the Bond Certificate representing a Bond is presented and surrendered for payment more than 30 days after the Relevant Date, except to the extent that the holder would have been entitled to such additional amounts on presentation and surrender of such Bond Certificate for payment on the last day of such period of 30 days.

If, in relation to any payment under the Bonds (a "**Payment**"), any Bondholder has received any increased amount as provided in this Condition 8, the Russian Federation shall have the right to retain any refund of any amount withheld or deducted in respect of such Payment, which refund may be available under a tax treaty or otherwise to such Bondholder. Notwithstanding the foregoing, no Bondholder makes any representation or warranty that the Russian Federation will be entitled to any such refund (or to make any claim in respect thereof) and no Bondholder shall incur any obligation with respect thereto (including, without limitation, incurring any expense or liability in connection therewith).

For the avoidance of doubt, the Russian Federation acknowledges that it shall have no right to make any deduction or withholding in respect of (nor will it purport to set off any amount equal to) any such refund from any payment in respect of any Bond.

In these Conditions, "**Relevant Date**" means whichever is the later of (i) the date on which the payment in question first becomes due and (ii) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Bondholders.

Any reference in these Conditions to principal or interest in respect of the Bonds shall be deemed to include any increased amounts which may be payable under this Condition 8.

9. **EVENTS OF DEFAULT**

If any of the following occurs and is continuing (each an "**Event of Default**") in respect of the Bonds, as applicable:

(a) **Non-payment**

The Russian Federation fails to pay any amount of principal or interest in respect of the Bonds, as the case may be, when due and such failure continues for a period of 30 calendar days; or

(b) **Breach of other obligations or undertakings**

The Russian Federation defaults in performance or observance of or compliance with any of its other obligations or undertakings in respect of the Bonds, as the case may be, which default (if capable of remedy) is not remedied within 60 days after written notice of such default shall have been given to the Russian Federation by any holder of the Bonds, as the case may be, it being understood that a default in respect of the undertaking set forth in Condition 4(a) shall be deemed capable of remedy for purposes hereof; or

(c) **Cross-acceleration**

Any Public External Indebtedness shall become due and payable prior to the stated maturity thereof otherwise than at the option of the debtor following a default or the Russian Federation, the Government of the Russian Federation or the Ministry of Finance shall fail to make the final payment of principal in respect of any Public External Indebtedness on the date on which such final payment is due and payable or at the expiration of any grace period originally applicable thereto or, in the case of any guarantee which constitutes Public External Indebtedness, the underlying obligation in respect of which such guarantee has been given shall have become due and payable prior to the stated maturity thereof otherwise than at the option of the debtor following a default or the debtor shall have failed to make the final payment of principal in respect of such underlying obligation on the date on which such final payment is due and payable or at the expiration of any grace period originally applicable thereto and the guarantee shall not be honoured when due and called upon; provided that the aggregate amount of the relevant Public External Indebtedness in respect of which one or more of the events mentioned in this Condition 9(c) shall have occurred equals or exceeds U.S.\$75,000,000 (or its equivalent in any other currency or currencies); and provided, further, that any secured Public

External Indebtedness that by its terms is fully non-recourse to the Russian Federation, the Government of the Russian Federation or the Ministry of Finance shall not be counted as Public External Indebtedness for purposes of this Condition 9(c); or

(d) **Moratorium**

A moratorium on the payment of principal of, or interest on, all or any part of Public External Indebtedness; or

(e) **Unlawfulness or Invalidity**

The validity of the Bonds is contested by the Russian Federation or any agency or entity acting on behalf of the Russian Federation or the Russian Federation or any agency or entity acting on behalf of the Russian Federation shall deny any of the Russian Federation's obligations under the Bonds or it is or will become unlawful for the Russian Federation to perform or comply with any of its obligations under or in respect of the Bonds or any of such obligations shall be or become unenforceable or invalid; or

(f) **Consents etc.**

Any regulation, decree, consent, approval, licence or other authority necessary to enable the Russian Federation to enter into or perform its obligations under the Bonds or for the validity or enforceability thereof shall expire or be withheld, revoked or terminated or otherwise be void or cease to remain in full force and effect or shall be modified in a manner which adversely affects any rights or claims of any of the holders of the Bonds, as the case may be; or

(g) ***Pari passu***

The Bonds do not rank *pari passu* without any preference among themselves or *pari passu* with any other unsecured and unsubordinated obligations of the Russian Federation, and any such failure to rank *pari passu* continues for a period of 60 calendar days,

then holders of 25 per cent. or more in aggregate outstanding principal amount of the Bonds may declare the Bonds to be immediately due and payable whereupon the Bonds shall become immediately due and payable at their principal amount, together with accrued interest, without any further formality.

If the Russian Federation receives notice in writing from holders of at least 50 per cent. in aggregate principal amount of the outstanding Bonds to the effect that the Event of Default or Events of Default giving rise to any above mentioned declaration of acceleration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn, the Russian Federation shall give notice thereof to the Bondholders (with a copy to the Fiscal Agent), whereupon the relevant declaration shall be withdrawn and shall have no further effect, but without prejudice to any rights or obligations which may have arisen before the Russian Federation gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal

shall affect any other or any subsequent Event of Default or any right of any Bondholder in relation thereto.

10. PRESCRIPTION

Claims against the Russian Federation in respect of principal and interest shall become void unless made within a period of three years from the date following the Maturity Date or a relevant Interest Payment Date, as applicable.

11. REPLACEMENT OF BOND CERTIFICATES

If any Bond Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issuer or, if there is one that is not the Issuer, the specified office of the Registrar or the Transfer Agent subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Bond Certificates must be surrendered before replacements will be issued.

12. MEETINGS OF BONDHOLDERS; WRITTEN RESOLUTIONS

(a) Certain Provisions for Meetings of Bondholders

- (i) A holder of a Bond may by an instrument in writing (a "form of proxy") in the form included with the notice convening a meeting of Bondholders pursuant to Condition 12(b)(iv)(D) or available from the specified office of the Issuer or, if there is one that is not the Issuer, the specified office of the Fiscal Agent or the Registrar, as the case may be, in the English language, signed by the holder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation and delivered to the Issuer or, if there is one that is not the Issuer, the Fiscal Agent or the Registrar, as the case may be, not less than 24 hours before the time fixed for any meeting, appoint any person (a "proxy") to act on his or its behalf in connection with any meeting or proposed meeting of Bondholders or the signing of any Written Resolution that the holder is entitled to sign. The proxy named in any form of proxy need not be a Bondholder.

In these Conditions, "24 hours" shall mean a period of 24 hours including all or part of a day upon which banks are open for business in both the place where the relevant meeting is to be held and in Moscow (disregarding for this purpose the day upon which such meeting is to be held) and any such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of a day upon which banks are open for business as aforesaid.

- (ii) Any holder of a Bond which is a corporation may by delivering to the Issuer, or if there is one that is not the Issuer, the Fiscal Agent or the Registrar, as the case may be, not later than 24 hours before the time

fixed for any meeting a resolution of its directors or other governing body in the English language authorising any person to act as its representative (a "**representative**") in connection with any meeting or proposed meeting of Bondholders.

- (iii) Any proxy appointed pursuant to Condition 12(a)(i) above or representative appointed pursuant to Condition 12(a)(ii) above shall so long as such appointment remains in force be deemed, for all purposes in connection with any meeting or proposed meeting of Bondholders or the signing of any Written Resolution specified in such appointment, to be the holder of the Bond to which such appointment relates and the holder of the Bond shall be deemed for all such purposes not to be the holder. Any vote cast by a proxy will be valid notwithstanding the prior revocation or amendment of the appointment of that proxy unless the Issuer has received notice or has otherwise been informed of the revocation or amendment at least 24 hours before the time fixed for the commencement of the meeting at which the proxy intends to cast its vote or, if applicable, the signing of a Written Resolution.
- (iv) A person (who may, but need not, be a Bondholder) nominated in writing by the Issuer may take the chair at every such meeting but, if no such nomination is made or if at any meeting the person nominated shall not be present within 15 minutes after the time fixed for the meeting, Bondholders present representing more than 50 per cent. of the aggregate principal amount of the Bonds then Outstanding represented at the meeting shall appoint a chairman. The chairman of an adjourned meeting need not be the same person as was chairman of the original meeting.
- (v) Unless all of the Outstanding Bonds are held by one person (in which case the quorum shall be at least one person present in person holding all such Bonds or being a proxy or a representative and holding or representing all of such Bonds), subject as provided below, at any such meeting any two or more persons present in person holding Bonds or being proxies or representatives and holding or representing in the aggregate not less than one tenth in principal amount of the outstanding Bonds shall (except for the purpose of voting on a proposed modification of a Reserved Matter or non-Reserved Matter) form a quorum for the transaction of business, and no business (other than the choosing of a chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of business. The quorum at any such meeting for voting on a proposed modification of a non-Reserved Matter shall (subject as aforesaid in the event that all the outstanding Bonds are held by one person and subject as provided below) be two or more persons present in person holding Bonds or being proxies or representatives and holding or representing at least 50 per cent. of the aggregate principal amount of the outstanding Bonds; provided that, at any meeting the business of which includes any of the Reserved Matters (as defined below), unless all the outstanding Bonds are held by one person (in which case, the quorum shall be at least one person present in

person holding all such Bonds or being a proxy or a representative and holding or representing all of such Bonds), the quorum shall be two or more persons present in person holding Bonds or being proxies or representatives and holding or representing at least $66\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding Bonds.

- (vi) If within 30 minutes from the time fixed for any such meeting a quorum is not present, the meeting shall stand adjourned for such period, not being less than 14 days nor more than 42 days, and to such place, as may be decided by the chairman. Unless all of the outstanding Bonds are held by one person (in which case the quorum shall be at least one person present holding all such Bonds or being a proxy or a representative and holding or representing all of such Bonds), at any adjourned meeting at which Bondholders will vote on a proposed modification of a non-Reserved Matter, two or more persons holding Bonds or being proxies or representatives and holding or representing at least 25 per cent. of the aggregate principal amount of the outstanding Bonds shall form a quorum and may pass any resolution and decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place had a quorum been present at such meeting. At any adjourned meeting at which Bondholders will vote on a proposed modification of a Reserved Matter, unless all the outstanding Bonds are held by one person (in which case the quorum shall be at least one person present holding all such Bonds or being a proxy or a representative and holding or representing all of such Bonds), the quorum shall be two or more persons so present holding Bonds or being proxies or representatives and holding or representing at least 25 per cent. of the aggregate principal amount of the outstanding Bonds.
- (vii) The chairman may, with the consent of (and shall if directed by) any meeting, adjourn such meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place.
- (viii) At least 10 days' notice of any meeting adjourned through want of a quorum shall be given in the same manner as for an original meeting, and such notice shall state the quorum required at such adjourned meeting. It shall not, however, otherwise be necessary to give any notice of an adjourned meeting.
- (ix) The Issuer, the Russian Federation and its financial and legal advisers may attend and speak at any meeting of Bondholders. No one else may attend at any meeting of Bondholders or join with others in requesting the convening of such a meeting unless he is the holder of a Bond or is a proxy or a representative.
- (x) At any meeting every person who is so present shall have one vote in respect of each EUR 100,000 in principal amount of the Bonds that are Outstanding and so produced or in respect of which he is a proxy or a

representative. Any person entitled to more than one vote need not use all his votes or cast all the votes to which he is entitled in the same way.

- (xi) A meeting of Bondholders shall, subject to the Conditions, in addition to the powers given above, but without prejudice to any powers conferred on other persons by these Conditions, have power exercisable by resolution passed at such meeting duly convened and held in accordance with these provisions and by written resolution duly signed by the requisite majority of Bondholders:

- (A) to sanction any proposal by the Russian Federation for any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Bondholders against the Russian Federation; or
- (B) to assent to any modification of the Bonds; or
- (C) to authorise anyone to concur in and do all such things as may be necessary to carry out and give effect to any resolution; or
- (D) to appoint any persons (whether Bondholders or not) as a committee or committees to represent the interests of the Bondholders and to confer upon such committee or committees any powers or discretions which the Bondholders could themselves exercise by resolution;

provided that the special quorum provisions contained in the proviso to Condition 12(a)(v) and, in the case of an adjourned meeting, in the proviso to Condition 12(a)(vi) shall apply in relation to any resolution for the purpose of approving any Reserved Matters.

- (xii) Minutes of all resolutions and proceedings at every such meeting shall be made and entered in the books to be from time to time provided for that purpose by the Russian Federation and any such minutes, if purporting to be signed by the chairman of the meeting at which such resolutions were passed or proceedings transacted or by the chairman of the next succeeding meeting of Bondholders, shall be conclusive evidence of the matters contained in them and, until the contrary is proved, every such meeting in respect of the proceedings of which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at such meeting shall be deemed to have been duly passed and transacted.

(b) **Convening Meetings of Bondholders; Conduct of Meetings of Bondholders; Written Resolutions**

- (i) The Issuer may convene a meeting of the Bondholders at any time in respect of the Bonds in accordance with these Conditions. The Issuer will determine the time and place of the meeting and will notify the

Bondholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting.

- (ii) The Issuer will convene a meeting of Bondholders if the holders of at least 10% in principal amount of the Bonds that are Outstanding have delivered a written request to the Russian Federation (directly or through the Fiscal Agent, if there is one that is not the Issuer) setting out the purpose of the meeting. The Issuer will notify the Bondholders within 10 days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.
- (iii) The Issuer will set the procedures governing the conduct of any meeting in accordance with these Conditions.
- (iv) The notice convening any meeting will specify, *inter alia*;
 - (A) the date, time and location of the meeting;
 - (B) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;
 - (C) the record date for the meeting, which shall be no more than five business days before the date of the meeting;
 - (D) the documentation required to be produced by a Bondholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Bondholder's behalf at the meeting;
 - (E) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Bonds are traded and/or held by Bondholders;
 - (F) whether Condition 12(c), or Condition 12(d), or Condition 12(e) shall apply and, if relevant, in relation to which other series of debt securities it applies;
 - (G) if the proposed modification or action relates to two or more series of debt securities issued by it and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;
 - (H) such information that is required to be provided by the Issuer in accordance with Condition 12(g);
 - (I) the identity of the aggregation agent (the "**Aggregation Agent**") and the calculation agent (the "**Calculation Agent**"), if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 12(h); and

- (J) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.
 - (v) In addition, the Conditions contain provisions relating to Written Resolutions. All information to be provided pursuant to this Condition 12(b) shall also be provided, *mutatis mutandis*, in respect of Written Resolutions.
 - (vi) A "**record date**" in relation to any proposed modification or action means the date fixed by the Issuer for determining the Bondholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.
 - (vii) An "**Extraordinary Resolution**" means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.
 - (viii) A "**Written Resolution**" means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.
 - (ix) Any reference to "**debt securities**" means any notes, bonds (including the Bonds), debentures or other debt securities issued by the Issuer or the Russian Federation in one or more series with an original stated maturity of more than one year.
 - (x) "**Debt Securities Capable of Aggregation**" means those debt securities which include or incorporate by reference this Condition 12 and Condition 13 or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.
- (c) **Modification of the Bonds only**
- (i) Any modification of any provision of, or any action in respect of, these Conditions in respect of the Bonds may be made or taken if approved by a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.
 - (ii) A "**Single Series Extraordinary Resolution**" means a resolution passed at a meeting of Bondholders duly convened and held in accordance with the procedures prescribed by the Russian Federation pursuant to Condition 12(b) by a majority of:

- (A) in the case of a Reserved Matter, at least 75% of the aggregate principal amount of the Bonds that are Outstanding present or represented at such meeting; or
 - (B) in the case of a matter other than a Reserved Matter, more than 50% of the aggregate principal amount of the Bonds that are Outstanding present or represented at such meeting.
 - (iii) A "**Single Series Written Resolution**" means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:
 - (A) in the case of a Reserved Matter, at least 75% of the aggregate principal amount of the Bonds that are Outstanding; or
 - (B) in the case of a matter other than a Reserved Matter more than 50% of the aggregate principal amount of the Bonds that are Outstanding.
 - (iv) Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Bondholders.
 - (v) Any Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Bondholders, whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.
- (d) **Multiple Series Aggregation — Single limb voting**
- (i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, provided that the Uniformly Applicable condition is satisfied.
 - (ii) A "**Multiple Series Single Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer pursuant to Condition 12(b), as supplemented if necessary, which is passed by a majority of at least 75% of the aggregate principal amount of the debt securities that are Outstanding of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).
 - (iii) A "**Multiple Series Single Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the

applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75% of the aggregate principal amount of the debt securities that are Outstanding of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Bondholders or one or more holders of each affected series of debt securities.

- (iv) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Bondholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be.
- (v) The "**Uniformly Applicable**" condition will be satisfied if:
 - (A) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (A) the same new instrument or other consideration or (B) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or
 - (B) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to the currency of issuance).
- (vi) It is understood that a proposal under paragraph (d)(i) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other

exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).

- (vii) Any modification or action proposed under paragraph (d)(i) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 12(d) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

(e) **Multiple Series Aggregation — Two limb voting**

- (i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.
- (ii) A "**Multiple Series Two Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Russian Federation pursuant to Condition 12(b), as supplemented if necessary, which is passed by a majority of:
 - (A) at least 66 2/3% of the aggregate principal amount of the debt securities that are Outstanding of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
 - (B) more than 50% of the aggregate principal amount of the debt securities that are Outstanding in each affected series of Debt Securities Capable of Aggregation (taken individually).
- (iii) A "**Multiple Series Two Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:
 - (A) at least 66 2/3% of the aggregate principal amount of the debt securities that are Outstanding of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
 - (B) more than 50% of the aggregate principal amount of the debt securities that are Outstanding in each affected series of Debt Securities Capable of Aggregation (taken individually).
- (iv) Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each

signed or confirmed in writing by or on behalf of one or more Bondholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

- (v) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Bondholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be.
- (vi) Any modification or action proposed under paragraph (e)(i) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 12(e) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

(f) **Reserved Matters**

In these Conditions, "**Reserved Matter**" means any proposal:

- (i) to change the dates, or the method of determining the dates, for payment of principal, interest or any other amount in respect of the Bonds, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Bonds or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Bonds on any date;
- (ii) to change the currency in which any amount due in respect of the Bonds is payable or the place in which any payment is to be made;
- (iii) to change the majority required to pass an Extraordinary Resolution, a Written Resolution or any other resolution of Bondholders or the number or percentage of votes required to be cast, or the number or percentage of Bonds required to be held, in connection with the taking of any decision or action by or on behalf of the Bondholders or any of them;
- (iv) to change this definition, or the definition of "Extraordinary Resolution", "Single Series Extraordinary Resolution", "Multiple Series Single Limb Extraordinary Resolution", "Multiple Series Two Limb Extraordinary Resolution", "Written Resolution", "Single Series Written Resolution", "Multiple Series Single Limb Written Resolution" or "Multiple Series Two Limb Written Resolution";
- (v) to change the definition of "debt securities" or "Debt Securities Capable of Aggregation";
- (vi) to change the definition of "Uniformly Applicable";

- (vii) to change the definition of "Outstanding" or to modify the provisions of Condition 12(j);
- (viii) to change the legal ranking of the Bonds set out in Conditions 3 and/or 4;
- (ix) to change any provision of the Bonds describing circumstances in which Bonds may be declared due and payable prior to their scheduled maturity date, as set out in Condition 9;
- (x) to change the law governing the Bonds;
- (xi) to impose any condition on or otherwise change the Russian Federation's obligation to make payments of principal, interest or any other amount in respect of the Bonds, including by way of the addition of a call option;
- (xii) to modify the provisions of this Condition 12(f);
- (xiii) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Bonds or to change the terms of any such guarantee or security; or
- (xiv) to exchange or substitute all the Bonds for, or convert all the Bonds into, other obligations or securities of the Issuer or the Russian Federation or any other person, or to modify any provision of these Conditions in connection with any exchange of the Bonds for, or the conversion of the Bonds into, any other obligations or securities of the Issuer or the Russian Federation, which would result in the Conditions as so modified being less favourable to the Bondholders which are subject to the Conditions as so modified than:
 - (A) the provisions of the other obligations or debt securities of the Issuer or the Russian Federation or any other person resulting from the relevant exchange or conversion; or
 - (B) if more than one series of other obligations or debt securities results from the relevant exchange or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount.

(g) **Information**

- (i) Prior to or on the date that the Issuer proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 12(c), Condition 12(d) or Condition 12(e), the Issuer shall publish in accordance with Condition 13, the following information:
 - (A) a description of the Russian Federation's economic and financial circumstances which are, in the Issuer's opinion, relevant to the request for any potential modification or action, a description of the Russian Federation's existing debts and a description of its

broad policy reform programme and provisional macroeconomic outlook;

- (B) if the Russian Federation shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement and where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;
- (C) a description of the Russian Federation's proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and
- (D) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Bondholders in Condition 12(a)(iv)(G).

(h) **Claims Valuation**

For the purpose of calculating the par value of the Bonds and any affected series of debt securities which are to be aggregated with the Bonds in accordance with Condition 12(d) and Condition 12(e), the Issuer may appoint a Calculation Agent. The Issuer shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the Calculation Agent will calculate the par value of the Bonds and such affected series of debt securities. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Bonds and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

(i) **Manifest error**

The Bonds and these Conditions may be amended without the consent of the Bondholders to correct a manifest error.

(j) **Bonds controlled by the Russian Federation**

- (i) For the purposes of (a) determining the right to attend and vote at any meeting of Bondholders, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution, (b) Conditions 12(a)(v) and 12(a)(vi) and (c) Condition 9, Bonds shall be disregarded and shall not be Outstanding if they are held by or on behalf of (x) the Russian Federation or any public sector instrumentality or (y) a corporation, trust, financial institution or other entity that is controlled

directly or indirectly by the Russian Federation or any public sector instrumentality in cases where the holder of the Bond does not have autonomy of decision, where:

- (A) the holder of a Bond for these purposes is the entity legally entitled to vote the Bond for or against a proposed modification or, if different, the entity whose consent or instruction is by contract required, directly or indirectly, for the legally entitled holder to vote the Bond for or against a proposed modification;
 - (B) "public sector instrumentality" means the Bank of Russia or any department, ministry or agency of the Russian Federation;
 - (C) "control" means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity; and
 - (D) the holder of a Bond has autonomy of decision if, under applicable law, rules or regulations and independent of any direct or indirect obligation the holder may have in relation to the Russian Federation or any public sector instrumentality, as applicable:
 - (1) the holder may not, directly or indirectly, take instruction from the Issuer or public sector instrumentality, as applicable, on how to vote on a proposed modification; or
 - (2) the holder, in determining how to vote on a proposed modification, is required to act in accordance with an objective prudential standard, in the interest of all of its stakeholders or in the holder's own interest; or
 - (3) the holder owes a fiduciary or similar duty to vote on a proposed modification in the interest of one or more persons other than a person whose holdings of Bonds (if that person then held any Bonds) would be deemed to be not Outstanding.
- (ii) In advance of any meeting of Bondholders, or in connection with any Written Resolution, the Issuer shall make available for inspection a certificate prepared pursuant to Condition 13(d) which includes information on the total number of Bonds which are for the time being held by or on behalf of (x) the Russian Federation or any public sector instrumentality or (y) a corporation, trust, financial institution or other entity that is controlled directly or indirectly by the Russian Federation or any public sector instrumentality in cases where the holder of the

Bond does not have autonomy of decision (as such term is used in Condition 12(j)(i)) and, as such, such Bonds shall be disregarded and deemed not to remain Outstanding for the purposes described in Condition 12(j)(i). The Issuer shall make any such certificate available for inspection during normal business hours at its specified office and, upon reasonable request, will allow copies of such certificate to be taken.

(k) **Publication**

The Issuer shall publish all Extraordinary Resolutions and Written Resolutions which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 13(g).

(l) **Exchange and Conversion**

Any Extraordinary Resolutions or Written Resolutions which have been duly passed and which modify any provision of, or action in respect of, the Conditions may be implemented at the Issuer's option by way of a mandatory exchange or conversion of the Bonds and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Bonds is notified to Bondholders at the time notification is given to the Bondholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Bondholders.

13. **AGGREGATION AGENT; AGGREGATION PROCEDURES**

(a) **Appointment**

The Issuer will appoint an Aggregation Agent to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Bonds and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Issuer.

(b) **Extraordinary Resolutions**

If an Extraordinary Resolution has been proposed at a duly convened meeting of Bondholders to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Bonds and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

(c) **Written Resolutions**

If a Written Resolution has been proposed under the Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Bonds and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

(d) **Certificate**

- (i) For the purposes of Condition 13(b) and Condition 13(c), the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in Condition 12(c), Condition 12(d) or Condition 12(e), as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution:
- (ii) The certificate shall:
 - (A) list the total principal amount of Bonds and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and
 - (B) clearly indicate the Bonds and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain Outstanding as a consequence of Condition 12(j) on the record date identifying the holders of the Bonds and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.
- (iii) The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

(e) **Notification**

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 13 to be notified to the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given to the Bondholders.

(f) **Binding nature of determinations; no liability**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 13 by the Aggregation Agent and any appointed Calculation Agent

will (in the absence of manifest error) be binding on the Issuer and the Bondholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(g) **Manner of publication**

The Issuer will publish all notices and other matters required to be published pursuant to Condition 12, this Condition 13 and Condition 9:

- (i) on <https://minfin.gov.ru/>;
- (ii) in such other places and in such other manner as may be required by applicable law or regulation; and
- (iii) in such other places and in such other manner as may be customary.

14. **FURTHER ISSUES**

The Russian Federation shall be at liberty from time to time, without the consent of the Bondholders, to create and issue further bonds ranking equally in all respects (or in all respects save for payments made prior to the issuance of such further bonds and, if applicable, the date and amount of the first payment on such further bonds) so that the same shall be consolidated and form a single series with the Bonds.

15. **NOTICES**

Notices to the Bondholders will be sent to them by mail (airmail if overseas) at their respective addresses on the Register, and will be deemed to have been given on the fourth day after the date of mailing. So long as the Bonds are listed on the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**") and the rules and guidelines of that exchange so require, notices will be published via the companies announcements of the Euronext Dublin. Any such notice shall be deemed to have been given on the date of such publication, or if published more than once or on different dates, on the first date on which publication is made.

16. **CURRENCY INDEMNITY**

Save as otherwise provided in Condition 7 hereof, Euro is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Bonds, including damages. Except in the case of an Alternative Payment Currency Event, any amount received or recovered in a currency other than Euro (whether as a result of, or the enforcement of, a judgement or order of a court of any jurisdiction or otherwise) by any Bondholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of Euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that Euro amount is less than Euro amount expressed to be due to the recipient under any Bond (a "**Currency Indemnity Event**"), the Issuer shall indemnify such recipient against any loss sustained by it as a result. In a Currency Indemnity Event, the Issuer shall

indemnify the recipient against the cost of making any such purchase. These indemnities constitute separate and independent obligations from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Bondholder and shall continue in full force and effect despite any judgement, order, claim or proof for a liquidated amount in respect of any sum due under any Bond or any judgement or order.

17. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

18. **GOVERNING LAW**

The Bonds and any non-contractual obligations arising out of or in connection with them shall be governed by and construed in accordance with the laws of England.

USE OF PROCEEDS

The aggregate proceeds of the issue of the Bonds (net of commissions) are expected to amount to EUR 1,999,000,000.

The net proceeds of the issue will be credited to the EUR account of the Federal Treasury (Treasury of Russia) in the Bank of Russia, which is used to cover EUR expenses (such as interest and principal due on state external debt). Any proceeds not retained in the Federal Treasury accounts would be sold to the Bank of Russia, where they would become part of the Bank of Russia's foreign exchange reserves.

The net proceeds of the issue will not be directed to any activity that (i) would be prohibited for a U.S., UK or EU person or entity under sanctions laws, directives or regulations applicable to them or (ii) could reasonably be expected to result in the imposition of U.S., UK or EU sanctions on the holders of the Bonds, the Lead Managers or other persons involved in the offering because of their participation in the offering. Total commissions and expenses payable by the Russian Federation in connection with the issue of the Bonds are expected to be EUR 1,000,000.

RUSSIAN FEDERATION

Territory, Population and Natural Resources

The Russian Federation is a sovereign and democratic federal state, consisting of 85 sub-federal political units (Federation subjects). The Russian Federation is the largest country in the world by land mass, covering 17.1 million square kilometres or 11.5% of the total world land mass (as of 1 January 2019). It borders 18 countries (two of which are by maritime boundary only) and spans eleven time zones, extending some 9,000 kilometres from the Baltic Sea in the west to the Pacific Ocean in the east and some 4,000 kilometres from its southern border on the Black and Caspian Seas to its northern limits on the Arctic Ocean.

The Russian Federation is rich in natural resources. According to the BP Statistical Review of World Energy (June 2020) and U.S. Geological Survey (Mineral Commodity Summaries 2019), it is the world's second largest producer of natural gas, one of the world's leading producers of oil and a significant producer of coal, gold, nickel, palladium and platinum. As of 31 December 2019, the Russian Federation's proved natural gas reserves were estimated at 38.0 trillion cubic metres, and its proved oil reserves were estimated at 107.2 billion barrels (14.7 billion tonnes equivalent), according to the BP Statistical Review of World Energy (June 2020). "Proved" reserves for these purposes are those quantities that geological and engineering information indicates with reasonable certainty that can be recovered in the future from known reservoirs under existing economic and operating conditions. The Russian Federation also has substantial coal deposits, gold deposits (located mainly in Eastern Siberia and the Russian Far East) as well as significant deposits of zinc, lead, tin, silver, other rare metals and precious and semiprecious stones. The Russian Federation is among the world's leading producers of electricity, steel, fertilisers, cotton textiles and other goods. Forests cover approximately 50% of the Russian Federation's total land area, and the Russian Federation's timber reserves, the largest of any country, are estimated by the Russian Federal Forestry Agency at 82.8 billion cubic metres as of 31 December 2018.

The Russian Federation is home to approximately 146.7 million people, ranking ninth in the world by population, and has a population density of approximately 8.6 persons per square kilometre as of 1 January 2020. Approximately 74% of the population lives in European Russia, and 75% of the Russian Federation's population lives in urban settlements. The Russian Federation's capital and largest city is Moscow with a population of approximately 12.7 million, and 15 other Russian cities have a population of more than one million residents.

According to the 2010 general census, ethnic Russians are the largest demographic group and account for approximately 81.0% of the population (based on the 96.1% of respondents in the census who indicated their ethnic group). Other ethnic groups include Tatars (approximately 3.9% of the population), Ukrainians (1.4%), Bashkirs (1.2%), Chuvashs (1.1%) and Chechens (1.0%). No other ethnic group accounted for more than 1% of the Russian Federation's population.

The Russian Federation has a well-developed system of education, with a literacy rate of persons aged 10 and older exceeding 99%, and elementary and middle school education is compulsory. The Russian Federation has approximately 720 institutions of higher education, with approximately 4.1 million students, as of the beginning of the 2019-2020 educational year. According to Rosstat, the average number of economically active population above 15 years old (both employed and unemployed) in 2019 was 75.4 million people.

Political System

Constitution

The Constitution of the Russian Federation (the "**Constitution**") provides for a tripartite governmental structure in which the power of the state is divided among the executive, legislative and judicial branches, each independent of the others. The Constitution also establishes a federal system, allocating responsibilities between federal, sub-federal and local authorities.

The Constitution protects certain fundamental "rights and freedoms of the person and the citizen", and charges the state with guaranteeing the equal treatment of people regardless of race, nationality, language, origin, property, official status, beliefs or other circumstances. Under the Constitution, all forms of property (including private property) are equal before the law, and ideological diversity and a multi-party system are expressly recognised.

In general, the Constitution may be amended through passage of a special federal constitutional law, and its ratification by the legislatures of at least two-thirds of the Federation subjects. See "*Federal Structure and Regional Issues*" for more information on Federation subjects. Passage of such a law requires the vote of a two-thirds majority of the State Duma (the "**State Duma**"), a three-fourths majority of the Federation Council (the upper house of the Federal Assembly (the "**Federal Assembly**")) (the "**Federation Council**") and signature by the President of the Russian Federation (the "**President**"). The provisions of the Constitution that govern the nature of the constitutional system, fundamental rights and freedoms of a person and a citizen and the amendment process, however, can be changed only by convening a Constitutional Assembly (the "**Constitutional Assembly**"). A proposed new constitution may be adopted either by the vote of a two-thirds majority of the Constitutional Assembly or by a simple majority in a national referendum in which more than half of the eligible voters participate.

Amendments to the Constitution

During the Address of the President of the Russian Federation to the Federal Assembly on 15 January 2020 (the "**Address to the Federal Assembly**"), the President announced the proposal to amend the Constitution (the "**Amendments to the Constitution**"). The all-Russian voting on the Amendments to the Constitution took place from 25 June 2020 to 1 July 2020. On 2 July 2020, the Central Election Commission of the Russian Federation published the results of the voting on Amendments to the Constitution: 77.92% of the voters approved the Amendments to the Constitution, voter turnout was 67.97%. Amendments to the Constitution took effect on 4 July 2020.

The adopted Amendments to the Constitution, amongst other things, include the following:

- change of the functions of the State Council of the Russian Federation (the "**State Council**"). The State Council was created in 2000 and has been a non-constitutional deliberative body of the President ever since. The Amendments to the Constitution set forth that the State Council is appointed by the President and its purpose is coordination of the functions of the state authorities, determination of the key areas of internal and external policy and the socioeconomic development of the Russian Federation. According to the Amendments to the Constitution, the status of the State Council should be determined by a federal law which is yet to be adopted. Draft of Law on the State

Council of the Russian Federation № 1036217-7 was submitted by the President to the State Duma on 14 October 2020 (the "**Draft**"). The Draft sets forth the objectives and functions of the State Council. The objectives of the State Council include, among others, (i) assistance to the President in ensuring cooperation between the state authorities and determination of domestic and foreign policy, (ii) making proposals to the President regarding key priorities in social and economic development and the most important issues of statecraft, (iii) discussion of the main issues of the recruitment policy of the Russian Federation, (iv) discussion of the main parameters of draft federal budget law and its execution. Functions of the State Council include, amongst others, consideration of issues with respect to cooperation of the state authorities, analysis of state and municipal management practices and their improvement, determination and approval of performance indicators of activity of Federation subjects' and municipalities' executive bodies, etc. According to the Draft, the State Council will consist of the Prime Minister, the Chairmen of the State Duma and the Federation Council, the Head of the President's administration and the Heads of Federation subjects. The President will be the chairman of the State Council;

- change to the procedure of the formation of the Government of the Russian Federation (the "**Government**"). Previously, Government was fully formed by the President. The Amendments to the Constitution provide that certain ministers of the Government are appointed by the President (for example, the Minister of Defence, the Minister of Internal Affairs, the Minister of Justice, the Minister of Foreign Affairs and the Minister of Civil Defence, Emergency Situations and the Rectification of the Consequences of Natural Disasters are expected to be appointed by the President after the consultation with the Federation Council) while the rest of the ministers are appointed by the State Duma upon the recommendation of the Prime Minister who is, in turn, appointed by the President upon the approval of the State Duma;
- reducing the number of judges of the Constitutional Court of the Russian Federation (the "**Constitutional Court**") from 19 to 11 and delegation to the Federation Council of the right to dismiss the judges of the Constitutional Court, the Supreme Court of the Russian Federation (the "**Supreme Court**"), courts of cassation and courts of appeal upon the proposal of the President;
- the same person cannot be elected as the President for more than two terms in general (previously, the same person could have not been elected as the President for two consecutive terms), however the person who was the President when the Amendments to the Constitution entered into force has the right to be re-elected as the President for two new terms again;
- the Constitution prevails over the decisions of the international bodies in case such decisions are based on the interpretation of the international treaties which contradicts the Constitution.

The Amendments to the Constitution also set forth a number of socially-focused provisions, such as, for example:

- guaranteed minimum monthly wage in the amount of not less than the minimum subsistence level;
- annual pension adjustment;

- right of every citizen to social security and targeted social support.

President

The President is Vladimir Putin, who was re-elected President in March 2018, receiving approximately 77% of the vote. Mr. Putin previously served three terms as President, from May 2000 to May 2008, and from May 2012 to May 2018 and was acting President from December 1999, following Boris Yeltsin's resignation, to May 2000. From May 2008 until his inauguration as President in May 2012, Mr. Putin was Prime Minister while Dmitry Medvedev served as President. See "*—Political Parties, Elections and Political Developments*". The next presidential elections are scheduled for 2024.

The President is the Head of State and the Supreme Commander of the Armed Forces. The President has broad powers, including the authority to declare a state of emergency or military emergency (subject to immediate notification of the State Duma and Federation Council and approval of the Federation Council) and approve the military doctrine of the Russian Federation, the ability to commence military engagements outside the territory of the Russian Federation (subject to approval of the Federation Council), the power to issue decrees and orders that are enforced throughout the entire territory of the Russian Federation (although these may not contravene the Constitution or federal legislation), to suspend acts of sub-federal executive authorities, and to call national referenda. In addition, the President is empowered to arbitrate disputes between the federal authorities and authorities of sub-federal political units of the Russian Federation as well as between authorities of sub-federal political units of the Russian Federation. The President is also responsible for foreign policy.

The President has the power to veto bills passed by the Federal Assembly and, under certain circumstances, to dissolve the State Duma. The President may dissolve the State Duma if:

- the State Duma fails to accept the President's proposed candidate for Prime Minister in three successive votes; or
- the State Duma declines three times the Prime Minister's proposed candidates for the deputy prime ministers and the federal ministers and as a result one-third of the Government's ministerial posts (excluding the posts of the federal ministers which are appointed by the President) remain vacant.

Under the Amendments to the Constitution, the President has certain appointment powers, such as right to appoint the Prime Minister after the approval of the candidate by the State Duma and, after the consultation with the Federation Council, the head officers of certain federal executive authorities (including, the head of the security service and certain ministers of the Government). For further details see "*—Constitution—Amendments to the Constitution*".

The President must dismiss either the State Duma or the Government if:

- the State Duma twice within three months passes a motion of no confidence in the Government; or
- the Government loses a confidence motion twice within three months put before the State Duma by the Government and the State Duma adopts a motion of no confidence in the Government.

The President also has the right to dismiss the State Duma or the Government if the Government loses a confidence motion put before the State Duma by the Prime Minister or the State Duma adopts a motion of no confidence in the Government.

The State Duma may not be dissolved (i) at any time during the last six months of a presidential term, (ii) during the period between passage by the State Duma of an accusation initiating impeachment proceedings against the President and action by the Federation Council on such accusation, (iii) while a state of emergency or military emergency covering all of the Russian Federation is in effect, (iv) or, in case of a motion of no confidence between the State Duma and the Government, within the first year after State Duma elections. The State Duma may not pass a motion of no confidence in the Government and the Prime Minister may not put before the State Duma a motion of no confidence in the Government in the cases (i)-(iv) mentioned above and during the first year after the Prime Minister is appointed by the President provided that the State Duma failed to accept the President's proposed candidate for Prime Minister in three successive votes. In the event the State Duma is dissolved, the President must schedule elections, and a newly elected State Duma must be convened within four months.

In addition, the President nominates candidates for governor of the Bank of Russia (for appointment by the State Duma) and appoints Prosecutor General, deputy prosecutors general, prosecutors of the Federation subjects. Furthermore, the President nominates candidates for judges to the Constitutional Court and the Supreme Court of the Russian Federation (for appointment by the Federation Council) and appoints all other judges of the federal courts. The President has the right to propose to the Federation Council to terminate the powers of the judges of the Constitutional Court, the Supreme Court, courts of appeal and courts of cassation. See "*Judicial Branch*" and "*Constitution—Amendments to the Constitution*". President also has the power to dismiss the legislative and executive authorities of Federation subjects under certain circumstances. See "*Federal Structure and Regional Issues*".

The President is elected in a national election for a term of six years. Under the Constitution, the President may not serve more than two terms. The Constitution also provides for the early termination of the President's term of office in the event of the President's resignation, impeachment, or persistent inability to exercise his powers for health reasons. New presidential elections must be held within three months of an early termination. Impeachment of the President requires an accusation supported by the vote of a two-thirds majority of the State Duma, followed by a vote in favour of impeachment by a two-thirds majority of the Federation Council, with the subsequent confirmation by the Supreme Court of the legality of the accusation and by the Constitutional Court of the observance of due process. Under the Constitution, whenever the President is incapable for any reason of carrying out his duties, the obligations of the office are temporarily assumed by the Prime Minister, except that the Prime Minister, as acting President, may not dissolve the State Duma or propose any national referendum or changes to the Constitution.

Government

The Government is the highest executive government body of the Russian Federation and consists of the Prime Minister, deputy prime ministers and federal ministers, part of whom are appointed by the President and other part are appointed by the State Duma upon the recommendation of the Prime Minister, as described above. See "*Constitution—Amendments to the Constitution*". The Government is automatically dissolved after each presidential election in order to permit a new President to form the Government. See "*Risk Factors—Risks Relating*

to the Russian Federation—Emerging markets such as the Russian Federation are subject to greater risks than more developed markets".

The Government is responsible for implementing federal laws, presidential decrees and international agreements. In particular, the Government is responsible for preparing and implementing the federal budget, establishing a unified financial, credit and monetary policy, carrying out social policy, promoting entrepreneurship, preserving public order and defending the rights and freedoms of citizens.

The Prime Minister of the Russian Federation is currently Mikhail Mishustin, who took office in January 2020 following his nomination by President Putin. Before becoming Prime Minister, Mr. Mishustin served as the Head of Federal Tax Service from 2010 to 2020.

Legislative Branch

The legislative branch consists of the Federal Assembly, which comprises a lower chamber, known as the State Duma, and an upper chamber, known as the Federation Council.

The State Duma consists of 450 deputies, elected to five-year terms by a mixed system of proportional representation and majority voting. Since 2016, 225 deputies are chosen from "party lists" on the basis of a nationwide election, with seats allocated in proportion to the number of votes received by the party, if the party receives 5% or more of the vote, and 225 from single-mandate electoral districts. Deputies are not able to change party affiliation during their term of office without surrendering their seat. No person may simultaneously serve as a State Duma deputy and hold a position in the Government or be a member of the Federation Council.

The Federation Council represents the Russian Federation's 85 Federation subjects. See "*Federal Structure and Regional Issues*". Each Federation subject appoints two members of the Federation Council: one member is elected by the legislative body of the Federation subject and the other is appointed by the head of the respective Federation subject. In addition, according to the Constitution the President appoints the representatives of the Russian Federation to the Federation Council. The number of such representatives shall not be more than 30 and 7 of them may be appointed for lifetime. The ex-President also automatically becomes the member of the Federation Council for lifetime. The members of the Federation Council, as well as deputies of the State Duma, work on a full-time basis and cannot occupy any other office.

For a bill to become federal law, it must first be passed by a majority vote in the State Duma, then be approved by a majority vote in the Federation Council and finally be signed by the President. Rejection of a bill by the Federation Council can be overridden by a two-thirds majority vote in the State Duma. Rejection of a bill by the President can be overridden by a two-thirds majority of each of the Federation Council and the State Duma.

Judicial Branch

The Russian Federation has two courts of final appeal. The Constitutional Court has jurisdiction over matters relating to the interpretation of the Constitution, including the constitutionality of federal laws, decrees of the President, resolutions of the Government, resolutions of the State Duma and the Federation Council, laws and legal documents of Federation subjects on the issues under the jurisdiction of federal authorities or under the joint

jurisdiction of federal authorities and sub-federal authorities, and agreements between federal and sub-federal authorities, as well as between sub-federal authorities. The Constitutional Court also decides on (i) application of the decisions of the international bodies in case such decisions are based on the interpretation of the international treaties which contradicts the Constitution and (ii) execution of the judgements of foreign or international court or foreign or international arbitration imposing obligations upon the Russian Federation in case such judgements contradict the public policy of the Russian Federation. Historically, the Supreme Arbitrazh Court (the "**Supreme Arbitrazh Court**") and lower arbitration courts have had jurisdiction over economic disputes, and the Supreme Court and lower courts of general jurisdiction have had jurisdiction over civil, criminal, administrative and other matters. In August 2014, the Supreme Arbitrazh Court and the Supreme Court were reorganised into a unified Supreme Court, which has become a court of final appeal for decisions issued in both the lower arbitrazh courts and lower courts of general jurisdiction.

Judges of the Constitutional Court and Supreme Court are nominated by the President and appointed by the Federation Council. Judges of lower federal courts are appointed by the President in accordance with procedures established by federal legislation. Decision on early termination of the powers of the judges is made by the qualification board of judges. Under the Amendments to the Constitution, the President has the right to propose to the Federation Council to terminate the powers of the judges of the Constitutional Court, the Supreme Court, courts of appeal and courts of cassation, in case a judge commits a defamatory offence or in other cases evidencing his/her inability to perform the functions of a judge.

Political Parties, Elections and Political Developments

Under the Constitution and federal laws, Russian citizens who are at least 18 years old have the right to vote in presidential and State Duma elections, regional and local elections and state, regional and local referenda.

Russian legislation contains several provisions designed to encourage the development of a stable multi-party system. First, candidates must collect a specified number of signatures to qualify for elections. In the case of presidential elections, a candidate from a political party must collect at least 100,000 signatures (unless such party has seats in the current State Duma or in one-third of the legislative bodies of Federation subjects) while independent candidates must collect at least 300,000 signatures. Second, the rules for presidential elections, which call for a run-off election between the first and second place candidates if no candidate wins more than 50% in the initial round of voting, discourage fragmentation of the vote. In 2012, legislative reforms were adopted to simplify the registration process for political parties, a significant element of which was the reduction in the number of people required to establish a political party to 500 individuals.

Based on the results of the September 2016 elections, the Edinaya Rossiya ("**United Russia**") party received 343 State Duma seats. United Russia is currently led by ex-Prime Minister Medvedev and is the product of the 2001 merger of two large public organisations, Yedinstvo (Unity) and Otechestvo-Vsya Rossiya (Fatherland-All Russia). The Communist Party holds 42 State Duma seats. Two other parties are also represented in the State Duma: the Liberal Democratic Party with 39 seats and Spravedlivaya Rossiya (Fair Russia) with 23 seats. The most recent State Duma elections were held in September 2016. According to the Ministry of Justice of the Russian Federation, as of 2 November 2020, there were 42 political parties officially registered by the Ministry of Justice.

Currently, United Russia holds a majority of total seats in 85 federation subject legislative bodies. The Communist Party, Fair Russia, the Liberal Democratic Party and other parties are also represented in the legislative bodies of Federation subjects.

Anti-corruption efforts

Several measures aimed at combating corruption have been implemented in the Russian Federation. Federal Law No. 273-FZ "On Preventing Corruption" dated 25 December 2008 addresses corruption at the corporate level and, with effect from 1 January 2013, has required that companies implement anti-corruption policies and procedures. Additional measures passed in December 2014, *inter alia*, establish special procedures for bringing anti-corruption claims against law enforcement personnel and require public officials to declare the assets and income of immediate family members. These measures build on former President Medvedev's National Anti-Corruption Plan, which was initially adopted on 31 July 2008 (and is restated every two years thereafter) and sought to bolster the Russian Federation's anti-corruption regime through new legislation. As part of its initiative to improve the Russian Federation's Transparency International corruption ranking, which is 137 out of 180 countries in the Corruption Perceptions Index 2019, the Russian Federation ratified the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, effective as of 13 February 2012. Since then, normative acts detailing implementation procedures for anti-corruption measures have been further adopted, such as procedures for notification of conflict of interests, report of acceptance of gifts, notification of a public official's corruption and maintenance of registry of persons dismissed in connection with loss of trust.

Federal Structure and Regional Issues

The Russian Federation consists of 85 Federation subjects, comprising 22 republics, nine *krais*, 46 *oblasts*, three cities of federal importance, one autonomous *oblast* and four autonomous *okrugs*. The Federation subjects are grouped into eight federal circuits, each circuit overseen by a representative of the President.

Many of the republics and autonomous regions contain a substantial number of ethnic non-Russians, with non-Russians constituting a majority in certain regions (e.g., the Republic of Tatarstan and the Republic of Kalmykia).

The Constitution recognises the importance of local (municipal) government and provides for self-administration at the local level, including with respect to the management of municipal property, the formation, adoption and implementation of local budgets, the introduction of local taxes and duties, ensuring the protection of public order and addressing various other issues of local importance within the Russian Federation.

Russia is a federal state. Certain areas of governance are reserved by the Constitution exclusively to the federal authorities, including management of federal property, the issuance of currency and currency regulation, customs policy, foreign relations, military defence, atomic energy and space exploration. Joint federal regional authority is prescribed in several other areas, including tax administration, ownership and use of land and natural resources, environmental protection, social assistance, education, health, science and cultural facilities and the selection of certain court and law enforcement officials. Responsibility for all matters not reserved to the federal authorities or to joint federal regional competence is reserved for Federation subjects. The Constitution prohibits any sub-federal barriers to the free movement of goods, capital and labour throughout the Russian Federation.

In general, disputes between the federal authorities and Federation subjects have been resolved peacefully through the political process, with the notable exception of the military confrontation in the Chechen Republic and periodic unrest in the other republics of the North Caucasus, including Dagestan and Ingushetia.

International Relations

The Russian Federation's Position in the International Community

The Russian Federation has been recognised by the international community as the successor to the Soviet Union. Russia is currently a member of many international organisations, including the United Nations, where it is a permanent member of the Security Council and, accordingly, plays an active role in maintaining international peace and security.

The Russian Federation is a member of the G20 – a group of major economies. Since 1992, the Russian Federation has been a member of the IMF and the International Bank for Reconstruction and Development (the "**World Bank**"). See "*Public Debt and Related Matters—Relations with International Financial Institutions*". The Russian Federation is also a member of the International Finance Corporation and participates as a donor in the International Development Association. In November 1996, the Bank of Russia became a member of the Bank for International Settlements, and in September 1997 the Russian Federation became a member of the Paris Club of creditor nations (the "**Paris Club**"). In August 2012, the Russian Federation became a member of the WTO.

Russia is also a member of the Financial Stability Board (the "**FSB**"), an international body established in April 2009 as the successor to the Financial Stability Forum. The FSB promotes international financial stability through the coordination of national financial authorities and international standard-setting bodies as they work toward developing strong regulatory, supervisory and other financial sector policies. Russia adheres to FSB standards and regularly participates in its peer review process.

In 1994, the Russian Federation concluded a Declaration on Cooperation with the OECD, and, in May 1996, the Russian Federation formally applied for membership in the OECD. In May 2007, the OECD on a ministerial level invited the Russian Federation to begin negotiations regarding its accession; the OECD, however, postponed the accession process in March 2014. At the same time Russia continues active cooperation with the OECD through interaction on a regular basis with a wide range of the OECD's bodies and through forums in the status of participant, associate or observer.

In 1997, the Founding Act "On Mutual Relations, Cooperation and Security between NATO and the Russian Federation" (the "**Founding Act**") was signed. The Founding Act states that the Russian Federation and NATO shall not consider each other to be adversaries and that, together, they intend to build stability and security in the Euro-Atlantic region. The NATO-Russia Council was established on 28 May 2002 under the Rome Declaration. The NATO-Russia Council is a mechanism of political dialogue and cooperation in the security sphere. At the meeting of the NATO-Russia Council held in Lisbon on 20 November 2010 certain agreements on the building of a strategic, upgraded partnership between the Russian Federation and NATO were reached, again with the purpose of building and maintaining stability and security in the Euro-Atlantic region. In April 2014, NATO suspended civilian and military cooperation with Russia, although political dialogue between NATO and Russia is continuing (with the most recent NATO-Russia Council meeting held in July 2019).

In October 2015, the Russian Federation launched a series of military actions to combat jihadist organisations operating in Syria, following a request for assistance from the Syrian government. The actions included primarily air strikes against rebel targets. In November 2015, a Russian military aircraft operating in northern Syria was shot down by Turkish forces. In response, the Russian Federation imposed economic sanctions on Turkey, although almost all these sanctions have since been lifted. In December 2017, the Russian Federation initiated withdrawal of its military forces from Syria.

In early 2016, the Russian Federation took part in several meetings with member states in the Organisation of Petroleum Exporting Countries ("**OPEC**"). As a result of these discussions, the Russian Federation, Saudi Arabia, Qatar and Venezuela agreed to freeze oil output at the level prevailing on 11 January 2016, provided that other major oil producers follow suit. In early September 2016, the Russian Federation and Saudi Arabia agreed to cooperate to stabilise the oil market, including by means of a production ceiling. On 30 November 2016, members of OPEC reached an agreement to reduce output by about 1.2 million barrels a day ("mb/d") to 32.5 million barrels for a six-month period effective 1 January 2017. On 10 December 2016 the Russian Federation and certain other non-OPEC producers also implemented production adjustments for the same period with the Russian Federation accounting for an adjustment of up to 0.3 mb/d. In May 2017, the Russian Federation and Saudi Arabia agreed to extend their production cuts through at least March 2018. An extension for the same period was approved by the members of OPEC on 25 May 2017. On 30 November 2017 the production adjustments were further extended by the members of OPEC until the end of 2018. On 22 June 2018, the members of OPEC agreed to increase oil production by almost 1 mb/d. In December 2018, OPEC countries and 11 non-OPEC producers, including Russia, agreed to cut oil production by 1.2 mb/d for six months since January 2019. The next OPEC countries and non-OPEC producers meeting was held on 6 December 2019 where they agreed to cut oil production further by 0.5 mb/d until April 2020. At the beginning of March 2020, OPEC and non-OPEC countries failed to agree on extending the agreement until the end of 2020 and the additional production cut which resulted in a sharp drop in oil prices. On 12 April 2020, OPEC announced that OPEC and non-OPEC countries reached new agreement during the 10th (Extraordinary) OPEC and non-OPEC Ministerial Meeting. This agreement provides for downwards adjustment of OPEC and non-OPEC countries overall crude oil production by 9.7 mb/d (representing a 23% decrease from the base production volume calculated as of October 2018), starting on 1 May 2020, for an initial period of two months (which was extended to three months, until 31 July 2020, at the last OPEC and non-OPEC countries meeting on 6 June 2020). For the subsequent periods from 1 August 2020 to 31 December 2020 and from 1 January 2021 to 30 April 2022, the total downwards adjustment will be 7.7 mb/d (representing an 18% decrease from the base production volume calculated as of October 2018) and 5.8 mb/d (representing a 14% decrease from the base production volume calculated as of October 2018), respectively. The calculation baseline of the adjustments is the oil production of October 2018, except for the Kingdom of Saudi Arabia and the Russian Federation, both of which will apply the baseline level of 11.0 mb/d. The agreement will be valid until 30 April 2022, and the extension thereof will be discussed in December 2021.

The Russian Federation and Regional Cooperation

The Russian Federation has wide-ranging contacts with the EU, one of its most significant economic and political partners. The Partnership and Cooperation Agreement between the Russian Federation and the EU, signed in 1994 and in effect since December 1997. This agreement establishes a framework for the parties' economic, political, financial, legal and

humanitarian relationship. The strategic partnership between the EU and the Russian Federation has developed with a focus on four common spaces, or areas of deep policy cooperation: the common space of economy and environment, the common space of freedom, security and justice, the common space of external security and the common space of research, education and culture.

The Russian Federation is a member and seventh largest shareholder of the European Bank for Reconstruction and Development ("**EBRD**"), the largest shareholder of the Eurasian Development Bank, the International Investment Bank and the International Bank for Economic Cooperation and one of the largest shareholders (16.5%) of the Black Sea Trade and Development Bank. The Russian Federation also participates in several other organisations and forums, including the Shanghai Cooperation Organisation ("**SCO**"), the Asia-Pacific Economic Cooperation forum, the East Asia Summit and the Association of South-East Asian Nations ("**ASEAN**"). Russia is also a shareholder of the New Development Bank BRICS (established in 2014) and the Asian Infrastructure Investment Bank (established in 2015).

The Russian Federation, the Former Soviet Union and the CIS

After the dissolution of the Soviet Union, the Russian Federation concluded separate agreements ("**zero-option agreements**") with all the other republics of the former Soviet Union except the three Baltic republics. All the zero-option agreements were mutually ratified, except the agreement with Ukraine, which has not been ratified by Ukraine. Each zero-option agreement provides that, as between the Russian Federation and the other former Soviet republic, the Russian Federation is responsible for virtually all the external debt contracted on behalf of the authorities of the former Soviet Union and receives in return all claims on former Soviet Union assets located outside the territory of the other former Soviet republic. The Russian Federation regularised its relations with virtually all the external creditors of the former Soviet Union and has repaid the former Soviet Union debt.

The Russian Federation is a member of the Commonwealth of Independent States ("**CIS**"), which was founded in December 1991 to promote mutually beneficial cooperation among its members in political, economic, humanitarian and other spheres. Currently, nine of the 15 former Soviet republics are members of the CIS. The three Baltic states never joined the organisation and Georgia withdrew from the organisation in August 2009. Turkmenistan is, and Ukraine was, an associate member, having ratified the Creation Agreement in December 1991, but not the CIS Charter. In May 2019, Ukraine terminated its membership in the CIS and recalled its representatives from the CIS charter-based bodies.

In December 1999, the Russian Federation and the Republic of Belarus ("**Belarus**") signed a treaty on the creation of a unified state and a programme for its implementation. Under the treaty, the Russian Federation and Belarus are to preserve their independence and sovereignty, while developing a single economic space, agreed social policies and coordinated foreign and defence policies. In October 2007, the Russian Federation, Belarus and Kazakhstan signed a tripartite agreement on the creation of a customs union, which entered into force in October 2008. This customs union was ultimately replaced by the Eurasian Economic Union (the "**EEU**"), which was established on 1 January 2015. Armenia and Kyrgyzstan joined the EEU in 2015.

The Russian Federation is also a member of the Collective Security Treaty Organisation, founded in 2002 on the basis of the 1992 Collective Security Treaty, to promote collective

security among its members, which also include Armenia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan, with Afghanistan and Serbia as non-member observers.

In August 2008, there was an armed conflict between the Russian Federation and Georgia on the territories of South Ossetia and Abkhazia. Both territories are now de facto independent from Georgia and have been legally recognised by the Russian Federation, Nicaragua, Venezuela, the Republic of Nauru and Syria. In the aftermath of the August 2008 hostilities, Georgia terminated diplomatic relations with the Russian Federation, however, in 2012 Georgia took a step to revive the relations by introducing a visa-free regime for Russians visiting Georgia for a short time period. Currently Russian troops are stationed in both South Ossetia and Abkhazia.

In March 2014, following mass protests and a change of government in Ukraine, the citizens of Crimea voted by referendum to join the Russian Federation. The Republic of Crimea (the "**Republic of Crimea**") and the City of Sevastopol (the "**City of Sevastopol**") officially acceded to the Russian Federation pursuant to an accession treaty dated 18 March 2014. The accession has not been universally recognised by the international community.

In 2014, armed conflicts arose in the Eastern part of Ukraine, resulting in the creation by citizens of the Donetsk People's Republic ("**DPR**") and the Lugansk People's Republic ("**LPR**"). In September 2014, representatives of the Russian Federation, the DPR, the LPR and Ukraine signed the Minsk Protocol, an agreement to halt these hostilities. The agreement was signed after extensive talks in Minsk, Belarus, under the auspices of the Organisation for Security and Co-operation in Europe ("**OSCE**"). An additional package of security measures was agreed in Minsk in February 2015 (so-called "Minsk II"), involving the leaders of the Russian Federation, Ukraine, France and Germany.

On 25 November 2018, Russian naval forces have seized three Ukrainian vessels (two military ships and a tugboat) in the Kerch Strait between the Black Sea and the Azov Sea next to the Crimea peninsula for making an unauthorised passage through Russian territorial waters, while the Ukrainian authorities assert that all necessary pre-authorisations had been obtained. As a consequence of the described event, the Ukrainian government imposed martial law for a period of 30 days in the Ukrainian regions that border Russia, territories with the military presence of the Russian Federation and the Black or Azov Sea. As part of the martial law, a number of restrictions were imposed, in particular the ban on male Russian citizens at the age of 16 to 60 years entering Ukraine. In November 2018, Russia initiated criminal investigation against Ukrainian sailors in connection with 'unauthorised passage across Russian border'. Ukraine has filed a complaint against Russia with the European Court of Human Rights in connection with the detention of Ukrainian sailors in Russia. On 24 January 2019, the Parliamentary Assembly of the Council of Europe adopted a resolution in connection with the Kerch incident urging Russia to release the Ukrainian sailors. In May 2019, the Hamburg-based International Tribunal for the Law of the Sea (ITLOS) issued a statement that Russia should release the sailors and vessels immediately. Ukrainian sailors were released on 7 September 2019 during the exchange of prisoners between Russia and Ukraine.

As a consequence of the 2014-2015 events, the Russian Federation, on the one hand, and the United States, the EU and certain other countries, on the other hand, have imposed sanctions against various individuals and entities, as well as the import and export of certain products, services and technology. These sanctions have had a significant impact on the Russian Federation's foreign trade. See "*Risk Factors—Risks Relating to the Russian*

Federation—Geopolitical events had and may continue to have a significant impact on foreign trade and the economy".

In addition, Ukraine has initiated legal actions against the Russian Federation before various international bodies, including the International Court of Justice, the World Trade Organisation and the European Court for Human Rights. In 2016, an international trustee acting on instructions of the Russian Federation, initiated litigation in the English High Court for Ukraine's failure to pay a U.S.\$3 billion Eurobond held by the Russian Federation at maturity in December 2015. In March 2017, the English High Court granted the trustee's application for summary judgment. The English High Court entered judgment for the Trustee and ordered Ukraine to pay the principal (U.S.\$3,000,000,000), coupon (U.S.\$75,000,000) and interest outstanding under the notes. In June 2017, Ukraine appealed the English High Court's judgment on various grounds, including on the grounds that the debt was contracted under duress arising from Russia. On 14 September 2018, the Court of Appeal of England confirmed that the summary judgement of the English High Court was legitimate, however, it further noted that there should be a full trial by the English High Court in relation to the question of the alleged duress from Russia. On 26 October 2018, Russia and Ukraine filed their notices of appeal with the Supreme Court of the United Kingdom. The hearings took place in December 2019, however, the Supreme Court of the United Kingdom postponed making the decision until the later date.

In October 2016, Naftogaz and six other companies of Naftogaz group commenced proceedings in the Permanent Court of Arbitration in The Hague against the Russian Federation. The claimants alleged that the Russian Federation expropriated Naftogaz assets in Crimea in violation of the Ukraine-Russia bilateral investment treaty. According to the press release issued by Naftogaz on 1 March 2019, the case was decided in favour of the claimants, and while the amount of compensation is still to be determined, Naftogaz previously estimated the value of the expropriated assets at U.S.\$5 billion. However, according to the press reports, Naftogaz may further increase the value of the claim up to U.S.\$7 billion. The final amount of Naftogaz's damages will be determined by the Permanent Court of Arbitration in The Hague.

In addition, on 4 February 2019 the Permanent Court of Arbitration (the "**Tribunal**") issued its partial award in the case brought by JSC CB PrivatBank ("**PrivatBank**") and Finance Company Finilon LLC ("**Finilon**") against the Russian Federation. However, Finilon, according to the Tribunal, falls outside its jurisdiction and, in May 2019, the Tribunal issued a procedural order in which it recalled its finding in the partial award in respect of Finilon). In this case PrivatBank contend that the Russian Federation breached its obligations under the Ukraine-Russia bilateral investment treaty by taking measures that prevented them from operating their banking business in Crimea. According to the press-release of PrivatBank, it seeks compensation from the Russian Federation in excess of U.S.\$1 billion. In May 2019, the Russian Federation, which had not previously participated in the proceedings, expressed its willingness to appear in the arbitration. The next hearings are scheduled for May 2021.

On 26 November 2018, the International Court of Arbitration in Paris has issued its decision in connection with the claim of the Ukrainian state-owned Public Joint Stock Company "State Savings Bank of Ukraine" (Oschadbank) against the Russian Federation for damages resulting from the loss of some of its assets in Crimea following its accession to the Russian Federation. The court ruled in favour of the Ukrainian bank and awarded damages in the amount of approximately U.S.\$1.1 billion, plus interest. In October 2019, the Paris Court of Appeal refused to grant the Russian Federation a stay of enforcement. Another claim arising from alleged seizure of assets in Crimea was brought by the Ukrainian State Enterprise "NPC

"Ukrenergo". According to the press-reports, the value of assets in question was estimated at around U.S.\$1 billion, and in July 2020, the Arbitration Court in Paris commenced the hearings. The Russian Federation is currently considering its position in these cases and next steps.

On several occasions since the collapse of the Soviet Union, disputes have arisen with Ukraine concerning the supply and transit of natural gas and with Belarus concerning the supply and transit of both natural gas and oil. The Russian Federation is dependent on pipelines in Ukraine and Belarus to deliver a significant portion of the natural gas it exports to western Europe (the Russian Federation supplies approximately one-quarter of the natural gas consumed in the EU).

In January 2009, following a dispute regarding Russian gas supplies to Ukraine, the Russian Federation and Ukraine agreed to a 10-year transit and supply contract ("**2009 Gas Contract**"). Since 2014 until the end of 2019, Gazprom and Naftogaz had been litigating in the Arbitration Institute of the Stockholm Chamber of Commerce (the "**SCC**") over gas supplies and gas transit through Ukraine under 2009 Gas Contract. As part of this litigation, Naftogaz had taken steps to freeze Gazprom's assets in several jurisdictions, including Switzerland, the Netherlands and the United Kingdom. Separately, the Antimonopoly Committee of Ukraine imposed a fine and penalties on Gazprom for the alleged abuse of a dominant position on the market of transit of natural gas through main pipelines in an amount of over U.S.\$6 billion (including interest) (the "**Ukrainian Antimonopoly Resolution**"). As a result, Ukrainian authorities froze Gazprom's equity interests in various companies, bank accounts of the representative office of Gazprom in Ukraine as well as appropriated the 2016 dividends attributable to the shares in AT Gastransit held by Gazprom.

In December 2019, Gazprom, Russian authorities, Naftogaz and Ukrainian authorities had several rounds of negotiations on the future gas transit through Ukraine. On 20 December 2019, Russia, Ukraine and EU commission (as a mediator) signed the intergovernmental protocol providing the key terms of the future amicable agreements between the parties to the negotiation and the new contract for transit of gas through Ukraine between Gazprom and Naftogaz (the "**Protocol**"). In accordance with the Protocol, full payment by Gazprom to Naftogaz of the amount awarded by SCC on 28 February 2018 was one of the precedent conditions to conclude amicable agreements (under this award Gazprom was required to pay U.S.\$4.763 billion to Naftogaz for the shortfall in gas transit through Ukraine, however this amount was netted against the amount that Naftogaz was required to pay to Gazprom under the award rendered in December 2017 in connection with the dispute over the gas supplies to Ukraine). According to the press reports as of 27 December 2019, Gazprom paid U.S.\$2.9 billion to Naftogaz.

Pursuant to the Protocol, on 30 December 2019, Gazprom, Naftogaz, Gas Transmission System Operator of Ukraine and the Ministry of Justice of Ukraine signed the set of amicable agreements and the new five-year gas transit agreement under which Gazprom should transit not less than 225 billion cubic metres of gas through Ukraine. Under the terms of the amicable agreements:

- (i) Gazprom and Naftogaz should waive all current and future actions and claims against each other in connection with 2009 Gas Contract;
- (ii) Naftogaz should submit to all applicable authorities for lifting all restrictions previously imposed on Gazprom's property, assets and monetary funds (according to the press reports, all restrictions imposed on Gazprom's assets in various countries were lifted at the beginning of 2020); and

- (iii) Ukraine cancelled all ongoing and future claims against Gazprom by the Antimonopoly Committee of Ukraine arising out of the Ukrainian Antimonopoly Resolution.

In 2011, the Russian Federation and Belarus reached an agreement on the supply of Russian gas to Belarus. The term of the agreement/protocols was extended in December 2019 to cover gas supplies until the end of 2020.

RECENT DEVELOPMENTS

In December 2019, a disease caused by a new strain of coronavirus (COVID-19) was reported in Wuhan, Hubei Province, China, which has since spread across the world, resulting in the WHO declaring it a global pandemic on 11 March 2020. The COVID-19 virus is currently effecting Russia, like most other countries. The first cases of COVID-19 in Russia were confirmed at the end of January 2020 and, as of 8 November 2020, Russia reported 1,774,334 and 30,537 confirmed cases of COVID-19 infections and deaths, respectively. The Russian government has implemented a number of measures in order to control the spread of the COVID-19 virus, which have, in part, resulted in decrease in the number of infected people and further stabilisation of the COVID-19 spread in Russia by the end of July 2020. Also, the Russian government has introduced certain support measures for businesses and individuals in light of the economic deterioration caused by COVID-19 and related restrictions.

Starting from the beginning of the COVID-19 pandemic, the Russian medical laboratories and scientific centers have made efforts to develop a vaccine against the virus. On 11 August 2020, the President announced that the first COVID-19 vaccine "Sputnik V" developed by the Gamaleya Research Institute of Epidemiology and Microbiology had been registered in the Russian Federation. Voluntary vaccination with this vaccine has started in Russia since September 2020. First, the vaccine is to be provided to the risk group members such as teachers and doctors. At the same time, more than 40,000 volunteers should be vaccinated with "Sputnik V" for the purpose of the third stage of the vaccine clinical trial.

According to press reports, the second Russian vaccine against COVID-19 "EpiVacCorona" developed by the State Research Center of Virology and Biotechnology Vector is at the final stage of its trial. The production of the vaccine is expected to begin in the course of November 2020.

Emergency

Starting from February 2020, Federation subjects had been declaring the state of 'high alert' and by the end of March 2020, it was declared in all 85 Federation subjects. Federation subjects implemented various measures as part of the 'high alert' state in order to prevent the spread of COVID-19. For example, Moscow government implemented, among others, the following restrictions:

- temporary suspension of all public events, closing of restaurants, beauty salons and other similar facilities, prohibition of car-sharing;
- special permits to leave home;
- requirement to keep 1.5 metre social distance and wear masks and gloves in all public places.

Also, on 25 March 2020, the President announced non-working days for most categories of employees with full salary entitlements. This measure did not apply to certain organisations, such as, for example, hospitals and other healthcare organisations, food stores, or organisations providing certain services and works to population. The non-working days were introduced from 30 March 2020 to 8 May 2020.

The scope of COVID-related restrictions depends on the epidemiological situation in a given Federation subject. Most of the restrictions have been lifted in Moscow and other Federation subjects in the course of summer 2020, but some of them are currently being re-introduced since the number of COVID-19 infection cases have started to increase again.

Borders

At the end of March 2020, Russia suspended all regular international flights and partially closed its borders. Once the epidemiological situation had stabilised, the Russian government commenced reopening the borders with certain countries. As of the date of this Prospectus, regular air travel with certain countries has been resumed.

Support measures for Russian business

The Russian government implemented a number of measures to support Russian companies and individual entrepreneurs during the economic turbulence caused by the COVID-19 outbreak. These measures, amongst others, include the following:

- moratorium to institute bankruptcy proceedings against (i) the companies and individual entrepreneurs operating in the sectors of the Russian economy which were mostly affected by the deteriorating economic situation caused by the spread of COVID-19 (the "**Affected Sectors**"), (ii) system-forming companies and (iii) strategic companies. In October 2020, bankruptcy moratorium with respect to companies referred to in times (ii) and (iii) above expired but with respect to companies and individual entrepreneurs operating in the Affected Sectors it was extended until 7 January 2021;
- automatic renewal of expiring licenses and permits until 31 December 2020;
- subsidies to Russian companies and individual entrepreneurs operating in certain spheres of Russian economy, such as, for example, airports and airlines (total amount of subsidies is 10.9 billion roubles and 23.4 billion roubles, respectively), electronics manufacturing, self-employed and etc.;
- subsidies to the small and medium-sized enterprises operating in the Affected Sectors in the amount of 12,130 roubles per employee to pay salaries and maintain employment in April and May 2020 as well as other business-related expenses; the total amount of funds allocated exceeds 104 billion roubles;
- several types of subsidised bank loans, including (i) interest-free loans for companies and individual entrepreneurs operating in the Affected Sectors to be used to pay salary to their employees, (ii) loans with preferential interest rate for system-forming companies to finance working capital, (iii) loans with preferential interest rate for entities and individual entrepreneurs operating in the Affected Sectors to recommence their business operations and loan write off for companies and individual entrepreneurs retaining at least 80% of their employees, etc.;
- repayment holidays for bank loans provided to small and medium-sized enterprises operating in the Affected Sectors and to individual entrepreneurs which income has decreased by 30% as compared to the average monthly income;

- deferral (postponement) of tax payments and mandatory insurance premium payments for the companies and individual entrepreneurs operating in the Affected Sectors and other measures to minimize tax burden;
- perpetual reduction of insurance contributions rate from 30% to 15% for small and medium-sized enterprises;
- tax deduction with respect to insurance contributions for mandatory pensions insurance for individual entrepreneurs in 2020 in the amount of one minimum monthly wage (12,130 roubles);
- rent-free period in respect of the real estate lease agreements for tenants which are the companies and individual entrepreneurs operating in the Affected Sectors;
- partial reimbursement of the employers' expenses relating to remuneration of public works employees and temporary employment of employees which are at risk to be fired and individuals looking for a job.

Support measures for individuals

Support measures for individuals implemented by the Russian government include, among others:

- increase in maximum unemployment compensation to the minimum monthly wage (12,130 roubles) during the period from March to the end of 2020;
- introduction during the period from April to August 2020 of the maximum unemployment compensation for individuals who have lost their jobs and have been recognized as unemployed starting from 1 March 2020;
- increase in unemployment compensation for individuals having children under 18 years by 3,000 roubles per each child (payable to one of the parents) during the period from April to September 2020;
- increase in minimum unemployment compensation from 1,500 roubles to 4,500 roubles during the period from May to August 2020;
- increase in minimum unemployment compensation to the maximum level (12,130 roubles) for three month period for individual entrepreneurs that have ceased their business activity since 1 March 2020;
- prolongation of the period of unemployment compensation for 3 month for individuals which have lost their right to unemployment compensation since 1 March 2020 due to expiration of unemployment compensation period;
- professional trainings and additional professional education of individuals affected by the consequences of the spread of COVID-19, until the end of 2020;
- monthly incentive payments in the amount from 25,000 roubles to 80,000 roubles for medical staff treating patients infected with COVID-19; the total amount of funds allocated exceeds 55 billion roubles;

- incentive payments in the amount from 10,000 roubles to 60,000 roubles for special working conditions and additional workload for employees of social service organisations providing social services to individuals infected by COVID-19 and to COVID-19 risk group members; as of 7 October 2020, the total amount of funds allocated exceeds 15 billion roubles;
- subsidised mortgage loans with a preferential interest rate to buy certain residential property;
- one-time and monthly payments to support families having children;
- repayment holidays for bank loans provided to individuals if their income has decreased by 30% as compared to the average monthly income;
- distant registration of sick leave for employees aged at least 65 years starting from 6 April 2020 for the period depending on epidemiological situation in a given Federation subject;
- increase in minimum monthly compensation for temporary disability (sick leave) for insured employees to minimum monthly wage (12,130 roubles);
- automatic renewal of documents required to receive social benefits;
- distant registration in public employment service.

Some of the measures are still in force and may be cancelled or reimplemented depending on the economic environment.

Monetary Policy

The Bank of Russia has taken a number of measures to minimise the effect of the COVID-19 pandemic, address exchange-rate volatility, support financial markets and stabilise the inflation rate in 2020 around 4% level. The key rate of the Bank of Russia was lowered three times since the beginning of the COVID-19 pandemic: from 6.0% to 5.5% in April 2020, to 4.5% in June 2020 and to 4.25% in July 2020. The Bank of Russia uses additional policy tools to support demand and ensure that markets continue to operate smoothly. In order to reduce the long-term damage to the economy, the Bank of Russia has implemented several measures, including temporary measures to increase incentives for banks to issue and extend loans such as: special refinancing rates, favourable conditions for specific types of loans, postponing the introduction of tighter rules, and reducing regulatory and supervisory burdens for financial institutions. Moreover, the Bank of Russia has introduced a 500 billion rouble facility to support small and medium-sized enterprises lending and approved measures to ease liquidity regulations for systemically important financial institutions. For households affected by the COVID-19, the Bank of Russia allowed banks and microfinance organizations to restructure their loans, forgo penalties, and avoid foreclosures on collateral.

Russia like many other countries implemented measures to address COVID-19 pandemic and its consequences which were focused on supporting most vulnerable citizens, the Affected Sectors, small and medium-sized enterprises and strengthening the health system. Implementation of such measures was possible due to current fiscal rules implemented in 2017 (see "*Public Finance—Federal Budgetary Process—Amendments to the Budget Code*"),

inflation targeting and free floating exchange rate policies which allowed to avoid more adverse effect on the Russian economy. In the absence of new epidemiological shocks, GDP is expected to decrease by 3.9% in 2020, according to the Ministry of Economic Development forecast.

THE RUSSIAN ECONOMY

Overview

Liberalisation, starting in 1991, and privatisation, starting in 1992, have substantially transformed the Russian economy since the Soviet era, when the state regulated virtually all economic and financial activities. At present, only certain public services and legislatively defined "natural monopolies" (for example, pipeline transport of oil and gas, electricity transmission, railway transport, terminal, port and airport services, and postal services) are subject to price regulation.

Since the second half of 2014, the Russian economy has been negatively impacted by low oil prices and a deterioration of economic relations with certain of the Russian Federation's trading partners. This has resulted in rouble depreciation, higher inflation, a decline in trade and an overall contraction in GDP. Russia's GDP contracted by 2.0% in 2015. The Russian government and Bank of Russia, however, have implemented a series of temporary measures designed to protect the stability of the financial sector. See "*Monetary and Financial System—Monetary Policy—Anti-Crisis Measures and Current Policy*" for a description of certain of these measures.

As a result of lower oil prices and the worsening of economic relations with certain trading partners, the economy of the Russian Federation has undergone a rebalancing in certain respects. Certain sectors of the Russian economy, such as the food, chemicals and domestic tourism industries, have experienced an increase in activity (with the agricultural sector in particular growing by 2.9% in 2015 and by 1.8% in 2016). Gross investment (net of inventory accumulation), driven by growing operating margins in certain parts of the Russian corporate sector, has shown initial signs of recovery (was only marginally negative in 2016) after a deep decline in 2015, driven by repayment of significant amounts of corporate debt in the fourth quarter of 2014 and the first quarter of 2015.

By the end of 2016 the Russian economy adapted to the sharp deterioration in external economic conditions in 2014-2015. As a result of the implementation of anti-crisis policies, the effects of the crisis were less profound, and the adaptation was faster than initially expected. The structure of the economy has become healthier, with the increased competitiveness of industry and a growing share of profits in national income. The GDP growth rate was 1.8% in 2017 as compared to a 0.3% growth in 2016 mainly due to growth of household consumption (by 3.7% in 2017 as compared to a decline of 2.6% in 2016), gross capital formation (by 6.4% in 2017 as compared to a decline of 0.3% in 2016) and exports (by 5.0% in 2017 as compared to growth of 3.2% in 2016). In 2018, GDP increased by 2.5% as compared to 2017 mainly due to increase in export (by 5.5% in 2018 as compared to 2017) and decline in growth rate in import (from 17.3% in 2017 to 2.6% in 2018). In 2019, GDP increased by 1.3% as compared to 2018 mainly due to a decline in export (by 2.1% in 2019 as compared to 2018) and slowdown of household consumption growth to 2.3% (compared to 3.3% in 2018).

In 2020, COVID-19 pandemic and collapse of oil prices has triggered a deep global economic recession and Russian economy has been adversely affected as well. In the first half of 2020, GDP fell by 3.4% as compared to a 0.8% increase in the first half of 2019, mostly due to significant decline in oil prices since March 2020 and COVID-19 related limitations in April and May 2020 implemented by the Russian government (see "*Risk Factors—Risks Relating to the Russian Federation—The worldwide economic effects of the outbreak of the COVID-19 pandemic and the economic shutdown caused by it has adversely affected, and will continue to*

affect, Russian economy, and the impact could be material" and "Risk Factors—Risks Relating to the Russian Federation—Decline in crude oil and natural gas prices adversely affect the revenues of the Russian Federation and any sustained period of low crude oil and/or natural gas prices may have a prolonged or great adverse effect"). COVID-19 related restrictions, unstable Russian rouble rate, low oil prices have had a significant negative impact on the Russian business and households. The Russian government has made a lot of efforts to help the business and individuals to overcome the crisis (see "*Recent Developments*") and reflate the economy. According to the World Bank (Group Russian Economic Report No. 43 of July 2020), Russia's economic policy response was within its fiscal rule framework: (i) Russian government has been allowed to implement effective stabilisation measures; (ii) Russia's support measures are at par with benchmark countries; (iii) Russia has fiscal headroom to further support relief and recovery measures; (iv) social protection measures announced by the Russian government could compensate for the increase in crisis-induced poverty. The Bank of Russia also has addressed economic deterioration by adopting different measures to support the Russian rouble stability and Russian business and credit institutions (see "*Recent Developments—Monetary Policy*" and "*Monetary and Financial System—Monetary Policy—Anti-Crisis Measures and Current Policy*"). On 23 September 2020, the Government approved a draft economic recovery plan (the "**Economic recovery plan**"). The main objectives of the Economic recovery plan are (i) shift to robust economic growth, (ii) securing the recovery of employment and personal income, (iii) long-term structural economic changes based on using new technologies, labour market and education opportunities, (iv) fast and high-quality residential construction, (v) export focus and active import substitution.

In November 2008, the Government adopted a long-term social and economic development programme (the "**Development Programme through 2020**"), the primary objectives of which are to stimulate Russian innovation, including in high-technology industries, diversify the economy, promote regional economic development and reform the country's natural monopolies. At the end of 2011, the Government passed the Strategy for Innovative Development through 2020, which sets forth the key objectives and priorities of, and means to implement, state innovation policy.

In 2017 and 2018, the Government approved a series of road maps for the development of certain industries, including digital economy, heat energy, biotechnology and genetic engineering, fertilizer manufacturing, healthcare and others.

On 7 May 2018, the President signed Decree No. 204 "On national objectives and strategic tasks of Russian Federation's development in the period up to 2024" ("**Decree No. 204**"). Under Decree No. 204 (as amended), the Government is required (i) to adopt key focus areas of the Government for a period of up to 2024 and (ii) develop (amend) national projects in the following areas: (1) demography; (2) healthcare; (3) education; (4) housing and urban environment; (5) ecology; (6) safe and high-quality roads; (7) labour productivity and support of employment; (8) science; (9) digital economy; (10) culture; (11) small and medium-sized business and support of sole proprietorship; and (12) international cooperation and export. Passports of the national projects in each of these areas were approved by the Government in December 2018.

Decree No. 204 further sets out certain specific goals and targets in each sphere.

For example, the Government, in the context of national projects for ecology, is required to achieve certain goals by 2024, including: (i) creation of a comprehensive system of solid household waste management, including elimination of dump sites and recultivation of lands

where it was situated, creation of conditions for recycling of all industrial and consumer waste, disposal of which are prohibited, (ii) creation of a modern infrastructure for safe management of waste with first and second hazard classes, and elimination of most hazardous objects of accumulated environmental damage, (iii) implementation of comprehensive plans for lowering air pollution emissions in big industrial centers, including cities Bratsk, Krasnoyarsk, Lipetsk, Magnitogorsk, Mednogorsk, Nizhniy Tagil, Novokuznetsk, Norilsk, Omsk, Chelyabinsk, Cherepovets and Chita, taking into account summary calculations for permissible negative environmental impact in each of those cities, (iv) increasing the quality of drinking water via modernisation of the water supply system using advanced technologies of water production, including technologies developed by the military-industrial complex.

In addition, the Government, in the context of national projects for the development of international cooperation and exports, is required to ensure that by 2024 the volume (in current monetary terms) of exported non-resource non-energy related goods and services reaches no less than U.S.\$250 billion annually.

Also, pursuant to Decree No. 204, the Government, in collaboration with regional public authorities, on 30 September 2018 approved a comprehensive plan of modernisation and expansion of backbone infrastructure through 2024 (the "**Modernisation Plan**") which envisages 11 federal projects: nine of them relate to the transport infrastructure and two of them relate to the energy sector. The plan includes:

- the development of "West-East" and "North-South" transport corridors for cargo transportation, through, among others: (i) the construction and modernization of Russian sections of automotive roads related to "Europe – West China" international transportation route, (ii) the increase of capacity of Russian seaports, including ports of Far Eastern, North-Western, Volga-Caspian and Azov-Black sea basins, (iii) the development of Northern Sea Route and increased flow of goods through it to 80 million tons, (iv) the creation of nodal multimodal cargo transport and logistics centers.
- an increase in economic interconnectedness throughout the territory of the Russian Federation via the expansion and modernisation of railway, air, road, sea and river infrastructure, including: (i) gradual development of transport linkages between regional administrative centers and other cities driving economic growth, including elimination of infrastructural limitations on territories with economic development potential, adjacent to such transport linkages, (ii) reconstruction of regional airports' infrastructure and expansion of network of inter-regional regular passenger aviation routes bypassing Moscow to 50 percent of all internal regular air routes, (iii) creation of foundations for development of high-speed and superhigh-speed railway communications between big cities and (iv) increase of carrying capacity of internal waterways;
- guaranteed provision of affordable electricity through, among others, (i) electrification of "East-West" and "North-South" transport corridors, including Baikal/Amur and Trans Siberian railways in conjunction with the development of transport infrastructure, (ii) development of centralised energy systems, including modernisation of generating capacities of thermal, nuclear and hydroelectric power plants in accordance with the needs of socioeconomic development, (iii) sustainable power supply of consumers in the Russia's regions, (iv) development of distributed power generation, including on the basis of renewable energy sources, particularly for remote and isolated energy districts,

(v) implementation of intelligent power grid management systems based on digital technologies.

The volume of investments in national projects for the period from 2019 to 2024 is expected to be approximately 25.7 trillion roubles, including 13.2 trillion roubles from federal budget, 7.5 trillion roubles from private investors, 4.9 trillion roubles from regional budgets and 0.1 trillion roubles from extrabudgetary funds.

On 21 July 2020, the President adopted Decree No. 474 "On national objectives of the Russian Federation's development in the period up to 2030" ("**Decree No. 474**"). Decree No. 474 sets forth the following national objectives of the Russian Federation's development in the period up to 2030 and certain specific targets for each objective which should be reached by 2030:

- saving the population, people's health and well-being (with targets, amongst others, to secure sustained natural growth of population, to increase a life expectancy to 78 years);
- opportunities for self-actualisation and talent sustainability (with targets, amongst others, to rank the Russian Federation amongst the top ten countries in quality of general education, to secure the Russian Federation's place amongst the top ten economies in terms of scientific researches and developments);
- comfortable and safe living environment (with targets, amongst others, to improve living conditions of no less than 5 million families per year and increase the volumes of residential construction no less than to 120 million sq. m. per year, to remove the facilities with most cumulative environmental effects and improve the ecological conditions of water objects, including the Volga River, the Baikal Lake and the Teletskoye Lake);
- decent effective work and successful entrepreneurship (with targets, amongst others, to secure above the world average GDP growth rate with preservation of macroeconomic stability, to increase the share of export of non-resource based products by no less than 70% as compared to 2020);
- digital transformation (with targets, amongst others, to increase the share of socially significant services available in a digital form to 95%, to increase the share of households provided with a broadband Internet connection to 97%).

Under Decree No. 474, the Government is required, among others, to amend (develop) national projects in order to reach national objectives and specific targets for each objective established by Decree No. 474 and develop a unified plan for reaching national objectives of the Russian Federation's development in the period up to 2024 and up to 2030.

Civil and Commercial Law

Since 1992, the Russian Federation has sought to establish a legal framework for economic relations between independent legal persons and entities by adopting a series of laws governing the principal areas of economic activity. The rule of law in the Russian Federation nonetheless continues to be undermined by persistent gaps in legislation, inconsistencies between legal norms at the federal level as well as between norms at the federal and regional levels, the significant degree of discretion given to state officials in many areas and the inexperience of

some Russian judges and their susceptibility to outside influences, especially at the regional and local levels.

The Constitution protects the right of natural persons and legal entities to hold private property. Ownership rights and basic rules for commercial relations are set out in the Russian Federation's Civil Code (the "**Civil Code**"). Part I of the Civil Code, passed in 1994, establishes the principles of contract and property law. The Civil Code also specifies the forms that private enterprises may take, including partnerships and joint-stock and limited liability companies. Part II of the Civil Code, passed in 1996, regulates particular types of contractual relationships, including sales contracts, leases, credit agreements and insurance. Part III of the Civil Code came into effect in March 2002 and covers inheritance law and private international law. The fourth and final part of the Civil Code, which came into effect on 1 January 2008, codifies rules on intellectual property matters. In recent years, the Civil Code has been subject to a series of amendments covering a wide range of topics, including compensation for losses incurred as a result of the wrongful acts of state authorities, grounds for invalidating transactions, greater protections of individual privacy and related rights and further development of certain aspects of securities and real property law.

The Russian Federation has legislation in place that regulates the principal areas of economic activity, including:

- the ownership, purchase, privatisation and use of land, including agricultural land;
- corporate organisation and corporate governance, including the formation of companies, shareholder rights and liabilities (including the ability to enter into shareholder agreements), the role of directors, interested party transactions, mergers and acquisitions, shareholder buy-outs and share capital and dividends;
- the issuance and circulation of securities, the activities of professional participants in the securities market and the clearing and settlement of securities, including the establishment of a central depository for securities (see "*Monetary and Financial System—Capital Markets—Regulation of the Capital Markets*");
- the organisation and governance of limited liability companies;
- bankruptcy procedures, including rules for declaring an enterprise or credit institution bankrupt, for managing and liquidating an enterprise or credit institution after it has been declared bankrupt and for satisfying creditors' claims;
- foreign investment in the Russian Federation, including protections against nationalisation and expropriation without compensation and foreign investment in Russian businesses having strategic importance in matters of state defence and security;
- the protection of economic competition;
- customs procedures;
- special economic zones; and
- advanced social-economic development territories.

The Federal Assembly has passed laws allowing for the gradual privatisation of certain businesses. Proceeds from privatisations in 2014 and 2015 amounted to 36.9 billion roubles, including 18.8 billion roubles from the 2014 sale of a stake in PJSC Inter RAO UES and 2.2 billion roubles from the 2014 sale of a stake in JSC Arkhangelsk Trawler Fleet.

In June 2016, the Russian government sold a 10.9% stake in ALROSA for 52.2 billion roubles. In October 2016, a 50.08% stake in Bashneft was sold to Rosneft for 329.7 billion roubles, and in January 2017 a 19.5% stake in Rosneft was sold to Glencore and the Qatar Investment Authority for 692.4 billion roubles.

Programme for the Privatisation of Federal State Property for 2020-2022 was adopted in January 2020 (the "**2020-2022 Privatisation Programme**"). The 2020-2022 Privatisation Programme provides for, amongst others, the privatisation of the Novorossiysk Commercial Sea Port and the Mahachkalinskiy Commercial Sea Port and the decrease of the state interest in VTB Bank, Sovcomflot and Rosspirtprom. The main goals of the 2020-2022 Privatisation Programme are creation of conditions for effective corporate governance, reduction of the state's share in the Russian economy and attraction of the investments. The Russian government is expecting to raise approximately 3.6 billion roubles per year from privatisation.

Gross Domestic Product

The following table sets forth certain information regarding the Russian Federation's GDP for the periods indicated:

	Gross Domestic Product					For the three months ended 31 March	For the three months ended 30 June	For the six months ended 30 June
	For the year ended 31 December⁽¹⁾							
	2015	2016	2017	2018	2019	2020	2020	2020
Nominal GDP (<i>billions of roubles</i>).....	83,087	85,616	91,843	104,630	110,046	25,318	23,288	48,606
GDP in 2016 constant prices (<i>billions of roubles</i>)	85,451	85,616	87,179	89,390	90,590	20,459	20,076	40,535
Real GDP index (%) (2016=100%).....	99.8	100.0	101.8	104.4	105.8	—	—	—
Real GDP (as % year-on-year)	98.0	100.2	101.8	102.5	101.3	101.6	92.0	96.6
Nominal GDP per capita (<i>roubles</i>)	567,513	583,715	625,454	712,588	749,813	—	—	—
GDP per capita in 2016 constant prices (<i>roubles</i>).....	583,655	583,715	593,693	608,800	617,246	—	—	—
Real GDP per capita index (%) (2016=100%).....	100.0	100.0	101.7	104.3	105.7	—	—	—
Real GDP per capita (as % of prior period).....	97.8	100.0	101.7	102.5	101.4	—	—	—
GDP deflator (% , period-on-period)	107.2	102.8	105.3	111.1	103.8			98.0

Memo:

	For the year ended 31 December ⁽¹⁾					For the three months ended 31 March	For the three months ended 30 June	For the six months ended 30 June
	2015	2016	2017	2018	2019	2020	2020	2020
Average annual resident population (<i>thousands</i>).....	146,406	146,675	146,842	146,831	146,765			146,640

Notes:

(1) Certain data presented in this table differ from previously published data due to regular revisions by Rosstat.

Source: Rosstat.

For the five-year period from 2015 to 2019, real GDP grew by an average annual rate of 0.8%, although annual growth rates have varied significantly during the period. In 2015 GDP contracted by 2.0% and in 2016, 2017, 2018 and 2019 GDP grew by 0.2%, 1.8%, 2.5% and 1.3%, respectively.

In 2015, the Russian economy contracted by 2.0% due to a 8.0% decline in consumption and a 11.7% decline in gross investment, reflecting the depreciation of the rouble, the continued decrease in international oil and gas prices and the impact of sanctions and geopolitical events. Imports contracted by 25.0% in real terms in 2015, reflecting lower consumption in the domestic economy. The decrease in the dollar value of the Russian Federation's GDP in 2015 was mainly caused by rouble depreciation that resulted from lower oil and gas prices as well as geopolitical events.

In 2016, the Russian economy began to stabilise, growing by 0.2%, reflecting a 3.2% growth in exports (after 3.7% growth in 2015) and a 3.7% decline in imports. Fixed assets accumulation increased by 1.3% in 2016, while the rouble exchange rate against the US dollar and the euro stabilised and, in the second half of the year appreciated significantly.

In 2017, the Russian economy grew by 1.8% reflecting growth of household consumption (by 3.7% in 2017 as compared to a decline of 2.6% in 2016), gross capital formation (by 6.4% in 2017 as compared to a decline of 0.6% in 2016) and exports (by 5.0% in 2017 as compared to growth of 3.2% in 2016). The increase in the dollar value of the Russian Federation's GDP in 2017 was mainly caused by the appreciation of rouble.

In 2018, the Russian economy grew by 2.5% as compared to 2017 mainly due to 5.5% growth in exports and, to a lesser extent, due to increase in household consumption by 3.3% and sharp decrease in import growth rate from 17.3% in 2017 to 2.6% in 2018.

In 2019 economic growth in Russia decelerated to 1.3% (compared to 2.5% growth in 2018) mainly due to decline in export by 2.3% and slowdown of household consumption growth to 2.5% (compared to 3.3% in 2018). Decline in export was mainly caused by the drop in external demand for Russia's export goods and sectoral sanctions. However gross investment grew by 3.8% in 2019. In 2019, Russia ranked sixth by the size of GDP (based on purchasing power parity), according to OECD.

In the three months ended 31 March 2020, Russian economy increased by 1.6% as compared to the first three months of 2019 mostly due to a growth in consumption (by 2.8% as compared to the same period of 2019) and in gross investment (by 2.6% as compared to the same period of 2019).

In the second quarter of 2020, Russian economy fell by 8.0% as compared to the second quarter of 2019, mostly due to the sharp decrease in household's consumption (by 22.2% as compared to the same period of 2019) and gross investment (by 6.1% as compared to the same period of 2019). However, decline of Russian GDP in the second quarter of 2020 (seasonally adjusted) was less than in the majority of other G20 countries (except for China, Korea and Indonesia), according to OECD.

In the first half of 2020 Russian economy fell by 3.4% as compared to a 0.8% increase in the first half of 2019, mostly due to significant decline in oil prices since March 2020 and COVID-19 related limitations in April and May 2020 implemented by the Russian government (see "*Recent Developments*").

In September 2020, the Ministry of Economic Development published projected growth rates in real GDP for 2020-2023. The scenario assumes an average price per barrel of Urals oil of U.S.\$41.8 per barrel in 2020, U.S.\$45.3 per barrel in 2021, U.S.\$46.6 per barrel in 2022, U.S.\$47.5 per barrel in 2023, real GDP is estimated to decline by 3.9% in 2020 and to grow by 3.3% in 2021, by 3.4% in 2022 and by 3.0% in 2023.

See "*Forward-Looking Statements*", "*Risk Factors—Risks Relating to the Russian Federation—Decline in crude oil and natural gas prices adversely affect the revenues of the Russian Federation and any sustained period of low crude oil and/or natural gas prices may have a prolonged or great adverse effect*" for a description of various external and domestic factors that may cause estimates of real GDP to differ from actual results and "*Public Finance—Federal Budgetary Process—2020 Budget Law*".

GDP and Gross Value Added by Sector

The following table illustrates the Russian Federation's GDP and gross value added ("GVA") by economic sector for the periods indicated:

Gross Domestic Product and Gross Value Added by Sector⁽¹⁾⁽²⁾

	For the year ended 31 December										For the six months ended 30 June	
	2015		2016		2017		2018		2019		2020	
	%	% change ⁽³⁾	%	% change ⁽³⁾	%	% change ⁽³⁾	%	% change ⁽³⁾	%	% change ⁽³⁾	%	% change ⁽³⁾
GDP total	—	(2.0)	—	0.2	—	1.8	—	2.5	—	1.3		(3.4)
GVA (in constant prices) ...	100	(1.5)	100	0.3	100	1.8	100	2.5	100	1.4	100	(3.4)
Agriculture ⁽⁴⁾	4.3	2.9	4.3	1.8	3.9	1.5	3.8	0.9	3.8	0.6	2.7	1.2
Mining ⁽⁵⁾	9.8	1.0	9.6	1.9	10.9	1.6	13.2	2.3	12.6	2.0	9.5	(6.7)
Manufacturing	13.8	(0.9)	13.0	1.1	13.6	4.4	14.5	1.9	14.6	1.3	14.8	(2.6)
Electricity, gas production and distribution.....	2.8	(1.3)	2.9	2.6	2.9	(1.5)	2.6	2.3	2.6	(1.3)	2.9	(3.4)
Water supply	0.5	(12.0)	0.5	9.0	0.5	(1.4)	0.5	0.3	0.5	(4.3)	0.5	(6.2)
Construction.....	6.3	(2.0)	6.4	1.6	6.0	(1.4)	5.7	2.5	5.6	0.0	4.6	(0.7)
Trade ⁽⁶⁾	15.8	(6.8)	14.7	(3.9)	14.1	1.1	13.8	2.1	13.7	1.4	13.7	(4.3)
Transportation and storage ...	6.7	(0.7)	7.3	2.4	7.0	0.0	6.5	2.0	6.6	1.4	6.5	(12.0)
Hotels and restaurants	0.9	(2.6)	0.9	(4.4)	0.9	2.2	0.9	4.7	0.9	2.2	0.6	(29.4)
Communications.....	2.5	(0.1)	2.5	(3.3)	2.6	3.6	2.5	4.7	2.6	3.4	2.6	(1.0)
Financial services	3.6	(6.4)	4.4	8.4	4.4	0.6	4.3	9.1	4.2	9.4	5.1	8.0

	For the year ended 31 December										For the six months ended 30 June	
	2015		2016		2017		2018		2019		2020	
	%	% change ⁽³⁾	%	% change ⁽³⁾	%	% change ⁽³⁾	%	% change ⁽³⁾	%	% change ⁽³⁾	%	% change ⁽³⁾
Operations with real estate, including rent and services ...	10.1	0.3	10.2	0.5	10.0	3.2	9.4	2.6	9.5	(0.2)	10.9	0.3
Science and technical activity	4.5	(4.2)	4.5	(5.6)	4.5	2.8	4.1	2.2	4.4	4.6	4.3	(3.9)
Administration.....	2.4	11.7	2.4	3.2	2.4	3.1	2.3	3.9	2.1	(6.3)	2.2	(7.7)
Public administration, defence and mandatory social security	7.7	(0.5)	8.0	1.2	7.8	3.4	7.4	1.2	7.5	1.0	9.4	2.0
Education	3.1	1.0	3.2	(0.9)	3.2	1.3	3.1	1.3	3.2	1.3	3.7	(1.0)
Public health and social services	3.2	(0.6)	3.2	(0.3)	3.1	0.3	3.3	0.9	3.4	0.6	3.9	(3.8)
Culture and sport.....	0.9	6.4	0.9	(2.3)	0.9	4.2	1.0	8.6	1.0	5.4	1.0	(13.2)
Other services.....	0.5	6.8	0.6	10.2	0.6	4.8	0.6	3.8	0.6	(1.9)	0.5	(16.0)
Household activities.....	0.6	(1.0)	0.7	(2.0)	0.6	(2.0)	0.6	(2.0)	0.6	(2.0)	0.5	(24.0)

Notes:

- (1) Certain data presented in this table differ from previously published data due to regular revisions by Rosstat.
- (2) Sectoral figures in this table are calculated pursuant to GVA, which does not take into account taxes on products, but does take into account subsidies on products. For this reason, sectoral contributions for each period total 100% of GVA, but do not total 100% of GDP for that period. For the same reason, GDP growth rates and GVA growth rates over the same period may also differ.
- (3) In constant prices. Percent changes reflect period-on-period changes, based on figures for GVA.
- (4) Includes hunting and forestry.
- (5) Includes extraction of oil, gas, coal, metal ores and other minerals.
- (6) Includes wholesale and retail trade and repairs of motor vehicles and personal and household goods.

Source: Rosstat.

The sectors of the Russian economy most affected by geopolitical events and the decline in oil prices include trade, which fell by 3.9% in 2016 and hospitality (hotels and restaurants), which fell by 4.4% in 2016. In contrast, the reduction of imports has had a positive impact on the agricultural sector, which grew by 1.8% in 2016 and manufacturing, which grew by 1.1%. Mining also experienced significant growth in 2016.

In 2017 Russian economy showed improvements in most sectors as compared to 2016: manufacturing increased by 4.4%, trade increased by 1.1%, hospitality (hotels and restaurants) increased by 2.2%, mining increased by 1.6%, financial services increased by 0.6%, operations with real estate increased by 3.2%, science and technical activity increased by 2.8%, public administration, defence and mandatory social security increased by 3.4%. The improvements in the abovementioned sectors were mostly driven by a recovery in both consumer demand (growth of real wages, decrease of unemployment and expansion in consumer lending) and investment demand (partially driven by big infrastructure projects in the transportation sector). Growth of the agriculture sector of the Russian economy slowed, increasing only by 1.5% due to the reduction of prices for agricultural products. Despite the voluntary restrictions on oil production undertaken by the Russian Federation under OPEC+ agreements (see "*Russian Federation—International Relations—The Russian Federation's Position in the International Community*"), growth of mining sector amounted to 1.6% mainly due to growth in production of coal (by 6.2%) and natural gas (by 7.8%).

In 2018, Russian economy further improved as compared to 2017 and showed an increase in all sectors, except for household activities. The improvements were mostly driven by sharp slowdown of import growth. The most fast-growing sector was services: financial services (increase by 9.1%), culture and sport (increase by 8.6%), hospitality (hotels and restaurants) (increase by 4.7%), communications (increase by 4.7%), operations with real estate (increase by 2.6%) and administration (increase by 3.9%). Slight growth in agriculture (0.9%) was mainly due to a sharp contraction of grain harvest in 2018 after its record volume in 2017.

In 2019 growth of the Russian economy decelerated to 1.3% as compared to 2018. This slowdown was driven mainly by the decline in several services and infrastructure sectors: operations with real estate (by 0.2%), administration (by 6.3%), other services (by 1.9%), electricity, gas production and distribution (by 1.3%), water supply (by 4.3%). Another reason for such slowdown was sharp decrease of growth rates in construction, trade, hospitality (hotels and restaurants), communications and culture and sport.

In the first half of 2020 Russian economy declined by 3.4% as compared to the same period of 2019, reflecting fall in almost all sectors. Introduction of a self-isolation regime in the second quarter of 2020 due to COVID-19 outbreak (see "*Recent Developments*") led to the shutdown of many enterprises, drop in income and consumption of households, and investments withdrawal. Most significant drops were recorded in the services sectors such as hotels and restaurants (by 29.4%), culture and sport (by 13.2%), transportation and storage (by 12.0%) and other services (by 16%). Moreover, mining was adversely affected by new limitations on oil extraction imposed in accordance with the OPEC+ agreements in 2020 (decrease by 6.7%).

GDP by Use

The following tables illustrate the Russian Federation's GDP by use for the periods indicated:

Gross Domestic Product by Use⁽¹⁾

	For the year ended 31 December										For the six months ended 30 June	
	2015		2016		2017		2018		2019		2020	
	%	% change ⁽²⁾	%	% change ⁽²⁾	%	% change ⁽²⁾	%	% change ⁽²⁾	%	% change ⁽²⁾	%	% change ⁽²⁾
GDP	100.0	(2.0)	100.0	0.2	100.0	1.8	100.0	2.5	100.0	1.3	100.0	(3.4)
Consumption⁽³⁾	70.4	(8.0)	71.7	(1.5)	71.1	3.4	67.0	2.8	68.7	2.4	72.5	(6.6)
Private	52.3	(9.5)	52.8	(2.6)	52.5	3.7	49.1	3.3	50.0	2.5	49.9	(9.8)
Public	17.8	(3.6)	18.5	1.4	18.2	2.5	17.6	1.3	18.3	2.2	22.1	1.5
Non-profit institutions	0.4	(2.9)	0.4	1.0	0.4	0.5	0.4	(1.1)	0.4	2.2	0.5	3.0
Gross investment	22.1	(11.7)	23.1	(0.6)	23.6	6.4	22.0	(0.6)	23.1	3.8	20.7	(2.9)
Fixed assets accumulation	20.6	(10.6)	21.9	1.3	22.0	4.7	20.4	0.2	21.0	1.5	17.5	n/a
Inventory accumulation	1.5	n/a	1.2	n/a	1.6	n/a	1.6	n/a	2.1	n/a	3.2	n/a
Net exports	8.0	n/a	5.2	n/a	5.3	n/a	9.9	n/a	7.6	n/a	5.4	n/a
Exports	28.7	3.7	25.9	3.2	26.1	5.0	30.5	5.5	28.3	(2.3)	25.6	(1.5)
Imports	20.7	(25.0)	20.7	(3.7)	20.8	17.3	20.6	2.6	20.8	3.4	20.2	(11.3)

Notes:

- (1) Certain data presented in this table differ from previously published data due to regular revisions by Rosstat. Data labelled "n/a" is not available.
- (2) Percent changes reflect period-on-period changes in constant prices of the relevant previous period.

(3) Represents expenses on final consumption.

Source: Rosstat.

The composition of GDP by use was affected by the overall condition of the Russian economy: contraction in 2015, initial stabilisation in 2016, growth in 2017-2019 and fall in the first half of 2020.

For the five-year period from 2015 to 2019, domestic demand, i.e. consumption and gross investment, accounted for an average of 92.6% of annual GDP and net exports accounted for an average of 7.2% of annual GDP.

For the five-year period from 2015 to 2019, domestic consumption decreased in real terms by 1.4% and as a share of GDP, domestic consumption has decreased from 70.4% in 2015 to 68.7% in 2019. Domestic consumption mainly consists of private and public domestic consumption. Between 2015 and 2019, private domestic consumption, which accounted for 50.0% of GDP in 2019, decreased by 3.2%. Over the same period, public domestic consumption, which accounted for 18.3% of GDP in 2019, increased by 3.7%. In 2019, total domestic consumption increased by 2.4% due to a 2.5% increase in private domestic consumption and 2.2% increase in public domestic consumption. In the first half of 2020, domestic consumption decreased by 6.6% as compared to the first half of 2019 mainly due to a 22.2% decrease in household consumption in the second quarter of 2020.

For the five-year period from 2015 to 2019, gross investment decreased by 3.6% in real terms reflecting the decrease in fixed capital investments by 3.6% in real terms. In 2019, overall gross investments increased by 3.8% (as compared to 0.6% decline in 2018). In the first half of 2020, gross investment decreased by 2.9% as compared to the first half of 2019.

For the five-year period from 2015 to 2019, the real value of imports decreased by 10.1%, while the real value of exports grew by 15.8%. In 2019, imports growth rate in real terms was moderate (3.4%) mainly due to slowdown in domestic demand and rouble depreciation. Imports as a share of GDP were almost flat at the average of 20.7% of GDP in 2015-2019. In the first half of 2020, imports decreased by 11.3% as compared to the same period of 2019 and as a share of GDP amounted to 20.2%. In 2019 and in the first half of 2020, exports decreased by 2.3% and by 1.5%, respectively, mainly due to contraction in global demand for certain Russia's export goods (ferrous metals, wheat, machines and equipment, unprocessed timber). Exports as a share of GDP decreased from 28.7% of GDP in 2015 to 26.1% of GDP in 2017, then increased to 30.5% of GDP in 2018, and then decreased to 28.3% of GDP in 2019 and to 25.6% in the first half of 2020. See "*Balance of Payments and Foreign Trade—Balance of Payments—Current Account and Capital Account*".

Principal Sectors of the Economy

Industry

The Russian Federation is highly industrialised, with a large share of its industrial activity concentrated in manufacturing. The Russian Federation is among the world leaders in oil extraction and produces significant amounts of natural gas, electricity, iron, steel, rolled products, mineral fertilisers and coal. Manufacturing activity is heavily concentrated in metallurgy, coke and petrochemicals, food processing, machine and equipment building, the production of electrical equipment and the production of transport vehicles and equipment.

The following table illustrates the structure of industrial output and period-on-period changes in real industrial output by sector for the periods indicated:

Industrial Output by Sector⁽¹⁾⁽²⁾⁽⁴⁾⁽⁵⁾

	For the year ended 31 December										For the period ended 30 September		
	2015		2016		2017		2018		2019		2019		2020
	% change ⁽³⁾	%	% change ⁽³⁾	%	% change ⁽³⁾	%	% change ⁽³⁾	%	% change ⁽³⁾	%	% change ⁽³⁾	%	% change ⁽³⁾
Industrial Output.....	0.2	100.0	1.8	100.0	3.7	100.0	3.5	100.0	3.3	100.0	3.5	100.0	(2.9)
Mining and quarrying.....	1.3	22.3	2.6	24.4	1.9	26.9	3.8	26.5	3.4	27.4	4.3	22.1	(6.5)
<i>Of which</i>													
Mining of coal and lignite	0.7	1.7	4.0	2.1	3.9	2.2	5.7	2.0	2.2	2.1	2.5	1.7	(6.5)
Extraction of crude petroleum and natural gas	1.0	14.7	2.4	16.8	0.6	19.5	2.9	19.1	2.2	19.9	3.0	14.3	(7.4)
Mining of metal ores	0.4	1.8	(0.4)	1.7	2.5	1.7	3.4	1.7	2.1	1.7	2.5	2.1	1.4
Other mining and quarrying.....	6.2	1.1	(0.5)	1.0	11.3	0.9	4.2	0.8	3.6	0.8	2.1	0.8	(19.6)
Mining support service activities	2.5	3.0	7.7	2.8	13.7	2.7	12.8	2.9	20.2	2.9	24.5	3.2	2.5
Manufacturing.....	(0.1)	66.4	1.1	65.0	5.7	63.5	3.6	63.7	3.5	62.9	3.1	67.3	0.0
<i>Of which</i>													
Manufacture of food products.....	3.8	10.3	3.5	9.3	4.6	8.3	3.6	8.8	4.2	8.7	3.5	10.4	4.6
Manufacture of beverages	(1.9)	1.5	3.6	1.3	0.2	1.1	1.7	1.3	5.0	1.3	4.1	1.3	2.2
Manufacture of tobacco products	(2.8)	0.5	(2.7)	0.3	(23.0)	0.3	4.1	0.3	(10.4)	0.3	(13.6)	0.4	4.1
Manufacture of textiles	(0.6)	0.4	14.9	0.3	7.1	0.3	2.5	0.3	1.7	0.3	(0.1)	0.4	10.2
Manufacture of wearing apparel.....	(17.5)	0.3	5.9	0.3	17.7	0.3	6.8	0.3	3.5	0.3	1.3	0.3	0.5
Manufacture of leather and related products	(2.2)	0.1	7.5	0.1	10.2	0.1	(4.3)	0.1	(1.6)	0.1	(1.6)	0.1	(13.7)
Wood and of products of wood and cork, except furniture; articles of straw and plaiting materials	0.5	1.0	8.2	0.9	4.9	0.9	14.4	0.9	6.1	1.0	8.1	1.1	1.0
Paper and paper products.....	3.4	1.4	5.9	1.3	7.4	1.4	7.9	1.3	4.6	1.4	4.0	1.4	1.0
Printing and recording services	(5.3)	0.5	(10.1)	0.4	(1.0)	0.4	15.1	0.4	0.1	0.4	(0.1)	0.4	0.5
Coke and refined petroleum products.....	3.1	13.0	(4.3)	14.3	4.3	15.5	2.6	13.4	1.6	13.8	0.8	11.9	(1.4)
Chemicals and chemical products	4.7	4.9	6.5	4.7	7.6	4.7	3.9	4.6	3.4	4.9	3.3	5.1	6.1
Basic pharmaceutical products and pharmaceutical preparations	10.4	0.8	14.9	0.7	9.7	0.7	1.1	0.9	27.3	0.9	23.7	1.3	24.2

Rubber and plastics products	(10.1)	1.8	0.6	1.7	12.6	1.6	1.3	1.6	(1.4)	1.7	(1.8)	1.9	0.9
Other non-metallic mineral products	(4.6)	2.5	(7.7)	2.3	7.6	2.2	0.4	2.3	8.8	2.4	10.5	2.6	(4.7)
Basic metals	(2.3)	8.6	(2.1)	8.9	5.2	8.7	0.6	9.4	4.0	9.5	4.8	11.6	(2.4)
Fabricated metal products, except machinery and equipment.....	8.7	4.1	27.9	3.8	4.3	3.5	5.9	3.8	10.1	3.1	4.2	3.7	5.7
Computer, electronic and optical products.....	5.8	2.4	2.8	2.1	0.2	1.9	3.0	2.0	11.1	1.7	10.2	1.7	3.5
Electrical equipment.....	(9.3)	1.6	7.0	1.5	2.7	1.4	5.4	1.3	1.7	1.3	2.0	1.5	(0.8)
Machinery and equipment n.e.c.	(2.0)	2.0	(2.1)	1.9	8.3	1.8	2.4	1.8	12.3	1.7	14.2	1.9	7.0
Motor vehicles, trailers and semi-trailers	(23.0)	3.2	(2.1)	3.7	20.1	3.7	11.5	3.8	(2.0)	3.8	0.4	3.5	(19.8)
Other transport equipment.....	(2.7)	3.2	10.8	2.9	15.6	2.8	7.7	2.8	(1.0)	2.4	(4.0)	2.4	(5.7)
Manufacture of furniture	(4.9)	0.4	(26.6)	0.4	19.3	0.3	13.0	0.4	2.3	0.4	1.1	0.4	3.1
Other manufacturing.....	(12.3)	0.4	(15.8)	0.4	12.2	0.3	3.3	0.3	(0.1)	0.3	(1.7)	0.4	0.8
Repair and installation services of machinery and equipment.....	(5.7)	1.5	(0.8)	1.4	3.1	1.3	6.0	1.5	(5.3)	1.4	(1.6)	1.5	(5.2)
Electricity, gas, steam and air conditioning supply.....	(1.0)	9.6	2.0	9.1	0.4	8.1	2.2	8.2	(0.8)	8.0	(0.6)	8.7	(2.7)
Water supply; sewerage, waste management and remediation activities	(5.9)	1.7	2.5	1.6	(0.4)	1.6	2.9	1.6	(2.9)	1.6	5.6	1.9	(5.8)

Notes:

- (1) Figures are based on the value of all goods transferred and services rendered, irrespective of consideration received by producers, within a particular segment during the relevant period, in current prices.
- (2) Data on the share of output for each industry sector in the total output are available under the new classification from 2016 only.
- (3) Percent changes in this column are calculated pursuant to production indices and reflect period-on-period changes, with figures adjusted for shadow economic activity.
- (4) With effect from 1 January 2017 a new classification of the industry sectors has been adopted and figures from 1 January 2014 have been retrospectively recalculated pursuant to the new classification.
- (5) Industrial output calculations in this table are made using prices and structure of the gross added value of 2018 year (base year).

Source: Rosstat.

In 2015, with onset of the crisis, industrial output slowed down, with a year-over-year increase of 0.2%. Manufacturing segment declined by 0.1% with most substantial decline in motor vehicles, trailers and semi-trailers (23.0%), manufacture of wearing apparel (17.5%), rubber and plastics products (10.1%) and electrical equipment (9.3%). At the same time certain industries continued to ramp up production, including chemicals (4.7%) and foods (3.8%).

In 2016, industrial output experienced renewed growth with an increase of 1.8% compared to 2015 with 2.6% growth in mining and quarrying and 1.1% growth in manufacturing. The most robust results were demonstrated by basic pharmaceutical products and pharmaceutical preparations (14.9%), manufacture of textiles (14.9%) and fabricated metal products, except machinery and equipment (27.9%), partially offset by declines in certain major industries, such as coke and refined petroleum products where output fell by 4.3%.

In 2017, industrial output grew by 3.7% due mainly to a 5.7% increase in manufacturing, which mainly was a result of 20.1% growth in manufacturing of motor vehicles, trailers and semi-trailers, 7.6% increase in chemicals and chemical products and 4.3% increase in coke and refined petroleum products.

In 2018, industrial output grew by 3.5% due mainly to a 3.8% increase in mining and quarrying and 3.6% increase in manufacturing, which mainly was a result of 11.5% growth in motor vehicles, trailers and semi-trailers and 5.9% growth in fabricated metal products, except machinery and equipment.

In 2019, industrial output grew by 3.3% due mainly to a 3.4% increase in mining and quarrying, which mainly was a result of 20.2% growth in mining support service activities, and to a 3.5% increase in manufacturing, which mainly was a result of 4.2% growth in manufacture of food products and 10.1% growth in fabricated metal products, except machinery and equipment.

In January-September 2020, industrial output declined by 2.9% due mainly to 6.5% decline in mining and quarrying, which mainly was a result of 7.4% decline in extraction of crude petroleum and natural gas.

Energy

According to the Customs Service, in 2015, 2016, 2017, 2018, 2019 and in January-August 2020 energy (including oil, petroleum products, natural gas, coal, coke, semi-coke and electricity) accounted for 61.8%, 56.9%, 57.8%, 62.4%, 60.2% and 51.2% (by value), respectively, of the Russian Federation's exports of goods. In 2015, oil and petroleum products accounted for 45.4% of total exports, while natural gas accounted for 13.4%, coal for 2.8% and electricity for approximately 0.2%. In 2016, oil and petroleum products accounted for 41.6% of total exports, while natural gas accounted for 11.9%, coal for 3.2% and electricity for approximately 0.2%. In 2017, oil and petroleum products accounted for 42.2% of total exports, while natural gas accounted for 11.5%, coal for 3.9% and electricity for approximately 0.2%. In 2018, oil and petroleum products accounted for 46.1% of total exports, while natural gas accounted for 12.1%, coal for 4.0% and electricity for approximately 0.2%. In 2019, oil and petroleum products accounted for 44.4% of total exports, while natural gas accounted for 11.7%, coal for 3.9% and electricity for approximately 0.2%. In January-August 2020, oil and petroleum products accounted for 23.3% of total exports, while natural gas accounted for 9.5%, coal for 3.7% and electricity for approximately 0.1%.

Domestic prices for gas, electricity and crude oil are lower than international prices. Domestic prices for petroleum products, however, are more similar to international prices after deducting export duties and transportation costs. Federal budget revenues and the Russian Federation's balance of payments are affected to a significant extent by world prices for oil and gas. For example, in 2018 oil and gas extraction and export taxes and levies accounted for 46.4% of total federal budget revenue. In 2019 and in the first nine months of 2020, such taxes and levies accounted for 39.3% and 29.2% of the total federal budget revenue. See "*Balance of Payments and Foreign Trade*", "*Public Finance*" and "*Risk Factors—Risks Relating to the Russian Federation—Decline in crude oil and natural gas prices adversely affect the revenues of the Russian Federation and any sustained period of low crude oil and/or natural gas prices may have a prolonged or great adverse effect*".

Oil

For the five-year period from 2015 to 2019, oil output increased by 4.9%, reaching 561 million tonnes in 2019. In January-September 2020 oil output decreased by 7.8% as compared to the same period of 2019 and accounted for 387 million tonnes. In 2018, oil exports to non-CIS countries were 241.7 million tonnes, while exports to the CIS were 18.5 million tonnes. In 2019, oil exports to non-CIS countries were 250.8 million tonnes, while exports to the CIS were 18.3 million tonnes. In the first half of 2020 oil exports to non-CIS countries were 120.5 million tonnes, while exports to the CIS were 5.2 million tonnes.

Beginning in 1993, the state oil industry was split into several holding companies and operating subsidiaries. This resulted in the creation of a number of large vertically integrated oil groups, with each holding company managing and controlling a stake in many operating subsidiaries. The Russian Federation privatised its shareholdings in Slavneft (75%) and Lukoil (13.5%) between 2002 and 2003. In December 2004, a 76.79% stake in Yuganskneftegaz, the main production subsidiary of what was then the Russian Federation's largest oil company, Yukos, was sold at auction for U.S.\$9.35 billion, in partial settlement of Yukos' tax obligations, to Baikalfinancengroup, which was in turn acquired by Rosneft, then a wholly state-owned entity. Further consolidation occurred during 2005 with the acquisition by Gazprom of a controlling interest (75.68%) in Sibneft (now GazpromNeft). In July 2006, the Russian Federation privatised approximately 15% of its shareholdings in Rosneft as part of the company's initial public offering. Since the wave of privatisation and consolidation activity in the industry during 2002 to 2006, the most significant consolidation within the industry was the acquisition of TNK-BP by Rosneft, completed in March 2013, estimated by Rosneft at the time of the acquisition to make it the world's largest listed oil producer by both production volume and reserves. Among the recent developments in the industry are the purchase by Rosneft of a 50.08% stake in Bashneft in October 2016 and privatisation of a 19.5% stake in Rosneft in January 2017.

In July 2014, an arbitral tribunal constituted under the auspices of the Permanent Court of Arbitration in The Hague issued three awards totalling slightly more than U.S.\$50 billion in favour of the former majority shareholders of Yukos against the Russian Federation under the Energy Charter Treaty. The claimants subsequently initiated enforcement proceedings in several jurisdictions. In April 2016, the District Court of The Hague annulled the Yukos awards, ruling that the tribunal lacked jurisdiction. In July 2016, the claimants announced that they have appealed the Hague District Court's decision. The Russian Federation filed its Defence on Appeal on 28 November 2017, and hearings at the Hague Court of Appeal started in June 2018. Former Yukos shareholders formulated objections to a number of assertions put forward by the Russian Federation in the Defence on Appeal. On 25 September 2018, the court

declared most of their objections to be unfounded. The hearings at the Hauge Court of Appeal were held in September 2019. On 18 February 2020, the Hauge Court of Appeal reversed the decision of the District Court of The Hague from 2016, reviving three awards rendered in favour of the former majority shareholders of Yukos in 2014. In May 2020, the Russian government filed an appeal claim to this decision to the Supreme Court of the Netherlands which, according to press reports, was accepted in June 2020. According to press reports, former Yukos's shareholders seized certain assets owned by Russia in Europe in May 2020. However, in October 2020, seizure was lifted by the Hague District Court's decision. In October 2020, Russia petitioned the Supreme Court of the Netherlands to suspend the execution of a judgment the Hauge Court of Appeal rendered in February 2020. Decision with respect to Russia's petition is expected to be rendered later.

Natural Gas

For the five-year period from 2015 to 2019, natural and associated petroleum gas output increased by 16.5%, reaching 738.7 billion cubic metres in 2019. In January-September 2020 natural and associated petroleum gas output decreased by 8.1% as compared to the same period of 2019 and accounted for 501.2 billion cubic metres. In 2018, natural gas exports to non-CIS countries were 184.0 billion cubic metres, while exports to the CIS were 36.6 billion cubic metres. In 2019, natural gas exports to non-CIS countries were 182.4 billion cubic metres, while exports to the CIS were 38.2 billion cubic metres. In the first half of 2020, natural gas exports to non-CIS countries were 74.7 billion cubic metres, while exports to the CIS were 17.5 billion cubic metres.

The Russian Federation's natural gas industry is dominated by Gazprom, which has an effective monopoly on pipeline gas export, and accounts for most of the Russian Federation's natural gas reserves and production. Approximately 38.4% of Gazprom's shares are owned directly by the Russian Federation, although through its ownership of other Gazprom shareholders, the Russian Federation controls a majority stake in the company. Gazprom currently holds production licences with respect to approximately 71% of the Russian Federation's natural gas reserves, and accounts for approximately 2/3 of the Russian Federation's natural gas production and owns and operates the Unified Gas Supply System, which includes approximately 175.2 thousand kilometres of high pressure pipelines.

In November 2013, Federal Law No. 117-FZ "On gas export" was amended so that, in addition to Gazprom, other holders of gas deposit licences may engage in the export of liquefied natural gas ("LNG"). Prior to this amendment, the Gazprom group enjoyed the exclusive right to export LNG outside the Russian Federation. Gazprom continues to have sole rights over the export of gas in its gaseous form.

Coal

As of 31 December 2019, the Russian Federation's proved coal reserves were estimated at 162.2 billion tonnes, including 71.7 billion tonnes of anthracite and bituminous coal reserves and 90.4 billion tonnes of sub-bituminous and lignite coal reserves, according to the BP Statistical Review of World Energy (June 2020). "Proved" reserves for these purposes are those quantities that geological and engineering information indicates with reasonable certainty that can be recovered in the future from known deposits reservoirs under existing economic and operating conditions.

Currently, nearly all of the Russian Federation's coal is extracted by companies in the private sector. For the five-year period from 2015 to 2019, coal production decreased by 4.0%, reaching 357.0 million tonnes in 2019. In January-September 2020 coal production decreased by 8.9% as compared to the same period of 2019 and accounted for 240.0 million tonnes. In 2018, 2019 and in the first eight months of 2020, coal exports amounted to 199.5 million tonnes, 205.4 million tonnes and 121.0 million tonnes, respectively. From 2015 to the first eight months of 2020, Republic of Korea, China, Japan, Ukraine, Turkey and Germany have been amongst the primary destinations by volume for the Russian Federation's coal exports.

Electricity

As of 1 January 2019, total Russian generating capacity was 271.6 GW, 70.0% of which was attributable to thermal power plants, 18.9% to hydro power plants, 10.7% to nuclear power plants and 0.3% to renewable energy sources plants. In 2019, the Russian Federation's electricity output was 1,118 billion kWh, an increase of 0.8% compared to 2018. Of the total output in 2019, thermal power plants accounted for 711.0 billion kWh (63.6% of total output), hydro-generation accounted for 196 billion kWh (17.5% of total output) and nuclear generation accounted for 209 billion kWh (18.7% of total output). In January-September 2020, the Russian Federation's electricity output was 788 billion kWh, a decrease of 3.6% compared to the same period of 2019. Of the total output in January-September 2020, thermal power plants accounted for 471 billion kWh (59.8% of total output), hydro-generation accounted for 161 billion kWh (20.4% of total output) and nuclear generation accounted for 154 billion kWh (19.5% of total output).

Electricity is exported to China, Lithuania, Finland, Georgia, Mongolia and certain CIS countries (such as Belarus, Kazakhstan, Ukraine and Azerbaijan). In 2018, 2019 and in January-August 2020, the total volume of electricity exports amounted to 17.7 billion kWh, 20.0 billion kWh and 6.3 billion kWh, respectively.

Russian thermal power plants, which are powered by fossil fuels, are owned primarily by wholesale generating companies ("**OGKs**"), regional generating companies ("**TGKs**") and several other energy companies, such as Inter RAO UES and PJSC Irkutskenergo. The OGKs are the largest generators in the wholesale electricity and capacity markets except for PJSC RusHydro ("**RusHydro**") and PJSC Power Engineering and Electrification Mosenergo ("**Mosenergo**"). Each OGK owns plants in different regions in order to limit the possibility of anti-competitive activity. With the exception of Mosenergo, the TGKs are smaller than the OGKs (as measured by capacity and output) and operate principally on a regional level.

More than 50% of the installed capacity of hydro power plants is owned by state-controlled RusHydro, with the remainder owned by several TGKs and other regional energy companies. Rosenergoatom Concern JSC, a wholly State-owned company, operates all of the Russian Federation's nuclear plants.

The Russian Federation's transmission network of high-voltage power lines is operated by the State-controlled Federal Grid Company of Unified Energy System, PJSC ("**Federal Grid Company**"). Most of the country's medium and low-voltage distribution networks are consolidated into 15 inter-regional distribution companies, which are indirectly controlled by the Russian Federation through PJSC "ROSSETI" (formerly OJSC MRSK-Holding) ("**Russian Grids**"). Since 2012, the Russian government's stake in the Federal Grid Company has also been consolidated into Russian Grids.

The Russian electricity market is divided into wholesale electricity and capacity markets and a retail electricity market. Trading in electricity is conducted on the basis of the following mechanisms: regulated contracts; unregulated bilateral contracts; the "one-day-ahead" market; and the balancing market. Regulated contracts are effectively take-or-pay obligations at a regulated tariff. Volumes of planned generation that are not traded under regulated contracts may be sold pursuant to unregulated bilateral contracts or traded on the one-day-ahead market or balancing market. The one-day-ahead market is effectively a spot market trading electricity at unregulated prices; participants on the one-day-ahead market submit bids for the purchase and sale of electricity for a certain volume and price for each hour of the following day. The balancing market was established as a real-time platform to allow the trading of electricity in order to cover deviations on the one-day-ahead market between planned power volumes and volumes actually generated or consumed.

Electricity capacity is sold separately from electricity in the wholesale market. Capacity is sold on the wholesale market pursuant to both regulated and unregulated contracts. Capacity can also be sold (i) pursuant to capacity auctions (including existing capacity), and (ii) under 10-year capacity supply agreements with tariffs indexed to inflation and designed to compensate the generating company for standard capital expenses, operating expenses, property tax, gas and electricity grid connection costs as well as allow a certain rate of return on investments and a payback period of 15 years. Regulated contracts in the wholesale electricity and capacity markets are entered into only with respect to the volumes of electricity and capacity that are supplied to households and to specified distributors operating in certain regions within the Russian Federation.

Pursuant to the rules governing the retail electricity market, industrial consumers pay for electricity supplied at non-regulated prices that typically take into account the cost of electricity in the competitive wholesale electricity market, and households pay according to below-market tariffs set by the state regulator.

Agriculture

The agricultural sector consists primarily of agricultural concerns of all sizes, including small- and medium-sized enterprises (estimated to account for approximately 66.7% of arable land and 58.2% of agricultural output in monetary terms) and private plots, including both private farm collectives and individual farms (estimated to account for 33.3% of arable land and 41.8% of agricultural output in monetary terms). The Land Code of the Russian Federation and Federal Law No. 101-FZ "On dealings in agricultural land", adopted in 2001 and 2002, respectively, created a unified market framework at the federal level for the purchase and sale of farmland. It also prohibits the non-agricultural use of farmland, regulates the amount of farmland any one owner may hold and prohibits foreign ownership of farmland, but allows farmland to be leased to foreigners.

GVA in agriculture amounted to 4.3% in 2015 and 2016, 3.9% in 2017, 3.8% in 2018 and in 2019 and 2.7% in the first half of 2020. In 2015, 2016, 2017, 2018 and 2019 the grain harvest was 104.8 million tonnes, 120.7 million tonnes, 135.4 million tonnes, 113.3 million tonnes and 120.7 million tonnes, respectively. Foodstuffs and agricultural products amounted to 4.7%, 6.0%, 5.8%, 5.5%, 5.9% and 8.0% of total exports in 2015, 2016, 2017, 2018, 2019 and in January-July 2020, respectively. The Russian Federation has reduced the import of foodstuffs and agricultural products since 2014, having introduced a temporary ban on the import of certain food products originating in countries that have imposed sanctions on Russian entities and/or individuals, including the United States, all EU countries, Canada and Ukraine. The

import ban took effect for an initial one-year period in August 2014 and was extended on several occasions until 31 December 2020.

Construction

The construction sector accounted for 6.3% of GVA in 2015, 6.4% of GVA in 2016, 6.0% of GVA in 2017, 5.7% of GVA in 2018, 5.6% of GVA in 2019 and 4.6% of GVA in the first half of 2020. GVA in the construction sector contracted by 2.0% in 2015, increased by 1.6% in 2016, contracted by 1.4% in 2017 and increased by 2.5% in 2018, reflecting growth in industrial construction. GVA in the construction sector remained flat in 2019 and contracted by 0.7% in the first half of 2020.

Transport and Communications

The Russian Federation has a railway network, a large merchant fleet, a large number of airports, a developed system of municipal transport, a comprehensive road network, modern telecommunications infrastructure and a major space industry. The market for the provision of transport and communication services has been liberalised and restructured, particularly in automotive transport, air transport, water transport and communications. GVA in transportation and storage sector, representing 6.7% of total GVA in 2015, contracted by 0.7% as compared to 2014. GVA in transportation and storage sector, representing 7.3% of total GVA in 2016, increased by 2.4% as compared to 2015. GVA in transportation and storage sector, representing 7.0% of total GVA in 2017, was at the same level in 2017 as compared to 2016. GVA in transportation and storage sector, representing 6.5% of total GVA in 2018, increased by 2.0% as compared to 2017. GVA in transportation and storage sector, representing 6.6% of total GVA in 2019, increased by 1.4% as compared to 2018. GVA in transportation and storage sector, representing 6.5% of total GVA in the first half of 2020, contracted by 12.0% as compared to the same period of 2019. GVA in communications, representing 2.5% of total GVA in 2015 and 2016, contracted by 0.1% in 2015 as compared to 2014 and contracted by 3.3% in 2016 as compared to 2015. GVA in communications, representing 2.6% of total GVA in 2017, increased by 3.6% in 2017 as compared to 2016. GVA in communications, representing 2.5% of total GVA in 2018, increased by 4.7% as compared to 2017, and increased by 3.4% in 2019 as compared to 2018. GVA in communications, representing 2.6% of total GVA for the first half of 2020, contracted by 1.0% as compared to the same period of 2019.

Railways

As of 1 January 2020, there were approximately 87 thousand kilometres of railways in the Russian Federation for general passenger and freight transportation. In 2019 and in the first eight months of 2020, railways accounted for approximately 90% of all freight turnover in tonne kilometres (excluding pipeline transport and industrial railway transport) and for approximately 24% of total passenger turnover in passenger kilometres (excluding city electrical transport).

Tariffs for passenger transport are currently subsidised from the federal budget. OJSC Russian Railways ("**Russian Railways**"), which is wholly state owned, plays a significant role in the Russian railway sector. Among other activities, it is the owner and operator of the Russian Federation's integrated passenger and freight network and related infrastructure, owns and operates nearly all of the locomotives in the Russian Federation, is the largest Russian owner, operator and lessor of freight rolling stock and the largest Russian freight rail operator and,

through its subsidiary JSC Federal Passenger Company (the "**Federal Passenger Company**"), carries nearly all suburban and long-haul rail passengers. Substantial funding has been allocated to the renovation and maintenance of railway track and locomotive parks, as well as to the replacement of rolling stock.

The Russian government has developed a multi-stage programme of structural reforms in the railway sector. Key aspects of the reforms include (i) improving the safety of railway transport as well as the quality of services offered by the railway sector; (ii) meeting the increasing demand for railway transport; and (iii) enhancing the overall efficiency of the railway sector. As part of these reforms, and in an effort to foster competition and increase private investment in the industry, control and management functions of the railway sector were separated, including through the establishment of Russian Railways, the spin-off of non-core assets of Russian Railways and the creation of new independent operating companies. The Russian government has also taken steps toward reducing or partially eliminating cross subsidies, including the creation of the Federal Passenger Company in April 2010, has privatised certain subsidiaries of Russian Railways and has introduced a new system for freight and passenger tariff regulation.

Roads

As of 1 January 2020, there were 1,547 thousand kilometres of roads for public use in the Russian Federation, 1,088 thousand kilometres of which were paved. As of 1 January 2019, approximately 471 thousand kilometres of public paved roads are under regional ownership, 552 thousand kilometres are under municipal ownership and 54 thousand kilometres are under federal control. Roads falling under federal jurisdiction are renovated and maintained by means of the federal budget, while roads falling under the jurisdiction of Federation subjects are renovated and maintained by the Federation subjects in which they are located through the respective regional and local budget as well as transfers from the federal budget.

Ports and Shipping

According to the Federal Agency for Maritime and River Transport of the Russian Federation, as of 1 January 2020, the Russian Federation had 67 seaports. In 2018, 2019 and in January-August 2020 the volume of freight shipments in Russian seaports amounted to 816.5 million tonnes, 840.3 million tonnes and 544.2 million tonnes, respectively. As of 1 January 2020, the Russian Federation had 101 thousand kilometres of internal navigable waterways. As of 1 January 2019, there were approximately 54 maritime passenger and cargo-passenger transport vessels and approximately 2,200 inland water passenger and cargo-passenger transport vessels.

Air Transport

According to the Federal Air Transport Agency of the Russian Federation ("**Rosaviation**"), as of 15 September 2020, the Russian Federation had 241 airports. The largest international airports are located in Moscow, St. Petersburg, Sochi, Yekaterinburg and Novosibirsk. In 2018, turnover of passengers travelling by air equalled 286.9 billion passenger kilometres, representing a 10.6% increase as compared to 2017. In 2019, turnover of passengers travelling by air equalled 323.0 billion passenger kilometres, representing a 12.6% increase as compared to 2018. In the first nine months of 2020, turnover of passengers travelling by air equalled 119.9 billion passenger kilometres, representing a 51.7% decrease as compared to the same period of 2019.

The largest Russian airports are those situated in Moscow, which handled 46.6%, 46.0% and 37.7% of airline passenger throughput in 2018, 2019 and in January-September 2020, respectively. Sheremetyevo Airport, Domodedovo Airport and Vnukovo Airport accounted for 22.0%, 14.2% and 10.4%, respectively, of passenger throughput in 2018 and 22.4%, 12.8% and 10.9% respectively, of passenger throughput in 2019. In January-September 2020, Sheremetyevo Airport, Domodedovo Airport and Vnukovo Airport accounted for 15.7%, 12.8% and 9.2% of passenger throughput, respectively. The largest regional air traffic hubs in the Russian Federation include St. Petersburg, Sochi, Novosibirsk and Ekaterinburg.

As of 2 September 2020, according to Rosaviation, 109 airlines were registered to operate in the Russian Federation. In January-August 2020, the largest airlines in terms of market share are OJSC Aeroflot Russian Airlines, PJSC Siberia Airlines, Pobeda Airlines LLC, JSC Rossiya Airlines and JSC Ural Airlines.

In December 2017, the Government approved the federal programme "Development of the Transport System" which also includes the subprogramme "Civil Aviation and Air Navigation Service" that contemplates further development of Russia's aviation infrastructure, in particular construction and reconstruction of regional airports.

Pipelines

As of 1 January 2020, the Russian Federation had approximately 250,000 kilometres of trunk pipelines, consisting of approximately 180,000 kilometres of natural gas pipelines, approximately 53,000 kilometres of oil pipelines and approximately 17,000 kilometres of oil product pipelines. According to Rosstat, in 2018, freight turnover by means of pipeline transport amounted to 2,668 billion ton-kilometres, representing an increase of 2.0% as compared to 2017. In 2019, freight turnover by means of pipeline transport amounted to 2,686 billion ton-kilometres, representing an increase of 0.7% as compared to 2018. In January-July 2020, freight turnover by means of pipeline transport amounted to 1,430 billion ton-kilometres, representing a decrease of 8.3% as compared to the same period of 2019.

Pipelines from major oil- and gas-producing areas in the Russian Federation are generally connected to pipelines in the CIS and former Soviet bloc countries.

The gas trunk pipeline network is owned and managed by Gazprom. Third party access to the gas trunk pipeline network is determined generally on the basis of available spare transport capacity, the quality and technical parameters of the natural gas supplies, the availability of supplier input connections and customer output connections and customer demand. Gazprom completed the construction of the Nord Stream pipelines, which extends 1,224 kilometres and connects Vyborg, in the Russian Federation, with Griefswald, in Germany. Nord Stream's first pipeline was launched in November 2011, while a second, parallel pipeline was launched in October 2012. In October 2012, Nord Stream shareholders approved the construction of two additional pipelines. All necessary construction permits were received in Russia, Germany, Finland, Sweden and Denmark. In late December 2019, the project contractor company, Allseas, suspended its Nord Stream 2 pipelay activities. As of the end of August 2020, the construction was completed by 94%.

In October of 2016 an inter-governmental agreement on the TurkStream project was signed by the Russian Federation and Turkey and was subsequently ratified by both parties. The agreement provides for the construction of two pipelines across the Black Sea as well as an onshore pipeline for gas transit to Turkey's border with neighbouring countries by year-end

2019. Construction of marine sector of the pipeline was completed at the end of 2018, and at the beginning of 2020 the pipeline was launched.

In May 2014, Gazprom and China National Petroleum Corporation entered into a gas sale and purchase agreement through the East of Russia. The term of the agreement is 30 years. According to this agreement, Gazprom shall supply to China 38 billion cubic metres of gas annually. For this purpose, in September 2014 Gazprom commenced construction of Power of Siberia pipeline which was finished in the middle of 2019. The pipeline, which length is about 3,000 kilometres, was commissioned on 2 December 2019. Since December 2019 Gazprom has been supplying gas to China through Power of Siberia pipeline.

The crude oil and oil product trunk pipeline networks are owned and managed by state owned monopolies, Transneft and Transnefteprodukt, respectively. Transneft's pipeline capacity, including its export pipeline capacity, is allocated quarterly to oil producers, generally in proportion to the amount of oil produced and delivered to Transneft's pipeline network in the prior quarter. Generally, a Russian oil company is given an allocation for export to non-CIS countries equal to approximately one-third of the total crude oil it produces and delivers to Transneft.

Due to the fact that crude oil from multiple producers is blended for transportation via the pipeline, if a producer supplies unsuitable oil and this is not detected and prevented by the pipeline's systems, this could have an impact on the Russian oil industry more broadly, resulting in temporary suspension or reduction in transportation and exports of Russian oil in order to clean the pipeline, damage to oil processing facilities in Russia and other countries, and/or reputational aspects for crude oil originating from Russia. For example, in April 2019 contaminated Urals oil was found in the Druzhba oil pipeline that supplies oil to Europe, which resulted in a temporary suspension of oil transportation via some of the affected parts of the pipeline to perform cleaning operations, which led to a temporary decline in oil production volumes, and an alleged damage to oil processing facilities in other countries.

New pipeline related projects intended to increase the export capacity of the oil industry have also been implemented in recent years. These include the East Siberia–Pacific Ocean pipeline with a capacity of 80 million tonnes in the sector from Taishet (Irkutsk region) to Skovorodino (Amur region) and 50 million tonnes in the sector from Skovorodino (Amur region) to Kozmino (Primorski Krai), connecting West and East Siberia with the Asia-Pacific region.

A significant portion of the Russian Federation's oil and gas pipeline network has been in operation for nearly 20 years or more, and repair and maintenance costs are accordingly high.

Telecommunications

The value of telecommunication services in 2017 was nearly 1,631.0 billion roubles, a decrease of 2.6% as compared to 2016. The value of telecommunication services in 2018 was nearly 1,710.3 billion roubles, representing an increase of 0.8% as compared to 2017. The value of telecommunication services in 2019 was 1,759.3 billion roubles, representing an increase of 2.9% as compared to 2018. The value of telecommunication services in January-September 2020 was 1,569.5 billion roubles, representing an increase of 4.7% as compared to the same period of 2019. Mobile phone services are available across all of the Russian Federation.

In recent years, in an effort to lower administrative barriers to entry as well as enhance customer choice, the market for intercity and international telephone services began to undergo a process

of liberalisation. Licences for the provision of intercity and international telephone services have been issued to several service providers, including Rostelecom, Transtelecom, Interregional Transit Telecom, Vimpelcom, Megafon, Sinterra and others.

Strategic Enterprises

Pursuant to presidential decree, there are approximately 90 federal state unitary enterprises and 40 joint stock companies on the list of strategic enterprises. Strategic enterprises include, amongst others, Russian Railways, Aeroflot and Transneft. Such companies, which may be privatised only upon their removal from the list by decision of the President, are subject to specific rules of corporate governance. For example, the Russian Federation may retain operating control over these companies through the exercise of a "golden share", and dilution of the Russian Federation's stake in such companies remains subject to approval by the President.

Environment

Environmental protection in the Russian Federation is the responsibility of the Federal Environmental, Industrial and Nuclear Supervision Service and the Federal Service for Supervision of Natural Resources. Environmental regulations require enterprises to pay fees for emissions or discharges of most pollutants. These fees, which are low by international standards, may be used to fund investment to improve the environment. On 15 April 2014, the Government adopted the Programme on Environmental Protection for 2012-2024 (the "**Environmental Programme**"). The Programme (as amended on 31 March 2020) focuses on creating environmentally safe and comfortable surroundings in places of population residence and increasing the life expectancy of the urban population. The Environmental Programme includes, among others, the following sub-programmes: (a) protection of Lake Baikal and the socio-economic development of the Baikal Natural Territory for 2021–2024; (b) regulation of environmental quality; (c) Russia's biological diversity; (d) hydrometeorology and environmental monitoring, and (e) organization and support of work and research in the Arctic and the Antarctic. The Government is considering a variety of measures to protect the environment, including tax incentives for enterprises using ecologically clean technology.

The 2015 United Nations Climate Change Conference was held in Paris, France from 30 November to 12 December 2015. The conference negotiated a global agreement on the reduction of climate change (the "**Paris Agreement**"), the text of which represented a consensus of the representatives of the 196 parties attending it. The Paris Agreement became legally binding in November 2016, within a month after it had been joined by 55 countries which together represent at least 55% of global greenhouse emissions. The Government approved the Paris Agreement in September 2019.

Employment

The following table sets forth quarterly information regarding unemployment in the Russian Federation for the periods indicated:

Unemployment (average for the period)

	Unemployed (ILO definition) ⁽¹⁾		Registered unemployed ⁽²⁾	
	Million	% of economically active population	Million	% of economically active population
2015				
First Quarter	4.4	5.7%	1.0	1.3%
Second Quarter.....	4.3	5.6%	1.0	1.3%
Third Quarter	4.1	5.3%	1.0	1.2%
Fourth Quarter.....	4.4	5.7%	1.0	1.2%
Year	4.3	5.6%	1.0	1.3%
2016				
First Quarter	4.5	5.9%	1.0	1.4%
Second Quarter.....	4.3	5.7%	1.0	1.3%
Third Quarter	4.1	5.3%	0.9	1.2%
Fourth Quarter.....	4.1	5.4%	0.9	1.1%
Year	4.2	5.5%	1.0	1.2%
2017				
First Quarter	4.2	5.5%	0.9	1.2%
Second Quarter.....	4.0	5.2%	0.8	1.1%
Third Quarter	3.8	5.0%	0.8	1.0%
Fourth Quarter.....	3.9	5.1%	0.7	1.0%
Year	4.0	5.2%	0.8	1.1%
2018				
First Quarter	3.8	5.1%	0.8	1.0%
Second Quarter.....	3.6	4.8%	0.7	1.0%
Third Quarter	3.5	4.6%	0.7	0.9%
Fourth Quarter.....	3.7	4.8%	0.7	0.9%
Year	3.7	4.8%	0.7	0.9%
2019				
First Quarter	3.6	4.8%	0.8	1.0%
Second Quarter.....	3.4	4.6%	0.8	1.0%
Third Quarter	3.3	4.4%	0.7	0.9%
Fourth Quarter.....	3.5	4.6%	0.7	0.9%
Year	3.5	4.6%	0.7	1.0%
2020				
First Quarter	3.5	4.6%	0.7	1.0%
Second Quarter.....	4.5	6.0%	2.1	2.8%
Third Quarter	4.8	6.3%	3.5	4.7%

Notes:

- (1) Figures calculated pursuant to the methodology of the International Labour Organisation. Figures are based on monthly labour force surveys. For the period of 2014-2016 labour force comprises persons between the ages of 15

and 72 both employed and unemployed (not working, looking for a job and ready to start work). Since January 2017 labour force comprises persons aged 15 and above.

(2) As registered with unemployment agencies.

Source: Rosstat.

The figures above do not take into account certain "hidden unemployment" resulting from shortened workdays and temporary lay-offs. Based on quarterly averages, workers working reduced hours totalled 1,094.0 thousand in 2015, 1,105.4 thousand in 2016, 970.0 thousand in 2017 and 985.1 in 2018, 1,087.0 in 2019 and 1,736.9 in the first half of 2020 (such figures reflecting part-time employees (including those working part time at the initiative of the employer) and employees who are idle due to reasons outside their control), and workers put on leave without pay equalled 2,498.5 thousand in 2015, 2,509.5 thousand in 2016, 2,515.2 thousand in 2017, 2,657.6 in 2018, 2,782.1 in 2019 and 2,483.9 in the first half of 2020.

Wages and Income

According to Rosstat, for the period from January 2020 to August 2020 average monthly wages were 49,440 roubles, a nominal increase of 5.6% as compared to the corresponding period of 2019. Average monthly wages in 2019 were 47,867 roubles, a nominal increase of 9.5% as compared to 2018.

From 1 January 2020, the minimum wage was increased to 12,130 roubles/month which equals to the subsistence level for the working age population for the second quarter of 2019. The minimum wage, established by the State Duma, serves as a benchmark in setting the level of federal benefits and plays a role in determining certain types of budget expenditures and the size of unemployment benefits. Each Federation subject has discretion to set the minimum wage in its territory, provided it is not lower than the amount set by the State Duma.

In 2019, Rosstat modified the methodology for calculation of income of population. As a result, the data for the period of 2015-2018 was retrospectively revised. Real disposable income decreased by 2.4% in 2015 (as compared to 2014), by 4.5% in 2016 (as compared to 2015) and by 0.5% in 2017 (as compared to 2016) and increased by 0.1% in 2018 (as compared to 2017) and, pursuant to Rosstat's preliminary data, by 1.0% in 2019 (as compared to 2018). According to Rosstat initial estimations, for the first three quarters of 2020 real disposable income decreased by 4.3% (as compared to the same period of 2019). In 2016, 2017, 2018 and 2019 approximately 13.2%, 12.9%, 12.6% and 12.3% respectively, of the population had income below the official subsistence level. According to Rosstat's initial estimations, for the first half of 2020 approximately 13.2% of the population had income below the official subsistence level.

Organised labour does not play a prominent role in the Russian economy.

Social Benefits and Expenditure

Total social expenditure (includes expenditure on social policy, education, healthcare, culture, cinematography, media and sport), based on the enlarged budget, amounted to approximately 20.7% of GDP in 2017, 19.5% of GDP in 2018 and 20.0% of GDP in 2019.

Most social expenditure is provided through state extra budgetary funds or by sub-federal authorities. In 2017, 2018, 2019 and in January-August 2020 55.6%, 53.9%, 51.9% and 51.4%, respectively, of social expenditure was provided by state extra budgetary funds, 33.2%, 35.1%, 36.7% and 36.7, respectively, was provided by sub-federal authorities. Direct payments from

the federal budget accounted for approximately 11.1%, 11.2%, 11.7% and 11.9% of social expenditure in 2017, 2018, 2019 and in January-August 2020, respectively. The state extra budgetary funds finance expenditure on health, certain social benefits and pensions. Sub-federal budgets finance housing and transportation subsidies, most education and health expenditures and certain social benefits, while the federal budget is responsible for a portion of the expenditure on education, health, culture and social benefits. See "*Public Finance—Federal and Sub-Federal Fiscal Relations*" and "*Public Finance—State Extra Budgetary Funds*".

The government undertakes measures to support certain categories of individuals such as retirees, families with more than two children and other individuals with low income.

Pension System

On 25 December 2012, the Government adopted the "Strategy for the Long-term Development of the Russian Federation's Pension System" (the "**Pension Strategy**"), which is still in effect, notwithstanding that certain elements of the Pension Strategy have been subsequently modified. According to the Pension Strategy, the main goals of the Russian Federation's pension system are to guarantee adequate levels of pensions and to ensure the balance and long-term financial stability of the pension system. The Pension Strategy contemplates a set of measures that are scheduled to be implemented in 2016-2030 which include:

- providing self-employed individuals with a right to select a mode governing the creation and exercise of their pension rights;
- providing an additional insurance premium rate for policy holders in relation to the insured who work at places with non-standard working conditions, subject to any need to cover the whole period when they receive work pensions ahead of schedule;
- encouraging employees to make additional payments from their remunerations into the pension scheme, subject to their income and age;
- setting forth precise pension scheme thresholds for individuals' pension rights to be created and exercised.

The Pension Strategy suggests the following on a permanent basis:

- expanding the list of financial investment instruments for pension accruals;
- setting up a higher threshold for remuneration to be subject to insurance premium payments, taking into account average remuneration increases in Russia;
- on a stage-by-stage basis, bringing the amount of insurance premiums paid by self-employed individuals in line with the amount of pension payments to be made to such individuals;
- optimizing a payment preference mechanism in relation to insurance premiums to be paid into the Pension Fund of the Russian Federation (the "**Pension Fund**") by certain types of policy holders;

- increasing the transparency of institutions involved in the creation of pension assets (accruals) (i.e. improving the disclosure procedure);
- encouraging individuals to create pension accruals on a voluntary basis and assisting with the development of voluntary (both corporate and private) pension schemes;
- expanding the corporate pension scheme throughout the country;
- improving the state control system over pension accruals; and
- taking measures to synchronize the statutory pension insurance with other types of statutory social insurance.

The pension system currently consists of four types of pensions: the insurance pension, the funded pension, the State-provided social pension (i.e., civil service and military pensions, pensions for certain other categories of persons and certain other pensions) and a voluntary pension (i.e., contributions to private pension accounts).

The insurance and funded pensions represent the largest components of the pension system. For those born before 1967, all pension contributions are made to the insurance pension. An individual born in or after 1967 may choose between contributing to either the insurance pension or funded pension, in the amount of 6% of his salary. Such individual has five years from the date initial employer contributions are made to make this election.

The insurance pension includes retirement pension, disability pension and loss-of-breadwinner pension. In October 2018, the State Duma adopted amendments to the state pension legislation, among others, increasing the retirement age of men and women (the "**Pension Amendments**"). According to the Pension Amendments, the retirement age will gradually increase during the next five years starting from 1 January 2019. The schedule for the retirement age increase is the following: (i) in 2019, the retirement age will be 60.5 for men and 55.5 for women, (ii) in 2020, the retirement age will be 61.5 for men and 56.5 for women, (iii) in 2021, the retirement age will be 63 for men and 58 for women, (iv) in 2022, the retirement age will be 64 for men and 59 for women and (v) in 2023 and onwards, the retirement age will be 65 for men and 60 for women. To receive the retirement pension, an individual must meet certain conditions, including, several years of employment in a pension-eligible position ("**employment period**"). The employment period has been gradually increasing and the schedule for the employment period increase is the following: (i) in 2020, the employment period should be 11 years, (ii) in 2021, the employment period should be 12 years, (iii) in 2022, the employment period should be 13 years, (iv) in 2023, the employment period should be 14 years and (v) in 2024 and onwards, the employment period should be 15 years.

Contributions for financing the funded pension are collected by the Federal Tax Service, accounted for the Pension Fund and managed by the State Trust Management Company (the "**State Trust Management Company**"), management companies (private trust companies) and non-state pension funds. In 2014, a moratorium was imposed on new contributions to the funded pensions until 2020, which was extended to 2022. As of 1 July 2020, VEB.RF managed 39.10% of pension savings, non-state pension funds managed 60.23% of pension savings and private asset management companies managed 0.67% of pension savings. Permitted investments for funded pension contributions managed by State Trust Management Company include state securities of (i) the Russian Federation and its subjects, (ii) bonds of other Russian issuers, (iii) mortgage-backed securities, (iv) shares of Russian open joint stock companies,

(v) securities of international financial institutions, (vi) shares of index investment funds placing funds in government securities of foreign countries, bonds and shares of other foreign issuers, (vii) rouble and foreign currency monetary accounts with credit organisations and (viii) rouble and foreign currency bank deposits. Private trust companies and non-state pension funds may invest pension savings in any permitted investments subject to the restrictions stated by the Russian government and relevant investment policy statements. See "*Public Finance—State Extra Budgetary Funds*" for further discussion of the Pension Fund.

Federal law requires that the size of pensions be adjusted for inflation and growth in average salary levels. In 2015, both insurance and social pensions were indexed: insurance pensions were increased by 11.4% in February 2015, and social pensions were increased by 10.3% in April 2015. In 2016, both insurance and social pensions were indexed: insurance pensions for non-working pensioners were increased by 4.0% in February (to an average monthly labour pension of 13.1 thousand roubles), and social pensions were increased by 4.0% in April (to an average monthly social pension of 8.6 thousand roubles). In 2017, insurance pensions for non-working pensioners increased by 5.4% in February and by 0.4% in April (to an average monthly labour pension of 13.7 thousand roubles); in April 2017, social pensions were also increased by 1.5% (to an average monthly social pension of 8.8 thousand roubles). Additionally, in January 2017, all pensioners received a lump sum payment of 5,000 roubles. Certain other government subsidies and payments to individuals, including payments from the federal budget, certain insurance payments, including from the Mandatory Social Insurance Fund, monthly payments to parents of adopted or disadvantaged children, workers' compensation payments and other social transfers were also increased since 2016 as a result of indexation. In 2018, pensions for unemployed pensioners were increased by 3.7%. In April 2018, social pensions (i.e. disability pensions, pensions for loss of breadwinner and pensions for people who have reached the retirement age but do not have the right to a regular pension) were increased by 2.9%. In August 2018, pensions for employed pensioners were adjusted according to their level of salary and employer contributions to the Pension Fund. The maximum increase of pensions was up to 244.47 roubles. In January and April 2019, pensions for unemployed pensioners and social pensions were increased by 7.05% and 2.0%, respectively. In January 2020, pensions for unemployed pensioners were increased by 6.6%. In April 2020, social pensions were increased by 6.1%.

BALANCE OF PAYMENTS AND FOREIGN TRADE

Balance of Payments

The following table sets forth the balance of payments of the Russian Federation for the periods indicated:

Balance of Payments of the Russian Federation⁽¹⁾⁽²⁾⁽³⁾

	For the year ended 31 December					For the six months ended 30 June	
	2015	2016	2017	2018	2019	2019	2020
	<i>(billions of U.S. dollars)</i>						
Current account.....	67.8	24.5	32.2	115.7	65.3	43.4	21.6
Goods and services.....	111.2	66.3	83.2	165.0	129.0	71.4	38.6
Exports	393.0	332.4	410.5	508.6	482.6	233.6	181.2
Imports	281.8	266.1	327.2	343.6	353.6	162.2	142.6
<i>Goods.....</i>	<i>148.4</i>	<i>90.2</i>	<i>114.6</i>	<i>195.1</i>	<i>165.3</i>	<i>86.4</i>	<i>47.7</i>
Exports	341.4	281.7	352.9	443.9	419.9	204.0	158.0
Imports	193.0	191.5	238.4	248.9	254.6	117.7	110.2
<i>Services.....</i>	<i>(37.2)</i>	<i>(24.0)</i>	<i>(31.3)</i>	<i>(30.1)</i>	<i>(36.2)</i>	<i>(15.0)</i>	<i>(9.1)</i>
Exports	51.6	50.6	57.5	64.6	62.8	29.5	23.2
Imports	88.8	74.6	88.9	94.7	99.0	44.5	32.4
Primary income.....	(37.7)	(35.5)	(42.1)	(40.4)	(53.5)	(24.4)	(14.4)
Receivable.....	37.3	40.5	46.6	52.9	53.9	26.1	20.4
Payable	75.0	76.0	88.6	93.3	107.4	50.5	34.9
<i>Compensation of employees.....</i>	<i>(5.1)</i>	<i>(1.8)</i>	<i>(2.3)</i>	<i>(3.3)</i>	<i>(3.6)</i>	<i>(1.3)</i>	<i>(1.2)</i>
Receivable.....	3.5	3.7	4.1	4.1	4.0	2.0	1.7
Payable	8.6	5.5	6.4	7.4	7.6	3.3	3.0
<i>Investment income.....</i>	<i>(32.7)</i>	<i>(33.7)</i>	<i>(39.8)</i>	<i>(37.1)</i>	<i>(50.0)</i>	<i>(23.1)</i>	<i>(13.2)</i>
Receivable.....	33.7	36.7	42.4	48.7	49.7	24.0	18.6
Payable	66.3	70.5	82.2	85.8	99.7	47.2	31.9
<i>Rent</i>	<i>0.0</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>0.0</i>

	For the year ended 31 December					For the six months ended 30 June	
	2015	2016	2017	2018	2019	2019	2020
Receivable.....	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Payable	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Secondary income	(5.7)	(6.3)	(9.0)	(8.9)	(10.2)	(3.6)	(2.6)
Receivable.....	10.0	8.6	10.6	12.3	14.7	6.8	6.7
Payable	15.7	14.9	19.6	21.3	24.8	10.4	9.3
Capital account.....	(0.3)	(0.8)	(0.2)	(1.1)	(0.7)	(0.2)	(0.2)
Gross acquisitions / disposals of nonproduced nonfinancial assets.....	(0.0)	(0.0)	0.0	(0.1)	(0.1)	(0.0)	(0.0)
Capital transfers	(0.3)	(0.8)	(0.2)	(1.0)	(0.6)	(0.2)	(0.2)
Receivable.....	0.3	1.0	0.5	0.2	0.2	0.1	0.1
Payable	0.6	1.8	0.6	1.3	0.8	0.3	0.3
Balance from current and capital account	67.5	23.7	32.0	114.6	64.7	43.2	21.4
Financial account.....	70.3	18.3	34.6	116.7	62.6	42.3	23.2
Direct investment	15.2	(10.2)	8.2	22.6	(10.1)	(2.6)	2.8
Net acquisition of financial assets.....	22.1	22.3	36.8	31.4	21.9	14.4	5.2
Net incurrence of liabilities.....	6.9	32.5	28.6	8.8	32.0	16.9	2.3
Portfolio investment.....	26.4	(2.4)	(8.0)	7.6	(12.7)	(15.1)	22.5
Net acquisition of financial assets.....	13.6	0.7	1.3	(1.8)	4.8	2.1	14.6
Net incurrence of liabilities.....	(12.9)	3.0	9.2	(9.4)	17.5	17.2	(8.0)
Financial derivatives.....	7.1	(0.0)	0.4	(0.7)	2.6	1.2	(0.9)
Net acquisition of financial assets.....	(20.8)	(12.8)	(13.8)	(11.7)	(11.3)	(5.0)	(15.2)
Net incurrence of liabilities.....	(27.9)	(12.8)	(14.1)	(11.0)	(13.9)	(6.2)	(14.3)
Other investment	19.8	22.7	11.4	49.0	16.3	23.6	6.6
Net acquisition of financial assets.....	(18.4)	(5.4)	(9.4)	24.2	9.4	21.4	10.5
Other equity	1.0	0.9	0.7	0.5	0.3	0.0	0.3
Foreign currency	(19.3)	6.5	17.1	11.4	(1.7)	(1.1)	5.8
Current accounts and deposits	(3.0)	(18.7)	(9.1)	5.8	5.0	23.6	3.8
Loans.....	(1.2)	6.0	(9.4)	5.8	(3.1)	0.0	(1.2)
Insurance, pension, and standardised guarantee schemes	(0.3)	0.3	(0.3)	(0.3)	(0.1)	0.0	0.4

	For the year ended 31 December					For the six months ended 30 June	
	2015	2016	2017	2018	2019	2019	2020
Trade credits and advances	2.6	(4.7)	(6.2)	(3.6)	9.6	(2.8)	1.3
Indebtedness on supplies according to intergovernmental agreements	0.5	1.0	(1.4)	2.2	(1.5)	0.2	(0.2)
Non-repatriation of export proceeds and import advances not prepaid in time ⁽³⁾	1.5	0.5	0.2	0.2	0.2	0.0	0.0
Other accounts receivable	(0.1)	2.7	(0.9)	2.2	0.7	1.4	0.2
<i>Net incurrence of liabilities</i>	<i>(38.3)</i>	<i>(28.1)</i>	<i>(20.7)</i>	<i>(24.9)</i>	<i>(6.9)</i>	<i>(2.3)</i>	<i>3.9</i>
Other equity	0.0	0.0	0.0	(0.0)	(0.0)	(0.0)	0.0
Domestic currency	(0.2)	(0.2)	(0.1)	0.7	(0.6)	(0.1)	0.7
Current accounts and deposits	(32.6)	(16.4)	(13.6)	(14.3)	(9.4)	(7.7)	(1.9)
Loans.....	(4.8)	(13.9)	(7.8)	(12.7)	(4.9)	(2.9)	(3.6)
Insurance, pension, and standardised guarantee schemes	(0.0)	(0.1)	0.0	0.1	0.1	0.1	0.1
Trade credits and advances	(0.6)	0.1	0.3	(0.2)	6.5	2.9	2.5
Other accounts payable.....	(0.1)	2.3	0.4	1.5	1.5	5.4	6.1
Special drawing rights	(0.0)	0.0	0.0	0.0	(0.0)	0.0	(0.0)
Reserve assets	1.7	8.2	22.6	38.2	66.5	35.2	(7.9)
Financial account less Reserve assets	68.6	10.1	12.0	78.5	(3.9)	7.1	31.1
Net errors and omissions	2.9	(5.4)	2.6	2.1	(2.0)	(0.9)	(1.8)

Notes:

- (1) Figures in this table are presented as of 30 June 2020 in accordance with the sixth edition of the Balance of Payments (in Neutral Presentation, Main Components) and International Investment Position Manual published by the IMF (**BPM6**). The data in this table reflect the adoption of a new sign convention implemented as part of the transition to BPM6 reporting. Certain data presented in this table may differ from previously published data due to regular revisions by the Bank of Russia. For those transactions denominated in currencies other than the dollar, conversions into dollars are made at the exchange rate prevailing on the date of the relevant transaction.
- (2) Precise information on the volume of Russia's foreign trade is difficult to obtain because of the importance of so-called "unregistered trade", consisting of commercial (in contrast to private) transactions that escape customs records or are undervalued by customs authorities. Value adjustments for unregistered trade are made in the balance of payments accounts.
- (3) Includes sham transactions related to trade in goods and services, securities trading, lending and money transfers abroad, which the Bank of Russia believes are aimed at cross-border money-transferring objectives (e.g., money laundering).

Sources: Bank of Russia.

Current Account and Capital Account

Russia has registered a current account surplus in each year since 2000.

In 2015, Russia recorded a current account surplus of U.S.\$67.8 billion (5.0% of GDP), which was 17.8% higher than the current account surplus in 2014. The increase in the current account balance was primarily attributable to the decrease in the primary income deficit from U.S.\$68.0 billion in 2014 to U.S.\$37.7 billion in 2015, which, in turn, was caused by a decrease in the value of investment income payable from U.S.\$100.9 billion in 2014 to U.S.\$66.3 billion in 2015. This decline was driven mainly by two factors: (i) a decrease in external debt outstanding, resulting in lower interest payments on such debt and (ii) an overall decline in corporate profits, resulting in lower dividend payments to non-residents. The trade surplus of goods and services fell from U.S.\$133.7 billion in 2014 to U.S.\$111.2 billion in 2015 due to a decline in exports from U.S.\$562.6 billion in 2014 to U.S.\$393.0 billion in 2015, resulting from lower oil and gas prices. Imports declined from U.S.\$428.9 billion in 2014 to U.S.\$281.8 billion in 2015 due to the depreciation of the rouble and to lower import volumes arising from geopolitical events.

In 2016, Russia recorded a current account surplus of U.S.\$24.5 billion (1.9% of GDP), which was 63.9% lower than the current account surplus in 2015. The decline in the current account balance was primarily attributable to the reduction of trade surplus of goods and services from U.S.\$111.2 billion in 2015 to U.S.\$66.3 billion in 2016, which, in turn, was caused by a decrease in the exports of goods from U.S.\$341.4 billion in 2015 to U.S.\$281.7 billion in 2016. This decline was driven mainly by decrease of fuel prices for much of 2016. Imports decreased from U.S.\$281.8 billion in 2015 to U.S.\$266.1 billion in 2016 due primarily to lower import prices. The primary income deficit fell from U.S.\$37.7 billion in 2015 to U.S.\$35.5 billion in 2016 due to a decline in the value of compensation of employees payable from U.S.\$8.6 billion in 2015 to U.S.\$5.5 billion in 2016 because of a sharp reduction in the number of short-term migrants employed in the economy of Russia.

In 2017, Russia recorded a current account surplus of U.S.\$32.2 billion (2.2% of GDP), which was 31.4% higher than the current account surplus in 2016. The increase in the current account balance was primarily attributable to the significant increase of the trade surplus of goods and services from U.S.\$66.3 billion in 2016 to U.S.\$83.2 billion in 2017, which, in turn, was caused by an increase in export prices due to positive conditions in commodity markets. Exports increased from U.S.\$332.4 billion in 2016 to U.S.\$410.5 billion in 2017, while imports grew from U.S.\$266.1 billion in 2016 to U.S.\$327.2 billion in 2017. The primary income deficit increased from U.S.\$35.5 billion in 2016 to U.S.\$42.1 billion in 2017 due to an increase of deficits in both compensation of employees and investment income.

In 2018, Russia recorded a current account surplus of U.S.\$115.7 billion (6.9% of GDP), which was more than three times higher than the current account surplus in 2017 (U.S.\$32.2 billion). The increase in the current account balance was due to the significant increase of the volume of trade surplus of goods and services from U.S.\$83.2 billion in 2017 to U.S.\$165.0 billion in 2018. Exports increased from U.S.\$410.5 billion in 2017 to U.S.\$508.6 billion in 2018. Growth of import was significantly slower, representing an increase from U.S.\$327.2 billion in 2017 to U.S.\$343.6 billion in 2018. The primary income deficit slightly decreased from U.S.\$42.1 billion in 2017 to U.S.\$40.4 billion in 2018 due to a decline in investment income deficit.

In 2019, Russia recorded a current account surplus of U.S.\$65.3 billion (3.8% of GDP), which decreased by 43.6% as compared to the current account surplus in 2018 (U.S.\$115.7 billion).

This decrease was mainly due to the decline of the trade balance of goods and services from U.S.\$165.0 billion in 2018 to U.S.\$129.0 billion in 2019. Exports decreased from U.S.\$508.6 billion in 2018 to U.S.\$482.6 billion in 2019. On the contrary, during the same period imports slightly increased from U.S.\$343.6 billion in 2018 to U.S.\$353.6 billion in 2019. The primary income deficit increased from U.S.\$40.4 billion in 2018 to U.S.\$53.5 billion in 2019 due to a higher value of investment income deficit.

In the first half of 2020, Russia recorded a current account surplus of U.S.\$21.6 billion, representing a 50.2% decrease as compared to the current account surplus in the same period of 2019 (U.S.\$43.4 billion). This decrease was due to the significant decline of the trade balance of goods and services from U.S.\$71.4 billion in the first half of 2019 to U.S.\$38.6 billion in the first half of 2020. Exports decreased from U.S.\$233.6 billion in the first half of 2019 to U.S.\$181.2 billion in the same period of 2020 due to negative external conditions (including the collapse in oil price). During the same period imports decreased from U.S.\$162.2 billion in the first half of 2019 to U.S.\$142.6 billion in the first half of 2020. The primary income deficit, on the contrary, had weak influence on current account balance and decreased from U.S.\$24.4 billion in the first half of 2019 to U.S.\$14.4 billion in the same period of 2020 due to a contraction of investment income deficit.

Financial Account

Financial Account Deficit

The financial account deficit (excluding reserve assets) decreased from U.S.\$131.0 billion in 2014 to U.S.\$68.6 billion in 2015. This was mainly due to a decrease in the net acquisition of financial assets. Net repayment of foreign debt accelerated in 2015 compared to 2014.

The financial account deficit (excluding reserve assets) decreased from U.S.\$68.6 billion in 2015 to U.S.\$10.1 billion in 2016. This was mainly due to a sharp reduction in the decrease in the incurrence of liabilities.

The financial account deficit (excluding reserve assets) increased from U.S.\$10.1 billion in 2016 to U.S.\$12.0 billion in 2017. This was mainly due to a growth of the net acquisition of financial assets.

The financial account deficit (excluding reserve assets) increased from U.S.\$12.0 billion in 2017 to U.S.\$78.5 billion in 2018. This increase was due to the shift from a net increase in foreign liabilities in 2017 to a net repayment of foreign debt in 2018 and the growth in net acquisition of financial assets.

The financial account deficit in the amount of U.S.\$78.5 billion (excluding reserve assets) in 2018 was replaced by a U.S.\$3.9 billion surplus in 2019. This change occurred due to the shift from a net repayment of foreign debt in 2018 to a net increase in foreign liabilities in 2019.

The financial account deficit (excluding reserve assets) increased from U.S.\$7.1 billion in the first half of 2019 to U.S.\$31.1 billion in the first half of 2020. This was due to the change from net increase in foreign liabilities in the first half of 2019 to a net repayment of foreign debt in the same period of 2020.

Net Incurrence of Liabilities¹

Net incurrence of liabilities decreased by U.S.\$72.2 billion in 2015 (compared to a decrease by U.S.\$49.7 billion in 2014) in part due to the continuing impact of reciprocal sanctions on capital flows. In 2015, foreign liabilities of government authorities decreased by U.S.\$7.7 billion, the net external liabilities incurred by the banking sector decreased by U.S.\$60.0 billion and the foreign debt of other sectors decreased by U.S.\$6.5 billion.

Net incurrence of liabilities decreased by U.S.\$5.4 billion in 2016 (compared to a decrease by U.S.\$72.2 billion in 2015) in part due to the continuing impact of reciprocal sanctions on capital flows. In 2016, foreign liabilities of government authorities increased by U.S.\$4.9 billion, the net external liabilities incurred by the banking sector decreased by U.S.\$27.1 billion and the foreign debt of other sectors increased by U.S.\$16.9 billion.

The trend in net incurrence of liabilities changed from a decrease by U.S.\$5.4 billion in 2016 to an increase by U.S.\$2.9 billion in 2017 mainly due to a substantial increase in foreign liabilities of government authorities (by U.S.\$15.1 billion). In 2017, the net external liabilities incurred by the banking sector continued to decline (decreased by U.S.\$27.7 billion) and the foreign debt of other sectors increased by U.S.\$14.2 billion.

The trend in net incurrence of liabilities changed from an increase by U.S.\$2.9 billion in 2017 to a decline by U.S.\$36.5 billion in 2018 due to repayment of foreign debt by both the Russian government, banks and other sectors. The net incurrence of government liabilities changed from an increase by U.S.\$15.1 billion in 2017 to a decrease by U.S.\$5.5 billion in 2018. The net incurrence of liabilities of other sectors (excluding banks) shifted from an increase by U.S.\$14.2 billion in 2017 to a decrease by U.S.\$4.3 billion in 2018 and the net external liabilities incurred by the banking sector decreased significantly in 2018 (by U.S.\$25.0 billion).

The dynamic of net incurrence of liabilities changed from a decrease by U.S.\$36.5 billion in 2018 to an increase by U.S.\$28.7 billion in 2019 mainly due to a substantial increase in foreign liabilities of government authorities (by U.S.\$22.0 billion) and other sectors (excluding banks) (by U.S.\$25.2 billion). In contrast, the net external liabilities incurred by the banking sector decreased by U.S.\$19.8 billion in 2019.

The dynamic of net incurrence of liabilities shifted from an increase by U.S.\$25.6 billion in the first half of 2019 to a decline by U.S.\$16.0 billion in the first half of 2020, which occurred mainly due to a continued repayment of foreign debt by banking sector (decreased by U.S.\$16.0 billion). Moreover, in the first half of 2020 a weak growth was observed for the net incurrence of government liabilities (by U.S.\$1.7 billion) and of other sectors (excluding banks) (by U.S.\$0.6 billion).

¹ In accordance with the estimates of the Balance of Payments in Analytical Presentation which, unlike Neutral Presentation reflected in table "Balance of Payments of the Russian Federation", presents certain details of primary components of Balance of Payments (i.e. types of goods, services, agents etc).

Net Acquisition/Net Sales of Financial Assets²

In 2015, net sales of financial assets amounted to U.S.\$3.5 billion, compared to the net acquisition of financial assets of U.S.\$81.3 billion in 2014. This change was largely a result of a decrease in direct investments and a decrease in other investments reflecting the net repayment of non-residents' debt to Russian companies. The volume of foreign assets held by government authorities increased by U.S.\$2.2 billion. The external claims of the private sector decreased by U.S.\$6.1 billion. The volume of sham transactions was U.S.\$1.5 billion in 2015. Net capital outflows from the private sector decreased from U.S.\$152.1 billion in 2014 to U.S.\$57.1 billion in 2015. Reserve assets increased by U.S.\$1.7 billion, reflecting the transition to a floating exchange rate regime in November 2014.

In 2016, net acquisition of financial assets amounted to U.S.\$4.7 billion, compared to the net sales of financial assets of U.S.\$3.5 billion in 2015. This change was largely a result of an increase of nonfinancial corporations' assets. The volume of foreign assets held by government authorities increased by U.S.\$0.9 billion. The external claims of the private sector increased by U.S.\$3.8 billion. The volume of sham transactions was U.S.\$0.5 billion in 2016. Net capital outflows from the private sector decreased from U.S.\$57.1 billion in 2015 to U.S.\$18.5 billion in 2016. Reserve assets increased by U.S.\$8.2 billion, reflecting the gradual unwinding of the temporary foreign currency provision to credit institutions by the Bank of Russia in 2014-2015.

In 2017, net acquisition of financial assets amounted to U.S.\$14.9 billion, compared to the net acquisition of financial assets of U.S.\$4.7 billion in 2016. This change was largely due to an increase of financial assets of the banks. The volume of foreign assets held by government authorities increased by U.S.\$3.1 billion. The external claims of the private sector increased by U.S.\$11.8 billion. The volume of sham transactions was U.S.\$0.2 billion in 2017. Net capital outflows from the private sector increased from U.S.\$18.5 billion in 2016 to U.S.\$24.1 billion in 2017. Reserve assets increased by U.S.\$22.6 billion.

In 2018, net acquisition of foreign financial assets amounted to U.S.\$42.0 billion, compared to the net acquisition of financial assets of U.S.\$14.9 billion in 2017. A U.S.\$40.6 billion increase in private sector' external assets (of companies and banks) was the principal contributor to the net acquisition of financial assets in 2018. The volume of sham transactions was U.S.\$0.2 billion in 2018. Net capital outflows from the private sector increased from U.S.\$24.1 billion in 2017 to U.S.\$65.5 billion in 2018. Reserve assets increased by U.S.\$38.2 billion in 2018.

In 2019, net acquisition of foreign financial assets amounted to U.S.\$24.8 billion, compared to the net acquisition of financial assets of U.S.\$42.0 billion in 2018. Slowdown in growth of net acquisition of foreign financial assets was due to a reduction of financial assets of banks (by U.S.\$2.1 billion). The volume of foreign assets of other sectors (excluding banks) increased by U.S.\$26.5 billion and the volume of foreign assets held by government authorities increased by U.S.\$0.5 billion in 2019. The volume of sham transactions was U.S.\$0.2 billion in 2019. Net capital outflows from the private sector decreased from U.S.\$65.5 billion in 2018 to U.S.\$22.6 billion in 2019. Reserve assets increased by U.S.\$66.5 billion in 2019.

² In accordance with the estimates of the Balance of Payments in Analytical Presentation which, unlike Neutral Presentation reflected in table "Balance of Payments of the Russian Federation", presents certain details of primary components of Balance of Payments (i.e. types of goods, services, agents etc).

In the first half of 2020, net acquisition of foreign financial assets was equal to U.S.\$15.1 billion, compared to the net acquisition of financial assets of U.S.\$32.8 billion in the first half of 2019. It was due to a slowdown in net increase of financial assets of private sector in the first half of 2020 (increased by U.S.\$13.8 billion) compared to the same period of 2019 (increased by U.S.\$31.5 billion). The volume of foreign assets held by government authorities raised slightly (by U.S.\$1.3 billion) in the first half of 2020. The volume of sham transactions was U.S.\$0.1 billion in the first half of 2020. Net capital outflows from the private sector increased from U.S.\$23.3 billion in the first half of 2019 to U.S.\$27.7 billion in same period of 2020. Reserve assets decreased by U.S.\$7.9 billion in the first half of 2020. See "*Monetary and Financial System—Monetary Policy—Exchange Rates*".

Foreign Trade

Foreign Trade Regime

The regulatory framework governing the foreign trade of the Russian Federation has undergone significant change in recent years in an effort to simplify customs procedures, bringing them more in line with world practice and generally leading to the lowering of trade barriers. Nevertheless, on several occasions, the Russian Federation has increased import tariffs. For example, in January 2009, Russia substantially raised its import tariffs on used cars in an effort to support the country's domestic automotive industry. The tariffs, which are calculated in accordance with a formula that is based on the age and engine type of the vehicle, have remained substantially the same since this increase. In addition, the Russian Federation has introduced a ban on the import of certain food products originating in countries that have imposed sanctions on Russian entities and/or individuals, including the United States, all EU countries, Canada and Ukraine. The import ban took effect for an initial period of one year in August 2014 and was extended further on several occasions until 31 December 2020.

In an effort to integrate into the world economy more deeply, the Russian Federation has pursued both regional free trade agreements and global free trade agreements, launching the Eurasian Economic Union on 1 January 2015 and acceding to the WTO in 2012. See "*Russian Federation—International Relations*" for further discussion of these arrangements.

As a condition of its WTO membership, the Russian Federation was required to liberalise access to its domestic market over the course of an up to 7-year transition period starting from 2012. According to the WTO, by 2020 the simple average final bound tariff rate of the Russian Federation for all goods is expected to be approximately 7.6% (7.1% for non-agricultural goods and 10.9% for agricultural goods). The Russian Federation implements annual tariff reductions in line with its WTO commitments. For instance, in August 2017 tariffs on, among other goods, certain refrigerators, salmon and a variety of apparel products were reduced from 13.6% to 12%, from 4.4% to 3% and from 9.2% to 6.5%, respectively. In addition, in September 2018, there was a further decrease in tariffs on goods (including aircrafts and cars) and in October 2018 tariffs on some chemical products were set at 0% in accordance with the relevant decisions of the Council of the Eurasian Economic Commission (the "**EEC Council**"). Also, in accordance with the decision of the EEC Council in May 2019, tariffs were reduced for 111 goods and products since 1 September 2019 and for 24 goods and products since 1 January 2020: namely, certain types of motor vehicles and aircraft and fresh, chilled and frozen pork.

Exports are an important source of foreign exchange earnings for Russia. Currently, Russia has various export restrictions in place, although some of the export restrictions have been eliminated upon Russia's accession to the WTO, and remaining restrictions will be eliminated

in the future, in accordance with the requirements of Russia's admission to the WTO. The Russian government has also introduced duties on the export of oil, oil products and natural gas. Duties on oil exports are based on world oil prices, and the duty on natural gas is 30% (save for LNG, export duty on which is 0%). See "*Public Finance—Russian Tax System—Taxes on oil, oil products and natural gas*" for a discussion of these customs duties.

Composition of Trade

The following table illustrates the composition of Russia's exports and imports on a customs basis (excluding unregistered trade adjustments) for the periods indicated:

Structure of Trade⁽¹⁾⁽²⁾⁽³⁾
(excluding unregistered trade)

	For the year ended 31 December										For the nine months ended 30 September			
	2015		2016		2017		2018		2019		2019		2020	
	U.S.\$ billion	%	U.S.\$ billion	%	U.S.\$ billion	%	U.S.\$ billion	%	U.S.\$ billion	%	U.S.\$ billion	%	U.S.\$ billion	%
<i>Exports</i>														
Machinery, equipment and transport.....	25.4	7.4	24.4	8.6	28.1	7.9	29.1	6.5	27.7	6.5	18.3	5.9	16.3	6.8
Mineral products ⁽⁴⁾	219.2	63.8	169.2	59.2	215.6	60.4	291.8	64.9	267.7	63.3	200.5	64.7	128.4	53.3
Chemical products and rubber.....	25.4	7.4	20.8	7.3	23.9	6.7	27.5	6.1	27.0	6.4	20.0	6.4	17.5	7.3
Timber, woodpulp and paper products	9.8	2.9	9.8	3.4	11.8	3.3	13.9	3.1	12.8	3.0	9.7	3.1	9.1	3.8
Textiles.....	0.9	0.3	0.9	0.3	1.1	0.3	1.2	0.3	1.4	0.3	1.0	0.3	1.0	0.4
Leather and fur products.....	0.3	0.1	0.3	0.1	0.3	0.1	0.3	0.1	0.2	0.0	0.2	0.0	0.1	0.0
Food and agricultural.....	16.2	4.7	17.1	6.0	20.7	5.8	24.9	5.5	24.8	5.9	17.4	5.6	20.0	8.3
Metals, precious stones and articles thereof.....	40.8	11.9	37.7	13.2	48.3	13.5	53.8	12.0	52.8	12.5	37.9	12.2	45.0	18.7
Other.....	5.5	1.5	5.5	1.9	7.3	2.1	7.2	1.6	8.5	2.0	5.2	1.7	3.3	1.4
Total trade.....	343.5	100.0	285.7	100.0	357.1	100.0	449.6	100.0	422.8	100.0	310.0	100.0	240.8	100.0
<i>Imports</i>														
Machinery, equipment and transport.....	81.9	44.8	86.1	47.2	110.3	48.6	112.8	47.3	112.5	46.2	80.5	45.9	76.7	46.8
Mineral products ⁽⁴⁾	5.0	2.7	3.2	1.8	4.4	2.0	5.0	2.1	5.1	2.1	3.8	2.2	3.2	1.9
Chemical products and rubber.....	34.0	18.6	33.8	18.6	40.3	17.7	43.6	18.3	47.8	19.6	33.8	19.2	30.2	18.5
Timber, woodpulp and paper products	3.6	2.0	3.4	1.9	3.6	1.6	3.9	1.6	3.7	1.5	2.7	1.5	2.5	1.5
Textiles.....	10.8	5.9	11.0	6.0	13.5	6.0	14.8	6.2	15.1	6.2	11.5	6.5	11.0	6.7
Leather and fur products.....	0.8	0.4	0.8	0.4	1.1	0.5	1.3	0.5	1.3	0.5	1.0	0.5	0.7	0.4
Food and agricultural products.....	26.7	14.6	25.0	13.7	28.8	12.7	29.6	12.4	29.8	12.2	21.4	12.2	21.3	13.0
Metals, precious stones and articles thereof.....	12.4	6.7	11.9	6.5	16.2	7.1	17.8	7.5	18.9	7.7	14.1	8.0	11.9	7.3
Other.....	7.7	4.3	7.1	3.9	8.7	3.8	9.6	4.0	9.6	3.9	6.8	3.9	6.3	3.9
Total trade.....	182.9	100.0	182.3	100.0	227.0	100.0	238.4	100.0	243.8	100.0	175.5	100.0	163.7	100.0

	For the year ended 31 December										For the nine months ended 30 September			
	2015		2016		2017		2018		2019		2019		2020	
	U.S.\$ billion	%	U.S.\$ billion	%	U.S.\$ billion	%	U.S.\$ billion	%	U.S.\$ billion	%	U.S.\$ billion	%	U.S.\$ billion	%
Balance														
Machinery, equipment and transport.....	(56.5)	—	(61.6)	—	(82.2)	—	(83.6)	—	(84.9)	—	(62.2)	—	(60.3)	—
Mineral products ⁽⁴⁾	214.2	—	165.9	—	211.1	—	286.7	—	262.6	—	196.7	—	125.2	—
Chemical products and rubber.....	(8.6)	—	(13.0)	—	(16.3)	—	(16.1)	—	(20.8)	—	(13.8)	—	(12.7)	—
Timber, woodpulp and paper products.....	6.2	—	6.4	—	8.2	—	10.0	—	9.1	—	6.9	—	6.7	—
Textiles.....	(10.0)	—	(10.1)	—	(12.5)	—	(13.6)	—	(13.7)	—	(10.5)	—	(10.0)	—
Leather and fur products.....	(0.5)	—	(0.6)	—	(0.8)	—	(1.0)	—	(1.1)	—	(0.8)	—	(0.6)	—
Food and agricultural products.....	(10.4)	—	(8.0)	—	(8.1)	—	(4.8)	—	(5.1)	—	(4.0)	—	(1.2)	—
Metals, precious stones and articles thereof.....	28.4	—	25.8	—	32.1	—	35.9	—	33.9	—	23.8	—	33.1	—
Other.....	(2.2)	—	(1.6)	—	(1.4)	—	(2.4)	—	(1.1)	—	(1.6)	—	(3.0)	—
Total trade.....	160.6	—	103.4	—	130.1	—	211.2	—	179.0	—	134.5	—	77.1	—

Notes:

- (1) Figures differ from the presentation in "—*Balance of Payments*" due to classification, coverage and other adjustments.
- (2) Reflects Customs Service statistics and includes trade with other EEU members: the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan and the Kyrgyz Republic.
- (3) For those transactions denominated in currencies other than the dollar, conversions into dollars are made at the exchange rate prevailing on the date of the relevant transaction.
- (4) Includes oil, gas and coal.

Sources: Rosstat, Customs Service.

Exports of mineral products (including oil, gas and coal), metals, precious stones and articles thereof, chemical products and rubber, and machinery, equipment and transport account for the vast majority of Russia's total exports, representing approximately 90% of the value of exports in each of the years between 2015 and 2019. For the year ended 31 December 2019, exports decreased across all sectors in U.S. dollar terms, excluding textiles and other goods, with the export of mineral products accounting for the majority of the export decrease (from U.S.\$291.8 billion for the year ended 31 December 2018 to U.S.\$267.7 billion for the year ended 31 December 2019) reflecting lower oil and natural gas prices. In January-September 2020 as compared to the same period of 2019, exports decreased across all sectors in U.S. dollar terms, excluding textiles, food and agricultural, metals, precious stones and articles thereof, with the export of mineral products accounting for the majority of the export decrease (from U.S.\$200.5 billion in January-September 2019 to U.S.\$128.4 billion in January-September 2020) reflecting lower oil and natural gas prices.

Imports of machinery, equipment and transport accounted for over 44% of the value of imports in each of the years between 2015 and 2019 and over 46% of the value of imports in 2019. Russia also imports significant amounts of chemical products and rubber (approximately 15-20% of imports in each of the years under review), food and agricultural products (approximately 12-15% of imports in each of the years under review) and metals, precious stones and articles thereof (approximately 6-8% of imports in each of the years under review). For the year ended 31 December 2019, imports increased across all sectors in U.S. dollar terms, excluding machinery, equipment and transport and timber, woodpulp and paper products, with the import of chemical products and rubber accounting for most of the import growth (from U.S.\$43.6 billion for the year ended 31 December 2018 to U.S.\$47.8 billion for the year ended 31 December 2019). In January-September 2020 as compared to the same period of 2019, imports decreased across all sectors in U.S. dollar terms, with the import of machinery, equipment and transport accounting for most of the import decline (from U.S.\$80.5 billion in January-September 2019 to U.S.\$76.7 billion in January-September 2020). See "*Foreign Trade Regime*".

Direction of Trade

The following tables illustrate the geographic distribution of Russia's trade on a customs basis (excluding unregistered trade adjustments) for the periods indicated:

Exports⁽¹⁾⁽²⁾⁽³⁾ (excluding unregistered trade)

	For the year ended 31 December										For the nine months ended 30 September			
	2015		2016		2017		2018		2019		2019		2020	
	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change
Exports to non-CIS countries.....	298,420	(31.1)	247,944	(16.9)	309,090	24.7	395,161	27.8	370,512	(6.2)	271,837	(4.8)	206,374	(24.1)
OECD countries⁽⁴⁾	212,070	(32.9)	170,071	n/a(4)	208,283	22.5	267,512	n/a(4)	250,232	(6.5)	186,473	(4.8)	134,407	(27.9)
Germany.....	25,351	(31.7)	21,257	(16.2)	25,705	20.9	34,766	35.2	28,049	(19.3)	20,564	(18.1)	12,914	(37.2)
United Kingdom (Great Britain).....	7,475	(34.8)	6,944	(7.1)	8,692	25.2	9,726	11.9	13,260	36.3	7,887	4.2	15,920	101.8
Netherlands.....	40,848	(40.0)	29,260	(28.4)	35,577	21.6	43,408	22.0	44,788	3.2	34,472	11.5	18,324	(46.8)
Switzerland.....	2,611	(28.8)	3,017	15.5	4,138	37.2	4,515	9.1	3,669	(18.7)	2,923	(13.5)	2,128	(27.2)
Japan.....	14,483	(27.1)	9,356	(35.4)	10,399	11.2	12,421	19.4	11,355	(8.6)	8,650	(9.0)	7,034	(18.7)
USA.....	9,432	(10.9)	9,269	(1.7)	10,152	9.5	12,484	23.0	13,049	4.5	9,461	10.1	8,071	(14.7)
Italy.....	22,294	(36.7)	11,973	(46.3)	13,838	15.6	16,391	18.5	14,342	(12.5)	10,752	(10.4)	7,192	(33.1)
Finland.....	7,092	(37.7)	6,539	(7.8)	8,665	32.5	11,370	31.2	10,070	(11.4)	7,778	(8.7)	5,173	(33.5)
France.....	5,712	(24.6)	4,778	(16.3)	5,833	22.1	7,649	31.1	6,369	(16.7)	4,535	(14.5)	3,519	(22.4)
Turkey.....	19,287	(22.7)	13,582	(29.6)	18,410	35.6	21,294	15.7	21,150	(0.7)	16,112	(1.0)	11,403	(29.2)
Other OECD.....	57,484	(33.4)	54,096	n/a(4)	66,875	23.6	93,487	n/a(4)	84,131	(10.0)	63,338	(7.7)	42,730	(32.5)
Transition economies⁽⁵⁾	35,292	(18.9)	34,725	(1.6)	47,662	37.3	66,529	39.6	66,310	(0.3)	47,763	0.8	40,478	(15.3)
China.....	28,601	(23.7)	28,018	(2.0)	38,917	38.9	56,017	43.9	57,322	2.3	41,194	1.9	35,304	(14.3)
Other non-CIS countries.....	51,057	(30.6)	43,148	n/a(4)	53,145	23.2	61,120	n/a(4)	53,970	(11.7)	37,600	(11.0)	31,439	(16.4)
Egypt.....	3,676	(25.6)	3,784	3.0	6,217	64.3	7,151	15.0	5,769	(19.3)	4,062	(1.7)	2,112	(48.0)
India.....	5,575	(12.1)	5,312	(4.7)	6,457	21.6	7,750	20.0	7,308	(5.7)	4,843	(11.9)	3,925	(19.0)

	For the year ended 31 December										For the nine months ended 30 September			
	2015		2016		2017		2018		2019		2019		2020	
	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change
Iran.....	1,017	(20.9)	1,882	85.0	1,315	(30.1)	1,206	(8.3)	1,198	(0.7)	1,198	36.6	1,038	(13.4)
Brazil.....	1,924	(18.7)	1,785	(7.2)	2,032	13.9	2,582	27.0	2,455	(4.9)	1,823	3.5	1,316	(27.8)
Argentina.....	122	(44.9)	163	(33.6)	211	29.7	395	86.7	322	(18.3)	288	(5.8)	55	(80.9)
Exports to CIS countries⁽⁴⁾.....	45,092	(29.7)	37,829	(16.1)	48,175	27.4	55,117	14.4	53,955	(2.1)	39,164	(2.4)	34,493	(11.9)
Ukraine.....	9,295	(45.5)	6,342	(31.8)	7,943	25.2	9,520	19.9	6,619	(30.5)	5,401	(19.6)	4,577	(15.3)
Belarus.....	15,417	(22.9)	14,257	(7.5)	18,650	30.8	22,052	18.2	20,781	(5.8)	15,253	(6.8)	11,051	(27.5)
Kazakhstan.....	10,788	(24.4)	9,613	(10.9)	12,448	29.5	13,154	5.7	14,327	8.9	10,187	4.5	10,056	(1.3)
Uzbekistan.....	2,233	(28.4)	1,965	(12.0)	2,625	33.6	3,334	27.0	3,908	17.2	2,684	15.6	3,366	25.4
Other CIS.....	7,359	(24.4)	5,651	(23.2)	6,510	15.2	7,057	8.4	8,321	17.9	5,639	13.0	5,442	(3.5)
Total exports.....	343,512	(30.9)	285,772	(16.8)	357,266	25.0	450,277	26.0	424,468	(5.7)	311,000	(4.5)	240,817	(22.6)

Notes:

- (1) Certain data presented in this table differ from previously published data due to regular revisions by the Customs Service.
- (2) Figures differ from the presentation in "—*Balance of Payments*" due to classification, coverage and other adjustments.
- (3) For those transactions denominated in currencies other than the dollar, conversions into dollars are made at the exchange rate prevailing on the date of the relevant transaction.
- (4) Data labelled "n/a" is not available. Data on trade with OECD countries before 2016 is presented with 34 country members; data for the period from 2016 to 2017 is presented for 35 country members (Latvia has been an OECD member since 2 June 2016). Since Lithuania joined OECD on 30 June 2018, data for 2018 is presented for 36 country members. Other non-CIS countries figures include Latvia before 2016 and exclude it in 2016 and further, and include Lithuania until 2018.
- (5) Includes Bulgaria, Romania, Vietnam, Democratic People's Republic of Korea, Mongolia and Cuba, in addition to China.

Sources: Customs Service; Rosstat.

Imports⁽¹⁾⁽²⁾⁽³⁾
(excluding unregistered trade)

	For the year ended 31 December										For the nine months ended 30 September			
	2015		2016		2017		2018		2019		2019		2020	
	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change
Imports from non-CIS countries..	161,693	(36.3)	162,725	0.6	202,877	24.7	212,054	4.5	216,890	2.3	155,696	(0.4)	145,758	(6.4)
OECD countries⁽⁴⁾	100,396	(40.3)	97,867	n/a(4)	121,586	24.2	126,523	n/a(4)	129,503	2.4	92,858	(0.7)	83,943	(9.6)
Germany	20,441	(38.0)	19,453	(4.8)	24,232	24.6	25,519	5.3	25,112	(1.6)	18,012	(5.5)	16,327	(9.4)
USA.....	11,454	(38.1)	10,703	(6.6)	12,593	17.7	12,528	(0.5)	13,180	5.2	9,907	5.4	9,653	(2.6)
Japan.....	6,813	(37.5)	6,681	(1.9)	7,771	16.3	8,824	13.5	8,961	1.6	6,752	5.5	4,933	(26.9)
Italy	8,320	(34.6)	7,840	(5.8)	10,102	28.9	10,588	4.8	10,899	2.9	7,537	(0.9)	6,991	(7.3)
Republic of Korea.....	4,560	(49.5)	5,113	12.1	6,934	35.6	6,980	0.7	8,002	14.6	6,092	17.8	4,531	(25.6)
Finland.....	2,671	(41.6)	2,482	(7.1)	3,785	52.5	3,380	(10.7)	3,485	3.1	2,631	5.1	2,051	(22.0)
France	5,919	(44.3)	8,490	43.4	9,778	15.2	9,551	(2.3)	8,587	(10.1)	5,734	(22.5)	5,741	0.1
Poland.....	4,097	(42.1)	3,959	(3.4)	4,908	24.0	5,150	4.9	5,080	(1.4)	3,620	(3.8)	3,360	(7.2)
United Kingdom (Great Britain)	3,722	(52.3)	3,433	(7.8)	4,051	18.0	4,063	(0.3)	4,037	(0.6)	2,863	(3.3)	2,381	(16.9)
Netherlands	3,096	(41.5)	3,021	(2.4)	3,894	28.9	3,695	(5.1)	3,978	7.7	2,764	0.3	2,722	(1.5)
Other OECD.....	29,302	(39.8)	26,693	n/a(4)	33,537	25.6	36,246	n/a(4)	38,182	5.3	26,945	1.5	25,254	(6.3)
Transition economies⁽⁵⁾	38,897	(30.6)	42,363	8.9	53,606	26.5	58,265	8.7	60,016	3.0	43,018	0.5	43,367	0.8
China	34,948	(31.2)	38,105	9.0	48,055	26.1	52,231	8.7	54,140	3.7	38,682	1.2	39,084	1.0
Other non-CIS countries.....	22,400	(24.1)	22,494	n/a(4)	27,685	23.1	27,265	n/a(4)	27,371	0.4	19,820	(1.2)	18,449	(6.9)
Argentina	825	(26.1)	685	(17.0)	680	(0.7)	851	25.3	828	(2.8)	627	2.8	627	0.1
Brazil	2,915	(26.6)	2,524	(13.4)	3,199	26.8	2,451	(23.4)	2,150	(12.3)	1,581	(12.6)	1,495	(5.5)
India	2,258	(28.8)	2,398	6.2	2,903	21.1	3,227	11.2	3,922	21.6	2,748	16.7	2,423	(11.8)
Malaysia	1,315	(9.8)	1,204	(8.4)	1,546	28.3	1,627	5.2	1,755	7.9	1,251	5.8	1,096	(12.4)
Thailand	1,491	(33.2)	1,147	(23.1)	1,718	49.8	1,857	8.1	1,754	(5.5)	1,290	(2.2)	1,047	(18.9)
Imports from CIS countries.....	21,210	(36.3)	19,622	(7.5)	24,993	27.4	26,656	6.7	27,459	3.0	20,120	2.6	17,929	(10.9)

	For the year ended 31 December										For the nine months ended 30 September			
	2015		2016		2017		2018		2019		2019		2020	
	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change	U.S.\$ million	% change
Ukraine.....	5,673	(47.2)	3,892	(31.4)	4,914	26.3	5,461	11.1	4,851	(11.2)	3,657	(9.9)	2,731	(25.3)
Belarus	9,011	(29.3)	9,714	7.8	12,092	24.5	12,471	3.1	13,087	4.9	9,572	4.7	8,995	(6.0)
Kazakhstan.....	4,807	(35.4)	3,636	(24.4)	5,051	38.9	5,451	7.9	5,725	5.0	4,194	2.7	3,542	(15.5)
Uzbekistan	602	(31.2)	762	26.5	1,027	34.8	1,065	3.7	1,179	10.8	867	10.4	894	3.2
Other CIS.....	1,117	(23.9)	1,619	45.0	1,909	17.9	2,209	15.7	2,617	18.4	1,830	18.6	1,766	(3.5)
Total imports.....	182,902	(36.3)	182,347	(0.3)	227,870	25.0	238,710	4.8	244,348	2.4	175,816	(0.1)	163,688	(6.9)

Notes:

- (1) Certain data presented in this table differ from previously published data due to regular revisions by the Customs Service.
- (2) Figures differ from the presentation in "*Balance of Payments*" due to classification, coverage and other adjustments.
- (3) For those transactions denominated in currencies other than the dollar, conversions into dollars are made at the exchange rate prevailing on the date of the relevant transaction.
- (4) Data labelled "n/a" is not available. Data on trade with OECD countries before 2016 is presented with 34 country members; data for the period from 2016 to 2017 is presented for 35 country members (Latvia has been an OECD member since 2 June 2016). Since Lithuania joined OECD on 30 June 2018, data for 2018 is presented for 36 country members. Other non-CIS countries figures include Latvia before 2016 and exclude it in 2016 and further, and include Lithuania until 2018.
- (5) Includes Bulgaria, Romania, Vietnam, Democratic People's Republic of Korea, Mongolia and Cuba, in addition to China.

Sources: Customs Service; Rosstat.

The value of Russian exports increased by 23.6% from U.S.\$343.5 billion in 2015 to U.S.\$424.5 billion in 2019, principally due to increase in oil and some other commodity (coal, ferrous and non-ferrous metals) prices through the period.

The value of Russian exports decreased by 5.7% from U.S.\$450.3 billion for the year ended 31 December 2018 to U.S.\$424.5 billion for the year ended 31 December 2019, reflecting the decline in oil and gas prices and principally due to the decline of exports to Germany (by 19.3% as compared to 2018), Italy (by 12.5% as compared to 2018), Finland (by 11.4% as compared to 2018), France (by 16.7% as compared to 2018), Ukraine (by 30.5% as compared to 2018) and Belarus (by 5.8% as compared to 2018). The value of Russian exports in January-September 2020 decreased by 22.6% from U.S.\$311.0 billion in January-September 2019 to U.S.\$240.8 billion in January-September 2020, reflecting the decline in oil and gas prices and principally due to the decline of exports to the Netherlands (by 46.8% as compared to the same period of 2019), Germany (by 37.2% as compared to the same period of 2019), Italy (by 33.1% as compared to the same period of 2019), Finland (by 33.5% as compared to the same period of 2019), Turkey (by 29.2% as compared to the same period of 2019) and Belarus (by 27.5% as compared to the same period of 2019).

Russia's primary export markets are OECD countries and China, which accounted for 59.1% and 13.4% of Russia's total exports (as measured by value), respectively, in 2019. The Netherlands, Germany and Turkey are Russia's principal export markets, representing 10.6%, 6.6% and 5.0% of total exports in 2019, respectively. Russia also engages in significant trade with CIS countries, particularly Belarus, Kazakhstan and Ukraine, which accounted for 4.9%, 3.4% and 1.6%, respectively, of Russia's exports in 2019. In 2019, Russian exports to the EU decreased by 7.9% due to decline of exports to Germany (by 19.3%), Italy (by 12.5%), Finland (by 11.4%) and France (by 16.7%), while exports to the United Kingdom and Netherlands increased by 36.3% and 3.2%, respectively, as compared to 2018. In 2019, Russian exports increased to China (by 2.3%), the USA (by 4.5%), Kazakhstan (by 8.9%) and Uzbekistan (by 17.9%) and decreased to Turkey (by 0.7%), Belarus (by 5.8%) and Ukraine (by 30.5%), as compared 2018.

The value of Russian imports increased by 33.6%, from U.S.\$182.9 billion in 2015 to U.S.\$244.3 billion in 2019, reflecting rouble appreciation and strengthening in domestic demand.

In 2019, Russian imports increased from China (by 3.7%), the United States (by 5.2%), Japan (by 1.6%), Republic of Korea (by 14.6%) and from each of CIS countries, except for Tajikistan and Ukraine, while imports from Germany, France and Brazil contracted by 1.6%, 10.1% and 12.3%, respectively, as compared to 2018. In 2019, Russian imports from the EU and Ukraine decreased by 0.7% and 11.2%, respectively, as compared to 2018. The value of Russian imports in January-September 2020 decreased by 6.9% from U.S.\$175.8 billion in January-September 2019 to U.S.\$163.7 billion in January-September 2020, reflecting the decline in domestic demand and principally due to the decline of imports from Germany (by 9.4% as compared to the first nine months of 2019), Japan (by 26.9% as compared to the first nine months of 2019), Republic of Korea (by 25.6% as compared to the first nine months of 2019) and Ukraine (by 25.3% as compared to the first nine months of 2019).

Russia receives most of its imports from OECD countries (particularly, Germany, the United States, Italy, France and Japan) and China, which accounted for 53.0% and 22.2% of Russia's total import value, respectively, in 2019. Russia also receives substantial imports from CIS countries (particularly Belarus, Ukraine and Kazakhstan), which collectively accounted for

11.2% of Russian imports in 2019. The growth of value of Russian imports slowed down in 2019 to 2.4% (as compared to 4.8% in 2018) and amounted U.S.\$244.3 billion for the year ended 31 December 2019 as compared to U.S.\$238.7 billion for the year ended 31 December 2018 reflecting weak domestic demand.

International Reserves

The following table sets forth information with respect to the international reserves of the Russian Federation as of the indicated dates:

International Reserves⁽¹⁾

	As of 31 December					As of 31 October
	2015	2016	2017	2018	2019	2020
<i>(millions of dollars, except as indicated)</i>						
International reserves excluding gold.....	319,836	317,547	356,095	381,592	443,983	444,188
Special Drawing Rights	7,888	6,486	6,883	6,737	6,717	6,857
Reserve position in IMF	2,560	3,031	2,706	3,122	3,970	5,124
Foreign exchange.....	309,387	308,031	346,507	371,733	433,297	432,206
Monetary gold (<i>fine troy ounces, million</i>)..	45.5	51.9	59.1	67.9	73.0	73.9 ⁽³⁾
U.S.\$ million ⁽²⁾	48,563	60,194	76,647	86,903	110,376	138,657
Total international reserves (including gold).....	368,399	377,741	432,742	468,495	554,359	582,845
Import coverage (<i>months</i>).....	15.7	17.0	15.9	16.4	18.8	24.3 ⁽³⁾

Notes:

- (1) Based on the official rouble/dollar exchange rates and reference price for gold, as established by the Bank of Russia on the relevant reporting date. Data in this table are presented as of 30 September 2020.
- (2) At official Bank of Russia reference prices.
- (3) As of 30 September 2020.

Source: Bank of Russia.

Russia's international reserves fell considerably in 2014, in part due to the Bank of Russia's efforts to support the value of the rouble, while reserves declined more modestly in 2015, stabilized in 2016 and grew in 2017-2018.

As of 31 December 2019, total international reserves (including gold) equalled U.S.\$554.4 billion, an increase of U.S.\$85.9 billion compared to year-end 2018. The increase in reserves was primarily attributable to the growth in foreign exchange reserves. As of 31 December 2019, international reserves provided 18.8 months of import coverage as compared to 16.4 months of coverage as of 31 December 2018, reflecting the growth of international reserves. As of 31 December 2019, Russia's total external debt (public and private) equalled approximately U.S.\$491 billion, with Russia's international reserves providing approximately 113% coverage.

As of 31 October 2020, total international reserves (including gold) equalled U.S.\$582.8 billion, an increase of U.S.\$28.5 billion compared to year-end 2019. The increase in reserves was primarily attributable to the growth in gold prices. As of 30 September 2020, international reserves provided 24.3 months of import coverage as compared to 18.8 months of coverage as of 31 December 2019, reflecting the decrease in import. As of 30 September 2020, Russia's

total external debt (public and private) estimated at approximately U.S.\$461 billion, with Russia's international reserves providing approximately 127% coverage.

According to IMF, as of 1 October 2020, Russia's foreign exchange and gold reserves were the fourth highest in the world after China, Japan and Switzerland. The Russian Federation's foreign reserves as of the date of this Prospectus are free from any encumbrances.

The Russian government strictly regulates Russia's output, sale and export of precious stones and metals, including gold, platinum and diamonds. As part of this regulatory regime, the Russian government licenses and has a right of first refusal to purchase Russia's precious metals output.

Both the Bank of Russia and the Ministry of Finance currently have international reserves. Reserves of the Ministry of Finance are allocated to the National Wealth Fund. See "*Public Finance—Reserve Fund and National Wealth Fund*" for more information on the National Wealth Fund. The percentage of the Russian Federation's total international reserves that are controlled by the Ministry of Finance varies year to year and depends on the reserve operations undertaken by the Bank of Russia and the Ministry of Finance during the year. In 2008, for example, the Ministry of Finance held nearly one-half of the country's total international reserves. At year-end 2009, the share of international reserves held by the Ministry of Finance declined to approximately one-third due to Reserve Fund spending to cover the budget deficit, and to the accumulation of reserves at the Bank of Russia. As of 31 October 2020, the Ministry of Finance held approximately 19.8%, of the country's international reserves, with the remainder held by the Bank of Russia.

The Ministry of Finance currently has in place a currency interventions policy which is subject to change. The volume of the interventions depends on the Urals oil price. When the price per barrel of Urals oil exceeds the base price level (which was \$40 per barrel in 2017 and is subject to 2% annual indexation) the Ministry of Finance purchases foreign currency in the amount of excess oil and gas revenues over the expected revenue if the oil price was at the base price level. When the oil price is below the base price level, it sells foreign currency in the amount of the deficit. The interventions are aimed at increasing the stability and predictability of the Russian economy and neutralising the impact of volatility of the energy market on the economic environment and state finance. From 24 August 2018 until 15 January 2019, the currency purchases of the Ministry of Finance were ceased due to the high volatility of the Russian foreign exchange market. However, the Ministry of Finance continued purchasing foreign currency directly from the Bank of Russia (from 24 August 2018 to 15 January 2019, the Ministry of Finance purchased 1,977.7 billion roubles worth of foreign currency). Since 1 February 2019, the Bank of Russia decided to convert received roubles from direct operations with the Ministry of Finance into foreign currency on the Russian foreign exchange market. These purchases of foreign currency will be carried out for 36 months with a daily purchase volume of approximately 2.8 billion roubles worth of foreign currency. From 16 January 2019 the Ministry of Finance resumed operations on the Russian foreign exchange market and by 10 March 2020 purchased 4,226 billion roubles worth of foreign currency on the market. From 11 March 2020 due to the sharp fall in oil prices the Ministry of Finance started selling foreign currency on the Russian foreign exchange market and by 6 November 2020 these sales amounted to 1,425 billion roubles worth of foreign currency.

PUBLIC FINANCE

The information and data presented herein with respect to the federal budget has been prepared substantially in accordance with the guidelines and definitions set forth in the IMF's publication "Government Finance Statistics" (GFS-1986).

Overview

Russia's fiscal position is significantly dependent on the price of oil and gas, effective tax collection and spending in the social sphere, defence and the national economy.

In 2015, Russia recorded an enlarged budget (includes federal budget, consolidated sub-federal budgets and state extra-budgetary funds) deficit of 3.4% of GDP and a federal budget deficit of 2.4% of GDP. The federal budget deficit increased in 2015 due to significant declines in import duties and export duties (in turn, attributable to the sharp drop in the oil price) and to a 28.3% increase in defence spending and a 23.5% increase in social policy spending.

In 2016, Russia recorded an enlarged budget deficit of 3.7% of GDP and a federal budget deficit of 3.5% of GDP. The federal budget deficit increased in 2016 due to significant decline in oil and gas revenues (in turn attributable to the sharp drop in the oil price) and to an 18.7% increase in defence spending and a 7.6% increase in social policy spending.

In 2017, Russia recorded an enlarged budget deficit of 1.5% of GDP and a federal budget deficit of 1.4% of GDP. The federal budget deficit decreased in 2017 due to a 26.8% increase in tax revenue as compared to 2016, while the federal budget expenditures remained at the level of 2016 (with a slight increase of 0.02% in 2017).

In 2018, Russia recorded an enlarged budget surplus of 2.9% of GDP and a federal budget surplus of 2.6% of GDP. This was mainly due to a sharp increase in almost all revenue line items while expenditures were restricted by the fiscal rules.

In 2019, Russia recorded an enlarged budget surplus of 1.9% of GDP and a federal budget surplus of 1.8% of GDP. The federal budget surplus decreased in 2019 due to the outrunning growth of federal budget expenditure as compared to the federal budget revenue.

In January-August 2020, Russia recorded an enlarged budget deficit of 1,567 billion roubles and a federal budget deficit of 1,568 billion roubles as compared to an enlarged budget surplus of 3,982 billion roubles and a federal budget surplus of 2,674 billion roubles in the same period of 2019. This was mainly due to substantial growth of federal budget expenditures and simultaneous decrease in federal budget revenues.

The following table sets forth certain summary information regarding Russia's public finances for the periods indicated:

Enlarged Budget⁽¹⁾

	For the year ended 31 December					For the eight months ended 31 August	
	2015	2016	2017	2018	2019	2019	2020
	<i>(millions of roubles)</i>						
Enlarged budget							
Revenue.....	26,922,010	28,181,540	31,046,674	37,320,350	39,497,587	25,657,817	23,670,775
Expenditure.....	29,741,503	31,323,679	32,395,747	34,284,709	37,382,242	21,675,530	25,237,421
Surplus (deficit).....	(2,819,493)	(3,142,138)	(1,349,074)	3,035,641	2,115,345	3,982,287	(1,566,646)
Federal budget							
Revenue.....	13,659,243	13,460,041	15,088,915	19,454,369	20,188,797	13,256,739	11,688,330
Expenditure.....	15,620,253	16,416,447	16,420,303	16,713,003	18,214,517	10,582,426	13,256,785
Surplus (deficit).....	(1,961,010)	(2,956,406)	(1,331,388)	2,741,366	1,974,279	2,674,313	(1,568,455)
Primary surplus (deficit) ⁽²⁾	(1,442,304)	(2,335,142)	(622,231)	3,547,341	2,705,048	3,145,686	(1,112,042)
Consolidated sub-federal budgets							
Revenue.....	9,308,152	9,923,841	10,758,144	12,392,450	13,572,313	8,627,028	8,899,261
Transfers from federal budget ⁽³⁾	1,603,706	1,567,766	1,690,065	2,044,793	2,387,151	1,253,261	2,021,145
Expenditure.....	9,479,752	9,936,439	10,810,051	11,882,162	13,567,593	7,613,300	9,008,381
Surplus (deficit).....	(171,600)	(12,598)	(51,906)	510,288	4,720	1,013,728	(109,120)
State extra-budgetary funds⁽⁴⁾⁽⁵⁾							
Revenue.....	10,830,410	11,536,953	12,415,842	12,968,453	13,986,660	8,850,755	9,946,504
Transfers to state extra-budgetary funds from federal budget.....	3,142,986	3,402,633	3,754,601	3,313,453	3,430,541	2,276,569	3,143,565
Transfers to regional medical insurance funds from Federal Medical Insurance Fund.....	1,443,825	1,476,515	1,540,219	1,870,575	2,069,917	1,377,671	1,494,046
Expenditure.....	11,517,301	11,710,087	12,381,621	13,184,466	13,832,315	8,556,510	9,835,576
Surplus (deficit).....	(686,891)	(173,134)	34,221	(216,013)	136,345	294,245	110,928
	<i>(% of GDP)</i>						
Enlarged budget							
Revenue.....	32.4	32.9	33.8	35.7	35.9	n/a	n/a

Expenditure.....	35.8	36.6	35.3	32.8	34.0	n/a	n/a
Surplus (deficit).....	(3.4)	(3.7)	(1.5)	2.9	1.9	n/a	n/a
Federal budget							
Revenue.....	16.4	15.7	16.4	18.6	18.3	n/a	n/a
Expenditure.....	18.8	19.2	17.9	16.0	16.6	n/a	n/a
Surplus (deficit).....	(2.4)	(3.5)	(1.4)	2.6	1.8	n/a	n/a
Primary surplus (deficit) ⁽²⁾	(1.7)	(2.7)	(0.7)	3.4	2.5	n/a	n/a
Consolidated sub-federal budgets							
Revenue.....	11.2	11.6	11.7	11.8	12.3	n/a	n/a
Transfers from federal budget ⁽³⁾	1.9	1.8	1.8	2.0	2.2	n/a	n/a
Expenditure.....	11.4	11.6	11.8	11.4	12.3	n/a	n/a
Surplus (deficit).....	(0.2)	(0.0)	(0.1)	0.5	0.004	n/a	n/a
State extra budgetary funds⁽⁴⁾⁽⁵⁾							
Revenue.....	13.0	13.5	13.5	12.4	12.7	n/a	n/a
Transfers to state extra- budgetary funds from federal budget.....	3.8	4.0	4.1	3.2	3.1	n/a	n/a
Transfers to regional medical insurance funds from Federal Medical Insurance Fund.....	1.7	1.7	1.7	1.8	1.9	n/a	n/a
Expenditure.....	13.9	13.7	13.5	12.6	12.6	n/a	n/a
Surplus (deficit).....	(0.8)	(0.2)	0.0	(0.2)	0.1	n/a	n/a
<i>Memo:</i>							
Nominal GDP (billions of roubles).....	83,087	85,616	91,843	104,630	110,046	n/a	n/a

Notes:

- (1) Calculated on a cash accounting basis. Certain data presented in this table differ from data made public previously due to revisions made by the Federal Treasury.
- (2) Federal budget revenues less non-interest expenditure.
- (3) Includes financial aid to regions and other extra-budgetary transfers.
- (4) Includes Pension Fund, Social Insurance Fund, Federal Medical Insurance Fund and regional medical insurance funds.
- (5) Figures for the revenue and expenditure of the Social Insurance Fund in 2019 and in January-August 2020 are preliminary and subject to revision.

Source: Federal Treasury, Rosstat.

Federal Budgetary Process

The Ministry of Finance is centrally involved in each stage of the federal budgetary process, including establishing fiscal policy and debt policy objectives, preparation of the budget, adoption of the budget by the Federal Assembly, executing the budget (including later amendments) and reporting the budget's execution. The Audit Chamber and the Federal Treasury also monitor and audit the execution of the budget.

Budget Preparation and Adoption

Under Federal Law No. 145-FZ "Budget Code of the Russian Federation" dated 31 July 1998, as amended (the "**Budget Code**"), since 2007, the budget has included figures on a three-year basis, comprising the next fiscal year and two subsequent budget years. In response to volatility in the price of oil and natural gas, in September 2015, the three-year budgetary period was suspended and replaced with single-year budgets. Therefore, the budget for 2016 was single-year. Starting from the budget for 2017, the three-year budgetary period was restored.

Under the Budget Code, the draft budget for the following fiscal year is prepared by the Ministry of Finance and presented, to the Government. Then, not later than 1 October of the current fiscal year, the draft budget is presented by the Government to the State Duma, where it proceeds through three readings. In the first reading, the budget's overall macroeconomic framework and its main parameters, including budgeted revenue, deficit (or surplus) and expenditure, are established. The State Duma cannot increase revenues or the deficit ceiling without the approval of the Government.

The second reading is devoted to allocating total authorised expenditure (other than reserve expenses, which are unallocated expenses) to specific purposes according to functional classifications within limits defined after the first reading as well as allocating the inter-budgetary transfers among Federation subjects, approving lending and borrowing programmes and other items.

In the third reading, the budget as a whole is adopted, and no further amendments are permitted. After the State Duma's third reading, the Federation Council votes on the bill. Once passed by the Federation Council, the bill is sent to the President for consideration. The draft budget becomes law following its signature by the President and publication in the authorised media. The federal law becomes effective on 1 January of the relevant year. During the course of the fiscal year, the Government may submit to the State Duma amendments to the budget law for consideration in accordance with an expedited legislative procedure. Pursuant to this procedure, the State Duma is required to consider amendments to the budget in three readings, all of which must take place within 25 days after the amendments have been submitted. Such amendments must then be reviewed by the Federation Council within 14 days after their receipt from the State Duma.

Amendments to the Budget Code

In 2014, the execution of budgetary policies faced challenges as a consequence of a changed economic environment. The Russian government sought to respond to these challenges with a suite of policy initiatives. It took measures to recapitalise the banking system and increased the ceiling for state guarantees of household deposits, both of which helped to strengthen public confidence in the banking system. It also introduced a set of anti-inflationary measures into the

budget policy, particularly, the decision not to index salaries and certain social benefits to account for higher inflation caused by depreciation of the rouble.

Due to the significant reduction in oil prices since the second half of 2014, the rules for the use of oil and gas revenues and contributions to the Reserve Fund and National Wealth Fund set out in the Budget Code were suspended on 1 February 2016, and temporary rules were introduced. Under these temporary rules oil and gas revenues as well as assets from the Reserve Fund and National Wealth Fund were used to finance federal budget expenditures.

In 2014, the budget laws were changed in order to streamline the procedure for introducing certain amendments to the budget without having to formally amend the budget law, to clarify the rules outlining how sub-federal and local budgets are structured and to improve the ways in which state programmes are taken into consideration when engaging in budgetary planning. Improving interbudgetary relations among federal, regional and local authorities became a top priority in 2014, with a particular focus on ensuring that top expenditure commitments are met on all levels (including through greater federal financing of sub-federal budgets).

New rules governing interbudgetary transfers were also introduced. In April 2014, the Government adopted a programme, to be overseen by the Ministry of Finance, on creating conditions for the effective and responsible management of regional and municipal budgets. This programme contemplates provision of financial assistance to sub-federal budgets (including in the form of subsidies and budget credits) for the purposes of equalising financial opportunities across the regions, supporting regional programmes and improving the cost effectiveness and quality of management of regional and municipal finance, including through the consolidation of certain subsidies in order to increase their impact.

During 2015, the focus of budgetary planning continued to be on measures to mitigate the impact of a changed economic environment on the economy's most susceptible sectors and on the country's most vulnerable population. In 2015, the budgetary planning period was reduced, such that draft budget laws would be produced on a single-year, rather than three-year, basis. The rules for resolving budgetary disputes among the executive, legislative and judicial branches were introduced.

During 2016, appropriations were allocated not only between government programmes and sub-programmes but also between the priority areas within government programmes, thereby enhancing the link between appropriations and need and improving the ability to track whether budgetary goals and targets are met.

The state of regional and local budgets remained a top priority in implementing budgetary policy in 2015 and 2016. In particular, the federal government issued loans to Federation subjects in order to finance a share of their fiscal deficits and to assist them in repaying certain of their liabilities. The budgetary planning period was increased by the 2017 budget law (the "**2017 Budget Law**"), such that draft budget laws would be again produced on a three-year, basis.

The amendments to the Budget Code introduced by Federal Law No. 262-FZ "On Amendments to the Budget Code of the Russian Federation as Regards the Use of Oil and Gas Revenues of the Federal Budget" on 29 July 2017 enacted new fiscal rules (the "**New Fiscal Rules**"). The New Fiscal Rules envisaged a "transitional" mechanism for 2018, according to which the aggregate federal budget expenditures in 2018 could not exceed the aggregate amount of (i) the federal budget revenues (less oil and gas revenues calculated on the basis of the projected oil

price, natural gas export price and projected U.S. dollar to rouble exchange rate), (ii) oil and gas revenues calculated on the basis of the base oil price, base natural gas export price and projected U.S. dollar to rouble exchange rate, and (iii) projected public debt service costs, increased by the amount equal to 1% of GDP projected for 2018. The base oil price was set at U.S.\$40 for 2017 and, starting from 2018, subject to annual 2% indexation. The base oil price for 2020 after annual indexation is U.S.\$42.4. Starting from 2019, the increase in federal budget expenditures by the amount of 1% from projected GDP ceased.

During 2019-2024, according to the New Fiscal Rules, starting from the budget for 2019 and the planning period of 2020 and 2021, the aggregate federal expenditures cannot exceed the aggregate amount of (i) the federal budget revenues (less oil and gas revenues calculated on the basis of the projected oil price, natural gas export price, the base price of export alternative for AI-92-K5 motor benzine and K5 diesel fuel and the projected U.S. dollar to rouble exchange rate), (ii) oil and gas revenues calculated on the basis of the base oil price, the base gas price, the base price of export alternative for AI-92-K5 motor benzine and K5 diesel fuel and projected U.S. dollar to rouble exchange rate, (iii) projected public debt service costs, and (iv) according to the amendments to the Budget Code made in October 2018, 585 billion roubles annually for each of 2019, 2020, 2021, 2022 and 2023 and 575 billion roubles for 2024.

In 2020, a number of the Budget Code provisions were amended or suspended due to COVID-19 pandemic and emergency expenses related thereto. In particular, the following principal provisions will apply in 2020:

- the draft 2021 budget law must be submitted to the State Duma by not later than 1 January 2021 rather than 1 October 2020 as usually required under the Budget Code;
- the suspension until 1 January 2021 of the provision of the Budget Code setting forth that state guarantees of the Russian Federation should be provided only in accordance with the terms envisaged by the relevant federal budget law;
- budget funds may be reallocated without the respective amendments to the 2020 budget law in case such reallocation is made to finance measures relating to prevention of negative impact on the economic sectors, prevention measures and mitigation of the consequences of COVID-19 spreading or to accomplish other goals determined by the Government;
- the Government is entitled to provide state guarantees denominated in roubles in excess of (i) the total volume of state guarantees in 2020 established by the Programme of state guarantees of the Russian Federation denominated in roubles for 2020 and subsequent 2021 and 2022 years (the "**2020 Programme of State Guarantees in Roubles**"), and (ii) the limit of state domestic debt of the Russian Federation under the state guarantees of the Russian Federation denominated in roubles but within the limits of domestic state debt of the Russian Federation;
- the total volume of the federal budget expenditures may be increased without the amendments to the 2020 budget law together with an increase in budget allocations of the Government's reserve fund (i) in case of the receipt and within the limit of proceeds from the sale of Sberbank by the Bank of Russia, (ii) by the decision of the Government, in case and within the limit of oil and gas revenues received in excess of the amount provided in the federal budget and (iii) in the amount up to 2 trillion roubles, in order to finance the measures relating to prevention of negative impact on the economic

sectors, prevention measures and mitigation of the consequences of COVID-19 spreading or to accomplish other goals determined by the Government;

- the Government is entitled to use the funds of the National Wealth Fund for the purposes of co-finance of voluntary pension savings and securing the federal budget and the Pension Fund budget balances in case the base oil price calculated in accordance with the Budget Code exceeds the average price of "Urals" oil calculated in accordance with the Tax Code in the reporting month;
- domestic (external) debt of the Russian Federation may be incurred in excess of the limit of domestic (external) state debt of the Russian Federation established by the 2020 budget law for the purposes of the replacement of other funding sources of federal budget deficit;
- the Government is entitled to incur domestic (external) state debt and provide state guarantees (denominated in the Russian rouble or foreign currencies) in excess of the limit of domestic (external) state debt of the Russian Federation, the programmes of domestic (external) state borrowings of the Russian Federation, the programmes of state guarantees of the Russian Federation, in each case established by the 2020 budget law, and make decisions to provide state guarantees of the Russian Federation which are not specified in the 2020 budget law, or state guarantees which comply with the requirements of the Budget Code under the terms other than set forth in the 2020 budget law.

Budget Execution

The Ministry of Finance is responsible for execution of the budget law.

The budget law sets overall nominal levels for revenue, expenditure and deficit/surplus, as well as caps for domestic and external borrowing and other sources of deficit financing. Subject to the 5% threshold discussed below, approval of the State Duma is required if the budget plan exceeds the nominal level of expenditure or borrowing.

The expenditure levels established in the budget law are annual spending limits, with a breakdown for each line item. Upon adoption of the budget law, the Ministry of Finance promulgates annual allocation targets for each line item. The Ministry of Finance may also establish binding quarterly or monthly allocation targets for each line item in order to enhance operational control over budgetary performance. The Budget Code sets forth an exhaustive list of circumstances when the spending limits for a particular line item can be modified without legislative amendment. For example, the Ministry of Finance may increase expenditure for a certain line item by no more than 5% if the amount initially allocated proves to be insufficient. Increases of over 5% and other modifications to spending limits beyond those stipulated in the Budget Code can be made only after corresponding amendments are made to the budget law.

The 2015 budget law was amended three times in 2015. The original 2015 budget law (the "**Original 2015 Budget Law**") envisaged a fiscal deficit of 431 billion roubles, or 0.6% of GDP, and a primary surplus of 19 billion roubles, or 0.2% of GDP. The 2015 budget law, as amended for the final time in November 2015 (the "**Amended 2015 Budget Law**") envisaged a fiscal deficit of 2,166 billion roubles, or 2.9% of GDP. Federal budget revenues in 2015 amounted to 16.4% of GDP, lower in relative terms than the budgeted estimates of 19.5% of GDP according to the Original 2015 Budget Law and 18.0% of GDP according to the Amended

2015 Budget Law. Total expenditure in 2015 was 18.8% of GDP, lower in relative terms than the budgeted estimates of 20.0% of GDP under the Original 2015 Budget Law and 21.0% of GDP under the Amended 2015 Budget Law. The year ended with an actual federal deficit of 2.4% of GDP. Oil and gas revenues transferred to the Reserve Fund in 2015 totalled 402.2 billion roubles, or 0.5% of GDP. No federal budget revenues were transferred to the National Wealth Fund in 2015. 2,622.9 billion roubles were used from the Reserve Fund in 2015, while proceeds from the National Wealth Fund in the amount of 9.4 billion roubles were allocated to the co-financing of funded pensions. In 2015, the budgeted oil price assumption for the Original 2015 Budget Law was U.S.\$100 per barrel (U.S.\$53 per barrel under the Amended 2015 Budget Law). No breakeven oil price in dollars was established as part of the 2015 budget.

The 2016 budget law was amended once in 2016. The original 2016 budget law (the "**Original 2016 Budget Law**") envisaged a fiscal deficit of 2,360 billion roubles, or 3.0% of GDP, and a primary deficit of 1,714 billion roubles, or 2.2% of GDP. The 2016 budget law, as amended for the final time in November 2016 (the "**Amended 2016 Budget Law**") envisaged a fiscal deficit of 3,034 billion roubles, or 3.7% of GDP. Federal budget revenues in 2016 amounted to 15.7% of GDP, lower in relative terms than the budgeted estimates of 17.5% of GDP according to the Original 2016 Budget Law and 16.1% of GDP according to the Amended 2016 Budget Law. Total expenditure in 2016 was 19.2% of GDP, lower in relative terms than the budgeted estimates of 20.5% of GDP under the Original 2016 Budget Law and 19.8% of GDP under the Amended 2016 Budget Law. The year ended with an actual federal deficit of 3.5% of GDP. No federal budget revenues were transferred to the Reserve Fund and National Wealth Fund in 2016. 2,137 billion roubles were used from the Reserve Fund in 2016, while proceeds from the National Wealth Fund in the amount of 6.8 billion roubles were allocated to the co-financing of funded pensions. In 2016, the budgeted oil price assumption for the Original 2016 Budget Law was U.S.\$50 per barrel (U.S.\$41 per barrel under the Amended 2016 Budget Law). No breakeven oil price in dollars was established as part of the 2016 budget.

The 2017 budget law was amended twice in 2017. The original 2017 budget law (the "**Original 2017 Budget Law**") envisaged a fiscal deficit of 2,753 billion roubles, or 3.2% of GDP, and a primary deficit of 2,025 billion roubles, or 2.3% of GDP. The 2017 budget law, as amended for the final time in November 2017 (the "**Amended 2017 Budget Law**") envisaged a fiscal deficit of 2,008 billion roubles, or 2.2% of GDP. Federal budget revenues in 2017 amounted to 16.4% of GDP, higher in relative terms than the budgeted estimates of 15.5% of GDP according to the Original 2017 Budget Law and 16.0% of GDP according to the Amended 2017 Budget Law. Total expenditure in 2017 was 17.9% of GDP, lower in relative terms than the budgeted estimates of 18.7% of GDP under the Original 2017 Budget Law and 18.1% of GDP under the Amended 2017 Budget Law. The year ended with an actual federal deficit of 1.4% of GDP. No federal budget revenues were transferred to the Reserve Fund and National Wealth Fund in 2017. In 2017, 1,000.4 billion roubles of budget deficit were financed from the Reserve Fund and on 1 February 2018 the Reserve Fund was liquidated. Proceeds from the National Wealth Fund in the amount of 5.5 billion roubles were allocated to the co-financing of funded pensions and proceeds in the amount of 616.7 billion roubles were used to finance the Pension Fund deficit. In 2017, the budgeted oil price assumption for the Original 2017 Budget Law was U.S.\$40 per barrel (U.S.\$49.9 per barrel under the Amended 2017 Budget Law).

The 2018 budget law was amended twice in 2018. The original budget law ("**Original 2018 Budget Law**") envisaged a fiscal deficit of 1,271.4 billion roubles in 2018, or 1.3% of GDP, and a primary deficit of 447.0 billion roubles, or 0.5% of GDP. The 2018 Budget Law, as amended for the final time in November 2018 (the "**Amended 2018 Budget Law**") envisaged

a surplus of 2,138.7 billion roubles, or 2.1% of GDP. Federal budget revenues in 2018 amounted to 18.6% of GDP, higher in relative terms than the budgeted estimates of 15.7% of GDP according to the Original 2018 Budget Law and almost equal to the budgeted estimates of 18.7% of GDP according to the Amended 2018 Budget Law. Total expenditure in 2018 was 16.0% of GDP, lower in relative terms than the budgeted estimates of 17.0% of GDP under the Original 2018 Budget Law and 16.6% of GDP under the Amended 2018 Budget Law. The year ended with an actual federal surplus of 2.6% of GDP. In 2018, oil and gas revenues transferred to the National Wealth Fund totalled 906.7 billion roubles, or 0.9% of GDP. Proceeds from the National Wealth Fund in the amount of 5.1 billion roubles were allocated to the co-financing of funded pensions and proceeds in the amount of 1,108.2 billion roubles (1.1% of GDP) were used to finance the Pension Fund deficit. In 2018, the budgeted oil price assumption for the Original 2018 Budget Law was U.S.\$43.8 per barrel (U.S.\$69.6 per barrel under the Amended 2018 Budget Law).

The 2019 budget law was amended twice in 2019. The original budget law ("**Original 2019 Budget Law**") envisaged a fiscal surplus of 1,932.1 billion roubles in 2019, or 1.8% of GDP, and a primary surplus of 2,784.2 billion roubles, or 2.6% of GDP. The 2019 Budget Law, as amended for the final time in December 2019 (the "**Amended 2019 Budget Law**") envisaged a surplus of 1,480.8 billion roubles, or 1.4% of GDP. Federal budget revenues in 2019 amounted to 18.5% of GDP, lower in relative terms than the budgeted estimates of 18.9% of GDP according to the Original 2019 Budget Law and almost equal to the budgeted estimates of 18.4% of GDP according to the Amended 2019 Budget Law. Total expenditure in 2019 was 16.7% of GDP, lower in relative terms than the budgeted estimates of 17.0% of GDP under the Original 2019 Budget Law and 17.1% of GDP under the Amended 2019 Budget Law. The year ended with an actual federal surplus of 1.8% of GDP. In 2019, oil and gas revenues transferred to the National Wealth Fund totalled 4,122.2 billion roubles, or 3.8% of GDP. Proceeds from the National Wealth Fund in the amount of 4.7 billion roubles were allocated to the co-financing of funded pensions. In 2019, the budgeted oil price assumption for the Original 2019 Budget Law was U.S.\$63.4 per barrel (U.S.\$62.2 per barrel under the Amended 2019 Budget Law).

2020 Budget Law

The budget law for 2020 and the planning period of 2021-2022 was adopted in December 2019 (the "**Original 2020 Budget Law**") and amended in March 2020 (the "**Amended 2020 Budget Law**"). The Original 2020 Budget Law envisaged revenue of 20,379.4 billion roubles, or 18.1% of GDP, total expenditure of 19,503.3 billion roubles, or 17.3% of GDP and a surplus of 876.1 billion roubles, or 0.8% of GDP in 2020.

The Amended 2020 Budget Law envisages revenue of 20,593.6 billion roubles, or 18.1% of GDP, total expenditure of 19,666.0 billion roubles, or 17.3% of GDP and a surplus of 927.6 billion roubles, or 0.8% of GDP in 2020.

Debt service costs in 2020 are expected to account for 0.8% of GDP under the Amended 2020 Budget Law. According to the Amended 2020 Budget Law, in 2020 the external financing is budgeted to be negative (326.0 billion roubles (0.3% of GDP) less than repayments) mainly due to the growth of budget account balances, and, for the same reason, in 2020 domestic financing is budgeted to be negative (601.6 billion roubles (0.5% of GDP) less than repayments). The Russian government's macroeconomic assumptions for 2020 include an average price of Urals oil of U.S.\$57.7 per barrel.

The following table sets forth the main parameters of the Amended 2020 Budget Law with respect to 2020 and forecast for 2021-2022:

	2020		2021		2022	
	(billions of roubles, unless otherwise noted)	(% of GDP)	(billions of roubles, unless otherwise noted)	(% of GDP)	(billions of roubles, unless otherwise noted)	(% of GDP)
Total revenue⁽¹⁾	20,593.6	18.1	21,892.3	18.1	22,813.6	17.7
Tax revenue.....	15,798.8	13.9	16,877.6	14.0	17,862.5	13.9
Profit tax	1,217.3	1.1	1,245.8	1.0	1,308.4	1.0
Taxes on domestically produced goods and services.....	5,212.2	4.6	5,387.6	4.5	5,682.8	4.4
VAT.....	4,552.8	4.0	4,807.4	4.0	5,146.1	4.0
Excises.....	659.4	0.6	580.2	0.5	536.7	0.4
Taxes on imported goods and services	3,146.4	2.8	3,439.6	2.9	3,689.5	2.9
VAT.....	3,020.5	2.7	3,308.3	2.7	3,552.1	2.8
Excises.....	125.9	0.1	131.3	0.1	137.4	0.1
Natural resource taxes ⁽²⁾	6,110.3	5.4	6,690.9	5.5	7,068.8	5.5
Other taxes	112.6	0.1	113.8	0.1	113.1	0.1
Non-tax revenue	4,794.8	4.2	5,014.7	4.2	4,951.1	3.8
Customs duties.....	2,491.6	2.2	2,332.3	1.9	2,071.0	1.6
Other non-tax revenue	2,303.2	2.0	2,682.4	2.2	2,880.1	2.2
Total expenditure.....	19,666.0	17.3	21,190.9	17.6	22,440.9	17.4
Debt service	897.0	0.8	1,037.1	0.9	1,155.7	0.9
Domestic debt service.....	748.5	0.7	891.9	0.7	1,004.9	0.8
External debt service	148.5	0.1	145.2	0.1	150.8	0.1
Non-interest expenditure.....	18,769.0	16.5	21,153.8	17.5	21,285.2	16.5
General public services.....	1,508.2	1.3	1,585.1	1.3	1,626.1	1.3
Public order and safety	2,430.4	2.1	2,437.1	2.0	2,467.4	1.9
Defence.....	3,087.0	2.7	3,232.8	2.7	3,319.1	2.6
National economy	2,661.9	2.3	2,837.3	2.4	3,236.9	2.5
Housing and community amenities.....	260.8	0.2	308.3	0.3	402.5	0.3
Environmental protection ..	340.3	0.3	412.8	0.3	442.7	0.3
Education.....	982.4	0.9	1,123.2	0.9	1,089.5	0.8
Culture, cinematography....	144.4	0.1	133.7	0.1	124.7	0.1
Healthcare.....	1,077.9	0.9	1,069.0	0.9	1,078.5	0.8
Social policy	5,096.1	4.5	5,352.2	4.4	5,233.4	4.1
Sport.....	74.7	0.1	63.3	0.1	64.7	0.1
Media.....	94.8	0.1	73.8	0.1	73.5	0.1
General purpose interbudgetary transfers to subfederal and local budgets	1,010.2	0.9	995.60	0.8	1,004.10	0.8
Conditionally approved expenditure.....	—	—	529.7	0.4	1,122.0	0.9
Fiscal surplus (deficit)	927.6	0.8	701.4	0.6	372.7	0.3

	2020		2021		2022	
	(billions of roubles, unless otherwise noted)	(% of GDP)	(billions of roubles, unless otherwise noted)	(% of GDP)	(billions of roubles, unless otherwise noted)	(% of GDP)
External financing (including IMF) ⁽³⁾	(326.0)	(0.3)	(37.0)	0.0	(225.7)	(0.2)
Domestic financing ⁽⁴⁾	(601.6)	(0.5)	(664.4)	(0.6)	(146.9)	(0.1)
Primary surplus (deficit)....	1,824.6	1.6	1,738.5	1.4	1,528.4	1.2
<i>Memo:</i>						
GDP.....	113,631	—	120,687	—	128,850	—
CPI (December on December, %).	3.0	—	4.0	—	4.0	—
Average exchange rate (rouble/U.S.\$).	63.9	—	66.1	—	66.5	—
Average oil price, Urals (U.S.\$/barrel).....	57.7	—	56.0	—	55.0	—

Notes:

- (1) Total revenue includes budgeted forecasts for non-oil and gas revenues of 13,069.8 billion roubles, 14,071.9 billion roubles and 14,941.5 billion roubles for 2020, 2021 and 2022, respectively.
- (2) Natural resource taxes include resource extraction taxes, royalties, water taxes and taxes charged for the use of fauna products and aquatic biological resources.
- (3) Net external borrowing (excluding redemption of loans) is expected to be negative 135.9 billion roubles, 171.5 billion roubles and 41.1 billion roubles for 2020, 2021 and 2022, respectively.
- (4) Net domestic borrowing (excluding redemption of loans) is expected to equal 1,740.2 billion roubles, 1,549.0 billion roubles and 1,825.9 billion roubles for 2020, 2021 and 2022, respectively.

Source: Ministry of Finance.

2021 Budget Law

In September 2020, the draft budget law for 2021 and the planning period of 2022-2023 (the "**Draft 2021 Budget Law**") was introduced into the State Duma and adopted in first reading in October 2020. The Draft 2021 Budget Law envisages revenue of 18,765.1 billion roubles, or 16.2% of GDP and total expenditure of 21,520.1 billion roubles, or 18.6% of GDP in 2021. Debt service costs in 2021 are expected to be at 1,203.9 billion roubles, or 1.0% of GDP under the Draft 2021 Budget Law. According to the Draft 2021 Budget Law, the domestic financing is budgeted at 2,738.1 billion roubles, or 2.4% of GDP in 2021, and external financing in 2021 is budgeted at 16,893.3 million roubles, or 0.01% of GDP. The Government's macroeconomic assumptions for 2021 include an average price of Urals oil of U.S.\$45.3 per barrel.

According to Fiscal, Tax, Custom and Tariff Policy Guidelines for 2021 and planned period of 2022 and 2023 issued by the Ministry of Finance in 2020 (the "**2020 Ministry's Guidelines**"), federal budget deficit is projected at 4,709.3 billion roubles (or 4.4% of GDP envisaged by 2020 Ministry's Guidelines in the amount of 107.0 trillion roubles), while enlarged budget deficit is projected at 4,885 billion roubles (or 4.6% of GDP envisaged by 2020 Ministry's Guidelines). Federal budget deficit in 2020 is expected to be primarily financed via increase in public debt, while use of the National Wealth Fund will be relatively limited. 2020 Ministry's Guidelines envisage 20,398.6 billion roubles of total government debt in 2020 or 19.1% of GDP.

Federal Budget Revenue

The following table sets forth information regarding federal budget revenue for the periods indicated:

Federal Budget Revenue

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
	<i>(millions of roubles)</i>						
Total revenue.....	13,659,242	13,460,041	15,088,915	19,454,369	20,188,797	15,034,722	13,216,113
Tax revenue.....	8,590,560	8,734,199	11,071,291	14,172,712	15,167,723	11,325,780	9,757,550
Profit taxes.....	491,380	491,023	762,404	995,540	1,185,031	918,058	820,123
VAT.....	4,233,568	4,570,961	5,137,149	6,016,701	7,095,153	5,192,039	5,009,068
Domestic VAT.....	2,448,348	2,657,395	3,069,928	3,574,614	4,257,771	3,160,149	3,001,125
Import VAT.....	1,785,220	1,913,566	2,067,221	2,442,087	2,837,382	2,031,890	2,007,943
Excise taxes.....	581,864	694,243	987,806	957,066	612,453	457,161	843,068
Natural resource taxes.....	3,181,153	2,882,960	4,090,327	6,106,913	6,173,058	4,683,955	3,023,206
Other tax revenue.....	102,595	95,012	93,605	96,493	102,028	74,566	62,085
Non-tax revenue.....	4,808,407	4,573,731	3,976,144	5,228,301	4,947,905	3,660,062	2,356,402
Customs duties.....	3,345,540	2,618,013	2,551,493	3,691,462	3,002,041	2,235,848	1,272,986
Import duties.....	565,173	563,946	583,181	665,810	710,756	519,307	470,958
Export duties.....	2,780,367	2,054,067	1,968,312	3,025,652	2,291,285	1,716,541	802,028
Other non-tax revenue.....	1,462,867	1,955,719	1,424,651	1,536,839	1,945,864	1,424,214	1,083,415
Non-repayable receipts.....	260,274	152,110	41,480	53,356	73,168	48,880	1,102,161
	<i>(% of total revenue)</i>						
Tax revenue.....	62.9	64.9	73.4	72.9	75.1	75.3	73.8
Profit taxes.....	3.6	3.6	5.1	5.1	5.9	6.1	6.2
VAT.....	31.0	34.0	34.0	30.9	35.1	34.5	37.9
Domestic VAT.....	17.9	19.7	20.3	18.4	21.1	21.0	22.7
Import VAT.....	13.1	14.2	13.7	12.6	14.1	13.5	15.2

Excise taxes.....	4.3	5.2	6.5	4.9	3.0	3.0	6.4
Natural resource taxes.....	23.3	21.4	27.1	31.4	30.6	31.2	22.9
Other tax revenue.....	0.8	0.7	0.6	0.5	0.5	0.5	0.5
Non-tax revenue.....	35.2	34.0	26.4	26.9	24.5	24.3	17.8
Customs duties.....	24.5	19.5	16.9	19.0	14.9	14.9	9.6
Import duties.....	4.1	4.2	3.9	3.4	3.5	3.5	3.6
Export duties.....	20.4	15.3	13.0	15.6	11.3	11.4	6.1
Other non-tax revenue.....	10.7	14.5	9.4	7.9	9.6	9.5	8.2
Non-repayable receipts.....	1.9	1.1	0.3	0.3	0.4	0.3	8.3
	<i>(% of GDP)</i>						
Total revenue.....	16.4	15.7	16.4	18.6	18.3	n/a	n/a
Tax revenue.....	10.3	10.2	12.1	13.5	13.8	n/a	n/a
Profit taxes.....	0.6	0.6	0.8	1.0	1.1	n/a	n/a
VAT.....	5.1	5.3	5.6	5.8	6.4	n/a	n/a
Domestic VAT.....	2.9	3.1	3.3	3.4	3.9	n/a	n/a
Import VAT.....	2.1	2.2	2.3	2.3	2.6	n/a	n/a
Excise taxes.....	0.7	0.8	1.1	0.9	0.6	n/a	n/a
Natural resource taxes.....	3.8	3.4	4.5	5.8	5.6	n/a	n/a
Other tax revenue.....	0.1	0.1	0.1	0.1	0.1	n/a	n/a
Non-tax revenue.....	5.8	5.3	4.3	5.0	4.5	n/a	n/a
Customs duties.....	4.0	3.1	2.8	3.5	2.7	n/a	n/a
Import duties.....	0.7	0.7	0.6	0.6	0.6	n/a	n/a
Export duties.....	3.3	2.4	2.1	2.9	2.1	n/a	n/a
Other non-tax revenue.....	1.8	2.3	1.6	1.5	1.8	n/a	n/a
Non-repayable receipts.....	0.3	0.2	0.1	0.1	0.1	n/a	n/a
GDP (billions of roubles).....	83,087	85,616	91,843	104,630	110,046	n/a	n/a

Source: Federal Treasury, Rosstat.

Sources of Federal Revenue

Federal budget revenues consist of tax and non-tax revenues (including custom duties) and non-repayable receipts.

The main source of Russia's federal budget revenue is tax revenue which accounted for 62.9%, 64.9%, 73.4%, 72.9%, 75.1%, and 73.8% of total federal budget cash revenue in 2015, 2016, 2017, 2018, 2019 and in January-September 2020, respectively.

The main elements of Russia's tax system are VAT, natural resource extraction taxes (which include a natural resources extraction tax, Tax on Additional Income, regular payments upon extraction of natural resources (royalties), a water tax and a levy for the use of wildlife resources and for the use of objects of aquatic biological resources), a corporate profits tax, a system of excise taxes, property taxes and a personal income tax. Sub-federal governments may impose only those taxes that are contemplated by the Tax Code of the Russian Federation (the "**Tax Code**").

VAT is the largest source of tax-generated federal budget revenue, accounting for 31.0%, 34.0%, 34.0%, 30.9%, 35.1% and 37.9% of total cash revenue in 2015, 2016, 2017, 2018, 2019 and in January-September 2020, respectively. The increase in the share of VAT in total cash revenue in 2019 and in the first nine months of 2020 was mainly due to the increase of VAT rate from 18% to 20%. The decrease in the share of VAT in total cash revenue in 2018 was due to steeper increases in the share of revenue from other taxes; the VAT revenue increased in absolute terms in 2018 as compared to 2017. The increase in VAT collection in 2016 was primarily due to the implementation of a new electronic information system that significantly improved collections. All VAT payments for domestically produced and imported goods and services are transferred to the federal budget. Before 2019, the generally applicable rate of VAT was 18%. Starting from 2019, generally applicable VAT rate was increased to 20%, though certain items are still charged at a reduced rate of 10% and even 0%, and certain other items are exempt from VAT.

The natural resource taxes are an important, but fluctuating, source of revenue, due to the volatility of global commodities prices for exported goods, particularly oil and gas. The natural resource taxes are mainly transferred to the federal budget (non-oil and gas tax revenues are allocated between federal and regional budgets). Taxes on extraction in respect of certain types of mineral resources are adjusted in accordance with their international prices. In the case of crude oil and natural gas, it is calculated at a specific rate depending on the current international prices, the dollar/rouble exchange rate and certain technical adjustments. The rate of excess of Tax on Additional Income is 50% of the financial result for a field (which depends on revenues, expenses and some specific characteristics). See "*Russian Tax System*" below. Natural resource taxes accounted for 23.3%, 21.4%, 27.1%, 31.4%, 30.6% and 22.9% of total federal budget revenue in 2015, 2016, 2017, 2018, 2019 and in January-September 2020, respectively. The share of natural resource taxes in total federal budget revenue increased in 2017-2018 as compared to 2016 due to an increase in oil prices and the ongoing tax reform in the oil industry. See "*Russian Tax System*" below. In 2019 and in the first eight months of 2020 the share of natural resource taxes decreased due to a decrease in oil prices and crude oil extraction.

The corporate profit tax base rate is 20.0% (17 p.p. are transferred to the budgets of the Federation subjects and 3 p.p. are transferred to federal budget). Corporate profit tax accounted for 3.6%, 3.6%, 5.1%, 5.1%, 5.9% and 6.2% of total federal budget cash revenue in 2015, 2016, 2017, 2018, 2019 and in January-September 2020, respectively. See "*Russian Tax System*".

Excise duties are specific for each product type and accounted for 4.3%, 5.2%, 6.5%, 4.9%, 3.0% and 6.4% of federal budget revenue in 2015, 2016, 2017, 2018, 2019 and in January-September 2020, respectively.

Customs duties on exports and imports make a sizable contribution to the federal budget. Export duties as a share of federal budget revenue decreased from 20.4% in 2015 to 15.3% in 2016 and to 13.0% in 2017. The downward trend in export duties in 2015 and 2016 was mainly driven by changes in the structure of oil-products export duties rates and by a decline in oil prices. The decrease in export duties in 2017 was due to the ongoing tax reform in the oil industry. See "*Russian Tax System*". In 2018 export duties as a share of federal budget revenues increased to 15.6% (from 13.0% in 2017) due to a significant increase in oil prices. In 2019 and in the first nine months of 2020 export duties as a share of federal budget revenues decreased to 11.3% (from 15.6% in 2018) and 6.1%, respectively, due to a decrease in oil prices and the ongoing tax reform in the oil industry.

Import duties are also an important source of federal budget receipts and amounted to 4.1%, 4.2%, 3.8%, 3.4%, 3.5% and 3.5% of federal budget revenue in 2015, 2016, 2017, 2018, 2019 and in January-September 2020, respectively. The decrease in import duties as a share of GDP in 2015-2018 was primarily driven by a decrease in the weighted average import tariff rate in connection with Russia's entry into the WTO. In 2018 and 2019, import duties as a share of GDP remained at the level of 2017 (0.6% of GDP).

Federal budget revenues also include other non-tax revenues, such as revenue from foreign trade activities (excluding customs duties), proceeds from the granting of licences for the use of natural resources, revenue from the use of state property, including Bank of Russia profit transfers, payments for government services and various other administrative payments. Other non-tax revenues constituted 10.7%, 14.5%, 9.4%, 7.9%, 9.6% and 8.2% of federal budget revenues in 2015, 2016, 2017, 2018, 2019 and in January-September 2020, respectively. The increase in other non-tax revenues as a share of federal budget revenues in 2016 was mainly due to one-time income received from privatisation of part of Rosneft shares and corresponding dividend payment from Rosneftegas (the main shareholder of Rosneft).

Federal budget revenues also include non-repayable receipts, accounting for 1.9%, 1.1%, 0.3%, 0.3%, 0.4% and 8.3% of total federal budget cash revenues in 2015, 2016, 2017, 2018, 2019 and in January-September 2020, respectively. The increase in non-repayable receipts in January-September 2020 was mainly due to one-time income received from the sale of Sberbank shares.

Revenue Performance

In 2015 and 2016, federal budget revenue was lower than originally budgeted both in absolute terms and as a share of GDP. In 2017 and 2018, federal budget revenue was higher than originally budgeted both in absolute terms and as a share of GDP. In 2019, federal budget revenue was lower than originally budgeted both in absolute terms and as a share of GDP.

In 2015, federal budget revenue amounted to 16.4% of GDP, as compared to the originally budgeted target of 19.5% of GDP. In absolute terms, federal tax revenue decreased by 5.8% in 2015 compared to 2014. Revenue from customs duties decreased by 36.9% due to a 40.0% decline in export duties and a 14.2% decline in import duties.

In 2016, federal budget revenue amounted to 15.7% of GDP, as compared to the originally budgeted target of 17.5% of GDP. In absolute terms, federal tax revenue decreased by 1.5% in 2016 compared to 2015. Revenue from customs duties decreased by 21.5% due to a 26.1% decline in export duties and a 1.9% decline in import duties. The revenue decrease was also driven by a 9.4% decline in proceeds from natural resource taxes due to the decrease in oil prices.

In 2017, federal budget revenue amounted to 16.4% of GDP, as compared to the originally budgeted target of 15.5% of GDP. In absolute terms, federal budget revenue increased by 12.1% in 2017 compared to 2016, driven mostly by 23.3% increase in proceeds from oil and gas revenues due to the increase in oil prices and by increases in proceeds from almost all major types of federal non-oil taxes. Revenue from export duties decreased by 4.2% in 2017 compared to 2016 mainly due to the ongoing tax reform in the oil industry (see "*Russian Tax System*").

In 2018, federal budget revenue amounted to 18.6% of GDP, as compared to the originally budgeted target of 15.7% of GDP. In absolute terms, federal budget revenue increased by 28.9% in 2018 compared to 2017, driven by the increase in almost all revenue line items, particularly a 49.3% increase in the proceeds from natural resources taxes and a 53.7% increase in revenue from export duties.

In 2019, federal budget revenue amounted to 18.3% of GDP, as compared to the originally budgeted target of 18.9% of GDP. In absolute terms, federal budget revenue increased by 3.8% in 2019 compared to 2018, driven mostly by 17.9% increase in proceeds from VAT. Oil and gas revenue decreased by 12.1% in 2019 compared to 2018 mainly due to decrease in oil prices and ongoing tax reform in the oil industry (see "*Russian Tax System*").

In January-September 2020, federal budget revenue in absolute terms decreased by 12.1% as compared to the same period of 2019 mainly due to a 35.5% and 43.2% decline in proceeds from natural resource taxes and custom duties, respectively.

As of 1 August 2020, tax arrears increased in absolute terms to 2,120.4 billion roubles as compared to 710.2 billion roubles as of 1 January 2020.

Federal Budget Expenditure

The following table sets forth information regarding federal budget expenditure for the periods indicated:

Federal Budget Expenditure

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
	<i>(millions of roubles)</i>						
Total expenditure.....	15,620,253	16,416,447	16,420,303	16,713,003	18,214,517	12,042,101	14,989,371
Debt service	518,706	621,264	709,157	805,975	730,769	532,231	532,599
<i>Of which</i>							
Domestic debt service.....	358,280	458,951	527,608	570,558	601,675	450,707	418,666
External debt service.....	160,426	162,313	181,549	235,416	129,094	81,525	113,932
Non-interest expenditure.....	15,101,547	15,795,183	15,711,146	15,907,028	17,483,748	11,509,870	14,456,772
General public services.....	1,117,635	1,095,588	1,162,427	1,257,119	1,363,539	869,078	1,017,691
Public order and safety.....	1,965,618	1,898,663	1,918,019	1,971,582	2,083,238	1,340,816	1,473,113
Defence.....	3,181,367	3,775,348	2,852,275	2,827,008	2,997,447	2,086,553	2,190,253
National economy.....	2,324,244	2,302,095	2,460,060	2,402,088	2,827,077	1,430,813	1,785,634
Housing and community amenities.....	144,120	72,237	119,480	148,786	282,177	152,599	281,809
Environmental protection.....	49,659	63,084	92,358	115,978	197,553	145,367	182,054
Education.....	610,597	597,824	614,960	722,619	826,507	556,781	631,871
Culture, cinematography.....	89,924	87,327	89,690	94,850	122,371	71,927	86,135
Healthcare	515,985	506,337	439,846	537,312	712,975	482,391	928,089
Social policy.....	4,265,294	4,588,482	4,991,986	4,581,795	4,882,820	3,600,260	4,768,884
Sport.....	72,961	59,552	96,142	64,020	81,405	38,682	40,685
Media.....	82,110	76,608	83,211	88,449	103,500	63,128	66,863
General purpose interbudgetary transfers to subfederal and local budgets ...	682,033	672,038	790,692	1,095,421	1,003,140	671,474	1,003,693
	<i>(% of GDP)</i>						
Total expenditure.....	18.8	19.2	17.9	16.0	16.6	n/a	n/a

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
	<i>(millions of roubles)</i>						
Debt service	0.6	0.7	0.8	0.8	0.7	n/a	n/a
<i>Of which</i>							
Domestic debt service.....	0.4	0.5	0.6	0.5	0.5	n/a	n/a
External debt service.....	0.2	0.2	0.2	0.2	0.1	n/a	n/a
Non-interest expenditure.....	18.2	18.4	17.1	15.2	15.9	n/a	n/a
General public services.....	1.3	1.3	1.3	1.2	1.2	n/a	n/a
Public order and safety.....	2.4	2.2	2.1	1.9	1.9	n/a	n/a
Defense.....	3.8	4.4	3.1	2.7	2.7	n/a	n/a
National economy.....	2.8	2.7	2.7	2.3	2.6	n/a	n/a
Housing and community amenities.....	0.2	0.1	0.1	0.1	0.3	n/a	n/a
Environmental protection.....	0.1	0.1	0.1	0.1	0.2	n/a	n/a
Education.....	0.7	0.7	0.7	0.7	0.8	n/a	n/a
Culture, cinematography.....	0.1	0.1	0.1	0.1	0.1	n/a	n/a
Healthcare.....	0.6	0.6	0.5	0.5	0.6	n/a	n/a
Social policy.....	5.1	5.4	5.4	4.4	4.4	n/a	n/a
Sport.....	0.1	0.1	0.1	0.1	0.1	n/a	n/a
Media.....	0.1	0.1	0.1	0.1	0.1	n/a	n/a
General purpose interbudgetary transfers to subfederal and local budgets ...	0.8	0.8	0.9	1.0	0.9	n/a	n/a
	<i>(% of total expenditure)</i>						
Debt service	3.3	3.8	4.3	4.8	4.0	4.4	3.6
<i>Of which</i>							
Domestic debt service.....	2.3	2.8	3.2	3.4	3.3	3.7	2.8
External debt service.....	1.0	1.0	1.1	1.4	0.7	0.7	0.8
Non-interest expenditure.....	96.7	96.2	95.7	95.2	96.0	95.6	96.4
General public services.....	7.2	6.7	7.1	7.5	7.5	7.2	6.8
Public order and safety.....	12.6	11.6	11.7	11.8	11.4	11.1	9.8
Defense.....	20.4	23.0	17.4	16.9	16.5	17.3	14.6

	For the year ended 31 December					For the nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
	<i>(millions of roubles)</i>						
National economy.....	14.9	14.0	15.0	14.4	15.5	11.9	11.9
Housing and community amenities.....	0.9	0.4	0.7	0.9	1.5	1.3	1.9
Environmental protection.....	0.3	0.4	0.6	0.7	1.1	1.2	1.2
Education.....	3.9	3.6	3.7	4.3	4.5	4.6	4.2
Culture, cinematography.....	0.6	0.5	0.5	0.6	0.7	0.6	0.6
Healthcare.....	3.3	3.1	2.7	3.2	3.9	4.0	6.2
Social policy.....	27.3	28.0	30.4	27.4	26.8	29.9	31.8
Sport.....	0.5	0.4	0.6	0.4	0.4	0.3	0.3
Media.....	0.5	0.5	0.5	0.5	0.6	0.5	0.4
General purpose interbudgetary transfers to subfederal and local budgets ...	4.4	4.1	4.8	6.6	5.5	5.6	6.7
GDP (billions of roubles).....	83,087	85,616	91,843	104,630	110,046	n/a	n/a

Note:

Source: Federal Treasury, Rosstat

In 2015, total federal budget expenditure remained 18.8% as a share of GDP and increased by 5.3% in absolute terms. The increase in expenditure was mainly due to a 28.4% growth in defence spending, a 23.5% increase in social policy spending, an 19.4% increase in expenditure on general public services and a 24.8% increase in expenditure on debt servicing (primarily external debt servicing as a result of the depreciation of the rouble). Spending on the national economy decreased by 24.1% in 2015 as compared to 2014, but in fact it returned to the normal level of 2.8% of GDP after the increase in 2014 explained above. Spending on public order and safety decreased in 2015 by 5.8%.

In 2016, total federal budget expenditure increased to 19.2% from 18.8% as a share of GDP and by 5.1% in absolute terms. The increase in expenditure was mainly due to an 18.7% growth in defence spending, a 7.6% increase in social policy spending and a 19.8% increase in expenditure on debt service. Spending on the national economy decreased by 1.0% in 2016 as compared to 2015. Spending on public order and safety decreased in 2016 by 3.4%.

In 2017, total federal budget expenditure decreased to 17.9% from 19.2% as a share of GDP and remained in absolute terms at the level of 2016 (with a slight increase of 0.02%) as the 24.5% decrease in defence spending largely offset the increase in other expenditure line items.

In 2018, total federal budget expenditure decreased to 16.0% from 17.9% as a share of GDP and increased slightly in absolute terms by 1.8% as compared to 2017.

In 2019, total federal budget expenditure increased to 16.6% from 16.0% as a share of GDP and by 9.0% in absolute terms. The increase in expenditure was due to a growth in almost all spending line items except debt service and general purpose interbudgetary transfers to subfederal and local budgets. The largest contribution to the expenditure growth was made by a 17.7% increase in spending on the national economy and a 6.6% increase in social policy spending.

In January-September 2020, total federal budget expenditure increased by 24.5% as compared to the same period of 2019 in absolute terms. The increase in expenditure was due to a growth in almost all spending line items. The largest contribution to the expenditure growth was made by a 32.5% increase in social policy spending and a 92.4% increase in spending on healthcare.

Debt service, which includes only payments in respect of discount and interest on the Government debt (as set forth under "*Public Debt and Related Matters—Overview*") remained roughly constant in 2015-2019 at 0.6-0.8% of GDP. As a share of total expenditure, debt service was 3.3%, 3.8%, 4.3%, 4.8%, 4.0% and 3.6% in 2015, 2016, 2017, 2018, 2019 and in January-September 2020, respectively. The increase in debt service in 2015-2018 reflected an increase in public debt and, for 2015 and 2016, an increase in the borrowing costs. This trend continued in 2017 and 2018, with debt servicing expenditures equalling 4.3% and 4.8% of the total budget expenditure in 2017 and 2018, respectively, as compared to 3.8% in 2016 mainly due to an increase in domestic borrowing. In 2019, debt servicing expenditures decreased by 9.3% in absolute terms and to 4.0% from 4.8% as a share of total expenditure and in January-September 2020, debt servicing expenditures increased by 0.1% as compared to the same period of 2019 in absolute terms and decreased to 3.6% from 4.4% as a share of total expenditure due to a decrease in the borrowing costs.

Reserve Fund and National Wealth Fund

In 2008, the Russian government established two funds, the Reserve Fund and the National Wealth Fund, to which oil-related revenues above those used for budget assumptions are contributed.

The Reserve Fund was created to ensure the availability of sufficient budgetary funding in the event of a shortfall in the federal budget due to a decline in oil and gas revenues and to alleviate inflationary pressures resulting from the export of natural resources. The Reserve Fund consisted of proceeds generated from export customs duties on oil, oil products and gas as well as from taxes levied on the extraction of hydrocarbons. Prior to 1 January 2013, proceeds in the Reserve Fund could not exceed 10% of Russia's GDP forecast for the particular year. This figure was reduced to 7% in 2013. The Reserve Fund was invested solely in foreign reserves and allocated to accounts with the Bank of Russia; the interest rate on these accounts was based on the performance of highly-rated foreign sovereign bond indices. In February 2018, the Reserve Fund was liquidated.

The National Wealth Fund was created to support Russia's pension system. Assets of the National Wealth Fund may be invested in foreign currency accounts with the Bank of Russia, and, subject to certain conditions, in a range of assets, including rouble-denominated assets, debt and equity securities of both Russian and foreign entities (which also include Russian securities linked to implementation of self-sustaining infrastructure projects) and deposits with banks, such as VEB.RF. The National Wealth Fund assets may be deposited with VEB.RF in roubles, U.S. dollars, euro and pound sterling. No more than 955 billion roubles may be deposited in VEB.RF, and no more than 40% of the assets of the National Wealth Fund may be invested in rouble assets.

Due to the significant declines in oil prices since the second half of 2014, the rules for the use of oil and gas revenues and contributions to the Reserve Fund and National Wealth Fund set out in the Budget Code were suspended on 1 February 2016, and temporary rules were introduced. Under these temporary rules, oil and gas revenues as well as assets from the Reserve Fund and National Wealth Fund were used to finance federal budget expenditures.

The first set of amendments made with respect to the 2017 Budget Law in July 2017 (the "**First Amended 2017 Budget Law**") laid out a clear limit on primary budget expenses defined as expected non-oil revenues plus base oil revenues. To further promote economic stability and reduce domestic economy exposure to oil price volatility, the First Amended 2017 Budget Law envisaged that if real oil revenues were greater than base revenue (calculated under the assumption of the oil price at U.S.\$ 40 per barrel), the difference would be used to replenish the Reserve Fund and, accordingly, if real oil revenues were less than base revenue, the difference would be withdrawn from the Reserve Fund. In February 2018, the Reserve Fund was liquidated and starting from February 2018, the abovementioned difference in the oil revenue is transferred to or, as the case may be, withdrawn from the National Wealth Fund. The First Amended 2017 Budget Law targeted zero primary deficit at base oil price which according to current economic and budget forecast will be achieved in 2019. The same targets were envisaged by the Amended 2018 Budget Law. To implement the aforementioned provisions of the First Amended 2017 Budget Law, the Budget Code was amended in order to implement a "transitional" mechanism from February 2017 to the end of 2018. During the "transitional" period, the maximum budget expenditure could be increased by the amount of 1% of projected GDP. Starting from 2019, the increase in federal budget expenditures by the amount of 1% from projected GDP ceased. According to the amendments to the Budget Code

made in October 2018, starting from the budget for 2019 and the planning period of 2020 and 2021, the aggregate federal expenditures have been increased by 585 billion roubles annually for each of 2019, 2020, 2021, 2022 and 2023 and 575 billion roubles for 2024. See "*Federal Budgetary Process—Amendments to the Budget Code*".

The New Fiscal Rules synchronised the Budget Code with then applicable First Amended 2017 Budget Law and set a limit on the aggregate federal budget expenditures. See "*Federal Budgetary Process—Amendments to the Budget Code*". The New Fiscal Rules also provided for the merger of the Reserve Fund into the National Wealth Fund with the transfer of all funds of the Reserve Fund to the National Wealth Fund. In 2017 all of the funds of the Reserve Fund were spent, and the Reserve Fund was liquidated in February 2018.

In 2015, the federal budget recorded a deficit of 2.4% of GDP. In 2015, the Russian Federation did not issue Eurobonds, redemption of external debt amounted to 0.2% of GDP and net domestic borrowing equalled 0.02% of GDP. In 2015, 2,622.9 billion roubles from the Reserve Fund were used to finance the federal budget deficit and 9.4 billion roubles from the National Wealth Fund were used to co-finance voluntary pension savings. As of 1 January 2016, the balances of the Reserve Fund and the National Wealth Fund were 3,640.6 billion roubles and 5,227.2 billion roubles, respectively. The increase in proceeds of the Reserve Fund in 2015 was due to proceeds from oil and gas revenues (402.2 billion roubles) and a revaluation due to depreciation of the rouble against the dollar (915.7 billion rouble). The increase in proceeds of the National Wealth Fund was due to a 848.5 billion rouble exchange rate gain.

In 2016, the federal budget recorded a deficit of 3.5% of GDP. In 2016, redemption of external debt amounted to 0.1% of GDP and gross foreign borrowing amounted to 0.2% of GDP. Net domestic borrowing equalled 0.6% of GDP. In 2016, 2,136.9 billion roubles from the Reserve Fund were used to finance the federal budget deficit and 6.8 billion roubles from the National Wealth Fund were used to co-finance voluntary pension savings. As of 1 January 2017, the balances of the Reserve Fund and the National Wealth Fund were 972.1 billion roubles and 4,359.2 billion roubles, respectively. The reduction of the Reserve Fund and the National Wealth Fund was also attributable to 531.5 billion rouble and 861.3 billion rouble revaluation, respectively, due to strengthening of the rouble against the dollar as of year-end.

In 2017, the federal budget recorded a deficit of 1.4% of GDP. In 2017, redemption of external debt amounted to 0.4% of GDP and gross foreign borrowing amounted to 0.4% of GDP. Net domestic borrowing equalled 1.2% of GDP. In 2017, 1,000.4 billion roubles from the Reserve Fund were used to finance the federal budget deficit. Proceeds from the National Wealth Fund in the amount of 5.5 billion roubles were used to co-finance voluntary pension savings and in the amount of 616.7 billion roubles were used to finance the Pension Fund deficit. As of 1 January 2018, all of the funds of the Reserve Fund were spent, and in February 2018 the Reserve Fund was liquidated. The balance of the National Wealth Fund as of 1 January 2018 was 3,752.9 billion roubles or 4.1% of GDP. The increase in proceeds of the Reserve Fund and the National Wealth Fund in 2017 was due to 28.3 billion rouble and 16.0 billion rouble exchange rate gain, respectively.

In 2018, the federal budget recorded a surplus of 2.6% of GDP. In 2018, redemption of external debt amounted to 0.3% of GDP and gross foreign borrowing amounted to 0.3% of GDP. Net domestic borrowing equalled 0.5% of GDP. In 2018, proceeds from the National Wealth Fund in the amount of 5.1 billion roubles were used to co-finance voluntary pension savings and in the amount of 1,108.2 billion roubles were used to finance the Pension Fund deficit. As of 1

January 2019, the balance of the National Wealth Fund amounted to 4,036.1 billion roubles or 3.7% of GDP. The increase in proceeds of the National Wealth Fund in 2018 was due to proceeds from oil and gas revenues (906.7 billion roubles) and 489.7 billion rouble exchange rate gain.

In 2019, the federal budget recorded a surplus of 1.8% of GDP. In 2019, redemption of external debt amounted to 0.1% of GDP and gross foreign borrowing amounted to 0.4% of GDP. Net domestic borrowing equalled 1.3% of GDP. In 2019, proceeds from the National Wealth Fund in the amount of 4.7 billion roubles were used to co-finance voluntary pension savings.

As of 1 January 2020, the balance of the National Wealth Fund amounted to 7,773.1 billion roubles (including 6,137.7 billion roubles, or 79.0% of its assets, held in foreign currency accounts with the Bank of Russia) or 6.8% of GDP. The increase in proceeds of the National Wealth Fund in 2019 was due to proceeds from oil and gas revenues (4,122.2 billion roubles). Revaluation of the National Wealth Fund assets in 2019 was negative (-380.4 billion roubles) due to appreciation of the rouble against the dollar as of year-end.

As of 30 September 2020, the balance of the National Wealth Fund amounted to 13,733.1 billion roubles (including 9,345.4 billion roubles, or 68.1% of its assets, held in foreign currency accounts with the Bank of Russia).

The following table sets forth information concerning the balances of the National Wealth Fund and the Reserve Fund as of the dates indicated:

	As of 31 December					As of 30 September
	2015	2016	2017	2018	2019	2020
	<i>(billions of roubles)</i>					
National Wealth Fund.....	5,227.2	4,359.2	3,752.9	4,036.1	7,773.1	13,733.1
Reserve Fund.....	3,640.6	972.1	0.0	—	—	—
	<i>(% of GDP)</i>					
National Wealth Fund.....	6.1	4.7	3.6	3.7	6.8	12.1
Reserve Fund.....	4.2	1.1	0.0	—	—	—

Proceeds from the sale of shares and other participation interests owned by the Russian Federation, or privatisation proceeds, which are treated as a source of deficit financing, accounted for 0.01% of GDP in 2015, 0.5% of GDP in 2016, 0.02% of GDP in 2017, 0.01% of GDP in 2018 and 0.01% of GDP in 2019.

Federal and Sub-Federal Fiscal Relations

The three sources of funding for the Federation subjects are tax revenues (both federal and regional), non-tax revenues and non-repayable receipts (including, transfers from the federal budget).

Sub-federal and local governments are directly assigned a specified portion of the revenue from certain federal taxes. Sub-federal and local governments are allocated proceeds from, among others, the following federal taxes: 100% of personal income tax, a share of profit tax (generally a rate of 17%, as discussed in "*Russian Tax System*" below), 100% of excise taxes on alcohol production, including wine and beer (with the exception of products exceeding 9% alcohol by volume that are not wine or beer and certain other products, in which case 80% of excise taxes

are allocated to sub-federal governments in accordance with the procedure established by the federal regulations), 100% of excise taxes on ethyl alcohol from foodstuffs and on certain other products containing alcohol, 84.4% during the period from 1 July 2018 to 31 December 2018 (86.7% in January 2019, 58.1% during the period from 1 February 2019 to 31 December 2019 and 66.6% in 2020) of excise taxes on gasoline, diesel fuel and motor oils (according to the distribution norms established by the relevant federal budget law), 100% of widespread mineral deposits and diamond extraction taxes, 60% of certain other mineral extraction taxes (excluding oil, natural gas and gas condensate) and 100% of proceeds from special tax regimes. Taxes imposed directly by the sub-federal subjects and, therefore allocated directly to sub-federal governments, include the property tax on organisations, the transport tax and the gambling business tax. Taxes imposed directly by local governments and, therefore allocated directly to local governments, include the land tax, the property tax on individuals and the sales levy.

All of the revenue from VAT, the natural gas extraction tax and from the hydrocarbon extraction tax are transferred to the federal budget.

In 2015, revenue of the consolidated sub-federal budgets amounted to 9.3 trillion roubles, a 4.5% increase compared to 2014, mainly attributable to increases in property taxes, profit and personal income taxes. Federal financial aid decreased to 17.2% of overall revenue of the consolidated sub-federal budgets in 2015 (compared to 18.0% in 2014). In 2016, revenue of the consolidated sub-federal budgets amounted to 9.9 trillion roubles, a 6.6% increase compared to 2015, mainly attributable to increases in profit and personal income taxes, and excise taxes. Federal financial aid decreased to 15.8% of overall revenue of the consolidated sub-federal budgets in 2016 (compared to 17.2% in 2015). In 2017, revenue of the consolidated sub-federal budgets amounted to 10.8 trillion roubles, representing a 8.4% increase as compared to 2016 which was mainly attributable to a 10.9% increase in profit tax and a 7.7% increase in personal income tax. In 2018, revenue of the consolidated sub-federal budgets amounted to 12.4 trillion roubles, representing a 15.2% increase as compared to 2017 which was mainly attributable to a 22.8% increase in profit taxes and a 12.4% increase in income taxes. In 2019, revenue of the consolidated sub-federal budgets amounted to 13.6 trillion roubles, representing a 9.5% increase as compared to 2018, mainly attributable to increases in both tax and non-tax revenue. In January-August 2020, revenue of the consolidated sub-federal budgets amounted to 8.9 trillion roubles, representing a 3.2% increase as compared to the same period of 2019, attributable to increases in interbudgetary transfers.

Due to significant differences in the level of social economic development among the Federation subjects, the federal budget allocates by means of subsidies and transfers a portion of federal tax revenue to those regions most in need of assistance, based on established alignment criteria ('**alignment support**').

Since 1994, alignment support has been a primary source of federal financial support to regional governments. As part of the alignment support, 487.7 billion roubles, 513.7 billion roubles, 614.5 billion roubles, 644.5 billion roubles, 675.3 billion roubles and 539.8 billion roubles in 2015, 2016, 2017, 2018, 2019 and in January-September 2020, respectively, were transferred to the regions. As a result of these subsidies, the gap in financial means between the wealthiest Federation subjects and the poorest has narrowed.

Financial support is provided to regional budgets to facilitate financing obligations of the Russian Federation delegated to Federation subjects by the federal government, arising under various social laws, such as Federal Law No. 181-FZ "On Social Protection of the Handicapped" dated 24 November 1995. In 2015, 2016, 2017, 2018, 2019 and January-August

2020, federal subventions in support of such spending obligations amounted to 336.6 billion roubles, 334.3 billion roubles, 326.1 billion roubles, 331.7 billion roubles, 396.6 billion roubles and 374.3 billion roubles (of planned 624.7 billion roubles for 2020), respectively.

Regional budgets also receive support for co-financing of their own expenditures which includes health care, culture, education and salaries of public sector employees, as well as subsidies for housing and public utilities. Such federal support amounted to 400.2 billion roubles, 356.5 billion roubles, 419.8 billion roubles, 381.8 billion roubles, 556.6 billion roubles and 480.2 billion roubles (of planned 1,041.7 billion roubles for 2020) in 2015, 2016, 2017, 2018, 2019 and January-August 2020, respectively.

Social expenditures (includes expenditure on social policy, education, healthcare, culture, cinematography, media and sport) by regional and local authorities are substantial (approximately 7.1%, 7.1%, 7.0%, 6.8% and 7.3% of GDP in 2015, 2016, 2017, 2018 and 2019, respectively). Sub-federal governments financed 82.9% of enlarged budget education expenditures and 30.8% of enlarged budget health care expenditures in 2019. Sub-federal spending on the national economy and housing, amounted to 3.3%, 3.4%, 3.7%, 3.5% and 3.9% of GDP in 2015, 2016, 2017, 2018 and 2019, respectively.

Significant progress has been made in the Russian Federation in the area of federal/sub-federal fiscal relations. Interbudgetary transfers from the federal budget to sub-federal budgets are distributed using unified methods based on objective parameters that reflect funding needs. In particular, a process for distributing subsidies has been developed in order to adjust the budget capacity of sub-federal budgets, and common methodologies have been developed in order to provide subsidies from the federal budget to sub-federal budgets and to ensure their effective application. The budget legislation sets out various budgeting process frameworks on the sub-federal and municipal levels based on the share of interbudgetary transfers in the revenue of the sub-federal and municipal budgets.

State Extra Budgetary Funds

At present, the state extra-budgetary funds are the Pension Fund (expenditures 7,670.3 billion roubles, 7,829.7 billion roubles, 8,319.5 billion roubles, 8,428.7 billion roubles, 8,627.1 billion roubles and 6,345.7 billion roubles in 2015, 2016, 2017, 2018, 2019 and in January-August 2020), the Social Insurance Fund of the Russian Federation (the "**Social Insurance Fund**") (expenditures of 612.1 billion roubles, 664.9 billion roubles, 670.8 billion roubles, 702.2 billion roubles, 738.1 billion roubles and 346.1 billion roubles in 2015, 2016, 2017, 2018, 2019 and in January-August 2020, respectively) and the Federal Medical Insurance Fund of the Russian Federation (the "**Federal Medical Insurance Fund**") (expenditures of 1,552.2 billion roubles, 1,589.7 billion roubles, 1,655.0 billion roubles, 1,988.5 billion roubles, 2,186.7 billion roubles and 1,579.9 billion roubles in 2015, 2016, 2017, 2018, 2019 and in January-August 2020, respectively).

Nearly all employer-funded social contributions are transferred directly to state extra-budgetary funds. In 2015, employers made direct payments of 30% of the first 670,000 roubles of each employee's annual salary, 27.1% of an employee's annual salary between 670,000 and 711,000 roubles and 15.1% of the remaining salary amount. In 2016, employers made direct payments of 30% of the first 718,000 roubles of each employee's annual salary, 27.1% of an employee's annual salary between 718,000 and 796,000 roubles and 15.1% of the remaining salary amount. In 2017, employers made direct payments of 30% of the first 755,000 roubles of each employee's annual salary, 27.1% of an employee's annual salary between 755,000 and

876,000 roubles and 15.1% of the remaining salary amount. In 2018, employers made direct payments of 30% of the first 815,000 roubles of each employee's annual salary, 27.1% of an employee's annual salary between 815,000 and 1,021,000 roubles and 15.1% of the remaining salary amount. In 2019, employers made direct payments of 30% of the first 865,000 roubles of each employee's annual salary, 27.1% of an employee's annual salary between 865,000 and 1,150,000 roubles and 15.1% of the remaining salary amount. In 2020, employers make direct payments of 30% of the first 912,000 roubles of each employee's annual salary, 27.1% of an employee's annual salary between 912,000 and 1,292,000 roubles and 15.1% of the remaining salary amount.

State extra-budgetary funds recorded an overall deficit of 0.8% of GDP in 2015 and 0.2% of GDP in 2016, overall surplus of 0.04% of GDP in 2017, overall deficit of 0.2% of GDP in 2018 and overall surplus of 0.1% of GDP in 2019.

The Pension Fund ran overall deficits of 0.7% of GDP in 2015, 0.2% of GDP in 2016, 0.06% of GDP in 2017, 0.15% of GDP in 2018 and overall surplus of 0.14% of GDP in 2019 (including transfers to the Pension Fund from the federal budget). Interbudgetary transfers from the federal budget to the Pension Fund for mandatory pension insurance amounted to 814.2 billion roubles in 2015 (1.0% of GDP), 988.6 billion roubles in 2016 (1.2% of GDP), 932.7 billion roubles in 2017 (1.0% of GDP), 632.4 billion roubles in 2018 (0.6% of GDP), 1,065.2 billion roubles (1.0% of GDP) in 2019 and 506.8 billion roubles in January-August 2020.

In 2020 and planning period for 2021 and 2022, the law on the budget of the Pension Fund (as amended in March 2020) envisages revenue of 8,937.3 billion roubles (7.9% of GDP), 9,474.0 billion roubles (7.9% of GDP) and 9,953.1 billion roubles (7.7% of GDP), and expenditure of 9,146.5 billion roubles (8.0% of GDP), 9,501.2 billion roubles (7.9% of GDP), 9,965.9 billion roubles (7.7% of GDP), respectively.

Russian Tax System

Russia imposes a personal income tax rate of 13% (including on dividend income), with some exceptions. Certain types of income are subject to a 35% tax rate, applicable for instance to income from winnings and prizes in excess of prescribed limits or currently to interest income from bank deposits where the interest rate is higher than (a) the key rate of the Bank of Russia plus 5% (for deposits in roubles) or (b) 9% per annum (for deposits in other currencies). However, effective as of 1 January 2021, all interest income from deposits placed with Russian banks, which exceeds the lower threshold calculated as 1 million roubles multiplied by the key rate of the Central Bank of Russia, will be taxed at 13%. In addition, draft law which proposes to tax at 15% a part of the personal income in excess of 5 million roubles starting from 1 January 2021 (the "**Draft Law**") is being considered by the State Duma (the lower house of the Russian Parliament). With respect to non-residents, the personal income tax rate is 30%, except for (a) dividend income, which is taxed at 15%, (b) income from certain types of labour activities, which is taxed at 13% (however, the Draft Law proposes to tax a part of such income exceeding 5 million roubles at 15% starting from 1 January 2021) and (c) effective as of 1 January 2021, income from deposits placed with Russian banks (exceeding the lower threshold calculated as 1 million roubles multiplied by the key rate of the Central Bank of Russia), which will also be taxed at 13%.

Insurance contributions are mandatory contributions payable by organisations and individuals in order to financially ensure that insured persons have insurance coverage under the relevant

type of mandatory social insurance. Payers of insurance contributions are "persons effecting payments to individuals", i.e. employers (including legal entities, individual entrepreneurs and individuals without individual entrepreneur status), as well as persons working for themselves (such as, for instance, individual entrepreneurs, attorneys, notaries). The latter group of payers of insurance contributions must pay insurance contributions for themselves in the amount determined on the basis of their income. If the payers are the employers, insurance contributions are levied on the following payments to individuals that are subject to mandatory social insurance: (i) remuneration and other payments to individuals under employment and civil agreements on rendering work or services, (ii) payments to authors of expressive works and (iii) payments under agreements on alienation and granting rights to expressive works (such as under license agreements). Insurance contributions are levied at an aggregate rate of 30% on payments to individuals which do not exceed the thresholds set forth by the Russian Government. For 2020, the Russian Government set the threshold for mandatory pensions insurance contributions at 1.292 million roubles, while the threshold for contributions to mandatory social insurance scheme providing coverage in case of temporary disability and in connection with parenthood was set at 0.912 million roubles. The threshold for mandatory medical insurance has not been set, so insurance contributions for this type of insurance are levied on payments to individuals regardless of the amount thereof. In addition, insurance contributions for mandatory pensions insurance at a rate of 10% are levied on payments exceeding the threshold for mandatory pensions insurance mentioned above. For the purposes of stimulating investment activities, supporting certain sectors of the economy and medium and small-sized enterprises, there are reduced rates of insurance contributions for some categories of payers.

General profit tax rate is 20%. During 2017-2024 such rate shall be allocated between the federal and the regional budgets as follows: 3% is allocated to the federal budget and 17% to the regional budgets. As of now, reduced profit tax rates with respect to a portion of profit tax allocated to regional budgets may be established by laws of the Federation subjects only for those categories of taxpayers that are specified in Chapter 25 of the Tax Code. At the same time, reduced profit tax rates (with respect to portion of profit tax allocated to regional budgets) earlier established by the Federation subjects for other categories of taxpayers may remain in force until 1 January 2023.

As a general rule, the taxable base for profit tax is calculated as taxable income of the taxpayer less deductible expenses incurred by such taxpayer. The taxpayers are allowed to deduct different types of expenses from the profits tax base, including research and development expenses, expenses incurred for mandatory and voluntary insurance of property and for certain types of reserves. In addition, amortisation premium of up to 10% or up to 30% (depending on the type of asset in question) of initial book value of fixed asset is also deductible. There are also increased coefficients to amortisation rates, which generally allow the taxpayers to deduct amortisation expenses two to three times faster than using general amortisation rates. In addition, Russian tax legislation provides some investment tax incentives for the taxpayers (such as, among others, incentives for special economic zones and regional investment projects, participation exemptions with respect to dividends and capital gains derived from disposals of shares).

Starting from 2018, instead of depreciation of certain assets the taxpayers may reduce the amount of profits tax by applying an investment tax deduction, provided that such measure is stipulated in the legislation of the relevant Federation subject. Generally, it allows the taxpayers to deduct, among others, the costs of acquisition, construction or modernisation borne in

relation to certain groups of fixed assets from the amount of profits tax payable, subject to caps calculated according to the Tax Code.

The taxpayers are entitled to deduct their losses in full or a part of them (i.e. carry their losses forward). However, during the tax years 2017-2021 taxpayers are limited in their right to utilise losses of previous periods by the amount corresponding to 50% of their taxable profit.

Profit tax is calculated using an accrual method, a cash method is also available for certain categories of taxpayers.

Organisations and individual entrepreneurs may choose an optimal special tax regime for their business activities in accordance with the Tax Code, including the tax regime for agricultural commodity producers, the simplified tax regime or the patent tax regime, which shall exempt taxpayers from the main taxes payable under the general tax regime.

At the same time, the Tax Code provides the Federation subjects with the authority to establish differentiated tax rates under special tax regimes.

The laws of the Federation subjects may provide for differentiated tax rates ranging from 0% to 6% under the tax regime for agricultural commodity producers with respect to all or certain categories of taxpayers.

Moreover, depending on the category of a taxpayer, the laws of the Federation subjects may establish tax rates under the simplified tax regime: for taxation of income – from 1% to 6%, or for taxation of income reduced by deductible expenses – from 5% to 15%.

Also, the laws of the Federation subjects provide for the amount of potential annual income which may be received by an individual entrepreneur conducting the types of business activities for which the patent tax regime is available.

In addition, starting from 1 January 2019 there is a special tax regime for so-called self-employed individuals (professional income tax). Initially, only in Moscow, Moscow Region, Kaluga Region and Republic of Tatarstan self-employed individuals, either registered or not registered as individual entrepreneurs, could opt to apply such regime. However, starting from 1 January 2020, professional income tax regime has also become available to self-employed individuals in 19 more regions, and since 1 July 2020 all other regions have been allowed to introduce professional income tax by adopting the relevant regional laws. Applicable tax rates under the professional income tax regime are as follows: 4% with respect to income received from individuals and 6% with respect to income received from legal entities and individual entrepreneurs.

Since 1 January 2019 VAT is set at 20%, with the exception of certain operations involving the sale of certain goods, works and services, for which VAT is applied at 0% or 10% rates. Previously general VAT rate was set at 18%. "Input" VAT may be deducted or refunded by the recipient as soon as an invoice is received, instead of after payment for the purchased goods, works and services has been made. VAT refunds on transactions levied at a 0% rate may be claimed through a general VAT declaration, eliminating the need for a separate VAT return.

A property tax is imposed on legal entities and organisations at a maximum rate of 2.2% of the tax base. Starting from 1 January 2019 only immovable property is subject to property tax. Property tax revenue is allocated to sub-federal budgets, and regional authorities may set lower

rates or introduce exemptions in their jurisdictions. Local land tax is determined municipality-by-municipality and is calculated on a cadastral value base, with a maximum general rate of 1.5%.

In light of the COVID-19 pandemic in 2020 the Russian Government has implemented a number of measures to support business, inter alia, by reducing the tax burden. In particular, among other things, small and medium-sized enterprises operating in the mostly affected industries of the national economy could benefit from deferral provided with respect to all taxes (other than VAT) and insurance contributions and from exemption of federal subsidies from income tax base; tax audits and enforcement of tax collection were suspended for a certain period; companies have been allowed to switch from April 2020 till year end to monthly payment of advance corporate income tax payments based on actual profit for the previous month (as opposed to making advance payments based on profits of the previous quarter).

Seeking to increase budget revenues, in March 2020 Russia has commenced a campaign for revision of its double taxation treaties with "transit jurisdictions" to introduce a 15% withholding tax on dividends and interest (currently most of the Russian double taxation treaties provide for a 5%-10% withholding tax on dividends and a 0% withholding tax on interest). As clarified by the Russian Ministry of Finance, the changes are planned to take effect from 2021 and will not apply to interest and dividends paid in 2020.

As of now, Cyprus and Malta have already agreed to implement such revisions. Official proposals to amend double taxation treaties have also been sent to Luxemburg and the Netherlands; however, similar requests may be sent to other jurisdictions as well. If the relevant jurisdictions refuse to implement the amendments in question, Russia will unilaterally withdraw from these double taxation treaties.

Taxes on oil, oil products and natural gas

Russia imposes a royalty tax on natural resource extraction. The natural resource extraction tax on oil is calculated at a fixed rate that is adjusted based on international oil prices and the rouble exchange rate. The base rate for the natural resource extraction tax on oil was 766 roubles per tonne in 2015, and 857 roubles per tonne in 2016. Starting from 1 January 2017, the base rate is set as 919 roubles per tonne.

Since 1 July 2014 the procedure for calculating the natural resource extraction taxes on gas condensate and natural gas was modified. The base rate was set at 42 roubles per tonne for gas condensate and 35 roubles per thousand cubic metres for natural gas; for both natural gas and gas condensate, the base rate is multiplied by coefficients that reflect price parameters, transportation costs, complexity of production and certain other economic parameters.

Solid minerals extraction is primarily subject to the natural resource extraction tax based on the estimated value with the natural resource extraction tax rate varying from 3.8% to 8%. Extraction of certain types of natural resources allows to apply the reduction factors to the rate of the natural resource extraction tax, which are, inter alia, available to participants of the investment projects (residents of development zones).

In 2011, the Russian government introduced a new tax regime for the oil industry that is designed, in part, to reduce dependence on crude oil exports and to stimulate domestic oil refining. Under this tax regime, the export duty rates on crude oil and oil products were lowered, while the oil and gas condensate extraction tax rates were increased. The maximum

rate for the export duty on crude oil was reduced to 42% for each of 2015 and 2016 (from 57% for 2015 and 55% for 2016 according to previous plans). Starting from 1 January 2017, the rate is set as 30%. The reforms also provide for a reduction in the export duty rate on light oil products (including gasoline) and an increase in the export duty rate on dark oil products.

Export duties on oil are determined on a monthly basis by the Ministry of Economic Development based on the average price of Urals oil on the world oil markets (the Mediterranean and Rotterdam oil markets) and are currently assessed in the following manner. For average market oil prices of up to U.S.\$109.5 per tonne, the export duty is 0%; for average market prices between U.S.\$109.5 and U.S.\$146 per tonne, the export duty is assessed at up to 35% of the difference between the average market price and U.S.\$109.5; for average market prices between U.S.\$146 and U.S.\$182.5 per tonne, the export duty is assessed at up to 45% of the difference between the average market price and U.S.\$146 plus U.S.\$12.78; and when the average market price exceeds U.S.\$182.5 per tonne, the export duty is assessed at up to 30% of the difference between the market price and U.S.\$182.5 plus U.S.\$29.2. In 2015, 2016, 2017, 2018 and 2019 the average export duty on oil was U.S.\$120.3, U.S.\$75.6, U.S.\$86.7, U.S.\$128.5 and U.S.\$93.7 per tonne, respectively. In addition, there are some specific categories of crude oil for which the Russian government may adopt special rules on calculation of export duties.

The export duty on natural gas is 30% of its customs value. For LNG the rate of export duty is set at 0%. Export duties on light oil products (other than gasoline) and lube oil were lowered to 48% of the crude oil export duty since 1 January 2015, to 40% of the crude oil export duty since 1 January 2016 and to 30% of the crude oil export duty from 1 January 2017. The export duty rate on naphtha was reduced from 90% of the crude oil export duty to 85% since 1 January 2015, to 71% since 1 January 2016 and to 55% from 1 January 2017. The export duty rate on gasoline was reduced from 90% of the crude oil export duty to 78% since 1 January 2015, 61% since 1 January 2016 and 30% since 1 January 2017. The export duty rate on fuel oil and bitumen was increased from 66% of the crude oil export duty to 76% since 1 January 2015, 82% since 1 January 2016 and 100% from 1 January 2017.

In 2018, the reform that began in 2014 was further advanced. Under the new legislation in 2019-2024 oil export duty rate will gradually decrease and will ultimately be equal to 0% by 2024. Alongside that, current mechanism of calculation of the natural resource extraction tax on hydrocarbon products will be modified to ensure further increase in order to compensate for the revenue not realized by the government as a result of the reduction of export duties. In addition, the new legislation provides for "negative" excise tax for producers of high-quality gasoline and diesel fuel.

Since 1 January 2019, the Russian government may apply increased export duty rates on crude oil (up to 45%) and certain oil products (up to 60% of the current export duty rate on crude oil). This power may be exercised in extraordinary circumstances, namely in the event of a significant increase of world oil prices. In particular, the Russian government may exercise such power during six consecutive months after the month in which oil price increased by 15% or more. The rate of such increase is calculated using a special formula provided in the law.

In July 2018, a new tax on additional income from extraction of hydrocarbon products ("**Tax on Additional Income**") was introduced with effect from January 2019. The law provides that only certain groups of extraction sites (new deposits in new petrochemical production regions or greenfields, mature deposits in traditional petrochemical production regions or brownfields and new deposits in traditional petrochemical production regions) are subject to the Tax on

Additional Income. Taxable "additional" income is calculated as the difference between estimated revenue from the sales of hydrocarbon resources and certain factual and estimated expenses related to extraction. The taxpayers are allowed to carry-forward losses incurred in the previous periods, including historical losses incurred before the Tax on Additional Income was introduced (however, starting 1 January 2021 there will be a limit of 50% on carrying-forward losses (historical losses) for the period from 1 January 2021 to 31 December 2023). The rate of the Tax on Additional Income is set at 50%. The Tax Code also sets forth minimum amount of the Tax on Additional Income payable. Natural resource extraction tax remains payable by taxpayers being subject to the Tax on Additional Income, although at a lower tax rate. Based on the results of introduction of the Tax on Additional Income, a decision to extend its scope of application may be taken in the future.

MONETARY AND FINANCIAL SYSTEM

The Bank of Russia

The Bank of Russia is the Russian Federation's central bank. It is an independent entity with specific powers and responsibilities set forth by the Constitution and Federal Law No. 86-FZ "On the Central Bank of the Russian Federation (the Bank of Russia)" dated 10 July 2002, as amended (the "**Law on the Bank of Russia**"). Pursuant to the Law on the Bank of Russia, the Bank of Russia is charged with responsibility for protecting and ensuring the stability of the rouble, developing and strengthening the Russian Federation's banking system and ensuring the stability and development of Russia's financial markets and national payment system. The Law on the Bank of Russia prohibits any government authority from interfering with activities undertaken by the Bank of Russia in furtherance of its constitutionally and legislatively determined responsibilities, permits the Bank of Russia to issue resolutions within its area of competence and subjects all draft federal laws and regulations that would affect the activities of the Bank of Russia to review by the Bank of Russia. The Bank of Russia is accountable to the State Duma in that it is required to present an annual report of its activities to the State Duma and to solicit the State Duma's views on the Bank of Russia's monetary policy.

The Bank of Russia's Governor (the "**Governor**"), who is also the chair of the Bank of Russia's Board of Directors (the "**Board of Directors**"), is nominated by the President and confirmed by the State Duma. The Governor is appointed for a five-year term, and under the Law on the Bank of Russia may not be dismissed except pursuant to grounds provided in the Law on the Bank of Russia, including, among others, a conflict of interest, violation of a federal law relating to the activities of the Bank of Russia or having been found guilty of committing a crime. Elvira Nabiullina has been the Governor since June 2013, and in June 2017 the State Duma appointed her for another five-year term. Members of the Board of Directors are nominated by the Governor in consultation with the President and confirmed by the State Duma. Board members serve five-year terms, may be dismissed only with the Governor's approval and may not be officers of the Government or members of the Federal Assembly.

The Bank of Russia, among its other functions, develops and pursues common state monetary policy in coordination with the Government, has monopoly authority over the printing and circulation of money, acts as a lender of last resort to Russian credit institutions, regulates the banking sector, adopts rules for and oversees the national payment system, establishes rules for conducting settlement operations, services all budget accounts at all levels of the Russian budget system (unless the law states otherwise), effectively manages Bank of Russia's official gold and foreign currency reserves, approves the registration of all credit institutions, licenses their banking operations and supervises banking activities of credit institutions and banking groups. Since 1 September 2013, the Bank of Russia also has primary responsibility for regulating the securities markets, having assumed the authority previously exercised by the Federal Service for Financial Markets (the "**FSFM**"). Chief among these new responsibilities is the registration of new securities issuances.

The Bank of Russia also establishes accounting and record keeping standards and rules for the preparation and presentation of accounting (financial) statements applicable to credit institutions and other financial organisations, statistical reports and other information prescribed by federal law, and the preparation of certain macroeconomic statistics relating to the Russian Federation.

The Bank of Russia sets standards for banks and banking groups with respect to, among others, capital adequacy, liquidity, loan loss provisions and exposure to individual creditors and shareholders and other insiders. The Bank of Russia monitors compliance by commercial banks with its regulations through a reporting system and periodic inspections and requests for information and enforces its regulations through a variety of measures, including the power to issue warnings, impose prohibitions or temporary restrictions on a bank's activities, appoint a temporary administrator, impose fines and revoke banking licences.

The Bank of Russia also supervises acquisitions in the banking sector. Any acquisition of more than 1% of shares of a credit institution requires notice to the Bank of Russia, and (with certain exceptions) any direct or indirect acquisition of more than 10% of shares requires prior Bank of Russia approval.

The Bank of Russia is also responsible for regulating the financial market activities of non-credit financial institutions, such as insurance companies, professional securities market participants, investment funds, clearing agents, non-state pension funds, microfinance enterprises, rating agencies and various consumer cooperatives, amongst others.

Monetary Policy

Inflation and Money Supply

Russia has historically experienced periods of high inflation, although the 12-month rolling inflation rate remained below 10% from late 2009 until late 2014. In response to a host of factors, particularly a decline in oil and natural gas prices and market reactions to geopolitical events, the rouble experienced significant depreciation against major world currencies in the second half of 2014, continuing into 2015 and the first part of 2016, and inflation has increased. The rouble subsequently strengthened in the latter part of 2016 as a result of an improving economic situation and, at the end of the year, higher oil and gas prices. Inflation slowed in 2016 compared to prior years. In 2017 the rouble continued strengthening which, combined with other factors, led to a decrease in inflation rate. In the first half of 2018, the rouble stabilised, which led to the stabilisation of the inflation rate. However, by the end of 2018 the inflation rate increased due to the depreciation of the rouble and an increase in agricultural raw material prices. On the contrary, the rouble appreciation and high grain crop caused decrease of inflation rate in 2019. In the first eight months of 2020 inflation accelerated due to growing food prices and the rouble depreciation.

In 2015, M2 (defined as total cash in circulation (outside banks) and balances in roubles on accounts of resident non-financial organisations, financial organisations (excluding credit organisations) and individuals) grew by 11.3% (compared to 1.5% in 2014). CPI reached its 12-month peak of 16.9% in March 2015 as a result of depreciation of the rouble as well as higher food prices. By year-end 2015, CPI had increased to 12.9%, while PPI increased to 12.1%. To contain inflationary pressures, the Bank of Russia has conducted a relatively tighter monetary policy and the Russian government froze state-employee wages and slowed the rate at which social benefits are indexed, all of which helped to anchor inflationary expectations in the economy. These steps to slow inflation were supported by a relatively modest indexation of natural monopoly tariffs (2-5% in 2015, compared to 6-8% in 2014).

In 2016, M2 grew by 9.2% (compared to 11.3% in 2015). By year-end 2016, CPI had decreased to 5.4%, while PPI decreased to 7.5%, reflecting the stabilisation of the rouble exchange rate and oil prices, relatively tight monetary policy, freezing of the state-employee wages by the

Russian government and the slowdown of the rate at which social benefits are indexed. The slowdown of inflation was further supported by a relatively modest indexation (relative to inflation) of natural monopoly tariffs in 2015-2016 compared to the preceding years.

In 2017, M2 grew by 10.5% (compared to 9.2% in 2016). By year-end 2017, CPI had decreased to 2.5%, while PPI increased to 8.4%. The CPI decrease was due to restrictive monetary policy, deflation in prices for agricultural products and rouble appreciation. The PPI increase was mainly due to the increase in prices for hydrocarbon raw materials.

In 2018, M2 grew by 11% (compared to 10.5% in 2017). By year-end 2018, CPI had increased to 4.3%, while PPI increased to 11.7%. The CPI increase was due to geopolitical factors (capital outflows from the emerging markets, expectations for the introduction of new large-scale sanctions against the Russian financial sector) and the resulting rouble depreciation. The PPI increase was mainly due to the increase in prices for food products and gas engine fuel.

In 2019, M2 grew by 9.7% (compared to 11% in 2018). In 2019, despite the increase of VAT rate, CPI decreased to 3.0%. This slowdown was mainly due to the appreciation of the rouble, tight monetary policy and increased grain crop. In 2019, PPI became negative (i.e. the producer prices decreased) and equalled negative 4.3%. This PPI contraction was due to the decrease in prices in mining and quarrying and in the manufacturing sector.

In January-September 2020, M2 grew by 8.4% (compared to 2.5% in the same period of 2019). For the twelve months ended 31 August 2020, CPI increased to 3.6%, mainly due to an increase in food prices, PPI remained negative and equalled negative 0.8% due to falling prices in mining.

For the 12 months ended 30 September 2020, CPI increased to 3.7% (as compared to a 4.0% increase for the 12 months ended 30 September 2019) mostly due to increase in food prices, PPI became null (as compared to a negative level of 1.2% for the 12 months ended 30 September 2019) due to compensation of falling prices in mining with increasing prices in other sectors.

The following table illustrates the movement in consumer and industrial producer prices for the periods indicated:

Inflation: Consumer and Producer Prices

	CPI	PPI
	(% change, end of period)	
2014.....	11.4	6.3
2015.....	12.9	12.1
2016.....	5.4	7.5
2017.....	2.5	8.4
2018.....	4.3	11.7
2019.....	3.0	(4.3)
12 months ended 30 September 2019.....	4.0	(1.2)
12 months ended 30 September 2020.....	3.7	0.0

Source: Rosstat.

The following table sets forth information concerning the Russian Federation's money supply as of the dates indicated:

Monetary Survey⁽¹⁾

	As of 1 January					As of 1 October
	2016	2017	2018	2019	2020	2020
	<i>(millions of roubles, except ratio)</i>					
Net foreign assets	32,853,677	27,378,499	29,583,115	39,692,822	40,805,671	54,994,450
Claims on non-residents.....	43,307,514	35,250,769	36,294,947	46,346,502	46,362,759	61,546,268
Liabilities to non-residents.....	10,453,838	7,872,271	6,711,832	6,653,680	5,557,087	6,551,818
Domestic claims	47,086,792	49,917,184	53,687,204	55,563,910	57,705,060	65,118,296
Net claims on general government.....	(5,802,978)	(2,726,663)	(3,296,558)	(7,986,754)	(11,306,852)	(10,745,557)
Claims on general government.....	5,934,970	5,959,678	5,862,222	5,964,543	5,857,725	7,749,699
Liabilities to general government	11,737,949	8,686,341	9,158,780	13,951,297	17,164,577	18,495,257
Claims on other sectors.....	52,889,771	52,643,847	56,983,761	63,550,663	69,011,912	75,863,853
Other financial institutions.....	5,822,445	6,678,941	8,486,943	9,669,607	10,684,825	12,222,931
Nonfinancial organisations	35,420,220	34,209,156	35,328,104	37,815,825	39,226,681	42,684,422
Households.....	11,647,106	11,755,749	13,168,715	16,065,232	19,100,407	20,956,501
Broad money.....	51,370,088	50,895,195	54,667,115	61,401,643	64,535,533	72,457,672
Currency in circulation ⁽²⁾	7,239,146	7,714,777	8,446,033	9,339,046	9,658,444	12,072,847
Transferable deposits ⁽³⁾	9,276,432	9,927,641	11,062,848	12,285,084	14,203,272	17,440,614
Other financial institutions.....	532,817	549,030	654,526	480,103	511,836	574,006
Nonfinancial organisations	5,472,885	5,684,174	5,842,416	6,104,441	6,821,220	8,150,069
Households.....	3,270,730	3,694,438	4,565,905	5,700,539	6,870,216	8,716,539
Other deposits.....	34,278,176	32,764,783	34,768,487	39,624,977	40,636,503	42,924,307
Other financial institutions.....	1,641,885	1,597,164	1,536,881	1,546,430	1,793,006	2,071,852
Nonfinancial organisations	13,258,355	11,016,047	12,027,096	14,999,465	14,637,784	16,744,817
Households.....	19,377,937	20,151,572	21,204,511	23,079,081	24,205,713	24,107,637
Deposits not included in broad money.....	658,004	1,098,962	1,221,843	1,126,338	1,242,139	1,934,780
Securities not included in broad money.....	994,451	1,040,826	1,416,700	1,531,294	1,991,800	2,114,990
Shares and other equity.....	20,000,527	17,272,706	17,192,195	21,268,811	21,403,689	30,233,992
Other items (net).....	6,945,019	6,987,993	8,772,466	9,928,646	9,337,570	13,371,312
Other liabilities.....	13,998,371	14,873,703	17,456,106	18,781,976	19,206,003	21,922,422
Other assets.....	5,248,301	5,309,381	5,249,866	5,953,588	6,222,053	7,755,160

	As of 1 January					As of 1 October
	2016	2017	2018	2019	2020	2020
<i>(millions of roubles, except ratio)</i>						
Consolidation adjustment.....	(1,805,052)	(2,576,328)	(3,433,774)	(2,899,742)	(3,646,380)	(795,950)
Memo:						
Monetary base (broad definition) ⁽⁴⁾	11,043,822	11,882,666	14,701,465	16,063,430	16,822,061	18,524,263
Money supply (M2) (national definition) ⁽⁵⁾	35,179,715	38,417,974	42,442,219	47,109,326	51,660,306	56,023,897
Velocity of M2 ⁽⁶⁾	2.59	2.40	2.33	2.39	2.31	N/A

Notes:

- (1) Certain data presented in this table differ from previously published data due to regular updates and revisions. Data are presented in accordance with the IMF's "Monetary and Financial Statistics Manual" (IMF, 2000), Monetary and Financial Statistics Manual and Compilation Guide (IMF, 2016). Data in this table are presented as of 1 October 2020.
- (2) Comprises cash issued by the Bank of Russia into circulation less currency holdings of the Bank of Russia and credit institutions.
- (3) Comprises domestic currency current and other demand deposits within the banking system.
- (4) Comprises cash outside the Bank of Russia, correspondent account balances, deposit account balances and required reserves of credit institutions maintained at the Bank of Russia and Bank of Russia bonds held by banks.
- (5) M2 is defined as total cash in circulation (outside banks) and balances in the domestic currency on accounts of resident non-financial organisations, financial organisations (excluding credit organisations) and individuals.
- (6) Average velocity based on the average annual series of M2 (calculated as the average of monthly data) and nominal GDP for the corresponding year.

Source: Bank of Russia.

Instruments of Monetary Policy and Interest Rates

The Bank of Russia uses monetary policy instruments to maintain overnight, money market rates within the borders of the interest rate corridor and to keep such rates as close as possible to the key rate.

The primary instruments of monetary policy employed by the Bank of Russia are open-market operations (including, most importantly, repo and deposit auctions, forex swap operations, loans secured by non-marketable assets auctions as well as the purchase and sale of government securities in the secondary market), standing facilities and bank reserve requirements.

The Bank of Russia regulates liquidity within the banking system mainly through a variety of interest rate instruments designed to provide or absorb liquidity, chiefly, auction-based one-week repo auctions for providing liquidity and one-week deposit auctions for absorbing liquidity. Since September 2013, the interest rates on one-week repo auctions and one-week deposit auctions have served as the Bank of Russia's key policy rates. The Bank of Russia also uses a variety of other auction operations of a shorter duration when minor adjustments to liquidity are warranted. The Bank of Russia's monetary policy is based, in part, on the need to ensure that credit organisations have sufficient liquidity for meeting reserve requirements and conducting payment operations.

The Bank of Russia's interest rate band is used to limit the volatility of interest rates. The upper limit of the corridor is the overnight credit rate on refinancing operations secured by a wide range of assets, including securities, loans, promissory notes, guarantees, gold and international currency. The lower limit of the corridor is the overnight deposit rate. The borders of the interest rate band are symmetrical with respect to the key rate and shift automatically in line with movements in the key rate (see "*— Anti-Crisis Measures and Current Policy*" as to dynamic of the key rate). Money market rates fluctuate within the bounds of the corridor; the width of the corridor is currently 2 percentage points.

In the Bank of Russia Monetary Policy Guidelines for 2021-2023 approved in November 2020 (the "**Bank of Russia Monetary Guidelines 2021-2023**") the Bank of Russia proclaimed the main objective of monetary policy under the Bank of Russia's inflation targeting strategy is to maintain price stability, that is, to keep annual inflation close to 4% on a continuous basis, while its operational goal is to bring overnight money market rates closer to the Bank of Russia's key rate. The Bank of Russia expects that a liquidity surplus in the banking sector will remain over the next three years. However, its volume is expected to gradually decrease from 2.8 trillion roubles at the end of 2019 to 0.3 trillion roubles at the end of 2023 under the baseline scenario. In the context of a liquidity surplus, the Bank of Russia continues to carry out deposit auctions on a regular basis, maintaining the interbank loan segment rate near the key rate. Along with deposit auctions, the Bank of Russia will absorb the most sustainable part of the excess liquidity using its own three-month coupon bonds ("OBRs"). As of 9 November 2020, the total amount of OBRs (at face value) in circulation was 0.69 trillion roubles.

Though less frequently used as a tool to regulate liquidity, the Bank of Russia also carries out auctions of 3-month credits, bearing floating interest rates and secured by non-market assets, and refinancing operations, such as credits secured by non-market assets or guarantees for up to one year and a half. The use of these instruments helps to promote the functioning of the money market. The Bank of Russia also purchases and sells securities, although this instrument is used only in rare circumstances and in small volumes.

Anti-Crisis Measures and Current Policy

In response to the fall in the oil price, the depreciation of the rouble and other external factors, the Russian Federation introduced a series of temporary, anti-crisis measures designed to protect the stability of the financial sector. These measures include: (i) recapitalization of credit institutions for the total amount of 1.4 trillion roubles including 400 billion roubles from National Welfare Fund, and allocation of 1 trillion roubles to State Corporation "Deposit Insurance Agency" (the "**Deposit Insurance Agency**"); (ii) the enhancement of depositor protections; (iii) changes in the regulations including temporary moratorium on recognition of negative revaluation of securities portfolios of credit institutions and non-bank financial organisations in order to decrease market participants' sensitivity to market risk, and temporary right to use fixed exchange rates when calculating prudential requirements for operations in foreign currencies (these changes were introduced temporarily and ceased to be in force on 30 December 2015); (iv) the introduction of a foreign exchange repo mechanism to provide foreign exchange funding to credit institutions secured by both marketable and non-marketable assets (which dampened the impact of sanctions and low energy prices on the financial system and real economy). For the year 2017 the Bank of Russia lowered the limit for forex funding from U.S.\$50 billion to U.S.\$25 billion. For the year 2018 the limit was lowered to U.S.\$15 billion. The use of foreign exchange repos reached its peak in the fourth quarter of 2014 and the first quarter of 2015 as substantial amounts of private sector external debt repayments came due. Since the middle of 2015, the outstanding balance of foreign exchange repos has declined

significantly, and from 2 November 2017 amount of funds to be repaid by credit institutions became zero.

In response to economic deterioration caused by COVID-19 outbreak and decrease in oil prices in April-May 2020, the Bank of Russia shifted to accommodative monetary policy and cut the key rate from 6.00% to its record low of 4.25% per annum. According to the Bank of Russia Monetary Guidelines 2021-2023, this was necessary in order to avoid a long-lasting deviation of inflation from the target (close to 4%) and promote conditions for a faster recovery of Russian economy. For additional details see "*Recent Developments—Monetary policy*".

Starting from 1 September 2017, the Bank of Russia has put in place certain mechanisms for providing emergency liquidity assistance if needed, which replaced the recapitalisation measures that had been in place previously. In 2017, the new measures were implemented by the Bank of Russia with respect to three major private banks in Russia: PJSC Bank "Financial Corporation Otkritiye" ("**Otkritiye**"), B&N Bank ("**B&N Bank**") and Promsvyazbank PJSC ("**Promsvyazbank**"). The measures included the recapitalisation of these banks and involved the provision of approximately 1 trillion roubles in emergency liquidity assistance. See "*—Banking—Structure of the Banking Industry*".

As the Russian economy recovered from the global financial crisis, the Bank of Russia gradually reduced its use of anti-crisis measures that had the effect of expanding liquidity and in the second quarter of 2009 began to lower interest rates. Since 2009, the Bank of Russia has continued to implement measures designed to gradually increase the flexibility of the rouble and prepare for the transition to a free floating exchange rate regime. Price stability, i.e., inflation targeting through the use of an interest rate based policy remains the Bank of Russia's key priority. In November 2014, the Bank of Russia moved to a free floating exchange rate regime, a transition that was scheduled to occur at the beginning of 2015, but was accelerated in response to rouble volatility in the second half of 2014.

The Bank of Russia considers revisions to interest rates on a regular basis. Based on macroeconomic data, the Bank of Russia assesses the adequacy of current interest rates associated with interbank operations considering key macroeconomic risks, in particular the risk that medium-term inflation will exceed targeted limits and risks affecting stable economic growth. The Bank of Russia then approves changes to interest rates as necessary to implement its inflation targeting policy. According to the Bank of Russia Monetary Guidelines 2021-2023, if there are any factors over the forecast horizon that may cause inflation to deviate from the target, the Bank of Russia assesses the reasons behind them and the duration of their potential impact on inflation, in order to make appropriate decisions on monetary policy that would help prevent a deviation of inflation from the target. In a situation where inflation deviates from the target, the Bank of Russia chooses the pace of inflation returning to the target taking into account the scale of the deviation and the influence of key rate decisions on economic activity. Moreover, in making these decisions, the Bank of Russia factors in risks to financial stability.

The Bank of Russia intends to use its key rate as a means to give the market a better understanding of the economic rationale underlying the Bank of Russia's policy decisions. Since 2013, the overnight credit rate, i.e., the upper limit of the interest rate corridor, was set at 6.5% and the overnight deposit rate, i.e., the lower limit of the corridor, was set at 4.5% by the Bank of Russia. Any change to the key rate automatically leads to a symmetrical adjustment in the upper and lower limits of the interest rate corridor. The Bank of Russia believes in a two percentage point wide corridor to be ideal for limiting interest rate volatility, while maintaining an active market for interbank transfers. On 3 March 2014, the Bank of Russia increased its

key rate to 7.0% in an effort to counter inflationary pressures and preserve financial stability amid heightened volatility on the financial markets. During 2014, the Bank of Russia increased the key rate six times, with the rate peaking at 17% on 16 December 2014. In 2015, the key rate was lowered five times: from 15% on 2 February 2015 to 11% on 3 August 2015. In 2016, the key rate was lowered on 14 June 2016 to 10.5% and on 19 September 2016 to 10.0%. In 2017, the key rate was lowered to 9.75% on 27 March 2017, to 9.25% on 2 May 2017, to 9.0% on 19 June 2017, to 8.5% on 18 September 2017, to 8.25% on 30 October 2017 and to 7.75% on 18 December 2017. On 12 February 2018, the Bank of Russia decreased the key rate further to 7.5% and on 26 March 2018, the key rate was again decreased to 7.25%. On 14 September 2018 and 14 December 2018, the key rate was increased to 7.5% and 7.75%, respectively. On 14 June 2019, 26 July 2019, 6 September 2019, 25 October 2019 and 13 December 2019 the key rate was decreased to 7.5%, 7.25%, 7.0%, 6.5% and 6.25%, respectively. On 7 February 2020, 24 April 2020, 19 June 2020 and 24 July 2020, the Bank of Russia decreased the key rate further to 6.0%, 5.5%, 4.5% and 4.25%, respectively.

Beginning 1 January 2016, the refinancing rate is set equal to the key rate as of the respective date and will no longer be determined independently.

Exchange Rates

From October 2010 until November 2014, the Bank of Russia pursued a managed floating exchange rate regime, which was designed to limit excessive rouble volatility without imposing quantitative targets or fixed limits on the exchange rate. On 10 November 2014, in response to volatility of the rouble, the Bank of Russia adopted a free-floating exchange rate regime, a move that had originally been scheduled to occur in January 2015.

The following table sets forth information with respect to the rouble/dollar and rouble/euro exchange rates for the periods indicated:

	Official Exchange Rates			
	Rouble/Dollar		Rouble/Euro	
	Average ⁽²⁾	End of Period ⁽¹⁾	Average ⁽²⁾	End of Period ⁽¹⁾
2015.....	60.66	72.88	67.43	79.70
2016.....	66.90	60.66	74.06	63.81
2017.....	58.33	57.60	65.78	68.87
2018.....	62.54	69.47	73.88	79.46
2019.....	64.73	61.91	72.49	69.34
2020 ⁽³⁾	71.90	77.19	81.45	91.35

Notes:

- (1) The period-end rates are quoted for the last business day of the relevant period.
- (2) The average rates are calculated as the average of the average monthly exchange rates for the period.
- (3) For the period starting from 1 January 2020 till 9 November 2020.

Source: Bank of Russia.

In February 2005, the Bank of Russia adopted a dual-currency basket, consisting of the dollar and euro, as an operating benchmark and began using movements in the rouble value of the dual-currency basket as a reference point for its exchange rate policy. The basket was initially set at EUR 0.1 and U.S.\$0.9, gradually moving to EUR 0.45 and U.S.\$0.55. In February 2009, the Bank of Russia introduced a floating operational band of permissible movements in the rouble against the dual-currency basket with the borders of this operational band designed to

adjust automatically depending on the volume of Bank of Russia interventions. The floating operational band remained in effect until November 2014, when the Bank of Russia allowed the rouble to float freely against foreign currencies.

In the beginning of 2014, the rouble began to weaken against the dollar and euro at an accelerated rate, a dynamic caused by multiple factors including: (i) weakening investor interest in emerging markets, prompted by expectations that the U.S. Federal Reserve would taper its quantitative easing policy and by improvements in the economies of certain developed countries, such as the United States; (ii) a slowdown in growth in the Russian economy; and (iii) heightened political tensions as a result of geopolitical events. In these conditions, during 2014, the Bank of Russia increased the scale and frequency of its currency interventions in an effort to limit sharp movements in the rouble. Beginning in the third quarter of 2014, the rouble experienced greater downward pressure caused mainly by lower oil prices and the impact of geopolitical events, which in turn restricted the ability of Russian corporations and banks to raise financing on the international markets, thereby increasing domestic demand for foreign currencies. The Bank of Russia adopted several measures in response. On several occasions, it increased its key rate, reaching a maximum of 17.0% in December 2014. It also spent approximately U.S.\$42,208 million in foreign currency reserves between October and December of 2014. In November 2014, the Bank of Russia abandoned its operational band and allowed the rouble to freely float against foreign currencies, a move that had been originally scheduled to take place in January 2015. Despite the transition to a freely floating rouble, the Bank of Russia continued to defend the rouble in December 2014, intervening on several occasions in the foreign currency markets.

The Russian Federation's overall net private sector capital outflows in 2015 totalled U.S.\$57.1 billion. Such outflows were mainly financed out of the current account despite the significant decline oil prices. In 2015, the rouble depreciated by 20.5% against the dollar and by 9.9% against the euro in nominal terms. In real terms, the rouble depreciated by 10.6% against the dollar and appreciated by 1.7% against the euro. The real effective exchange rate of the rouble appreciated by 0.9%. During 2015, the rouble depreciated by 15.5% against the dual-currency basket. The series of temporary measures taken by the Russian government and Bank of Russia to mitigate the effects of market volatility, including the recapitalisation of the banking sector, bolstered confidence in the financial markets and set depreciation expectations, which contributed to the slowdown in capital outflows in 2015.

The Russian Federation's overall net private sector capital outflows in 2016 totalled U.S.\$18.5 billion. Such outflows were mainly financed out of the current account despite the significant decline in oil prices. In 2016, the rouble appreciated by 12.0% against the dollar and by 15.6% against the euro in nominal terms. In real terms, the rouble appreciated by 15.6% against the dollar and appreciated by 20.3% against the euro. The real effective exchange rate of the rouble appreciated by 20.4%. During 2016, the rouble appreciated by 13.7% against the dual-currency basket. The increase in oil prices had a favourable effect on the appreciation of the rouble, which occurred mainly in the latter part of the year. There have been no currency interventions since August 2015, signalling that rouble volatility diminished in the specified period.

The Russian Federation's overall net private sector capital outflows in 2017 totalled U.S.\$24.1 billion. In contrast to 2016, such outflows were mainly caused by banking sector transfers to reduce external liabilities. In 2017, the rouble appreciated by 6.1% against the dollar and depreciated by 5.4% against the euro in nominal terms. In real terms, during the same period, the rouble appreciated by 6.6% against the dollar and depreciated by 4.4% against the euro.

The real effective exchange rate of the rouble depreciated by 1.1%. In 2017, the rouble appreciated by 0.4% against the dual-currency basket mainly due to growth in oil prices.

The Russian Federation's overall net private sector capital outflows in 2018 totalled U.S.\$65.5 billion (more than twice higher as compared to 2017). Such outflows were caused by a substantial increase in net capital outflows both in non-banking and banking sectors. In 2018, the rouble depreciated by 13.0% against the dollar and by 9.5% against the euro in nominal terms as compared to 2017. In real terms, during the same period, the rouble depreciated by 10.8% against the dollar and by 6.9% against the euro. The real effective exchange rate of the rouble depreciated by 7.0%. In 2018, the rouble depreciated by 11.3% against the dual-currency basket mainly due to geopolitical tensions.

The Russian Federation's overall net private sector capital outflows in 2019 totalled U.S.\$22.6 billion (as compared to U.S.\$65.5 billion in 2018). Such outflows were mainly caused by an increase of external liabilities of non-banking sector. In 2019, the rouble appreciated by 6.9% against the dollar and by 9.6% against the euro in nominal terms as compared to 2018. In real terms, during the same period, the rouble appreciated by 7.6% against the dollar and by 11.1% against the euro. The real effective exchange rate of the rouble appreciated by 8.1%. In 2019, the rouble appreciated by 8.2% against the dual-currency basket.

The Russian Federation's overall net private sector capital outflows in the first half of 2020 totalled U.S.\$27.7 billion (as compared to U.S.\$23.3 billion in the same period of 2019). Increase of the net capital outflows were mainly caused by a repayment of external debt by corporate sector. In the first half of 2020, the rouble depreciated by 9.1% against the dollar and by 10.3% against the euro in nominal terms as compared to the end of 2019. In real terms, during the same period, the rouble depreciated by 6.5% against the dollar and by 8.4% against the euro. The real effective exchange rate of the rouble depreciated by 5.4%. In the first half of 2020, the rouble depreciated by 9.7% against the dual-currency basket.

Monetary Policy Guidelines for 2021-2023

According to the Bank of Russia's Monetary Policy Guidelines for 2021-2023 (the "**Bank of Russia 2021-2023 Guidelines**"), the key monetary policy objective of the Bank of Russia is to support price stability, that is, sustainably low inflation. The Bank of Russia believes that low and predictable inflation ensures a stable purchasing power of the rouble, protects income and savings in the national currency. It is also favourable to business as low inflation makes debt financing more affordable for companies.

The Bank of Russia targets to keep annual inflation close to 4% on a permanent basis. 'Close to 4%' means that inflation may slightly deviate from the target. Such deviations are natural, given that prices are shaped by multiple factors, and complex interconnections exist in the economy. If inflation deviates from the target, the Bank of Russia will assess the causes and length of such deviation and decide accordingly on the need to resort to monetary policy measures so as to bring inflation back to the target. The pace of inflation returning to the target will be chosen taking into account the scale of the deviation and the impact of key rate decisions on the economic activity. Furthermore, if financial stability risks materialise, the Bank of Russia may factor in the sustainability of financial sector actors and financial stability when making this choice. Under the baseline scenario, in 2020 the CPI is expected to be in the range of 3.7-4.2%, in the range of 3.5-4.0% in 2021 and remain flat (4%) in 2022-2023.

According to the Bank of Russia 2021-2023 Guidelines, the main goal of monetary policy is to support price stability, that is, sustainably low inflation. The key monetary policy principles of the Bank of Russia are: (i) setting a permanent public quantitative inflation target, (ii) key rate and communication are considered to be monetary policy instruments, (iii) monetary policy decisions are taken based on the macroeconomic forecast and analysis of a wide range of information, (iii) transparency.

The Bank of Russia takes monetary policy decisions based on its macroeconomic forecast. The main channel of influence is interest rates. The revision of the Bank of Russia key rate impacts market interest rates on which savings and lending activity depends. A floating exchange rate is an important condition for monetary policy's effective influence on the economy through interest rates. When exchange rate flexibility is low, the foreign exchange interventions of the Bank of Russia affect banking sector liquidity and lead to high dependence of the money market and other segments of the financial market on external economic developments. In the pursuit of a floating exchange rate regime, the Bank of Russia has refrained from interventions in the domestic foreign exchange market aimed at sustaining a certain exchange rate or its rate of change. Nevertheless, the Bank of Russia may carry out foreign exchange transactions in the domestic market if a threat to financial stability emerges and in order to replenish or use foreign currency reserves to implement the Ministry of Finance's fiscal policy objectives. The Bank of Russia sees as a threat to financial stability exchange rate dynamics which may cause sizeable liquidity contraction in the domestic foreign exchange market, persistent depreciation expectations, elevated demand for foreign cash, increased deposit dollarisation and considerably deteriorated financial stability of banks and firms. Under the fiscal policy, (a) the amount of the federal budget's excess oil and gas revenue to be used for foreign currency purchases to replenish the National Wealth Fund or (b) the amount of foreign currency out of the National Wealth Fund to be allocated for subsequent transfer to the budget are both calculated by the Ministry of Finance. Consequently, the Bank of Russia seeks to carry out operations in the foreign exchange market to replenish or use foreign currency reserves to implement the Ministry of Finance's fiscal policy. At the same time, the Bank of Russia seeks to conduct these transactions in such a manner that exerts only minor influence on the exchange rate dynamics. Should threats to the financial market stability emerge, the Bank of Russia may suspend these operations.

Banking

Structure of the Banking Industry

All credit institutions are required to be licensed by the Bank of Russia. In accordance with Russian law, banks have either a universal or basic licence. To obtain a basic license, a bank must have a minimum capital of 300 million roubles. A universal license requires at least 1 billion roubles of a minimum capital. Banks with a basic license can carry out basic operations: raising funds in deposits, making money transfers, buying and selling foreign currency, opening and maintaining accounts, issuing loans to citizens and organisations. Banks holding a basic licence are not allowed opening accounts in foreign banks and do not have the right to open subsidiaries or branches abroad. Banks with a universal license can open branches or representative offices abroad (with the permission of the regulator), as well as carry out all other operations which banks with basic licence are prohibited from.

The total number of active credit institutions licensed to conduct banking operations in the Russian Federation has generally decreased in recent years due mainly to a decrease in the number of credit institutions that meet the required amount of share capital prescribed by law

and to an increase in the number of banking licences revoked. Of the 412 credit institutions with banking licences as of 1 November 2020, 372 were banks and 40 were non-bank credit institutions, 249 universal licences and 123 held base licences. As of 1 July 2020, active credit institutions licensed to conduct banking operations included 58 wholly foreign owned organisations and an additional 17 banks with majority foreign ownership. Licensed foreign banks are subject to the general banking laws and regulations and are entitled to participate in the same range of banking activities as their Russian counterparts. As of 1 November 2020, there were 539 branches of operating credit institutions in the Russian Federation.

In 2014, the United States and EU imposed bans on providing financing over 90 days and 30 days, respectively, to a number of Russian entities, including several of the largest banks (VTB, Gazprombank and Sberbank). According to regular Bank of Russia's surveys most of these banks have liquid assets in dollar and euro sufficient to cover their liabilities in these currencies. In August 2017, the United States reduced the term of financing for the Russian banks targeted under the sanctions from 30 days to 14 days.

From 2015 to the nine months ended 30 September 2020, total assets of the Russian banking sector expanded by approximately 1.33 times. As of 1 October 2020, the five largest Russian banks held approximately 61.6% of total banking sector assets, compared to 54.1% as of 1 January 2016. As of 1 October 2020, client funds constituted approximately 65.6% of the liabilities of the banking sector, whereas loans, deposits and other issued debt, such as loans to banks and overdue debt, constituted 70.0% of the sector's assets. In 2017, banking sector profits decreased due to the growth of new loan loss provisions. In 2018, banking sector profits increased, as compared to 2017, by approximately 1.7 times due to a decrease in loan loss provisions. In 2019 banking sector profits again increased, as compared to 2018, by approximately 1.5 times due to a decrease in loan loss provisions. In the nine months ended 30 September 2020 banking sector profits decreased, as compared to the nine months ended 30 September 2019, by 7.8% due to an impact of an economic slowdown caused by the COVID-19 pandemic.

As of 1 January 2016 the banking sector was a net debtor of the Bank of Russia, with liabilities of the banking sector to the Bank of Russia equalling 5.4 trillion roubles, respectively. Due to Reserve Fund spending, during 2016 the banking sector returned to a liquidity surplus, and this trend continued in 2017. As of 1 January 2017, despite 3.1 trillion roubles of gross liabilities to the Bank of Russia, the banking sector was already a net creditor of the Bank of Russia. In general, in 2017, the banking sector moved to a stable structural surplus of liquidity, which achieved an amount of 2.6 trillion roubles as of 1 January 2018, 3.0 trillion roubles as of 1 January 2019, 2.8 trillion roubles as of 1 January 2020 and 0.7 trillion roubles as of 1 November 2020.

In 2015, overall banking sector (as accounted for under Russian Accounting Standards) profits fell to 192.0 billion roubles due to an increase in loan loss provisions resulting from deteriorating loan quality. In 2016, overall banking sector profits increased to 930 billion roubles due to a decrease in loan loss provisions. In 2017, overall banking sector profits decreased to 790 billion roubles due to a growth of loan loss provisions. In 2018, overall banking sector profits increased to 1,345 billion roubles mainly due to a decrease in loan loss provisions. In 2019, overall banking sector profits increased to 2,037 billion roubles, as compared to 1,345 billion roubles in 2018. Such increase was mainly due to a decrease in loan loss provisions. In the nine months ended 30 September 2020, overall banking sector profits decreased to 1,384 billion roubles, as compared to 1,501 billion roubles in the nine months ended 30 September 2019, due to a substantial growth of loan loss provisions.

The total value of loans classified as problem loans or worse equalled 8.3% of total loans as of 1 January 2016, 9.4% of total loans as of 1 January 2017, 10.0% of total loans as of 1 January 2018, 10.1% of total loans as of 1 January 2019, 9.3% of total loans as of 1 January 2020 and 9.5% of total loans as of 1 September 2020. Overdue claims on loans, deposits and other placements increased by 54.0% in 2015, but decreased by 5.1% in 2016, before increasing again by 3.5% in 2017. In 2018, overdue claims on loans, deposits and other placements increased by 1.9%. In 2019, overdue claims on loans, deposits and other placements increased by 19.8% (reaching 3,655.0 billion roubles as of 1 January 2020). In the nine months ended 30 September 2020, overdue claims on loans, deposits and other placements increased by 17.4% (reaching 4,289.6 billion roubles as of 1 October 2020). Loan loss provisions equalled 7.8%, 8.5%, 9.3%, 9.1%, 8.7% and 9.1% of total loans as of 1 January 2016, 2017, 2018, 2019, 2020 and 1 September 2020, respectively.

As of 1 September 2020, the Russian banking sector's capital adequacy ratio equalled 12.7% (the same 12.7% as of 1 January 2016). Total capital in the Russian banking sector has increased in recent years, from 9,006.1 billion roubles as of 1 January 2016 to 11,313.2 billion roubles as of 1 September 2020.

The following table contains certain key indicators of the overall banking sector's financial soundness as of the dates indicated:

	As of 1 January ⁽¹⁾					As of 1 September
	2016	2017	2018	2019	2020	2020
Capital Adequacy Risk						
Ratio of own funds (capital) to risk-weighted assets ⁽²⁾ ...	12.7	13.1	12.1	12.2	12.3	12.7
Credit Risk						
Share of problem loans and bad loans in total loans ⁽³⁾	8.3	9.4	10.0	10.1	9.3	9.5
Loan loss provisions as a share of total loans	7.8	8.5	9.3	9.1	8.7	9.1
Ratio of shareholder loans to own funds ⁽⁴⁾	2.8	3.6	3.2	n/a ⁽⁵⁾	n/a	n/a
Ratio of claims on insiders to own funds.....	0.6	0.4	0.4	0.4	0.4	n/a ⁽⁶⁾
Liquidity Risk						
Ratio of liquid assets to total assets ⁽⁷⁾	24.6	21.8	23.2	21.1	21.6	20.8
Market Risk⁽⁸⁾	44.0	43.7	42.6	37.8	36.8	40.0
<i>Of which</i>						
Interest rate risk ⁽⁹⁾	34.4	36.8	31.9	24.5	25.8	27.3
Equity position risk ⁽¹⁰⁾	3.3	3.0	3.6	3.5	4.5	5.2
Foreign exchange risk ⁽¹¹⁾	6.3	3.2	4.6	3.8	4.7	5.2
Return on Assets⁽¹²⁾.....	0.3	1.2	1.0	1.5	2.2	1.8
Return on Equity⁽¹³⁾.....	2.3	10.3	8.3	13.8	19.7	16.7

Notes:

(1) Data in this table is presented as of 1 September 2020.

(2) Risk-weighted assets are calculated by totalling the credit risks on a credit institution's assets. A credit institution's assets are divided into five groups on the basis of risk, and risk coefficients are set for each group. Since 1 February 2014, the risk coefficients are set in accordance with the Simplified Standardised Approach to credit risk within the framework of Basel III.

- (3) A problem loan is defined as a loan where non-performance or improper performance of a borrower's obligations causes depreciation of the loan with expected write-off of 51% to 100%. A bad loan is defined as a loan that cannot be repaid due to a borrower's inability or refusal to perform its obligations, resulting in full write-off of the loan.
- (4) Includes loans, bank guarantees and sureties granted by credit institutions to its owners (shareholders).
- (5) Not published since 1 November 2018.
- (6) Not published since 1 February 2020.
- (7) Liquid assets are those financial assets that banks can receive, sell and/or claim within 30 calendar days for the purpose of receiving cash funds during the specified period.
- (8) Market risk is defined as the risk of financial loss resulting from changes in (i) current (fair) value of financial instruments, (ii) exchange rates and (iii) the price of precious metals. Financial instruments include (i) equity and debt instruments acquired by credit institutions and held for trading or otherwise available for sale, (ii) financial instruments denominated in foreign currencies or in roubles if their value is tied to movements in exchange rates and (iii) derivative instruments, such as interest rate and foreign exchange swaps.
- (9) The market risk on financial instruments sensitive to changes in interest rates.
- (10) The market risk on financial instruments sensitive to changes in the current (fair) value of equities.
- (11) The market risk on positions in foreign currencies and precious metals.
- (12) Calculated as the ratio of financial results (before tax) of credit institutions over the previous 12 months to the average amount of assets of credit institutions over the same period.
- (13) Calculated as the ratio of financial results (before tax) of credit institutions over the previous 12 months to the average amount of own funds (capital) of credit institutions over the same period.

Source: Bank of Russia.

To maintain fair competition in the banking sector during the issuance of consumer loans and to strengthen the legal basis for the protection of borrowers' rights, Federal Law No. 353-FZ "On Consumer Credit (Loan)" dated 21 December 2013 (the "**Federal Consumer Law**") was adopted. The Federal Consumer Law secures the rights of borrowers of consumer loans.

To reduce the costs of banks associated with managing credit risks and risks related to pledges of movable property, a register of notices of pledges over movable property was established on 1 July 2014, based on a unified notarial information system, which allows interested parties to access information about pledged moveable property. This register is accessible on the website of the Federal Notarial Chambers on a 24/7 basis.

To reduce the costs involved in bank's assessment of borrower credit quality, amendments were made to Russian laws on credit histories that considerably expand the contents of credit histories and the list of sources used in the establishment of credit histories. The contents of credit histories will be further expended starting from 2022.

Measures have been taken to consolidate Russian statutory rules on bankruptcy, including bankruptcy of credit organisations, and to bring them in line with the generally accepted rules and principles of international law. The Bank of Russia, Limited liability company "Management company of the Fund of consolidation of the banking sector" (the "**Management Company**") acting on behalf of the Bank of Russia and the Deposit Insurance Agency have a vested right to carry out financial rehabilitation of banks on a permanent basis and to take measures to prevent a bank's bankruptcy by rendering financial assistance to a bank or persons who acquire its shares (participation interests in the charter capital) or financial units of the fund set up by the Management Company (the "**Fund**") to manage the shares (participation interests in the charter capital) of distressed banks, as well as by rendering financial assistance in the form of contribution to the bank's charter capital at the expense of the Bank of Russia, the Fund or the Deposit Insurance Agency. Such measures are intended to raise efficiency and to ensure further practical implementation of mechanisms of financial rehabilitation of credit

organisations, which mechanisms are currently one of the most important and efficient measures to prevent banks' bankruptcy in the Russian Federation. In addition, the consolidation and improvement of the statutory rules on bankruptcy of credit organisations was conducted with the aim to considerably increase the level of protection of the banking system and creditors of credit organisations, including depositors.

In August 2017 the Bank of Russia announced the implementation of certain measures aimed at improving the financial stability of a systemically important private bank Otkritiye. Such measures included recapitalising the bank and the Bank of Russia becoming a major investor in Otkritiye. This was the first instance when a bail-out was conducted by the Bank of Russia at the expense of the recently set up Fund. The Bank of Russia did not impose a moratorium on the satisfaction of the creditors' claims or conversion of the creditors' claims into equity (bail-in). On 11 December 2017 the Bank of Russia consolidated 99.9% shares of Otkritiye and elected the new board directors of the bank on 21 December 2017, resulting in resignation of the Fund as temporary administrator of Otkritiye. Otkritiye continues operations in the ordinary course. The Bank of Russia commenced the implementation of similar measures in relation to B&N Bank and Promsvyazbank (two other major private banks in Russia) in September 2017 and December 2017, respectively. The Bank of Russia ordered the Fund to resign as a temporary administrator of B&N Bank and Promsvyazbank on 23 March 2018 and on 6 September 2018, respectively. On 6 March 2018, the Bank of Russia announced that B&N Bank would be merged with Otkritiye, and on 1 January 2019 the merger was completed. Financial rehabilitation of Otkritiye was finalised in July 2019, and currently the Bank of Russia is considering selling its shares in Otkritiye by way of a public offering.

Pursuant to Federal Law No. 177-FZ "On the Insurance of Household Deposits in Banks of the Russian Federation" dated 23 December 2003, subject to certain exceptions, banks are required to make quarterly contributions of up to 0.15% of their deposits (calculated as the average of a respective bank's daily balances during the relevant quarter) to a mandatory deposit insurance fund, which is managed and controlled by the Deposit Insurance Agency. At the discretion of the Deposit Insurance Agency, this rate may be increased to 0.3% in the event the deposit insurance fund requires additional funding, but for not more than two quarters in an eighteen-month period. The mandatory deposit insurance fund insures the full repayment of deposits up to 1,400,000 roubles per individual per bank and starting from 1 October 2020, with respect to certain deposits of individuals - up to 10,000,000 roubles. Starting from 1 January 2019 and 1 October 2020, deposits of small-sized enterprises and certain non-profit organisations, respectively, are also subject to mandatory deposit insurance.

Banking Supervision and Regulation

Russian banks are subject to prudential regulations developed on the basis of best international practices intended to protect the interests of both depositors and creditors. The Bank of Russia is responsible for supervising and regulating operations of credit institutions in accordance with the Law on the Bank of Russia and implements policies aimed at increasing the stability of credit institutions and the financial system.

Russia is committed to implementing the requirements set out under Basel III. To this end, since April 2013, Russian banks have begun reporting own funds and capital adequacy ratios as prescribed by Basel III. Starting from 2014, the Bank of Russia has been introducing a series of Basel III capital adequacy requirements, which include more stringent requirements for monitoring and maintaining the quality and adequacy of bank capital. As part of the Basel III reforms, core tier 1 capital ratios and tier 1 capital ratios for credit institutions are set at 4.5%

and 6%, respectively. The 8% total capital ratio is retained as a minimum capital adequacy requirement. Capital adequacy limits under Basel II have also been adjusted; in particular, the ratio applicable to operational risk has changed from 10 to 12.5.

As of December 2015, risk-based capital regulations in Russia were assessed as compliant with the minimum Basel capital standards (for all components) under Regulatory Consistency Assessment Program.

In addition, for 2017, the Bank of Russia set a minimum liquidity coverage ratio of 80% for credit institutions deemed systemically important. Starting from 1 January 2018, such ratio was increased to 90% and was further increased to 100% starting from 1 January 2019. Since 2018, a net stable funding ratio was introduced for systemically important banks. Such ratio is set as 100%. Systemically important banks include, among others, Sberbank, VTB Bank, Gazprombank, Alfa Bank; as of 1 October 2020, such banks accounted for more than 70% of the Russian banking sector's assets. In line with Basel III, the Bank of Russia has also set a countercyclical capital buffer rate for Russian credit institutions at zero per cent of risk weighted assets. The Bank of Russia is constantly developing the mandatory ratios. New ratios are introduced from time to time and the existing ones are subject to possible revisions in the future.

As part of its efforts to bring the regulatory assessment of unsecured consumer lending risks in line with real risk exposures and to prevent the accumulation of excessive consumer lending risks in the banking system, the following steps have been taken by the Bank of Russia:

- a 100% provisioning requirement has been introduced in respect of unsecured consumer loans where such loans are more than 360 days overdue;
- stricter capital coverage requirements have been introduced for unsecured high-cost consumer loans provided after 1 July 2013;
- minimum loan loss provisions have been increased in respect of unsecured consumer loans provided after 1 April 2014;
- the Bank of Russia introduced a new scale of risk indices with respect to unsecured consumer loans provided after 1 March 2017 and increased them by 30-60% from 1 September 2018; and
- a new debt burden index of a debtor (calculated as the ratio of the monthly payments under the loans to earnings of the borrower) came into effect on 1 October 2019.

On 10 August 2020, the Bank of Russia announced the slight reduction of uplifts to risk ratios for unsecured consumer loans as part of support measures to credit institutions and individuals during COVID-19 pandemic. The reduced uplifts apply to loans provided after 1 September 2020. In addition, the Bank of Russia abolished uplifts to risk ratios for unsecured consumer loans issued before 31 August 2019.

The Bank of Russia regularly monitors credit institutions' compliance with mandatory ratios. Where regulatory requirements are breached by credit institutions, the Bank of Russia may sanction or fine noncompliant credit institutions in accordance with the Law on the Bank of Russia.

The National Payment System Law

Federal Law No. 161-FZ "On the National Payment System" dated 27 June 2011, as amended (the "**National Payment System Law**"), generally came into force on 29 September 2011. The National Payment System Law provides for legal and organisational principles of the national payment system, establishes the procedure for rendering of payment services, including transfers of monetary funds, use of electronic means of payment, as well as sets forth requirements for organisation and operation of payment systems and the procedure for monitoring and supervision over the national payment system. The National Payment System Law provides that only credit organisations may carry out transfers of electronic monetary funds. Credit organisations may enter into agreements with other organisations, under which the latter may render to the credit organisations operational and clearing services for the transfer of electronic monetary funds. Under the National Payment System Law, the Bank of Russia is vested with additional functions of monitoring and supervision over the national payment system.

In response to Visa and Master Card terminating service of the cards of certain Russian banks, there have been a number of amendments to the National Payment System Law aimed at ensuring stability, effectiveness and availability of the transfer of funds services. In particular, the national system of the payment cards (the "**NSPC**") has been introduced. The main objectives of NSPC are creation of an operational and clearing centre for processing domestic operations with the use of the cards of the international payment systems as well as issue and promotion of the national payment card "Mir". Pursuant the amendments to the National Payment System Law credit organisations have to ensure from 1 July 2017 that the national payment instruments such as bank card "Mir" are accepted in the technical devices of the credit organisations, including ATM machines (as well as in the devices of the entities with which such credit organisations have agreements on payment settlement of transactions with the use of bank cards). From 1 July 2018 credit organisations have to transfer certain payments financed from the budgetary funds (including wages of public sector workers and military servicemen and educational allowances of students) to national payment cards only and also have to issue only national payment instruments for the purpose of making such payments.

In addition to implementation and development of the NSPC, another set of amendments to the National Payment System Law introduced a restriction on any transfer of funds without opening a bank account from the Russian Federation to the countries that imposed restrictions on the payment systems whose operators are registered by the Bank of Russia (except where the relevant operator of the payment system or operator of services of payment infrastructure is directly or indirectly controlled by a Russian legal entity).

Foreign Exchange Regulations

The Russian Federation has adopted Article 8 of the IMF's Articles of Agreement with respect to current account convertibility and has met all obligations imposed thereunder.

The regulation of currency operations in the Russian Federation is governed by Federal Law No. 173-FZ "On currency regulation and control" dated 10 December 2003, as amended (the "**Currency Law**"), which envisages full convertibility of the rouble, subject to certain exceptions. For example, under the law, several restrictions may still be imposed to prevent a significant reduction in the Russian Federation's gold or foreign currency reserves or severe fluctuations in the currency and to support the stability of the Russian Federation's balance of payments. As another example, subject to certain exceptions, Russian residents are required to

repatriate their export-related earnings, and currency operations with "external securities" or in currencies other than the rouble between Russian residents are generally prohibited.

The Currency Law allows residents and non-residents to conduct currency operations between one another without limitation and open bank accounts in the Russian Federation and provides that all contradictions and ambiguities in the Currency Law or in any currency regulation are to be resolved in favour of residents and non-residents conducting currency operations. Currently, Russian residents (who are not Russian state officials, their spouses or their children under 18) may open accounts without limitation in banks located outside the Russian Federation, subject only to post-notification of the Russian tax authorities. Exporters are not required to convert any portion of their foreign currency revenues into roubles.

In the last few years, the Russian government liberalised, to a certain extent, the foreign exchange regulations. For instance, starting from 2020, Russia broadened the permission for crediting individual and corporate accounts of Russian currency residents with foreign banks located in EEU members and jurisdictions exchanging information under the OECD's Common Reporting Standard with retroactive effect. Furthermore, starting from 1 January 2020, the repatriation requirement is not applied to export of non-energy goods under foreign trade contracts denominated in Russian currency (with certain exemptions) and will be gradually abolished for export of energy goods (it will be finally ceased on 1 January 2024).

Foreign Exchange Market

The largest share of the Russian Federation's foreign exchange trading has historically occurred on the over-the-counter interbank currency market, with other trading conducted on the Moscow Interbank Currency Exchange ("**MICEX**") and St. Petersburg Currency Exchange. In December 2011, MICEX merged with the Russian Trading System ("**RTS**") to create MICEX RTS, now called the "**Moscow Exchange**". The largest shareholder of the Moscow Exchange is the Bank of Russia; commercial banks are also significant shareholders. Only Russian credit institutions, certain Russian entities, state corporations, certain non-resident banks, international organisations, the Bank of Russia, certain federal agencies and clearing organisations (in each case, subject to criteria specified in the admission rules of the Moscow Exchange) may trade on the FX Market section of the Moscow Exchange. The Bank of Russia buys and sells currencies through the Moscow Exchange to implement its exchange rate policy.

According to the Moscow Exchange, the major currency traded on the Moscow Exchange is the dollar, accounting for approximately 83.8% of total turnover (excluding currency swap and forward operations) in August 2020; the other major currency traded on the Moscow Exchange is the euro, with approximately 15.7% of total turnover in August 2020.

Capital Markets

Government Securities

The Russian domestic market for rouble-denominated government securities comprises federal government rouble-denominated bonds and rouble-denominated bonds of sub-federal entities. The federal government rouble-denominated securities consist of medium-term and long-term bonds ("**OFZs**"), state savings bonds ("**GSOs**") and federal government domestic bonds placed in the international capital markets ("**OVOZs**"). OFZs are initially issued on the securities market of the Moscow Exchange or via closed subscription. See "*—Foreign Exchange Market*" above. Secondary trading of OFZs takes place on the Moscow Exchange and may also take

place on other exchanges. OFZs are issued in certified form with centralised record keeping and are held in book-entry form. As of 1 October 2020, domestic public debt of the Russian Federation in the form of state securities was approximately 11,657.1 billion roubles (U.S.\$148.0 billion, based on the 1 October 2020 exchange rate), including 11,294.8 billion roubles (U.S.\$143.4 billion) of OFZs and 362.3 billion roubles (U.S.\$4.6 billion) of GSOs. For a detailed description of the various government domestic debt instruments, see "*Public Debt and Related Matters—Domestic Public Debt—Government Domestic Public Debt Service*".

The market for federal government securities (OFZs and rouble-denominated, sovereign Eurobonds) has been increasingly liberalised. As a result of amendments to the Russian securities legislation in 2011 and 2012, OFZs are now cleared and settled centrally through a non-banking credit organisation joint stock company, NSD, in its capacity as the Central Depository (as defined below). OFZs and rouble-denominated, sovereign Eurobonds are also eligible for clearing and settlement through international clearing systems, including, since February 2013, the principal European clearing systems. For more information on developments in the Russian securities legislation, see "*—Regulation of the Capital Markets*" below.

Sub-federal entities may also issue rouble-denominated bonds. As of 1 October 2020, there were 126 outstanding rouble-denominated bond issuances by 48 constituent entities of the Russian Federation and municipalities, with an aggregate principal amount of 683.2 billion roubles (U.S.\$ 8.7 billion, based on the 1 October 2020 exchange rate). Of this aggregate principal amount, 662.7 billion roubles (U.S.\$ 8.4 billion) were issued by constituent entities of the Russian Federation, including 30 billion roubles (U.S.\$ 0.4 billion) by the city of Moscow, and 20.5 billion roubles (U.S.\$ 0.3 billion) were issued by municipal entities.

Corporate Securities

The Russian stock market was originally based on RTS, an electronic over-the-counter trading system, which was introduced in 1995 and managed by the National Association of Stock Market Participants, a self-regulatory body responsible for the development of rules for trading on the RTS. There are currently six licensed stock exchanges in the Russian Federation, including the Moscow Exchange (MOEX), formed by the merger of RTS and MICEX in December 2011. Historically, MICEX was the largest Russian exchange for equity and debt trading, and RTS traded predominantly futures and other derivative products. In 2019, the average daily stock turnover of secondary trading of corporate securities (shares and corporate bonds) on MOEX was U.S.\$0.95 billion (at the average exchange rate for the period of 64.73 roubles per U.S. dollar). In January-September 2020, the average daily stock turnover of secondary trading of corporate securities (shares and corporate bonds) on MOEX was U.S.\$1.5 billion (at the average exchange rate for the period of 70.57 roubles per U.S. dollar). As of 1 October 2020, the MOEX Russia Index was 2,906 (representing a decrease of 4.6% from 1 January 2020), and the RTS Index was 1,179 (representing a decrease of 23.9% from 1 January 2020). In 2019, secondary trading volumes of shares on the Moscow Exchange (excluding repo transactions) amounted to 12.1 trillion roubles (an increase of 11.7% from 2018). Secondary trading of corporate bonds on the Moscow Exchange (excluding repo transactions) increased by 9.4% in 2019 as compared to 2018. In January-September 2020, secondary trading volumes of shares on the Moscow Exchange (excluding repo transactions) amounted to 17.2 trillion roubles (an increase of 103.7% as compared to the same period of 2019). Secondary trading of corporate bonds on the Moscow Exchange (excluding repo transactions) increased by 8.0% in January-September 2020 as compared to the same period of 2019.

The total market capitalisation of companies listed on the Main Market sector of the Moscow Exchange as of 1 October 2020 was U.S.\$565 billion, compared to U.S.\$786 billion, U.S.\$572 billion, U.S.\$623 billion, U.S.\$622 billion and U.S.\$394 billion as of 1 January 2020, 2019, 2018, 2017 and 2016, respectively.

The Russian corporate bond market has been a fast-growing segment of the Russian financial markets. According to Cbonds, the outstanding volume of corporate bonds increased to 14,608 billion roubles (U.S.\$185.4 billion) as of 1 October 2020 from 13,617 billion roubles (U.S.\$220.0 billion) as of 1 January 2020 and from 11,938 billion roubles (U.S.\$171.8 billion) as of 1 January 2019.

Regulation of the Capital Markets

The Bank of Russia has primary responsibility for regulating the Russian securities market, having assumed since September 2013 the functions previously conducted by the FSFM. Its functions include registration of securities issues, ensuring the disclosure of information on securities markets and control and supervision of securities issuers and professional securities market participants. The Bank of Russia also oversees Government-issued securities transactions (as an instrument of monetary policy), foreign investment (as a matter of currency exchange control) and securities offerings by banks (as the primary regulator of banks).

On 7 December 2011, the Russian President signed Federal Law No. 414-FZ "On the Central Depository" (the "**Central Depository Law**") and Federal Law No. 415-FZ "On amendments to various legislative acts of the Russian Federation in connection with the adoption of the Federal Law "On the Central Depository" (together with the Central Depository Law, the "**Central Depository Laws**"). The Central Depository Laws introduced the concept of a central securities depository (the "**Central Depository**"), and on 6 November 2012 NSD obtained the status of the Central Depository. With effect from 1 July 2012, the Central Depository Laws introduced the possibility for foreign institutions acting in the interests of third parties to hold securities for such third parties without themselves being recognised as the owners of the securities. In particular, a foreign institution acting as a nominee holder in the interest of third parties (a so-called foreign nominee) which is incorporated in an eligible country (as set forth in Federal Law No. 39-FZ "On the Securities Market") and is, under the laws of such country, authorised to record rights and effect transfers of rights to any securities (i.e., foreign custodians, foreign central depositories or foreign clearing systems) is able to open a foreign nominee depository account with a Russian custodian (including the Central Depository).

Anti-Money Laundering Legislation

The Russian Federation is a member of the Financial Action Task Force ("**FATF**"). The basic Russian anti-money laundering law is Federal Law No. 115-FZ "On Combating Legalisation (Laundering) of Criminally Gained Income and Financing of Terrorism" dated 7 August 2001, as amended (the "**Anti-Money Laundering Law**"). The Anti-Money Laundering Law follows the FATF Forty Recommendations and the FATF Special Recommendations on Terrorist Financing and provides for measures to combat money laundering in the Russian Federation to be implemented by individuals and organisations, including credit institutions, securities traders, microlenders and some other organisations involved in transactions with money and certain property. Pursuant to the Anti-Money Laundering Law, among others, Russian credit institutions are obligated to, inter alia: (1) establish and maintain systems of internal control ensuring that they and their clients are in compliance with Russian anti-money laundering legislation; (2) collect and update certain information about their clients and their clients'

representatives and/or beneficiaries; (3) control certain client transactions; (4) report certain client transactions to the relevant Russian authorities; and (5) impose measures for freezing (blocking) money or other certain property of companies and individuals engaging in extremist or terrorist activity. The Federal Service for Financial Monitoring is the main governmental authority acting as a financial intelligence unit, and, together with the Bank of Russia, exercises control over credit institutions' compliance with the Anti-Money Laundering Law. Russian credit institutions are obligated to report through the Bank of Russia to the Federal Services for Financial Monitoring with respect to the types of transactions mentioned above. Failure of a licenced organisation involved in transactions with money and certain property or its officers to comply with the requirements of the Anti-Money Laundering Law may result in the revocation of such licence to operate and criminal penalties for individuals.

Insurance

The Ministry of Finance develops government policy and the regulatory framework for the insurance industry. The Bank of Russia oversees compliance with the insurance laws and also issues regulations governing the activities of insurance, reinsurance and mutual insurance companies, insurance agents and brokers. The Federal Antimonopoly Service of the Russian Federation oversees compliance of the insurance industry with Russian antitrust legislation. The Federal Service for the Oversight of Consumer Protection and Welfare of the Russian Federation develops government policy and the regulatory framework for consumer protection. All Russian insurers must be members of the self-regulating organisation.

Both compulsory and voluntary forms of insurance are available in the Russian Federation. Russian legislation provides for the following main forms of mandatory insurance:

- (i) mandatory civil liability insurance for owners of vehicles;
- (ii) mandatory civil liability insurance for people carriers in case of injury or damage to passengers' property;
- (iii) mandatory civil liability insurance for owners of hazardous facilities in case of injury as a result of an accident at the facility;
- (iv) mandatory health insurance (arranged through the special state fund acting as the insurer and insurance companies).

Foreign investors involved in the insurance sector are subject to various restrictions, including the following:

- (i) they may not act as foreign insurance brokers in the territory of the Russian Federation (with the exception of intermediary activities as re-insurance brokers and instances provided for by Russian legislation);
- (ii) foreign participation in the aggregate capital of Russian insurance companies may not exceed 50%;
- (iii) those insurers who are subsidiaries of foreign investors (parent companies) or who have more than 49% foreign participation in their authorised capital may not provide life, health and property insurance services using the funds allocated for such purposes from the respective budget to federal executive bodies as policyholders, insurance services

for the purposes of state procurement, or insurance of ownership interests of state and municipal organisations.

The Russian Federation committed to allow foreign insurance companies to open branches providing services of life and non-life insurance, reinsurance and mutual insurance by the ninth anniversary of its accession to the WTO (21 August 2021).

As of 29 October 2020, there were 176 insurers and 60 insurance brokers listed at the state registry of the insurance entities (a 6.9% and a 9.1% decrease, respectively, as compared to 31 December 2019). Although the total number of insurance entities decreased, the gross premium written ("**GPW**", not including premiums generated by mandatory health insurance), according to the Bank of Russia, in the first half of 2020 remained the same as in the first half of 2019 and amounted to 739 billion roubles (just a 0.03% decrease as compared to the first half of 2019) with the share of voluntary insurance of 83%, or 617 billion roubles. Obligatory insurance premiums for the same period comprised 17% of the GPW, or 123 billion roubles. In the first half of 2020, the number of insurance policies issued decreased by 21.5% as compared to the first half of 2019 and constituted 77.9 million policies. The gross claims paid under all types of insurance in the first half of 2020 amounted to 297 billion roubles with the share of voluntary insurance of 222 billion roubles, or 75% of the gross claims, and obligatory insurance of 75 billion roubles or 25% of the gross claims.

PUBLIC DEBT AND RELATED MATTERS

Overview

As of 30 September 2020, the Russian Federation's total public debt, consisting of domestic public debt and external public debt of the Russian Federation (each as defined below), was U.S.\$206.0 billion as compared to U.S.\$219.2 billion (12.3% of GDP), U.S.\$181.2 billion (12.0% of GDP), U.S.\$200.7 billion (12.6% of GDP), U.S.\$183.2 billion (13.0% of GDP) and U.S.\$150.3 billion (13.2 % of GDP) as of 31 December 2019, 2018, 2017, 2016 and 2015, respectively, in each case in nominal terms.

The Russian Federation's domestic public debt, consisting of rouble-denominated debt of the federal government and guarantees issued by the federal government, equalled 8.8% of GDP in 2015, 9.3% of GDP in 2016, 9.5% of GDP in 2017, 8.8% of GDP in 2018 and 9.2% of GDP in 2019, respectively. External public debt, consisting of foreign-currency debt of the federal government and guarantees issued by the federal government (excluding undisbursed commitments and public or private sector borrowings not guaranteed by the federal government), equalled 4.4% of GDP in 2015, 3.6% of GDP in 2016, 3.1% of GDP in 2017, 3.3% of GDP in 2018 and 3.1% of GDP in 2019, respectively. The Russian government expects that the relative share of domestic public debt in the overall public debt profile will gradually increase over the next three years and that domestic debt capital markets will continue to provide a key source of capital in the medium term.

Total external debt (defined by the Bank of Russia as public sector and private sector rouble- and foreign currency-denominated debt held by non-residents) amounted to approximately U.S.\$518.5 billion (45.5% of GDP) as of 31 December 2015, U.S.\$511.8 billion (36.3% of GDP) as of 31 December 2016, U.S.\$518.4 billion (32.5% of GDP) as of 31 December 2017, U.S.\$455.1 billion (30.2% of GDP) as of 31 December 2018 and U.S.\$491.4 billion (27.6% of GDP) as of 31 December 2019. Approximately 51.7%, 49.3%, 49.0%, 45.7% and 45.9% of the amounts as of 31 December 2015, 2016, 2017, 2018 and 2019, respectively, were attributable to public sector obligations (including obligations of federal and regional governments, the Bank of Russia and companies majority owned or otherwise controlled by the federal or regional governments or the Bank of Russia).

The Ministry of Finance continues to pursue the following key objectives in relation to the government's public debt policy: (i) maintaining a low debt burden as a crucial competitive advantage for the Russian Federation; (ii) continuing the development of the domestic capital market into a stable source for funding budgetary needs; (iii) diversifying the range of debt instruments offered while ensuring an optimal balance between yield and duration; (iv) maintaining a pro-active approach to debt management to promote benchmark issues and build a liquid yield curve to facilitate corporate issuance, including liability management operations; (v) supporting the development of OFZ derivatives; (vi) monitoring corporate external borrowings; and (vii) improving mechanisms for providing state guarantees as support. The Russian government is also considering OFZ issuances in other currencies as well as studying options for increasing retail investor holdings of the Russian government securities.

The continued development of the domestic debt market remains a key priority of the Russian government. The Russian government believes that demand for OFZs is sustained by (i) demand from local banks that continue to act as anchor investors in the OFZ market, which they use for refinancing operations with the Bank of Russia; (ii) pension savings under management of the State Trust Management Company, management companies (private trust

companies) and non-state pension funds invested in OFZs; and (iii) continuing demand from foreign investors (the share of non-resident investors in OFZs as of 1 October 2020 was 26.8%).

The Russian government has implemented several measures to develop the domestic debt market, including: (i) the introduction of centralised registration of securities in the Russian Federation through the Central Depository; (ii) the opening up of OFZs to over-the-counter trading, without the participation of trading systems and brokers, designed to simplify investor access and reduce transaction costs; (iii) the establishment of direct access to the Russian federal government securities market for foreign investors, through accounts with international depositories and international clearing organisations which may open foreign nominee accounts with the Central Depository; (iv) the introduction of floating rate and inflation-linked OFZs, to reduce price volatility and decrease borrowing costs; (v) introduction of T+1 settlement to support trading of OFZ futures and other derivatives; and (vi) the successful exchange of illiquid OFZ into benchmark ones.

Although the Russian government is focused on continuing to develop domestic debt capital markets as a source of funding, it has maintained a significant presence in international capital markets, including the issuance of (i) in 2016: a U.S.\$1.75 billion Eurobond due in 2026 ("**2026 Maturity Bonds**"), a U.S.\$1.25 billion tap of 2026 Maturity Bonds; (ii) in 2017: a U.S.\$1 billion Eurobond due in 2027 ("**2027 Maturity Bonds**"), a U.S.\$2 billion Eurobond due in 2047 ("2047 Maturity Bonds"), a U.S.\$1.4 billion tap of 2027 Maturity Bonds and a U.S.\$2.5 billion tap of 2047 Maturity Bonds as part of a liability management transaction; (iii) in 2018: a U.S.\$1.5 billion Eurobond due in 2029 ("**2029 Maturity Bonds**") and a U.S.\$2.5 billion tap of 2047 Maturity Bonds as part of a liability management transaction, and a EUR 1.0 billion Eurobond due in 2025 ("2025 Maturity Bonds"); (iv) in 2019: a U.S.\$3.0 billion Eurobond due in 2035 ("**2035 Maturity Bonds**") and a EUR 0.75 billion tap of 2025 Maturity Bonds, and a subsequent U.S.\$1.5 billion tap of the 2029 Maturity Bonds and U.S.\$1.0 billion tap of the 2035 Maturity Bonds. The 2020 Budget Law envisions gross external capital market borrowings of up to U.S.\$3.0 billion equivalent in 2020. In accordance with the Budget Code and the Resolution of the Government of the Russian Federation dated 24 December 2019 No. 1803 relating to execution of the 2020 Budget Law, the Ministry of Finance has the right to increase this external borrowing limit subject to a commensurate reduction in the domestic market borrowing limit to ensure the total federal debt issuance levels remain unchanged. In addition, in 2020 the Ministry of Finance has more flexibility in borrowing execution. In particular, Federal Law dated 19 November 2019 No. 367-FZ and Resolution of the Government of the Russian Federation dated 22 September 2020 No. 2424 envisage the right of the Ministry of Finance to exceed both internal and external borrowing limits and applicable maximum debt levels in order to substitute other sources of budget deficit financing. As part of its borrowing strategy going forward, the Russian government intends to maintain its presence in international capital markets and continue to develop a benchmark yield curve.

The Russian government believes that the provision of state guarantees will continue to play a role in its overall debt policy and intends to improve the management of state guarantees as a means of support, focusing on appropriate sharing of risks between the state and parties to a transaction or project supported by a state guarantee. In 2019, one rouble-denominated state guarantee and no external state guarantees were granted. As at 30 September 2020, total outstanding obligations on domestic guarantees amounted to 745.2 billion roubles as compared to 840.5 billion roubles, 1,426.9 billion roubles and 1,442.5 billion roubles as at 31 December 2019, 2018 and 2017, respectively, and total outstanding obligations on external guarantees amounted to U.S.\$13.8 billion as compared to U.S.\$13.3 billion, U.S.\$11.6 billion and

U.S.\$10.4 billion as at 31 December 2019, 2018 and 2017, respectively. No state guarantees were required to be paid out in 2019. In the first nine months of 2020, three state guarantees were granted in the total amount of 290.0 billion roubles.

According to the amended 2020 Budget Law, the maximum total government debt of the Russian Federation shall not exceed 15.1%, 15.8% and 16.5% of GDP in 2020, 2021 and 2022, respectively; the maximum gross domestic borrowing shall not exceed 2.32 trillion roubles, 2.54 trillion roubles and 2.89 trillion roubles in 2020, 2021 and 2022, respectively; and the maximum gross external borrowing shall not exceed U.S.\$3.15 billion, U.S.\$3.28 billion and U.S.\$3.26 billion in 2020, 2021 and 2022, respectively.

According to IMF Fiscal Monitor dated October 2020, Russia is expected to have the lowest debt to GDP ratio (19%) among other G20 countries as of the end of 2020.

External Public Debt

As of 30 September 2020, the Russian Federation's total external public debt (including guarantees) amounted to approximately U.S.\$50.4 billion as compared to U.S.\$54.8 billion, U.S.\$49.2 billion, U.S.\$49.8 billion, U.S.\$51.2 billion and U.S.\$50.0 billion as of 31 December 2019, 2018, 2017, 2016 and 2015, respectively. These figures exclude rouble-denominated Eurobonds, or OVOZs, which are counted as domestic public debt rather than external public debt and matured in 2018. As a share of GDP, external public debt amounted to 4.4% of GDP in 2015, 3.6% of GDP in 2016, 3.1% of GDP in 2017, 3.3% of GDP in 2018 and 3.1% of GDP in 2019. External public debt comprised approximately 33.3%, 28.0%, 24.8%, 27.1% and 25.0% of total public debt as of 31 December 2015, 2016, 2017, 2018 and 2019, respectively and 24.4% of total public debt as of 30 September 2020.

The following table sets forth information with respect to the Russian Federation's external public debt as of the indicated dates:

External Public Debt Stock of the Russian Federation by Creditor

	As of					
	31 December					30 September
	2015	2016	2017	2018	2019	2020
	(U.S.\$ billion)					
Total external public debt (excluding state guarantees).....	38.1	39.5	39.5	37.6	41.6	36.6
Multilateral creditors.....	1.0	0.8	0.7	0.5	0.5	0.5
World Bank.....	0.7	0.6	0.6	0.4	0.3	0.3
Other.....	0.2	0.2	0.1	0.1	0.2	0.2
Eurobonds.....	35.9	37.6	38.2	36.6	40.7	35.7
2017 3.25% Eurobond.....	2.0	2.0	—	—	—	—
2018 11% Eurobond.....	3.5	3.5	3.5	—	—	—
2019 3.5% Eurobond.....	1.5	1.5	1.5	1.5	—	—
2020 5% Eurobond.....	3.5	3.5	3.5	3.5	3.5	—
2020 3.625% Eurobond.....	0.8	0.8	0.9	0.9	0.8	—
2022 4.50% Eurobond.....	2.0	2.0	2.0	2.0	2.0	2.0
2023 4.875% Eurobond.....	3.0	3.0	3.0	3.0	3.0	3.0
2025 2.875% Eurobond.....	—	—	—	1.1	2.0	2.0

	As of					
	31 December					30 September
	2015	2016	2017	2018	2019	2020
	(U.S.\$ billion)					
2026 4.75% Eurobond	—	3.0	3.0	3.0	3.0	3.0
2027 4.25% Eurobond	—	—	2.4	2.4	2.4	2.4
2028 12.75% Eurobond.....	2.5	2.5	2.5	2.5	2.5	2.5
2029 4.375% Eurobond.....	—	—	—	1.5	3.0	3.0
2030 7.5% Eurobond	12.6	11.4	6.9	3.7	3.0	2.3
2035 5.1% Eurobond	—	—	—	—	4.0	4.0
2042 5.625% Eurobond.....	3.0	3.0	3.0	3.0	3.0	3.0
2043 5.875% Eurobond.....	1.5	1.5	1.5	1.5	1.5	1.5
2047 5.25% Eurobond	—	—	4.5	7.0	7.0	7.0
Official creditors.....	1.2	1.0	0.6	0.5	0.4	0.4
State guarantees.....	11.9	11.7	10.4	11.6	13.3	13.8
Total external public debt (including state guarantees).....	50.0	51.2	49.8	49.2	54.8	50.4

Sources: Ministry of Finance; VEB.RF.

External Debt Restructuring

Beginning in the early 1990s the Russian Federation undertook a series of debt reschedulings as part of the transition from the Soviet period. Further restructurings occurred after the financial crisis of 1998. While much of the rescheduled debt has since been repaid, certain instruments remain outstanding. For this reason, the key features of the reschedulings are described below.

Paris Club

In January 1992, the Russian government concluded an initial annual rescheduling agreement with the Paris Club of official creditors, followed by further reschedulings in 1993, 1994, 1995, 1996 and 1999.

In May 2005, the Russian government reached an agreement with the Paris Club under which approximately U.S.\$15 billion of the debt rescheduled under the 1996 and 1999 rescheduling agreements was prepaid at face value. All of the Russian Federation's remaining Paris Club debt, in the approximate amount of U.S.\$21.6 billion, was prepaid in August 2006.

London Club

A comprehensive restructuring agreement in respect of Soviet-era debt owed to Vnesheconombank's London Club ("**London Club**") commercial bank and other financial creditors was closed in December 1997. Under the terms of this agreement, the entire stock of outstanding principal owed to London Club creditors, amounting to approximately U.S.\$22.2 billion, was restructured as interests in restructured loans maturing in 2002 to 2020 ("**PRINs**"), and interest payment obligations (net of a cash down-payment) were restructured into U.S.\$6.7 billion principal amount of U.S.\$ floating rate interest notes due 2002 to 2015 ("**IANs**").

In 2000, the Russian Federation agreed on the financial and legal terms of a further restructuring with London Club creditors, pursuant to which Vnesheconombank's (currently VEB.RF) obligations were to be exchanged for Russian sovereign Eurobonds maturing in 2010 and 2030, as well as a substantial write-off of the aggregate principal amount. In August 2000, U.S.\$18.2 billion of 2030 Bonds and U.S.\$2.8 billion of 2010 Bonds were issued for the purpose of exchange for PRINs and IANs.

In 2009, holders of PRINs and IANs who had not participated in the previous exchanges were offered the opportunity to settle the remaining obligations under these PRINs and IANs. Completion of these settlements in December 2009 finalised the process of settlement of debt owed to London Club creditors.

On 24 October 2012, the Russian government adopted a resolution to write off external public debt relating to holders of London Club indebtedness who had not called for payment or agreed to the terms of settlement of the relevant obligations.

FTO Debt

In November 2002, the Russian Federation offered to exchange 2030 Bonds and 2010 Bonds for eligible uninsured trade debt of the former Soviet Union for which the Russian Federation agreed to be responsible (the "**FTO claims**") on terms broadly comparable to the terms previously offered to PRIN and IAN holders. Three exchange offers were completed: in December 2002, November 2006 and December 2009. In December 2012, further claims were exchanged for cash.

As a result of these exchanges, a total of 12.7 thousand claims of foreign commercial creditors from 24 different countries, representing a total of U.S.\$2.8 billion, have been settled, and, accordingly, all eligible claims of foreign commercial creditors on Soviet era debt have been satisfied.

Other Former Soviet Union Debt

Following the dissolution of the former Soviet Union, the Russian Federation assumed responsibility for Soviet-era debts owed to the former member countries of the Council for Mutual Economic Assistance ("**CMEA**"). These debts relate to the CMEA trade settlement systems that were in place between CMEA member countries. Most of these debts were incurred as a result of an imbalance in the settlements in favour of the creditor country at the time of the dissolution of the CMEA and the Soviet Union. A substantial portion of this debt was repaid in the form of goods and services, with the balance was repaid in cash. The Russian government has also concluded negotiations with a number of non-Paris Club official creditors under which repayment is partly in the form of goods and services.

In 1993, the Russian government issued dollar denominated Internal Government Hard Currency Bonds ("**OVVZs**", known as Taiga bonds or MinFins) to compensate Russian legal entities whose funds had been frozen in 1991 in foreign currency accounts at Vnesheconombank. MinFins were issued in a total of seven series, with maturities ranging between one and 15 years; the last MinFin Series VII was repaid in 2011.

On 11 May 1999, the Ministry of Finance requested the holders of U.S.\$1.3 billion aggregate principal amount of Series III MinFins maturing on 14 May 1999 not to present their bonds for redemption, pending the development of a restructuring proposal. Following consultations with

representative investor groups, the Russian government made a proposal in November 1999 to exchange all Series III MinFins for either new dollar denominated government bonds or rouble denominated OFZs. Between 2000 and 2005, the Ministry of Finance received applications for the exchange of substantially all of the outstanding Series III MinFins, of which approximately 72% were exchanged for dollar instruments and the remaining 28% were exchanged for OFZs. Additional claims in respect of Series III MinFins amounting to U.S.\$1.4 million were settled by the Ministry of Finance between 2007 and 2009. In January 2010, the Ministry of Finance announced the expiry of the deadline to submit further Series III MinFins for settlement.

External Borrowings

Since the dissolution of the Soviet Union, the Ministry of Finance has borrowed externally on behalf of the Russian Federation in respect of certain multilateral facilities, through bond issues and through certain medium and short-term financings. All other previous external borrowings of the Russian Federation were implemented through Vnesheconombank, Vneshtorgbank (the Russian Federation's foreign trade bank), or Roseximbank (the Russian Federation's export-import bank), which were all authorised on a case-by-case basis to borrow externally under the guarantee of the Russian Federation and are responsible for recording and monitoring these borrowings. The Russian Federation's guarantees with respect to these borrowings are included in the external public debt statistics of the Russian Federation.

The provision of state guarantees is strictly regulated by the budget law of the Russian Federation. State guarantees are provided solely on the basis of the Budget Code and federal budget laws, together with their implementing resolutions, for a particular year and particular target period, and also Government resolutions.

The Russian Federation has fully serviced all of the external debt due on borrowings contracted by the federal government since 1 January 1992.

External Public Debt Service Projection

The following table sets forth a projection of the Russian Federation's contractual external public debt service by type of creditor from the fourth quarter of 2020 through 2027, including principal and interest payable on all external public debt outstanding as of 30 September 2020, on the basis of the exchange rates and interest rates prevailing as of that date.

This table does not reflect the external public debt service on the Bonds offered hereby.

External Debt Service Projections by Type of Creditor⁽¹⁾

	<u>2020⁽²⁾</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
	(U.S.\$ billion)							
Principal⁽³⁾	0.09	0.68	2.66	3.45	0.46	2.23	3.12	2.52
Multilateral creditors	0.05	0.08	0.06	0.03	0.03	0.03	0.03	0.03
Bonds	0.00	0.53	2.53	3.35	0.35	2.13	3.09	2.49
Official creditors	0.03	0.07	0.07	0.07	0.07	0.07	—	—
Interest	0.66	1.99	1.90	1.82	1.64	1.62	1.48	1.35
Multilateral creditors	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Bonds	0.65	1.98	1.89	1.81	1.64	1.62	1.48	1.35
Official creditors	<u>0.00</u>	<u>0.01</u>	<u>0.01</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>—</u>	<u>—</u>

	<u>2020⁽²⁾</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
	(U.S.\$ billion)							
Total.....	<u>0.75</u>	<u>2.67</u>	<u>4.56</u>	<u>5.27</u>	<u>2.10</u>	<u>3.85</u>	<u>4.60</u>	<u>3.87</u>

Note:

- (1) External public debt service projections are made on the basis of the amount of the government's external public debt as of 30 September 2020 and account for the external public debt maturing after 2027.
- (2) Debt service due in the fourth quarter of 2020.
- (3) By nominal value.

Sources: Ministry of Finance; VEB.RF.

Domestic Public Debt

Domestic Public Debt of the Russian Federation⁽¹⁾

	As of 31 December					As of 30 September
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
	(billions of roubles)					
Total.....	<u>7,307.6</u>	<u>8,003.5</u>	<u>8,689.6</u>	<u>9,176.4</u>	<u>10,171.9</u>	<u>12,402.3</u>
<i>Domestic bonds.....</i>	<i>5,573.1</i>	<i>6,100.3</i>	<i>7,247.1</i>	<i>7,749.5</i>	<i>9,331.4</i>	<i>11,657.1</i>
OFZs.....	4,990.5	5,632.8	6,779.6	7,387.2	8,969.1	11,294.8
OFZs with fixed coupon	2,710.3	3,051.1	4,283.6	4,929.4	6,474.7	7,873.3
Amortising OFZs.....	791.2	680.1	539.8	416.9	345.0	315.5
OFZs with floating coupon	1,347.3	1,738.0	1,748.4	1,731.8	1,713.9	2,580.9
Inflation-linked OFZs.....	141.8	163.6	168.5	253.5	371.2	489.1
OFZ-ns	—	—	39.2	55.6	64.2	36.0
State savings bonds (GSO).....	492.6	377.6	377.6	362.3	362.3	362.3
OVOZ ⁽²⁾	90.0	90.0	90.0	—	—	—
<i>State guarantees.....</i>	<i>1,734.5</i>	<i>1,903.1</i>	<i>1,442.5</i>	<i>1,426.9</i>	<i>840.5</i>	<i>745.2</i>
<i>Other.....</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
	(% of total domestic public debt)					
Total.....	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100</u>	<u>100.0</u>	<u>100.0</u>
<i>Domestic bonds.....</i>	<i>76.3</i>	<i>76.2</i>	<i>83.4</i>	<i>84.5</i>	<i>91.7</i>	<i>94.0</i>
OFZs.....	68.3	70.4	78.0	80.5	88.2	91.1
OFZs with fixed coupon	37.1	38.1	49.3	53.7	63.7	63.5
Amortising OFZs.....	10.8	8.5	6.2	4.5	3.4	2.5
OFZs with floating coupon	18.4	21.7	20.1	18.9	16.8	20.8
Inflation-linked OFZs.....	1.9	2.0	1.9	2.8	3.6	3.9
OFZ-ns	—	—	0.5	0.6	0.6	0.3
State savings bonds (GSO).....	6.7	4.7	4.3	3.9	3.6	2.9
OVOZ ⁽²⁾	1.2	1.1	1.0	—	—	—
<i>State guarantees.....</i>	<i>23.7</i>	<i>23.8</i>	<i>16.6</i>	<i>15.5</i>	<i>8.3</i>	<i>6.0</i>
<i>Other.....</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
	(% of GDP)					
Total.....	<u>8.8</u>	<u>9.3</u>	<u>9.5</u>	<u>8.8</u>	<u>9.2</u>	<u>n/a</u>

	As of 31 December					As of 30 September
	2015	2016	2017	2018	2019	2020
	(billions of roubles)					
Domestic bonds	6.7	7.1	7.9	7.4	8.5	n/a
OFZs.....	6.0	6.6	7.4	7.1	8.2	n/a
OFZs with fixed coupon	3.3	3.6	4.7	4.7	5.9	n/a
Amortising OFZs.....	1.0	0.8	0.6	0.4	0.3	n/a
OFZs with floating coupon	1.6	2.0	1.9	1.7	1.6	n/a
Inflation-linked OFZs.....	0.2	0.2	0.2	0.2	0.3	n/a
OFZ-ns	—	—	0.0	0.1	0.1	n/a
State savings bonds (GSO)	0.6	0.4	0.4	0.3	0.3	n/a
OVOZ ⁽²⁾	0.1	0.1	0.1	—	—	—
State guarantees	2.1	2.2	1.6	1.4	0.8	n/a
Other	0.0	0.0	0.0	0.0	0.0	n/a
<i>Memo:</i>						
Exchange rate, rouble/U.S.\$, end of period.....	72.88	60.66	57.60	69.47	61.91	79.68
GDP (billions of roubles).....	83,087	85,616	91,843	104,603	110,046	n/a
Total domestic public debt (U.S.\$ billion)	100.3	131.9	150.9	132.1	164.3	155.7

Notes:

- (1) Does not include the domestic public debt of sub-federal and local governments unless such debt is supported by a federal guarantee.
- (2) Rouble-denominated Eurobonds placed in the international capital markets.

Sources: Ministry of Finance; Bank of Russia.

Domestic Public Debt

As of 30 September 2020, the Russian Federation's domestic public debt amounted to 12,402.3 billion roubles (U.S.\$155.7 billion) representing 75.6% of total public debt. As of 31 December 2019, the Russian Federation's domestic public debt amounted to 10,171.9 billion roubles (U.S.\$164.3 billion), or 9.2% of GDP, as compared to 9,176.4 billion roubles (U.S.\$132.1 billion), or 8.8% of GDP as of 31 December 2018, 8,689.6 billion roubles (U.S.\$150.9 billion), or 9.5% of GDP as of 31 December 2017, 8,003.5 billion roubles (U.S.\$131.9 billion), or 9.3% of GDP as of 31 December 2016 and 7,307.6 billion roubles (U.S.\$100.3 billion), or 8.8% of GDP as of 31 December 2015.

OFZs are rouble denominated obligations with liquid issues having a maturity of up to 30 years, and pay interest quarterly, semi-annually or annually. Initially issued in June 1995, OFZs as a share of the Russian Federation's domestic public debt equalled 68.3% (6.0% of GDP) as of 31 December 2015, 70.4% (6.6% of GDP) as of 31 December 2016, 78.0% (7.4% of GDP) as of 31 December 2017, 80.5% (7.1% of GDP) as of 31 December 2018, 88.2% (8.2% of GDP) as of 31 December 2019 and 91.1% as of 30 September 2020.

There are five types of OFZs in circulation: fixed coupon OFZs, amortising OFZs, floating-rate coupon OFZs, inflation-linked OFZs and retail OFZs for individuals ("**OFZ-ns**"). Fixed and floating-rate coupon OFZs have replaced amortising OFZs as the federal government's

main instrument of domestic borrowing. Fixed-coupon OFZs, which are currently issued with original maturities of up to 23 years, accounted for 37.1%, 38.1%, 49.3%, 53.7%, 63.7% and 63.5% of the Russian Federation's domestic public debt as of 31 December 2015, 2016, 2017, 2018, 2019 and 30 September 2020, respectively, and 3.3%, 3.6%, 4.7%, 4.7% and 5.9% of GDP in 2015, 2016, 2017, 2018 and 2019, respectively.

Floating-coupon OFZs have current maturities of up to 14 years, accounted for 18.4%, 21.7%, 20.1%, 18.9%, 16.8% and 20.8% of the Russian Federation's domestic public debt as of 31 December 2015, 2016, 2017, 2018, 2019 and 30 September 2020, respectively, and 1.6%, 2.0%, 1.9%, 1.7% and 1.6% of GDP in 2014, 2015, 2016, 2017, 2018 and 2019, respectively.

As of 30 September 2020, the weighted average duration of the OFZ market portfolio was approximately 4.67 years, compared to 4.53 years and 4.03 years as of 31 December 2019 and 2018, respectively. As of 30 September 2020, the OFZ market portfolio yield was 5.70% as compared to 6.14% and 7.68% as of 31 December 2019 and 2018, respectively.

Inflation-linked OFZs, which were issued in 2015 for the first time, accounted for 1.9%, 2.0%, 1.9%, 2.8%, 3.6% and 3.9% of the Russian Federation's domestic public debt as of 31 December 2015, 2016, 2017, 2018, 2019 and 30 September 2020, respectively.

Since April 2017 the Ministry of Finance has been offering the OFZ-n's to individuals through the offices of Sberbank, VTB Bank, Promsvyazbank and Pochtabank. The OFZ-n's are not publicly tradable and their transfer or pledge to third parties is restricted. The OFZ-n's accounted for 0.5%, 0.6%, 0.6% and 0.3% of the Russian Federation's domestic public debt as of 31 December 2017, 2018, 2019 and 30 September 2020, respectively. Since April 2017 the OFZ-n's have been placed for a total amount of RUB 79.1 billion.

Since 2006, state savings bonds, which are sold to institutional investors and for which there is no trading market, have also constituted a substantial part of the federal government's domestic borrowing. State savings bonds comprised 6.7% (0.6% of GDP), 4.7% (0.4% of GDP), 4.3% (0.4% of GDP), 3.9% (0.3% of GDP), 3.6% (0.3% of GDP) and 2.9% of the Russian Federation's domestic public debt as of 31 December 2015, 2016, 2017, 2018, 2019 and 30 September 2020, respectively.

The Russian Federation also issues rouble-denominated state guarantees, which amounted to 1,734.5 billion roubles (2.1% of GDP), 1,903.1 billion roubles (2.2% of GDP), 1,442.5 billion roubles (1.6% of GDP), 1,426.9 billion roubles (1.4% of GDP), 840.5 billion roubles (0.8% of GDP) and 745.2 billion roubles as of 31 December 2015, 2016, 2017, 2018, 2019 and 30 September 2020, respectively. Of the state guarantees issued, the significant portion was issued to support investment projects (170.1 billion roubles or approximately 23.0% of the overall amount as of 30 September 2020).

Non-Residents' Access to the Local Bond Market

There are currently no restrictions on foreign investment in the domestic bond market, except with respect to certain government issuances. According to the Terms of Issuance and Circulation of State Savings Bonds, state savings bonds may only be purchased by a specified list of Russian residents, and secondary trading in such bonds is not permitted. Furthermore, any government issuer of domestic debt, whether it is the federal government or a sub-federal or municipal entity, may at the issuer's discretion include in the terms and conditions of an issuance restrictions on a non-resident's ability to purchase, hold or dispose of the securities

that are the subject of the issuance. Nevertheless, currently no outstanding OFZs, except for OFZ-ns (retail bonds that could be held by the residents only), have any restrictions for non-residents in their terms.

The Central Depository Law and certain amendments to the Federal Law No. 39-FZ "On the Securities Market" dated 22 April 1996 granted direct access to the Russian federal government securities market for foreign investors, including through accounts opened with international depository and clearing systems. OFZs are now admitted to trading on the main platform of the Moscow Exchange, instead of the more limited "government securities" platform.

Government Domestic Public Debt Service

As a share of GDP, domestic public debt service equalled 0.4% in 2015, 0.5% in 2016, 0.6% in 2017, 0.5% in 2018 and 0.5% in 2019. The domestic public debt to GDP ratio was 8.8% in 2015, 9.3% in 2016, 9.5% in 2017, 8.8% in 2018 and 9.2% in 2019.

Other Public Sector Domestic Debt

The total domestic public sector debt includes debt of the Russian subnational borrowers (i.e. the sub-federal and local governments) in the form of bonds, budget loans and bank credits and regional and municipal guarantees (such debt, however, is not reflected in the table above). The Russian Federation is not legally responsible for the debts of sub-federal and local governments in the absence of a government guarantee. The aggregate amount of domestic public debt of the Russian Federation's subjects and municipalities outstanding as of 31 December 2015, 2016, 2017, 2018, 2019 and 30 September 2020 was estimated at 2,627.8 billion roubles (3.2% of GDP), 2,717.2 billion roubles (3.2% of GDP), 2,683.1 billion roubles (2.9% of GDP), 2,578.2 billion roubles (2.5% of GDP), 2,466.8 billion roubles (2.3% of GDP) and 2,516.3 billion roubles, respectively.

Domestic Public Debt Service Projection

The following table sets forth a projection of the Russian Federation's contractual domestic public debt service from 2020 through 2027, including principal and interest payable on all domestic public debt outstanding as of 30 September 2020, on the basis of interest rates prevailing as of that date.

Domestic Debt Service Projections⁽¹⁾

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
	(billions of roubles)							
Principal ⁽²⁾ ...	47.9	1,001.3	1,058.6	832.6	1 459.9	1,114.3	1,334.6	1,030.3
Interest.....	204.6	749.7	682.7	604.0	544.5	454.1	388.4	291.0
Total.....	<u>252.5</u>	<u>1,751.0</u>	<u>1,741.0</u>	<u>1,436.9</u>	<u>2,004.4</u>	<u>1,568.4</u>	<u>1,716.9</u>	<u>1,321.3</u>

Note:

(1) Domestic public debt service projections are made on the basis of the amount of the government's public debt and certain other parameters as of 30 September 2020.

(2) By nominal value.

Source: Ministry of Finance.

External Financial Assets

Following the dissolution of the Union of Soviet Socialist Republics ("USSR"), the Russian Federation assumed responsibility for the servicing of external debts of the government of the former USSR to foreign creditors pursuant to agreements signed with 11 of the other former Soviet republics. In return, the Russian Federation received the right to the republics' claims on the external financial assets of the former USSR. In most cases, the indebtedness under such claims has been uncollectible. As of 1 October 2020, the total amount of the Russian Federation's claims on foreign borrowers (including claims on the financial assets of the former USSR in the amount of approximately U.S.\$ 15.8 billion) was approximately U.S.\$ 39.6 billion.

Relations with International Financial Institutions

The Russian Federation has, in the past, received financial support from such international financial institutions as the IMF and the World Bank (IBRD and the International Finance Corporation ("IFC")) as financial (budget substitution) loans to cover federal budget deficits. In January 2005, the Russian Federation fully repaid all of its indebtedness to the IMF.

Beginning in 2002, the Russian Federation stopped receiving budgetary assistance from the World Bank, focusing instead on cooperating with the IBRD in the implementation of projects in key sectors of the economy by way of investment loans with a significant share of Russian co-financing. As of 30 September 2020, the Russian Federation has signed 67 loan agreements with the IBRD (of which 61 are closed and 5 are still active) under which approximately U.S.\$ 10.5 billion has already been spent on projects primarily related to infrastructure development and modernisation of key sectors of the economy. Under these loan agreements, the IBRD provided U.S.\$ 10.5 billion to the Russian Federation (of which U.S.\$ 0.395 billion represents active projects and U.S.\$ 10.2 billion represents completed projects). Disbursements of loans of up to U.S.\$ 0.12 billion by the IBRD are planned for 2020, aimed at mitigating social and environmental problems, preserving objects of cultural importance and developing housing and public utility infrastructure.

The greatest investment by international financial institutions in Russia's private sector (excluding sovereign borrowings) has been by the EBRD and IFC. The EBRD has invested an aggregate of €23.5 billion in 787 projects from 1991 to 2014, although it has not provided any new lending since 2014. The IFC has invested U.S.\$10.0 billion in 263 projects since 1992. Other international financial institutions that invest in Russia's private sector include the Eurasian Development Bank, the Black Sea Trade and Development Bank, the International Investment Bank, the International Bank for Economic Cooperation and the New Development Bank. In particular, as of 30 September 2020, the Board of Directors of the New Development Bank approved six project loans to the Russian Federation totalling U.S.\$3.4 billion.

Guaranteed Savings

Pursuant to Federal Law No. 73-FZ of May 10, 1995 "On Recovery and Protection of Personal Savings in the Russian Federation" and certain other legislative and regulatory acts, the Russian Federation committed to make payments in compensation of savings accumulated by the citizens of the Russian Federation before the collapse of the Soviet Union. Under this law, the state guarantees recovery and preservation of the value of money savings accumulated by citizens of the Russian Federation by placing money on deposit with the Savings Bank of the Russian Federation, paying insurance premiums to public insurance companies in the Russian

Federation and making investments in government securities (issued by the USSR and the Russian Soviet Federative Socialist Republic) taking into account the purchasing power of the 1991 rouble. The federal budget provides for annual appropriations towards the compensation of these savings.

In the period between 1996 and 2019, the total amount of budget appropriations towards these payments was 651.9 billion roubles. 5.5 billion roubles are budgeted in the federal budget for compensation payments in 2020. The Russian government is currently considering proposals to introduce an optimal regime for compensating personal savings within the capacity of the federal budget.

TAXATION

The following discussion summarises certain Russian tax considerations that may be relevant to Bondholders. It also includes a limited discussion of certain EU tax considerations. This summary is based on laws, regulations, rulings and decisions now in effect and is subject to changes in tax law, including changes that could have a retroactive effect.

This summary does not describe all of the tax considerations that may be relevant to holders of Bonds, particularly Bondholders subject to special tax rules. Bondholders are advised to consult their own professional tax advisors as to the consequences of purchasing Bonds under the tax laws of the country of which they are resident.

Russian Taxation

General

The following is a summary of certain Russian tax considerations relevant to the acquisition, ownership and disposal of Bonds. This summary is based on the tax laws of the Russian Federation and official clarifications of those laws in effect on the date of this Prospectus.

This summary covers the tax treatment of Bonds that are held by:

- a) foreign legal entities and organisations not recognised as tax residents in Russia, otherwise than through a permanent establishment in the Russian Federation (the "**Non-Resident Legal Entity Bondholder**"). A legal entity or organisation is a foreign legal entity or organisation if not organised under Russian law, and a legal entity or organisation will generally not be deemed to have a permanent establishment in the Russian Federation if it does not have a branch, representative office, division, bureau, office, agency or other separate division or place of economic activity through which it conducts business on a regular basis within the territory of the Russian Federation. A foreign legal entity or organisation may be recognised as a tax resident in Russia based on the provisions of an applicable double tax treaty (for the purposes and in the context of such treaty) or in case it qualifies as a tax resident according to the place of management test employed by the Tax Code. A Bondholder will not be deemed to have a permanent establishment in Russia or recognised as a Russian tax resident solely by virtue of having acquired the Bonds; or
- b) legal entities or organisations which do not qualify as Non-Resident Legal Entity Bondholders (the "**Resident Legal Entity Bondholder**"); or
- c) individual bondholders who are not actually present in Russia in total 183 calendar days or more in any period comprising 12 consecutive months (the "**Non-Resident Individual Bondholder**"). Presence in the Russian Federation is not considered interrupted if an individual departs for short periods (less than six months) from the Russian Federation for medical treatment or education purposes as well as for the employment or other duties related to the performance of works (services) on offshore hydrocarbon fields. The interpretation of this definition by the Ministry of Finance states that, for tax withholding purposes, an individual's tax residence status should be determined on the date of the income payment (based on the number of days spent in the Russian Federation in the 12-month period preceding the date of the payment). An individual's final tax liability in the

Russian Federation for any reporting calendar year should be determined based on the number of days spent in the Russian Federation in such calendar year; or

- d) individuals who do not qualify as a Non-Resident Individual Bondholder (the "**Resident Individual Bondholder**").

This summary does not address the availability of, or procedures for claiming, double tax treaty relief, the practical difficulties involved in claiming such relief, or the applicability of, or procedures in relation to, taxes levied by regions, municipalities or other non-federal level authorities of the Russian Federation.

The substantive provisions of Russian tax law applicable to financial instruments and the interpretation and application of those provisions by the Russian tax authorities are not clear in all respects and are subject to significant uncertainty. The interpretation and application of these provisions will in practice rest largely with local tax inspectorates, and are subject to more rapid and unpredictable change and to greater inconsistency than is generally the case in jurisdictions with more developed capital markets.

The Ministry of Finance is officially authorised to issue clarifications of Russia's tax laws, and its clarifications are binding on Russia's tax authorities, including Russia's Federal Tax Service, the federal authority responsible for the collection of Russian taxes, to the extent not inconsistent with the Tax Code. On 16 April 2010, the Ministry of Finance issued Letter No. 03-00-08/61, addressed to the Russian Federal Tax Service (the "**Tax Letter**"), providing clarifications to be followed by the tax authorities in the taxation of the Bonds.

Prospective investors should consult their own tax advisors with respect to the tax consequences of the acquisition, ownership and disposal of Bonds and the application of the Tax Letter to the tax treatment of the Bonds. No representation is made with respect to the Russian tax consequences of any particular Bondholder's acquisition, ownership or disposal of Bonds.

Acquisition of Bonds

Legal Entity Bondholders

Non-Resident Legal Entity Bondholders

The acquisition of the Bonds by a Non-Resident Legal Entity Bondholder should not constitute a taxable event under Russian tax law. Consequently, the acquisition of the Bonds should not trigger any Russian tax implications for the Non-Resident Legal Entity Bondholder.

Resident Legal Entity Bondholders

Resident Legal Entity Bondholders acquiring the Bonds pay Russian taxes in accordance with the Russian tax rules.

Individual Bondholders

The acquisition of the Bonds at a price below fair market value (calculated under a specific procedure for the determination of market prices of securities for Russian personal income tax purposes) may constitute a taxable event relating to material benefit (deemed income) which is subject to personal income tax at a rate of (a) 13% (or other rate applicable at the time when

income is received) for a Resident Individual Bondholder and (b) 30% (or other rate applicable at the time when income is received) for a Non-Resident Individual Bondholder, if such income is received from Russian sources (inter alia, in the Russian Federation or from a Russian entity).

The tax may be withheld at source of payment or, if the tax is not withheld, the Resident or Non-Resident Individual Bondholder may be required to declare its income by filing a tax return with Russian tax authorities and pay the tax.

Interest on Bonds

Legal Entity Bondholders

The Tax Letter states that no tax is required to be withheld on interest payable on Bonds held by a Non-Resident Legal Entity Bondholder because tax is required to be withheld only by an organisation within the meaning of the Tax Code that pays income in the form of interest, and (i) the Russian Federation, the issuer of the Bonds, is not an organisation for these purposes, and (ii) none of the other parties participating in the transfer of interest payments (including the Ministry of Finance, the banks making payments for the account of the Russian Federation, the fiscal agent, the paying agents and the depositaries for the Bonds, in each case regardless of whether they are Russian tax residents or not) is deemed to be paying interest on the Bonds and therefore is not required to withhold tax on the interest payments made on the Bonds. In addition, in accordance with the amendments made to the Tax Code in 2012, tax agents are not required to withhold tax from interest payments to foreign corporate holders of securities issued by the Russian Federation.

At the same time, Resident Legal Entity Bondholders should, prima facie, be subject to Russian profit tax at the rate of 15% (or other rate applicable at the time when income is received) on interest (coupon) income on the Bonds. Generally, Resident Legal Entity Bondholders are required to submit Russian profit tax returns, and assess and pay tax on interest (coupon) income.

Individual Bondholders

As of now, according to the Tax Code, interest on the Bonds payable to both Resident and Non-Resident Individual Bondholders are expressly exempt from personal income tax and therefore no tax is required to be withheld.

However, starting 1 January 2021 this exemption will no longer be available and interest on the Bonds will be subject to personal income tax at the rate of (i) 13% (or other rate applicable at the time when income is received) for Resident Individual Bondholders and (ii) 30% (or other rate applicable at the time when income is received) for Non-Resident Individual Bondholders.

If such income is paid by a tax agent, the applicable Russian personal income tax should be withheld at source by such tax agent. For the purposes of taxation of interest income on the Bonds, a tax agent is inter alia a licensed broker or an asset manager who carries out operations in the interest of a Resident or Non-Resident Individual Bondholder under an asset management agreement, a brokerage service agreement, an agency agreement or a commission agreement, which makes payments under the Bonds. If the tax agent in Russia was not able to withhold the tax and reported this fact to the Russian tax authorities, the tax is payable based on a tax assessment issued by the Russian tax authorities

If the Russian personal income tax has not been withheld (if there is no tax agent) Resident and Non-Resident Individual Bondholders are required to submit personal income tax return, assess and pay the tax.

Disposal or Redemption of Bonds

Legal Entity Bondholders

The Tax Letter states that if the Bonds are sold or disposed of between Bond interest payment dates by a Non-Resident Legal Entity Bondholder (1) to (i) a Russian legal entity, or (ii) an individual who is tax resident in the Russian Federation, or (iii) a foreign legal entity that has a permanent establishment in the Russian Federation, provided that such agreement is entered into through the permanent establishment, or (2) through a Russian licensed professional participant in the securities market, or (3) through an agreement made in the territory of the Russian Federation, then the proceeds attributable to any accrued but unpaid interest will be treated as Russian source income.

Under these circumstances, tax agent (which, in certain cases, can be the purchaser of the Bonds) may be required to withhold 15% (or other rate applicable at the time when income is received) of the purchase price attributable to the accrued but unpaid interest from the proceeds payable to the seller. The taxation of accrued interest in this case may give rise to a tax liability even if the seller realises a capital loss on the disposal of the Bonds. Depending on the residence of the Non-Resident Legal Entity Bondholder, any tax withheld in respect of accrued interest may potentially be reduced or eliminated under the terms of an applicable double tax treaty.

At the same time, Resident Legal Entity Bondholders should be subject to Russian profit tax at the rate of (a) 20% (or other rate applicable at the time when income is received) on the capital gains from the sale, redemption or disposal of the Bonds (and for these purposes the purchase price does not include accrued but unpaid interest) and (b) 15% (or other rate applicable at the time when income is received) on the accrued but unpaid interest. Generally, Resident Legal Entity Bondholders are required to submit Russian profit tax returns, and assess and pay tax on capital gains and interest (coupon) income.

Individual Bondholders

The Tax Letter states that if the Bonds are sold or disposed of by a Non-Resident Individual Bondholder (i) to a Russian legal entity or to an individual who is tax resident in the Russian Federation, (ii) to a foreign legal entity that has a permanent establishment in the Russian Federation, provided that such permanent establishment is a party to the agreement, (iii) through a Russian licensed professional participant in the securities market, or (iv) through an agreement made in the territory of the Russian Federation, then income received therefrom will be treated as Russian source income.

In this case a Non-Resident Individual Bondholder will generally be subject to Russian personal income tax at a rate of 30% (or other rate applicable at the time when income is received), in respect of the gross proceeds from such sale or disposal less any available deduction of expenses incurred by the Non-Resident Individual Bondholder (which includes the purchase price of the Bonds) subject to any available double taxation treaty relief.

Since the sale, redemption or other disposal proceeds and deductible expenses for Russian tax purposes are calculated in roubles, the taxable base may be affected by fluctuations in the

exchange rates between the currency in which the Bonds were acquired, the currency in which the Bonds were sold, and roubles, i.e. there could be a loss or no gain in the currency of the Bonds but a gain in roubles which could be potentially subject to taxation.

Resident Individual Bondholders should generally be subject to personal income tax at a rate of 13% (or other rate applicable at the time when income is received) on income received from the sale or other disposal of the Bonds less any available deduction of expenses incurred.

Starting 1 January 2020 Russian entities and individual entrepreneurs are obliged to withhold the Russian personal income tax when making payments under securities sale (exchange) agreements. In addition, under certain circumstances, if the sale and/or disposal proceeds (including accrued interest on the Bonds) are paid to a Resident or Non-Resident Individual Bondholder by a licensed broker or an asset manager, who carries out operations in the Russian Federation in the interests of the Resident or Non-Resident Individual Bondholder under an asset management agreement, a brokerage service agreement, an agency agreement or a commission agreement, the applicable Russian personal income tax should be withheld at source by such person who will be considered as the tax agent.

If a Russian personal income tax obligation arises as a result of the sale or disposal of the Bonds but the tax has not been withheld in the absence of a tax agent, Resident and Non-Resident Individual Bondholders are required to submit personal income tax return, assess and pay the tax.

Increased Payments

The relevant Condition 8 requires the Russian Federation to increase the payment of principal or interest made in respect of the Bonds in the event any Taxes (as defined in the relevant Condition 8) are withheld or deducted, subject to the exceptions therein provided. There has been some uncertainty as to whether the payment of additional amounts to a lender in the event Russian tax is withheld from payments made to that lender is consistent with Russian law. The Tax Letter states that the payment of such additional amounts on the Bonds will not contradict the Tax Code.

Other Taxes

Except as described in this Prospectus, including as set forth below under "General Information" (i) no federal stamp, registration, documentary or similar federal taxes are payable in the Russian Federation by reason of the issue of the Bonds or in relation to any enforcement proceedings in respect of the Bonds brought in Russian courts, (ii) Non-Resident Legal Entity and Individual Bondholders will not incur any federal tax on income or capital gain, stamp duty, registration, transfer or other similar federal taxes only by reason of the acquisition, ownership or disposal of Bonds and (iii) all payments by the Russian Federation of principal and interest on the Bonds to Non-Resident Legal Entity and Individual Bondholders may be made without withholding or deduction for or on account of any other federal taxes, duties, assessments or governmental charges in the Russian Federation.

The Proposed Financial Transaction Tax ("FTT")

The European Commission has published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Austria, Belgium, Estonia, France, Germany, Greece, Italy,

Portugal, Slovakia, Slovenia and Spain (the "**participating Member States**"). However, Estonia has ceased to participate.

The Commission's Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the Bonds in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT remains subject to negotiation between participating Member States and the legality of the proposal is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or certain of the participating Member States may decide to withdraw.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

OVERVIEW OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The following is a summary of provisions to be contained in the Global Bonds that will apply to, and in some cases modify, the relevant Conditions while they are represented by the Global Bonds.

Form of Bonds

The Bonds will initially be evidenced by the Global Bonds. Individual bond certificates in definitive form ("**Bond Certificates**") will only be available in certain limited circumstances as described below.

The Bonds will be represented by beneficial interests in the relevant Global Bond, in registered form without interest coupons attached, which will be registered in the name of, and shall be deposited on or about the Closing Date with, NSD.

Beneficial interests in the Global Bonds will be shown on, and transfers thereof will be effected only through, records maintained by NSD and its Participants, which include Euroclear.

So long as the Bonds are exclusively in the form of Global Bonds, the term "**Holder**" or "**Bondholder**" shall refer to NSD (in its capacity as central securities depository ("**Central Securities Depository**") on behalf of its Participants, including Euroclear and other international Participants) as the registered holder of the Global Bonds, except that Direct Rights Participants (as defined under "*—Direct Rights*" below) shall be considered "**Holders**" or "**Bondholders**" to the extent of the Direct Rights to which they are entitled. So long as the Bonds are exclusively in the form of Global Bonds, NSD shall be the Registrar (and notice of its appointment as such need not be given pursuant to the relevant Conditions).

The provisions set forth below, including in particular with respect to transfers and exchanges of interests in the Global Bonds, will apply separately to each of the Bonds.

Beneficial Interests in the Global Bonds

The following description of the operations and procedures of NSD and of Euroclear is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. The Russian Federation takes no responsibility for these operations and procedures and persons that require further information should contact the systems or their participants directly to discuss these matters.

As Central Securities Depository in the Russian Federation, NSD holds securities for Participants and facilitates the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers, banks, clearing corporations and certain other organisations. Euroclear is a Participant. Persons who are not Participants may beneficially own securities held by or on behalf of NSD only through Participants. NSD has no knowledge of the identity of beneficial owners of securities held by or on behalf of NSD. NSD's records reflect only the identity of Participants to whose accounts securities are credited. The ownership interests and transfer of ownership interests of each beneficial owner of each security held by or on behalf of NSD are recorded on the records of the Participants.

Pursuant to procedures established by NSD, upon deposit of the Global Bonds, NSD will credit the accounts of Participants designated by the Lead Managers (including Euroclear) with portions of the principal amount of the Global Bonds, and ownership of such interests in the Global Bonds will be maintained by NSD (with respect to the Participants) or by the Participants (with respect to other owners of beneficial interests in the Global Bonds held through such Participants).

Settlement with investors on the Closing Date will occur through the facilities of NSD and Euroclear. Investors in the Global Bonds may hold their interests therein directly through NSD, if they are Participants in such system, or indirectly through organisations (including Euroclear) that are Participants in such system (or through one or more financial intermediaries that include account holders of such Participants, including Euroclear). Investors wishing to hold beneficial interests in the Global Bonds through any other international clearing system will not be able to do so until such clearing system makes an eligibility determination with respect to the Bonds, which may be made only if and when customers of such clearing system instruct it to receive the Bonds.

All interests in the Global Bonds, including those held through Euroclear, will be subject to the procedures and requirements of NSD. Those interests held through Euroclear will also be subject to its procedures and requirements. The laws of some U.S. states require that certain persons take physical delivery of certificates evidencing securities they own. Consequently, the ability to transfer beneficial interests in a Global Bond to such persons will be limited to that extent. Because NSD can act only on behalf of Participants, the ability of beneficial owners of interests in the Global Bonds to pledge such interests to persons or entities that are not Participants, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, owners of interests in the Global Bonds will not have Bonds registered in their names, will not receive physical delivery of Bonds in certificated form and will not be considered the registered owners or holders thereof for any purpose.

Payments

Payments in respect of the principal of and interest (including any additional amounts) on a Global Bond registered in the name of NSD will be payable to NSD in its capacity as the registered holder. The Russian Federation and any agent acting on its behalf will treat NSD, as the registered holder of the Global Bonds, as the sole Holder thereof for the purpose of making payments and for any and all other purposes whatsoever (except as provided below with respect to Direct Rights). Consequently, neither the Russian Federation nor any such agent has or will have any responsibility or liability for:

- any aspect of NSD's records or any Participant's records relating to, or payments made on account of beneficial interests in, the Global Bond, or for maintaining, supervising or reviewing any of NSD's records or any Participant's records relating to the beneficial interests in the Global Bond, or
- any other matter relating to the actions and practices of NSD or any of its Participants.

The Issuer understands that NSD's current practice, upon receipt of any payment in respect of securities such as the Global Bonds (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date in amounts proportionate to

their respective holdings in the principal amount of the relevant security as shown on the records of NSD, subject to receiving such payment from the Issuer on or prior to such payment date. So long as the Bonds are exclusively in the form of Global Bonds, under NSD's current procedures, the record date for receiving payments in respect of the Global Bonds is one business day (a business day being a day other than Saturday, Sunday or a public holiday when NSD is open for business) prior to the date of payment. Payments by the Participants (directly or through their participants or other intermediaries) to the owners of beneficial interests in the Global Bonds will be governed by standing instructions and their customary practices and will be the responsibility of the Participants (and such other participants or intermediaries) and will not be the responsibility of NSD, the Russian Federation or any agent. The Russian Federation and its agents will not be liable for any delay by NSD or any of its Participants (or any such other participants or intermediaries) in identifying the owners of beneficial interests in the Global Bonds, and the Russian Federation and its agents may conclusively rely on and will be protected in relying on instructions from NSD for all purposes.

Payments of principal and interest will be made, or procured to be made, (i) in Russian roubles, in the case of a Bondholder who has irrevocably elected to receive the relevant payment on the Bonds in Russian roubles and has so notified the Registrar on or prior to the time required by NSD for the relevant payment on the Bonds to be made in Russian roubles and (ii) in the case of all other holders of the Bonds, in euros or the Alternative Payment Currency (as defined in the relevant Condition 7). Following submission of the irrevocable election to receive the relevant payment on the Bonds in Russian roubles described above, the respective Bonds which are the subject of such election, will be blocked from trading from no later than the business day following such submission until the Relevant Bond Payment Date.

NSD shall on each Relevant Bond Payment Date in respect of which the Registrar shall have received notification of the Currency Election, purchase Russian roubles with the related aggregate amount of euro or an alternative payment currency, as applicable, ("**Foreign Currency Amount**") for delivery on the Relevant Bond Payment Date, at a purchase price equal to (a) the bid price then used by NSD to purchase Russian roubles with euro or an alternative payment currency, as applicable, for its own account, or (b) if no such bid price is then available from NSD, at the bid price for the purchase of Russian roubles with euro or an alternative payment currency, as applicable, quoted by a leading foreign exchange bank in Moscow, London or New York City selected by NSD, in each case for delivery on the Relevant Bond Payment Date, and shall ensure that the purchase of Russian roubles with the related Foreign Currency Amount on each Relevant Bond Payment Date represents the "best execution" for that trade then available to NSD.

On each Relevant Bond Payment Date in respect of which the Registrar shall have received notification of the Currency Election, NSD shall publish on its official website (currently www.nsd.ru) the information with respect to (a) the bid quotation at which Russian roubles were purchased by NSD and (b) whether such Russian roubles were purchased from NSD or from a leading foreign exchange bank in Moscow, London or New York City.

With respect to a Global Bond, as early as practicable on the Relevant Bond Payment Date, (a) the Issuer will remit to NSD the Foreign Currency Amount in respect of that payment date, (b) NSD will pay, or procure the payment of, the Russian rouble amount purchased with the Foreign Currency Amount *pro rata* to the interests in the Bonds, to the Bondholders that have made an irrevocable election to receive payments in Russian roubles. If, while the Bonds are represented by the Global Bonds, for any reason no bid quotation for the purchase of Russian rouble with the Foreign Currency Amount is available on a Relevant Bond Payment Date, NSD

shall so notify the Issuer, and the Issuer shall make payment on the Bonds in euro or an alternative payment currency, as applicable.

Notwithstanding any other provision of the relevant Conditions to the contrary, including, (i) all costs of the purchase of Russian roubles with the Foreign Currency Amount shall be borne *pro rata* by the relevant Bondholders by deduction from the Russian rouble payment made to the relevant Bondholders, and (ii) the Russian Federation shall have no obligation whatsoever to pay any commissions or expenses, or to indemnify the Bondholders against any difference between the Russian rouble amount received by such Bondholders and their *pro rata* portion of the Foreign Currency Amount.

Notices

So long as the Bonds are exclusively in the form of Global Bonds, instead of providing notices to Bondholders by mail, the Issuer shall provide notices through the facilities of NSD, which will in turn deliver such notices to its Participants, including Euroclear, for delivery to holders of beneficial interests in the Global Bonds through their ordinary procedures. Such notices shall be deemed to have been given on the date of delivery to NSD. In addition, so long as the Bonds are listed on Euronext Dublin, notices will also be given in accordance with the rules of Euronext Dublin. In addition, NSD's notices to Bondholders in connection with the Currency Election about the bid quotation at which Russian roubles were purchased by NSD and whether such Russian roubles were purchased from NSD or from a leading foreign exchange bank in Moscow, London or New York City will be given by publishing such notices on the official NSD's website. Any such notice shall be deemed to have been given on the date of such publication, or if published more than once or on different dates, on the first date on which publication is made.

So long as the Bonds are exclusively in the form of Global Bonds, notices from Bondholders to the Issuer may be given through the facilities of NSD. Holders of beneficial interests in the Global Bonds may deliver (or cause their custodians, brokers or other financial intermediaries to deliver) their notices to the Participants (including Euroclear) through which they hold such interests, for delivery to the Issuer through the facilities of NSD.

Direct Rights

Each Global Bond will be executed as a deed and provide that Direct Rights Participants shall have certain direct rights ("**Direct Rights**") with respect to the matters set forth below. "**Direct Rights Participants**" means (i) in the case where interests in the Global Bonds are held through Euroclear or any other Participant that is itself a clearing system ("**Clearing System Participants**"), the participants holding accounts with the Clearing System Participants to which such interests in the Global Bonds are credited on the electronic books and records maintained by the Clearing System Participants, as the case may be, or (ii) in the case of all other interests in the Global Bonds, the Participants holding accounts with NSD to which interests in the Global Bonds are credited on the electronic books and records maintained by NSD. Investors that hold their beneficial interests in the Global Bonds indirectly through Direct Rights Participants shall not be entitled to Direct Rights, but they may be able to instruct the Direct Rights Participants in the exercise of Direct Rights or (in the case of Bondholder meetings) obtain proxies from them, to the extent provided by the procedures of the Direct Rights Participants. The Russian Federation shall have no responsibility for ensuring that any such instruction or proxy rights will be available.

Direct Rights Participants shall have the following Direct Rights in respect of the interests in the Global Bonds credited to their accounts with NSD or a Clearing System Participant: (i) the right to attend meetings of Bondholders or to request the convening of a Bondholder meeting in accordance with the relevant Condition 12(b)(ii), (ii) the right to vote at any Bondholder meeting or in respect of any proposed Written Resolution in person, by proxy, or through electronic voting through the facilities of NSD, as described under "*Electronic Voting*" below, subject to the procedures established by the Issuer in respect of any such Bondholder meeting or in respect of such Written Resolution in accordance with the relevant Conditions, (iii) the right to give notice of default, and, upon the occurrence of an Event of Default, to declare the Bonds immediately due and payable or to waive any Event of Default (subject to such a declaration being made or waiver being granted by the holders of Direct Rights in respect of the requisite percentage of the Bonds set forth in the relevant Conditions), and (iv) upon the failure of the Russian Federation to pay the principal of the Bonds when due (at maturity or upon being validly declared due and payable pursuant to the relevant Conditions), all rights, including the right to receive payments due on such Bonds, that such Direct Rights Participant would have received if it had been the holder of Bond Certificates. For the avoidance of doubt, Direct Rights Participants shall be entitled to Direct Rights without the need to exchange interests in the Global Bonds for Bond Certificates. NSD, as the registered Holder of each Global Bond, shall not have the right to exercise any rights in respect of which Direct Rights are provided to Direct Rights Participants, and any actions taken by NSD in respect thereof shall be administrative in nature and undertaken as agent for the Issuer.

Electronic Voting

NSD will not exercise voting rights. So long as the Bonds are represented exclusively by the Global Bond, Direct Rights Participants may exercise voting rights through the electronic voting facilities of NSD, so long as NSD continues to provide such facilities and they are compatible with the provisions in the relevant Conditions relating to Bondholder meetings and Written Resolutions. NSD maintains an e-proxy voting system in which voting instructions are delivered electronically to NSD by its Participants (including Clearing System Participants), which in turn receive voting instructions from their accountholders and participants in accordance with their ordinary procedures. NSD provides the voting results to the Issuer, which in turn determines if the relevant resolution passes (after taking into account any votes cast in person or by proxy at the Bondholder meeting or through any other voting system made available by the Issuer). The Issuer will communicate the results of the vote to Participants through NSD, and the Participants in turn will communicate such results through their ordinary procedures. Under the current procedures of NSD, the record date for electronic voting at a Bondholder meeting is generally seven business days (a business day being a day other than Saturday, Sunday or a public holiday when NSD is open for business) prior to the date of the Bondholder meeting.

Together with the notice of any meeting, the Issuer shall provide instructions as to the manner in which Direct Rights Participants may exercise voting rights through NSD's e-proxy voting system, or any other electronic voting systems or systems that may replace or be in addition to such system.

Transfers of Beneficial Interests in Global Bonds

Transfers between Participants in NSD will be effected in accordance with NSD's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear will be effected in the ordinary way in accordance with its rules and operating procedures. Cross-

market transfers between Participants in NSD, on the one hand, and participants in any other Clearing System Participant (including Euroclear) through which interests in the Global Bonds may be held, on the other hand, will be effected through NSD in accordance with NSD's rules on behalf of such Clearing System Participants (including Euroclear) or their depositaries or nominees, and in accordance with the rules and procedures of such Clearing System Participants. Cross-market transfers between Participants in NSD, on the one hand, and participants in Euroclear, on the other hand, will require delivery of instructions to Euroclear by the counterparty in Euroclear in accordance with the rules and procedures and within the established deadlines (Brussels time) of Euroclear. Euroclear will, if the transaction meets its settlement requirements, deliver instructions to its depositaries or nominees to take action to effect final settlement on its behalf by delivering or receiving interests in the Global Bond in NSD, and making or receiving in accordance with normal procedures for same-day funds settlement applicable to NSD. Euroclear participants may not deliver instructions directly to the depositaries or nominees for Euroclear.

Although NSD and Euroclear have the foregoing procedures in place to transfer interests in the Global Bonds among Participants in NSD (including Euroclear and other Clearing System Participants), they are under no obligation to perform or to continue to perform such procedures, and the procedures may be discontinued at any time. Neither the Russian Federation nor any of its agents will have any responsibility for the performance by NSD, its Participants (including Euroclear and other Clearing System Participants) or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Interests in Global Bonds for Bond Certificates

Registration of title to the Bonds initially represented by the Global Bond in a name other than NSD or a successor depositary or one of its nominees will not be permitted in respect of such Bonds unless (a) NSD or any Clearing System Participant (including Euroclear) in the European Union through which interests in the Global Bonds may be held is closed for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or (b) NSD notifies the Issuer that it is no longer able to discharge properly its responsibilities as depositary with respect to such Global Bonds, or is at any time no longer eligible to act as such under applicable law, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such inability or ineligibility on the part of NSD.

In such circumstances, beneficial interests in the Global Bonds will be exchanged in full or in part, as the case may be, for Bond Certificates, and the Issuer will, at the cost of the Issuer (but against such indemnity as the Registrar may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Bond Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant holders of such Bonds. A person having an interest in the Global Bonds must provide the Registrar with a written order containing instructions and such other information as the Issuer and/or the Registrar may require to complete, execute and deliver such Bond Certificates.

The holder of a Bond represented by a Bond Certificate may transfer such Bond in accordance with the provisions of the relevant Condition 2. Bond Certificates will not be eligible for trading in NSD, Euroclear or any other clearing system.

The Registrar will not register the transfer of or exchange of interests in the Global Bond for Bond Certificates during the three Business Days (as defined in the Global Bond) ending on the due date for any payment of principal of the Bonds.

With respect to any Bonds represented by the relevant Bond Certificates held by Bondholders that have made an irrevocable election in accordance with the relevant Conditions to receive payments in Russian roubles, as early as practicable on the Relevant Bond Payment Date, (a) the Russian Federation will remit to NSD the Foreign Currency Amount in respect of that payment date, (b) NSD will pay, or procure the payment of, the Russian roubles amount purchased with the Foreign Currency Amount to the Bondholders that have made an irrevocable election in accordance with the relevant Conditions to receive payments in Russian roubles by wire transfer of same day funds for value the due date for payment or, if the due date for payment is not a Business Day, the next succeeding day which is a Business Day. If for any reason no bid quotation for the purchase of Russian roubles with the Foreign Currency Amount is available on a Relevant Bond Payment Date while any Bonds are represented by the relevant Bond Certificates, NSD shall so notify the Issuer, and the Issuer shall make all payments on the Bonds in euro or an alternative payment currency, as applicable.

NSD and Euroclear

The information in this section concerning NSD, Euroclear and their book-entry systems has been obtained from sources that the Russian Federation believes to be reliable, but the Russian Federation takes no responsibility for the accuracy thereof.

NSD is the central securities depository of the Russian Federation, a part of the Moscow Exchange Group. NSD was founded on 27 June 1996. The status of central securities depository was assigned to NSD by the Russian Federal Financial Markets Service's order No. 12-2761/PZ-I dated 6 November 2012. NSD is an infrastructure institution for the financial market of the Russian Federation, performing a wide range of activities, including the functions of the central depository and securities settlement system, systemically and nationally significant payment system, a trade repository, as well as acting as Russia's national numbering agency and the substitute numbering agency for the CIS, authorised to assign ISIN and classification of financial instrument ("CFI") codes. The total value of securities on deposit with NSD amounted to 56.1 billion roubles as of 30 September 2020. NSD has had relationships with the principal international clearing systems for many years. NSD's annual reports and other information about NSD are available in Russian and in English on its website, www.nsd.ru.

Euroclear holds securities for participating organisations and facilitates the clearance and settlement of securities between its accountholders through electronic book-entry changes in accounts of such accountholders. Euroclear provides to its accountholders, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear interfaces with domestic securities markets. Euroclear accountholders are financial institutions, such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations. Indirect access to Euroclear is also available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodian relationship with a Euroclear accountholder, either directly or indirectly.

PLAN OF DISTRIBUTION

Bank GPB International S.A., JSC "Sberbank CIB" (who may act through any of its affiliates, including Sberbank CIB (UK) Limited) and VTB Capital plc (the "**Lead Managers**") have, in a contract with the Issuer (the "**State Contract**") dated 18 November 2020, agreed to subscribe for the (i) 2027 Bonds at their issue price of 100 per cent. of their principal amount and (ii) 2032 Bonds at their issue price of 100 per cent. of their principal amount.

The Lead Managers are offering to sell the Bonds on the terms and in the manner set forth in this Prospectus. VTB Capital plc will be marketing, offering and selling the Bonds only to persons resident, incorporated, established or having their usual residence in the Russian Federation. The Lead Managers have agreed to procure purchasers for the Bonds, failing which to retain the Bonds at their respective issue price set forth on the cover page of this Prospectus.

The Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the State Contract prior to the issue of the Bonds. The Issuer has agreed to indemnify the Lead Managers against certain liabilities in connection with the issue of the Bonds. The Issuer has not incurred any expenses in relation to the offering of the Bonds, other than commissions. The Lead Managers have agreed to bear certain expenses of the Issuer.

United States

The Bonds have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. The Bonds are being offered and sold outside the United States by the Lead Managers in accordance with Regulation S, and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Lead Manager has severally, but not jointly, represented and agreed that it has not offered or sold, and will not offer or sell, any Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. In addition, until 40 days after the commencement of the offering, an offer or sale of Bonds within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Pursuant to the Directive issued by the OFAC under the CBW Act Directive, U.S. banks (as defined in the CBW Act Directive) are prohibited from participating in the primary market for non-rouble denominated bonds issued by the Russian sovereign (as defined in the CBW Act Directive). In particular, the Bonds may not be initially offered or sold to any U.S. banks in violation of the CBW Act Directive.

United Kingdom

Each of the Lead Managers has represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Singapore

Each Lead Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Lead Manager has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

General

Each of the Lead Managers has represented and agreed that it will, to the best of its knowledge and belief, comply in all material respects with all applicable securities laws and regulations in

each jurisdiction in which it purchases, offers, sells or delivers the Bonds or has in its possession or distributes the Prospectus or any other offering material.

Each purchaser of the Bonds must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Bonds or possesses or distributes this Prospectus or any part of it and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and neither the Issuer nor the Lead Managers shall have any responsibility therefor.

The Lead Managers and some of the dealers and agents who participate in the securities distribution may engage in other transactions with, or perform other services for, the Issuer in the ordinary course of business, for which they have received or will receive customary compensation.

GENERAL INFORMATION

1. The Bonds will be accepted for clearance through NSD and will have the following ISIN numbers: RU000A102CK5 for 2027 Bonds and RU000A102CL3 for 2032 Bonds
2. Application has been made to Euronext Dublin for the Bonds to be admitted to the Official List and to trading on its regulated market. It is expected that admission of the Bonds to trading will be granted on or the next working day after the Closing Date. Transactions will normally be effected for delivery on the third working day after the day of the transaction, subject only to the issue of each Global Bond.

The expenses in connection with the admission of the Bonds to the Official List of Euronext Dublin and to trading on its regulated market are expected to amount to approximately EUR 5,140.

Walkers Listing Services Limited is acting solely in its capacity as listing agent for the Russian Federation in relation to the Bonds and is not itself seeking admission to the Official List of Euronext Dublin or to trading on its regulated market.

3. Copies of the Russian Federation's federal budget are available free of charge in electronic form on the website of the Ministry of Finance of the Russian Federation (<https://minfin.gov.ru/>), which website and any other websites referred to herein do not form part of the Prospectus.

The Issuer does not publish financial accounts audited by non-state entities.

4. The Russian Federation will obtain prior to the Closing Date all necessary consents, approvals and authorisations in the Russian Federation in connection with the issue of, and performance of its obligations under, the Bonds.
5. The issue of the Bonds was authorised pursuant to the Budget Code of the Russian Federation (as amended); Federal Law No. 380-FZ of 2 December 2019 "On the Federal Budget for 2020 and planning period for 2021 and 2022"; Resolution of the Government of the Russian Federation dated 18 December 2019 No. 3078-r; Resolution of the Government of the Russian Federation dated 8 April 2010 No. 217; Order of the Ministry of Finance dated 24 February 2012 No. 31n, Order of the Ministry of Finance dated 12 November 2020 No. 1031 and Order of the Ministry of Finance dated 12 November 2020 No. 1032.
6. Article 1210 of the Civil Code provides that the parties to an agreement may choose the governing law of the agreement, except that, if the agreement relates solely to one jurisdiction, a Russian court is entitled to apply the law of such jurisdiction. Therefore, the choice of English law will govern rights and obligations in respect of the Bonds in the case of any Bonds held by a foreign person. However, it is uncertain whether the choice of English law to govern rights and obligations in respect of the Bonds would be given effect by a court of the Russian Federation in the case of Bonds held by a Russian person.
7. Under current Russian law, a state duty may be payable upon the initiation of any action or proceeding arising out of the Bonds in any court of the Russian Federation. Such

duty, which shall not exceed the maximum value for duties under Russian law, is based on formulas under Russian law that take into account the amount of the relevant claim.

8. The Russian Federation is a sovereign state and has not waived any rights to sovereign immunity it may have in any jurisdiction. Accordingly, the Russian Federation may be entitled to immunity from suit in any action or proceeding arising out of the Bonds, and the Russian Federation and its assets, properties and revenues may be entitled to immunity in any enforcement action. The Russian Federation has also not submitted to the jurisdiction of any court, agreed that any disputes may be resolved in any forum or appointed any agent for service of process in any jurisdiction in connection with any action or proceeding arising out of the Bonds. It may consequently be difficult for an investor to obtain a judgment against the Russian Federation in a foreign court.
9. The Russian Federation has been involved in a number of litigation and arbitration proceedings in which substantial claims have been asserted and substantial damages sought against the Russian Federation in the previous 12 months. However, the Russian Federation does not believe that any of these proceedings will have a significant effect on the Russian Federation's financial position in light of the size of Russia's economy and the resources available to the Russian government. There are no, and have not been, any governmental, legal or arbitration proceedings in the 12 months preceding the date of this Prospectus (including any such proceedings which are pending or threatened of which the Russian Federation is aware) which may have or have in such period had a significant effect on the financial position of the Russian Federation.
10. Save as disclosed in "*Risk Factors—Risks Relating to the Russian Federation—The worldwide economic effects of the outbreak of the COVID-19 pandemic and the economic shutdown caused by it has adversely affected, and will continue to affect, Russian economy, and the impact could be material*", since 31 December 2019, there have been no significant changes relating to the tax and budgetary systems, gross public debt, foreign trade and balance of payment figures, foreign exchange reserves, financial position and resources and income and expenditure figures of the Issuer.
11. The Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business for which they have received and/or will receive fees and expenses. In addition, in the ordinary course of their business, the Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative instruments) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. The Lead Managers and their affiliates routinely hedge their credit exposure consistent with their customary risk management policies. Typically, the Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including, potentially, the Bonds. Any such short positions could adversely affect future trading prices of the Bonds. The Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

12. For the avoidance of doubt, any website referred to in this document does not form part of the Prospectus.
13. The Legal Entity Identifier code of the Issuer is 5493004EHVGF71PDBU58.
14. The website of the Issuer is <https://minfin.gov.ru/>. The information on <https://minfin.gov.ru/> does not form part of this Prospectus, except where that information has been incorporated by reference into this Prospectus.
15. The address of the Issuer is 9 Ilyinka Street, Moscow 109097, Russian Federation, and its telephone number is +7 495 987 9242.
16. This Prospectus is valid for 12 months from its date. The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of the Bonds and arises or is noted between the date of this Prospectus and the time at which the Bonds are admitted to trading on the regulated market of Euronext Dublin, prepare a supplement to this Prospectus. The obligation to prepare a supplement to this Prospectus shall not apply following the time at which the Bonds are admitted to trading on the regulated market of Euronext Dublin.

ISSUER

Russian Federation

c/o Ministry of Finance of the Russian Federation
9 Ilyinka Street
Moscow 109097
Russian Federation

LEAD MANAGERS

**Bank GPB International
S.A.**
(Gazprombank)
15, rue Bender
L-1229 Luxembourg
Luxembourg

JSC "Sberbank CIB"
19 Vavilova Street
Moscow, 117312
Russian Federation

VTB Capital plc
14 Cornhill
London
EC3V 3ND
United Kingdom

LEGAL ADVISORS TO THE ISSUER

As to English law

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom

LEGAL ADVISORS TO THE LEAD MANAGERS

As to Russian law

Linklaters CIS
Paveletskaya sq. 2 bld. 2
Moscow 115054
Russian Federation

As to English law

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

LISTING AGENT

Walkers Listing Services Limited
5th Floor, The Exchange
George's Dock, I.F.S.C.
Dublin 1
Ireland