Russian Federation

U.S.$1,500,000,000 3.5 per cent. Bonds due 2019
U.S.$3,000,000,000 4.875 per cent. Bonds due 2023
U.S.$1,500,000,000 5.875 per cent. Bonds due 2043
EUR750,000,000 3.625 per cent. Bonds due 2020
Issue Price of the 2019 U.S.$ Bonds: 99.195 per cent.
Issue Price of the 2023 U.S.$ Bonds: 98.162 per cent.
Issue Price of the 2043 U.S.$ Bonds: 97.187 per cent.
Issue Price of the 2020 EUR Bonds: 99.533 per cent.

Interest on the U.S.$1,500,000,000 3.5 per cent. Bonds due 2019 (the **2019 U.S.$ Bonds**), the U.S.$3,000,000,000 4.875 per cent. Bonds due 2023 (the **2023 U.S.$ Bonds**) and the U.S.$1,500,000,000 5.875 per cent. Bonds due 2043 (the **2043 U.S.$ Bonds**, and together with the 2019 U.S.$ Bonds and the 2023 U.S.$ Bonds, the **U.S.$ Bonds**) issued by the Ministry of Finance of the Russian Federation (the **Ministry of Finance** or the **Issuer**) acting on behalf of the Russian Federation (the **Issuer**, **Russia** or the **Russian Federation**) is payable semi-annually in arrear, on 16 July and 16 January in each year for the 2019 U.S.$ Bonds, and on 16 March and 16 September in each year for the 2023 U.S.$ Bonds and for the U.S.$ 2043 Bonds. See "Terms and Conditions of the 2019 U.S.$ Bonds—Interest", "Terms and Conditions of the 2023 U.S.$ Bonds" and "Terms and Conditions of the 2043 U.S.$ Bonds". Interest on the EUR750,000,000 3.625 per cent. Bonds due 2020 (the **EUR Bonds**) issued by the Ministry of Finance acting on behalf of the Russian Federation is payable annually in arrear on 16 September in each year. See "Terms and Conditions of the EUR Bonds—Interest". Payments under the U.S.$ Bonds and the EUR Bonds (together, the **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 2019 U.S.$ Bonds—Taxation", "Terms and Conditions of the 2023 U.S.$ Bonds", "Terms and Conditions of the 2043 U.S.$ Bonds" and "Terms and Conditions of the EUR Bonds—Taxation". Unless previously redeemed, or purchased and cancelled, the 2019 U.S.$ Bonds will be redeemed at their principal amount together with accrued interest on 16 January 2019 and are not redeemable prior to that date. See "Terms and Conditions of the 2019 U.S.$ Bonds—Redemption, Purchase and Cancellation". Unless previously redeemed, or purchased and cancelled, the 2023 U.S.$ Bonds will be redeemed at their principal amount together with accrued interest on 16 September 2023 and are not redeemable prior to that date. See "Terms and Conditions of the 2023 U.S.$ Bonds ". Unless previously redeemed, or purchased and cancelled, the 2043 U.S.$ Bonds will be redeemed at their principal amount together with accrued interest on 16 September 2043 and are not redeemable prior to that date. See "Terms and Conditions of the 2043 U.S.$ Bonds". Unless previously redeemed, or purchased and cancelled, the EUR Bonds will be redeemed at their principal amount together with accrued interest on 16 September 2020 and are not redeemable prior to that date. See "Terms and Conditions of the EUR Bonds—Redemption, Purchase and Cancellation".

Applications have been made to the Financial Conduct Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UKLA**) for the Bonds to be listed on the official list of the UKLA (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for the Bonds to be admitted to trading on the London Stock Exchange's Regulated Market (the **Market**). References in this Prospectus to the Bonds being "listed" (and all related references) shall mean that the Bonds have been listed on the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**).

SEE "RISK FACTORS" FOR A DISCUSSION OF CERTAIN FACTORS TO BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE BONDS STARTING ON PAGE 13.

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, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a summary of certain restrictions on resale, see "Subscription and Sale", "Form and Transfer of the Bonds" and "Transfer Restrictions".

The Bonds will be offered and sold outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**) and within the United States to "qualified institutional buyers" (**QIBs**) (as defined in Rule 144A under the Securities Act (**Rule 144A**)) in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The U.S.$ Bonds will be offered and sold in registered form in denominations of U.S.$200,000. Each series of U.S.$ Bonds offered and sold in reliance on Regulation S (the **Unrestricted U.S.$ Bonds**) will be represented by beneficial interests in an unrestricted global bond (an **Unrestricted U.S.$ Global Bond**) in registered form without interest coupons attached, which will be registered in the name of a nominee for, and shall be deposited on or about 16 September 2013 (the **Closing Date**) with a common depositary for, and in respect of interests held through, Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**). Each series of U.S.$ Bonds offered and sold in reliance on Rule 144A (the **Restricted U.S.$ Bonds**) will be represented by beneficial interests in one or more restricted global bonds (each a **Restricted U.S.$ Global Bond**, and together with the Unrestricted U.S.$ Global Bonds, the **U.S.$ Global Bonds**) in registered form without interest coupons attached, which will be deposited on or about the Closing Date with a custodian (the **Custodian**) for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company (**DTC**).

The EUR Bonds will be offered and sold in registered form in denominations of EUR100,000. The EUR Bonds offered and sold in reliance on Regulation S (the **Unrestricted EUR Bonds**) will be represented by beneficial interests in an unrestricted global bond (an **Unrestricted EUR Global Bond**, and together with the Unrestricted U.S.$ Global Bonds, the **Unrestricted Global Bonds**) in registered form without interest coupons attached. The EUR Bonds offered and sold in reliance on Rule 144A (the **Restricted EUR Bonds** and, together with the Restricted U.S.$ Global Bonds, the **Restricted Global Bonds**) will be represented by beneficial interests in one or more restricted global bonds (each a **Restricted EUR Global Bond**, and together with the Unrestricted EUR Global Bonds, the **EUR Global Bonds**, and the EUR Global Bonds together with the U.S.$ Global Bonds, the **Global Bonds**) in registered form without interest coupons attached. The EUR Global Bonds will be registered in the name of a nominee for, and shall be deposited on or about the Closing Date with a common depositary for, and in respect of interests held through, Euroclear and Clearstream, Luxembourg.

It is expected that the Bonds will be issued on the Closing Date. Interests in the Restricted Global Bonds will be subject to certain restrictions on transfer. Beneficial interests in the Global Bonds will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg and their participants and, in the case of the Restricted U.S.$ Global Bonds, DTC. Except as described herein, certificates will not be issued in exchange for beneficial interests in the Global Bonds.

Joint Lead Managers and Joint Bookrunners

Barclays **Deutsche Bank** **Gazprombank** **Renaissance Capital** **The Royal Bank of Scotland** **VTB Capital**

Prospectus dated 13 September 2013

This document (the **Prospectus**) comprises a prospectus for the purposes of Directive 2003/71/EC (as amended) (the **Prospectus Directive**). The Russian Federation accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Russian Federation (which has taken all reasonable care to ensure that such is the case), 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, listing of the Bonds on the Official List of the UKLA and admission of the Bonds to trading on the London Stock Exchange's Regulated Market.

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 the Joint Lead Managers (as defined under "*Subscription and Sale*"). 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 document. Effective from the date of commencement of discussions concerning the Issuer or sale of Bonds, prospective purchasers of Bonds and each of their employees, representatives or other agents may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of the offering and all materials of any kind, including opinions or other tax analyses that the Issuer has provided to such prospective purchasers relating to such U.S. federal income tax treatment and tax structure. 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 Joint Lead Manager in any jurisdiction where an offer or invitation by or on behalf of the Issuer or any agency thereof or any Joint Lead Manager 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 Bonds and distribution of this Prospectus, see "Subscription and Sale", "Form and Transfer of the Bonds" and "Transfer Restrictions".

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.

The Fiscal Agent, the Registrar, the Paying Agents and the Transfer Agents referred to herein make no representation regarding this Prospectus or the Bonds.

To the fullest extent permitted by law, the Joint Lead Managers do not accept any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by the Joint Lead Managers in connection with the issue and offering of the Bonds. The Joint 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 Joint Lead Manager or any person affiliated with any Joint Lead Manager 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.

The Bonds have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Bonds or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

In connection with the issue of the Bonds, Deutsche Bank AG, London Branch (the **Stabilising Manager**) or any person acting on behalf of the Stabilising Manager may over-allot 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 issue date of the Bonds 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.

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

NOTICE TO INVESTORS IN THE UNITED KINGDOM

In 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.

The Issuer and the Joint Lead Managers reserve the right to reject any offer to purchase the Bonds, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States other than any QIB to whom an offer has been made directly by one of the Joint Lead Managers or its U.S. broker-dealer affiliate. Distribution of this Prospectus by any person outside the United States or by any QIB in the United States to any person within the United States (other than any QIB and those persons, if any, retained to advise such person outside the United States or QIB with respect thereto) is unauthorised, and any disclosure without the prior written consent of the Issuer of any of its contents to any such person within the United States (other than any QIB and those persons, if any, retained to advise such person outside the United States or QIB) is prohibited.

Credit ratings included or referred to in this Prospectus have been issued by Moody's Investors Service Limited, Standard & Poor's Credit Market Services France S.A.S. and Fitch Ratings Ltd., each of which is established in the European Union (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.

PRESENTATION OF CERTAIN INFORMATION

In this Prospectus, all references to **RUB** 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 of America, 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 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", 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 Federal Service for Financial Markets (the **FSFM**), the Ministry of Finance, the Federal Customs Service (the **Customs Service**), the Ministry of Transport, the Ministry of Health and Social Development, the Ministry of Energy, the Ministry of Foreign Affairs, the Ministry of Economic Development, the Ministry of Industry and Trade, the Federal Agency of Air Transport and State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" (**Vnesheconombank**). Unless otherwise indicated, the statistical information reported herein has been provided as of 1 June 2013. 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, Vnesheconombank 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.

The oil, gas and coal reserves information contained in this Prospectus calculated on the basis of Russian methodologies is not comparable, and cannot be made comparable, to reserves information provided on the basis of standard international methodologies and classifications, such as guidelines published by The Society of Petroleum Engineers or the United States Securities and Exchange Commission (the **SEC**), in the case of oil and gas reserves, or the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the **JORC Code**) or the SEC's Industry Guide 7, in the case of coal reserves. Russian methodologies for calculating reserves and Russian reserves classifications differ from standard international methodologies and classifications, in particular with respect to the manner and extent to which commercial factors affecting exploration, development and production are taken into account. Generally, Russian methodologies classify deposits as reserves if such deposits are technically recoverable, even if the recovery of a portion of such reserves, using currently available technology, is uneconomic. In contrast, most international methodologies classify deposits as reserves only if such deposits are economically extractable on the basis of existing technologies, prices and costs. The gas reserves information based on Russian methodologies and reserves classifications contained in this Prospectus represents total "explored" reserves, consisting of gas reserves in categories A, B and C1 of the Russian classification system.

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 the international economic environment on the Russian economy, including liquidity in the international financing 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 rating of the Russian Federation;
    - the impact of changes in the international prices of commodities; and
    - economic conditions in Russia's major export markets.
- 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;
    - the depreciation or appreciation of the rouble; and
    - governmental, statutory, regulatory or administrative initiatives.

EXCHANGE RATES

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.

	Yearly Exchange Rate Information				
	2008	2009	2010	2011	2012
	(Roubles per U.S.$)				
Low	23.13	28.67	28.93	27.26	28.95
High	29.38	36.43	31.78	32.68	34.04
Average for the period(1)	24.81	31.68	30.36	29.35	31.07
Period end(2)	29.38	30.24	30.48	32.20	30.37
	(Roubles per €)				
Low	34.08	41.13	37.42	39.28	38.41
High	41.63	46.84	43.46	43.64	42.25
Average for the period(1)	36.41	44.13	40.27	40.87	39.94
Period end(2)	41.44	43.39	40.33	41.67	40.23
	(U.S.$ per €)				
Low	1.24	1.25	1.20	1.29	1.21
High	1.60	1.51	1.45	1.49	1.35
Average for the period(1)	1.47	1.40	1.33	1.42	1.28
Period end(2)	1.39	1.43	1.32	1.29	1.32

	Monthly Exchange Rate Information							
	January 2013	February 2013	March 2013	April 2013	May 2013	June 2013	July 2013	August 2013
	(Roubles per U.S.$)							
Low	30.03	29.93	30.51	30.88	31.04	31.68	32.31	32.86
High	30.42	30.62	31.08	31.72	31.59	32.91	33.32	33.25
Average for the period(1)	30.23	30.16	30.80	31.35	31.31	32.30	32.74	33.02
Period end(2)	30.03	30.62	31.08	31.26	31.59	32.71	32.89	33.25
	(Roubles per €)							
Low	39.64	39.92	39.66	39.82	40.19	41.45	42.10	43.66
High	40.54	40.87	40.10	41.38	40.97	43.35	43.61	44.39
Average for the period(1)	40.27	40.38	39.94	40.78	40.54	42.59	42.81	43.97
Period end(2)	40.51	40.04	39.80	40.84	40.97	42.72	43.61	44.01
	(U.S.$ per €)							
Low	1.30	1.31	1.28	1.28	1.28	1.30	1.28	1.32
High	1.36	1.37	1.31	1.32	1.32	1.34	1.33	1.34
Average for the period(1)	1.33	1.33	1.30	1.30	1.30	1.32	1.31	1.33
Period end(2)	1.36	1.31	1.28	1.32	1.30	1.30	1.33	1.32

Notes:

(1) The average rates are calculated as the average of the exchange rates on the last business day of each month for the period.

(2) The period end rates are quoted for the last business day of the relevant period.

Sources: Bank of Russia; U.S. Federal Reserve (for U.S.$ to € data only).

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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 state, consisting of 83 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. The Russian Federation borders 18 countries (two of which are by maritime boundary only) and spans nine 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.
Bonds	
Title	U.S.$1,500,000,000 3.5 per cent. Bonds due 2019, U.S.$3,000,000,000 4.875 per cent. Bonds due 2023, U.S.$1,500,000,000 5.875 per cent. Bonds due 2043 and EUR750,000,000 3.625 per cent. Bonds due 2020.
Interest	The 2019 U.S.$ Bonds bear interest from 16 September 2013 at 3.5 per cent. per annum, payable semi-annually in arrear on 16 July and 16 January in each year, commencing on 16 July 2014. The 2023 U.S.$ Bonds bear interest from 16 September 2013 at 4.875 per cent. per annum, payable semi-annually in arrear on 16 March and 16 September in each year, commencing on 16 March 2014. The 2043 U.S.$ Bonds bear interest from 16 September 2013 at 5.875 per cent. per annum, payable semi-annually in arrear on 16 March and 16 September in each year, commencing on 16 March 2014. The EUR Bonds bear interest from 16 September 2013 at 3.625 per cent. per annum, payable annually in arrear on 16 September in each year, commencing on 16 September 2014.
Redemption	Unless previously redeemed, or purchased and cancelled, each 2019 U.S.$ Bond will be redeemed at its principal amount on 16 January 2019 subject as provided in Condition 7 of the Terms and Conditions of the 2019 U.S.$ Bonds, each 2023 U.S.$ Bond will be redeemed at its principal amount on 16 September 2023 subject as provided in Condition 7 of the Terms and Conditions of the 2023 U.S.$ Bonds, each 2043 U.S.$ Bond will be redeemed at its principal amount on 16 September 2043 subject as provided in Condition 7 of the Terms and Conditions of the 2043 U.S.$ Bonds and each EUR Bond will be redeemed at its principal amount on 16 September 2020 subject as provided in Condition 7 of the Terms and Conditions of the EUR Bonds. References herein to **Conditions** are to the Terms and Conditions of the 2019 U.S.$ Bonds, the Terms and Conditions of the 2023 U.S.$ Bonds, the

Terms and Conditions of the 2043 U.S.$ Bonds and the Terms and Conditions of the EUR Bonds, as applicable.

Repurchase

The Russian Federation 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.

Status

The Bonds of each series constitute direct, unconditional, unsecured and unsubordinated obligations of the Russian Federation 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 Russian Federation, including Bonds of the other series.

Events of Default

1. Failure to pay any amount of principal or interest in respect of the relevant 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 relevant 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 Russian Federation 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 relevant 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 under or in respect of the fiscal agency agreement in respect of the 2019 U.S.$ Bonds (the **2019 U.S.$ Fiscal Agency Agreement**), the fiscal agency agreement in respect of the 2023 U.S.$ Bonds (the **2023 U.S.$ Fiscal Agency Agreement**), the fiscal agency agreement in respect of the 2043 U.S.$ Bonds (the **2043 U.S.$ Fiscal Agency Agreement**) or the fiscal agency agreement in respect of the EUR Bonds (the **EUR Fiscal Agency Agreement** and

together with the 2019 U.S.$ Fiscal Agency Agreement, the 2023 U.S.$ Fiscal Agency Agreement, the 2043 U.S.$ Fiscal Agency Agreement, each a **Fiscal Agency Agreement**), as applicable, 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 relevant Bonds or under the relevant Fiscal Agency Agreement 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 relevant Bonds remains outstanding (as defined in the relevant Fiscal Agency Agreement) 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 of each series will be issued in registered form, without interest coupons attached.

The Unrestricted U.S.$ Bonds will be represented by beneficial interests in an Unrestricted U.S.$ Global Bond, which will be registered in the name of a nominee for, and shall be deposited on or about the Closing Date with a common depositary for, and in respect of interests held through Euroclear and Clearstream, Luxembourg.

The Restricted U.S.$ Bonds will be represented by beneficial interests in a Restricted U.S.$ Global Bond, which will be deposited on or about the Closing Date with the Custodian for, and registered in the name of Cede & Co. as nominee for, DTC.

The Unrestricted EUR Bonds will be represented by beneficial interests in an Unrestricted EUR Global Bond, and the Restricted EUR Bonds will be represented by beneficial interests in a Restricted EUR Global Bond each of which will be registered in the name of a nominee for, and shall be deposited on or about the Closing Date with a common depositary for, and in respect of interests held through Euroclear and Clearstream, Luxembourg.

	The Bonds will be subject to certain restrictions on transfer. See "Form and Transfer of the Bonds" and "Transfer Restrictions".
Further Issues	The Russian Federation shall be at liberty from time to time, without the consent of the holders of the relevant 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 such Bonds, provided that such further issuance constitutes a qualified reopening for U.S. federal income tax purposes.
Denomination	U.S.$200,000 in the case of the U.S.$ Bonds and EUR100,000 in the case of the EUR Bonds.
Taxes	Subject to certain exceptions, all payments under the Bonds will be made free and clear of any taxes imposed by the Russian Federation.
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 for the Bonds to be listed on the Official List and admitted to trading on the Market. The total expenses related to the admission to trading of the Bonds are approximately €8,330.
Risk Factors	Risks associated with the Bonds generally include: (1) there can be no assurance that Russia's credit ratings will not be suspended, downgraded or withdrawn; (2) the terms of the Bonds may be modified pursuant to their collective-action provisions; (3) legal investment considerations may restrict certain investments; and (4) a trading market for the Bonds may not develop, and if a market does develop, it may not be liquid. Risks associated with the Russian Federation generally include: (1) any material reduction in the price of crude oil or natural gas may materially and adversely affect the revenues and financial condition of the Russian Federation; (2) the Russian Federation's economy, like many economies, is vulnerable to external shocks, and 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; (3) 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; and (4) the depreciation of the rouble against the dollar or other major currencies. 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, and the Russian Federation is not in a position to express a view on the likelihood that one or more of these contingencies will in fact 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

Any material reduction in the price of crude oil or natural gas may materially adversely affect the revenues and financial condition of the Russian Federation

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 approximately 6,453.2 billion roubles in 2012, representing 50.2% of overall federal budget revenues for the year. Oil and natural gas prices have fluctuated significantly in recent years in response to global supply and demand, general economic conditions, competition from other energy sources and other factors. Any material reduction in international oil and natural gas prices could materially adversely affect the budgetary revenues and financial condition of the Russian Federation, to the extent that decreases in the prices of oil and natural gas are not offset by depreciation of the rouble against the dollar (which is in turn affected by factors such as the flexibility of rouble exchange rate and its correlation to changes in the oil price). Moreover, while the Reserve Fund and the National Wealth Fund can be used to cover short-term budgetary shortfalls, there can be no assurance that they will be sufficient in the event of a significant and sustained decline in oil and natural gas prices. The average price per barrel of Urals oil was U.S.$94.37 in 2008, U.S.$60.89 in 2009, U.S.$78.20 in 2010, U.S.$109.33 in 2011 and U.S.$110.41 in 2012. In the first quarter of 2013, the average price per barrel of Urals oil was U.S.$110.98. The Russian Federation's 2013 Budget Law assumes an average price per barrel of Urals oil of U.S.$97.00 for 2013, U.S.$101.00 for 2014 and U.S.$104.00 for 2015. See "Public Finance—2013 Budget Law". Natural gas prices have likewise fluctuated significantly in recent years, in part because crude oil prices often provide a benchmark for natural gas prices. The average export price of natural gas per thousand m^3 was U.S.$359.10 in 2008, U.S.$257.10 in 2009, U.S.$273.00 in 2010 (excluding trade with Kazakhstan from 1 July 2010), U.S.$381.48 in 2011 and U.S.$352.13 in 2012. In the first quarter of 2013, the average export price of natural gas per thousand m^3 was U.S.$345.32. Furthermore, the Russian Federation's main oil and gas purchasers, such as Europe, may turn to alternative sources of fuel such as shale gas or liquefied natural gas from the United States or other providers, which would in turn adversely affect demand for Russian oil and gas exports. Any material reduction in the price of crude oil or natural gas, or reduction in the demand for the Russian Federation's oil and natural gas products, will have a significant effect on the Russian Federation's budgetary revenues and foreign reserves, and, if sustained, may materially adversely affect the Russian Federation's financial condition.

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 and finances were adversely affected in 2008-09 by the global financial crisis. Real gross domestic product (**GDP**), for example, declined by 7.8% in 2009 compared to 2008, and the average unemployment rate (using the definition of the International Labour Organisation (the **ILO**)) increased from 7.1% in the fourth quarter of 2008 to 8% in the fourth quarter of 2009. The value of the rouble against the dollar also declined in 2009, by 12.2% in real terms, as did the value of the real effective exchange rate, which fell by 5.6%.

The Russian Federation's economy remains vulnerable to further external shocks. Russian exports generally, and demand and prices for oil and gas in particular, continue to be adversely affected by the sovereign debt crisis persisting in the Eurozone, which has been marked by low or even sharply negative growth rates in the affected countries. Recently, global commodity prices have also been adversely affected by slowing growth in China, which is a major purchaser of Russian exports. A continued deceleration of economic growth in China or any further significant decline in the economic growth of the EU or any of the Russian Federation's other major trading partners could have a material adverse effect on the Russian Federation's balance of trade and adversely affect the Russian Federation's economic growth.

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 government's political or economic policies, 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. Moreover, turmoil in global financial markets tends to affect adversely the value of investments in emerging market countries as investors move their money to more stable, developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in the Russian Federation and adversely affect the Russian economy, as well as result in a decrease in the price of the Bonds.

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 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. 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 Bond investors are likely to reside, including the United States and 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 have recently 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 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 Baa1 (Moody's), BBB (Standard & Poor's) and BBB (Fitch), each with a stable outlook. 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. 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.

Exchange rate risks

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.

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

Between 2008 and 2012, consumer price inflation (**CPI**) decreased from 13.3% in 2008 to 6.6% in 2012. Although the Central Bank of the Russian Federation (the **Bank of Russia**) is currently in the process of shifting the focus of its monetary policy from exchange rate targeting to inflation targeting, there can be no guarantee that the Bank of Russia will be able to maintain price stability and thus control inflation.

Official economic data 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, Central 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 IMF, and which may use different methodologies.

In addition, data compiled by the Ministry of Finance, Central 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

Modification

The conditions of the Bonds contain collective action provisions that permit defined majorities to bind all bondholders of a relevant series, including Bondholders who did not attend and vote at the relevant meeting or sign the relevant written resolution and Bondholders who did not attend and voted in a manner contrary to the majority. Each series of Bonds may generally be modified with the consent of persons holding or representing more than 50 per cent. of the votes cast at a meeting of Bondholders called for that purpose, so long as the meeting is attended by two or more persons holding or representing a clear majority of the aggregate principal amount of such outstanding Bonds (or by two or more persons being or representing Bondholders in the case of an adjourned meeting), or in a written resolution signed by holders of more than 50 per cent. of the principal amount of the outstanding Bonds of that series. The maturity, principal amount, interest rate, payment terms and certain other attributes of such series of Bonds may only be modified with the consent of persons holding or representing not less than 75 per cent. of the votes cast at a meeting of Bondholders called for that purpose, so long as the meeting is attended by persons holding or representing at least 66 2/3 per cent. of the aggregate principal amount of such outstanding Bonds, or by a written resolution signed by holders of at least 66 2/3 per cent. of the principal amount of the outstanding Bonds of that series.

In addition, the conditions of the Bonds permit "cross-series modifications" to be made to one or more series of debt securities, provided that those debt securities also contain a cross-modification provision. In the case of a cross-series modification, a majority of not less than 75 per cent. 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, provided that more than 66 2/3 per cent. of the holders of each affected series of debt securities approves the relevant amendment, or a written resolution signed by holders of not less than 66 2/3 per cent. of the holders of the debt securities of all series (when taken in the aggregate) that would be affected by the proposed modification provided that more than 50% of the holders of each affected series of debt securities approves the relevant amendment.

The conditions of the Bonds also contain a provision permitting the Bonds of the relevant series and the conditions of the Bonds or any agreement governing the issuance or administration of the Bonds to be amended without the consent of the Bondholders where the amendment is of a formal, minor or technical nature, is made to correct a manifest error or to cure an ambiguity, or is for the benefit of Bondholders.

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.

Fluctuations in exchange rates and interest rates may adversely affect the value of the Bonds

Principal and interest on the Notes will be paid in U.S. dollars or euros. This presents certain risks relating to currency conversions if any investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than U.S. dollars or euros, including the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollars or euros or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency equivalent value of the principal payable on the Bonds and (3) the Investor's Currency equivalent market value of the Bonds. In addition, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

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 2019 U.S.$ BONDS

The following is the text of the terms and conditions of the 2019 U.S.$ 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 each Global Bond representing the 2019 U.S.$ Bonds.

The U.S.$1,500,000,000 3.5 per cent. Bonds due 2019 (the "Bonds") (which expression includes any further Bonds issued pursuant to Condition 13 and forming a single series with the Bonds) of the Ministry of Finance of the Russian Federation (the "Ministry of Finance") acting on behalf of the Russian Federation (the "Russian Federation") were authorised pursuant to the provisions of Federal Law No. 136-FZ of 29 July 1998 (as amended) "On the Specifics of Issuance and Circulation of State and Municipal Securities"; Federal Law No. 216-FZ of 3 December 2012 "On the Federal Budget for 2013 and for the Planning Period of 2014 and 2015"; Resolution of the Government of the Russian Federation dated 28 December 2012 No. 2585-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; and Order of the Ministry of Finance dated 11 September 2013 No. 233. The fiscal agency agreement dated 13 September 2013 (the "Fiscal Agency Agreement") has been entered into in relation to the Bonds by the Russian Federation, Citibank, N.A., London Branch, as fiscal and paying agent (the "Fiscal Agent") and as registrar (the "Registrar") in London and Citibank, N.A., New York Branch, as transfer agent (together with Citibank, N.A., London Branch, the "Transfer Agents") and paying agent in New York (together with the Fiscal Agent and the Registrar, the "Paying Agents") and the transfer agents named therein (the "Transfer Agents").

In these Conditions, "Fiscal Agent", "Registrar", "Paying Agent", and "Transfer Agent" shall include any successors appointed from time to time in accordance with the provisions of the Fiscal Agency Agreement for the Bonds, and any reference to an "Agent" or "Agents" shall mean any or all (as applicable) of such persons.

Copies of the Fiscal Agency Agreement are available for inspection during usual business hours at the principal office of the Fiscal Agent (currently 13th Floor, Citigroup Centre, Canada Square, London E14 5LB, United Kingdom) and at the specified offices of each of the other Agents. The Bondholders (as defined in Condition 1(b)) are bound by, and are deemed to have notice of, the provisions of the Fiscal Agency Agreement for the Bonds, including any provision of the Fiscal Agency Agreement which amends or supplements the Bonds.

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 U.S.$200,000 (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 the Russian Federation shall procure to be kept by the Registrar.

(b) Title

Title to the Bonds 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 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 part only 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.

(e) Regulations Concerning Transfer and Registration

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Russian Federation in a manner which is reasonably required by the Russian Federation (after consultation with the Registrar) to reflect changes in legal requirements or in any other manner which is not prejudicial to the interests of the Bondholders. A copy of the current regulations will be sent by the Registrar to any Bondholder who so requests.

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 (as defined in the Fiscal Agency Agreement) 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 "Bank for Development and Foreign Economic Affairs (Vnesheconombank)") 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 given to them in the IMF's publication entitled "International Financial Statistics" or such other meanings as shall be 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.

"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 16 September 2013 at 3.5 per cent. per annum, payable semi-annually in arrear on 16 July and 16 January in each year until maturity, commencing on 16 July 2014 (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 16 September 2013 and ending on but excluding the first 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 required to be calculated for a period of less than one year, it will be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.

6 Redemption, Purchase and Cancellation

(a) Redemption

Unless previously redeemed, or purchased and cancelled, each Bond will be redeemed at its principal amount on 16 January 2019 (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 a U.S. dollar account maintained by the Bondholder with a bank in New York City or (i) if it does not have such a U.S. dollar account or (ii) if the principal amount of Bonds held by such person is less than U.S.$300,000, by a U.S. dollar cheque drawn on a bank in New York City mailed to the registered address of the Bondholder by uninsured mail at the risk of the Bondholder. Such payment will be made only upon presentation and surrender of the relevant Bond Certificate at the specified office of any of the Paying Agents 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.

(b) Interest

Payments of interest (other than interest due on redemption) in respect of each Bond will be made by U.S. dollar cheque drawn on a bank in New York City and mailed to the holder (or to the first named of joint holders) of such Bond at the address appearing in the Register not later than the due date for such payment and will be rounded downwards, if necessary, to the nearest cent. 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 on the fifteenth day before the due date for such payment of interest.

Upon application by a Bondholder with respect to Bonds having a principal amount of U.S.$300,000 or more to the specified office of the Registrar not less than 15 days before the due date for the payment of any interest (other than interest due on redemption) in respect of such Bonds, such payment will be made by transfer to a U.S. dollar account maintained by the payee with a bank in New York City. Any such application for transfer to a U.S. dollar account shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Bonds which become payable to the Bondholder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such Bondholder.

Payment of interest due on redemption will be made in the same manner as payment of the principal of a Bond.

(c) Payments Subject to Fiscal Laws

All payments of principal and interest in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 8.

(d) 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.

(e) Payments on Business Days

Where payment is to be made by transfer to a U.S. dollar account, 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 at the specified office of any of the Paying Agents.

Where payment is to be made by cheque, the cheque will be mailed 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 at the specified office of any of the Paying Agents.

In these Conditions, "business day" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in London and New York City and, in the case of the surrender of a Bond Certificate, in the place where the Bond Certificate is surrendered.

(f) 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; (ii) the Bondholder being late in presenting or surrendering its Bond Certificate (if required to do so); or (iii) a cheque mailed in accordance with this Condition 7 arriving after the due date for payment or being lost in the mail.

(g) 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.

(h) Agents

The initial Agents and their initial specified offices are listed below. Any of the Agents may resign in accordance with the provisions of the Fiscal Agency Agreement and the Russian Federation reserves the right at any time to vary or terminate the appointment of any Agent and appoint additional or other Agents, provided that while the Bonds are outstanding it will maintain (i) a Fiscal Agent, (ii) a Registrar and (iii) a Paying Agent and a Transfer Agent having a specified office in a major European city which will be in London, so long as the Bonds are listed on the London Stock Exchange and the rules of the London Stock Exchange so require. Notice of any change in the Agents or their specified offices will promptly be given to the Bondholders in accordance with Condition 14.

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, 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;

(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;

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) to a holder, or to a third party on behalf of a holder, who would have been able to avoid such withholding or deduction by presenting the relevant Bond Certificate representing a Bond to another Paying Agent in a Member State of the European Union.

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 under or in respect of the Fiscal Agency Agreement or any of such obligations shall be or become unenforceable or invalid;

(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 under the Fiscal Agency Agreement 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 Registrar or the Transfer Agent with its specified office in London 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 Russian Federation may reasonably require. Mutilated or defaced Bond Certificates must be surrendered before replacements will be issued.

12 Meetings of Bondholders, Written Resolutions; Modification and Waiver

(a) General

The Fiscal Agency Agreement contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the modification of these Conditions. The following is a summary of selected provisions in the Fiscal Agency Agreement.

For the purposes of this Condition 12:

(i) "Debt Security" means the Bonds and any other Public External Indebtedness issued in one or more series with an original stated maturity of more than one year, and includes any such obligation, irrespective of its original stated maturity, that formerly constituted a component part of a Debt Security.

(ii) "Cross-Series Modification" means a modification involving (x) the Bonds or any agreement governing the issuance or administration of the Bonds (including the Fiscal Agency Agreement), and (y) the Debt Securities of one or more other series or any agreement governing the issuance or administration of such other Debt Securities.

(iii) "Reserved Matters" in relation to the Bonds means those matters set out in the Fiscal Agency Agreement as Reserved Matters, including, inter alia, (i) modification of the maturity of the Bonds, (ii) reduction, cancellation or modification of the principal amount of, or interest on, the Bonds, (iii) changing the currency or place of payment of the Bonds, (iv) changing the law governing the Bonds, (v) modification of the provisions concerning the principal amount of outstanding Bonds or, in the case of a Cross-Series Modification, the principal amount of Debt Securities of any other series required to approve a proposed modification in relation to the Bonds, the principal amount of outstanding Bonds required for a quorum to be present or the rules for determining whether a Bond is outstanding for these purposes, (vi) changing the ranking of the Bonds or the Russian Federation's obligation to make payments on the Bonds, (vii) changing any payment-related circumstances in which the Bonds may be declared due and payable prior to their stated maturity, or (viii) changing the definition of a reserved matter.

(iv) "series" means a tranche of Debt Securities, together with any further tranche or tranches of Debt Securities that in relation to each other and to the original tranche of Debt Securities are (i) identical in all respects except for their date of issuance or first payment date, and (ii) expressed to be consolidated and form a single series, and includes the Bonds and any further issuance of Bonds.

(v) "record date" in relation to any proposed modification means the date fixed by the Issuer for determining the holders of Bonds and, in the case of a Cross-Series Modification, the holders of Debt Securities of each other series that are entitled to vote on or sign a written resolution in relation to the proposed modification.

(b) Quorum

The quorum at any meeting at which Bondholders will vote on a proposed modification concerning:

(i) a matter which is not a Reserved Matter shall (subject as provided in the Fiscal Agency Agreement in the event that all outstanding Bonds are held by one person) be two or more persons holding or representing more than 50 per cent. of the aggregate principal amount of the outstanding Bonds; and

(ii) a Reserved Matter shall (subject as provided in the Fiscal Agency Agreement in the event that all outstanding Bonds are held by one person) be two or more persons holding or representing at least 66⅔ per cent. of the aggregate principal amount of the outstanding Bonds.

At any meeting that is adjourned the quorum shall (subject as provided in the Fiscal Agency Agreement in the event that all outstanding Bonds are held by one person) be two or more persons holding or representing at least 25 per cent. of the aggregate principal amount of the outstanding Bonds.

(c) Voting on non-Reserved Matters

These Conditions and any agreement governing the issuance or administration of the Bonds (including the Fiscal Agency Agreement) may be modified in relation to any matter other than a Reserved Matter with the consent of the Russian Federation and:

(i) the affirmative vote of holders of more than 50 per cent. of the aggregate principal amount of the outstanding Bonds represented at a duly called meeting of Bondholders; or

(ii) a written resolution signed by or on behalf of holders of more than 50 per cent. of the aggregate principal amount of the outstanding Bonds.

(d) Voting on Reserved Matters

Except as provided by Condition 12(e) below, these Conditions and any agreement governing the issuance or administration of the Bonds (including the Fiscal Agency Agreement) may be modified in relation to a Reserved Matter with the consent of the Russian Federation and:

(i) the affirmative vote of holders of not less than 75 per cent. of the aggregate principal amount of the outstanding Bonds represented at a duly called meeting of Bondholders; or

(ii) a written resolution signed by or on behalf of holders of not less than 66⅔ per cent. of the aggregate principal amount of the outstanding Bonds.

(e) Cross-Series Modification

In the case of a Cross-Series Modification (and/or a proposal in respect of a Cross-Series Modification), these Conditions and the terms and conditions of the Debt Securities of any other series, and any agreement governing the issuance or administration of the Bonds (including the Fiscal Agency Agreement) or Debt Securities of such other series, may be modified in relation to a Reserved Matter with the consent of the Russian Federation and:

(i)(A) the affirmative vote of not less than 75 per cent. of the aggregate principal amount of the outstanding Debt Securities represented at separate duly called meetings of the holders of the Debt Securities of all the series (taken in the aggregate) that would be affected by the proposed modification; or (i)(B) a written resolution signed by or on behalf of the holders of not less than 66⅔ per cent. of the aggregate principal amount of the outstanding Debt Securities of all the series (taken in the aggregate) that would be affected by the proposed modification;

and

(ii)(A) the affirmative vote of more than 66⅔ per cent. of the aggregate principal amount of the outstanding Debt Securities represented at separate duly called meetings of the holders of the Debt Securities of each series of Debt Securities (taken individually) that would be affected by the proposed modification; or

(ii)(B) a written resolution signed by or on behalf of the holders of more than 50 per cent. of the aggregate principal amount of the outstanding Debt Securities of each series (taken individually) that would be affected by the proposed modification.

A separate meeting will be called and held, or a separate written resolution signed, in relation to the proposed modification of the Bonds and the proposed modification of each other series of Debt Securities.

(f) Partial Cross-Series Modification

If a proposed Cross-Series Modification is not approved in relation to a reserved matter in accordance with Condition 12(e), but would have been so approved if the proposed modification had involved only the Bonds and one or more, but less than all, of the other series of debt securities affected by the proposed modification, that Cross-Series Modification will be deemed to have been approved, notwithstanding Condition 12(e), in relation to the Bonds and debt securities of each other series whose modification would have been approved in accordance with Condition 12(e) if the proposed modification had involved only the Bonds and debt securities of such other series, provided that: (i) prior to the record date for the proposed Cross-Series Modification, the Russian Federation has publicly notified holders of the Bonds and other affected debt securities of the conditions under which the proposed cross-series modification will be deemed to have been approved if it is approved in the manner described above in relation to the Bonds and some but not all of the other affected series of debt securities; and (ii) those conditions are satisfied in connection with the proposed Cross-Series Modification.

(g) Written Resolutions

The Fiscal Agency Agreement also contains provisions permitting a modification to be made in the form of a written resolution, which if passed will be valid for all purposes as if it were a resolution passed at a meeting of Bondholders duly convened and held. A written resolution may be contained in one document or several documents in like form, each signed by or on behalf of one or more Bondholders.

(h) Binding Effect

A resolution duly passed at any meeting of Bondholders convened and held, and a written resolution duly signed by the requisite majority of Bondholders, will be binding on all Bondholders whether or not they are present at the meeting, voted for or against the resolution or signed the written resolution.

(i) Modification and waiver

Notwithstanding anything to the contrary stated in this Condition 12, the parties to the Fiscal Agency Agreement may agree without the consent of the Bondholders to any modification of any provision of these Conditions or any agreement governing the issuance or administration of the Bonds which is of a formal, minor or technical nature, is made to correct a manifest error or cure an ambiguity or is for the benefit of Bondholders.

13 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, provided that such further issuance constitutes a qualified reopening for U.S. federal income tax purposes.

14 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 London Stock Exchange and the rules of the London Stock Exchange so require, notices with respect to the Bonds will also be published in a leading newspaper having general circulation in the United Kingdom (which is expected to be The Financial Times) or, if such publication is not practicable, in an English language newspaper having general circulation in Europe, and each 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.

15 Currency Indemnity

The U.S. dollar is the sole currency of account and payment for all sums payable by the Russian Federation under or in connection with the Bonds, including damages. Any amount received or recovered in a currency other than the U.S. dollar (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 Russian Federation shall only constitute a discharge to the Russian Federation to the extent of the U.S. dollar 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 U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any Bond, the Russian Federation shall indemnify such recipient against any loss sustained by it as a result. In any event, the Russian Federation shall indemnify the recipient against the cost of making any such purchase. These indemnities constitute separate and independent obligations from the Russian Federation'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.

16 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.

17 Governing Law

The Bonds and the Fiscal Agency Agreement 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 2023 U.S.$ BONDS

The terms and conditions of the 2023 U.S.$ Bonds shall be the same as the terms and conditions of the 2019 U.S.$ Bonds except that:

(a) all references therein to the "2019 U.S.$ Bonds" shall instead refer to the "2023 U.S.$ Bonds" and the "Bonds" shall be defined as the U.S.$3,000,000,000 4.875 per cent. Bonds due 2023;

(b) in the first paragraph, the reference to the "Order of the Ministry of Finance dated 11 September 2013 No. 233" shall instead refer to the "Order of the Ministry of Finance dated 11 September 2013 No. 234";

(c) in Condition 5, the reference to interest payable semi-annually in arrear on each Interest Payment Date of "3.5 per cent. per annum" shall instead refer to interest payable semi-annually in arrear on each Interest Payment Date of "4.875 per cent. per annum" and “Interest Payment Date” shall mean each 16 March and 16 September in each year until maturity, commencing on 16 March 2014; and

(d) in Condition 6(a), the reference to "16 January 2019" as the Maturity Date shall instead refer to "16 September 2023" as the Maturity Date.

TERMS AND CONDITIONS OF THE 2043 U.S.$ BONDS

The terms and conditions of the 2043 U.S.$ Bonds shall be the same as the terms and conditions of the 2019 U.S.$ Bonds except that:

(a) all references therein to the "2019 U.S.$ Bonds" shall instead refer to the "2043 U.S.$ Bonds" and the "Bonds" shall be defined as the U.S.$1,500,000,000 5.875 per cent. Bonds due 2043;

(b) in the first paragraph, the reference to the "Order of the Ministry of Finance dated 11 September 2013 No. 233" shall instead refer to the "Order of the Ministry of Finance dated 11 September 2013 No. 235";

(c) in Condition 5, the reference to interest payable semi-annually in arrear on each Interest Payment Date of "3.5 per cent. per annum" shall instead refer to interest payable semi-annually in arrear on each Interest Payment Date of "5.875 per cent. per annum" and “Interest Payment Date” shall mean each 16 March and 16 September in each year until maturity, commencing on 16 March 2014; and

(d) in Condition 6(a), the reference to "16 January 2019" as the Maturity Date shall instead refer to "16 September 2043" as the Maturity Date.

TERMS AND CONDITIONS OF THE EUR BONDS

The following is the text of the terms and conditions of the EUR 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 each Global Bond representing the EUR Bonds.

The EUR750,000,000 3.625 per cent. Bonds due 2020 (the "Bonds") (which expression includes any further Bonds issued pursuant to Condition 13 and forming a single series with the Bonds) of the Ministry of Finance of the Russian Federation (the "Ministry of Finance") acting on behalf of the Russian Federation (the "Russian Federation") were authorised pursuant to the provisions of Federal Law No. 136-FZ of 29 July 1998 (as amended) "On the Specifics of Issuance and Circulation of State and Municipal Securities"; Federal Law No. 216-FZ of 3 December 2012 "On the Federal Budget for 2013 and for the Planning Period of 2014 and 2015"; Resolution of the Government of the Russian Federation dated 28 December 2012 No. 2585-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; and Order of the Ministry of Finance dated 11 September 2013 No. 236, as amended on 13 September 2013. The fiscal agency agreement dated 13 September 2013 (the "Fiscal Agency Agreement") has been entered into in relation to the Bonds by the Russian Federation, Citibank, N.A., London Branch, as fiscal and paying agent (the "Fiscal Agent") and as registrar (the "Registrar") in London and Citibank, N.A., New York Branch, as transfer agent (together with Citibank, N.A., London Branch, the "Transfer Agents") and paying agent in New York (together with the Fiscal Agent and the Registrar, the "Paying Agents") and the transfer agents named therein (the "Transfer Agents").

In these Conditions, "Fiscal Agent", "Registrar", "Paying Agent" and "Transfer Agent" shall include any successors appointed from time to time in accordance with the provisions of the Fiscal Agency Agreement for the Bonds, and any reference to an "Agent" or "Agents" shall mean any or all (as applicable) of such persons.

Copies of the Fiscal Agency Agreement are available for inspection during usual business hours at the principal office of the Fiscal Agent (currently 13th Floor, Citigroup Centre, Canada Square, London E14 5LB, United Kingdom) and at the specified offices of each of the other Agents. The Bondholders (as defined in Condition 1(b)) are bound by, and are deemed to have notice of, the provisions of the Fiscal Agency Agreement for the Bonds, including any provision of the Fiscal Agency Agreement which amends or supplements the Bonds.

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 EUR100,000 (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 the Russian Federation shall procure to be kept by the Registrar.

(b) Title

Title to the Bonds 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 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 part only 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.

(e) Regulations Concerning Transfer and Registration

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Russian Federation in a manner which is reasonably required by the Russian Federation (after consultation with the Registrar) to reflect changes in legal requirements or in any other manner which is not prejudicial to the interests of the Bondholders. A copy of the current regulations will be sent by the Registrar to any Bondholder who so requests.

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 (as defined in the Fiscal Agency Agreement) 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 "Bank for Development and Foreign Economic Affairs (Vnesheconombank)") 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 given to them in the IMF's publication entitled "International Financial Statistics" or such other meanings as shall be 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.

"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 16 September 2013 at 3.625 per cent. per annum, payable annually in arrear on 16 September in each year until maturity, commencing on 16 September 2014 (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 16 September 2013 and ending on but excluding the first 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).

Where 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 16 September 2020 (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 euro cheque mailed to the registered address of the Bondholder by uninsured mail at the risk of the Bondholder. However, upon application by the Bondholder to the specified office of the Registrar or any Agent not less than 15 days before the due date for any payment in respect of a Bond, such payment may be made by transfer to a euro account maintained by the payee with a bank in a city where banks have access to the TARGET System (as defined below). Such payment will be made only upon presentation and surrender of the relevant Bond Certificate at the specified office of any of the Paying Agents 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.

(b) Interest

Payments of interest (other than interest due on redemption) in respect of each Bond will be made by euro cheque mailed to the holder (or to the first-named of joint holders) of such Bond at the address appearing in the Register not later than the due date for such payment and will be rounded downwards, if necessary, to the nearest cent. 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 on the fifteenth day before the due date for such payment of interest.

However, upon application by the Bondholder to the specified office of the Registrar or any Agent not less than 15 days before the due date for any payment in respect of a Bond, such payment may be made by transfer to a euro account maintained by the payee with a bank in a city where banks have access to the TARGET System. Any such application for transfer to a euro account shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Bonds which become payable to the Bondholder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such Bondholder.

Payment of interest due on redemption will be made in the same manner as payment of the principal of a Bond.

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

All payments of principal and interest in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 8.

(d) ***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.

(e) ***Payments on Business Days***

Where payment is to be made by transfer to a euro account, 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 at the specified office of any of the Paying Agents.

Where payment is to be made by cheque, the cheque will be mailed 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 at the specified office of any of the Paying Agents.

In these Conditions, "business day" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in London and on which the TARGET System is open and, in the case of the surrender of a Bond Certificate, in the place of the specified office of the Registrar or relevant Agent, to whom the relevant Bond Certificate is surrendered and "TARGET System" 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.

(f) ***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; (ii) the Bondholder being late in presenting or surrendering its Bond Certificate (if required to do so); or (iii) a cheque mailed in accordance with this Condition 7 arriving after the due date for payment or being lost in the mail.

(g) ***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.

(h) ***Agents***

The initial Agents and their initial specified offices are listed below. Any of the Agents may resign in accordance with the provisions of the Fiscal Agency Agreement and the Russian Federation reserves the right at any time to vary or terminate the appointment of any Agent and appoint additional or other Agents, provided that while the Bonds are outstanding it will maintain (i) a Fiscal Agent, (ii) a Registrar and (iii) a Paying Agent and a Transfer Agent having a specified office in a major European city which will be in London, so long as the Bonds are listed on the London Stock Exchange and the rules of the London Stock Exchange so require. Notice of any change in the Agents or their specified offices will promptly be given to the Bondholders in accordance with Condition 14.

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, 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;

(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;

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) to a holder, or to a third party on behalf of a holder, who would have been able to avoid such withholding or deduction by presenting the relevant Bond Certificate representing a Bond to another Paying Agent in a Member State of the European Union.

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 under or in respect of the Fiscal Agency Agreement or any of such obligations shall be or become unenforceable or invalid;

(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 under the Fiscal Agency Agreement 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 Registrar or the Transfer Agent with its specified office in London 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 Russian Federation may reasonably require. Mutilated or defaced Bond Certificates must be surrendered before replacements will be issued.

12 Meetings of Bondholders, Written Resolutions; Modification and Waiver

(a) ***General***

The Fiscal Agency Agreement contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the modification of these Conditions. The following is a summary of selected provisions in the Fiscal Agency Agreement.

For the purposes of this Condition 12:

(i) "Debt Security" means the Bonds and any other Public External Indebtedness issued in one or more series with an original stated maturity of more than one year, and includes any such obligation, irrespective of its original stated maturity, that formerly constituted a component part of a Debt Security.

(ii) "Cross-Series Modification" means a modification involving (x) the Bonds or any agreement governing the issuance or administration of the Bonds (including the Fiscal Agency Agreement), and (y) the Debt Securities of one or more other series or any agreement governing the issuance or administration of such other Debt Securities.

(iii) "Reserved Matters" in relation to the Bonds means those matters set out in the Fiscal Agency Agreement as Reserved Matters, including, inter alia, (i) modification of the maturity of the Bonds, (ii) reduction, cancellation or modification of the principal amount of, or interest on, the Bonds, (iii) changing the currency or place of payment of the Bonds, (iv) changing the law governing the Bonds, (v) modification of the provisions concerning the principal amount of outstanding Bonds or, in the case of a Cross-Series Modification, the principal amount of Debt Securities of any other series required to approve a proposed modification in relation to the Bonds, the principal amount of outstanding Bonds required for a quorum to be present or the rules for determining whether a Bond is outstanding for these purposes, (vi) changing the ranking of the Bonds or the Russian Federation's obligation to make payments on the Bonds, (vii) changing any payment-related circumstances in which the Bonds may be declared due and payable prior to their stated maturity, or (viii) changing the definition of a reserved matter.

(iv) "series" means a tranche of Debt Securities, together with any further tranche or tranches of Debt Securities that in relation to each other and to the original tranche of Debt Securities are (i) identical in all respects except for their date of issuance or first payment date, and (ii) expressed to be consolidated and form a single series, and includes the Bonds and any further issuance of Bonds.

(v) "record date" in relation to any proposed modification means the date fixed by the Issuer for determining the holders of Bonds and, in the case of a Cross-Series Modification, the holders of Debt Securities of each other series that are entitled to vote on or sign a written resolution in relation to the proposed modification.

(b) Quorum

The quorum at any meeting at which Bondholders will vote on a proposed modification concerning:

(i) a matter which is not a Reserved Matter shall (subject as provided in the Fiscal Agency Agreement in the event that all outstanding Bonds are held by one person) be two or more persons holding or representing more than 50 per cent. of the aggregate principal amount of the outstanding Bonds; and

(ii) a Reserved Matter shall (subject as provided in the Fiscal Agency Agreement in the event that all outstanding Bonds are held by one person) be two or more persons holding or representing at least 66⅔ per cent. of the aggregate principal amount of the outstanding Bonds.

At any meeting that is adjourned the quorum shall (subject as provided in the Fiscal Agency Agreement in the event that all outstanding Bonds are held by one person) be two or more persons holding or representing at least 25 per cent. of the aggregate principal amount of the outstanding Bonds.

(c) Voting on non-Reserved Matters

These Conditions and any agreement governing the issuance or administration of the Bonds (including the Fiscal Agency Agreement) may be modified in relation to any matter other than a Reserved Matter with the consent of the Russian Federation and:

(i) the affirmative vote of holders of more than 50 per cent. of the aggregate principal amount of the outstanding Bonds represented at a duly called meeting of Bondholders; or

(ii) a written resolution signed by or on behalf of holders of more than 50 per cent. of the aggregate principal amount of the outstanding Bonds.

(d) Voting on Reserved Matters

Except as provided by Condition 12(e) below, these Conditions and any agreement governing the issuance or administration of the Bonds (including the Fiscal Agency Agreement) may be modified in relation to a Reserved Matter with the consent of the Russian Federation and:

(i) the affirmative vote of holders of not less than 75 per cent. of the aggregate principal amount of the outstanding Bonds represented at a duly called meeting of Bondholders; or

(ii) a written resolution signed by or on behalf of holders of not less than 66⅔ per cent. of the aggregate principal amount of the outstanding Bonds.

(e) Cross-Series Modification

In the case of a Cross-Series Modification (and/or a proposal in respect of a Cross-Series Modification), these Conditions and the terms and conditions of the Debt Securities of any other series, and any agreement governing the issuance or administration of the Bonds (including the Fiscal Agency Agreement) or Debt Securities of such other series, may be modified in relation to a Reserved Matter with the consent of the Russian Federation and:

(i)(A) the affirmative vote of not less than 75 per cent. of the aggregate principal amount of the outstanding Debt Securities represented at separate duly called meetings of the holders of the Debt Securities of all the series (taken in the aggregate) that would be affected by the proposed modification; or

(i)(B) a written resolution signed by or on behalf of the holders of not less than 66⅔ per cent. of the aggregate principal amount of the outstanding Debt Securities of all the series (taken in the aggregate) that would be affected by the proposed modification;

and

(ii)(A) the affirmative vote of more than 66⅔ per cent. of the aggregate principal amount of the outstanding Debt Securities represented at separate duly called meetings of the holders of the Debt Securities of each series of Debt Securities (taken individually) that would be affected by the proposed modification; or

(ii)(B) a written resolution signed by or on behalf of the holders of more than 50 per cent. of the aggregate principal amount of the outstanding Debt Securities of each series (taken individually) that would be affected by the proposed modification.

A separate meeting will be called and held, or a separate written resolution signed, in relation to the proposed modification of the Bonds and the proposed modification of each other series of Debt Securities.

(f) Partial Cross-Series Modification

If a proposed Cross-Series Modification is not approved in relation to a reserved matter in accordance with Condition 12(e), but would have been so approved if the proposed modification had involved only the Bonds and one or more, but less than all, of the other series of debt securities affected by the proposed modification, that Cross-Series Modification will be deemed to have been approved, notwithstanding Condition 12(e), in relation to the Bonds and debt securities of each other series whose modification would have been approved in accordance with Condition 12(e) if the proposed modification had involved only the Bonds and debt securities of such other series, provided that: (i) prior to the record date for the proposed Cross-Series Modification, the Russian Federation has publicly notified holders of the Bonds and other affected debt securities of the conditions under which the proposed cross-series modification will be deemed to have been approved if it is approved in the manner described above in relation to the Bonds and some but not all of the other affected series of debt securities; and (ii) those conditions are satisfied in connection with the proposed Cross-Series Modification.

(g) Written Resolutions

The Fiscal Agency Agreement also contains provisions permitting a modification to be made in the form of a written resolution, which if passed will be valid for all purposes as if it were a resolution passed at a meeting of Bondholders duly convened and held. A written resolution may be contained in one document or several documents in like form, each signed by or on behalf of one or more Bondholders.

(h) Binding Effect

A resolution duly passed at any meeting of Bondholders convened and held, and a written resolution duly signed by the requisite majority of Bondholders, will be binding on all Bondholders whether or not they are present at the meeting, voted for or against the resolution or signed the written resolution.

(i) Modification and waiver

Notwithstanding anything to the contrary stated in this Condition 12, the parties to the Fiscal Agency Agreement may agree without the consent of the Bondholders to any modification of any provision of these Conditions or any agreement governing the issuance or administration of the Bonds which is of a formal, minor or technical nature, is made to correct a manifest error or cure an ambiguity or is for the benefit of Bondholders.

13 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, provided that such further issuance constitutes a qualified reopening for U.S. federal income tax purposes.

14 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 London Stock Exchange and the rules of the London Stock Exchange so require, notices with respect to the Bonds will also be published in a leading newspaper having general circulation in the United Kingdom (which is expected to be The Financial Times) or, if such publication is not practicable, in an English language newspaper having general circulation in Europe, and each 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.

15 Currency Indemnity

The euro is the sole currency of account and payment for all sums payable by the Russian Federation under or in connection with the Bonds, including damages. Any amount received or recovered in a currency other than the 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

Russian Federation shall only constitute a discharge to the Russian Federation to the extent of the 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 the euro amount expressed to be due to the recipient under any Bond, the Russian Federation shall indemnify such recipient against any loss sustained by it as a result. In any event, the Russian Federation shall indemnify the recipient against the cost of making any such purchase. These indemnities constitute separate and independent obligations from the Russian Federation'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.

16 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.

17 Governing Law

The Bonds and the Fiscal Agency Agreement 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 but before deduction of expenses) are expected to amount to approximately U.S.$6,842,000,000. The proceeds of the issue will be used for general budgetary purposes. Total commissions and expenses payable by the Russian Federation in connection with the issue of the Bonds are expected to be approximately U.S.$4,900,000.

RUSSIAN FEDERATION

Territory, Population and Natural Resources

The Russian Federation is a sovereign and democratic federal state, consisting of 83 sub-federal political units. The Russian Federation is the largest country in the world by land mass, covering 17.1 million square kilometres. It borders 18 countries (two of which are by maritime boundary only) and spans nine 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. 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, uranium, nickel, palladium and platinum. As at 31 December 2012, the Russian Federation's proved natural gas reserves were estimated at 32.9 trillion cubic metres and its proved oil reserves were estimated at 87.2 billion barrels, according to the BP Statistical Review of World Energy (June 2013). "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's A, B and C1 natural gas and oil reserves, which include explored reserves considered to be fully extractable pursuant to Russian reserves methodologies, were estimated at 48.8 trillion cubic metres and 17.8 billion tonnes, respectively, as of 1 January 2012. See "—Presentation of Certain Information" for a discussion of Russian reserves classifications. As at 31 January 2012, the Russian Federation's proved coal reserves were estimated at 157.0 billion tonnes, including 49.1 billion tonnes of anthracite and bituminous coal reserves and 107.9 billion tonnes of sub-bituminous and lignite coal reserves, according to the BP Statistical Review of World Energy (June 2013). "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. As at 1 January 2009, the Russian Federation's coal reserves, as calculated under Russian reserves methodologies, were estimated at 193.3 billion tonnes, including 101.2 billion tonnes of brown coal reserves, 85.3 billion tonnes of bituminous coal reserves, and 6.8 billion tonnes of anthracite reserves. The Russian Federation also has substantial 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 46.6% of the Russian Federation's total land area, and the Russian Federation's timber reserves, the second largest of any country, are estimated by the Russian Federal Forestry Agency at 79.9 billion cubic metres as of 1 January 2012.

The Russian Federation is home to approximately 143.3 million people, ranking ninth in the world by population, and has a population density of approximately 8.4 persons per square kilometre. Approximately 74% of the population lives in European Russia, and 74% 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 million, and 14 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 that indicated its ethnic group in census. 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 that indicated its ethnic group in the 2010 general census, with 5.63 million, or 3.9% of respondents, not indicating an ethnic group in their responses.

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 had 1,046 institutions of higher education, with approximately 6.1 million students, during the 2012-13 educational year, and an economically active population (15-72 years old, both employed and unemployed) of 75.7 million people in 2012. In 2012, over 99.8% of the economically active population had at least eight years of schooling, 95.6% had at least ten years, 29.6% had received higher education (including postgraduate education), 25.8% had received intermediate professional training and 19.5% had received initial professional training.

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 of all races, nationalities and beliefs. 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, a three-fourths majority of the Federation Council (the upper house of the Federal Assembly) and signature by the President. The provisions of the Constitution that govern the nature of the constitutional system, individual rights of citizens and the amendment process, however, can be changed only by convening a 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.

President

The President of the Russian Federation is Vladimir Putin, who was elected President in March 2012, receiving approximately 64% of the vote. Mr. Putin previously served two consecutive terms as President, from March 2000 to May 2008, and was acting President from January 2000, following Boris Yeltsin's resignation, to March 2000. In March 2000, Mr. Putin was elected to his first term in office as President, receiving approximately 53% of the vote, and in March 2004, Mr. Putin was re-elected with approximately 71% of the vote. 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, Recent Elections and Political Developments".

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, subject to approval of the Federation Council, the ability to commence military engagements, subject to immediate notification of the State Duma and Federation Council, the power to issue decrees and orders that have the force of law (although these may not contravene the Constitution or federal legislation), to suspend acts of sub-federal and local executive authorities, and to call national referenda. In addition, the President is empowered to arbitrate disputes between the federal authorities and the Federation subjects. 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 (i) the State Duma fails to accept the President's proposed candidate for Prime Minister in three successive votes, (ii) the State Duma twice within three months passes a motion of no confidence in the Government of the Russian Federation (the **Government**) or (iii) the Government loses a confidence motion put before the State Duma by the Prime Minister. The State Duma may not, however, be dissolved at any time during the last six months of a presidential term, 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, while a state of emergency covering all of the Russian Federation is in effect, or, in the case of (ii) or (iii) above, within the first year after State Duma elections. 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.

The President has significant appointment powers, including the power to appoint the Prime Minister (with the consent of the State Duma) and the other members of the Government (upon the nomination of the Prime Minister). The President may also dismiss deputy prime ministers and federal ministers at any time and may dismiss the Prime Minister, which would simultaneously lead to a dismissal of the Government. In addition, the President nominates candidates for governor of the Bank of Russia (for appointment by the State Duma), Prosecutor General (for appointment by the Federation Council) and judges to the Constitutional Court, the Supreme Court and the Supreme Arbitration Court (for appointment by the Federation Council). The 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 (beginning with the 2012 election; previously the term was four years). Under the Russian Federation's Constitution, the President may not serve more than two consecutive terms. The Constitution also provides for the early termination of the President's term of office in the event of the President's death, 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, all of whom are appointed by the President as described above. The Government is automatically dissolved after each presidential election in order to permit the President to form a new Government.

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, preserving public order and defending the rights and freedoms of citizens.

The Prime Minister of the Russian Federation is currently Dmitry Medvedev, who took office in May 2012 following his nomination by President Putin. Before becoming Prime Minister, Mr. Medvedev served as President from 2008 to 2012.

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 system of proportional representation. Since December 2006, deputies have been 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 7% or more of the vote (5% or more of the vote beginning with the December 2016 elections). Currently, a party must receive a minimum of 5% of the vote to be allocated a seat in the State Duma, while during the past elections to the State Duma held on 4 December 2011, another regulation was in effect, pursuant to which parties that received between 6% and 7% of the vote were allocated two seats in the State Duma, and parties that received between 5% and 6% of the vote were allocated one seat in the State Duma. 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.

The Federation Council, with 166 deputies, represents the Russian Federation's 83 Federation subjects. See "—Federal Structure and Regional Issues". Each Federation subject appoints two members of the Federation Council, one chosen by the legislative body of the Federation subject and the other by its executive body. The members of the Federation Council have to 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 three 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 and agreements between federal and sub-federal authorities. The Supreme Arbitration Court and lower arbitration courts have jurisdiction over economic disputes. Judicial authority is otherwise vested in the Supreme Court and lower courts of general jurisdiction over civil, criminal, administrative and other matters.

Judges of the Constitutional Court, Supreme Arbitration 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.

Political Parties, Recent Elections and Political Developments

Under the Constitution and federal law, 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 regional and local referenda.

Russian legislation contains a number of 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. The requirement to collect signatures for elections to the State Duma and legislative authorities of the Federation subjects was abolished in May 2012. Second, political parties must garner at least 7% (5% beginning with the next State Duma elections in December 2016) of the vote in party-list elections to qualify for seats allocated on the basis of proportional representation in the State Duma, though parties are currently awarded one seat for collecting between 5% and 6% of the vote and two seats for collecting between 6% and 7% of the vote. See "—Political System—Legislative Branch". Third, 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 the most recent State Duma election, held in December 2011, the Edinaya Rossiya (United Russia) party received 49.3% of the votes cast, down from 64.3% of the votes cast in December 2007, and currently holds 238 State Duma seats. United Russia is currently led by 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). As a result of the election, United Russia lost the two thirds constitutional majority it had held in the State Duma since 2007. The Communist Party received 19.2% of the votes cast in 2011 and now holds 92 State Duma seats. Two other parties are also represented in the State Duma: Spravedlivaya Rossiya (Fair Russia) (13.2% of the votes cast and a total of 64 seats) and the Liberal Democratic Party (11.7% of the votes cast and a total of 56 seats). Parties that received votes in the December 2011 election, but did not pass the 7% threshold required to seat members in the State Duma, include the Russian Democratic Party, Yabloko (Apple) (3.4% of the votes cast), Patrioty Rossii (Patriots of Russia) (1.0% of the votes cast) and the All-Russian Political Party, Pravoe Delo (Right Cause) (0.6% of the votes cast). Currently, the Ministry of Justice has registered 72 political parties.

Edinaya Rossiya received 2,882 out of 3,980 seats (72.5% of total seats) in 83 Federation subject legislative bodies in regional elections in December 2011 and October 2012. It maintains less than 50% of seats in the legislative bodies of only three Federation subjects, the Republic of Karelia (38% of total seats), Saint Petersburg (40%) and the Amur Oblast (47%); in the other 80 Federation subjects it maintains more than 50% of the total seats. The Communist Party maintains 458 seats (11.5% of total seats) in the legislative bodies of Federation subjects, with Fair Russia and the Liberal Democratic Party holding 297 (7.4%) and 213 (5.4%) of the total seats, respectively.

Following the December 2011 State Duma elections and March 2012 Presidential elections, several large scale demonstrations occurred across the Russian Federation, precipitated in large part by allegations of voting irregularities.

Anti-corruption efforts

A number of measures aimed at combating corruption are currently being 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. These measures build on former President Medvedev's National Anti-Corruption Plan, which was adopted on 31 July 2008 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 133 out of 174 countries in the Corruption Perceptions Index 2012, the Russian Federation ratified the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, effective as of 13 February 2012.

Federal Structure and Regional Issues

The Russian Federation consists of 83 Federation subjects, comprising 21 republics, nine *krais*, 46 *oblasts*, two cities of federal importance (Moscow and St. Petersburg), one autonomous *oblast* and four autonomous *okrugs.*

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. As of 1 January 2013, there were 23,001 municipalities (municipal districts, urban districts, intracity territory of the city of federal importance, urban and rural settlements).

Historically, the Russian Federation has generally been a unitary state with a single central government. Since the dissolution of the Soviet Union, however, Federation subjects have obtained greater decision making authority and financial autonomy, and the Russian Federation is now a federal state.

The Federation Treaty of 31 March 1992, signed by what were then 87 Federation subjects (all but the Chechen Republic and the Republic of Tatarstan), initially granted each Federation subject a measure of control over budgetary and external policy, as well as local natural resources. The Constitution subsequently refined the division of authority between the Russian Federation and the Federation subjects, expressly incorporating the provisions of the Federation Treaty to the extent they were not inconsistent with other provisions of the Constitution. 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 a number of 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 May 2000, President Putin signed a presidential decree creating seven federal circuits, each comprising several Federation subjects, and authorising the President to appoint a representative to each federal circuit. The representatives' responsibilities include facilitating the implementation of the President's domestic and foreign policies, supervising the implementation of federal decisions in the Federation subjects and reporting to the President on the state of affairs in the Federation subjects. In January 2010, pursuant to presidential decree, a separate North Caucasus federal circuit was created, bringing the total number of federal circuits to eight.

In August 2000, a law aimed at improving management of the Federation subjects and lower level authorities came into effect. The law grants the President the power to dismiss the chief legislative and executive authorities of a Federation subject if the authorities refuse to repeal local legislation held by a court to be contrary to the Constitution or federal law and harmful to the fundamental rights and freedoms of Russian citizens or that prevent federal authorities from performing their statutory functions.

In May 2012, a new law was adopted re-introducing the direct election of executives of the Federation subjects. Previously, the executives of the Federation subjects were nominated by the President and approved by the Federation subject's legislative body. Amendments adopted in April 2013 introduced an alternative to the direct election of executives of the Federation subjects, allowing Federation subjects' legislative bodies to set up procedures for the indirect election of their own executives.

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 G8 group of industrial nations, having chaired that group in 2006, and the G20, which it currently chairs. Since 1992, the Russian Federation has been a member of the International Monetary Fund (**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 December 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.

In June 1993, the Russian Federation applied for membership in the General Agreement on Tariffs and Trade, which later became the World Trade Organisation (the **WTO**), and in December 2011 concluded all accession agreements required for membership in the WTO. The State Duma ratified membership in July 2012 and the Russian Federation acceded to the WTO effective 22 August 2012.

In 1994, the Russian Federation concluded a Declaration on Cooperation with the Organisation for Economic Cooperation and Development (the **OECD**), and, in May 1996, the Russian Federation formally applied for membership in the OECD. In 2007, the OECD on a ministerial level made the decision to invite the Russian Federation to begin negotiations regarding its accession. Such negotiations are currently underway. The Russian Federation is currently participating on a permanent basis in the activities of more than 20 bodies of the OECD.

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.

The Russian Federation and Regional Cooperation

The Russian Federation has wide-ranging contacts with the EU, its most significant economic partner and one of its most important political partners. The Partnership and Cooperation Agreement between the Russian Federation and the EU, in effect since December 1997, was amended in 2004 and 2007 to allow new EU members to accede to it. This agreement establishes a framework for the parties’ economic, political, financial, legal and humanitarian relationship. The EU and the Russian Federation strategic partnership has developed with a focus on four common spaces, or areas of deep policy cooperation: the economic space, the common space of freedom, security and justice, the common space of external security, and the common space of research and education. For the development of each of these common spaces, detailed road maps were adopted.

The Russian Federation is a member of the European Bank for Reconstruction and Development (**EBRD**), and the Black Sea Bank for Trade and Development. The Russian Federation also participates in a number of other regional cooperation forums, including the Shanghai Cooperation Organisation (**SCO**) and the Association of South-East Asian Nations (**ASEAN**).

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 of the other republics of the former Soviet Union except the three Baltic republics. All of the zero-option agreements were mutually ratified, except the agreement with Ukraine, which has not yet 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 agreed to a schedule for the repayment of former Soviet Union debt.

In April 1996, the Government entered into an agreement rescheduling approximately U.S.$33 billion of indebtedness to the Paris Club of official creditors. In August 1999, the Government concluded a further rescheduling agreement providing for the deferral of approximately U.S.$8.3 billion of indebtedness to Paris Club creditors. In the summer of 2005, the Russian Federation prepaid U.S.$15 billion of its Paris Club indebtedness. In August 2006, the Russian Federation prepaid the remaining balance of approximately U.S.$21.6 billion owed to its Paris Club creditors.

In December 1997, Vnesheconombank restructured the Soviet-era debt owed to the London Club of commercial creditors. In the wake of the events of 17 August 1998, when the Russian Federation announced that it would not meet its obligations under its short-term rouble denominated treasury bills, i.e., GKOs and OFZs, the Russian Federation, Vnesheconombank and a committee of London Club creditors agreed, in February 2000, on terms for the further restructuring of Vnesheconombank's London Club debt. The agreed restructuring terms have been implemented through a series of exchange offers. In December 2002, December 2006 and December 2009, the Russian Federation restructured most of the Soviet-era debt owed to uninsured trade creditors, and in March 2004 the Russian Federation restructured most of the Soviet-era debts owed by Vnesheconombank to the International Bank for Economic Co-operation (**IBEC**) and to the International Investment Bank (**IIB**). See "Public Debt and Related Matters—External Debt Restructuring" for a further discussion of the Russian

Federation's indebtedness to the Paris Club, the London Club, Soviet-era uninsured trade creditors, IBEC and the IIB.

The Russian Federation is a member of the Commonwealth of Independent States (the **CIS**), which was founded in December 1991 to promote mutually beneficial cooperation among its members in political, economic, humanitarian and other spheres. Currently, 11 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.

In 1995, the Russian Federation, Belarus and Kazakhstan signed a framework agreement to form a customs union. Kyrgyzstan and Tajikistan acceded to this agreement in 1996 and 1999, respectively. 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. In November 2009, the Russian Federation, Belarus and Kazakhstan concluded several agreements that unified customs tariff and non-tariff regulations among the three nations effective 1 January 2010 and established a Customs Code to harmonise customs procedures effective July 2010. From 1 January 2010 the Unified Customs Tariff, the Unified Foreign Economic Activity Commodity Nomenclature and other international acts were enacted with the purpose of the establishment of unified customs and tariffs regulations. See "The Russian Economy—Civil and Commercial Law—" for a discussion of the Customs Code. Effective 1 January 2012, a Common Economic Space among the Russian Federation, Belarus and Kazakhstan went into effect. The commission of the Common Economic Space began work on 1 July 2012 and assumed the responsibilities previously handled by the commission of the customs union. On 18 November 2011, the presidents of the Russian Federation, Belarus and Kazakhstan signed the Declaration on Eurasian Economic Integration, which provides for further integration within the Common Economic Space and Custom Union and proclaims the establishment of a Eurasian Economic Union by 1 January 2015 as one of its ultimate objectives.

Since 1995, the Russian Federation and Belarus have pursued closer economic and political integration. In December 1999, the Russian Federation and 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 November 2011, the Russian Federation, Belarus and Kazakhstan signed the Declaration on the Establishment of the Eurasian Economic Union, which calls for the creation of the Eurasian Economic Union by 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.

In August 2008, the Russian Federation and Georgia fought a brief war over 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 and the Pacific island states of Nauru and Tuvalu. In the aftermath of the August 2008 hostilities, Georgia terminated diplomatic relations with the Russian Federation, and Russian troops are currently stationed in both South Ossetia and Abkhazia.

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), and Ukraine and Belarus are, in turn, dependent on Russian gas to meet their domestic requirements. In 2006, the Russian Federation and Belarus reached agreement on the supply of Russian gas to Belarus through 2011, and in 2011 they reached a similar agreement for the period 2012-2014. Under this agreement, starting from 1 January 2013, prices for gas supplies to Belarus are calculated on the basis of the gas price for consumers of the Yamalo-Nenetsky Autonomous District. In addition, at the end of 2011, Gazprom (controlled by the Russian state) purchased a 50% stake in Beltransgaz, making it the sole shareholder in Belarus' principle gas transportation company. 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. Under this agreement, prices for gas supplies are set pursuant to a European pricing formula.

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 and production, railway transport, terminal, port and airport services, and postal services) are subject to price regulation.

A privatisation programme underpinned by expanded legal recognition for private property and the creation of a legal and macroeconomic framework designed to support private sector growth commenced in January 1992. Following the initial stages of the privatisation programme, Russia's economy came under severe pressure during the Asian currency and financial crisis, and a sharp fall in world prices for oil and other commodities in the late 1990s adversely affected the Russian Federation's ability to finance its budget deficit, maintain the value of the rouble against the dollar and service its debt. Between 1998 and 2000, the Russian Federation undertook a restructuring of its debt (see "Public Debt and Related Matters—External Debt Restructuring") and by the middle of the 2000s, the Russian Federation was able to make advance payments on IMF loans and strengthen its reserves. With the exception of 2008, the Russian economy has experienced real GDP growth in each subsequent year since 2000 and has established long-term development programmes to support continued growth going forward.

In January 2006, the Government adopted a medium-term social and economic development programme for 2006 to 2008. The principal priorities of the programme were improving the investment climate, diversifying the economy, modernising the industrial sector, reducing Government involvement in the economy, stimulating Russian innovation, developing the housing and mortgage markets and improving the quality of the healthcare and education systems.

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. Following the onset of the global financial crisis in 2008, the Government experts developed an updated development framework (**Strategy 2020**), including a new economic growth model focused on technological specialisation and diversification of the economy, with the goal of promoting a higher standard of living through government investment in education, science, health care and cultural and social institutions. However, due to the ongoing effects of the crisis in Russia, the sustained growth in line with Strategy 2020 became unachievable. Development of an updated version of Strategy 2020 began in January 2011, led by two Russian universities: the Russian Presidential Academy of National Economy and Public Administration and the Higher School of Economics. In March 2012, the universities' report on Strategy 2020 was published. This report is still being considered by the Government and the President of the Russian Federation, and has not yet been officially adopted.

On 31 January 2013, the Government approved the "Policy Priorities of the Government of the Russian Federation to 2018" (the **Government Policy Priorities**), which emphasises the improvement of economic, demographic and social policy and of general government administration in the Russian Federation. Among the main goals set out by the Government Policy Priorities are: (a) increasing national competitiveness and labour efficiency (through the creation of not less than 25 million "highly efficient" workplaces, increasing investment in the technological renewal of industry and increased support of science and technology, among other measures); (b) improving the quality and availability of the institutions of the social sphere (through creation of more attractive labour conditions and more effective competition); (c) the provision of affordable housing and utility services through measures such as decreasing the interest rates of mortgage loans and support for the rental housing market; (d) improving state management through the introduction of regulatory policy recommended by the OECD and anti-corruption systems based on public reporting; and (e) balanced regional development through measures such as the development of transport systems.

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.

Pursuant to the Decree of the President of the Russian Federation No. 1108 dated 18 July 2008, further development and updating of the Civil Code is currently underway. A first set of amendments to the Civil Code was adopted on 30 December 2012. The first set of amendments, most of which took effect on 1 March 2013, concerns basic principles of civil law (Part I of the Civil Code), such as good faith, limits on the exercise of civil rights, rules on state registration of rights to certain types of property, compensation for losses incurred as a result of the wrongful acts of state authorities and the status of individuals owning private farms. A second set of amendments to the Civil Code was adopted on 7 May 2013, entering into force on 1 September 2013. These amendments, among other things, deal with grounds for invalidating transactions, introduce a new approach to regulation of decisions taken at meetings of creditors and shareholders, contemplate new rules on powers of attorney and fine-tune the provisions relating to statutes of limitations. A third set of amendments to the Civil Code was adopted on 2 July 2013, entering into force on 1 October 2013. These amendments cover a range of topics and provide, amongst other matters, for the development of new protections relating to individual privacy and related rights and for further development of certain aspects of securities and real property law. Further amendments to the Civil Code are scheduled to be discussed in the Russian State Duma during the second half of 2013.

The Land Code of the Russian Federation (the **Land Code**), enacted in 2001, regulates the ownership of land and establishes general principles of private land ownership. This area of law is continuing to develop in Russia and there remain local rules and standards that limit the opportunity to purchase and own land. According to the Federal Law No.137-FZ "On the Introduction of the Land Code" dated 25 October 2001, legal entities that are currently using their land based on the right of permanent (perpetual) use were required to purchase or lease such land before 1 July 2012, with the exception of land on which power transmission lines, telephone lines, pipelines, roads, railways and other similar facilities are located, which may be purchased or leased before 1 January 2015. Agricultural land is regulated by the Land Code and the Federal Law No. 101-FZ "On the Circulation of Agricultural Land" dated 24 July 2002 (the **Agricultural Land Law**), which create a unified framework at the federal level for the purchase and sale of farmland. Under the Agricultural Land Law, foreign persons are allowed to lease farmland, but not allowed to purchase it.

Federal Law No. 208-FZ "On Joint Stock Companies" dated 26 December 1995 (the **JSC Law**) came into effect in 1996 and was subsequently amended on several occasions between 1999 and 2013. The JSC Law sets forth the basic framework for 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 Federal Law No. 39-FZ "On the Securities Market" dated 22 April 1996 as amended, regulates the issuance and circulation of securities. Pursuant to this law, companies that issue securities must, with limited exceptions, register the issuance by filing a prospectus and subsequently disclosing, among others, certain information in the form of quarterly reports and communications of material facts. The law also regulates the activities of professional participants in the securities market, aims to strengthen the protection of investors by imposing rules on market professionals and contains framework provisions on the placement and trading of securities of foreign issuers in the Russian Federation.

Federal Law No. 14-FZ "On Limited Liability Companies" dated 8 February 1998, as amended (the **LLC Law**), sets forth the basic framework for the organisation and governance of limited liability companies. On 1 July 2009, substantial amendments to the LLC Law came into effect, the primary purpose of which was to streamline procedures for establishing limited liability companies, improve the regulation of the alienation and encumbrance (purchase and sale/pledge) of interests in limited liability companies and make the ownership structure of limited liability companies more transparent.

The Federal Law No. 127-FZ "On Insolvency (Bankruptcy)" dated 26 October 2002 (the **Bankruptcy Law**), which replaced the prior law adopted in 1998, came into effect in December 2002 and was subsequently amended. The Bankruptcy Law provides basic rules for declaring an enterprise bankrupt, for managing and liquidating an enterprise after it has been declared bankrupt, for satisfying creditors' claims and for the bankruptcy process generally.

The legislative framework for the bankruptcy of credit institutions is further set out in the Federal Law No. 40-FZ "On Insolvency (Bankruptcy) of Credit Institutions" dated 25 February 1999, which was subsequently amended between 2000 and 2012. This legislation details the standards for the appointment by the Bank of Russia of temporary bank administrators, provides an expedited liquidation procedure for banks and gives the Bank of Russia the power to accredit the receivers of bankrupt banks and to propose receivers for approval by arbitration courts.

At the beginning of 2011 a number of laws, including Federal Law No. 7-FZ "On Clearing and Clearing Activities" dated 7 February 2011, as amended, and Federal Law No. 8-FZ "On the Introduction of Amendments to Certain Legislative Acts of the Russian Federation Due to the Enacting of the Federal Law On Clearing and Clearing Activities" dated 7 February 2011, as amended (the **Clearing and Netting Laws**), were adopted in order to establish a unified legal framework for clearing activities in the Russian Federation including the introduction of centralised clearing. The Clearing and Netting Laws introduced the concept of close-out netting, which will be applicable to securities repurchase transactions, derivative transactions and other agreements relating to securities and/or foreign currency. On 7 December 2011, the Russian President signed Federal Law No. 414-FZ "On the Central Depositary" 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 Depositary" that introduced the concept of a central depository. See "Monetary and Financial System – Capital Markets – Regulation of the Capital Markets".

Under the Russian Federation's Law No. 160-FZ "On Foreign Investment in the Russian Federation" dated 9 July 1999, foreign investors are afforded equal treatment with domestic investors, with some exceptions in the area of land ownership and leasing, access to natural resources and participation in privatisations. The law provides protections against nationalisation and expropriation without compensation, ensures the free transfer of investment proceeds in foreign currency and the reinvestment of profits in local currency and provides recourse to Russian state courts and arbitration tribunals. Federal Law No. 57-FZ "On the Order of Foreign Investments in Companies with Strategic Impact on the National Security of the Russian Federation" dated 29 April 2008, as amended (the **Strategic Investments Law**), regulates foreign investments (whether direct or indirect) in Russian businesses having strategic importance in matters of state defence and security. The Strategic Investments Law requires foreign investors, as well as foreign states and international organisations, to receive the prior consent of a special government commission if such foreign investor, foreign state or international organisation meets certain criteria. Transactions which are entered into in breach of the Strategic Industries Law are deemed to be void.

Federal Law No. 135-FZ "On Protection of Competition" dated 26 July 2006, as amended (the **Competition Law**), came into force in October 2006. The Competition Law generally prohibits any concerted action, agreement or coordination of business activity that results or may result in the restriction of competition, including, but not limited to (a) price fixing; (b) coordination of auction bids; (c) partition of a commodity market by territory, volume of sales or purchases, types of goods, customers or suppliers; (d) fixing of disparate prices for the same goods for reasons other than economic or technical reasons; and (e) creation of barriers to entering or exiting a market. The Competition Law also regulates persons (or a group of affiliated persons) who have a dominant position in a particular market (as defined in the Competition Law). The Federal Antimonopoly Service (the **FAS**) is authorised to employ a variety of means to restrain anti-competitive behaviour and can, in extreme cases, compel the break-up of enterprises. In addition, the Competition Law establishes a merger control regime, pursuant to which FAS consent is required prior to closing in particular circumstances. The Competition Law also provides for a mandatory post-transactional notification (within 45 days of the closing) to FAS in certain circumstances.

The Customs Code of the Customs Union among the Russian Federation, Belarus and Kazakhstan took effect in July 2010, replacing the Russian Federation's prior Customs Code enacted in May 2003. The new Customs Code, intended to harmonise customs procedures, reduce the volume of required documentation and shorten customs clearance times, reflects a shift in policy to a focus on developing foreign economic activity. This law generally seeks to bring current legislation into line with international standards.

In an effort to maximise value and increase the efficiency of state assets, Federal Law No. 115-FZ "On Concession Agreements" dated 21 July 2005, as amended, establishes a framework for the Government to transfer the management of state owned property to private companies for a term provided for in the relevant concession agreement. Under the law, the private company is entitled to retain the profits generated from the property in exchange for investing in and managing it.

Federal Law No. 116-FZ "On Special Economic Zones in the Russian Federation" dated 22 July 2005, as amended, aims to create technical, industrial, production, tourist and health resort zones. Commercial and industrial residents of these zones enjoy exemptions in property and land tax and import duties. They also benefit from greater depreciation allowances (except with respect to technical zones) and are permitted to write-off research and development costs within the periods when such costs were incurred without limitation.

As part of the liberalisation of the Russian economy, the Federal Assembly of the Russian Federation has passed laws allowing for the gradual privatisation of certain businesses. The Federal Law No. 178-FZ "On Privatisation of State and Municipal Property" dated 21 December 2001 (the **Privatisation Law**) sets forth the procedures for the privatisation of state and municipal property, including the requirements for potential buyers and other related matters. Under the Privatisation Law, a privatisation programme, including a list of enterprises to be sold, may be adopted for a one to three year period. In accordance with the privatisation programme for 2010, the Russian Federation sold off its 13.1% stake in Rosgosstrakh, a leading Russian insurance company, in an auction held in September 2010. Proceeds from the sale amounted to approximately 8.7 billion roubles, bringing overall proceeds from privatisations in 2010 to approximately 22.65 billion roubles. In November 2010, the Government adopted the Programme for the Privatisation of Federal State Property for the years 2011-2013 (the **2011-2013 Privatisation Programme**).

The privatisation of state companies pursuant to the 2011-2013 Privatisation Programme began in 2011, during which shares of 319 state companies were sold, including 10% of the shares of JSC VTB Bank, which generated U.S.$3.3 billion in proceeds. The proceeds generated from privatisation sales in 2011 amounted to approximately 121 billion roubles. Shares of a further 269 state companies were sold in 2012, generating proceeds of approximately 201.5 billion roubles. Key transactions in 2012 included: in September 2012, the Bank of Russia sold a 7.58% interest in Sberbank; in October 2012, Phosagro entered into sale-purchase arrangements with the Russian state in relation to 26.6% of its shares (20% of the charter capital) in Apatit; in November 2012, AFK Sistema began the acquisition of 100% of the shares in the Russian Federation's largest gas transportation company, SG-Trans; in December 2012, the Russian Federation disposed of 25.5% of its shares in the seaport Murmansk. In January 2013, the Russian Federation completed the sale of its 55% stake in the seaport Vanino and in May 2013, JSC VTB Bank completed a placing of new shares by way of an open subscription, resulting in the dilution of the Russian Federation's shareholdings in JSC VTB Bank to 60.9%.

On 1 July 2013, the Government adopted the new Programme for the Privatisation of Federal State Property for the years 2014-2016 (the **2014-2016 Privatisation Programme**), which will replace the 2011-2013 Privatisation Programme. The 2014-2016 Privatisation Programme reflects the plans of the Russian Federation to divest itself of, or otherwise minimise its participation in, a number of leading Russian companies by 2016, including the following:

Company	State ownership as of 1 July 2013	Planned state ownership by 2016
JSC VTB Bank	60.9%	50%+1 share
OAO Sovcomflot	100%	25%+1 share
JSC International Airport Sheremetyevo	83%	—
JSC Aeroflot- Russian Airlines	51%	25%+1 share
JSC United Grain Company	50%+1 share	—
OJSC ALROSA	83%	25%+1 share
JSC RusHydro	67.1%	50%+1 share
Rosneft	69.5%	50%+1 share
Zarubezhneft Joint Stock Company	100%	90% (50%+1 share – by 2020)
OJSC Inter RAO UES	13.8%	0+9 shares
JSC Russian Railways	100%	75%+1 share
JSC Transneft	78.1%	75%+1 share
OJSC RPC URALVAGONZAVOD	100%	75%+1 share
OJSC State Transport Leasing Company	100%	75%+1 share
RUSNANO	100%	—
OJSC Rostelecom	6.9%	—
JSC Rosspirtprom	100%	—
JSC Airport Vnukovo	74.7%	—
JSC International Airport Vnukovo	25%+1 share	—

According to the 2014-2016 Privatization Programme, the Russian Federation plans to decrease its current 100% shareholding in United Shipbuilding Corporation to 75%+1 share and its 84.3% shareholding in United Aircraft Corporation to 50%+1 share by 2024. In addition, the Russian Federation's share in JSC VTB Bank may potentially be decreased further, i.e. below 50%+1 share, in coordination with the further privatisation of Sberbank.

The terms and dates of the privatisation of the companies listed above are to be defined by the Government, taking into account market conditions and the recommendations of investment advisors. In his address to the Federal Assembly in December 2012, President Putin emphasised the importance of using Russian platforms (i.e., the Moscow Exchange) to implement further privatisations.

As reported by the Russian Federal Property Management Agency (**Rosimuschestvo**), the current aggregate nominal value of federal property is estimated at 12 trillion roubles. Also according to Rosimuschestvo, the proceeds of the privatisation of state property to be carried out from 2012 to 2016 are expected to reach 3 trillion roubles.

World Trade Organization Accession

In August 2012, the Russian Federation joined the WTO as the international organisation's 156th member. See "*The Russian Federation – International Relations – The Russian Federation's Position in the International Community*". The Russian Federation's accession to the WTO is expected to have a positive effect on the economy in the medium- to long-term. It is expected that increased transparency and predictability in the Russian Federation's economic and trade policies will prompt increased trust from foreign investors and prompt an increase in foreign investment. In the short-term, the Russian Federation's accession to the WTO is expected to result in improved access of Russian goods and services to external markets, due to the elimination of restrictions on access that were previously put in place by trading partners but that are not supported under WTO rules. The Russian Federation will also seek to support the export of goods and services by the negotiation of preferential terms of trade through new free trade agreements. Currently, the Russian Federation, together with Belarus and Kazakhstan, is engaged in free trade agreement negotiations with the members of European Free Trade Association (Switzerland, Liechtenstein, Norway and Iceland), New Zealand and Vietnam. The Russian Federation will also benefit from access to the WTO's settlement mechanism as a tool for protecting its economic interests, to the extent it believes another WTO member state is acting in violation of free trade rules and negotiations and consultations with such state are not successful. On 9 July 2013, the EU filed a request with the WTO for consultations with the Russian Federation in relation to a recycling fee imposed on motor vehicles. This is the first dispute involving the Russian Federation since it acceded to the WTO.

Gross Domestic Product

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

Gross Domestic Product(1)(2)

	For the year ended 31 December				
	2008	**2009**	**2010**	**2011**	**2012**
Nominal GDP (billions of roubles)	41,277	38,807	46,309	55,800	62,599
GDP in 2008 constant prices (billions of roubles)	41,277	38,049	39,762	41,468	42,896
Real GDP index (%) (2008=100%)	100.0	92.2	96.3	100.5	103.9
Real GDP (as % of prior period)	105.2	92.2	104.5	104.3	103.4
Nominal GDP per capita (roubles)	289,170	271,787	324,177	390,314	437,104
GDP per capita in 2008 constant prices (roubles)	289,170	266,474	278,351	290,068	299,595
Real GDP per capita index (%) (2008=100%)	100.0	92.2	96.3	100.3	103.6
Real GDP per capita (as % of prior period)	105.3	92.2	104.5	104.2	103.3
GDP deflator (%, period-on-period)	118.0	102.0	114.2	115.5	108.5
Memo:					
Average annual resident population, thousands	142,742.4	142,785.3	142,849.5	142,960.9	143,201.7

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

(2) Prior to 2011, 2003 year was used as base year. From April 2011, Rosstat calculates GDP in 2008 constant prices.

Source: Rosstat.

Between 2008 and 2012, real GDP grew by 9.5%. Despite substantial growth in the first nine months of 2008, the effects of the global financial crisis contributed to a slowdown in overall growth in 2008 (by 5.2%), which was until that time the slowest rate of growth recorded since 2002. As a result of the global financial crisis, the economy contracted by 7.8% in 2009 compared to 2008. In 2010 and 2011 the Russian economy began to recover from the global financial crisis, experiencing real GDP growth of 4.5% in 2010 and 4.3% in 2011. In 2012, the Russian economy continued to grow, with real GDP growing by 3.4% over the course of the year.

Economic growth in 2008 resulted mainly from improved labour productivity due to increases in investment and improved management and from a rapid expansion in private consumption. The surge in investments and private consumption was, in turn, fuelled by high commodity prices and a significant expansion in credit. Overall consumption as a percentage of GDP remained roughly constant during this period because of relatively flat growth in public consumption, which, in turn, was the result of strong fiscal discipline. Strong real appreciation of the rouble and production growth contributed to an aggregate increase in the dollar value of the Russian Federation's GDP in 2008.

The Russian Federation experienced particularly adverse economic and financial effects as a result of the global financial crisis. The initial impact during the fourth quarter of 2008 was seen in a decline in gross investment and net exports, despite a nominal increase in both private and public consumption, resulting in a decline in real GDP by 1.3% relative to the fourth quarter of 2007. In 2009, real GDP decreased by 7.8% compared to 2008, primarily because of a contraction in private sector consumption and gross investment. The Russian economy began to recover from the global financial crisis in the first quarter of 2010 and real GDP grew by 4.5% in 2010 compared to 2009, as a result of an increase in domestic demand, including consumption and gross investment, as well as an increase in net exports that was supported by higher prices for the Russian Federation's principal commodity exports. The recovery was aided in part by a series of anti-crisis measures adopted by the Government. See "—General Anti-Crisis Measures".

The Russian economy continued to grow in 2011, achieving real GDP growth of 4.3% compared to 2010. Growth was largely driven by high oil prices, with the price of Urals crossing U.S.$125 per barrel in March 2012 for the first time since July 2008. The dollar value of the Russian Federation's GDP also increased in 2011 in part due to the strengthening of the average rouble/dollar exchange rate.

The Russian economy continued its growth in 2012, sustaining real GDP growth of 3.4%. Growth in 2012 was largely driven by an increase in domestic demand, including consumption, which grew by 4.8% in 2012 compared to 2011, and gross investment, which grew by 6.6% over 2012. The dollar value of the Russian Federation's GDP also increased in 2012, due mainly to the continued growth in the Russian economy and, to a lesser extent, the strengthening of the average rouble/dollar exchange rate. In the first half of 2013, the Russian economy achieved real GDP growth of 1.4% as compared to the same period for 2012.

In April 2013, the Ministry of Economic Development officially published several estimates of anticipated real GDP growth, each based on a different oil price assumption. Under its "moderately optimistic" estimate, which assumes an average price per barrel of Urals oil of $105 per barrel in 2013, $101 per barrel in 2014 and $100 per barrel in 2015, real GDP is forecast to grow by 2.4% in 2013, by 3.7% in 2014 and by 4.1% in 2015. Projected real GDP figures are used by the Ministry of Finance in preparing the annual budget. See "Forward-Looking Statements" and "Risk Factors—Any material reduction in the price of crude oil or natural gas may materially adversely affect the revenues and financial condition of the Russian Federation" for a description of various external and domestic factors that may cause estimates of real GDP to differ from actual results.

In February 2013, the Russian Ministry of Economic Development published the Forecast of Long-Term Social and Economic Development of the Russian Federation through to the Year 2030 (the **Forecast**), which was approved by the Government in March 2013. The Forecast forms the basis for long-term budget strategy and supplements the Development Programme through 2020 and the Government Policy Priorities. For purposes of the Forecast the Russian Ministry of Economic Development worked on three basic development scenarios: the conservative, the innovative and the target (forced) scenario. All three scenarios envisage moderate growth of oil and other resource prices averaging approximately 1% per annum. The Forecast is based on fairly conservative global price projections for oil and other primary resources. According to the Ministry, oil prices are forecasted to range from $90 to $100 per barrel (in real dollars as of 2010) through 2025. By 2030, oil prices are forecasted to reach $110 per barrel (in real dollars as of 2010, or $164 per barrel in dollars as of 2030) as a result of growing demand from emerging economies.

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									
	2008		2009		2010		2011		2012	
	%	% change(3)	%	% change(3)	%	% change(3)	%	% change(3)	%	% change(3)
GDP total	—	**5.2**	—	**(7.8)**	—	**4.5**	—	**4.3**	—	**3.4**
GVA (in constant prices)	**100.0**	**5.2**	**100.0**	**(6.7)**	**100.0**	**4.1**	**100.0**	**3.9**	**100.0**	**3.4**
Agriculture(4)	4.2	6.4	4.4	1.5	3.6	(12.1)	4.2	14.8	3.7	(3.8)
Fishery	0.2	(5.8)	0.2	5.6	0.2	(9.1)	0.2	4.1	0.2	1.5
Mining(5)	9.3	1.0	8.5	(2.4)	9.6	6.6	10.9	2.9	10.9	1.0
Manufacturing	17.5	(2.1)	14.8	(14.6)	14.8	8.6	15.5	5.3	15.2	3.3
Electricity, water and gas production and distribution	2.9	0.7	4.1	(4.7)	3.8	4.0	3.8	0.5	3.5	0.1
Construction	6.3	11.1	6.2	(14.7)	6.5	4.4	6.5	4.5	6.5	2.0
Trade(6)	20.3	9.9	17.9	(5.8)	20.0	5.8	19.6	3.3	19.7	6.5
Hotels and restaurants	1.0	10.1	1.0	(14.9)	1.0	6.5	1.0	3.6	1.0	4.8
Transportation and communications	9.3	5.2	9.6	(8.6)	9.1	5.5	8.4	6.6	8.2	2.6
Financial services	4.4	13.5	5.0	1.5	4.4	0.3	4.1	3.6	4.4	14.3
Operations with real estate, including rent and services	11.3	10.9	12.5	(4.5)	12.2	6.0	11.9	5.5	11.8	4.7
Public administration, defence and mandatory social security	5.4	3.0	6.5	(0.1)	6.1	(0.3)	5.6	(3.3)	6.6	(0.7)
Education	2.8	(0.1)	3.4	(1.4)	3.1	(1.8)	2.9	(0.9)	3.0	0.1
Public health and social services	3.4	0.9	4.0	(0.2)	3.7	0.3	3.7	1.4	3.9	2.9
Communal and other services	1.8	1.4	1.7	(20.0)	1.7	2.2	1.6	0.1	1.6	0.0

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.

Noticeable shifts in the structure of GVA from 2008 to 2012 include increasing shares of mining (an increase from 9.3% in 2008 to 10.9% in 2012) and public administration, defence and mandatory social security (an increase from 5.4% in 2008 to 6.6% in 2012). This was coupled with lower shares of manufacturing (a decrease from 17.5% in 2008 to 15.2% in 2012) and transportation and communications (a decrease from 9.3% in 2008 to 8.2% in 2012).

These shifts in the composition of the Russian Federation's GVA resulted from changes in performance in real terms and from changes in relative prices. Between 2008 and 2012, the fastest rate of growth among the Russian Federation's major contributing sectors was recorded in financial services (20.6%), real estate (11.8%), trade (9.6%), mining (8.1%), transportation and communications (5.4%) and public health (4.5%), all of which exceeded the GDP growth rate during this period of 3.9%. Buoyant economic growth and the real appreciation of the rouble between 2006 and 2008, together with the economic recovery in 2010, 2011 and 2012, were the principal reasons for the improvement in these sectors.

From 2008 through 2012, growth was recorded in all sectors except for communal services, which declined by 18.2%, construction, which declined by 5.0%, public administration, defence and mandatory social security, which declined by 4.3%, education, which declined by 3.9%, hotels and restaurants, which declined by 1.7%, agriculture, which declined by 1.5% and electricity, water and gas production and distribution, which declined by 0.3%.

Of the country's largest sectors, manufacturing, construction, trade, real estate and transportation and communications were the worst affected by the global financial crisis in 2009. Compared to 2008, manufacturing declined by 14.6%, construction by 14.7%, trade by 5.8%, hotels and restaurants by 14.9%, transportation and communications by 8.6% and real estate by 4.5%. Every industry with the exception of agriculture, fishery and financial services experienced a decline in 2009 compared to 2008.

Due to improved economic conditions following the global financial crisis, key sectors of the Russian economy expanded in 2010 compared to 2009. For example, manufacturing grew by 8.6%, mining by 6.6%, transportation and communications by 5.5%, construction by 4.4% and trade by 5.8%. In contrast, agriculture experienced a year on year decline of 12.1%.

In 2011, the continued economic recovery was broadly reflected across the Russian Federation's key sectors. At 14.8%, agriculture experienced the highest year-on-year growth, with manufacturing recording 5.3% growth and trade recording 3.3% growth. Real decreases in terms of GVA were only observed in two sectors in 2011 as against 2010: education (a 0.9% decrease) and public administration, defence and mandatory social security (a 3.3% decrease).

In 2012, all sectors of the economy demonstrated real growth in terms of GVA except for agriculture (a 3.8% decrease) and public administration, defence and mandatory social security (a 0.7% decrease). The sectors experiencing most significant growth in 2012 as compared to 2011 were financial services (a 14.3% increase), trade (a 6.5% increase), hotels and restaurants (a 4.8% increase) and operations with real estate (a 4.7% increase).

GDP by Use

The following table illustrates the Russian Federation's GDP by use for the periods indicated:

Gross Domestic Product by Use(1)

	For the year ended 31 December									
	2008		2009		2010		2011		2012	
	%	% change(2)	%	% change(2)	%	% change(2)	%	% change(2)	%	% change(2)
GDP	**100.0**	**5.2**	**100.0**	**(7.8)**	**100.0**	**4.5**	**100.0**	**4.3**	**100.0**	**3.4**
Consumption(3)	**65.9**	**8.6**	**74.1**	**(3.9)**	**69.6**	**3.5**	**66.5**	**4.8**	**67.1**	**4.8**
Private	47.8	10.6	53.1	(5.1)	50.5	5.5	48.2	6.4	48.1	6.8
Public	17.6	3.4	20.4	(0.6)	18.5	(1.5)	17.8	0.8	18.5	(0.2)
Non-profit institutions	0.5	(1.4)	0.6	(8.0)	0.6	(0.5)	0.5	(4.8)	0.5	(1.0)
Gross investment	**25.1**	**10.5**	**18.6**	**(41.0)**	**22.5**	**28.5**	**25.1**	**22.6**	**25.7**	**6.6**
Fixed assets accumulation	22.0	10.6	21.7	(14.4)	21.4	5.9	21.4	10.2	21.8	6.0
Inventory accumulation	3.1	n/a	(3.1)	n/a	1.1	n/a	3.7	n/a	3.9	n/a
Net exports	**9.0**	**(34.8)**	**7.3**	**n/a**	**7.9**	**n/a**	**8.4**	**n/a**	**7.2**	**n/a**
Exports	30.8	0.6	27.4	(4.7)	28.9	7.0	30.0	0.3	29.1	1.4
Imports	21.8	14.8	20.1	(30.4)	21.0	25.8	21.6	20.3	21.9	9.5

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) In constant prices. Percent changes reflect period-on-period changes.

(3) Represents expenses on final consumption.

Source: Rosstat.

The composition of GDP by use was affected by the overall condition of the Russian economy—from its growth in 2008, on the back of high commodity prices, to its contraction, particularly in 2009, as a result of the global financial crisis, and to its subsequent recovery in 2010, 2011 and 2012.

From 2008 through 2012, domestic demand, i.e., consumption and gross investment, accounted for an average of 92.0% of annual GDP and net exports accounted for an average of 8.0% of annual GDP.

The contribution of domestic consumption to GDP constituted 74.1% of GDP in 2009. In 2010, domestic consumption grew by 3.5% relative to 2009, though accounting for 69.6% of GDP, and, in 2011, domestic consumption grew by 4.8% relative to 2010, though its share of GDP declined to 67.1% of GDP. In 2012, domestic consumption grew by 4.8% relative to 2011 and constituted 67.8% of GDP. The decline in domestic consumption's contribution to GDP in 2010, 2011 was primarily due to a more rapid expansion of gross investment over the same period. Overall, between 2008 and 2012, domestic consumption grew by approximately 9.3%, despite a 3.9% decline in 2009 compared to 2008.

Between 2008 and 2012, overall private consumption rose in real terms by 25.8%, outpacing the overall growth rate of GDP during the period, whereas public consumption decreased in real terms by 1.8%, reflecting the relatively conservative fiscal policy, in particular during the first part of the period. In 2008, private consumption increased in real terms by 10.6% due to the overall strength of the Russian economy during that period, including high oil prices and a rapid expansion of available credit. However, as a result of the global financial crisis and its negative effects on Russian consumers, private consumption contracted by 5.1% in 2009 compared to 2008. Private consumption grew by 5.5% in 2010 relative to 2009, by 6.4% in 2011 relative to 2010 and by 6.8% in 2012 relative to 2011, as the economy began to recover from the global financial crisis. The contribution to GDP made by private consumption fluctuated slightly during this period, consolidating 47.8% in 2008, before increasing to 53.1% in 2009 and then decreasing to 50.5% in 2010 and 48.2% in 2011 and increasing to 48.7% in 2012. The contribution to GDP made by public consumption was 17.6% in 2008 and increased to 20.4% in 2009, decreasing to 18.5% in 2010 and to 17.8% in 2011. In 2012, public consumption accounted for 18.5% of GDP. The rise in the share of public consumption as a percentage of GDP in 2009 was mainly a function of the Government's fiscal stimulus package adopted as part of its anti-crisis measures. See "—General Anti-Crisis Measures".

Between 2008 and 2012, gross investment increased by 9.5% in real terms. In 2008, gross investment grew by 10.5%. In 2009, gross investment contracted by 41% due to the adverse effects of the global financial crisis on the Russian economy. Gross investment returned to growth following the crisis, expanding by 28.5% in 2010, 22.6% in 2011 and only 6.6% in 2012. Between 2008 and 2012, gross investments in fixed assets grew by 17.1% in real terms, which included a 14.4% contraction in 2009 compared to 2008. The contribution of gross fixed asset investments was 22.0% in 2008 but declined to 21.7% in 2009, 21.4% in 2010 and 2011 and increased to 21.8% in 2012.

Between 2008 and 2012, imports grew at a faster pace than overall GDP. During this period, the real value of exports grew by 4.3%, and the real value of imports grew by 32.4%. Exports as a share of GDP remained generally stable at 28.9%, 30.0% and 29.1% in 2010, 2011 and 2012, respectively. Exports declined by 4.7% in 2009 compared to 2008 due mainly to lower commodity prices and reduced global demand for Russian exports. However, exports increased by 7.0% in 2010, 0.3% in 2011 and 1.4% in 2012 due mainly to an increase in the price and volume of the Russian Federation's principal exports. The high growth in imports in 2008 (14.8%) was a result, generally, of high rates of economic growth in the Russian Federation during this period, and, in particular, of rising consumer incomes. The contraction in imports in 2009 compared to 2008 (30.4%) as well as the decline in imports as a share of GDP (from 21.8% in 2008 to 20.1% in 2009) was mainly due to the negative effects of the global financial crisis on the Russian economy. Imports returned to strong growth in 2010 and 2011, increasing by 25.8% and 20.3% respectively, due mainly to an expansion in import volumes, resulting from an improvement in domestic demand, as well as to a moderate rise in the price of the Russian Federation's principal imports. Import growth slowed to 8.4% in 2012, reflecting a return of imports to pre-financial crisis levels and slower growth in aggregate demand, reflecting slowing overall economic growth in the Russian Federation during this period. See "Balance of Payments and Foreign Trade—Balance of Payments—Current Account".

General Anti-Crisis Measures

In response to the global financial crisis that began in the fall of 2008, the Russian Federation enacted a set of measures designed to restore investor confidence and support the medium-term economic growth of the country. Many of these measures were aimed at bolstering the liquidity of the Russian banking sector and facilitating the flow of credit within the economy. See "Monetary and Financial System—Banking—Anti-Crisis Measures" for a discussion of the policies specifically related to the banking sector. However, the Government also implemented policies to support the real sector of the economy, the labour market and households.

In April 2009, the Government adopted its Anti-Crisis Programme for 2009, allocating to it approximately 1.2 trillion roubles in federal budget financing. In addition to policies aimed at the banking sector, the programme allocated funds for the support of a wide array of industries, including agriculture, fishing, defence, housing, automotive and transport. The programme also dispersed funds to sub-federal branches of the government for these and other purposes, and provided key enterprises with supplemental recapitalisations and state loan guarantees.

In December 2009, the Government passed its Anti-Crisis Programme for 2010, which, in its implementation, combined support for enterprises adversely affected by the crisis with measures to modernise the economy. The key elements of the Anti-Crisis Programme for 2010 included the allocation of funds to support the labour market, certain strategic enterprises, the automotive industry, housing development and construction and modernisation measures designed to bring investment projects to single-industry towns.

These anti-crisis measures, coupled with the growth in global market prices for hydrocarbons and other Russian export goods and the gradual recovery of the global economy, helped to stabilise the economic situation in many sectors of the Russian economy. The Government did not adopt an anti-crisis programme for 2011 and has not adopted an anti-crisis programme for 2012.

In order to protect against slowdown of economic growth, the Government plans to prioritise a modernisation initiative that underlies its Development Programme through 2020, Strategy 2020 and the Government's Policy Priorities. The modernisation initiative is based on several key priority areas, including diversifying the Russian economy, including developing certain high-tech industries; stimulating innovation; improving regulation of the domestic financial markets; and reducing the share of state ownership in the economy. The Government also intends to improve the investment climate, in particular, by taking steps to strengthen the financial sector, the legal system and corporate governance.

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 the world leader 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)

	For the year ended 31 December									
	2008		2009		2010		2011		2012	
	%	% change(2)	%	% change(2)	%	% change(2)	%	% change(2)	%	% change(2)
Industrial Output..	**100.0**	**0.6**	**100.0**	**(9.3)**	**100**	**8.2**	**100.0**	**4.7**	**100.0**	**2.6**
Extraction	21.3	0.4	22.7	(0.6)	21.7	3.6	22.9	1.9	23.6	1.1
Of which										
Fuels....................	18.8	0.1	20.2	0.4	19.1	3.1	20.1	1.3	20.8	1.2
Other minerals	2.5	1.1	2.5	(7.4)	2.6	7.3	2.8	4.8	2.7	0.9
Manufacturing	68.3	0.5	63.8	(15.2)	65.6	11.8	65.1	6.5	65.6	4.1
Of which										
Foods...................	10.7	1.9	12.6	(0.6)	11.3	5.4	10.3	1.0	10.6	5.1
Paper products	2.2	0.3	2.2	(14.3)	2.2	5.9	1.9	1.8	1.9	2.1
Coke and petrochemicals .	12.1	2.8	11.8	(0.6)	12.2	5.0	13.0	2.9	13.5	2.2
Chemicals	5.3	(4.6)	4.7	(6.9)	5.0	14.6	5.2	5.2	5.1	1.3
Metallurgy...........	13.3	(2.2)	10.6	(14.7)	11.9	12.4	11.5	2.9	10.7	4.5
Machines and equipment.........	4.0	(0.5)	3.6	(31.5)	3.5	12.2	3.5	9.5	3.5	0.4
Electrical equipment.........	3.7	(7.4)	3.6	(32.2)	3.9	22.8	3.8	5.1	3.9	4.3
Transport vehicles and equipment..	6.1	0.4	5.0	(37.2)	5.8	32.2	6.7	24.6	7.2	12.7
Textiles and clothing............	0.6	(5.4)	0.7	(16.2)	0.7	12.1	0.6	2.6	0.6	(2.0)
Leather and footwear...........	0.1	(0.3)	0.2	(0.1)	0.2	18.7	0.1	8.6	0.1	(10.1)
Wood products.....	1.0	(0.1)	1.0	(20.7)	0.9	11.4	0.9	4.0	0.9	3.3
Rubber and plastics	1.6	22.8	1.7	(12.6)	1.8	21.5	1.6	13.1	1.7	7.4
Other non-metal mineral products	4.1	(2.9)	3.0	(27.5)	2.9	10.7	2.9	9.3	3.0	5.6
Other	1.8	(1.7)	1.4	(20.7)	1.7	17.7	1.5	4.5	1.4	(0.9)
Electricity, water and gas production and distribution..........	10.4	0.6	13.5	(3.9)	12.7	4.1	12.0	0.1	10.8	1.2

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) Percent changes in this column are calculated pursuant to production indices and reflect period-on-period changes. Figures adjusted for shadow economic activity.

Source: Rosstat.

Industrial output grew 0.6% in 2008, mainly due to growth in manufacturing, which, in turn, was the result of improved competitiveness of Russian products in both domestic and international markets, improved management, growth in private investment and strong global commodity prices. Growth in industrial production decelerated in 2008 because of lower commodity prices and the onset of the global financial crisis, which led to a contraction in industrial output in the fourth quarter of the year (a contraction of 9.1% compared to the fourth quarter of 2007) and reduced investment.

In 2008, the Russian Federation's industrial output decelerated, increasing by 0.6% compared to 2007. Overall annual growth was recorded in several industries, including rubber and plastics (22.8%), coke and petrochemicals (2.8%) and foods (1.9%). Electrical equipment, textiles and clothing and chemicals experienced the largest contractions in output in 2008, falling by 7.4%, 5.4% and 4.6%, respectively, relative to 2007. Industrial growth decelerated in 2008 due to the global financial crisis, which began to have a significant negative impact on the Russian Federation's real economy in the fourth quarter of 2008.

In 2009, the Russian Federation's industrial output decreased by 9.3% compared to 2008. Industrial output contracted in all major industries, with transport vehicles and equipment (37.2%), electrical equipment (32.2%) and machines and equipment (31.5%) experiencing the sharpest declines. The overall contraction was due to the effects of the global financial crisis, including a substantial decline in the overall demand for industrial products and a decrease in global commodity prices.

In 2010, industrial output increased by 8.2% compared to 2009. Growth was recorded in all major industrial sectors due to the overall improvement of the economy following the global financial crisis, and, in particular, an increase in both foreign and domestic demand for industrial products. The transport vehicles and equipment, electrical equipment, rubber and plastics, leather and footwear and chemicals sectors experienced the most significant year on year growth, rising by 32.2%, 22.8%, 21.5%, 18.7% and 14.6%, respectively.

In 2011, industrial output increased by 4.7% compared to 2010. As in 2010, growth was recorded in all major industry sectors. The strongest growth was in the transport vehicles and equipment sector (24.6%) and in rubbers and plastics (13.1%), whereas the slowest growth was recorded in extraction (1.9%), foods (1.0%), paper products (1.8%) and electricity, water and gas production and distribution (0.1%).

In 2012, industrial output increased by 2.6% compared to 2011. Growth was recorded in almost all major industry sectors, except for textiles and clothing (a 2.0% decrease) and leather and footwear (a 10.1% decrease). The strongest growth was in the transport vehicles and equipment sector (12.7%) and in rubbers and plastics (7.4%), whereas the slowest growth was recorded in extraction (1.1%), electricity, water and gas production and distribution (1.2%), machines and equipment (0.4%) and chemicals (1.3%).

Energy

In 2010 and 2011, energy (including oil, petroleum products, natural gas, coal, coke, semi-coke and electricity) accounted for 66.3% and 68.8%, respectively, of the Russian Federation's exports. In 2010, oil and petroleum products accounted for 51.6% of total exports, while natural gas accounted for 12.0%, coal for 2.3% and electricity for approximately 0.3%. In 2011, oil and petroleum products accounted for 53.8% of total exports, while natural gas accounted for 12.4%, coal for 2.2% and electricity for approximately 0.3%. In 2012, energy accounted for 69.0% of the Russian Federation's exports. Oil and petroleum products accounted for 54.2% of total exports, while natural gas accounted for 12.0%, coal for 2.5% and electricity for approximately 0.2%. In the first quarter of 2013, according to the Federal Customs Service, energy accounted for 71.3% of the Russian Federation's exports, on par with the first quarter of 2012, with oil and petroleum products accounting for 54.1% (as compared to 54.6% in the first quarter of 2012), natural gas accounting for 14.5% (as compared to 14.0% in the first quarter of 2012), coal accounting for 2.4% (as compared to 2.3% in the first quarter of 2012) and electricity accounting for 0.2% (as compared to 0.3% in the first quarter of 2012).

Domestic energy prices were heavily subsidised in the Soviet Union (amounting to only 10-20% of world market prices in 1992) and, notwithstanding significant increases, domestic prices for gas, electricity and crude oil remain 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. See "Balance of Payments and Foreign Trade", "Public Finance" and "Risk Factors—Risks Relating to the Russian Federation—Any material reduction in the price of crude oil or natural gas may materially adversely affect the revenues and financial condition of the Russian Federation".

Oil

Oil output declined significantly following the dissolution of the Soviet Union but has been moderately growing in recent years. Output in 2011 was over 512 million tonnes, an increase of approximately 1.4% over production in 2010, and output in 2012 equalled 518.7 million tonnes, an increase of 1.2% over production in 2011. Between 2008 and 2012, oil output increased by 6.3%. In 2010, 2011 and 2012, oil exports to non-CIS countries were 224.1 million tonnes, 214.4 million tonnes and 211.6 million tonnes, respectively, while exports to the CIS were 22.9 million tonnes, 29.9 million tonnes and 28.4 million tonnes, respectively. In the first quarter of 2013, according to Rosstat, oil output equalled 128.2 million tonnes, a decrease of 0.1% as compared to the first quarter of 2012. Exports to non-CIS countries amounted to 50.2 million tonnes (51.2 million tonnes in the first quarter of 2012) and exports to CIS countries were 7 million tonnes (7.6 million tonnes in the first quarter of 2012).

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 Baikalfinancegroup, 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 recent 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.

In 2005, Yukos' majority shareholders commenced three related arbitrations under the Energy Charter Treaty. The claimants originally sought in the aggregate U.S.$33.1 billion, and are currently seeking in the aggregate U.S.$114.2 billion, plus interest, as compensation for the Russian Federation's alleged breach of its treaty obligations. All three arbitrations are now awaiting a decision by an arbitral tribunal. Other Yukos-related claims brought against the Russian Federation include a claim asserted by Yukos before the European Court of Human Rights and investment treaty claims brought by several of Yukos' minority shareholders. In September 2011, the European Court of Human Rights held that Yukos had engaged in tax evasion involving the fraudulent use of sham companies, and that the taxes, penalties and fines assessed against Yukos were (with minor exceptions) lawful under the European Convention on Human Rights, and were neither discriminatory nor politically motivated. The Court also found the Russian Federation to have violated Yukos' rights in the means employed in enforcing the tax assessments, and invited submissions regarding possible compensation. A decision with respect to Yukos' request for compensation is now pending. In 2010, an arbitral tribunal awarded a Yukos shareholder U.S.$3.5 million, plus interest, in respect of a claim asserted under Russia's bilateral investment treaty with the United Kingdom, and in 2012 an arbitral tribunal awarded a group of Yukos shareholders U.S.$2.0 million, plus interest, in respect of a claim asserted under Russia's bilateral investment treaty with Spain. The Russian Federation is currently seeking to annul both awards on jurisdictional and other grounds.

Natural Gas

Natural gas output stabilised after declining immediately following the dissolution of the Soviet Union. Between 2005 and 2008, natural gas output increased by 3.9% (from 640.8 billion cubic metres in 2005 to 665.6 billion cubic metres in 2008). Then, in 2009, output decreased to 582.8 billion cubic metres, or by 12.4% compared to 2008. Natural gas output in 2010 was 651.3 billion cubic metres, an increase of 11.8% over production in 2009. Natural gas output in 2011 was 670.8 billion cubic metres, an increase of 3.0% over 2010, but declined by 2.4% to 654.7 billion cubic metres in 2012. In the first quarter of 2013, natural gas output was 182.8 billion cubic metres, a 1.2% decrease as compared to the first quarter of 2012.

In 2010, 2011, and 2012, natural gas exports to non-CIS countries were 107.4 billion cubic metres, 117.3 billion cubic metres, and 112.6 billion cubic metres, respectively, while exports to the CIS were 66.9 billion cubic metres, 69.4 billion cubic metres, and 66.0 billion cubic metres, respectively. In the first quarter of 2013, natural gas exports to non-CIS countries were 35.3 billion cubic metres (a 1.3% increase from 34.8 billion cubic metres in the first quarter of 2012) and natural gas exports to CIS countries were 17.0 billion cubic metres (a 10.7% decrease from 19.0 billion cubic metres in the first quarter of 2012).

The Russian Federation's natural gas industry is dominated by Gazprom, which has an effective monopoly on gas transmission, storage and 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 held production licences with respect to approximately 70% of the Russian Federation's natural gas reserves at year-end 2010, accounted for approximately 78% of the Russian Federation's natural gas production in 2010 and owns and operates the Unified Gas Supply System, which includes approximately 162,000 kilometres of high pressure pipelines.

Coal

Currently, nearly all of the Russian Federation's coal is extracted by companies in the private sector. Approximately 301.3 million tonnes of coal were produced in the Russian Federation in 2009, a decrease of approximately 8.3% compared to 2008, resulting mainly from the global financial crisis. Coal production increased by 6.9% to 322 million tonnes in 2010, by 4.0% to 334.8 million tonnes in 2011, and by 6.4% to 356.4 million tonnes in 2012. In the first quarter of 2013, coal production amounted to 85.9 million tonnes, a decrease of 0.7% as compared to the first quarter of 2012.

In 2012, coal exports amounted to 130.4 million tonnes, compared to 100.7 million tonnes in 2011. In the first quarter of 2013, coal exports amounted to approximately 33 million tonnes, an increase of 20.1% as compared to the first quarter of 2012. The United Kingdom, Japan, China and Ukraine have historically been amongst the primary destinations by volume for the Russian Federation's coal exports.

Electricity

As of 31 December 2012, total Russian generating capacity was 239,482 MW, 69.1% of which was attributable to thermal power plants, 20.3% to hydro power plants and 10.6% to nuclear power plants. In 2011, the Russian Federation's electricity output was 1,054.8 billion kWh, an increase of 1.6% compared to 2010. Of the total output in 2011, thermal power plants accounted for 714 billion kWh (67.7% of total output), hydrogeneration for 168 billion kWh (15.9%) and nuclear generation for 173 billion kWh (16.4%). In 2012, the Russian Federation's electricity output was 1,069.3 billion kWh, an increase of 1.4% compared to 2011. Of the total output in 2012, thermal power plants accounted for 726 billion kWh (67.9% of total output), hydrogeneration for 165 billion kWh (15.5%) and nuclear generation for 178 billion kWh (16.6%). In the first quarter of 2013, the Russian Federation's electricity output was 296 billion kWh, a decrease of 1.9% compared to the first quarter of 2012. Of total electricity output in the first quarter of 2013, thermal power plants accounted for 206 billion kWh (69.6 of total output), hydrogenation for 41.7 billion kWh (14.1%) and nuclear generation for 48.1 billion kWh (16.3%).

Electricity is exported primarily to Finland, Lithuania, certain CIS countries (such as Belarus and Kazakhstan) and China. In 2012, the total volume of electricity export amounted to 19.1 billion kWh.

Following the collapse of the Soviet Union, in 1992, the Russian electricity industry was initially restructured and split into RAO Unified Energy Systems (**UES**), 72 regional energy companies (*energos*), and a separate nuclear power industry operated by state owned Rosenergoatom (now Rosenergoatom Concern OJSC).

UES, of which the Russian Federation owned approximately 53%, was the largest producer of electricity in the Russian Federation, owning more than 72% of the Russian Federation's generating capacity and serving as the monopoly high voltage distributor and wholesale purchaser and seller of electricity.

In recent years, the Russian electricity industry has undergone a major restructuring, including the break-up of almost all vertically integrated power companies controlled by UES and the separation of the functions into distinct companies, each focused on generation, transmission, distribution, retail sales and repairs or servicing operations. The restructuring process culminated on 1 July 2008 in the de-merger of UES into more than 20 independent companies, each engaged in either the competitive sector (power generation) or the non-competitive sector (transmission and distribution).

The thermal power plants, which are powered by fossil fuels, are owned primarily by OGKs (wholesale generating companies, of which there are six), TGKs (regional generating companies, of which there are 14) and several other energy companies, such as OJSC Bashkirenergo and OJSC Irkutskenergo. The OGKs are the largest generators in the wholesale electricity (capacity) market except for OJSC RusHydro and OJSC of Power Engineering and Electrification 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 OJSC, 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. Most of the country's medium and low-voltage distribution networks are consolidated into 11 inter-regional distribution companies, which are indirectly controlled by the Russian Federation through OJSC Russian Grids (formerly OJSC MRSK-Holding). Pursuant to Decree of the President of the Russian Federation No. 1567 dated 22 November 2012, the state-owned stake in the Federal Grid Company has been consolidated into OJSC MRSK-Holding which has been renamed into OJSC Russian Grids.

Retail electricity sales are made by the electricity companies operating following the de-merger of UES, as well as by other independent electricity retail companies.

Since 2004, dispatching functions of the Russian electricity sector have been conducted by the System Operator of the Unified Energy System, which is 100% state owned.

The Russian electricity market is divided into wholesale electricity and capacity markets and a retail electricity market. With effect from 1 September 2006, 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.

Since 1 September 2006, electricity capacity has been sold separately from electricity in the wholesale market. Liberalisation was initially limited to the wholesale market for electricity, however, beginning in 2008, there has been a gradual liberalisation of the wholesale capacity market as well. Currently, capacity is sold on the wholesale market pursuant to both regulated and unregulated contracts. With effect from 1 January 2011, capacity can also be sold (i) pursuant to capacity auctions (including existing capacity), and (ii) under 10-year capacity supply agreements contemplating the addition of new capacity, which is expected to be sold at 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. Since 1 January 2011, 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.

The rules governing the retail electricity market also came into effect on 1 September 2006 and were subsequently updated with effect from 12 June 2012. Purchasers on the retail market include (i) industrial consumers, who pay for electricity supplied at non-regulated prices that typically take into account the cost of electricity in the competitive wholesale electricity market; and (ii) households, which pay according to below-market tariffs set by the state regulator.

Agriculture

The agricultural sector consists primarily of agricultural concerns (estimated to account for approximately 64.1% of arable land and 46.7% of agricultural output in monetary terms) and private plots, including both private farm collectives and individual farms (estimated to account for 35.9% of arable land and 53.3% of agricultural output in monetary terms). The Land Code and the Agricultural Land Law, adopted in 2002 (See "—Civil and Commercial Law"), 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.

Agricultural output declined by 11.3% in 2010 compared to 2009. In the summer of 2010, due to uncharacteristically hot weather, the Russian Federation suffered a severe drought that caused tens of billions of roubles in damage, led to an increase in prices for many agricultural products and set off thousands of wildfires. As a result of the drought, the Russian Federation's 2010 grain harvest was 61 million tonnes, 37.3% lower than the harvest in 2009, and the Russian Federation imposed a temporary ban on the export of grain, which was rescinded in July 2011. See "—Environment", below, for a discussion of the environmental impact of the drought and wildfires. The Russian Federation's grain harvest recovered in 2011 to 94.2 million tonnes. In 2012, the grain harvest was 70.9 million tonnes, a decrease of 25% compared to 2011, reflecting the impact of drought in key agricultural regions. Overall agricultural output increased by 23.0% in 2011 and decreased by 4.7% in 2012. While the Russian Federation still imports substantial amounts of food and agricultural products, foodstuffs and agricultural products amounted to 2.3% and 3.2% of total exports in 2011 and 2012, respectively.

Upon accession to the WTO, the Russian Federation agreed to reduce state subsidies to the agricultural sector to U.S.$9 billion through 2013 and to U.S.$4.4 billion by 2018. The Government is still entitled to provide state support to the agricultural sector on the basis of regional support programmes designed to bolster the agricultural sector in regions where special assistance is required. For this purpose, the Federal Law "On the Introduction of Amendments to Clause 7 of the Federal Law On Development of Agriculture" dated 23 July 2013 was adopted. The law is focused on support of agricultural manufacturers carrying out activities in regions which are unfavourable for such activity. Criteria for qualification of a region as unfavourable will be stated by the Government.

Construction

The construction sector accounted for 6.5% of GVA in each of 2010, 2011 and 2012. Following a steep decline after the dissolution of the Soviet Union and until the onset of the global financial crisis, output in the construction industry grew significantly. As a result of the global financial crisis, the construction sector experienced a 13.2% decline in output in 2009 compared to 2008, including a contraction in new housing construction from 64.1 million square metres in 2008 to 59.9 million square metres in 2009. Construction output expanded again in each of 2010, 2011 and 2012, increasing by 5.0%, 5.1% and 2.4% respectively.

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. Despite a 8.6% decline in 2009 compared to 2008, the transportation and communications sector grew by 5.4% between 2008 and 2012, supported by a 5.5% increase in 2010 compared to 2009, a 6.6% increase in 2011 relative to 2010 and a 2.7% increase in 2012 relative to 2011. In 2010, 2011 and 2012, the transportation and communications sector accounted for 9.1%, 8.4% and 8.2% of GVA, respectively.

Railways

As of 1 January 2013, there were approximately 85,607 kilometres of railways in the Russian Federation for general passenger and freight transportation. In 2011 and 2012, railways accounted for 85% of all freight turnover in tonne kilometres (excluding pipeline transport and industrial railway transport) and for approximately 30% of total passenger turnover in passenger kilometres (excluding city electrical transport), making it the country's most important form of transport.

Tariffs for passenger transport are currently subsidised from the railway freight profits of OJSC Russian Railways and from the federal budget. OJSC Russian Railways, which is wholly state owned and was established in 2003, 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 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 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. Currently, 73.8% of freight cars are under the control of such private operating companies. The Government has also taken steps toward reducing or partially eliminating cross subsidies, including the creation of the Federal Passenger Company in April 2010. The third stage of the reform programme, currently underway, envisages the privatisation of subsidiaries of Russian Railways, the approval of a market model for freight transport through 2015 and the transition to a new system of tariff regulation.

Roads

At year-end 2012, there were 1,439,214 kilometres of roads in the Russian Federation (including both public and non-public roads), 72.0% of which were paved. Approximately 89.2% of paved roads are for public use. Approximately 49.5% of public roads are under regional ownership, 45% are under municipal ownership and 5.5% 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

The Russian Federation has 63 seaports. In 2012, the volume of freight shipments in Russian seaports amounted to 567.1 million tonnes, an increase of 5.9% compared to 2011. In 2012, freight turnover by means of sea transport equalled 125.9 billion tonne kilometres, a decrease of 8.1% compared to 2011.

In November 2007, a new federal law took effect that regulates the activities of seaports and intends to promote the growth of commercial transport by sea. Substantial resources are being invested to improve the competitiveness of Russian ports, including through the federal state programme Development of Transport System of Russia (2010-2015) being financed from the state budget for these years.

As of 1 January 2013, the Russian Federation had 101,381 kilometres of internal navigable waterways with 723 hydraulic installations, including 108 locks as well as pumping stations, pressure dikes and dams and canals.

Air Transport

As of March 1, 2013, the Russian Federation had 227 airports, 69 of which were international. The largest international airports are located in Moscow, St. Petersburg, Yekaterinburg and Novosibirsk. In 2012, turnover of passengers travelling by air equalled 195.8 billion passenger kilometres, a 17.4% increase compared to 2011.

As of 25 June 2013, according to Rosaviation, 119 airlines were registered to operate in the Russian Federation, the 10 largest of which accounted for roughly 87.7% of passenger turnover. In 2012, the largest airlines in terms of market share were OJSC Aeroflot Russian Airlines, OJSC Transaero Airlines and OJSC UTair Aviation, according to Rosaviation.

The largest Russian airports are those situated in Moscow, which handled more than 50.4% of airline passenger throughput in 2012. Domodedovo Airport, Sheremetyevo Airport and Vnukovo Airport were responsible for 22.2%, 20.5% and 7.7%, respectively, of passenger throughput in 2012. The largest regional air traffic hubs in the Russian Federation include St. Petersburg, Ekaterinburg and Novosibirsk. Airport infrastructure in the Russian Federation is developing rapidly. For example, a development and expansion plain at Sheremetyevo Airport in Moscow has involved the construction of four new terminals since 2007, and contemplates further expansion and modernisation to reach transit capacity of 64.0 million passengers per year by 2030. The transit capacity of Sheremetyevo Airport for 2012 was estimated to be approximately 26.0 million passengers.

In December 2001, the Government approved the federal programme "Development of the Russian transport system" (for 2010 - 2020) which includes the subprogramme "Civil Aviation" (the **Aviation Programme**). According to the Aviation Programme, the Government intends to increase the capacity of Domodedovo Airport and improve its compliance with modern aircraft operating requirements. The Aviation Programme provides reconstruction of the first airstrip of the Domodedovo Airport (with respect to construction of the platforms for aircraft processing, purification plants, an emergency rescue service station and a patrol road), reconstruction of a certain existing aprons and construction of the new airstrip with a taxiway system. Performance of the Aviation Programme is anticipated to double the passenger traffic flow in the Domodedovo Airport and increase the capacity of Domodedovo Airport to 90 aircraft per hour.

The Aviation Programme also contemplates financing for the reconstruction of 19 regional airports, including airports in Velikiy Ustyug, Biysk, Bodaibo, Dickson, Ust Kut, Nikolayevsk-on-Amur and certain other cities. The federal programmes "Social and economic development of Far East and Trans-Baikal for the period through 2013" and "Social and economic development of Kuril Islands for 2007 - 2015" envision development of airports in the North, Far East and Trans-Baikal regions of the Russian Federation. According to the draft of the federal programme "Social and economic development of Far East and Baikal region for the period through 2018", 64 aviation infrastructure projects are targeted to be completed, subject to the provision of financing from the federal budget in the amount of approximately 98.4 billion roubles.

Pipelines

As of 31 December 2012, the Russian Federation had approximately 251,900 kilometres of trunk pipelines, consisting of approximately 168,300 kilometres of natural gas pipelines, approximately 58,300 kilometres of oil pipelines and approximately 18,600 kilometres of oil product pipelines. In 2012, freight turnover by means of pipeline transport totalled 2,453.2 billion tonne kilometres, an increase of 1.3% compared with 2011.

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. Recent expansion projects include the Yamal Europe project, completed in 2006, which involved the construction of new trunk pipelines extending nearly 6,000 kilometres from the northern part of the Tyumen region of the Russian Federation through Belarus and Poland to Germany, and a trunk pipeline to Turkey, known as the "Blue Stream project", which crosses the Black Sea and significantly increases the Russian Federation's gas export capacity. Initial gas flows through the undersea portion of this pipeline commenced in December 2002, with the first commercial delivery to Turkey in February 2003 and an annual projected capacity of 16 billion cubic metres. Gazprom is currently participating in the construction of the Nord Stream pipelines, which are expected to extend 1,224 kilometres and connect 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. Gazprom continues to invest further in other export-oriented projects, such as the "South Stream project", which will supply gas to Europe by other export routes, including under the Black Sea to the coast of Bulgaria.

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. New pipeline related projects intended to increase the export capacity of the oil industry have also been implemented in recent years. These include the Baltic pipeline system, which connects West Siberia with a major new harbour at St. Petersburg and which was completed in 2006, reaching its targeted annual capacity of 74 million tonnes of crude oil per year. Other programmes currently underway include the Baltic pipeline system 2, which began operation in March 2012 and which, upon completion, is expected to have an annual pipeline capacity of up to 50 million tonnes of crude oil per year, the upgrading of the Druzhba oil pipeline through Eastern Europe by constructing by-passes and extensions and the construction of the East Siberia–Pacific Ocean pipeline, which is expected to have a capacity of 80 million tonnes and will extend from Taishet to Primorski Krai, connecting West and East Siberia with the Asia-Pacific region. The first section of the East Siberia–Pacific pipeline came on line in December 2009. Work on the second phase began in January 2010, and was completed in December 2012. 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

In 2012, the information technology market was valued at an estimated 716 billion roubles. The value of telephone services in 2012 was 1.5 trillion roubles, an increase of 5.6% compared to 2011. There are over 4,500 telephone operators on the local market. As of 1 January 2013, there were 261.9 million mobile telephone subscribers, a market penetration rate of approximately 183%. Mobile phone services are available across substantially 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. Over 65 licences have already been issued for the provision of intercity and international telephone services. Recipients of these licences include Rostelecom, Transtelecom, Interregional Transit Telecom, Vimpelcom, Megafon, Sinterra, Comstar-OTS and others.

Strategic Enterprises

Pursuant to presidential decree, there are approximately 150 federal state unitary enterprises and 50 joint stock companies on the list of strategic enterprises. Strategic enterprises include, among 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.

Sochi Winter Olympics

The southern city of Sochi will host the XXII Olympic Winter Games in 2014, the first time that the Winter Olympics will be held in the Russian Federation. The Government created the state corporation Olympstroi to oversee preparations for the Games. A substantial portion of the budget for preparation for the 2014 Winter Olympics has been earmarked as infrastructure spending aimed at improving the power, transportation and telecommunications infrastructure in and around the Sochi region and on building and modernising sports venues and hotels.

Environment

Since a 2005 government restructuring, environmental protection in the Russian Federation has primarily been the responsibility of the Federal Service for Ecological, Technological and Atomic Supervision. 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. The Russian Federation's environmental protection programme has focused on replanting forests, constructing spent gas treatment plants, installing water recycling systems and constructing sewage purification plants. A major component of each of the Development Programme through 2020, Strategy 2020 and the Government's Policy Priorities is to establish priority measures for protecting the environment, including tax incentives for enterprises using ecologically clean technology.

In the summer of 2010, due to uncharacteristically hot weather, the Russian Federation suffered a severe drought that led to thousands of wildfires and caused tens of billions of roubles in damage. As a result of the fires, thousands of homes were destroyed across European Russia, and, in August, toxic emissions in the atmosphere over European Russia, including carbon monoxide, reached significantly higher levels. In August 2010, the Government announced that, in addition to expenses connected with battling the fires, it had spent approximately five billion roubles on compensating victims and repairing or replacing homes. See "—Principal Sectors of the Economy—Agriculture", above, for a discussion of the agricultural impact of the drought and wildfires.

In November 2004, President Putin signed the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which became effective in February 2005. Under the terms of the Kyoto Protocol, the Russian Federation is to maintain its emissions of greenhouse gases at a level no higher than that in 1990. In Doha in December 2012, the Doha Amendment to the Kyoto Protocol II was adopted (the **Doha Amendment**). The Doha Amendment includes, *inter alia*, new commitments for parties to the Kyoto Protocol who agreed to take on commitments in a second commitment period from 1 January 2013 to 31 December 2020 and a revised list of greenhouse gases to be reported on by parties in the second commitment period. On December 2012, the amendment was circulated by the United Nations secretariat to all Parties to the Kyoto Protocol for further approval and signing procedures. However, President Putin has stated that the Russian Federation does not intend to adhere to the Kyoto Amendment, and the Russian Federation did not sign up to new targets under the second Kyoto commitment period.

Employment

Following an initial period of decline with the dissolution of the Soviet Union, employment in the Russian Federation increased each year from 2000 until the onset of the global financial crisis in the second half of 2008, in large part due to the rise in export volumes and import substitution that began in 1999. The decline in unemployment levels during this period was primarily due to strong domestic demand and a positive economic outlook. In late 2008, unemployment began to rise. In the fourth quarter of 2008, the average number of unemployed workers rose to 5.3 million, or 7.0% of the economically active population, from an average of 4.4 million, or 5.8% of the economically active population, in the third quarter of 2008. Unemployment continued to rise in 2009, with the average number of unemployed workers in 2009 amounting to 6.2 million, or 8.2% of the economically active population. The rise in unemployment in the second half of 2008 and in 2009 was primarily the result of the global financial crisis, and, in particular, of a contraction both in domestic demand and in worldwide demand for Russian products. As the Russian economy began to recover from the global financial crisis, the average number of unemployed workers fell to 5.5 million, or 7.3% of the economically active population, in 2010, and to 4.9 million, or 6.5% of the economically active population, in 2011. In 2012, unemployment continued to fall to 4.1 million, or 5.5% of the economically active population.

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
2008				
First Quarter	5.0	6.6%	1.6	2.1%
Second Quarter	4.2	5.5%	1.4	1.9%
Third Quarter	4.4	5.8%	1.3	1.7%
Fourth Quarter	5.3	7.0%	1.4	1.8%
Year	4.7	6.2%	1.4	1.8%
2009				
First Quarter	6.7	8.9%	2.0	2.6%
Second Quarter	6.4	8.4%	2.2	2.9%
Third Quarter	5.9	7.8%	2.1	2.8%
Fourth Quarter	6.0	7.9%	2.1	2.8%
Year	6.2	8.2%	2.1	2.8%
2010				
First Quarter	6.5	8.7%	2.2	3.0%
Second Quarter	5.5	7.3%	2.0	2.7%
Third Quarter	5.1	6.7%	1.7	2.2%
Fourth Quarter	5.1	6.7%	1.5	2.0%
Year	5.5	7.3%	1.9	2.5%
2011				
First Quarter	5.5	7.4%	1.6	2.2%
Second Quarter	4.8	6.4%	1.5	2.0%
Third Quarter	4.7	6.1%	1.3	1.7%
Fourth Quarter	4.6	6.1%	1.2	1.6%
Year	4.9	6.5%	1.4	1.9%
2012				
First Quarter	4.7	6.3%	1.3	1.8%
Second Quarter	4.1	5.3%	1.2	1.6%
Third Quarter	3.9	5.1%	1.1	1.4%
Fourth Quarter	3.9	5.1%	1.0	1.4%
Year	4.1	5.5%	1.1	1.5%
2013				
First Quarter	4.4	5.8%	1.1	1.4%

Notes:

(1) Figures through the second quarter of 2009 are based on data from surveys carried out quarterly. Subsequent figures are based on surveys carried out monthly. Figures for the period of 2008 to 2011 are also adjusted in accordance with the 2010 general census. Persons between the ages of 15 and 72 not working, looking for a job and ready to start work are counted as unemployed.

(2) Based on number of individuals who choose to register as unemployed with the various employment agencies, as recorded by the Federal Labour and Employment Service.

Source: Rosstat.

These figures do not take into account certain "hidden unemployment" resulting from shortened workdays and temporary lay-offs. Based on monthly averages, workers working reduced hours totalled 402.8 thousand in 2010, 171.9 thousand in 2011, 149.2 thousand in 2012 and workers put on leave without pay equalled 627.4 thousand in 2010, 606.6 thousand in 2011 and 627.0 thousand in 2012.

Wages and Income

In 2009, real wages declined by 3.5% compared to 2008 primarily due to inflation and the negative impact of the global financial crisis on private sector nominal wage levels. As the economy began to recover after the global financial crisis, real wages began to increase, growing by 5.2% in 2010 compared to 2009, by 2.8% in 2011 compared to 2010 and by 8.4% in 2012 compared to 2011. In the first quarter of 2013, real wages grew by 4.5% as compared to the first quarter of 2012.

The minimum wage has remained relatively low, amounting to just 18.1% of the average monthly wage as of March 2013. The minimum wage, established by the State Duma, serves as a benchmark in setting the level of federal benefits and also plays a role in determining certain types of budget expenditures and the size of unemployment benefits. The minimum wage was increased by 88.3% in January 2009 (from 2,300 roubles/month to 4,330 roubles/month), in June 2011 by 6.5% (to 4,611 roubles/month) and most recently in January 2013 (to 5,205 roubles/month, a 12.9% increase). Beginning 1 September 2007, 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 2008 and 2009, growth in real disposable income decelerated compared to prior years, growing at 2.4% in 2008 and 3.0% in 2009, due mainly to the global financial crisis. Real disposable income increased by 5.9% in 2010, by 0.5% in 2011 and by 4.4% in 2012. In the first quarter of 2013, real disposable income increased by 5.4% as compared to the first quarter of 2012.

Approximately 13.4% of the population had income below the official subsistence level in 2008, declining to 13.0% in 2009, to 12.5% in 2010, increasing slightly to 12.7% in 2011, and, according to preliminary data, decreasing to 11.0% in 2012. The overall decrease in the percentage of the population living below the official subsistence level during the historic period reflects the impact of real wage increases, including as a result of increases to the minimum wage described above, while temporary increases in the percentage of the population living below the official subsistence level reflect the impact of increases in the prices of certain food and non-food commodities and services outpacing real wage increases.

Organised labour does not play a prominent role in the Russian economy; approximately 50% of workers are members of labour organisations.

Social Benefits and Expenditure

Total social expenditure (other than housing subsidies), based on the enlarged budget, amounted to approximately 17.7% of GDP in 2008, 21.3% of GDP in 2009, 22.6% of GDP in 2010, 20.7% of GDP in 2011 and 20.6% of GDP in 2012.

Most social expenditure is provided through state extra budgetary funds or by sub-federal authorities. In 2008, 2009, 2010, 2011 and 2012, 44.1%, 46.0%, 51.7%, 47.2% and 51.0%, respectively, of social expenditure was provided by state extra budgetary funds, and 42.0%, 39.5%, 36.0%, 40.4% and 39.9%, respectively, was provided by sub-federal authorities. Direct payments from the federal budget accounted for approximately 13.9%, 14.5%, 12.3%, 12.4% and 9.1% of social expenditure in 2008, 2009, 2010, 2011 and 2012, 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".

In 2005, several benefit related fiscal measures took effect. These measures eliminated unfunded benefit entitlements and replaced social privileges financed by the federal budget, such as free passenger transportation and free medical drugs, with targeted social benefits largely in the form of monthly cash compensation of between 50 roubles and 2,000 roubles, adjusted for inflation. This monetisation of federal social benefits is available to the disabled, World War II veterans, survivors of the siege of Leningrad, Chernobyl clean-up workers, heroes of the Soviet Union and the Russian Federation and certain other groups.

Decisions related to the eligibility for and the provision of social benefits and compensation to other groups is delegated to regional authorities. Regional beneficiaries include labour veterans, victims of Soviet-era political repression, people with dependent children and students.

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 Reform

Under the pension system that was in effect from 2002 through 2009, a retiree's state pension, funded through mandatory contributions to the Pension Fund (as defined below) (**labour pensions**) consisted of a basic pension, an insurance pension and a funded pension. Labour pensions with effect from 1 January 2010, consist of an insurance pension and a funded pension. Other state or municipal pensions payable in addition to, or instead of, labour pensions and funded from the relevant budget include long-service pensions to state and municipal civil servants and the military, pensions to disabled and certain other categories of persons (**social pensions**) and certain other types of pensions.

The insurance pension is made up of two components: a fixed amount, which is set by law, and a variable amount, which is dependent on past contributions credited to the account of the pensioner and length of employment. The fixed amount, in effect, replaces the pre-2010 basic pension. The basic pension was funded from the budget through payments of the Unified Social Tax (the **UST**). The UST was abolished as of 1 January 2010, and as a result, both elements of the insurance pension come from the Pension Fund of the Russian Federation (the **Pension Fund**).

The funded pension is based on the amount of funds accumulated in a pensioner's individual pension account, which in turn depends on the beneficiary's year of birth. For those born before 1967, all mandatory contributions to the pension system are made to the insurance pension. For those born in 1967 or after, the share of contributions accumulated in funded pensions now must equal 6% of the first 568,000 roubles of the employee's annual salary. Regardless of age, an employee may elect to make additional funded pension contributions in excess of his or her mandatory pension contributions. For additional voluntary contributions between 2,000 roubles and 12,000 roubles per year, the government will make a matching contribution, provided the employee files the appropriate application before 1 October 2013.

Federal Law No. 173-FZ "On Labour Pensions in the Russian Federation" dated 17 December 2001 envisages that the size of pensions will be adjusted for inflation and growth in average salary levels. In 2013, labour pensions were subject to indexation twice, first in February 2013, when the average pension amount was increased by 6.6%, and again in April 2013, when additional indexation equalled 3.3%. Social pensions were also increased by 1.8% in April 2013.

Contributions for financing of the funded component of labour pension are collected by the Pension Fund and are managed by the State Trust Management Company, management companies (private trust companies) selected on the basis of public tenders and private pension funds. According to Federal Law No. 111-FZ "On Investments for Financing the Funded Part of Pensions" dated 24 July 2002, once a year, individuals may choose a private trust manager from those selected on the basis of a public tender or a private pension fund. The initial tender for private trust managers was held in September 2003, and 55 private trust companies were selected. According to the FSFM, as of 1 January 2013, there were 133 private pension funds and 49 private trust managing the investment of pension savings. Most pension savings are managed by Vnesheconombank, which has been appointed by the Government as the State Trust Management Company through 1 January 2019.

As at the beginning of 2013 Vnesheconombank, managed 70.2% of pension savings, private pension funds managed 28.6% of pension savings and private trust companies managed 1.2% of pension savings. As the State Trust Management Company, Vnesheconombank manages funds of pension savings transferred to Vnesheconombank by the Pension Fund in favour of individuals who selected Vnesheconombank as their pension fund manager, as well as in favour of individuals who did not select a trust company (Vnesheconombank or private trust company) or private pension fund. The list of permitted investment objects is specified by law and includes state securities of the Russian Federation and its subjects, bonds of other Russian issuers, mortgage-backed securities, shares of Russian open joint stock companies, securities of international financial institutions, rouble and foreign currency monetary accounts with credit organisations and rouble and foreign currency bank deposits. Private trust companies and private pension funds may invest pension savings in any permitted investments subject to the restrictions stated by the Government and relevant investment policy statements. The State Trust Management Company may invest pension savings in certain types of assets stated by the law subject to restrictions specified in policy statements adopted by the Government. See "Public Finance—State Extra Budgetary Funds" for further discussion of the Pension Fund.

A further reform of the Russian Federation's pension system is underway. 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 was developed pursuant to Presidential Decree No. 597 dated 7 May 2012. 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 planned to be implemented in three stages through 2030 and sets out a timetable for the submission of draft laws to the Government by the relevant government agencies. Such measures include, among others: reform of early pensions to employees engaged in unhealthy production operations; design of measures aimed at optimisation of tariffs for mandatory contributions to pension system; re-distribution of mandatory contributions between funded and insurance pensions so as to increase the share of insurance based pensions and entitlement of individuals to elect to contribute to funded pensions; implementation of measures aimed at the development of corporate pensions and incentivising increased contributions by individuals to voluntary pension schemes; incentivising a later retirement and a longer employment experience; and promoting increased efficiency and stability of funded pension schemes and improved pension scheme management.

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)]
(billions of dollars)

	For the year ended 31 December					For the three months ended 31 March	
	2008	2009	2010	2011	2012	2012	2013
Current account	**103.9**	**50.4**	**67.5**	**97.3**	**71.4**	**39.5**	**25.1**
Goods and services	**157.2**	**95.6**	**120.9**	**163.4**	**145.8**	**50.7**	**38.0**
Exports	523.4	343.0	441.8	573.4	590.3	144.3	140.6
Imports	(366.2)	(247.3)	(321.0)	(410.1)	(444.5)	(93.6)	(102.5)
Goods	*177.6*	*113.2*	*147.0*	*196.9*	*192.3*	*59.0*	*48.7*
Exports	466.3	297.2	392.7	515.4	528.0	131.2	125.4
Imports	(288.7)	(183.9)	(245.7)	(318.6)	(335.7)	(72.2)	(76.8)
Services	*(20.4)*	*(17.6)*	*(26.1)*	*(33.5)*	*(46.5)*	*(8.3)*	*(10.6)*
Exports	57.1	45.8	49.2	58.0	62.3	13.1	15.1
Imports	(77.6)	(63.4)	(75.3)	(91.5)	(108.8)	(21.4)	(25.8)
Primary income	**(46.5)**	**(39.7)**	**(47.1)**	**(60.4)**	**(68.3)**	**(10.2)**	**(11.5)**
Receivable	61.8	33.4	38.1	42.7	47.1	13.9	12.9
Payable	(108.3)	(73.1)	(85.2)	(103.1)	(115.4)	(24.1)	(24.4)
Compensation of employees	*(14.4)*	*(8.9)*	*(8.5)*	*(9.5)*	*(11.8)*	*(2.2)*	*(2.8)*
Receivable	3.8	3.3	3.6	3.9	3.9	0.9	1.0
Payable	(18.1)	(12.2)	(12.1)	(13.4)	(15.7)	(3.1)	(3.8)
Investment income	*(32.1)*	*(31.0)*	*(38.7)*	*(51.0)*	*(57.5)*	*(8.2)*	*(9.0)*
Receivable	58.0	29.9	34.3	38.6	42.1	12.7	11.6
Payable	(90.2)	(60.9)	(73.0)	(89.7)	(99.6)	(20.9)	(20.6)
Rent	*0.0*	*0.1*	*0.1*	*0.2*	*1.0*	*0.2*	*0.2*
Receivable	0.0	0.1	0.2	0.2	1.1	0.2	0.2
Payable	0.0	0.0	0.0	0.0	(0.1)	0.0	0.0
Secondary income	**(6.8)**	**(5.5)**	**(6.3)**	**(5.7)**	**(6.1)**	**(1.0)**	**(1.4)**
Receivable	7.3	6.4	7.3	13.8	16.5	3.4	3.7
Payable	(14.1)	(11.9)	(13.6)	(19.5)	(22.6)	(4.4)	(5.1)
Capital account	**(0.1)**	**(12.5)**	**0.0**	**0.1**	**(5.2)**	**(4.8)**	**0.0**
Gross acquisitions / disposals of nonproduced nonfinancial assets	**(0.3)**	**(0.2)**	**0.0**	**0.0**	**(0.4)**	**(0.1)**	**(0.1)**
Capital transfers	**0.2**	**(12.2)**	**(0.1)**	**0.1**	**(4.8)**	**(4.7)**	**0.0**
Received	0.2	0.4	0.1	0.2	0.4	0.1	0.1
Paid	(0.0)	(12.6)	(0.2)	(0.1)	(5.2)	(4.8)	0.0
Balance from current and capital account	**103.8**	**37.9**	**67.4**	**97.4**	**66.2**	**34.7**	**25.1**
Financial account	**(100.8)**	**(31.5)**	**(58.3)**	**(85.3)**	**(56.0)**	**(28.6)**	**(18.9)**
Direct investment	**19.1**	**(6.7)**	**(9.4)**	**(11.8)**	**2.5**	**1.5**	**(26.5)**
Net acquisition of financial assets	*(55.7)*	*(43.3)*	*(52.6)*	*(66.9)*	*(48.1)*	*(11.3)*	*(67.2)*
Net incurrence of liabilities	*74.8*	*36.6*	*43.2*	*55.1*	*50.7*	*12.9*	*40.7*
Portfolio investment	**(35.7)**	**(1.9)**	**(1.5)**	**(11.8)**	**16.9**	**8.6**	**(1.1)**
Net acquisition of financial assets	*(7.8)*	*(10.6)*	*(3.4)*	*(9.8)*	*(2.3)*	*1.4*	*(3.5)*
Net incurrence of liabilities	*(27.9)*	*8.7*	*1.9*	*(2.0)*	*19.2*	*7.1*	*2.5*
Financial derivatives	**(1.4)**	**(3.2)**	**(1.8)**	**(1.4)**	**(1.4)**	**0.2**	**(0.1)**
Net acquisition of financial assets	*9.1*	*9.9*	*8.8*	*16.4*	*16.7*	6.5	2.1
Net incurrence of liabilities	*(10.5)*	*(13.1)*	*(10.7)*	*(17.8)*	*(18.1)*	*(6.4)*	*(2.3)*
Other investment	**(121.8)**	**(16.3)**	**(8.7)**	**(47.7)**	**(44.0)**	**(34.3)**	**13.7**
Net acquisition of financial assets	*(185.9)*	*9.2*	*(19.2)*	*(83.4)*	*(84.6)*	*(33.1)*	*(31.2)*
Other equity	(0.7)	0.0	(0.3)	(1.3)	(0.2)	0.0	0.4
Foreign currency	(29.4)	6.7	15.0	3.4	(2.2)	(3.0)	(1.8)
Current accounts and deposits	(55.0)	8.2	2.9	(21.2)	(15.7)	(12.0)	(24.6)
Loans	(40.0)	15.6	(9.2)	(23.9)	(14.0)	(1.6)	0.4
Insurance, pension, and standardised guarantee schemes	(0.3)	(0.2)	(0.4)	(0.3)	(0.3)	(0.2)	(0.2)
Trade credits and advances	(8.1)	5.9	(0.8)	(3.5)	(8.5)	(4.0)	0.3

	For the year ended 31 December					For the three months ended 31 March	
	2008	2009	2010	2011	2012	2012	2013
Indebtedness on supplies according to intergovernmental agreements	0.0	(1.8)	(0.9)	(1.7)	(1.9)	0.9	0.5
Non-repatriation of export proceeds and import advances not prepaid in time(3)	(50.6)	(24.6)	(25.9)	(33.3)	(38.8)	(10.0)	(9.2)
Other accounts receivable	(1.7)	(0.6)	0.3	(1.7)	(2.9)	(3.0)	0.3
Net incurrence of liabilities	*64.1*	*(25.6)*	*10.5*	*35.7*	*40.6*	*(1.2)*	*45.0*
Other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic currency	1.5	0.7	0.0	(0.3)	0.9	0.1	0.2
Current accounts and deposits	11.8	(37.7)	19.5	20.5	28.7	(1.8)	4.9
Loans	49.1	2.9	(9.9)	14.3	8.8	(0.7)	39.0
Insurance, pension, and standardised guarantee schemes	(0.1)	0.0	0.1	0.3	0.1	0.1	(0.2)
Trade credits and advances	0.0	0.6	0.1	0.3	0.5	0.4	0.0
Other accounts payable	1.7	(0.9)	0.8	0.6	1.5	0.7	0.8
Special drawing rights	0.0	8.9	0.0	0.0	0.0	0.0	0.0
Reserve assets	**38.9**	**(3.4)**	**(36.8)**	**(12.6)**	**(30.0)**	**(4.6)**	**(4.9)**
Net errors and omissions	**(3.1)**	**(6.4)**	**(9.1)**	**(12.1)**	**(10.2)**	**(6.1)**	**(6.2)**

Notes:

(1) Figures in this table are presented as of 4 July 2013 in accordance with the sixth edition of the Balance of Payments and International Investment Position Manual published by the International Monetary Fund (**BPM6**). 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. These adjustments amounted to approximately U.S.$32 billion in 2008, U.S.$28 billion in 2009, U.S.$23 billion in each of 2010 and 2011, U.S.$27 billion in 2012, and U.S.$6 billion in each of the three months ended 31 March 2012 and the three months ended 31 March 2013.

(3) Includes dubious 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).

Current Account and Capital Account

Russia has registered a current account surplus in each year since 2000. In 2009, Russia recorded a current account surplus of U.S.$50.4 billion (4.1% of GDP), a 51.5% decrease compared to 2008. This sharp decline in the current account balance was primarily attributable to a 36.3% drop in the trade balance from U.S.$177.6 billion in 2008 to U.S.$113.2 billion in 2009. In 2009, despite both nominal and real depreciation of the rouble, the value of exported goods fell significantly to U.S.$297.2 billion from U.S.$466.3 billion in 2008. The 36.3% decline in exports was primarily caused by a decrease in world prices of commodity exports as well as by the overall contraction of the economy due to the global financial crisis. The average contract price for Urals oil, for example, declined by 38.7% in 2009 compared to 2008. Following this decline in the current account surplus recorded in 2009, the Bank of Russia started to gradually shift to a floating exchange rate regime, to be fully implemented by 2015. This shift enables exchange rate movements to offset the impact of commodity price changes on the current account balance, as the rouble tends to appreciate as commodity prices increase and depreciate as commodity prices decrease. See "Monetary and Financial System—Monetary Policy—Exchange Rates". Although the current account balance deteriorated overall during 2009, the decrease in the world prices of commodity exports was partially offset by a decrease in the value of imported goods, which fell by 36.3% from U.S.$288.7 billion in 2008 to U.S.$183.9 billion in 2009, and the value of imported services, which fell by 18.3% from U.S.$77.6 billion in 2008 to U.S.$63.4 billion in 2009 due to contracting domestic demand associated with the global financial crisis. In 2009, Russia experienced a 38.2% decrease in net employee compensation outflows from U.S.$14.4 billion in 2008 to U.S.$8.9 billion in 2009 and a 3.4% decrease in the investment income deficit, representing investment income payable in excess of investment income receivable, from U.S.$32.1 billion in 2008 to U.S.$31.0 billion in 2009. In addition, in 2009 Russia experienced a capital transfers deficit amounting to U.S.$12.2 billion (as compared to a surplus of U.S.$0.2 billion in 2008), which was the result of write-offs by the Government of foreign debt owed to the former USSR.

In 2010, Russia recorded a current account surplus of U.S.$67.5 billion (4.4% of GDP), which was 33.9% higher than the current account surplus in 2009. This increase in the current account balance was primarily attributable to a 29.8% increase in the trade surplus from U.S.$113.2 billion in 2009 to U.S.$147.0 billion in 2010, which in turn was caused by export prices increasing at a faster rate than import prices. For example, the average export price for Urals oil increased by 34.2% in 2010 compared to 2009. The export prices of Russian aluminium, copper and nickel were also higher in 2010 compared to 2009. The value of imported goods and services increased by 29.8% from U.S.$247.3 billion in 2009 to U.S.$321.0 billion in 2010. This increase was due primarily to an expansion in commodity import volumes, which, in turn, was driven by the improvement in domestic demand in 2010 compared to 2009, as well as to a rise in import prices. In 2010, Russia also experienced a 25.1% increase in the investment income balance deficit (from U.S.$31.0 billion in 2009 to U.S.$38.7 billion in 2010), due to growth in accrued investment income payable.

In 2011, Russia recorded a current account surplus of U.S.$97.3 billion (5.1% of GDP), which was 44.2% higher than the current account surplus in 2010. This increase in the current account balance was primarily attributable to a 33.9% increase in the trade surplus, from U.S.$147.0 billion in 2010 to U.S.$196.9 billion in 2011. For example, the average world prices for Urals oil increased by 33.2% in 2011 compared to 2010. Despite general deceleration of the growth of world prices for aluminium, copper and nickel, the export prices of Russian aluminium, copper and nickel were also higher in 2011 compared to 2010. The value of imported goods increased by 29.7% from U.S.$245.7 billion in 2010 to U.S.$318.6 billion in 2011. This increase was due primarily to an expansion in commodity import volumes, which, in turn, was driven by continued improvement in domestic demand in 2011 compared to 2010, coupled with a rise in import prices. The increase in the value of trade volumes for goods and services was partially offset by a 31.8% rise in the investment income deficit from U.S.$38.7 billion in 2010 to U.S.$51.0 billion in 2011.

In 2012, Russia recorded a current account surplus of U.S.$71.4 billion (3.5% of GDP), which was 26.6% lower than the current account surplus in 2011. The decrease in the current account balance was primarily attributable to the cumulative effect of an increase in the deficit for the balances of services and primary and secondary income, as well as a slight decrease in the trade surplus of goods from U.S.$196.9 billion in 2011 to U.S.$192.3 billion in 2012. The balance of services deficit increased from U.S.$33.5 billion in 2011 to U.S.$46.5 billion in 2012, reflecting an increase in the value of imports of services in excess of the increase in the value of exports of services during this period.

In the first quarter of 2013, Russia recorded a current account surplus of U.S.$25.1 billion, which was 36.4% lower than the current account surplus in the first quarter of 2012 of U.S.$39.5 billion. This decrease in the current account surplus was primarily attributable to a decrease in the trade surplus from $59.0 billion in the first quarter of 2012 to $48.7 billion in the first quarter of 2013. The decrease in the trade surplus during the first quarter of 2013, relative to the year prior, resulted from a period-on-period decrease in the value of exported goods from U.S.$131.2 billion during the first quarter of 2012 to U.S.$125.4 billion during the first quarter of 2013, coupled with an increase in the import of both goods and services, from U.S.$72.2 billion and U.S.$21.4 billion in the first quarter of 2012 to U.S.$76.8 billion and U.S.$25.8 billion in the first quarter of 2013, respectively.

Financial Account

In 2009, Russia recorded a financial account deficit (excluding reserve assets) of U.S.$28.1 billion, which was nearly five times lower than in 2008. This improvement was mainly attributable to a reduction in the portfolio investment deficit and the other investments deficit. The net direct investment balance reversed from a net inflow of U.S.$19.1 billion in 2008 to a net outflow of U.S.$6.7 billion in 2009. This reversal was primarily caused by a sharp decline in foreign direct investment in Russia. The portfolio investment balance improved from a deficit of U.S.$35.7 billion in 2008 to a deficit of U.S.$1.9 billion in 2009, primarily due to an increase in foreign purchases of Russian securities as the rouble stabilised and the Russian economy began to recover. The deficit in other investments of U.S.$121.8 billion in 2008 was reduced to a deficit of U.S.$16.3 billion in 2009. The balance of other investments was affected by a decline in holdings by Russian residents of foreign currency and in foreign currency demand and time deposits, and also by a decrease in external demand due to the write-off of foreign debt owed to the former USSR. The decrease in the other investments deficit in 2009 was also supported by a decline in the level of dubious transactions. Dubious transactions are transactions which the Bank of Russia believes are aimed at illicitly transferring money across the Russian border (i.e., money laundering) and may include transactions involving the trade of goods and services, the acquisition and sale of securities and provision of loans, and cash transfers abroad; the volume of such transactions declined from U.S.$50.6 billion in 2008 to U.S.$24.6 billion in 2009.

Foreign currency holdings in 2009 reversed from a deficit of U.S.$29.4 billion in 2008 to a surplus U.S.$6.7 billion in 2009, and the balance of foreign current accounts and deposits reduced from a deficit of U.S.$55.0 billion in 2008 to a surplus of U.S.$8.2 billion in 2009. The balance of Russian loans to foreign residents, including overdue loans, declined from a deficit of U.S.$40.0 billion in 2008 to a surplus of U.S.$15.6 billion in 2009. In 2009, Russia recorded overall net private sector capital outflows of U.S.$57.5 billion, driven by the repayment of loans to Russian borrowers, mainly in the banking sector. Growth in foreign reserves equalled U.S.$3.4 billion in 2009, as compared to decline of U.S.$38.9 billion in 2008.

In 2010, Russia recorded a financial account deficit (excluding reserve assets) of U.S.$21.5 billion, a 23.5% decrease compared to 2009. Net outflow of foreign direct investment grew by 41.1% compared to 2008, to U.S.$9.4 billion. The portfolio investment deficit decreased to U.S.$1.5 billion from U.S.$1.9 billion in 2009, and the financial derivatives deficit decreased to U.S.$1.8 billion from U.S.$3.2 billion in 2009. The other investments deficit decreased to U.S.$8.7 billion, compared to U.S.$16.3 billion in 2009. Foreign currency reserves decreased by U.S.$15.0 billion and the volume of dubious transactions was estimated to be U.S.$25.9 billion. Russia recorded net private sector outflows of U.S.$30.8 billion in 2010 while reserve assets grew by U.S.$36.8 billion.

In 2011, Russia recorded a financial account deficit (excluding reserve assets) of U.S.$72.7 billion, compared to U.S.$21.5 billion in 2010. This increase in the deficit reflected a cumulative increase in the direct, portfolio and other investments deficits. Net outflow of direct investments grew to U.S.$11.8 billion. The deficit in portfolio investments grew to U.S.$11.8 billion, mainly due to the repayment of foreign debt by Russian corporates and banks. The deficit in the balance of other investments grew to U.S.$47.7 billion in 2011, primarily due to an increase in Russian residents' holdings of foreign currency demand and time deposits and an increase in the amount of loans extended to foreign residents. Foreign currency reserves decreased by U.S.$3.4 billion in 2011, and the volume of dubious transactions was estimated at U.S.$33.3 billion. Net private sector capital outflows reached U.S.$81.3 billion, compared to U.S.$30.8 billion in 2010, due mainly to a significant increase in the trade surplus and the current account. Reserve assets grew by U.S.$12.6 billion in 2011.

In 2012, the financial account deficit (excluding reserve assets) decreased significantly, from U.S.$72.7 billion in 2011 to U.S.$26.0 billion. This was due mainly to a reduction in the direct investments deficit and portfolio investments deficit, from U.S.$11.8 billion each in 2011 to surpluses of U.S.$2.5 billion and U.S.$16.9 billion in 2012, respectively. Net incurrence of liabilities across the financial account amounted to U.S.$92.4 billion in 2012, compared to U.S.$70.9 billion in 2011. Foreign liabilities of government authorities increased by U.S.$15.6 billion, reflecting the issuance of U.S.$7 billion in Eurobonds in April 2012 and increased foreign investor purchases of rouble-denominated government bonds in connection with the liberalisation of the trading of OFZs (see "Monetary and Financial System—Capital Markets—Government Securities"). Net external liabilities incurred by the banking sector increased from U.S.$7.8 billion in 2011 to U.S.$33.3 billion in 2012, mainly due to the issuance of Eurobonds amounting to U.S.$31.5 billion in total. The foreign debt of other sectors grew by U.S.$39.8 billion. Eurobonds issued by Russian companies totalled U.S.$18.1 billion.

Net acquisition of financial assets, excluding reserve assets, decreased from U.S.$143.6 billion in 2011 to U.S.$118.3 billion in 2012, largely as a result of decreases in direct and portfolio investments. The volume of foreign assets held by government authorities decreased by U.S.$0.4 billion. The external claims of the private sector increased by U.S.$116.7 billion. Other sectors' direct investment inflow fell to U.S.$41.9 billion, partially due to a reduction in intercompany loans. The adaptation of Russian households to increased exchange rate volatility resulted in a growth of foreign currency cash balances held by residents of U.S.$2.2 billion, for a total of U.S.$30.7 billion as of 1 January 2013. The volume of dubious transactions was U.S.$38.8 billion in 2012.

Net capital outflow from the private sector decreased from U.S.$84.8 billion in 2011 to U.S.$53.8 billion, reflecting slower foreign asset growth in the private sector during 2012 as compared to 2011. Reserve assets grew by U.S.$30.0 billion.

From 2008 to 2012, the negative value of the balance of payments line item "Net errors and omissions" ranged from a low of U.S.$3.1 billion in 2008 to a high of U.S.$12.1 billion in 2011, and its value in relation to export of goods varied from a low of 0.7% in 2008 to a high of 2.3% in 2010 and 2011.

In the first quarter of 2013, the financial account deficit (excluding reserve assets) amounted to U.S.$14.0 billion, as compared to U.S.$24.0 billion in the first quarter of 2012. The financial account was most significantly impacted by the state-owned company Rosneft's acquisition of TNK-BP Ltd, which controlled TNK-BP Holdings. In the course of this transaction, according to the financial statements of the company, Rosneft acquired a 100% interest in TNK-BP Ltd in exchange for consideration comprised of 18.5% of Rosneft's outstanding shares and nearly U.S.$40 billion in cash. Rosneft's acquisition of TNK-BP Ltd was recorded in the balance of payments as a foreign direct investment outflow of U.S.$55 billion, while the acquisition of 18.5% of Rosneft's outstanding shares by former TNK-BP Ltd shareholders was recorded as a U.S.$15.7 billion foreign direct investment inflow and an increase in external debt.

Net incurrence of liabilities during the first quarter of 2013 amounted to U.S.$85.9 billion, compared to U.S.$12.5 billion in the first quarter of 2012. External liabilities of the banking sector grew by U.S.$7.5 billion as Russian banks continued to borrow money from the international market through the issuance of Eurobonds, totalling U.S.$6.0 billion in the first quarter of 2013, as compared to U.S.$3.4 billion during the first quarter of 2012. Growth in foreign liabilities of government authorities amounted to U.S.$3.6 billion during the first quarter of 2013 as compared to U.S.$1.5 billion in the first quarter of 2012. The net incurrence of liabilities by other sectors amounted to U.S.$70.3 billion, in part due to new Eurobond issuances totalling U.S.$10.2 billion.

Net acquisition of financial assets (excluding reserve assets) was valued at U.S.$99.8 billion in the first quarter of 2013 as compared to U.S.$36.5 billion in the first quarter of 2012. The increase in external claims of banks amounted to U.S.$24.7 billion, compared to U.S.$10.2 billion in the first quarter of 2012, partly due to the inclusion in the foreign accounts of Russian credit institutions of funds raised in foreign markets by other sectors. The balance of foreign currency held by Russian residents decreased by U.S.$1.8 billion. The volume of dubious transactions in the first quarter of 2013 totalled U.S.$9.2 billion, in line with the levels seen during the first quarter of 2012. The increase in financial assets primarily reflects growth of U.S.$24.7 billion in banks' foreign assets, as compared to U.S.$10.2 billion in the first three months of 2012. Foreign currency cash balances held by households fell by U.S.$1.9 billion during the first quarter of 2013, reflecting expectations of a strengthening of the rouble. Slower net outflow of capital from the non-financial sector caused the outflow of private capital to decrease to U.S.$28.4 billion, as compared to U.S.$34.7 billion in the first quarter of 2012. Private capital outflows slowed to U.S.$28.4 billion in the first quarter of 2013, compared to U.S.$34.7 billion in the first quarter of 2012, while reserve assets increased by U.S.$4.9 billion.

Foreign Trade

Foreign Trade Regime

Following the dissolution of the Soviet Union, Russia introduced import tariffs for a broad range of goods. In an effort to bring its external trade regime more closely in line with WTO standards, Russia has introduced a maximum import tariff rate and has worked to unify rates within commodity groups. Currently, the maximum rate of import tariffs is 30%, with the exception of certain commodity groups, which are levied at various rates, reaching 100% for spirits. 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 January 2010, Russia imposed a ban on the import of poultry containing chlorine levels in excess of a certain threshold. This new regulation led to significant reductions in poultry imports from the United States, one of Russia's primary suppliers. The ban on most U.S. poultry imports was rescinded in August 2010.

In December 2011, Russia concluded all accession agreements required for membership in the WTO. Formal membership in the WTO was ratified by the State Duma on 10 July 2012. See "Russian Federation—International Relations—Russia's Position in the International Community" and "The Russian Economy—World Trade Organization Accession".

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 Government has also introduced duties on the export of oil and natural gas. Duties on oil exports are based on world oil prices, and the duty on natural gas is 30%. See "Public Finance—Russian Tax System" for a discussion of these customs duties. Effective 1 July 2010, a new Customs Code went into effect, which seeks to facilitate customs clearance procedures. See "The Russian Economy—Civil and Commercial Law" for a discussion of the Customs Code.

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 three months ended 31 March			
	2008		2009		2010(4)		2011		2012		2012		2013	
	U.S.$ billion	%	U.S.$ billion	%	U.S.$ billion	%	U.S.$ billion	%	U.S.$ billion	%	U.S.$ billion	%	U.S.$ billion	%
Exports														
Machinery, equipment and transport	22.8	4.9	17.9	5.9	21.3	5.4	26.0	5.0	26.5	5.0	5.9	4.5	5.8	4.7
Metals and their products	54.6	11.7	33.5	11.1	41.7	10.5	47.5	9.2	44.5	8.5	11.5	8.8	9.8	7.9
Mineral products(5)	326.3	69.8	203.4	67.4	271.9	68.5	367.6	71.1	374.6	71.4	96.5	73.5	91.5	73.5
Chemical products and rubber	30.2	6.4	18.7	6.2	24.5	6.2	32.6	6.3	32.0	6.1	7.3	5.6	7.2	5.8
Timber, woodpulp and paper products.............	11.6	2.5	8.4	2.8	9.6	2.4	11.3	2.2	10.1	1.9	2.4	1.8	2.4	1.9
Textiles and textile products	0.9	0.2	0.7	0.2	0.8	0.2	0.9	0.2	0.7	0.1	0.2	0.1	0.1	0.1
Leather and fur products	0.4	0.1	0.2	0.1	0.3	0.1	0.4	0.1	0.5	0.1	0.1	0.1	0.2	0.2
Foodstuffs and agricultural products (excluding textiles)	9.3	2.0	10.0	3.3	8.8	2.2	13.3	2.6	16.6	3.2	3.5	2.6	2.9	2.4
Precious stones, precious metals and their products	7.2	1.5	5.0	1.7	8.6	2.2	11.2	2.2	13.8	2.6	2.8	2.2	2.5	2.0
Other.........................	4.5	0.9	3.8	1.3	9.6	2.3	5.8	1.1	5.5	1.1	1.1	0.8	2.0	1.5
Total trade...............	**467.6**	**100.0**	**301.7**	100.0	**397.1**	100.0	**516.7**	100.0	**524.8**	100.0	**131.3**	100.0	**124.4**	100.0
Imports														
Machinery, equipment and transport	140.8	52.7	72.7	43.4	101.7	44.4	148.1	48.4	157.1	50.3	33.6	48.9	33.6	47.8
Metals and their products	18.6	7.0	10.9	6.5	16.3	7.1	22.3	7.3	21.8	7.0	4.8	6.9	4.9	6.9
Mineral products(5)........	8.3	3.1	4.1	2.4	5.2	2.3	9.9	3.2	7.4	2.3	2.1	3.0	1.5	2.1
Chemical products and rubber	35.2	13.2	27.9	16.7	37.0	16.1	46.0	15.1	47.7	15.3	10.3	15.0	11.3	16.0
Timber, woodpulp and paper products.............	6.5	2.4	5.1	3.0	5.9	2.6	6.7	2.2	6.1	1.9	1.3	1.9	1.4	1.9
Textiles and textile products	11.7	4.4	9.5	5.7	14.1	6.2	16.7	5.5	17.4	5.6	4.6	6.6	4.9	6.9
Leather and fur products	1.0	0.4	0.8	0.5	1.2	0.5	1.6	0.5	1.6	0.5	0.3	0.5	0.4	0.5
Foodstuffs and agricultural products (excluding textiles)	35.2	13.2	30.0	17.9	36.4	15.9	42.5	13.9	40.2	12.9	9.1	13.2	9.6	13.6
Precious stones, precious metals	0.7	0.2	0.4	0.3	0.5	0.2	0.6	0.2	0.7	0.2	0.1	0.2	0.2	0.3

	For the year ended 31 December										For the three months ended 31 March			
	2008		**2009**		**2010[4]**		**2011**		**2012**		**2012**		**2013**	
	U.S.$ billion	**%**	**U.S.$ billion**	**%**	**U.S.$ billion**	**%**	**U.S.$ billion**	**%**	**U.S.$ billion**	**%**	**U.S.$ billion**	**%**	**U.S.$ billion**	**%**
Exports														
and their products														
Other..........................	9.1	3.4	6.0	3.6	10.6	4.7	11.4	3.7	16.2	4.0	2.5	3.8	2.6	4.0
Total trade................	**267.1**	**100.0**	**167.3**	100.0	**228.9**	100.0	**305.8**	100.0	**316.2**	100.0	**68.7**	100.0	**70.4**	100.0
Balance														
Machinery, equipment and transport	(118.2)	—	(54.8)	—	(80.4)	—	(122.1)	—	(130.6)	—	(27.7)	—	(27.8)	—
Metals and their products	36.1	—	22.6	—	25.4	—	25.2	—	22.7	—	6.7	—	4.9	—
Mineral products[5]	318.0	—	199.3	—	266.7	—	357.7	—	367.2	—	94.4	—	90.0	—
Chemical products and rubber	(5.0)	—	(9.2)	—	(12.5)	—	(13.4)	—	(15.7)	—	(3.0)	—	(4.1)	—
Timber, woodpulp and paper products.............	5.1	—	3.3	—	3.7	—	4.6	—	4.0	—	1.1	—	1.0	—
Textiles and textile products	(10.8)	—	(8.8)	—	(13.3)	—	(15.8)	—	(16.7)	—	(4.4)	—	(4.8)	—
Leather and fur products	(0.7)	—	(0.6)	—	(0.9)	—	(1.2)	—	(1.1)	—	(0.2)	—	(0.2)	—
Foodstuffs and agricultural products (excluding textiles)	(25.9)	—	(20.0)	—	(27.6)	—	(29.2)	—	(23.6)	—	(5.6)	—	(6.7)	—
Precious stones, precious metals and their products	6.5	—	4.6	—	8.1	—	10.6	—	13.1	—	2.7	—	2.3	—
Other..........................	(4.6)	—	(2.2)	—	(1.0)		(5.5)	—	(10.7)	—	(1.4)	—	(0.6)	—
Total trade	**200.5**	**—**	**134.3**	—	**168.2**	—	**210.9**	—	**208.6**	—	**62.6**	—	**54.0**	—

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 inter-trade with Belarus and Kazakhstan.

(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) From 1 July 2010, when the Customs Code of the Customs Union among Russia, Belarus and Kazakhstan took effect, all trade between Russia and Kazakhstan is included in the row "other" and no longer itemised by product or service type.

(5) Includes oil, gas and coal.

Sources: Rosstat, Customs Service.

Exports of mineral products (including oil, gas and coal), metals, precious stones and precious metal wares account for the vast majority of Russia's total exports, representing 83.0% of exports in 2008, 80.2% in 2009, 81.2% in 2010 82.5% in 2011, 82.5% in 2012, and 83.4% in the first quarter of 2013.

In 2009, the overall share of mineral products, metals, precious stones and precious metal wares as a percentage of total exports declined to 80.2% from 83.0% in 2008. This decrease was primarily due to the global financial crisis, which contributed to a contraction both in the volume and value of mineral products and metals. In 2011, the overall share of mineral products, metals, precious stones and precious metal wares as a percentage of total exports increased to 82.5%, respectively, compared to 81.2% in 2010 due in large part to higher prices for oil and oil products. In 2012, the overall share of mineral products, metals and precious stones and metals as a percentage of total exports remained at 82.5%.

Other significant exports include machinery, equipment and transport (4.9%, 5.9%, 5.4%, 5.0%, 5.0% and 4.7% of total exports in 2008, 2009, 2010, 2011, 2012 and in the first quarter of 2013, respectively) and chemical products and rubber (6.4%, 6.2%, 6.2%, 6.3%, 6.1% and 5.8% of total exports in 2008, 2009, 2010, 2011, 2012 and in the first quarter of 2013, respectively).

Imports of machinery, equipment and transport accounted for 52.7% of total imports in 2008, 43.4% in 2009, 44.4% in 2010, 48.4% in 2011, 50.3% in 2012 and 47.8% in the first quarter of 2013, respectively. Russia also imports significant amounts of foodstuffs and agricultural products, chemical products and rubber. In the aggregate, foodstuffs and agricultural products accounted for 13.2% of imports in 2008, 17.9% in 2009, 15.9% in 2010, 13.9% in 2011, 12.9% in 2012 and 13.6% in the first quarter of 2013. Chemical products and rubber constituted 13.2%, 16.7%, 16.1%, 15.1%, 15.3% and 16.0% of total imports in 2008, 2009, 2010, 2011, 2012 and in the first quarter of 2013, respectively.

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 three months ended 31 March			
	2008		2009		2010		2011		2012		2012		2013	
	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	**397,920**	**33.0**	**254,856**	**(36.0)**	**337,467**	**32.4**	**437,283**	**29.6**	**446,205**	**2.0**	112,046	20.5	108,161	(3.5)
OECD countries	**312,343**	**35.5**	**195,915**	**(37.3)**	**262,313**	**33.9**	**329,228**	**25.5**	**337,325**	**2.5**	84,297	18.4	80,863	(4.1)
Germany	33,164	25.9	18,710	(43.6)	25,662	37.2	34,158	33.1	35,594	4.2	9,429	32.5	8,493	(9.9)
United Kingdom (Great Britain)	14,884	34.9	9,074	(39.0)	11,309	24.6	14,003	23.8	15,028	7.3	3,021	(4.8)	3,692	22.2
Netherlands	56,973	32.9	36,407	(36.1)	53,974	48.3	62,695	16.2	76,803	22.5	18,722	42.3	17,558	(6.2)
Switzerland	9,557	(29.3)	6,213	(35.0)	8,716	40.3	11,448	31.3	10,756	(6.0)	2,795	30.2	2,302	(17.6)
Japan	10,327	34.7	7,251	(29.8)	12,829	76.9	14,643	14.1	15,590	6.5	3,395	(11.2)	4,267	25.7
USA	13,357	60.3	9,132	(31.6)	12,320	34.9	16,425	33.3	12,961	(21.1)	3,817	44.8	2,020	(47.1)
Italy	41,999	52.6	25,100	(40.2)	27,476	9.5	32,658	18.9	32,428	(0.7)	7,563	17.2	9,928	31.3
Finland	15,741	46.4	9,162	(41.8)	12,170	32.8	13,197	8.4	12,009	(9.0)	3,049	3.9	3,203	5.1
France	12,201	40.5	8,726	(28.5)	12,420	42.3	14,859	19.6	10,527	(29.2)	3,094	(17.2)	2,697	(12.8)
Turkey	27,655	49.2	16,377	(40.8)	20,317	24.1	25,350	24.8	27,439	8.2	6,503	1.1	6,340	(2.5)
Other OECD	76,484	38.4	49,763	(34.9)	65,120	30.9	89,792	37.9	88,189	(1.8)	22,910	(9.1)	20,362	(11.1)
Transition economies(4)	**32,160**	**31.5**	**22,285**	**(30.7)**	**28,342**	**27.2**	**43,459**	**53.3**	**45,423**	**4.5**	11,501	25.5	10,363	(9.9)
China	21,142	33.0	16,687	(21.1)	20,326	21.8	35,030	72.3	35,727	2.0	9,462	17.3	8,469	(10.5)
Other non-CIS countries	**22,852**	**(48.4)**	**36,657**	**60.4**	**46,812**	**27.7**	**64,596**	**38.0**	**63,457**	**(1.8)**	16,249	88.3	16,936	4.2
Egypt	1,856	(4.9)	1,825	(1.7)	1,920	5.2	2,337	21.7	3,212	37.5	863	390.0	400	(53.6)
India	5,230	30.4	5,936	13.5	6,392	7.7	6,080	(4.9)	7,916	30.2	2,625	140.0	1,672	(36.3)
Iran	3,289	10.9	2,841	(13.6)	3,380	19.0	3,406	0.8	1,902	(44.2)	474	(41.1)	280	(40.8)
Latvia	7,897	199.0	4,130	(47.7)	5,895	42.7	7,378	25.2	8,926	21.0	2,426	31.7	2,762	13.8
Lithuania	4,581	12.9	3,402	(25.7)	3,549	4.1	7,229	103.7	5,413	(25.1)	1,703	1.5	1,551	(8.9)
Exports to CIS countries	**69,656**	**32.3**	**46,811**	**(32.8)**	**59,601**	**27.3**	**79,435**	**33.3**	**78,562**	**(1.1)**	19,231	0.9	16,269	(15.4)
Ukraine	23,567	43.5	13,836	(41.3)	23,148	67.3	30,492	31.7	27,204	(10.8)	6,753	(19.5)	5,390	(20.2)
Belarus	23,507	36.6	16,726	(28.8)	18,081	8.1	24,930	37.9	24,566	(1.5)	6,628	22.8	4,583	(30.9)
Kazakhstan	13,299	11.6	9,147	(31.2)	10,690	16.9	14,099	31.9	15,080	7.0	3,237	23.8	3,573	10.4
Uzbekistan	2,038	17.9	1,694	(16.9)	1,890	11.5	2,106	11.5	2,325	10.4	450	4.3	472	4.7
Other CIS	7,245	34.6	5,408	(25.4)	5,792	7.1	7,809	34.8	9,387	20.2	2,163	34.2	2,251	4.1
Total exports	**467,576**	**32.9**	**301,667**	**(35.5)**	**397,068**	**31.6**	**516,718**	**30.1**	**524,767**	**1.6**	**131,278**	**17.2**	**124,431**	**(5.2)**

Notes:

(1) Certain data presented in this table differ from previously published data due to regular revisions by the Customs Service. Data in this table is presented as of 7 May 2013.

(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) 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 three months ended 31 March			
	2008		2009		2010		2011		2012		2012		2013	
	U.S.$ million	% change	U.S.$ million	% change	U.S.$ million	% change	U.S.$ million	% chang e	U.S.$ million	% change	U.S.$ million	% change	U.S.$ million	% change
Imports from non-CIS countries	**230,494**	**35.7**	**145,530**	**(36.9)**	**197,184**	**35.5**	**260,920**	**32.3**	**272,459**	**4.4**	**58,339**	**13.5**	**61,871**	**6.1**
OECD countries........	**167,429**	**35.3**	**103,153**	**(38.4)**	**133,066**	**29.0**	**180,859**	**35.9**	**188,124**	**4.0**	**39,934**	**15.9**	**41,136**	**3.0**
Germany.................	34,115	28.6	21,229	(37.8)	26,699	25.8	37,683	41.1	38,300	1.6	7,881	14.6	7,918	0.5
USA........................	13,790	45.6	9,170	(33.5)	11,097	21.0	14,584	31.4	15,309	5.0	3,008	27.5	3,644	21.2
Japan.......................	18,586	46.2	7,252	(61.0)	10,260	41.5	15,017	46.4	15,676	4.4	3,721	18.6	3,503	(5.9)
Italy	11,002	28.9	7,891	(28.3)	10,043	27.3	13,402	33.5	13,426	0.2	2,788	6.9	2,918	4.7
Republic of Korea ..	10,594	19.9	4,866	(54.1)	7,287	49.8	11,582	58.9	10,985	(5.2)	2,396	13.4	2,400	0.2
Finland....................	6,639	32.1	3,955	(40.4)	4,584	15.9	5,672	23.7	5,002	(11.8)	1,101	(0.4)	1,144	3.9
France.....................	10,015	29.0	8,431	(15.8)	10,043	19.1	13,276	32.2	13,772	3.7	3,280	33.2	2,879	(12.2)
Poland.....................	7,060	52.4	4,214	(40.3)	5,826	38.3	6,651	14.2	7,475	12.4	1,602	19.3	1,742	8.7
United Kingdom (Great Britain)....	7,616	34.9	3,544	(53.5)	4,576	29.1	7,180	56.9	8,192	14.1	1,797	36.5	1,876	4.4
Netherlands	4,817	24.9	3,590	(25.5)	4,442	23.7	5,924	33.4	5,979	0.9	1,166	(1.2)	1,278	9.6
Other OECD...........	43,194	40.7	29,011	(32.8)	38,209	41.8	49,887	30.6	54,007	8.3	11,195	21.4	11,834	5.7
Transition economies(4)	**37,458**	**42.7**	**24,927**	**(33.5)**	**42,110**	**68.9**	**52,491**	**24.7**	**56,674**	**8.0**	**12,386**	**5.4**	**13,861**	**11.9**
China	34,780	42.4	22,795	34.5	38,964	70.9	48,202	23.7	51,844	7.6	11,373	13.1	12,532	10.2
Other non-CIS countries................	**25,607**	**28.6**	**17,450**	**(31,9)**	**22,007**	**26,2**	**27,569**	**25.3**	**27,662**	**0.3**	**6,019**	**14.9**	**6,874**	**14.2**
Argentina................	1,236	9.9	1,146	(7.3)	914	(20.2)	1,067	16.7	1,264	18.5	353.7	24.9	287.5	(18.7)
Brazil......................	4,672	13.7	3,478	(25.6)	4,081	17.3	4,389	7.5	3,354	(23.6)	910.5	(41.7)	1179.1	29.5
India........................	1,707	30.3	1,525	(10.6)	2,143	40.5	2,787	30.0	3,041.5	9.2	667.8	19.4	733.3	9.8
Malaysia	1,971	33.5	1,138	(42.3)	1,344	18.0	1,517	13.0	1,469.6	(3.1)	423.9	(12.3)	436.3	2.9
Thailand..................	1,497	48.8	934	(37.6)	1,370	46.7	1,981	44.6	1,969.3	(0.6)	528.3	(4.3)	694.6	31.5
Imports from CIS countries	**36,607**	**22.6**	**21,818**	**(40.4)**	**31,728**	**45.4**	**44,841**	**41.3**	**43,760**	**(2.4)**	**10,358**	**8.4**	**8,560**	**(17.4)**
Ukraine.......................	16,254	21.9	9,129	(43.8)	14,047	53.9	20,123	43.3	17,980	(10.6)	4,550	13.4	3,602	(20.8)
Belarus........................	10,552	18.8	6,719	(36.3)	9,954	48.2	14,509	45.8	11,866	(18.2)	3,231	5.9	2,408	(25.5)
Kazakhstan	6,379	38.0	3,693	(42.1)	4,449	20.5	6,579	47.9	8,618	31.0	1,842	1.7	1,992	8.1
Uzbekistan..................	1,300	(11.6)	846	(34.9)	1,557	84.0	1,856	19.2	1,391	(25.1)	235	(25.6)	221	(5.6)
Other CIS....................	2,121	35.3	1,431	(27.7)	1,721	20.3	1,774	3.1	3,905	120.2	500	115.6	336	(32.9)
Total imports.................	**267,101**	**33.7**	**167,348**	**(37.3)**	**228,912**	**36.8**	**305,313**	**33.6**	**316,220**	**3.4**	**68,696**	**12.7**	**70,430**	**2.5**

Notes:

(1) Certain data presented in this table differ from previously published data due to regular revisions by the Customs Service. Data in this table is presented as of 7 May 2013.

(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) Includes Bulgaria, Romania, Vietnam, Democratic People's Republic of Korea, Mongolia and Cuba, in addition to China.

Sources: Customs Service; Rosstat.

Between 2008 and 2012, Russia's exports to OECD countries grew by approximately 8.0% compared to 12.2% growth in total Russian exports. As a percentage of total exports, exports to OECD countries remained stable, accounting for 63.7%-66.8% of Russia's total exports (as measured by value) in each year from 2008 through 2012. In 2009, Russian exports to OECD countries declined by 37.3% compared to 2008 as a result of the contraction in worldwide demand resulting from the global financial crisis. Overall total exports in 2009 fell by 35.5%. Due to the economic recovery following the global financial crisis, Russia's exports to OECD countries grew by 33.9% in 2010, 25.5% in 2011 and 2.5% in 2012, compared to overall growth in Russian exports of 31.6% in 2010, 30.1% in 2011 and 1.6% in 2012. Exports to OECD countries accounted for 64.3% of total exports in 2012. In the first quarter of 2013, exports to OECD countries accounted for 65.0% of total exports, decreasing by 3.5% compared to the first quarter 2012. In the first quarter 2013, overall total exports decreased by 5.2% compared to the first quarter of 2012.

At a growth rate of 32.3%, exports to CIS countries grew in 2008 in parallel with exports to non-CIS countries. In 2009, Russia's exports to CIS countries fell by 32.8%, which was slightly less than the rate at which total Russian exports declined (35.5%). In 2010 and 2011, Russia's exports to CIS countries increased by 27.3% and 31.3%, respectively, which was primarily due to an improvement in the economy following the global financial crisis. In 2012, Russia's exports to CIS countries fell by 1.1%. From 2008 through 2012, Russian exports to CIS countries recorded an overall growth rate of 12.8%. Exports to CIS countries accounted for 15.0% of Russia's total exports in 2012. In the first quarter of 2013, exports to CIS countries amounted to 13.1% of total exports, decreasing by 15.4% compared to the first quarter of 2012.

Growth in exports to transition economies, i.e., Bulgaria, Romania, Vietnam, China, Democratic People's Republic of Korea, Mongolia and Cuba, generally followed trends in Russia's total exports, accounting for approximately 7.7% of total exports between 2008 and 2012. Exports to transition economies grew by 31.5% in 2008, before falling by 30.7% in 2009 due to the global financial crisis. Due to the subsequent economic recovery, exports to transition economies grew by 27.2% in 2010 and, due to a sharp rise in trade with China, by 53.3% in 2011. Exports to transition economies grew by 4.5% in 2012. In the first quarter of 2013, exports to transition economies amounted to 8.3% of total exports, decreasing by 9.9% compared to the first quarter of 2012.

Supported by a high rate of GDP growth, Russia's imports from OECD countries grew by 35.3% in 2008, in line with overall import growth during that year. Russian imports from OECD countries equalled 62.7% of total Russian imports (as measured by value) in 2008. In 2009, because of the contraction in domestic demand and consumer income resulting from the global financial crisis, Russian imports from OECD countries dropped by 38.4%, while overall imports declined by 37.3% compared to 2008. Reflecting the economic recovery following the global financial crisis, Russia's imports from OECD countries grew by 29.0% in 2010, 35.9% in 2011 and 4.0% in 2012, compared to overall growth in Russian imports of 36.8% in 2010, 33.6% in 2011, 3.4% in 2012 and 2.5% in the first quarter of 2013. Imports from OECD countries accounted for 58.1%, 59.2% and 59.5% of total imports in 2010, 2011 and 2012, respectively. In the first quarter of 2013, imports from OECD countries accounted for 58.4% compared to 58.1% in the first quarter of 2012.

Between 2008 and 2012, the share of total imports from transition economies followed an upward trend, primarily due to a rise in imports from China. Imports from transition economies accounted for 14.0% of total imports in 2008, 14.9% in 2009, 18.4% in 2010, 17.2% in 2011 and 17.9% in 2012. In the first quarter of 2013, imports from transition economies accounted for 19.7% of total imports, compared to 18.0% in the first quarter of 2012. In 2009, imports from transition economies declined by 33.5% compared to 2008 due to weaker domestic demand, resulting from the global financial crisis. Due to the subsequent economic recovery, and in particular an increase in imports from China, imports from transition economies grew by 68.9% in 2010, 24.7% in 2011, 8.0% in 2012 and 11.9% in the first quarter of 2013 compared to the first quarter of 2012.

Russia's overall economic growth over the past decade led to a decline in the share of imports from CIS countries, as imports from other countries became more attractive to Russian consumers. In 2008, Russian imports from CIS countries accounted for 13.7% of total Russian imports, compared with 13.0%, 13.9%, 14.7% and 13.8% in 2009, 2010, 2011 and 2012, respectively. In the first quarter of 2013, Russian imports from CIS countries accounted for 12.2% of total Russian imports, compared to 15.1% in the first quarter of 2012. Imports from CIS countries declined by 40.4% in 2009 compared to 2008 due to the effects of the global financial crisis. As a result of the subsequent economic recovery, imports from CIS countries increased by 45.4% in 2010 and 41.3% in 2011. Imports from CIS countries declined by 2.4% in 2012 and 17.4% in the first quarter of 2013, compared to the first quarter of 2012.

Of the non-CIS countries, Germany, the Netherlands, China, Italy, Turkey, the United States, Poland and Japan are Russia's leading trading partners, as measured by value. Belarus, Ukraine and, increasingly, Kazakhstan are Russia's leading trading partners as measured by value within the CIS.

Russia's largest export markets in 2008, 2009, 2010, 2011, 2012 and in the first quarter of 2013 were the Netherlands (12.2%, 12.1%, 13.6%, 12.1%, 14.6% and 14.1%, respectively, of Russian exports), Italy (9.0%, 8.3%, 6.9%, 6.3%, 6.2% and 8.0%, respectively), Germany (7.1%, 6.2%, 6.5%, 6.6%, 6.8% and 6.8%, respectively), Turkey (5.9%, 5.4%, 5.1%, 4.9%, 5.2% and 5.1%, respectively), Belarus (5.0%, 5.5%, 4.6%, 4.8%, 4.7% and 3.7%, respectively), China (4.5%, 5.5%, 5.1%, 6.8%, 6.8% and 6.8%, respectively) and Ukraine (5.0%, 4.6%, 5.8%, 5.9%, 5.2% and 4.3%, respectively). In 2008, 2009, 2010, 2011, 2012 and the first quarter of 2013, the most important exporters to Russia were China (13.0%, 13.6%, 17.0%, 15.8%, 16.4% and 17.8%, respectively, of Russian imports), Germany (12.8%, 12.7%, 11.7%, 12.3%, 12.1% and 11.2%, respectively), Japan (7.0%, 4.3%, 4.5%, 4.9%, 5.0% and 5.0%, respectively), Ukraine (6.1%, 5.5%, 6.1%, 6.6%, 5.7% and 5.1%, respectively), the United States (5.2%, 5.5%, 4.8%, 4.8%, 4.8% and 5.2%, respectively), Italy (4.1%, 4.7%, 4.4%, 4.4%, 4.2% and 4.1%, respectively), Belarus (4.0%, 4.0%, 4.3%, 4.7%, 3.8% and 3.4%, respectively), France (3.7%, 5.0%, 4.4%, 4.3% and 4.4% and 4.1%, respectively) and the Republic of Korea (4.0%, 2.9%, 3.2%, 3.8%, 3.5% and 3.4%, respectively). In 2008, 2009, 2010, 2011, 2012, and in the first quarter of 2013, Ukraine and Belarus together accounted for 69.5%, 67.6%, 71.4%, 72.5%, 66.7% and 64.4%, respectively, of Russia's foreign trade with CIS countries.

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 at 31 December					As at 31 March	
	2008	2009	2010	2011	2012	2012	2013
	(millions of dollars, except as indicated)						
International reserves excluding gold	411,748	416,653	443,591	453,952	486,578	465,664	477,267
Special Drawing Rights	1	8,901	8,749	8,729	8,741	8,808	8,528
Reserve position in IMF	1,052	1,927	1,893	4,061	4,727	4,209	4,614
Foreign exchange	410,695	405,825	432,948	441,162	473,110	500,474	514,566
Monetary gold (fine troy ounces, million)	16.7	20.9	25.4	28.4	30.8	28.9	31.6
U.S.$ million[(2)]	14,533	22,798	35,788	44,697	51,039	47,827	50,441
Total international reserves (including gold)	426,281	439,450	479,379	498,649	537,618	513,491	527,708

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 is presented as of 4 July 2013.

(2) At official Bank of Russia reference prices.

Source: Bank of Russia.

As of 31 December 2009, total international reserves (including gold) stood at approximately U.S.$439.5 billion, an increase of approximately U.S.$13.2 billion compared to U.S.$ 426.3 billion at year-end 2008. These reserves represented nearly 21.3 months of import coverage as compared to 14 months in 2008. The increase in reserves was primarily attributable to a significant rise in special drawing rights as a result of allocation by the IMF of new special drawing rights issuances in favour of the Russian Federation in the amount equivalent to U.S.$8.9 billion. The amount of monetary gold increased from U.S.$14.5 billion in 2008 to U.S.$22.8 billion in 2009. The increase in gold reserves was the result of Russian purchases of gold as a means to diversify and protect its reserves during the crisis. The overall rise in total reserves in 2009 was partially offset by a reduction in foreign currency reserves from U.S.$410.7 billion to U.S.$405.8 billion, which continued the trend of decreasing foreign currency reserves observed the second half of 2008 following the onset of the global financial crisis. The effects of the global financial crisis, which continued to be felt during 2009, included a negative impact on world commodity prices and aggregate demand and significant private capital outflows.

As of 31 December 2010, total international reserves (including gold) equalled U.S.$479.4 billion, an increase of approximately U.S.$39.9 billion compared to year-end 2009. Reserves as of 31 December 2010 represented approximately 17.9 months of import coverage. The increase in reserves was primarily attributable to a 6.7% rise in foreign exchange reserves from U.S.$405.8 billion at year-end 2009 to U.S.$432.9 billion at 31 December 2010 and a 57.0% rise in monetary gold from U.S.$22.8 billion at year-end 2009 to U.S.$35.8 billion at 31 December 2010. The increase in foreign exchange reserves was, in part, due to higher oil prices, and the increase in gold reserves reflected the Government's continuing policy of diversifying its reserves portfolio.

As of 31 December 2011, total international reserves (including gold) equalled U.S.$498.6 billion, an increase of approximately U.S.$19.3 billion compared to year end 2010. The increase in reserves was primarily attributable to a 1.9% rise in foreign exchange reserves from U.S.$432.9 billion at 31 December 2010 to U.S.$441.2 billion at 31 December 2011, a 24.9% rise in the monetary gold from U.S.$35.8 billion at 31 December 2010 to U.S.$44.7 billion at 31 December 2011 and a 114.5% rise in Russia's reserve position with the IMF from U.S.$1.9 billion at 31 December 2010 to U.S.$4.1 billion at 31 December 2011. Reserves as of 31 December 2011 provided approximately 14.6 months of import coverage.

As of 31 December 2012, total international reserves (including gold) equalled U.S.$537.6 billion, an increase of approximately U.S.$39.0 billion compared to year end 2011. The increase in reserves was primarily attributable to a 7.2% rise in foreign exchange reserves from U.S.$441.2 billion at 31 December 2011 to U.S.$473.1 billion at 31 December 2012, a 14.2% rise in the monetary gold from U.S.$44.7 billion at 31 December 2011 to U.S.$51.0 billion at 31 December 2012 and a 16.4% rise in Russia's reserve position with the IMF from U.S.$4.1 billion at 31 December 2011 to U.S.$4.7 billion at 31 December 2012. Reserves as of 31 December 2012 provided approximately 14.5 months of import coverage. As of 31 December 2012, Russia's total external debt (public and private) equalled approximately U.S.$631.8 billion, or 31.4% of GDP, with Russia's international reserves providing approximately 85% coverage. As of 31 December 2012, Russia's foreign exchange and gold reserves were the third highest among the G8 countries and the fifth in the world.

As of 31 July, total international reserves (including gold) equalled U.S.$512.8 billion, a decrease of approximately U.S.$24.8 billion. The decrease in reserves was primarily attributable to a 3.4% decrease in foreign exchange reserves from U.S.$486.6 billion at 31 December 2012 to U.S.$470.2 billion at 31 July 2013.

The 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 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 either the National Wealth Fund or Reserve Fund. See "Public Finance—Deficit Financing" for more information on the National Wealth Fund and Reserve 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 Ministry of Finance during the year. In 2008, for example, 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 the depletion of the Reserve Fund, the proceeds of which were used to cover the budget deficit, and to the accumulation of reserves at the Bank of Russia. The Bank of Russia was able to increase its reserves because there was less need to support the rouble in 2009 than in 2008. As of 31 December 2010, 2011 and 2012, the Ministry of Finance held approximately 21%, 19% and 25%, respectively, of the country's international reserves, with the remainder held by the Bank of Russia. The increase in international reserves held by the Ministry of Finance in 2012 was the result of the Reserve Fund replenishment.

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 maintained a strong fiscal position in 2008, running a surplus of 4.9% of GDP with respect to the enlarged budget, turning to a deficit for the enlarged budget of 6.3% of GDP in 2009. The federal budget has followed a similar trend, producing a primary surplus of 4.5% of GDP in 2008 and a primary deficit of 5.5% in 2009. Russia's positive fiscal position through 2008 was attributable largely to favourable conditions in world energy markets, resulting in higher revenues from related production, export duties, excise and other taxes as well as higher profit tax revenues, combined with improvements in the federal budgetary process, allowing for greater control over expenditure, and more efficient tax policy. The federal and enlarged budget deficits in 2009 were mainly due to the effects of the global financial crisis, which reduced revenues (particularly as a result of the decline in worldwide demand for Russia's commodity exports), while expenditures increased to reflect the Government's fiscal stimulus package. These trends continued in 2010, when Russia ran an enlarged budget deficit of 3.4% of GDP and a federal budget primary deficit of 3.5% of GDP.

Reflecting ongoing economic recovery, in 2011 Russia's budget returned to surplus, with an enlarged budget surplus of 1.5% of GDP and a federal budget primary surplus of 1.3% of GDP. These surpluses were primarily attributable to an increase in the average price of Urals oil from U.S.$61.1 per barrel in 2009 to U.S.$109.3 per barrel in 2011, resulting in increased duties and taxes, as well as increased revenue from the sale of domestic goods (largely in the form of increased VAT) and customs duties from increased imports. In 2012, Russia recorded an enlarged budget surplus of 0.4% of GDP and a federal budget primary surplus of 0.4% of GDP. The continued surplus during 2012 was primarily attributable to increased revenue from the sale of domestic goods, as well as revenue from natural resource and excise taxes, reduction of expenditures relating to anti-crisis programmes, an increase in revenue from the export of hydrocarbons resulting from an increase in world prices for hydrocarbons, and increased customs duties tied to an increase in imports, partially offset by a growth in expenditures relating to domestic debt service, law and order, defence and social and cultural spending. In the first quarter of 2013, Russia ran an enlarged budget surplus of 1.9% of GDP and a federal budget primary surplus of 0.4% of GDP compared to an enlarged budget surplus of 3.8% of GDP and a federal budget primary surplus of 0.3% of GDP in the first quarter of 2012. As compared to the first quarter of 2012, the first quarter of 2013 was characterised by increased expenditures relating to domestic debt service, defence and the national economy, partially offset by increased tax revenue.

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 three months ended 31 March	
	2008	2009	2010	2011	2012	2012	2013
				(millions of roubles)			
Enlarged budget							
Revenue	16,169,099	13,599,718	16,031,930	20,855,368	23,435,105	5,103,488	5,401,559
Expenditure	14,157,027	16,048,336	17,616,655	19,994,645	23,174,718	4,583,633	5,110,682
Surplus (deficit)	2,012,072	(2,448,618)	(1,584,725)	860,723	260,387	519,855	290,877
Federal budget							
Revenue	9,275,931	7,337,751	8,305,414	11,367,652	12,855,541	2,966,313	3,105,607
Expenditure	7,570,879	9,660,061	10,117,454	10,925,617	12,894,987	3,036,482	3,167,823
Surplus (deficit)	1,705,052	(2,322,310)	(1,812,040)	442,035	(39,446)	(70,169)	(62,216)
Primary surplus (deficit)[2]	1,858,391	(2,146,155)	(1,617,008)	704,779	280,555	41,284	58,239
Consolidated sub-federal budgets							
Revenue	6,198,775	5,926,622	6,537,344	7,644,235	8,064,521	1,735,982	1,736,850
Transfers from federal budget[3]	1,094,680	1,480,282	1,378,291	1,470,235	1,440,193	396,659	380,082
Expenditure	6,253,148	6,255,717	6,636,901	7,679,121	8,343,183	1,449,166	1,542,972
Surplus (deficit)	(54,373)	(329,095)	(99,557)	(34,886)	(278,662)	286,816	193,878
State extra budgetary funds							
Revenue	3,789,971	4,340,777	5,750,761	6,724,244	8,529,847	1,915,443	2,076,823
Transfers to state extra budgetary funds	1,579,954	2,113,162	2,757,649	2,546,887	3,048,070	795,925	733,020
Expenditure	3,428,679	4,138,009	5,423,894	6,270,741	7,951,393	1,612,234	1,917,609
Surplus (deficit)	361,292	202,768	326,867	453,503	578,454	303,209	159,214
				(% of GDP)			
Enlarged budget							
Revenue	39.2	35.0	34.6	37.4	37.4	37.0	36.0
Expenditure	34.3	41.4	38.0	35.8	37.0	33.2	34.1
Surplus (deficit)	4.9	(6.3)	(3.4)	1.5	0.4	3.8	1.9
Federal budget							
Revenue	22.5	18.9	17.9	20.4	20.5	21.5	20.7
Expenditure	18.3	24.9	21.8	19.6	20.6	22.0	21.1
Surplus (deficit)	4.1	(6.0)	(3.9)	0.8	(0.1)	(0.5)	(0.4)
Primary surplus (deficit)[2]	4.5	(5.5)	(3.5)	1.3	0.4	0.3	0.4
Consolidated sub-federal budgets							
Revenue	15.0	15.3	14.1	13.7	12.9	12.6	11.6
Transfers from federal budget[3]	2.7	3.8	3.0	2.6	2.3	2.9	2.5
Expenditure	15.1	16.1	14.3	13.8	13.3	10.5	10.3
Surplus (deficit)	(0.1)	(0.8)	(0.2)	(0.1)	(0.4)	2.1	1.3
State extra budgetary funds							
Revenue	9.2	11.2	12.4	12.1	13.6	13.9	13.9
Transfers to state extra budgetary funds	3.8	5.4	6.0	4.6	4.9	5.8	4.9
Expenditure	8.3	10.7	11.7	11.2	12.7	11.7	12.8
Surplus (deficit)	0.9	0.5	0.7	0.8	0.9	2.2	1.1
Memo:							
Nominal GDP (billions of roubles)	41,277	38,807	46,309	55,800	62,599	13,802	14,988

Notes:

(1) Calculated on the basis of cash or other items of value actually collected or spent. Certain data presented in this table differ from data made public previously due to regular revisions made by the Ministry of Finance. Figures in this table are presented as of 3 July 2013.

(2) Federal budget revenues less non-interest expenditure.

(3) Includes financial aid to regions and other extra budgetary transfers.

Source: Ministry of Finance.

Federal Budgetary Process

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

Budget Preparation and Adoption

Starting from 2008, the budget includes figures on a three-year, rather than annual, basis, comprising the next fiscal year and two subsequent budget years. Thus, the 2013 Budget Law includes figures for 2013 as well as forecasted figures for 2014 and 2015.

Under Federal Law No. 145-FZ "Budget Code of the Russian Federation" dated 31 July 1998, as amended, (the **Budget Code**), the draft budget is prepared by the Ministry of Finance and presented, first, to the Government, and then, not later than 1 October of the current fiscal year, 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 be included as part of budgeted expenses for the second and third budget years) 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. Budgeted reserve expenses for the second budget year amount to no less than 2.5% of total budgeted expenses for that year and, for the third budget year, to no less than 5% of total budgeted expenses for that year.

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 December 2012, effective from 1 January 2013, introduced new rules for the use of oil and gas revenues and the federal budget deficit limit as well as the new rules regarding contributions to and the use of the Reserve Fund and the National Wealth Fund (the **New Budget Rule**). The principal objective of the New Budget Rule is to decrease the dependence of the federal budget on volatile oil prices.

Pursuant to the New Budget Rule, total budgeted expenses may not exceed the sum of total budgeted revenues (except for excess oil and gas revenues) and the budgeted deficit (calculated on the basis of the base oil price). The budgeted deficit may not exceed 1% of the forecasted GDP contemplated by the budget law for the relevant period. Under the New Budget Rule, the base price of oil for a given fiscal year is calculated based on the average historic price per barrel of Urals oil over the ten preceding fiscal years. When calculating the budget, the excess oil and gas revenues in the relevant fiscal year are determined as the difference between oil and gas revenues calculated on the basis of the forecasted annual average Urals price of oil and oil and gas revenues calculated on the basis of the base oil price for the relevant year. Actual oil and gas revenues realised in a given fiscal year that are in excess of oil and gas revenues calculated using the base price of oil will be credited to the Reserve Fund up to an amount of 7% of forecasted GDP for the year. The amount of the Reserve Fund proceeds that may be used for budget deficit financing will be set according to the federal budget law passed for the relevant fiscal year. If such excess oil and gas revenues that are credited to the Reserve Fund exceed 7% of GDP forecasted for the year, the New Budget Rule provides that at least 50% of the remaining oil and gas revenues be credited to the National Wealth Fund, while the remainder may be used to finance infrastructure and other projects.

The 2013-2015 federal budget takes into account the New Budget Rule with regard to the formation and use of excess oil and gas revenues. For the purposes of calculating excess oil and gas revenues in determining any amounts which should be credited to the Reserve Fund, the Government is using base oil prices as defined under the New Budget Rule. Total revenues for the 2013-2015 budget were estimated on the basis of average annual prices of Urals oil of U.S.$97 per barrel for 2013, U.S.$101 per barrel for 2014 and U.S.$104 per barrel for 2015. Excess revenues calculated in accordance with the New Budget Rule are based on Urals oil prices of U.S.$91 per barrel for 2013, U.S.$92 per barrel for 2014 and U.S.$93 per barrel for 2015.

In June 2010, the Government approved a programme through 2012 that was designed to enhance the effectiveness of the budget process. In particular, the programme envisaged the development of measures for ensuring the long-term stability of the country's budgetary system and for continuing the shift towards results-oriented budgeting. In connection with the implementation of this programme, a set of amendments to the Budget Code were introduced in May 2013 (the **May 2013 Amendments**), which were aimed at further enhancing the efficiency of the budget process and promoting the transition to program-focused and results-oriented budgeting. Most of provisions introduced by the May 2013 Amendments will first be applied beginning with the 2014 budget process.

The May 2013 Amendments introduced provisions setting out the legislative framework for state and municipal programmes, including the rules for annual evaluation of their efficiency, which replaced the previously existing Budget Code provisions on long-term special purpose programmes. The May 2013 Amendments contemplate the allocation of expenditures in the relevant budget on a programme basis, reflecting the transition to a program-oriented expenditures structure that aims to link expenditures to the state policy targets and results.

Other amendments contemplated by the May 2013 Amendments include introducing the rules for providing budget credits for funding balances of sub-federal and municipal budget accounts and amending the mechanism for managing balances on budget accounts; fine-tuning the rules that allow for modifying spending limits without legislative amendments; modifying the provisions governing the use in the next financial year of inter-budgetary transfers not used in the current financial year; creating a unified portal for the Russian Federation's budget system; enhancing financial controls over the proper use of budgeted loans and subsidies by their receivers; and modifying the federal budget approval process by, among other things, increasing the total amount of days for adoption of the federal budget law by the State Duma from 55 to 60 days, while eliminating time limitations for each reading.

The May 2013 Amendments have also modified the New Budget Rule, with effect from 8 May 2013, to provide that surplus oil and gas revenues or, if insufficient, the funds of the Reserve Fund, may be used to compensate for shortfalls in other federal budget revenues (other than oil and gas revenues), as well as shortfalls in proceeds from the budgeted sources of federal deficit financing in the current financial year. As a consequence, the May 2013 Amendments allow for surplus oil and gas revenues that would have otherwise been credited to the Reserve Fund to instead be used to cover budget shortfalls, with revenues to the Reserve Fund being reduced accordingly.

In accordance with the President's instruction of 12 February 2013 and the First Deputy Prime Minister's instruction of 19 February 2013 upon the results of the meeting on economic matters, the Ministry of Finance and the Ministry of Economic Development were appointed to carry out an expert examination of the federal budget's cost effectiveness and to propose relevant improvements. Thirteen areas for improving the efficiency of federal budget expenditures have been identified, and expert groups consisting of representatives of the relevant federal executive bodies and independent experts have been established for each of these. The expert groups have been tasked with preparing a report to the President by 18 August 2013, including relevant policy proposals which may be used in preparing the federal budget for 2014 (which includes 2015 and 2016) as well as proposals which may be considered and implemented in the medium term.

In accordance with the Budget Message of the President to the Federal Assembly of the Russian Federation "On Budget Policy in 2013 - 2015" dated 28 June 2012, the Ministry of Finance prepared a draft of a programme for improvement of the effectiveness of the public finance management through 2018 which aims to improve effectiveness, transparency and accountability of usage of budget funds by creating modern regulatory and procedural documents on regulation of budget legal relationship, including preparation and implementation of the restated Budget Code and improvement of the relevant law enforcement practice. The Ministry of Finance is also responsible for overseeing implementation of the "Public Finance Management" programme, adopted by the Government on 4 March 2013, which sets out the key priorities and areas for public finance development and is principally aimed at ensuring long-term balance and stability of the Russian Federation budget system through, among other things, long-term budget planning instruments as well as at enhancing quality of public finance management. The programme contemplates a set of measures relating to government's legislative, administrative and controlling functions with respect to long term budget planning, organisation of the budget process, financial and budgetary control, public debt and financial assets management, development of international financial and economic cooperation of the Russian Federation, establishment of common information space for transparency of public finance management and certain others. Principal measures include development of the Russian Federation's long-term budget strategy, monitoring of efficiency of budget rules application and improvement of budgetary legislation. The Ministry of Finance is also responsible for overseeing implementation of the "Creating conditions for the effective and responsible management of regional and municipal finance and for the improving stability of budgets of the constituents of the Russian Federation" programme, adopted by the Government on 18 March 2013. This programme contemplates provision of subsidies to sub-federal budgets in support of regional programmes with a view to improving cost effectiveness and quality of management of regional and municipal finance, as well as consolidating certain subsidies in order to increase their effective impact.

Pursuant to the Budget Message of the President to the Federal Assembly of the Russian Federation "On Budget Policy in 2014 - 2016" dated 13 June 2013 (the **2013 Budget Message**), one of the key objectives of budgetary policy is ensuring long-term stability and balance of the Russian Federation budget system. The Government has been tasked with preparing the draft of the Russian Federation's long-term budget strategy through 2030 (the **2030 Budget Strategy**). The 2030 Budget Strategy is expected to be presented to the State Duma together with the draft federal budget for 2014 (which includes 2015 and 2016) and approved by the Government by the end of 2013. The 2030 Budget Strategy should contain the forecast of the main budget parameters of the Russian Federation's budget system, the main characteristics of the federal budget, estimate of the budgetary spending limits for the Russian Federation's state programmes and other parameters which characterise long-term trends in the Russian Federation budget system and the federal budget. Establishment and implementation of the 2030 Budget Strategy is expected to increase transparency and predictability of fiscal policy, create a system for the assessment and mitigation of budgetary risks and account for the impact of the main socioeconomic indicators on the budget balance of the Russian Federation's budget system. Other objectives set by the 2013 Budget Message include ensuring the long-term balance of the pension system, actively using public and private partnership mechanisms, increasing the efficiency of budgetary expenditures, elaborating and refining state programmes and consolidating subsidies to regional budgets.

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 foreign borrowing and other sources of deficit financing. Subject to the five percent threshold discussed below, approval of the State Duma is required if the budget plan exceeds the nominal level of expenditure or borrowing. In each year since 2005, the Ministry of Finance has executed the budget without exceeding the deficit ceiling established in the budget law.

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 five percent if the amount initially allocated proves to be insufficient. Increases of over five percent 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 2008 budget law provided for a fiscal surplus of 1,944 billion roubles, or 4.6% of GDP, and a primary surplus of 2,107 billion roubles, or 5.0% of GDP. Federal budget revenues in 2008 amounted to 22.5% of GDP, as compared to the budgeted estimate of 21.2% of GDP, while total expenditure of 18.3% of GDP was slightly higher in relative terms than the budgeted estimate of 16.6% of GDP. The year ended with an actual surplus of 4.1% of GDP, lower than what was originally budgeted. In 2008, the Stabilisation Fund was replaced by the Reserve Fund and National Wealth Fund, and its outstanding balance was transferred to the two new funds. See "—Deficit Financing" for more information on the Reserve Fund and National Wealth Fund. Federal budget revenues transferred to the Reserve Fund and National Wealth Fund in 2008 (excluding transfers from the Stabilisation Fund) amounted to 421 billion roubles (1% of GDP) and 1,590 billion roubles (3.9% of GDP), respectively. At the end of 2008, the balance of the Reserve Fund was 4,028 billion roubles, or 9.8% of GDP, and the balance of the National Wealth Fund was 2,585 billion roubles, or 6.3% of GDP. In 2008, the budgeted oil price assumption was U.S.$53 per barrel, and the breakeven oil price was U.S.$57 per barrel.

The 2009 budget law provided for a fiscal deficit of 3,131 billion roubles, or 7.7% of GDP, and a primary deficit of 2,970 billion roubles, or 7.3% of GDP. Federal budget revenues in 2009 amounted to 18.9% of GDP, as compared to the budgeted estimate of 16.6% of GDP, while total expenditure of 24.9% of GDP was slightly higher in relative terms than the budgeted estimate of 24.4% of GDP. The year ended with an actual federal deficit of 5.9% of GDP, lower than what was originally budgeted. Federal budget revenues transferred to the Reserve Fund in 2009 amounted to 489 billion roubles (1.3% of GDP). No federal budget revenues were transferred to the National Wealth Fund in 2009. Proceeds from the Reserve Fund were used to finance the budget deficit in 2009, which led to a 54.5% decline in the Reserve Fund balance during 2009 to 1,831 billion roubles (4.7% of GDP). In 2009, the budgeted oil price assumption was U.S.$95 per barrel, and the breakeven oil price was U.S.$97 per barrel.

The 2010 budget law was amended three times during 2010. The original 2010 budget law (the **Original 2010 Budget Law**) envisaged a fiscal deficit of 2,937 billion roubles, or 6.8% of GDP, and a primary deficit of 2,633 billion roubles, or 6.1% of GDP. The 2010 budget law, as amended for the final time in November 2010 (the **Amended 2010 Budget Law**), envisaged a fiscal deficit of 2,381 billion roubles, or 5.3% of GDP, and a primary deficit of 2,161 billion roubles, or 4.8% of GDP. Federal budget revenues in 2010 amounted to 17.9% of GDP, as compared to the budgeted estimate of 16.1% of GDP according to the Original 2010 Budget Law and 17.4% according to the Amended 2010 Budget Law. Total expenditure in 2010 was 21.8% of GDP, lower in relative terms than the budgeted estimate of 22.9% of GDP according to the Original 2010 Budget Law and 22.7% of GDP according to the Amended 2010 Budget Law. The year ended with an actual federal deficit of 3.9% of GDP, lower than what was estimated in either the Original 2010 Budget Law or the Amended 2010 Budget Law. No federal budget revenues were transferred to either the Reserve Fund or the National Wealth Fund in 2010. Proceeds from the Reserve Fund were used to finance the budget deficit, while proceeds from the National Wealth Fund were allocated to the co-financing of pensions. In 2010, the budgeted oil price assumption was U.S.$58 per barrel, and the breakeven oil price was U.S.$106 per barrel.

The 2011 budget law was amended three times in 2011. The original 2011 budget law (the **Original 2011 Budget Law**) envisaged a fiscal deficit of 1,814 billion roubles, or 3.6% of GDP, and a primary deficit of 1,424 billion roubles, or 2.8% of GDP. The 2011 budget law, as amended for the final time in November 2011 (the **Amended 2011 Budget Law**) envisaged no fiscal deficit and a primary surplus of 267 billion roubles, or 0.5% of GDP. Federal budget revenues in 2011 amounted to 20.4% of GDP, higher in relative terms than the budgeted estimate of 17.6% of GDP according to the Original 2011 Budget Law and 20.9% of GDP according to the Amended 2011 Budget Law. Total expenditure in 2011 was 19.6% of GDP, lower in relative terms than the budgeted estimate of 21.2% of GDP under the Original 2011 Budget Law and 20.9% of GDP under the Amended 2011 Budget Law. The year ended with an actual federal surplus of 0.8% of GDP. The outperformance of the fiscal balance in 2011 relative to projections was in large part due to higher than expected oil and gas prices. As in 2010, no federal budget revenues were transferred to either the Reserve Fund or the

National Wealth Fund in 2011. No proceeds from the Reserve Fund were used in 2011, while proceeds from the National Wealth Fund were allocated to the co-financing of pensions. In 2011, the budgeted oil price assumption was U.S.$75 per barrel, and the breakeven oil price was U.S.$108 per barrel.

The 2012 budget law was amended three times in 2012. The original 2012 budget law (the **Original 2012 Budget Law**) envisaged a fiscal deficit of 877 billion roubles, or 1.5% of GDP, and a primary deficit of 488 billion roubles, or 0.8% of GDP. The 2012 budget law, as amended for the final time in December 2012 (the **Amended 2012 Budget Law**) envisaged a fiscal deficit of 43 billion roubles, or 0.1% of GDP. Federal budget revenues in 2012 amounted to 20.5% of GDP, higher in relative terms than the budgeted estimate of 20.1% of GDP according to the Original 2012 Budget Law but lower in relative terms than the budgeted estimate of 21.1% of GDP according to the Amended 2012 Budget Law. Total expenditure in 2012 was 20.6% of GDP, lower in relative terms than the budgeted estimate of 21.6% of GDP under the Original 2012 Budget Law and 21.2% of GDP under the Amended 2012 Budget Law. The year ended with an actual federal deficit of 0.1% of GDP. As in 2011, no federal budget revenues were transferred to either the Reserve Fund or the National Wealth Fund in 2012. No proceeds from the Reserve Fund were used in 2012, while proceeds from the National Wealth Fund were allocated to the co-financing of pensions. In 2012, the budgeted oil price assumption for the Original 2012 Budget Law was U.S.$100.0 per barrel, and for the Amended 2012 Budget Law, U.S.$115.0 per barrel, and the breakeven oil price was U.S.$117.2 per barrel.

2013 Budget Law[1]

	2013		2014		2015	
	(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[2]	12,866	19.3	14,063	19.0	15,616	18.8
Tax revenue	7,596	11.4	8,619	11.6	9,677	11.7
Profit tax	445	0.7	493	0.7	559	0.7
Taxes on domestically produced goods and services	2,676	4.0	3,221	4.4	3783	4,6
VAT	2,173	3.3	2,566	3.5	3,025	3.6
Excises	503	0.8	655	0.9	758	0.9
Taxes on imported goods and services	1,997	3.0	2,214	3.0	2,437	2.9
VAT	1,925	2.9	2,126	2.9	2,330	2.8
Excises	71	0.1	88	0.1	107	0.1
Natural resource taxes[3]	2,376	3.6	2,587	3.5	2,795	3.4
Other taxes	102	0.2	103	0.1	103	0.1
Non-tax revenue	5,270	7.9	5,444	7.4	5,939	7.2
Customs duties	4,399	6.6	4,554	6.2	5,022	6.1
Other non-tax revenue	866	1.3	886	1.2	912	1.1
Total expenditure[4]	13,387	20.1	14,207	19.2	15,626	18.8
Debt service	408	0.6	476	0.6	508	0.6
Interest on domestic debt	319	0.5	376	0.5	396	0.5
Interest on external debt	89	0.1	100	0.1	112	0.1
Non-interest expenditure[5]	12,979	19.5	13,731	18.6	15,118	18.2
General public services (state administration)[6]	917	1.4	880	1.2	905	1.1
Defense[6]	2,096	3.2	2,457	3.3	3,012	3.6
Public order and safety[6]	2,039	3.1	2,102	2.8	2,121	2.6
Economic affairs, including housing[6]	1,657	2.5	1,729	2.3	1,729	2.1
Environmental protection[6]	23	0.0	23	0.0	23	0.0
Social sphere[7][8]	1,814	2.7	1,762	2.4	1,731	2.1
Interbudgetary transfers from federal budget[9]	1,393	2.1	1,184	1.6	1,168	1.4
Transfers to state extra budgetary funds	3,039	4.6	3,239	4.4	3,648	4.4
Transfers to the Social Insurance Fund	103	0.2	138	0.2	138	0.2
Transfers to the Pension Fund	2,886	4.3	3,082	4.2	3,509	4.2
Transfers to the Federal Medical Insurance Fund	50	0.1	19	0.0	1	0.0
Fiscal surplus (deficit)[10]	(521)	(0.8)	(144)	(0.2)	(11)	(0.0)
External financing (including IMF)[11]	52	0.1	94	0.1	37	0.0
Domestic financing[12]	469	0.7	50	0.1	(26)	(0.0)
Primary surplus (deficit)	(113)	(0.2)	332	0.5	497	0.6
Memo:						
GDP	66,515		73,993		82,937	
CPI (December on December, %)	5.5		5.0		5.0	
Average exchange rate (U.S.$/rouble)	32.4		33.0		33.7	
Average oil price, Urals (U.S.$/barrel)	97		101		104	

Notes:

(1) Includes estimates for 2014 and 2015. All numbers within this table are forward looking and subject to change in the future based on numerous factors, including the price of Urals oil, inflation and the overall condition of the Russian economy. The data in this table is presented as of 3 July 2013.

(2) Total revenue includes budgeted forecasts for non-oil and gas revenues of 6,940 billion roubles, 7,784 billion roubles and 8,682 billion roubles for 2013, 2014 and 2015, respectively.

(3) Natural resource taxes include resource extraction taxes, royalties, water taxes and taxes charged for the use of fauna products and aquatic biological resources.

(4) Total expenditures include budgeted forecasts for reserve expenses of 355 billion roubles for 2014 and 781 billion roubles for 2015. Excluding such reserve expenses, total expenditures would equal 13,852 billion roubles (18.7% of GDP) for 2014 and 14,845 billion roubles (17.9% of GDP) for 2015.

(5) Non-interest expenditure figures for 2014 and 2015 exclude the reserve expenses included in total expenditures (see note 4 above).

(6) Excludes interbudgetary transfers.

(7) Includes expenditures on social policy, education, culture and mass media and health care and sports.

(8) Excludes interbudgetary transfers. Social sphere expenditures, taking into account interbudgetary transfers, except for transfers to state extra budgetary funds, are estimated to equal the following amounts: 5,317 billion roubles (8% of GDP) for 2013; 5,336 billion roubles (7.2% of GDP) for 2014; and 5,711 billion roubles (6.9% of GDP) for 2015.

(9) Excludes interbudgetary transfers to state extra budgetary funds.

(10) Excluding reserve expenses of 355 billion roubles for 2014 and 781 billion roubles for 2015, the fiscal surplus in 2014 would equal 211 billion roubles (0.3% of GDP) and the fiscal surplus in 2015 would equal 771 billion roubles (0.9% of GDP).

(11) The figures for external financing reflect the rouble equivalent of the dollar amounts for net external financing contained in the 2013 Budget Law, based on the expected average exchange rate for the respective year. Net external borrowing, which takes into account redemptions, is expected to be 157.0 billion roubles for 2013, 164.9 billion roubles for 2014 and 107.9 roubles for 2015.

(12) The 2013 Budget Law contains figures for net domestic financing. Forecasted net domestic borrowing in 2013, 2014 and 2015 is expected to equal 448.6 billion roubles, 398.5 billion roubles and 306.5 billion roubles, respectively.

Source: Ministry of Finance.

The Government's initial macroeconomic assumptions for 2013 include an average price per barrel of Urals oil of U.S.$97 per barrel, overall nominal GDP of 66,515 billion roubles and annual inflation of 5.5%. For 2014 and 2015, the current oil price assumption is U.S.$101 per barrel and U.S.$104 per barrel, respectively. The per barrel breakeven oil price for 2013, 2014 and 2015 is currently U.S.$105.1, U.S.$103.2 and U.S.$104.2, respectively. In the first three months of 2013, the average price of Urals oil was U.S.$111 per barrel. The 2013 budget law was amended in June 2013 to, amongst other matters, adjust the allocation of certain expenditure items.

The 2013 budget law, as amended (the **2013 Budget Law**), envisages revenue in 2013 of 12,866 billion roubles, or 19.3% of GDP and total expenditure of 13,387 billion roubles, or 20.1% of GDP. Debt service costs account for 0.6% of GDP under the 2013 Budget Law.

The 2013 Budget Law provides for a fiscal deficit in 2013 of 521 billion roubles, or 0.8% of GDP, and a primary deficit in 2013 of 113 billion roubles, or 0.2% of GDP. According to the 2013 Budget Law, the Government intends to seek net external borrowing (excluding net redemption of loans) in 2013 of 182 billion roubles, or 0.3% of GDP, and net domestic financing of 449 billion roubles, or 0.7% of GDP.

In 2013, 2014 and 2015, the Government expects to finance the federal deficit mainly through domestic and external borrowing and privatisation sales of shares and other participation interests owned by the Russian Federation. The Government also expects in 2013, 2014 and 2015 to make drawdowns on the National Wealth Fund for the purpose of co-financing pensions.

In July 2013, the Ministry of Finance published its Main Budgetary Policy Guidelines for 2014-2016, which contain the Ministry of Finance’s estimates of the main budget parameters for the relevant periods. The Main Budgetary Policy Guidelines for 2014-2016 contemplate, among other things: GDP of 73,921 billion roubles, 81,940 billion roubles and 91,205 billion roubles in 2014, 2015 and 2016, respectively; federal budget revenues in the amount of 18.2%, 18.0% and 17.4% of GDP in 2014, 2015 and 2016, respectively; federal budget expenditures in the amount of 18.7%, 18.6% and 18.0% of GDP in 2014, 2015 and 2016, respectively; a fiscal deficit of 0.5%, 0.6% and 0.6% of GDP in 2014, 2015 and 2016, respectively; and a non-oil and gas deficit of 8.5%, 8.4% and 7.8% of GDP in 2014, 2015 and 2016, respectively.

Federal Budget Revenue

The following table sets forth information regarding federal budget revenue for the periods indicated:

Federal Budget Revenue[1]

	For the year ended 31 December					For the three months ended 31 March	
	2008	**2009**	**2010**	**2011**	**2012**	**1Q 2012**	**1Q 2013**
				(millions of roubles)			
Total revenue	**9,275,931**	**7,337,751**	**8,305,414**	**11,367,653**	**12,855,541**	**2,966,313**	**3,105,607**
Total revenue net of UST[2]	***8,769,163***	***6,826,998***	**8,305,414**	**11,367,653**	**12,855,541**	***2,966,313***	***3,105,607***
Tax revenue	5,232,654	3,896,499	4,401,934	5,985,160	6,853,213	1,587,862	1,687,971
Profit taxes	761,129	195,420	255,026	342,602	375,817	66,378	73,741
VAT	2,132,203	2,049,964	2,498,263	3,250,412	3,545,796	811,146	852,550
Domestic VAT	998,388	1,176,608	1,328,749	1,753,241	1,886,135	464,754	495,150
Import VAT	1,133,815	873,356	1,169,514	1,497,171	1,659,661	346,392	357,400
Excise taxes	160,491	101,542	143,952	278,361	395,253	82,184	112,661
Natural resource taxes	1,637,515	1,006,261	1,408,316	2,046,892	2,442,813	609,785	627,969
UST transfer to the federal budget[2]	506,768	509,775	—	—	—	—	—
Other tax revenue	34,547	33,537	96,377	66,532	93,534	18,369	21,050
Non-tax revenue	4,041,455	3,441,252	3,903,480	5,382,493	6,002,328	1,378,451	1,417,636
Customs duties	3,484,868	2,509,411	3,095,604	4,493,573	4,951,558	1,146,535	1,079,661
Import duties	625,574	467,207	587,502	692,928	732,759	156,270	152,864
Export duties	2,859,294	2,042,204	2,508,102	3,710,302	4,099,740	956,812	893,963
Other non-tax revenue	556,578	931,841	807,876	888,820	1,050,770	231,916	337,975
				(% of GDP)			
Total revenue	***22.5***	**18.9**	**17.9**	**20.4**	**20.5**	**21.5**	**20.7**
Total revenue net of UST[2]	***21.2***	***17.6***	***17.9***	***20.4***	***20.5***	***21.5***	***20.7***
Tax revenue	12.7	10.0	9.5	10.7	10.9	11.5	11.3
Profit taxes	1.8	0.5	0.6	0.6	0.6	0.5	0.5
VAT	5.2	5.3	5.4	5.8	5.7	5.9	5.7
Domestic VAT	2.4	3.0	2.9	3.1	3.0	3.4	3.3
Import VAT	2.7	2.3	2.5	2.7	2.7	2.5	2.4
Excise taxes	0.4	0.3	0.3	0.5	0.6	0.6	0.8
Natural resource taxes	4.0	2.6	3.0	3.7	3.9	4.4	4.2
UST transfer to the federal budget[2]	1.2	1.3	—	—	—	—	—
Other tax revenue	0.1	0.1	0.2	0.1	0.1	0.1	0.1
Non-tax revenue	9.8	8.9	8.4	9.6	9.6	10.0	9.5
Customs duties	8.4	6.5	6.7	8.1	7.9	8.3	7.2
Import duties	1.5	1.2	1.3	1.2	1.2	1.1	1.0
Export duties	6.9	5.3	5.4	6.6	6.5	6.9	6.0
Other non-tax revenue	1.3	2.4	1.7	1.6	1.7	1.7	2.3
				(% of total revenue net of UST)			
Tax revenue (excl. UST)	53.9	49.6	53.0	52.7	53.3	53.5	54.4
Profit taxes	8.7	2.9	3.1	3.0	2.9	2.2	2.4
VAT	24.3	30.0	30.1	28.6	27.6	27.3	27.5
Domestic VAT	11.4	17.2	16.0	15.4	14.7	15.7	15.9
Import VAT	12.9	12.8	14.1	13.2	12.9	11.7	11.5
Excise taxes	1.8	1.5	1.7	2.4	3.1	2.8	3.6
Natural resource taxes	18.7	14.7	17.0	18.0	19.0	20.6	20.2
Other tax revenue	0.4	0.5	1.2	0.6	0.7	0.6	0.7
Non-tax revenue	46.1	50.4	47.0	47.3	46.7	46.5	45.6
Customs duties	39.7	36.8	37.3	39.5	38.5	38.7	34.8
Import duties	7.1	6.8	7.1	6.1	5.7	5.3	4.9
Export duties	32.6	29.9	30.2	32.6	31.9	32.3	28.8
Other non-tax revenue	6.3	13.6	9.7	7.8	8.2	7.8	10.9
GDP (billions of roubles)	41,277	38,807	46,309	55,800	62,599	13,802	14,988

Notes:

(1) Figures in this table are presented as of 3 July 2013.

(2) The UST was repealed as of 1 January 2010.

Source: Translated into international standards from the budget reports of the Ministry of Finance.

Sources of Federal Revenue

The main sources of Russia's federal budget revenue are taxes and customs duties.

The main elements of Russia's tax system are VAT, natural resource extraction taxes, a corporate profits tax, a system of excise 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**).

Through 2009, the federal budget included a portion of the UST, the revenue from which was transferred to the Pension Fund after its collection by the government. The UST's contribution to the federal budget amounted to 5.5% and 6.9% of total federal budget revenue in 2008 and 2009, respectively. These amounts were budgeted as part of both the federal budget's revenues and expenditures, and therefore did not affect the budget balance. With effect from 1 January 2010, the UST was repealed and replaced with a system of direct payments to various extra budgetary funds. See "—State Extra Budgetary Funds". The UST is excluded from the following discussion and, unless otherwise noted, figures in this section are net of UST. See "—Russian Tax System".

VAT is the largest source of tax-generated federal budget revenue, accounting for 24.3%, 30.0%, 30.1%, 28.6% and 27.6% of total cash revenue in 2008, 2009, 2010, 2011 and 2012, respectively, and 27.3% and 27.5% in the first quarters of each of 2012 and 2013, respectively. All VAT payments for domestically produced and imported goods and services are transferred to the federal budget. The generally applicable rate of VAT is 18%, though certain items are charged at a reduced rate of 10% and even 0%, and certain limited items are exempt from VAT.

The natural resource extraction 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 extraction taxes are allocated between the federal budget and the sub-federal budgets. For example, 100% of the revenues from the diamond extraction tax are allocated to the regional budgets, whereas 100% of the revenues from the natural gas extraction tax and, from 1 January 2010, 100% of the revenues from the oil extraction tax are transferred to the federal budget. Prior to 2010, tax revenues from the oil extraction tax were apportioned between the federal government and the regional governments on a 95%–5% basis. See "—Federal and Sub-Federal Fiscal Relations". Certain taxes on resource extraction are adjusted in accordance with the international prices of commodities. In the case of crude oil, it is calculated at a specific rate in roubles per tonne depending on the current international oil price. For natural gas, the tax is set at a specified rate in roubles per thousand cubic metres of gas produced, subject to certain reductions. See "—Russian Tax System" below. Natural resource extraction taxes accounted for 18.7%, 14.7%, 17.0%, 18.0% and 19.0% of total federal budget revenue in 2008, 2009, 2010, 2011 and 2012, respectively, and 20.6% and 20.2% in the first quarter of each of 2012 and 2013. The prominence of the natural resource extraction taxes, particularly in 2008 and 2010 to 2012, reflects favourable global prices for oil and gas.

The corporate profit tax base rate since 2006 was 24.0%, until 2008 when it was lowered to 20.0%, effective 1 January 2009. The federal portion of the profit tax was 6.5% until 2008, with the sub-federal portion equalling 17.5%. From 1 January 2009, the federal and sub-federal allocation was set at 2.0% and 18.0%, respectively, with regional authorities entitled to lower their 18% share to 13.5%. Corporate profit tax accounted for 8.7%, 2.9%, 3.1%, 3.0% and 2.9% of total cash revenue in 2008, 2009, 2010, 2011, 2012, respectively, and 2.2% and 2.4% in the first quarter of each of 2012 and 2013. The share of federal budget revenues attributable to the profit tax has diminished since 2008, largely due to the decline in the portion of profit tax allocated to the federal budget.

Russia's tax system also includes excise duties and a number of other taxes, though they are not significant to the federal budget. Excise taxes constituted approximately 1.8%, 1.5%, 1.7%, 2.4% and 3.1% of federal budget revenues in 2008, 2009, 2010, 2011, 2012, respectively, and 2.8% and 3.6% in the first quarter of each of 2012 and 2013.

Personal income tax is currently assessed at a flat rate of 13%. All personal income tax revenue is allocated to the sub-federal and local governments.

Customs duties on exports and imports make a sizable contribution to the federal budget. Export duties accounted for 32.6% of federal budget revenues in 2008, reflecting high oil prices and an increase in the volume of natural gas exports. In 2009, export duties accounted for only 29.9% of federal budget revenues, due to the decline in oil prices and to the relatively greater contribution made by other taxes to the federal budget. Export duties as a share of federal budget revenues increased to 30.2% in 2010 due, in part, to a 28.0% increase in the average price for Urals oil in 2010 relative to 2009, and to 32.6% in 2011 due mainly to a 39.8% increase in the average Urals oil price in 2011. Export duties as a share of federal budget revenues decreased further to 31.9% in 2012, primarily as a result of the decrease of oil and gas exports by 1.8% and 5.7%, respectively. In the first quarter of 2013, export duties as a share of federal budget revenues accounted for 28.8% compared to 32.3% in the first quarter of 2012, reflecting a relative decrease in the prices for hydrocarbons and levels of oil and gas exports.

Import duties are also an important source of federal budget receipts and amounted to 7.1%, 6.8%, 7.1%, 6.1%, and 5.7% of federal budget revenues in 2008, 2009, 2010, 2011 and 2012, respectively. In the first quarter of 2012, import duties amounted to 5.3% of federal revenues, and 4.9% in the first quarter of 2013. The decline recorded in 2009, compared to 2008, corresponded with an overall decline in imports, which was due to weakening domestic demand resulting from the global financial crisis. The decrease in import duties as a share of GDP in 2011 was primarily driven by a decline in the volume of imports and the further decrease in 2012 and the first quarter of 2013 was driven by a decrease of the average weighted import tariff rate in connection with entry of the Russian Federation to the WTO.

Federal budget revenues also include other non-tax revenues, such as revenues from foreign trade activities (excluding customs duties), proceeds from the granting of licences for the use of natural resources, revenues 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 6.3%, 13.6%, 9.7%, 7.8% and 8.2% of federal budget revenues in 2008, 2009, 2010, 2011, 2012, respectively, and 7.8% and 10.9% in the first quarter of each of 2012 and 2013. The significant increase recorded in 2009 was mainly the result of an increase in revenues from foreign trade activities (excluding customs duties) and revenues from the use of state property. Other non-tax revenues as a share of federal budget revenues decreased to 9.7% in 2010 due to the relatively greater contribution of other taxes to the federal budget and to a decrease in revenues from foreign trade activities (excluding customs duties) and administrative payments. Further decrease in other non-tax revenues in 2011 and 2012 was driven by decrease in revenues from the fund management of the Reserve Fund and the National Wealth Fund.

Revenue Performance

In each of the years from 2009 through 2012, federal budget revenue (as a share of GDP) has been higher than originally budgeted.

In 2009, federal budget revenues amounted to 17.6% of GDP (or 18.9% of GDP, including UST, as compared to the originally budgeted target of 21.2% of GDP). Federal tax revenues in 2009 compared to 2008 declined by 25.5% in absolute terms, from 12.7% to 10.0% as a share of GDP and from 53.9% to 49.6% as a share of total revenues. The principal reasons for this decline were a 74.3% drop in absolute terms in profit tax due, in part, to a reduction of the profit tax rate from 24% to 20% in 2009 and a 38.6% contraction in absolute terms in proceeds from natural resource taxes. In 2009, in absolute terms and as a share of GDP, non-tax revenues also declined by 14.9% and from 9.8% to 8.9%, respectively. However, as a share of total revenues, non-tax revenues grew from 46.1% to 50.4%. The nominal decrease in non-tax revenues was caused by a 28.6% decline in export duties and a 25.3% decline in import duties, both of which were a function of the weakening economy. Export duties contracted due to decrease in export prices for hydrocarbons and worldwide demand for Russian commodity exports, especially natural gas, declined, and import duties declined in line with reduced domestic demand for foreign goods and services. A 67.4% nominal rise in other non-tax revenues (mainly the result of an increase in revenues from foreign trade activities (excluding customs duties) and revenues from the use of state property) partially offset the overall decline in non-tax revenues.

In 2010, federal budget revenues amounted to 17.9% of GDP, as compared to the originally budgeted target of 16.1% of GDP. In absolute terms, federal tax revenues increased by 13.2% in 2010 compared to 2009. Although federal tax revenues, as a share of GDP, declined slightly from 10.0% in 2009 to 9.5% in 2010, as a share of total revenues, they increased from 49.6% in 2009 to 53.0% in 2010. The absolute increase in federal tax revenues was primarily due to a 21.9% increase in VAT proceeds and a 30.5% increase in profit tax proceeds, both mainly driven by GDP growth, and a 40.0% increase in proceeds from natural resource taxes, mainly attributable to higher oil prices in 2010 compared to 2009. In 2010 compared to 2009, non-tax revenues increased in absolute terms by 13.4%. However, as a share of GDP and as a share of total revenues, non-tax revenues decreased from 8.9% to 8.4% and from 50.4% to 47.0%, respectively. The nominal increase in non-tax revenues was primarily driven by a 23.4% rise in customs revenues, due, in turn, to a 22.8% increase in export duties. The increase in export duties was primarily due to an increase in the prices for Russian commodity exports including oil.

In 2011, federal budget revenues amounted to 20.4% of GDP, as compared to the originally budgeted target of 17.6% of GDP. In absolute terms, federal tax revenues increased by 36.9% in 2011 compared to 2010. This increase, in turn, was due to nominal increases in revenues from profit tax (34.3%), VAT (30.1%), excise taxes (93.4%) and natural resource taxes (45.3%). In absolute terms, non-tax revenues rose by 37.2% in 2011 compared to 2010. This increase was due to an increase in revenues from customs duties. Revenues from customs duties rose by 45.2% in nominal terms, due mainly to an increase in export duties.

In 2012, federal budget revenues amounted to 20.5% of GDP, as compared to the originally budgeted target of 20.1% of GDP. In absolute terms, federal tax revenues increased by 13.1% in 2012 compared to 2011. Revenues from customs duties rose by 10.2% in absolute terms, due mainly to an increase by 10.5% (in absolute terms) in export duties and an increase by 5.8% (in absolute terms) in import duties.

In the first quarter of 2013, federal budget revenues amounted to 20.7% of GDP, as compared to 21.5% of GDP during the first quarter of 2012. In absolute terms, federal tax revenues increased by 4.7% in the first quarter of 2013 compared to the first quarter of 2012. Increases in all categories of tax revenue during the first quarter of 2013, relative to the first quarter of 2012, offset a relative decrease in customs duties, import duties and export duties during the same period.

The Government adopted a resolution in 2000 that allowed enterprises to reschedule their tax arrears in exchange for the full and orderly payment of current tax payments. In 2008 and 2009, tax arrears amounted to 3% of GDP, declining to 2.4% in 2010, 1.8% in 2011 and 1.7% in 2012 as overall economic conditions improved.

Federal Budget Expenditure

The following table sets forth information regarding federal budget expenditure for the periods indicated:

Federal Budget Expenditure(1)

	For the year ended 31 December							For the three months ended 31 March			
	2008	2009	2010	2011		2012		2012		2013	
				Excluding inter-budgetary transfers	Including inter-budgetary transfers	Excluding inter-budgetary transfers	Including inter-budgetary transfers	Excluding inter-budgetary transfers	Including inter-budgetary transfers	Excluding inter-budgetary transfers	Including inter-budgetary transfers
	(millions of roubles)										
Total expenditure	7,570,879	9,660,061	10,117,454	6,908,495	10,925,617	8,406,724	12,894,987	1,843,897	3,036,482	2,054,720	3,167,823
Total expenditure net of UST(2)	7,064,111	9,150,286	10,117,454	6,908,495	10,925,617	8,406,724	12,894,987	1,843,897	3,036,482	2,054,720	3,167,823
Debt service	153,339	176,156	195,032	262,744	262,744	320,001	320,001	111,453	111,453	120,455	120,455
Of which											
Domestic debt service	83,372	90,176	121,717	190,649	190,649	244,245	244,245	85,759	85,759	95,413	95,413
Foreign debt service	69,967	85,980	73,315	72,095	72,095	75,755	75,755	25,694	25,694	25,042	25,042
Non-interest expenditure	7,417,540	9,483,906	9,922,422	6,645,751	10,662,873	8,086,723	12,574,986	1,732,444	2,925,029	1,934,266	3,047,368
Non-interest expenditure net of UST(2)	6,910,772	8,974,131	9,922,422	6,645,751	10,662,873	8,086,723	12,574,986	1,732,444	2,925,029	1,934,266	3,047,368
State administration	686,051	676,921	692,888	775,457	777,757	802,617	809,851	159,430	159,557	160,568	161,214
Law and order	835,564	1,004,505	1,085,372	1,236,649	1,259,822	1,835,378	1,842,979	336,957	343,355	376,139	383,486
Defence	1,040,855	1,188,174	1,276,461	1,513,718	1,515,955	1,810,059	1,812,386	560,148	562,485	686,815	689,272
National economy	1,025,018	1,650,730	1,222,690	1,478,275	1,790,158	1,666,486	1,968,497	215,017	245,953	290,005	334,688
Housing expenditures	129,536	151,630	234,898	226,398	279,799	193,855	228,840	5,609	11,618	5,490	8,869
Social and cultural sphere	1,015,709	1,205,462	1,260,700	1,398,511	4,370,565	1,756,943	5,290,502	449,492	1,426,839	410,818	1,296,656
Environmental protection	10,173	13,041	13,472	16,743	17,561	21,385	22,494	5,791	6,402	4,433	5,044
General purpose interbudgetary transfers to subfederal and local budgets					651,257		599,437		168,819		168,140
Financial aid to regions and other extra budgetary transfers	1,094,680	1,480,282	1,378,291		1,470,235		1,440,193		396,659		380,082
Transfers to state extra budgetary funds(3)	1,579,954	2,113,162	2,757,649		2,546,887		3,048,070		795,925		733,020
	(% of GDP)										
Total expenditure	18.3	24.9	21.8	12.4	19.6	13.4	20.6	13.4	22.0	13.7	21.1
Total expenditure net of UST(2)	17.1	23.6	21.8	12.4	19.6	13.4	20.6	13.4	22.0	13.7	21.1
Debt Service	0.4	0.5	0.4	0.5	0.5	0.5	0.5	0.8	0.8	0.8	0.8
Of which											
Domestic debt service	0.2	0.2	0.3	0.3	0.3	0.4	0.4	0.6	0.6	0.6	0.6
Foreign debt service	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Non-interest expenditure	18.0	24.4	21.4	11.9	19.1	12.9	20.1	12.6	21.2	12.9	20.3
Non-interest expenditure net of UST(2)	16.7	23.1	21.4	11.9	19.1	12.9	20.1	12.6	21.2	12.9	20.3
State administration	1.7	1.7	1.5	1.4	1.4	1.3	1.3	1.2	1.2	1.1	1.1
Law and order	2.0	2.6	2.3	2.2	2.3	2.9	2.9	2.4	2.5	2.5	2.6
Defence	2.5	3.1	2.8	2.7	2.7	2.9	2.9	4.1	4.1	4.6	4.6
National economy	2.5	4.3	2.6	2.6	3.2	2.7	3.1	1.6	1.8	1.9	2.2
Housing expenditures	0.3	0.4	0.5	0.4	0.5	0.3	0.4	0.0	0.1	0.0	0.1
Social and cultural sphere	2.5	3.1	2.7	2.5	7.8	2.8	8.5	3.3	10.3	2.7	8.7
Environmental protection	0.02	0.03	0.03	0.03	0.03	0.03	0.04	0.04	0.05	0.03	0.03
General purpose interbudgetary transfers to subfederal and local budgets					1.2		1.0		1.2		1.1
Financial aid to regions and other extra budgetary transfers	2.7	3.8	3.0		2.6		2.3		2.9		2.56
Transfers to state extra budgetary funds(3)	3.8	5.4	6.0		4.6		4.9		5.8		4.9

	For the year ended 31 December							For the three months ended 31 March			
	2008	2009	2010	2011		2012		2012		2013	
				Excluding inter-budgetary transfers	Including inter-budgetary transfers	Excluding inter-budgetary transfers	Including inter-budgetary transfers	Excluding inter-budgetary transfers	Including inter-budgetary transfers	Excluding inter-budgetary transfers	Including inter-budgetary transfers
	(% of total expenditure net of UST)										
Debt service	2.2	1.9	1.9	3.8	2.4	3.8	2.5	6.0	3.7	5.9	3.8
Of which											
Domestic debt service	1.2	1.0	1.2	2.8	1.7	2.9	1.9	4.7	2.8	4.6	3.0
Foreign debt service	1.0	0.9	0.7	1.0	0.7	0.9	0.6	1.4	0.8	1.2	0.8
Non-interest expenditure net of UST(2)	97.8	98.1	98.1	96.2	97.6	96.2	97.5	94.0	96.3	94.1	96.2
State administration	9.7	7.4	6.8	11.2	7.1	9.5	6.3	8.6	5.3	7.8	5.1
Law and order	11.8	11.0	10.7	17.9	11.5	21.8	14.3	18.3	11.3	18.3	12.1
Defence	14.7	13.0	12.6	21.9	13.9	21.5	14.1	30.4	18.5	33.4	21.8
National economy	14.5	18.0	12.1	21.4	16.4	19.8	15.3	11.7	8.1	14.1	10.6
Housing expenditures	1.8	1.7	2.3	3.3	2.6	2.3	1.8	0.3	0.4	0.3	0.3
Social and cultural sphere	14.4	13.2	12.5	20.2	40.0	20.9	41.0	24.4	47.0	20.0	40.9
Environmental protection	0.1	0.1	0.1	0.2	0.2	0.3	0.2	0.3	0.2	0.2	0.2
General purpose interbudgetary transfers to subfederal and local budgets					6.0		4.6		5.6		5.3
Financial aid to regions and other extra budgetary transfers(3)	15.5	16.2	13.6		-		-		-		-
Transfers to state extra budgetary funds(3)(4)	22.4	23.1	27.3		-		-		-		-
GDP (billions of roubles)	41,277	38,807	46,309	55,800	55,800	62,599	62,599	13,802	13,802	14,988	14,903

Notes:

(1) Figures in this table are presented as of 3 July 2013. Since 1 January 2011, interbudgetary transfers are no longer indicated as a separate line item under "non-interest expenditure net of UST" (except for general purpose interbudgetary transfers to subfederal and local budgets, which are indicated separately since 1 January 2011) and the Ministry of Finance has instead allocated interbudgetary transfers to each of the line items under "non-interest expenditure net of UST" (with financial aid to regions and other extra budgetary transfers allocated to each of the line items under "non-interest expenditure net of UST" and transfers to state extra budgetary funds included in expenditure line item "social and cultural sphere"). For periods ending prior to 1 January 2011, data in expenditure line items under "non-interest expenditure net of UST" are presented excluding interbudgetary transfers.

(2) The UST was repealed as of 1 January 2010.

(3) Since 1 January 2011, financial aid to regions and other extra budgetary transfers as well as transfers to state extra budgetary funds are no longer indicated as a separate line item under "non-interest expenditure net of UST" and are instead allocated to the relevant line items under "non-interest expenditure net of UST". For comparison purposes, the total amount of financial aid to regions and other extra budgetary transfers as well as transfers to state extra budgetary funds are also shown for the periods ended after 1 January 2011, but do not sum to the total.

(4) Of the 2,547 billion roubles in transfers to state extra budgetary funds in 2011, 2,380 billion roubles were allocated to the Pension Fund, 146 billion roubles were allocated to the Social Insurance Fund (as defined below) and 21 billion roubles were allocated to the Federal Medical Insurance Fund (as defined below). Of the 3,048 billion roubles in transfers to state extra budgetary funds in 2012, 2,816 billion roubles were allocated to the Pension Fund, 181 billion roubles were allocated to the Social Insurance Fund and 52 billion roubles were allocated to the Federal Medical Insurance Fund.

Source: Ministry of Finance.

Total federal budget expenditure increased significantly in 2009 as compared to 2008, from 18.3% to 24.9% as a share of GDP and by 27.6% in absolute terms. The principal reasons for this growth were increases in spending on the national economy (from 2.5% of GDP in 2008 to 4.3% of GDP in 2009), financial aid to regions and other extra budgetary transfers (from 2.7% of GDP in 2008 to 3.8% of GDP in 2009) and transfers to state extra budgetary funds (from 3.8% of GDP in 2008 to 5.4% of GDP in 2009). Fiscal spending as a percentage of GDP increased substantially in 2009 due to the implementation of the Government's anti-crisis programme.

In 2010, total federal budget expenditure decreased to 21.8% from 24.9% in 2009 as a share of GDP, despite increasing by 4.7% in absolute terms. The principal reason for this nominal growth was an increase in transfers to state extra budgetary funds from 5.4% of GDP in 2009 to 6.0% of GDP in 2010. Expenditures on state administration, law and order, defence, the national economy, the social and cultural sphere and financial aid to the regions and other extra budgetary transfers decreased as a share of GDP in 2010. Spending on the national economy experienced a particularly large decrease, falling by 25.9% in absolute terms and from 4.3% to 2.6% as a share of GDP.

In 2011, total federal budget expenditure decreased to 19.6% from 21.8% in 2010 as a share of GDP, despite increasing by 8.0% in nominal terms. The principal reason for this nominal growth was an 11.9% increase in nominal terms in state administration expenditures (excluding interbudgetary transfers), a 13.9% increase in nominal terms in law and order expenditures (excluding interbudgetary transfers), an 18.6% increase in nominal terms in defence expenditures (excluding interbudgetary transfers) and a 10.9% increase in nominal terms in social and cultural expenditures (excluding interbudgetary transfers).

In 2012, total federal budget expenditure increased to 20.6% from 19.6% in 2011 as a share of GDP and increased by 18.0% in nominal terms. This was driven, in part, by an increase in non-interest expenditure during 2012 across the law and order, defence and national economy categories, which increased by 48.4%, 19.6% and 12.7%, respectively, in nominal terms during 2012 (each excluding interbudgetary transfers), as well as a nominal increase in social and cultural sphere spending during 2012 (excluding interbudgetary transfers) of 25.6%.

In the first quarter of 2013, total federal budget expenditure (including interbudgetary transfers) amounted to 21.1% of GDP, compared to 22.0% in the first quarter of 2012, and increased by 4.3% in nominal terms. This was driven, in part, by an increase in expenditures during the first quarter of 2013 relating to debt service, defence and the national economy, which were greater in nominal terms than during the first quarter of 2012 by 8.1%, 22.6% and 34.9%, respectively (in each case excluding interbudgetary transfers).

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"), as a share of GDP remained roughly constant during the period under review (0.4%, 0.5%, 0.4%, 0.5% and 0.5% in 2008, 2009, 2010, 2011 and 2012, respectively, and 0.8% in the first quarter of both 2012 and 2013). As a share of total expenditure, debt service contracted from 2.2% in 2008 to 1.9% in each of 2009 and 2010, and increased to 2.4% in 2011 and 2.5% in 2012. As a share of total expenditure, debt service increased to 3.8% in the first quarter of 2013, compared to 3.7% in the first quarter of 2012. The decline in debt service through 2010 was attributable in part to the government's conservative debt policies during this period and conservative fiscal policies in 2007 and 2008. The increase in debt service in 2011 and 2012 reflecting financing of the federal budget deficit through domestic borrowing and an increase of absolute value of government domestic debt of the Russian Federation.

Non-interest spending increased in absolute terms each year between 2008 and 2012 (by 27.9% in 2009, 4.6% in 2010, 7.5% in 2011 and 17.9% in 2012). As a share of GDP, non-interest spending increased from 18.0% in 2008 to 24.4% in 2009, decreased to 21.4% in 2010 and to 19.1% in 2011, increased to 20.1% in 2012 and to 20.3% in the first quarter of 2013. Spending in each of the principal non-interest expenditure categories contributed to this growth. In particular, nominal spending (excluding interbudgetary transfers) on law and order, defence and the national economy grew by 31.8% in 2009 compared to 2008, decreased by 4.4% in 2010 compared to 2009 and grew by 23.6% in 2012 compared to 2011. Nominal spending on social and cultural programmes also grew during this period.

Deficit Financing

In 2008, the enlarged budget (comprising the federal, consolidated sub-federal and local budgets and state extra budgetary funds) registered a surplus of 4.9% of GDP. In 2009 and 2010, Russia recorded enlarged budget deficits of 6.3% of GDP and 3.4% of GDP, respectively. In 2011, Russia's enlarged budget returned to surplus, recording a surplus of 1.5% of GDP. In 2012, Russia recorded an enlarged budget surplus of 0.4% of GDP. In the first quarter of 2013, the enlarged budget registered a surplus of 1.9% of GDP, compared to a surplus of 3.8% of GDP in first quarter of 2012.

The federal budget registered an annual surplus 4.1% of GDP in 2008, an annual deficit of 6.0% of GDP in 2009, a deficit of 3.9% of GDP in 2010, a surplus of 0.8% of GDP in 2011 and a deficit of 0.1% of GDP in 2012. The federal budget recorded a primary surplus of 4.5% in 2008, primary deficits of 5.5% of GDP in 2009 and 3.5% of GDP in 2010, a primary surplus of 1.3% in 2011 and a primary surplus of 0.4% in 2012. In the first quarter of 2013, the federal budget recorded a deficit of 0.4% of GDP compared to a deficit of 0.5% of GDP in the first quarter of 2012. The federal budget recorded a primary surplus of 0.4% of GDP in the first quarter of 2013 compared to a primary surplus of 0.3% of GDP in the first quarter of 2012.

In 2009, the federal budget went into deficit due to a decline in tax and non-tax revenues, in particular, revenues collected from profit tax, the natural resource taxes and export duties, and to an increase in government spending, including spending on the national economy, defence, law and order and social programmes and financial aid to regions and other extra budgetary transfers and state extra budgetary funds. The decline in revenues was mainly due to the negative effects of the global financial crisis, including lower worldwide demand for Russia's commodities exports. The increase in expenditures, in particular, spending on the national economy and transfers to regional budgets, was, in part, the result of the Government's fiscal stimulus package designed to mitigate the effects of the global financial crisis on the Russian economy. Despite a 4.7% nominal rise in expenditures in 2010 compared to 2009 (see —"Federal Budget Expenditure", above), the federal budget deficit improved to 3.9% of GDP in 2010 from 6.0% of GDP in 2009 due to nominal increases in both tax and non-tax revenues. See "—Federal Budget Revenue—Revenue Performance".

The federal budget recorded a surplus in 2011 due to both an increase in tax and non-tax revenues. As a share of GDP, tax revenues increased from 9.5% in 2010 to 10.7% in 2011, which, in turn, was due to an increase in revenues from VAT, excise taxes and natural resource taxes as a share of GDP. As a share of GDP, non-tax revenues increased from 8.4% of GDP in 2010 to 9.6% of GDP in 2011, due mainly to growth in revenues from export duties. Total expenditures, as a share of GDP, dropped from 21.8% in 2010 to 19.6% in 2011, despite increasing in absolute terms by 8.0%. This nominal increase was due to a 34.7% rise in debt servicing expenditures and a 7.5% rise in non-interest expenditures, particularly in expenditures on state administration, law and order, defence and in the social and cultural sphere.

The federal budget recorded a slight deficit of 0.1% of GDP during 2012. The reversal of the budget surplus of 0.8% of GDP from 2011 was largely a result of a decrease in non-tax revenues and an increase in total expenditures. During 2012, tax revenues as a share of GDP increased from 10.7% of GDP in 2011 to 10.9% of GDP in 2012 and non-tax revenues remained at 9.6% of GDP from 2011. Total expenditures as a share of GDP rose from 19.6% of GDP in 2011 to 20.6% of GDP in 2012, and non-interest expenditures as a share of GDP increased from 19.1% of GDP in 2011 to 20.1% of GDP in 2012).

In the first quarter of 2013, tax revenues as a share of GDP amounted to 11.3% of GDP compared to 11.5% of GDP in the first quarter of 2012 and non-tax revenues amounted to 9.5% of GDP in the first quarter of 2013 compared to 10.0% of GDP in the first quarter of 2012. In the first quarter of 2013, total expenditures as a share of GDP amounted to 21.1% of GDP compared to 22.0% of GDP in the first quarter of 2012, and non-interest expenditures as a share of GDP amounted to 20.3% of GDP in the first quarter of 2013 compared to 21.2% of GDP in the first quarter of 2012.

The Government established the Stabilisation Fund in 2004, initially contributing to it approximately 106 billion roubles from the financial reserve. The Stabilisation Fund, the rules for which were set out in the Budget Code, was created to reduce the effects of oil price fluctuations on the Russian budgetary process. Revenue derived from export duties on crude oil and the oil extraction tax, attributable to oil prices in excess of the budget's oil price assumption, were contributed to the Stabilisation Fund. The base amount of the Stabilisation Fund was fixed at 500 billion roubles. If oil prices fell below the budget's assumed price and, as a consequence, the Stabilisation Fund's assets fell below the base amount of 500 billion roubles, the Stabilisation Fund could only be used for deficit financing.

In 2008, the Stabilisation Fund was replaced by the Reserve Fund and National Wealth Fund and its remaining balance was transferred to the two new funds. The rules for the Reserve Fund and the National Wealth Fund, including the rules on contributions to them based on the so-called "oil and gas transfer", were set out in the Budget Code.

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 consists 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 amendments made to the Budget Code in December 2012, which introduced the New Budget Rule discussed above.

The National Wealth Fund was created to support Russia's pension system. Pursuant to a January 2008 Government resolution, as amended, proceeds from the National Wealth Fund may be invested, subject to certain conditions, in a range of assets, including foreign currencies, rouble denominated assets, debt and equity securities of both Russian and foreign entities (which also include, according to the May 2013 Amendments, Russian securities linked to implementation of self-sustaining infrastructure projects) and deposits with banks, such as Vnesheconombank. No more than 955 billion roubles may be deposited in Vnesheconombank, and no more than 40% of the National Wealth Fund's overall proceeds may be invested in rouble assets.

Due to significant reduction of oil prices as a result of the global financial crisis, 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 in 2009, and temporary rules for the use of oil and gas revenues as well as the proceeds in the Reserve Fund and National Fund to finance federal budget expenditures and deficit were introduced, which were subject to adjustment in the budget law for the relevant fiscal year. These temporary rules were in effect until January 2013, when the New Budget Rule came into effect.

In 2008, the federal surplus totalled 4.1% of GDP. Net foreign borrowing amounted to negative 0.2% of GDP, including the redemption of foreign debt equalling 0.2% of GDP and gross foreign borrowing of 0.1% of GDP. Net domestic borrowing was 0.4% of GDP.

In 2009, the federal budget recorded a deficit of 6.0% of GDP. Net foreign borrowing in 2009 amounted to negative 0.1% of GDP and included the redemption of foreign debt of 0.1% of GDP and gross foreign borrowing of 0.0% of GDP. Net domestic borrowing was 1.1% of GDP. In 2009, the Ministry of Finance began to use proceeds from the Reserve Fund to finance the federal budget deficit, spending 3,144.3 billion roubles by year-end 2009 for this purpose. In 2009, the Ministry also began to invest Reserve Fund money in IMF instruments, including special drawing rights. As a result of these transactions, at the end of 2009, Russia had acquired U.S.$8.9 billion of special drawing rights. See "Balance of Payments and Foreign Trade—International Reserves". As of 1 January 2010, the balance of proceeds in the Reserve Fund was 1,831 billion roubles, a decrease from 4,027.6 billion roubles as of 1 January 2009. As of 1 January 2010, the balance of the National Wealth Fund, including the amount on deposit with Vnesheconombank, was approximately 2,769 billion roubles, an increase from 2,584.5 billion roubles as of 1 January 2009.

In 2010, the federal budget recorded a deficit of 3.9% of GDP. Net foreign borrowing amounted to 0.3% of GDP, including the redemption of foreign debt amounting to 0.1% of GDP and gross foreign borrowing of 0.4% of GDP. Net domestic borrowing was 1.3% of GDP. In 2010, the Ministry of Finance continued to use proceeds from the Reserve Fund to finance the federal budget deficit, spending approximately 994.0 billion roubles for this purpose. As of 1 January 2011, the balance of proceeds in the Reserve Fund was 775.2 billion roubles. During 2010, the balance of the National Wealth Fund decreased by 2.5 billion roubles to 2,695.5 billion roubles. The reduction in proceeds of the National Wealth Fund during this period was primarily attributable to the co-financing of pensions.

In 2011, the federal budget recorded a surplus of 0.8% of GDP. Redemption of foreign debt amounted to 0.1% of GDP and gross foreign borrowing amounted to 0.0% of GDP. Net domestic borrowing was 1.9% of GDP. In 2011, no money was spent from the Reserve Fund and 3.4 billion roubles were spent from the National Wealth

Fund; as of 1 January 2012, the balances of the Reserve Fund and the National Wealth Fund were 811.5 billion roubles and 2,794.4 billion roubles, respectively.

In 2012, the federal budget recorded a deficit of 0.1% of GDP. Redemption of foreign debt amounted to 0.1% of GDP and gross foreign borrowing amounted to 0.3% of GDP. Net domestic borrowing was 0.8% of GDP. In 2012, the Reserve Fund was not accessed, while 3.9 billion roubles were spent from the National Wealth Fund; as of 1 January 2013, the balances of the Reserve Fund and the National Wealth Fund were 1,885.7 billion roubles and 2,690.6 billion roubles, respectively. The increase in proceeds of the Reserve Fund during 2012 was primarily due to proceeds from oil and gas revenues. The reduction in proceeds of the National Wealth Fund during 2012 was primarily attributable to the co-financing of pensions.

In the first quarter of 2013, the federal budget recorded a deficit of 0.4% of GDP, compared to a deficit of 0.5% of GDP in the first quarter of 2012. In the first quarter of 2013, redemption of foreign debt amounted to 0.1% of GDP, the same amount as in the first quarter of 2012 and gross foreign borrowing amounted to 0.0% of GDP, the same level as in the first quarter of 2012. In the first quarter of 2013, net domestic borrowing amounted to negative 1.2% of GDP and included the redemption of domestic debt of 2.5% of GDP and domestic borrowing of 1.3% of GDP, as compared to 0.8% of GDP of net domestic borrowing in the first quarter of 2012. In the first quarter of 2013, no money was spent from the Reserve Fund or from the National Wealth Fund; as of 1 April 2013, the balances of the Reserve Fund and the National Wealth Fund were 2,608.7 billion roubles and 2,696.7 billion roubles, respectively. As of 1 September 2013, the balances of the Reserve Fund and the National Wealth Fund were 2,838.6 billion roubles and 2,884.8 billion roubles, respectively. The increase in proceeds of the Reserve Fund during the first nine months of 2013 was primarily due to proceeds from oil and gas revenues and foreign exchange gain.

Net foreign borrowing in 2009 amounted to negative 0.1% of GDP, and included the redemption of foreign debt of 0.1% of GDP and gross foreign borrowing of 0.0% of GDP.

According to the 2013 Budget Law, the balance of the Reserve Fund is expected to amount to 3,173.8 billion roubles at year end 2013, 3,882.2 billion roubles at year end 2014 and 4,722.7 billion roubles at year end 2015, and the balance of the National Wealth Fund is expected to be 2,769.8 billion roubles at year end 2013, 2,843.2 billion roubles at year end 2014 and 2,847.7 billion roubles at year end 2015. According to the Ministry of Finance's Main Budgetary Policy Guidelines for 2014-2016, published in July 2013, the balance of the Reserve Fund is expected to amount to 3,593,5 billion roubles, 4,025.7 billion roubles and 4,645.3 billion roubles at year end 2014, 2015 and 2016, respectively, and the balance of the National Wealth Fund is expected to amount to 2,882.6 billion roubles, 2,923.1 billion roubles and 3,041.8 billion roubles at year end 2014, 2015 and 2016, respectively.

Proceeds from the sale of shares and other participation interests owned by the Russian Federation, or privatisation proceeds, which are treated as the source of deficit financing, accounted for 0.02% of GDP in 2008, 0.02% of GDP in 2009, 0.03% of GDP in 2010, 0.2% of GDP in 2011 and 0.07% of GDP in 2012. In the first quarter of 2013, privatisation proceeds accounted for 0.1% compared to 0.03% in the first quarter of 2012.

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 transfers from the federal budget.

Sub-federal and local governments are directly assigned a specified portion of the revenue from certain federal taxes. From 2009, sub-federal and local governments have been allocated proceeds from, among others, the following federal taxes: 100% of personal income tax, a share of unified profit tax (generally a rate of 18%, as discussed below), 100% of excise taxes on alcohol production, including wine and beer (but excepting products exceeding 9% alcohol by volume that are not wine or beer or certain other products, in which case 40% of excise taxes are allocated to sub-federal and local governments), 50% of excise taxes on ethyl alcohol from foodstuffs and on certain other products containing alcohol, 100% of widespread mineral deposits and diamond extraction taxes, (in 2009 only) 5% of the hydrocarbon tax (excluding the natural gas extraction tax) and 60% of certain other mineral extraction taxes. Taxes imposed directly by the sub-federal subjects since 2009 include the property tax on organisations, the transport tax and the gambling business tax. Taxes imposed directly by local governments include the land tax and the property tax on individuals. The share of domestic VAT transferable to the regions is zero.

Through 2008, Russia imposed a profit tax at the unified rate of 24%. Of the 24% profit tax, 6.5% was allocated to the federal budget and 17.5% was allocated to the regional budgets. The unified profit tax rate was lowered to 20% effective 1 January 2009, of which 2% is allocated to the federal budget and 18% to the regional budgets, which regional authorities, at their discretion, may lower to 13.5%. All of the revenues from the natural gas extraction tax and, effective 1 January 2010, 100% of the revenues from the hydrocarbon extraction tax are transferred to the federal budget. Through 2009, 95% of the hydrocarbon extraction tax was transferred to the federal budget, with the remaining 5% allocated to regional budgets. The federal authorities may change the distribution of taxes in a given year only through legislative amendment.

In 2009, revenues of the consolidated sub-federal budgets amounted to 5.9 trillion roubles, a 4.4% decrease compared to 2008. In 2008 and 2009, tax and non-tax revenues comprised 82.3% and 75%, respectively, of the overall revenues of the consolidated sub-federal budgets. In 2010, revenues of the consolidated sub-federal budgets amounted to 6.5 trillion roubles, a 10.3% increase compared to 2009. Federal financial aid accounted for 21.1% of the overall revenues of the consolidated sub-federal budgets in 2010, compared to 25% in 2009. In 2011, revenues of the consolidated sub-federal budgets amounted to 7.6 trillion roubles, a 16.9% increase compared to 2010. Federal financial aid accounted for 19.2% of overall revenues of the consolidated sub-federal budgets in 2011, a decrease from 2010 when federal financial aid comprised 21.1% of overall consolidated sub-federal budget revenues. In 2012, revenues of the consolidated sub-federal budgets amounted to 8,064 trillion roubles, a 5.5% increase compared to 2011. This was due primarily to an increase in both tax and non-tax revenues in sub-federal budgets. Federal financial aid accounted for 17.9% of overall revenues of the consolidated sub-federal budgets in 2012, as compared to 19.2% in 2011. In the first quarter of 2013, revenues of the consolidated sub-federal budgets amounted to 1.737 trillion roubles compared to 1.736 trillion roubles in the first quarter of 2012.

Due to significant differences in the level of social economic development among the Federation subjects, the federal government has established various regional support funds (expenditure line items in the federal budget) through which it allocates by means of subsidies and transfers a portion of federal tax revenues to those regions most in need of assistance.

Since its establishment in 1994, the Fund for Regional Support has been a primary source of federal financial support to regional governments. Through this fund, 328.6 billion roubles, 374.0 billion roubles, 397.0 billion roubles, 397.0 billion roubles and 397.0 billion roubles in 2008, 2009, 2010, 2011 and 2012, respectively, and 128.2 billion roubles and 135.6 billion roubles in the first quarter of each of 2012 and 2013 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 help finance obligations arising under various social laws, such as the Federal Law No. 181-FZ "On Social Protection of the Handicapped" dated 24 November 1995 and the Federal Law No. 124-FZ "On Childhood Benefits" dated 24 July 1998, as well as to finance regional expenses incurred in connection with the performance of obligations delegated to the Federation subjects by the federal government. In 2008, 2009, 2010, 2011 and 2012, federal subsidies amounted to 153.2 billion roubles, 284.4 billion roubles, 378.6 billion roubles, 337.5 billion roubles and 284.2 billion roubles, respectively. In the first quarter of 2013, such subsidies amounted to 141.1 billion roubles as compared to 133.2 billion roubles in the first quarter of 2012.

Regional budgets also receive support for co-financing expenditures on health care, culture, education and salaries of public sector employees, as well as subsidies for housing and public utilities. Such federal subsidies amounted to 435.9 billion roubles, 530.0 billion roubles, 414.4 billion roubles, 509.2 billion roubles and 570.9 billion roubles in 2008, 2009, 2010, 2011 and 2012, respectively. In the first quarter of 2013, federal subsidies provided through this fund amounted to 51.1 billion roubles, compared to 88.5 billion roubles in the first quarter of 2012.

Consolidated sub-federal budget expenditures (including expenditures financed by federal transfers and federal budget loans) were 15.1% of GDP in 2008, 16.1% of GDP in 2009, 14.3% of GDP in 2010, 13.8% of GDP in 2011 and 13.3% of GDP in 2012. In the first quarter of 2013, consolidated sub-federal budget expenditures amounted to 10.3% of GDP, compared to 10.5% of GDP in the first quarter of 2012. Social expenditures by regional and local authorities are substantial (approximately 7.4% of GDP in 2008 and 8.4%, 7.9%, 8.1% and 8.2% in 2009, 2010, 2011 and 2012, respectively). In the first quarter of 2013, social expenditures by regional and local authorities amounted to 7.2% of GDP, compared to 7.0% of GDP in the first quarter of 2012. Sub-federal governments financed approximately 78.0%, 75.7%, 76.6%, 75.7% and 77.2% of education expenditure in 2008, 2009, 2010, 2011 and 2012, respectively. In the first quarter of 2013, sub-federal governments financed approximately 72.7% of education expenditure, compared to 65.2% in the first quarter of 2012. In 2008 and 2009, sub-federal government expenditure accounted for a decreasing proportion of health care expenditure (73.8% and 68.3% of total health care expenditure in 2007, 2008 and 2009, respectively). In 2010 and 2011, the share of consolidated sub-federal government expenditure in health care expenditure increased slightly to 69.6% and 70.5%, respectively, and then decreased to 68.9% in 2012. In the first quarter of 2013, the share of consolidated sub-federal government expenditure on health care amounted to 62.9%, compared to 56.3% in the first quarter of 2012. Sub-federal spending on the national economy, a portion of which is allocated to housing programmes amounted to 5.4%, 5.1%, 4.3%, 4.2% and 4.0% of GDP in 2008, 2009, 2010, 2011 and 2012, respectively. In the first quarter of 2013, sub-federal spending on the national economy amounted to 2.3% of GDP, compared to 2.5% of GDP in the first quarter of 2012.

Significant progress has been made in the Russian Federation in the area of federal/sub-federal fiscal relations. Inter-budgetary transfers from the federal budget to sub-federal budgets are distributed using unified methods based on objective parameters to reflect the factors driving the need of funding. 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 depending on the share of inter-budgetary transfers in the revenues of the sub-federal and municipal budgets.

State Extra Budgetary Funds

At present, the largest state extra budgetary funds are the Pension Fund (expenditures of 2,357.8 billion roubles, 3,008.7 billion roubles, 4,249.2 billion roubles, 4,922.1 billion roubles and 5,451.2 billion roubles in 2008, 2009, 2010, 2011 and 2012, respectively), the Social Insurance Fund of the Russian Federation (the **Social Insurance Fund**) (expenditures of 379.4 billion roubles, 448.5 billion roubles, 491.2 billion roubles, 497.6 billion roubles and 186.3 billion roubles in 2008, 2009, 2010, 2011 and 2012, respectively) and the Federal Medical Insurance Fund of the Russian Federation (the **Federal Medical Insurance Fund**) (expenditures of 168.7 billion roubles, 130 billion roubles, 109.1 billion roubles, 310.4 billion roubles and 932.2 billion roubles in 2008, 2009, 2010, 2011 and 2012, respectively). The substantial increase in expenditure by the Federal Medical Insurance Fund in 2011 and 2012 mainly resulted from the 2011 healthcare modernisation programme. The large rise in Pension Fund expenditure was primarily due to a Government decision to increase the size of pensions to subsistence levels. Between 25% and 30% of the Russian population receives pensions.

In 2001, nearly all social contributions were consolidated into the UST, a single 35.6% payroll tax, paid by employers. In 2005, the UST was reformed, and a regressive scale of payroll for higher wages was introduced. The top rate was reduced to 26%, with 20% transferred to the federal budget, 3.1% transferred to federal and regional medical insurance funds and 2.9% transferred to the Social Insurance Fund. Before the UST was abolished, the employer was entitled to offset a portion of its 20% UST transfer to the federal budget against its mandatory contributions to the Pension Fund. Since 2005, the Pension Fund also receives transfers from the federal budget to finance social benefits and, until the repeal of the UST at the end of 2009, to cover the difference between UST proceeds and pension commitments. Regional medical insurance funds receive transfers from regional budgets and the Federal Medical Insurance Fund. See "The Russian Economy—Pension Reform" above and "—Russian Tax System" below.

Effective 1 January 2010, the UST was repealed and replaced with a system of direct payments to state extra budgetary funds. In 2010, the employer made direct payments equal to 26% of the first 415,000 roubles of each employee's annual salary, which amount was increased in 2011 to 34% of the first 463,000 roubles of each employee's annual salary. From 1 January 2012, employers make direct payments of 30% of the first 512,000 roubles (increased to 568,000 roubles from 1 January 2013) of each employee's annual salary and 10% of the remaining salary amount. Contributions to these social funds do not affect the basis for determining the employer's profit tax.

The current state extra budgetary funds have generally remained balanced since their creation in 1992, reflecting their stable revenue base. State extra budgetary funds recorded an overall surplus of 0.9% of GDP in 2008, 0.5% of GDP in 2009, 0.7% of GDP in 2010, 0.8% in 2011 and 0.9% in 2012. The Pension Fund ran overall surpluses of 0.9% of GDP in 2008, 0.6% of GDP in 2009, 0.8% of GDP in 2010, 0.6% of GDP in 2011 and 0.7% of GDP in 2012. However, these surpluses in the Pension Fund take into account a growing proportion of contributions to the Pension Fund from the federal budget. For example contributions from the federal budget to the Pension Fund amounted to 399.3 billion roubles (1.0% of GDP) in 2009, 1,316.3 billion roubles (2.8% of GDP) in 2010, 924.4 billion roubles (1.7% of GDP) in 2011 and 1,860,1 billion roubles in 2012 (3.0% of GDP). In 2013, contributions to the Pension Fund from the federal budget are anticipated to amount to 2,886 billion roubles (4.3% of GDP). In 2010, 2011 and 2012, the federal budget also allocated 45.1 billion roubles (0.1% of GDP), 65.4 billion roubles (0.1% of GDP) and 96 billion roubles (0.2% of GDP), respectively, to cover the deficit in the Social Insurance Fund.

In 2013, the law on the budget of the Pension Fund envisages revenue of 6,343.3 billion roubles, or 9.5% of GDP, and expenditure of 6,088.7 billion roubles, or 9.2% of GDP. Pension Fund expenditures are expected to increase in the future as a result of demographic and other factors.

Russian Tax System

Russia imposes a flat personal income tax rate (13%), which replaced the previous progressive scale of between 12% and 30%. Certain types of income, such as interest income from bank deposits in excess of certain limits, however, remain subject to tax at 35%. The tax rate for income in the form of dividends is 9%, and the personal income tax rate for non-residents is now 30%, except for income in the form of dividends, which is taxed at 15%, and income from certain types of labour activities, which is taxed at 13%. Certain types of income earned by an individual from a donation or inheritance are subject to the 13% personal income tax instead of the previous donation and inheritance taxes.

Prior to 2010, Russia also imposed the UST, which was assessed pursuant to the following regressive scale: a rate of 26% on annual wages up to 280,000 roubles; a rate of 10% on the portion of annual wages between 280,001 roubles and 600,000 roubles; and a rate of 2% for the portion of annual wages in excess of 600,000 roubles. The UST was abolished as of 1 January 2010. See "—Federal Budget Revenue—Sources of Federal Revenue" and "—State Extra Budgetary Funds" above.

Prior to 2009, Russia imposed a profit tax at a unified rate of 24%, of which 6.5% was allocated to the federal budget and 17.5% to the regional budgets in 2007 and 2008. The unified profit tax rate was lowered to 20% effective 1 January 2009, of which 2% is allocated to the federal budget and 18% to the regional budgets, and which regional authorities, at their discretion, may lower to 13.5%. During recent years, the number of permitted profit related tax deductions was expanded, for example introducing a deduction for research and development expenses. In addition, a deductible amortisation premium of 10% or 30% on new capital assets (depending on the asset) was introduced. Profit tax is calculated using an accrual, as opposed to cash, method.

Russia imposes a modified royalty tax on natural resource extraction, which replaced three taxes on natural resources, including the royalty and excise taxes on crude oil and mineral restoration payments. The natural resource extraction tax on oil is calculated according to a formula that takes international oil prices and the rouble exchange rate into account. Since 1 January 2013 the natural resource extraction tax rate for oil has amounted to 470 roubles per tonne. The natural resource extraction tax charged on natural gas is currently 590 roubles per one tonne of gas condensate and 622 roubles per thousand cubic metres of gas, although for certain taxpayers this amount may be reduced.

Small businesses pay a single tax under a simplified tax system, pursuant to which such firms elect to pay either 6% of revenues or 15% of profits.

In 2004 and 2005, sales tax and a number of local taxes and fees were either reduced or eliminated. The general VAT rate was reduced from 20% to 18% (though some goods retained their preferential 0% and 10% rates), and the 0.8% tax on securities operations was abolished. A stamp duty applicable to the issuance of securities was introduced and is assessed at a rate of 0.2% of the aggregate amount of the securities being issued up to 200,000 roubles. Excise duties were indexed or, in the case of natural gas, abolished.

Since 2006, general VAT is calculated using an accrual method, as opposed to the previous choice between cash or accrual methods. Additionally, input VAT may now be offset or refunded as soon as an invoice is received, instead of after payment has been made for the purchased asset. With effect from 1 January 2007, VAT refunds on transactions levied at a 0% rate may be claimed through a 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. Property tax revenue is allocated to sub-federal budgets, and regional authorities may set lower rates in their jurisdictions. A preferred tax regime for agricultural producers is also in place, under which a unified agricultural tax (including a preferred regime for payments to social funds) has replaced corporate income tax, VAT and property tax. Regional land taxes are determined region-by-region and are calculated on a cadastral value base, with a maximum general rate of 1.5%.

Export duties on oil are determined on a monthly basis by the Government's authorised federal executive body (the Ministry of Economic Development of the Russian Federation) 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.$109.50 per tonne, the export duty is 0%; for average market prices between U.S.$109.50 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.$109.50; for average market prices between U.S.$146 and U.S.$182.50 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.$182.50 per tonne, the export duty is assessed at up to 65% of the difference between the market price and U.S.$182.50 plus U.S.$29.20. In June 2013, the export duty on oil was U.S.$359.30 per tonne. The export duty on natural gas was 30% of its customs value.

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 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 national settlement 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, who is also the chair of the Bank of Russia's Board of Directors, is nominated by the President and confirmed by the State Duma. The Governor is appointed for a four-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, violation of a federal law relating to the activities of the Bank of Russia or the commission of a crime. Elvira Nabiullina has been the Governor of the Bank of Russia since June 2013. Members of the Board of Directors of the Bank of Russia are nominated by the Bank of Russia's Governor in consultation with the President and confirmed by the State Duma. Board members serve four-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 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, adopts rules for settlement, 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 and oversees the bankruptcy and liquidation proceedings of credit institutions.

The Bank of Russia approves the registration of all credit institutions, licenses their banking operations, supervises banking activities of credit institutions and banking groups, supervises and monitors the national payment system and establishes rules for conducting banking operations. The Bank of Russia also establishes accounting and record keeping standards and rules for the preparation and presentation of accounting (financial) statements, 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 with respect to capital adequacy, loan loss provisions and exposure to individual creditors and shareholders. 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 the charter capital of a credit institution requires notice to the Bank of Russia, and any acquisition of more than 20% requires prior Bank of Russia approval (from 2 October 2013, the 20% threshold will be reduced to 10%). Prior Bank of Russia consent is also required (a) for any direct or indirect acquisition of shares in a credit institution crossing certain ownership thresholds (including, for example, 25%, 50% and 75% thresholds); (b) for any purchase of a 100% stake in such credit institution; and (c) for any acquisition of direct or indirect control over shareholders holding more than a 20% of the charter capital of a credit institution (from 2 October 2013, the 20% threshold will be reduced to 10%). According to amendments to the Law on the Bank of Russia introduced in December 2012, approval for the acquisition of more than a 20% stake in a credit institution (from 2 October 2013, the 20% threshold will be reduced to 10%) and/or acquisition of control over a credit institution may in certain circumstances be obtained after the acquisition.

The National Banking Committee is a body of the Bank of Russia and consists of representatives of the Government, the Federation Council, the State Duma, the Presidential Administration and the Bank of Russia's Governor. The National Banking Committee's responsibilities include, amongst other matters, approval of total expenditures for Bank of Russia staff salaries.

Monetary Policy

Inflation and Money Supply

Russia has historically experienced periods of high inflation, though the inflation rate has decreased in recent years. Core inflation indicators remain broadly stable and the main inflation risks stem from non-monetary factors, such as changes to tariffs and other regulated prices.

Soft monetary conditions during 2007 and the beginning of 2008, evidenced by growth of 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, of 43.5% in 2007 and 40.0% in the first quarter of 2008, respectively, contributed to a growth in consumer price inflation to 13.3% during 2008, its highest annual level since 2002. A decrease in oil prices and an increase in capital outflows from Russia created conditions for depreciation of the rouble and increased devaluation expectations, contributing to high growth rates in prices during 2008. These factors were mitigated somewhat by a decrease in inflationary pressure from a reduction in the growth rate of world food prices and a weakening in consumer demand. During 2008, industrial prices exhibited 7% deflation primarily because of a contraction in prices in the mining and quarrying and coke and refined petroleum manufacturing sectors.

The growth rate of M2 decreased significantly beginning in the end of 2008 and continued into 2009, accompanied by a decline in consumer price inflation in 2009 to 8.8%. The inflation rate decreased primarily due to the Bank of Russia's tight monetary policy in the beginning of the year. The decline in consumer demand was the key factor limiting consumer price inflation. At the same time, inflation remained high due to the devaluation of the rouble during the first half of the year, but slowed during the second half of the year as the effect of the rouble devaluation during the first half of the year waned.

Consumer price inflation in 2010 remained at 8.8%, the same level as in 2009, while M2 grew by 31.1%. Consumer prices were particularly affected from August 2010 by increased food prices, resulting largely from the impact on the agricultural sector of adverse weather conditions in the second half of 2010. Industrial producer price inflation amounted to 16.7% in 2010 as compared to 13.9% in 2009. The acceleration in industrial producer price growth was due primarily to a rise in the growth of prices in manufacturing industries, and, in particular, to significant price growth in the coke industry, metals and chemicals. Industrial producer price growth in 2010 was also supported by the rise in producer prices of foodstuffs, textiles and building materials. The acceleration of industrial producer price inflation in 2010 compared to 2009 was partially offset by declines in both the growth of metals prices and the growth of prices associated with the production and distribution of electricity, gas and water.

In 2011, both consumer price inflation and industrial producer price inflation decreased, accompanied by a deceleration in the rate of growth in M2 to 22.6%. Consumer price inflation was 6.1% in 2011, as compared to 8.8% in 2010. The decrease in consumer price inflation was due, primarily, to a reduction in fruit and vegetable prices compared to 2010. Industrial producer price inflation equalled 12.0% in 2011 as compared to 16.7% in 2010. This decrease in the inflation rate was primarily due to a deceleration in the growth of prices in manufacturing industries and a deceleration in the growth of prices associated with the production and distribution of electricity, gas and water. The decrease in producer prices of foodstuffs also supported the deceleration of producer price inflation in 2011.

In 2012, consumer price inflation increased to 6.6% as compared to 6.1% in 2011, while the growth rate of M2 in 2012 decreased to 11.9% from 22.6% in 2011. Overall, food prices rose by 7.5% in 2012 as compared to 3.9% in 2011, primarily due to unfavourable conditions in domestic and external markets for major agricultural crops. In 2012, core inflation decreased to 5.7% from 6.6% in 2011 and industrial producer price inflation decreased to 5.1% from 12.0% in 2011. As real output of goods and services was close to its potential level, overall domestic demand did not result in significant growth of inflation rates.

In the first quarter of 2013, consumer price inflation was 1.9%, as compared to 1.5% in the first quarter of 2012; M2 grew by 0.2% in the first quarter of 2013, as compared to a decline of 2.1% in the first quarter of 2012. Consumer price inflation in the first quarter of 2013 was driven by growth in certain regulated prices and tariffs, as well as acceleration in the growth rate of prices for food products. Industrial producer prices fell by 0.4% during the first quarter of 2013 compared to a growth at 3.7% in the first quarter of 2012. The decrease in industrial producer price inflation in the first quarter of 2013 as compared to the same period of 2012 was primarily due to there being only a relatively small increase in prices for mining products during the first quarter of 2013, reflecting a weakening of global prices of raw materials and a slowdown in growth of industrial production in Russia. In the first half of 2013, consumer price inflation was 3.5%, as compared to 3.2% in the same period in 2012, while industrial producer prices fell by 0.9%, compared to a 0.4% increase in the first half of 2012. In the second half of 2013, consumer price inflation is expected to decrease and to meet the target range of between 5.0% and 6.0% by the end of the year.

The following table illustrates the movement in consumer and industrial producer prices for the periods indicated:

Inflation: Consumer and Producer Prices

	Consumer Price Inflation	**Industrial Producer Price Inflation**
	(% change, end of period)	
2008	13.3	(7.0)
2009	8.8	13.9
2010	8.8	16.7
2011	6.1	12.0
2012	6.6	5.1
1Q 2012	1.5	3.0
1Q 2013	1.9	0.9
1H 2012	3.2	0.4
1H 2013	3.5	(0.9)

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 April	
	2009	2010	2011	2012	2013	2012	2013
	(millions of roubles, except ratio)						
Net foreign assets	12,197,869	13,942,674	15,041,198	17,391,930	17,314,401	16,615,141	17,882,119
Claims on nonresidents	17,210,975	18,215,742	19,774,767	22,861,791	23,722,395	21,772,521	24,724,718
Liabilities to nonresidents	5,013,106	4,273,068	4,733,568	5,469,861	6,407,994	5,157,380	6,842,599
Domestic claims	10,078,161	13,241,822	17,468,220	22,155,581	26,579,432	21,955,695	26,768,376
Net claims on general government	(7,867,138)	(5,174,038)	(3,318,681)	(4,465,223)	(5,201,565)	(5,215,134)	(6,038,732)
Claims on general government	1,242,601	1,738,827	2,306,883	3,021,986	3,229,670	3,021,218	2,953,887
Liabilities to general government	9,109,738	6,912,865	5,625,565	7,487,208	8,431,235	8,236,352	8,992,618
Claims on other sectors	17,945,299	18,415,861	20,786,901	26,620,804	31,780,997	27,170,829	32,807,107
Other financial institutions	498,341	564,379	648,990	1,177,496	1,488,888	1,238,415	1,495,733
Public nonfinancial organisations	294,811	287,027	299,299	376,649	385,231	369,109	386,153
Other nonfinancial organisations	12,771,892	13,631,849	15,312,772	19,011,218	21,493,887	19,135,820	22,118,150
Households	4,380,254	3,932,605	4,525,840	6,055,441	8,412,992	6,427,486	8,807,071
Broad money	16,276,697	19,095,800	23,791,156	28,754,623	32,226,354	28,345,788	32,626,585
Currency in circulation[2]	3,794,829	4,038,051	5,062,746	5,938,555	6,430,063	5,704,317	6,181,398
Transferable deposits[3]	3,858,613	4,287,587	5,797,116	6,918,873	7,323,494	6,568,928	7,226,826
Other financial institutions	306,731	234,472	317,047	393,604	372,490	454,244	528,326
Public nonfinancial organisations	403,267	461,535	526,191	573,497	542,508	489,703	487,088
Other nonfinancial organisations	2,242,256	2,457,783	3,311,434	3,782,057	3,823,174	3,671,237	3,878,827
Households	906,359	1,133,796	1,642,443	2,169,715	2,585,321	1,953,744	2,332,585
Other deposits	8,623,254	10,770,161	12,931,295	15,897,194	18,472,797	16,072,543	19,218,361
Other financial institutions	506,945	581,434	568,804	889,632	1,239,766	985,411	1,300,155
Public nonfinancial organisations	94,552	180,182	202,931	203,604	209,846	184,562	247,544
Other nonfinancial organisations	2,968,660	3,600,220	3,893,533	5,013,125	5,472,832	4,787,433	5,431,715
Households	5,053,098	6,408,324	8,266,026	9,790,833	11,550,352	10,115,137	12,238,947
Deposits not included in broad money	307,041	336,399	289,021	533,344	573,083	543,566	675,212
Securities not included in broad money	657,165	617,860	643,084	806,521	1,119,983	925,603	1,246,943
Shares and other equity	5,158,176	6,219,422	6,968,692	8,421,687	8,752,973	8,681,236	8,967,787
Other items (net)	(123,049)	915,016	817,465	1,031,336	1,221,439	74,642	1,133,968
Other liabilities	2,197,940	3,616,755	3,767,406	4,356,657	5,052,985	3,503,564	5,008,716
Other assets	2,079,655	2,351,613	2,591,521	2,915,809	3,482,164	3,064,964	3,537,966
Consolidation adjustment	(241,335)	(350,126)	(358,420)	(409,512)	(349,381)	(363,958)	(336,781)
Memo:							
Monetary base (broad definition)[4]	5,578,717	6,467,318	8,190,329	8,644,100	9,852,800	7,787,800	8,628,100
Money supply (M2) (national definition)[5]	12,975,865	15,267,572	20,011,894	24,483,120	27,405,369	23,975,282	27,465,940
Velocity of M2[6]	3.11	3.05	2.67	2.64	2.51	-	-

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). Data in this table is presented as of 12 July 2013.

(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 monthly series of M2 and nominal GDP for the period. Velocity of M2 is not calculated on a quarterly basis.

Source: Bank of Russia.

Instruments of Monetary Policy and Interest Rates

The primary instruments of monetary policy employed by the Bank of Russia are open-market operations (including the purchase and sale of government securities in the secondary market), bank reserve requirements and standing facilities. The Bank of Russia has no single key policy rate, but rather an interest rate corridor.

As the exchange rate becomes more flexible, the Bank of Russia expects to have greater control over market interest rates. The Bank of Russia influences short-term interest rates through its interest rate band, the upper limit being the overnight credit rate, i.e., the refinancing rate, and the lower limit being the standby deposit rate. In 2012 and 2013, the dynamics of monetary market rates have been driven by the interest rate policy of the Bank of Russia and liquidity movements within the banking sector. As a result of the banking sector returning to its status as a net debtor of the Bank of Russia in September 2011, the key short term money market interest rate has been the minimum auction rate for refinancing operations.

The Bank of Russia regulates liquidity within the banking system through a variety of interest rate instruments designed to provide or absorb liquidity, including by auction operations and open-market operations, providing standing facilities and adjusting bank reserve requirements. Refinancing operations are primarily used by the Bank of Russia to regulate short-term liquidity. The Bank of Russia provides financing to credit organisations through direct repo auctions for periods of either one day or one week. The Bank of Russia also uses refinancing standing facilities for periods ranging from one day to one year, such as overnight loans, currency swaps, Lombard loans, direct repo transactions, loans secured by gold and loans secured by non-market assets and guarantees, which allow credit organisations to attract funds secured by a wide range of assets. Where there is temporary excess of liquidity in the market, the Bank of Russia may use liquidity absorbing instruments, including deposit auctions, standing deposit operations and operations involving Bank of Russia bonds.

Though less frequently used as a tool to regulate liquidity, the Bank of Russia also purchases and sells Russian government bonds without the obligation to repurchase or resell. In April 2010, the Bank of Russia decided to no longer carry out six- and 12-month REPO auctions and auctions of 12-month Lombard loans as well as to no longer extend collateralised credit facilities for periods of 181 to 365 calendar days to credit organisations, and from 1 October 2010, the Bank of Russia ceased auctions of 6-month Lombard loans. In August 2011, the Bank of Russia approved a new standing facility for the provision of loans secured by gold for a period of up to 90 days and, in November 2011, for a period of up to 180 days. In November 2011, the Bank of Russia resumed its policy of extending 91 to 180 day credits secured by non market assets, which had previously been suspended in February 2011.

In April 2012, the Bank of Russia added one-week deposit auctions to its list of monetary instruments, while one-month deposit auctions were suspended starting from the third quarter of 2012. At the same time, one-week fixed-term deposit and Lombard loan operations were suspended. In the second quarter of 2012, the Bank of Russia resumed refinancing operations (Lombard auctions, direct REPO auctions, credits secured by non market assets or suretyships) for a period of up to one year and commenced providing loans secured by gold for a period of up to one year.

Current Policy

The Bank of Russia's monetary policy is focused on control over inflation in order to support sustainable and balanced economic growth and the maintenance of financial system stability. See below "—Monetary Policy Guidelines for 2013 through 2015". In response to the global financial crisis, beginning in the second half of 2008, the Bank of Russia implemented a set of additional measures designed to maintain financial sector stability, and, in particular, expanded the volume of liquidity available to the banking sectors. As the Russian economy recovered from the crisis, the Bank of Russia has gradually reduced its use of anti-crisis measures, while at the same time maintaining a stimulative, growth oriented monetary policy with relatively low interest rates. In 2009-2010, the Bank of Russia began to transition to free floating exchange rate regime, a policy the Bank of Russia intends to continue, reflecting a transition away from an exchange rate based monetary policy, and is instead primarily focused on inflation targeting through an interest rate based policy. "

As part of its inflation targeting strategy, the Bank of Russia considers revisions to interest rates on a monthly basis. Based on macroeconomic data, the Bank of Russia assesses the adequacy of current interest rates associated with interbank operations in light of key macroeconomic risks, in particular the risk of inflationary pressure associated with rapid growth and the risk that medium term inflation will exceed targeted limits. The Bank of Russia then approves changes to interest rates as necessary to implement its inflation targeting policy.

In September 2012, the Bank of Russia increased the refinancing rate by 0.25% to 8.25%, and also increased the overnight credit and overnight deposit rates by 0.25% to 8.25% and 4.25%, respectively. In December 2012, the Bank of Russia increased the overnight deposit rate by an additional 0.25%, to 4.5%. In both 2012 and 2013 the Bank of Russia narrowed the interest rate corridor for its operations and decreased interest rates for certain refinancing operations for periods of over one month.

Exchange Rates

In accordance with the Russian Federation's unified monetary policy, the Bank of Russia has adopted a managed floating exchange rate regime, which is designed to limit excessive rouble volatility without imposing quantitative targets or fixed limits on the exchange rate. Currently, the rouble is moving in line with other major commodity currencies and the currencies of the other BRIC countries. The Bank of Russia intends to complete the move to a free floating exchange rate regime by 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(1)	**End of Period(2)**	**Average(1)**	**End of Period(2)**
2008	24.81	29.38	36.41	41.44
2009	31.68	30.24	44.13	43.39
2010	30.36	30.48	40.27	40.33
2011	29.35	32.20	40.87	41.67
2012	31.07	30.37	39.94	40.23
1Q 2013	30.40	31.08	40.20	39.80

Notes:

(1) The average rates are calculated as the geometric average of the monthly average exchange rates of rouble for the relevant period.

(2) The period end rates are quoted for the last business day of the relevant period.

Source: Bank of Russia.

In an effort to neutralise sharp exchange rate fluctuations in the domestic foreign currency market, the Bank of Russia adopted a managed floating exchange rate regime in September 1998, which it continued to follow until 2009 when it started a transition to a free floating exchange rate regime. Until 2005, the Bank of Russia focused primarily on maintaining a stable dollar/rouble exchange rate. Beginning 1 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 initially consisted of €0.1 and U.S.$0.9. Over time, the weighting of the euro has gradually increased, and the basket is currently set at €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. The borders of this operational band are designed to adjust automatically depending on the volume of Bank of Russia interventions.

The floating operational band effectively replaced the Bank of Russia's fixed band and has become the Bank of Russia's principal means to manage foreign exchange fluctuations. The fixed band since its inception underwent a gradual widening and, with a corridor of 26 roubles and 41 roubles, was at its widest in January 2009 and officially cancelled in October 2010. The dollar retains its leading position and continues to be the preferred currency for exports and domestic savings, although the euro has become an increasingly common savings instrument among Russian residents, particularly in 2006 and 2007 when the dollar weakened against both the rouble and the euro. Since 2005, exchange rate flexibility has increased substantially, and, starting from 2009, the scale of Bank of Russia's interventions on the domestic exchange market has begun to decrease.

During the first half of 2008, the rouble appreciated against the dollar by 19% in real terms and against the euro by 4.5% in real terms. The real effective exchange rate of the rouble appreciated by 4.6% during the first half of 2008. During the second half of 2008, the global financial crisis, and, in particular, the drop in world oil prices and the deteriorating commodities and financial markets, prompted a sell-off of rouble denominated assets. As a result, in the second half of 2008, the rouble appreciated by 7.8% in real terms against the dollar and by 5.0% against the euro. The real effective exchange rate of the rouble appreciated by 5.5% in the second half of 2008. Concurrently, the high level of foreign currency indebtedness of both the financial and non-financial sectors exacerbated the impact of the global crisis on the rouble. A large share of this debt came due in the fourth quarter of 2008, when equity markets—and thus the value of collateral offered by corporate debtors—were deteriorating. A large number of creditors began to demand additional collateral or early repayment, which had the effect of significantly increasing the demand for foreign currency. In order to meet this increased demand as well as manage the downward pressure on the rouble, the Bank of Russia sold foreign currency on the domestic market during the second half of 2008, resulting in net sales of dollars and euros of U.S.$69.2 billion in 2008, compared to net purchases of U.S.$142.3 billion in 2007. Net foreign currency sales on an average monthly basis were approximately U.S.$5.8 billion in 2008. In November 2008, the Bank of Russia announced it would gradually widen the corridor in which the rouble would be allowed to trade against the dual-currency basket. During 2008, the rouble appreciated by 3.1% in nominal terms against the dollar and depreciated by 3.8% against the euro. Nevertheless, in 2008, the rouble appreciated in real terms against both the dollar (by 13.3%) and the euro (by 6.4%). The dual-currency basket equalled 34.81 roubles as at 31 December 2008.

The exchange rate policy in 2009 was designed primarily to mitigate the impact of the global financial crisis on the Russian economy. In the first days of January 2009, the Bank of Russia accelerated its controlled devaluation of the rouble. Expectations that the rouble would continue to depreciate put additional downward pressure on the domestic currency, prompting further sales of rouble assets. At the same time, demand for foreign currency on the domestic money markets continued to outpace supply. As a consequence, interest rates on rouble assets increased sharply, causing the rouble interbank loan market to tighten considerably. In mid-January, in an effort to slow depreciation of the rouble, the Bank of Russia limited its disbursement of unsecured loans. This measure had the effect of increasing the demand for roubles, thereby strengthening the rouble against the dual-currency basket, as liquidity tightened and tax payments came due. In a further effort to stabilise the rouble, the Bank of Russia on 23 January 2009 announced that it had completed its gradual adjustment of the exchange rate, setting the upper and lower limits of the exchange rate corridor at 41 roubles and 26 roubles, respectively, against the dual-currency basket. Beginning in February 2009, the Bank of Russia began to use the floating operational band discussed above, with the initial width of the operational band set at two roubles.

In 2009, net foreign currency purchases on an average monthly basis totalled approximately U.S.$1.4 billion. In 2009, the rouble depreciated in nominal terms by 21.7% against the dollar and 17.5% against the euro. In real terms, the rouble depreciated by 12.2% against the dollar and 8.3% against the euro in 2009. The real effective exchange rate of the rouble depreciated by 5.6% in 2009. During 2009, the operational band was adjusted more than twenty times, although it remained a two-rouble wide operational band until July 2009. In July 2009, the Bank of Russia widened the operational band to three roubles, and, during the second half of 2009, the value of the dual-currency basket fluctuated within the operational band. The dual-currency basket as at 31 December 2009 equalled 36.16 roubles.

The Russian Federation's overall net private sector capital outflows in 2010 totalled U.S.$30.8 billion. In 2010, the rouble appreciated by 4.3% against the dollar and by 9.6% against the euro in nominal terms. In real terms, the rouble appreciated by 9.7% against the dollar and by 15.5% against the euro. The real effective exchange rate of the rouble appreciated by 9.6% in 2010. In 2010, the Bank of Russia carried out targeted currency interventions in order to limit rouble volatility and to correct imbalances in the supply of and demand for foreign currency on the domestic currency market. Net foreign currency purchases on an average monthly basis totalled approximately U.S.$2.8 billion in 2010. During 2010, the operational band continued to adjust regularly. In October 2010, in line with its implementation of a more flexible exchange rate policy, the Bank of Russia expanded the three rouble wide band by 50 kopeks in both directions. As of 1 January 2011, the dual-currency basket was valued at 34.91 roubles, which was in the central part of the operational band.

The Russian Federation's overall net private sector capital outflows in 2011 totalled U.S.$84.8 billion. In 2011, the rouble appreciated by 3.4% against the dollar and depreciated by 1.5% against the euro in nominal terms. In real terms, the rouble appreciated by 8.8% against the dollar and by 4.1% against the euro. The real effective exchange rate of the rouble appreciated by 4.7% in 2011. During the first ten months of 2011, the value of the dual-currency basket decreased, to a great extent due to movements in the dollar rouble exchange rate. From November 2011, the value of the dual-currency basket stabilised and reached 36.46 roubles as of 1 January 2012.

The Russian Federation's overall net private sector capital outflows in 2012 totalled U.S.$53.8 billion. In 2012, the rouble depreciated by 5.5% against the dollar and appreciated by 2.3% against the euro in nominal terms. In real terms, the rouble depreciated by 2.7% against the dollar and appreciated by 4.9% against the euro. The real effective exchange rate of the rouble appreciated by 2.4% in 2012. During 2012, the value of the dual-currency basket decreased by 4.5%. The value of the dual-currency basket reached 34.81 roubles as of 1 January 2013. In 2012, the scale of Bank of Russia interventions on the domestic exchange market has decreased.

The Russian Federation's overall net private sector capital outflows decreased in the first quarter of 2013 and totalled U.S.$28.4 billion, as compared to U.S$34.7 billion in the first quarter of 2012. In the first quarter of 2013, the rouble appreciated by 1.1% against the dollar and by 0.2% against the euro in nominal terms. In real terms, the rouble appreciated by 1.7% against the dollar and by 1.5% against the euro. In the first quarter of 2013, the real effective exchange rate of the rouble appreciated by 2.1%. During the first quarter of 2013, the value of the dual-currency basket increased by 0.74% and reached 35.01 roubles as at the end of the period.

Monetary Policy Guidelines for 2013 through 2015

According to the Bank of Russia's monetary policy guidelines for 2013 through 2015, one of its key monetary policy objectives for 2013 through 2015 is lowering consumer price growth rates to between 5.0% and 6.0% in 2013 and to between 4.0% and 5.0% in 2014 and 2015, in order to promote balanced economic growth and to maintain financial stability. The Bank of Russia intends to complete the transition to an inflation targeting regime by 2015.

The implementation of the monetary policy is based on the managing of interest rates through various instruments for providing and absorbing liquidity within the banking sector. To enhance the efficiency of its interest rate policy, the Bank of Russia plans to continue implementing measures for upgrading its system of interest rate instruments and enhancing the flexibility of exchange rates, with the aim of completing the transition to a floating exchange rate by 2015. In support of its monetary policy goals, the Bank of Russia plans to focus on improving the Russian national payments system and further developing Russian financial markets and the Russian banking sector. To maintain financial stability, the Bank of Russia expects to focus on the timely identification and assessment of systemic risks in the banking sector and financial markets and promote transparency of credit institutions' activity. The development of risk-based approaches to banking supervision, with a view to implementing international best practices, will be a key focus of the Bank of Russia in the medium term. According to the Strategy for the Development of the Banking Sector through 2015, the Bank of Russia will focus on improving the procedures for licensing, financial rehabilitation and liquidation of credit organisations, banking supervision and risk control within entire banking system, looking at the procedures in place at all banks on an individual basis, with additional focus on systemically important banks. These measures are intended to bring the system of banking regulation and banking supervision in line with international best practices, including the implementation of policies adopted by the Basel Committee on Banking Supervision (see "*—Banking—Structure of the Banking Industry*" below).

The Bank of Russia also plans to continue to conduct regular interviews and press conferences and to issue press releases and other reports (often in English) informing the public of its most important policy decisions and their consequences. This is intended to increase transparency and, in particular, to manage inflation expectations.

Banking

Structure of the Banking Industry

All credit institutions are required to be licensed by the Bank of Russia. A general banking licence is the most comprehensive licence available and allows a credit institution to engage in most banking operations. Under Russian law, banks holding general licences are allowed to open branches (upon prior Bank of Russia consent) and representative offices in foreign countries (with post notification of the Bank of Russia). Banks without a general licence require a separate licence to conduct foreign exchange operations.

The total number of active credit institutions licensed to conduct banking operations in the Russian Federation has generally decreased in recent years, to 954 as of 1 April 2013, due mainly to a decrease in the number of credit institutions with fewer than 180 million roubles in share capital. Of the 954 credit institutions with banking licences as of 1 April 2013, 895 were banks and 59 were non-bank credit institutions, 270 held general licences and 651 held foreign exchange licences. As of 1 April 2013, active credit institutions licensed to conduct banking operations included 74 wholly foreign owned organisations and an additional 45 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 April 2013, there were 2,243 branches of operating credit institutions in the Russian Federation, of which 130 belonged to 100% foreign owned banks in the Russian Federation and 175 belonged to Sberbank of Russia (the largest credit institution in the Russian Federation by assets, of which the Bank of Russia owns more than 50%).

Between 2008 and the first quarter of 2013, total assets of the Russian banking sector expanded by approximately 2.5 times. The five largest Russian banks held 42.3% and 50.9% of these assets as of 1 January 2008 and as of 1 April 2013, respectively. As of 1 January 2013, the five largest credit institutions in terms of assets accounted for 50.3% of total banking assets. As of 1 April 2013, client funds constituted approximately 61.8% of the liabilities of the banking sector, whereas loans, including loans to banks and overdue debt, constituted 69.8% of the sector's assets. As of 1 April 2013, revenues from foreign exchange operations constituted approximately 49.2% of the revenue structure of the country's operating credit institutions.

The global financial crisis had a severe negative impact on credit institutions, resulting in the banking sector becoming a net debtor of the Bank of Russia. As of 1 January 2009, net credits of the Bank of Russia to the banking sector equalled 2,514.9 billion roubles. The quality of loans issued by Russian banks also deteriorated as a result of the crisis, with the proportion of total credit under loans classified as problem loans or worse equalling 3.8% as of 1 January 2009 and 9.5% as of 1 January 2010, compared with 2.5% as of 1 January 2008. Overdue claims on loans, deposits and other placements increased from 184.1 billion roubles as of 1 January 2008 to 1,014.7 billion roubles as of 1 January 2010. This caused credit institutions to make substantial loss provisions, which increased from 3.7% of total loans as of 1 January 2008 to 9.2% as of 1 January 2010.

The banking sector experienced a recovery in 2010 and 2011. By the beginning of 2010, the banking sector returned to its pre-crisis position as a net creditor of the Bank of Russia. As of 1 January 2010, net credits of the banking sector to the Bank of Russia equalled 53.2 billion roubles, which increased to 1.64 trillion roubles as of 1 January 2011. As a result of an increase in commercial bank borrowings from the Bank of Russia, the banking sector again became a net debtor of the Bank of Russia and total borrowings equalled 0.1 trillion roubles as of 1 January 2012. Overall banking sector profits (as accounted for under Russian Accounting Standards) increased from 205.1 billion roubles in 2009 to 573.4 billion roubles in 2010 and 848.2 billion roubles in 2011. The quality of loans issued by Russian banks improved slightly in 2010 and 2011, with the percentage share of total credit under loans classified as problem loans or worse equalling 8.2% as of 1 January 2011 and 6.6% as of 1 January 2012, compared to 9.5% as of 1 January 2010. Despite this improvement, overdue claims on loans, deposits and other placements increased from 1,014.7 billion roubles as of 1 January 2010 to 1,035.9 billion roubles as of 1 January 2011 and 1,133 billion roubles as of 1 January 2012. Loan loss provisions equalled 8.6% of total loans as of 1 January 2011 and 6.9% as of 1 January 2012.

As of 1 April 2013, the banking sector was a net debtor of the Bank of Russia in the amount of 1,030.9 billion roubles. In 2012, overall banking sector profits (as accounted for under Russian Accounting Standards) increased to 1,011.9 billion roubles. In the first quarter of 2013, overall banking sector profits decreased to 239.4 billion roubles as compared to 267.9 billion roubles in the first quarter of 2012. The total value of loans classified as problem loans or worse equalled 6.5% of total loans as of 1 April 2013. Overdue claims on loans, deposits and other placements increased by 11.0% during 2013, totalling 1,257.4 billion roubles as of 1 April 2013. As of 1 April 2013, claims on overdue loans, deposits and other placements increased in the first quarter of 2013 by 3.8% and equalled 1,304.9 billion roubles. Loan loss provisions equalled 6.3% of total loans as of 1 April 2013.

The capital requirements established in the Russian Federation exceed the capital requirements set forth under Basel II. Overall, the Russian banking sector is therefore adequately capitalised. The banking sector's capital adequacy ratio equalled 15.5% as of 1 January 2008, at 1 January 2009 equalled 16.8%, and at 1 January 2010 reached 20.9%. As of 1 January 2011, 2012 and 2013, the capital adequacy ratio equalled 18.1%, 14.7% and 13.7%, respectively. As of 1 April 2013, the capital adequacy ratio equalled 13.4%. Total capital in the Russian banking sector has increased in recent years, from 2,671.5 billion roubles as of 1 January 2008 to 6,112.9 billion roubles as of 1 January 2013 and to 6,299.8 billion roubles as of 1 April 2013. In November 2010, at a summit of G20 member countries, the Russian Federation committed to implement by the end of 2018 the liquidity and capital adequacy requirements set forth under Basel III. In March 2013, the Bank of Russia published new capital definitions for Russian banks as part of the implementation of Basel III in Russia. Russian banks began reporting own funds and capital adequacy ratios under Basel III from 1 April 2013 and the Bank of Russia has announced that implementation of the Basel III capital adequacy requirements will become effective from 1 January 2014. The Russian Federation's Banking Sector Development Strategy contemplates a phased implementation of Basel III by Russian banks: (i) capital adequacy requirements will take effect from 2013 to 2015; (ii) the capital conservation buffer will take effect from 2016 to 2018; (iii) revised leverage ratios will take effect from 1 January 2018; (iv) updated liquidity coverage ratios will take effect from 1 January 2015; and (v) net stable funding ratios will take effect from 1 January 2018. See also "– Banking Supervision and Regulation".

The following table contains certain key indicators of the overall banking sector's financial soundness as of the dates indicated:

	1 January(1)						1 April
	2008	2009	2010	2011	2012	2013	2013
				(%)			
Capital Adequacy Risk							
Ratio of own funds (capital) to risk-weighted assets(2)	15.5	16.8	20.9	18.1	14.7	13.7	13.4
Credit Risk							
Share of problem loans and bad loans in total loans(3)	2.5	3.8	9.5	8.2	6.6	6.0	6.2
Loan loss provisions as a share of total loans	3.7	4.5	9.2	8.6	6.9	6.2	6.3
Ratio of shareholder loans to own funds(4)	3.4	2.2	1.5	1.8	1.4	1.5	1.3
Ratio of claims on insiders to own funds	1.1	0.9	0.7	0.6	0.7	0.7	0.7
Liquidity Risk							
Ratio of liquid assets to total assets(5)	24.8	25.9	28.0	26.8	23.9	23.2	22.9
Market Risk(6)	38.7	23.2	49.6	48.6	49.7	47.3	66.1
Of which							
Interest rate risk(7)	24.3	16.4	37.5	36.7	33.8	36.0	54.6
Equity position risk(8)	10.8	3.4	8.7	8.6	12.9	6.0	6.0
Foreign exchange risk(9)	3.6	3.4	3.5	3.2	3.0	5.4	5.4
Return on Assets(10)	3.0	1.8	0.7	1.9	2.4	2.3	2.1
Return on Equity(11)	22.7	13.3	4.9	12.5	17.6	18.2	17.0

Notes:

(1) Data in this table is presented as of 4 July 2013.

(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 July 2010, the risk coefficients are set in accordance with the Simplified Standardised Approach to credit risk within the framework of Basel II.

(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 can not 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) 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.

(6) 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.

(7) The market risk on financial instruments sensitive to changes in interest rates.

(8) The market risk on financial instruments sensitive to changes in the current (fair) value of equities.

(9) The market risk on positions in foreign currencies and precious metals.

(10) Calculated as the ratio of financial results (before tax) of credit institutions over the reporting period to the average amount of assets of credit institutions over the reporting period.

(11) Calculated as the ratio of financial results (before tax) of credit institutions over the reporting period to the average amount of own funds (capital) of credit institutions over the reporting period.

Source: Bank of Russia.

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. Currently, banks are required to make quarterly contributions of 0.1% of their deposits to the mandatory deposit insurance fund. The mandatory deposit insurance fund insures the full repayment of deposits up to 700,000 roubles per depositor per bank.

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 as a whole.

Under the supervision of the Bank of Russia, the Russian banking sector is expected to undertake a set of reforms from 2013-2018 in order to improve the banking regulatory framework taking due account of the lessons learnt during the financial crisis, including implementation of the Basel Committee on Banking Supervision's Basel III reforms set out in its publications, "Basel III: A global regulatory framework for more resilient banks and banking systems" and "Basel III: International framework for liquidity risk measurement, standards and monitoring".

These reforms will include more stringent requirements for monitoring and maintaining the quality and adequacy of the banks' capital. New leverage ratios (capital to non risk-weighted assets and off-balance sheet liabilities), together with special capital "buffers" for absorbing losses in times of liquidity stress and two new liquidity ratios (short term liquidity and net stable funding) will be introduced.

Basel III is expected to be implemented by Russian banks at the same time that it is implemented by banks in the EU and the United States, with Basel III capital adequacy requirements taking effect from 1 January 2014.

Core tier 1 capital ratios and tier 1 capital ratios for credit institutions are set at 5% and 5.5%, respectively (6% for the tier 1 capital ratio with effect from 1 January 2015). The 10% total capital ratio is retained as a minimum requirement and is also expected to be used as capital adequacy eligibility criteria for the purpose of banks' participation in the deposit insurance system. Capital adequacy limits under Basel II have been adjusted; in particular, the ratio applicable to operational risk has changed from 10 to 12.5. Basel III also provides an enhanced framework for considering counterparty credit risk exposures.

The Bank of Russia is working on an assessment of the adequacy of credit institutions' formation of potential loan loss provisions under the Bank of Russia Regulation No. 254-P "On the procedure for forming loan loss provisions by credit institutions for possible losses on loans, loan indebtedness and similar debts" dated 26 March 2004. More stringent requirements for loan loss provisions are being introduced for loans provided to high-risk borrowers.

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:

- stricter capital coverage requirements have been introduced for unsecured high-cost consumer credits provided after 1 July 2013;
- minimum loan loss provisions have been doubled in respect of unsecured consumer loans provided after 1 January 2013 where instalments are 0-30 days overdue; and
- a 100% provisioning requirement has been introduced in respect of unsecured consumer loans where instalments are over 360 days overdue.

The Bank of Russia regularly monitors credit institutions' compliance with mandatory ratios under the Bank of Russia's Instruction No. 139-I "On the banks’ mandatory ratios" dated 3 December 2012. 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.

Anti-Crisis Measures

In response to the global financial crisis, the Russian Federation undertook a series of measures designed to protect the stability of the banking sector. These measures focused mainly on the following priority areas: bolstering financial sector liquidity; supporting the interbank market; facilitating bank loans to the real economy; and ensuring the recovery and survival of banks that are essential to the stability of the overall sector:

- In October 2008, the Federal Assembly of the Russian Federation passed the Federal Law No. 173-FZ "On additional measures for support of the financial system of the Russian Federation" (the **Financial System Support Law**), which authorised provision of up to 910 billion roubles in long-term subordinated loans (with a maturity of up to 31 December 2019) to banks. Pursuant to this law, the Government provided Vnesheconombank with 410 billion roubles in long-term subordinated loans, using proceeds from the National Wealth Fund, and the Bank of Russia provided Sberbank with 500 billion roubles in long-term subordinated loans. Of the 410 billion roubles loaned to Vnesheconombank, 200 billion roubles were disbursed to VTB, 25 billion roubles to Russian Agricultural Bank and the remainder to various private banks.

- Pursuant to the Financial System Support Law, Vnesheconombank was given the authority (from the effective date of the law through 31 December 2009) to grant foreign currency loans (of up to U.S.$50 billion in aggregate) to Russian companies, including financial institutions, for the refinancing of foreign currency loans obtained prior to 25 September 2008. As of the end of the first quarter of 2009, Vnesheconombank agreed to refinance Russian companies and banks' external obligations for a total amount of approximately U.S$14.3 billion.

- The Bank of Russia introduced a new facility for providing unsecured loans to certain banks. Maximum indebtedness under this facility from October 2008 through 2010 equalled 1.9 trillion roubles and was reached in March 2009.

- From 14 October 2008 until 31 December 2010, the Bank of Russia was given the authority to enter into agreements with credit organisations, pursuant to which the Bank of Russia was authorised to compensate such credit organisations for losses incurred on the interbank market as a result of loans made during the above mentioned time period to credit organisations whose licences had been revoked. As of 31 December 2010, the Bank of Russia entered into such agreements with 15 banks as well as Vnesheconombank, which, through 31 December 2010, had concluded lending transactions with 346 credit organisations as borrowers. From 14 October 2008 through 31 December 2010, 41,081 transactions totalling approximately 9.4 billion roubles were eligible for compensation under this programme. During this period, there were only three instances when the Bank of Russia was required to compensate banks for overdue debt under eligible interbank lending transactions. All proceeds used for such compensation were subsequently repaid to the Bank of Russia.

- In October 2008, the Bank of Russia broadened the range of assets that banks can use as collateral in refinancing transactions and extended the terms of loans secured by non-market assets, such as promissory notes, guarantees and other receivables. As of 1 January 2010, indebtedness pursuant to transactions secured by this broader range of collateral equalled approximately 439.1 billion roubles.

- On 15 October 2008, a reserve requirement of 0.5% became effective for all types of liabilities subject to reserve requirements. The reserve requirement has since then been gradually increased to 5.5%, 4.0% and 4.0% for liabilities to non resident legal entities, for liabilities to individuals and for liabilities of credit organisations, denominated in either roubles or foreign currencies, respectively, as of 28 February 2013. Starting from 1 March 2013, the reserve requirement was increased to 4.25% for all types of liabilities.

- On 27 October 2008, a federal law was passed to support the stability of the banking system and for the restructuring of credit organisations through 31 December 2011. The law was subsequently amended to extend its application thought 31 December 2014. Pursuant to this law, the Bank of Russia, together with the Deposit Insurance Agency, is permitted to undertake measures to support the financial condition of banks threatened by insolvency. Supporting measures include introduction of the Deposit Insurance Agency temporary receivership, mandatory capital decreases, the acquisition by the Deposit Insurance Agency of controlling interests in defaulting banks and the sale to private investors of assets or controlling interests in defaulting banks. This law also sets forth the sources of financing for the aforementioned measures.

- In November 2008, the Bank of Russia increased the refinancing rate from 11% to 13%. Since 24 April 2009, the Bank of Russia has implemented a series of reductions in the refinancing rate. On 28 February 2011, the Bank of Russia increased the refinancing rate from 7.75% to 8%, which was further increased on 3 May 2011 to 8.25%. In December 2011, the refinancing rate was lowered to its 8%, before being raised back to 8.25% on 14 September 2012.

- Insurance coverage provided by the Deposit Insurance Agency for retail deposits has been expanded to 700,000 roubles per depositor per bank.

- In 2008, additional funding was provided to the Deposit Insurance Agency (200 billion roubles) and the Agency for Home Mortgage Loans was recapitalised (60 billion roubles). As part of its Anti-Crisis Programme for 2009, the Government allocated an additional 60 billion roubles (20 billion roubles for recapitalisation and 40 billion roubles in the form of loans) to the Agency for Home Mortgage Loans.

- As of 30 December 2008, the procedure required for foreclosures has been simplified. Pursuant to the amended procedures, subject to limited exceptions, parties to a pledge agreement may agree on an out-of-court enforcement procedure.

- In an effort to bolster the liquidity of the financial markets, the Government broadened the types of assets in which balances from the National Wealth Fund may be invested. For this purpose, the Ministry of Finance transferred 175 billion roubles to Vnesheconombank in the fourth quarter of 2008 for its onward investment in various Russian securities. In December 2009, the 175 billion roubles were repaid to Vnesheconombank.

- To encourage consolidation in the banking sector, the procedures for bank mergers and acquisitions have been streamlined.

- In February 2009, a law requiring all banks to maintain at least 180 million roubles of own funds was adopted. However, pursuant to this law, a bank is permitted to continue operation with less than 180 million roubles of own funds, provided the following conditions are met: (i) the bank had own funds of less than 180 million roubles as of 1 January 2007, and its amount of own funds did not subsequently decrease in a material fashion; (ii) the bank maintains own funds of at least 90 million roubles, beginning 1 January 2010; and (iii) the bank increases its amount of own funds to 180 million roubles by 1 January 2012. Under a new law adopted in December 2011, the minimum amount of own funds that a bank is required to maintain has been increased to 300 million roubles. Banks with own funds of less than 300 million roubles are permitted to continue operations, provided that they meet the 300 million rouble requirement by 1 January 2015.

- Under federal law, effective 1 January 2009, certain entities, such as state corporations (*gosudarstvennie korporatsii*) and limited liability companies that were previously prohibited from doing so, have been granted the right to issue exchange traded debt securities.

- As part of its Anti-Crisis Programme for 2009, the Government earmarked 495 billion roubles for loans (and other forms of funding) to banks, a portion of which was provided by the Bank of Russia.

- In July 2009, a federal law was passed to improve the capitalisation of banks. Under this law, until 31 December 2010, banks were entitled to issue non-voting preferred shares with veto rights on certain matters in exchange for receiving federal bonds (OFZs). Ultimately, the preferred shares may either be converted into ordinary shares after a 10-year grace period or be purchased by the bank or its shareholders.

To ensure control over the disbursement of state funds, the Bank of Russia may appoint its own representatives to each bank that has received state funding either under the Financial System Support Law or the Bank of Russia's uncollateralised lending programme. Until full repayment of state funds, the Bank of Russia's representatives are entitled to participate without voting rights in meetings of all governing bodies of the bank and to receive information about management remuneration and the bank's credit and liability management policies.

To support the real economy, the Government has simplified the process for granting state guarantees, and, in particular, has delegated to the Ministry of Finance the authority to provide state guarantees of up to 10 billion roubles per guarantee to certain corporate issuers.

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.

Prior to June 2004, the convertibility of the rouble was heavily regulated. In June 2004, a new Federal Law No. 173-FZ "On currency regulation and control" dated 10 December 2003 (the **Currency Law**) came into force that liberalised the exchange control regime. It envisaged full convertibility of the rouble, although a transition period remained in effect for certain provisions until 1 July 2006 and certain other provisions until 1 January 2007, during which time the Bank of Russia and the Government were authorised to impose currency control measures. Under the Currency Law, only those currency operations which are listed in the law are subject to regulation by the Government and the Bank of Russia. 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.

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**). MICEX was established in 1991 as a department of the Bank of Russia's Soviet predecessor, and was transformed in January 1992 into a closed joint stock company. 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 and the Association of Russian Banks are also shareholders. Only members of the Moscow Exchange, which include commercial banks, financial institutions and certain other investment institutions, may participate in currency exchange trading on the Moscow Exchange. The Bank of Russia buys and sells currencies through the Moscow Exchange to implement its exchange rate policy.

The major currency traded on the Moscow Exchange is the dollar, accounting for over 90% of total turnover (excluding currency swap operations); the other major currency traded on the Moscow Exchange is the euro.

The Bank of Russia and the Moscow Exchange have supported the establishment of a system of regional currency exchanges within the Russian Federation. There are currently seven regional exchanges, the largest of which are the St. Petersburg Currency Exchange and the Siberian Interbank Currency Exchange.

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 bonds (OFZs), state savings bonds (GSOs) and OVOZs (the federal government domestic bonds placed in the international capital market). OFZs are initially issued through the MICEX exchange or via closed subscription. See "—Foreign Exchange Market" above. Secondary trading of OFZs takes place on the MICEX exchange and its representative regional exchanges. OFZs are issued in certified form with centralised record keeping and are held in book entry form. As of 1 January 2013, the par value of federal government rouble denominated bonds outstanding was approximately 4,064.3 billion roubles (U.S.$133.8 billion, based on the 1 January 2013 exchange rate), including 3,296.7 billion roubles (U.S.$108.5 billion) of OFZs, 677.6 billion roubles (U.S.$22.3 billion) of GSOs and 90 billion roubles (U.S.$3 billion) of OVOZs. As of 1 April 2013, the nominal value of federal government rouble denominated bonds outstanding was 3,883.9 billion roubles (U.S.$ 124.9 billion, based on the 1 April 2013 exchange rate), including 3,186.3 billion roubles (U.S.$ 102.5 billion) of OFZs, 607.6 billion roubles (U.S.$19.5 billion) of GSOs and 90 billion roubles (U.S.$2.9 billion) of OVOZs. For a detailed description of the various government domestic debt instruments, see "Public Debt and Related Matters—Domestic Debt—Government Domestic Debt".

The market for federal government securities (OFZs and sovereign Eurobonds) has been increasingly liberalised. From 1 January 2012, OFZs and sovereign Eurobonds became eligible for admission to trading on Russian stock exchanges and the over the counter market. As a result of amendments to the Russian securities legislation in 2011 and 2012, Russian OFZs are now cleared and settled centrally through a non-banking credit organization closed joint stock company, the National Settlement Depository (**NSD**), in its capacity as the central depository, and have become eligible for clearing and settlement through international clearing systems, including Euroclear and Clearstream. 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 April 2013, there were 98 outstanding rouble denominated bond issuances by 39 constituent entities of the Russian Federation and municipalities, with an aggregate principal amount of 383.4 billion roubles (U.S.$12.3 billion, based on the 1 April 2013 exchange rate). Of this aggregate principal amount, 375.0 billion roubles (U.S.$12.1 billion) were issued by constituent entities of the Russian Federation, including 145.0 billion roubles (U.S.$4.7 billion) by the city of Moscow, and 8.5 billion roubles (U.S.$0.3 billion) were issued by municipal entities.

Corporate Securities

The trading of privatisation vouchers issued in connection with the Russian Federation's mass privatisation programme, implemented between 1992 and 1994, played an important role in the development of the equity securities market in the Russian Federation. A certificateless securities system was subsequently adopted, largely in response to fraud encountered in trading of these vouchers. As a result, all common and preferred stock in the Russian Federation is held in book-entry form, with ownership recorded in the issuer's share register.

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 four licensed stock exchanges in the Russian Federation, including the Moscow Exchange, 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 2008 the average daily stock turnover of corporate securities' secondary trading (shares and corporate bonds) on MICEX reached U.S.$2.6 billion (using the average annual exchange rate of 24.81 roubles per U.S. dollar). In 2009, 2010 and 2011, the average daily stock turnover of corporate securities' secondary trading on MICEX was U.S.$2.3 billion (at the average annual exchange rate of 31.68 roubles per U.S. dollar), U.S.$2.8 billion (at the average annual exchange rate of 30.36 roubles per U.S. dollar) and U.S.$3.4 billion (at the average annual exchange rate of 29.35 roubles per U.S. dollar), respectively. In 2012, the average daily turnover of corporate securities' secondary trading on the Moscow Exchange was U.S.$2.2 billion (at the average annual exchange rate of 31.07 roubles per U.S. dollar) and in the first quarter of 2013 it was U.S.$2.1 billion (at the average quarterly exchange rate of 30.40 roubles per U.S. dollar).

The market capitalisation of companies listed on Russian stock markets increased significantly in the period before the global financial crisis, and then, as a result of the crisis, decreased in 2008. In 2009, both RTS and MICEX recovered a portion of the market capitalisation that had been lost in 2008. The total market capitalisation of the RTS was approximately U.S.$375 billion at the end of 2008, U.S.$763.5 billion at the end of 2009 and U.S.$990.5 billion at the end of 2010. The total market capitalisation of MICEX was U.S.$337.4 billion, U.S.$738 billion and U.S.$950.7 billion at the end of 2008, 2009 and 2010, respectively. The total market capitalisation of the stock market in the Main Market sector of the Moscow Exchange as of 1 January 2012 and 1 January 2013 was U.S.$767.0 billion and U.S.$830.1 billion, respectively, and as of 1 April 2013 it was U.S.$774.0 billion.

The Russian corporate bond market has been a fast-growing segment of the Russian financial markets. The number of bond issues and their tenor increased significantly between 2002 and the first half of 2008, and the outstanding volume of corporate bonds continued to increase through 2012. The outstanding volume of corporate bonds amounted to 1,815 billion roubles (U.S.$61.8 billion), 2,568.7 billion roubles (U.S.$84.9 billion), 2,965.4 billion roubles (U.S.$97.3 billion), 3,436.6 billion roubles (U.S.$107.3 billion) and 4,165.75 billion roubles (U.S.$137.2 billion) at year-end 2008, 2009, 2010, 2011 and 2012, respectively. The outstanding nominal volume of corporate bonds was 4,444.73 billion roubles (U.S.$143 billion) at the end of the first quarter of 2013. The average daily turnover of Russian corporate bonds on MICEX was approximately U.S.$0.4 billion in 2007 and 2008 and, as a result of the global financial crisis, decreased to U.S.$0.3 billion in 2009. The average daily turnover of Russian corporate bonds on MICEX increased to approximately U.S.$0.6 billion in 2010 and U.S.$0.7 billion in 2011. The average daily turnover of Russian corporate bonds on the Moscow Exchange also equalled U.S.$0.7 billion in 2012, and increased to U.S.$0.9 billion in the first quarter of 2013.

Regulation of the Capital Markets

The Bank of Russia's Service for the Financial Markets has primary responsibility for regulating the Russian securities market, with effect from 1 September 2013 taking on 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. Pursuant to its regulatory authority, as an anti-crisis measure, the FSFM prohibited the short selling of stocks between 30 September 2008 and 9 April 2009 amid concerns that such sales during a period of global financial crisis would lead to a collapse in Russian stock prices and to the bankruptcy of Russian companies. Short selling continues to be subject to strict regulation. 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).

In 2009, the Government adopted a Concept for Creating an International Financial Centre in Russia. This Concept sets forth the following set of measures designed to prepare Moscow to become an international financial centre: (i) establishing a transparent and flexible regulatory system for the financial markets; (ii) developing an effective financial system, including attracting long-term institutional investors, offering a more diverse array of financial products and fostering a competitive financial sector labour market; (iii) integrating the Russian Federation into the global financial markets; (iv) improving financial and business infrastructure as well as living conditions in Moscow; and (v) improving the Russian Federation's image as a reliable partner.

On 7 December 2011, the Russian President signed the 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 the 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 company 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 the Central Depository Laws) 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 depositaries, foreign clearing systems) is able to open a foreign nominee depo account with a Russian custodian. A foreign institution that is an international centralized system for the purposes of recording rights to or settling transactions with securities, such as Euroclear Bank S.A./N.V. (**Euroclear Bank**) or Clearstream Banking S.A. (**Clearstream**), or a foreign central depository and/or settlement depository, can open such foreign nominee depo account only with the Central Depository, provided that such foreign institution has been included in the list of eligible institutions. According to the list adopted by the FSFM in July 2012, 75 foreign companies have been designated as "eligible institutions", including Euroclear Bank and Clearstream. Eligible institutions are entitled to hold Russian sovereign, sub-federal and municipal bonds, Russian corporate bonds and foreign securities on their foreign nominee depo accounts with the Central Depository. Starting from 1 July 2014, they will also be authorised to hold other types of securities deposited with the Central Depository.

On 10 July 2013, a set of amendments was introduced to legislation relating to the creation of a financial "mega-regulator" in Russia. According to these amendments, the most significant of which are expected to come into force on 1 September 2013, the FSFM was integrated into the Bank of Russia and all of the FSFM's functions were transferred to the Bank of Russia.

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 the 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 Russian credit institutions, involved in transactions with money and certain property. Pursuant to the Anti-Money Laundering Law, Russian banks 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) block the accounts of companies and individuals engaging in extremist or terrorist activity. The Federal Service on Financial Monitoring is the main governmental authority acting as a financial intelligence unit, and, together with the Bank of Russia, exercises control over banks' compliance with the Anti-Money Laundering Law. Russian banks are obligated to report through the Bank of Russia to the Federal Services on Financial Monitoring with respect to the types of transactions mentioned above. Failure of a bank or its officers to comply with the requirements of the Anti-Money Laundering Law may result in revocation of banking license and criminal penalties for individuals.

Insurance

Activities related to insurance and reinsurance in the Russian Federation are regulated by a number of laws which govern the provision of insurance and reinsurance services, the legal status of these services and their providers, the operation of service providers, reorganisation measures and winding-up proceedings, the legal status of insurance and reinsurance intermediaries, and the activities and supervision thereof.

As at 1 January 2013, there are 458 insurance companies operating in the Russian Federation, 45 of which are engaged in life insurance and 413 of which are engaged in non-life insurance services. In 2012, gross premiums collected by insurers increased by 20.6 per cent. compared to 2011 and totalled 806.5 billion roubles (life insurance companies accounted for 84.0 billion roubles and non-life insurance companies for 722.5 billion roubles). In the same period, the gross number of claims paid grew by 20.3 per cent. and amounted to 367.4 billion roubles (life insurance companies accounted for 17.2 billion roubles and non-life insurance companies accounted for 350.2 billion roubles). The total amount of equity and insurance reserves of Russian insurers as at 1 January 2013 amounted to 330.8 and 606.1 billion roubles, respectively. These funds were invested predominantly in securities (34.2% of total investments) and in deposits with credit institutions (21.1% of total investments).

PUBLIC DEBT AND RELATED MATTERS

Overview

As of 31 December 2012, the Russian Federation's total public debt, consisting of the debt of the federal government and guarantees issued by the federal government**,** was U.S.$214.7 billion, representing 10.4% of GDP, an increase from U.S.$166.0 billion as of 31 December 2011 (9.6% of GDP) and U.S.$136.4 billion as of 31 December 2010 (9.0% of GDP). As of 31 March 2013, the Russian Federation's total public debt was U.S.$203.9 billion (10.1% of 2012 GDP). The Russian Federation's public debt is expected to reach approximately 13.1% of GDP in 2013, 13.7% of GDP in 2014 and 13.4% of GDP in 2015 based on planned volumes of borrowing according to the 2013-2015 federal budget. As of 31 December 2010, total external debt (consisting of public sector external debt, defined by the Bank of Russia as the total of the debt of federal and regional governments, the Bank of Russia and companies majority owned or otherwise controlled by the federal and regional governments or the Bank of Russia, and private sector external debt) amounted to approximately 32.2% of GDP, as compared to 31.3% of GDP as of 31 December 2011 and 30.9% as of 31 December 2012, according to the Bank of Russia; approximately 40.9%, 41.5% and 46.9% of the amounts as of 31 December 2010, 2011 and 2012, respectively, were attributable to public sector obligations. The Russian Federation's domestic public debt equalled 6.3% of GDP in 2010, 7.5% of GDP in 2011 and 8.0% of GDP in 2012, respectively. External public debt equalled 2.6% of GDP in 2010, 2.1% of GDP in 2011 and 2.5% of GDP in 2012, respectively. The Government expects that the relative share of domestic and external debt in the overall public debt profile will not change materially over the next three years and that domestic debt capital markets will continue to provide a key source of capital in the medium term.

The Ministry of Finance has adopted the Public Debt Management Policy of the Russian Federation for 2013-2015, which sets out the following key objectives in relation to government's public debt policy: (i) maintenance of a low debt burden as a crucial competitive advantage for the Russian Federation; (ii) transformation of the domestic capital market into a stable source for funding budgetary needs; (iii) maintenance of high-level investment grade credit ratings for the Russian Federation and fulfilment of the necessary requirements for upgrading to an A credit rating; (iv) ensuring domestic and external market remain open to the Russian Federation and Russian corporate borrowers on reasonable terms, and minimising the cost of such borrowings; (v) enhancing the existing management system of the public debt of the Russian Federation; and (vi) monitoring of corporate external borrowings.

According to the Public Debt Management Policy of the Russian Federation for 2013-2015, the development of the domestic debt market is a key priority of the Government. In particular, the Government expects domestic borrowing to continue to be the main source of federal budget deficit financing through 2015, with gross domestic borrowing expected to be 1.2 trillion roubles in 2013, 0.8 trillion roubles in 2014 and 1.1 trillion roubles in 2015. The Government believes that demand for OFZs is sustained by (i) pension savings under management of the State Trust Management Company invested in OFZs; (ii) demand from local banks for OFZ, which are used for refinancing (REPO) operations with the Bank of Russia; and (iii) increased demand from foreign investors after liberalisation of the market for OFZs".

The Government has implemented several measures to develop the domestic debt market from 2011 to 2013, including: (i) the introduction of centralized registration of securities in the Russian Federation through the Central Depository; (ii) the opening up 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 a newly established Central Depository; (iv) the establishment of a mechanism for "T + 2" settlement with the participation of the central counterparty in accordance with international market practice, in order to allow investors to better manage cashflows and reduce transaction costs; and (v) the admission of OFZs and other federal government securities to primary placement and secondary market trading on the "Main section" of the stock exchange, instead of a more limited "government securities" exchange, which is designed to reduce transaction costs and increase the liquidity of federal government securities and consolidate both the initial placement and secondary market trading of OFZs on a unified trading platform. During 2012, OFZ turnover increased by 33.9%, OFZ market volume increased by 14%, the OFZ portfolio yield decreased to 6.91% as of 31 December 2012, and the Russian Federation was able to issue OFZs with a 15-year maturity. As part of its plan to further develop the domestic debt market, the Government intends, among other things, to establish a common tax rate for government and corporate bonds, facilitating the direct comparison of yields between public and corporate debt in the domestic market and simplifying the accounting treatment of domestic debt securities.

Although the 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 a U.S.$7 billion three tranche Eurobond in April 2012, which it used to fund the entirety of its annual programme for public external borrowings in that year. This was one of the largest international sovereign debt issuances by an emerging markets sovereign since a U.S.$7 billion issuance by the State of Qatar in 2009, and the U.S.$3 billion 30 year tranche was the first issuance ever by the Russian Federation with a 30 year tenor without an investor put option. The 2013 Budget Law (which covers 2014 and 2015) calls for external public borrowings of up to U.S.$7 billion in each of 2014 and 2015. As part of its borrowing strategy going forward, the Government intends to maintain its presence in international capital markets and to develop a benchmark yield curve for corporate debt issuances.

The Government believes that the provision of state guarantees will continue to play a significant role in its overall domestic debt policy and intends to improve management of such guarantees, focusing on appropriate sharing of risks between the state and parties to a transaction or project supported by a state guarantee, as well as enhanced monitoring of private sector external debt. During 2012, the Government provided sovereign Rouble-denominated guarantees on behalf of the Russian Federation totalling 335.4 billion roubles. The amount of the guarantor's obligations under previously provided sovereign guarantees that were discharged totalled 62.1 billion roubles. No additional Russian sovereign Rouble-denominated guarantees have been provided during 2013. The Government also provided a guarantee of U.S.$10.0 billion in 2012 to the Russian Export Insurance Agency. The 2013 Budget Law (which includes 2014 and 2015) dated 3 December 2012 envisages the Government extending further guarantees in the amount of up to 97.5 billion roubles and U.S.$400 million during 2013 to secure obligations under credit facilities or bond loans obtained by various legal entities, extended in accordance with procedures established by the Government for the purposes of carrying out investment activities.

According to the Ministry of Finance's Main Budgetary Policy Guidelines for 2014-2016, published in July 2013, public debt of the Russian Federation is expected to reach 12.8%, 13.2% and 12.8% of GDP in 2014, 2015 and 2016, respectively; gross domestic borrowing is expected to amount to 1.0 trillion roubles in 2014 and 2015 and 1.3 trillion roubles in 2016; and gross external borrowing is expected to amount to 0.2 trillion roubles in each of 2014, 2015 and 2016.

External Debt

As at 31 December 2012, the Russian Federation's total outstanding external public debt, including guarantees, amounted to approximately U.S.$50.8 billion, an increase from U.S.$35.8 billion and U.S.$39.9 billion as of 31 December 2011 and 2010, respectively. These figures exclude rouble-denominated Eurobonds, or OVOZs, which are counted as domestic rather than external debt. As a share of GDP, external debt amounted to 2.6% of GDP in 2010, 2.1% of GDP in 2011 and 2.5% of GDP in 2012. These amounts include all loans contracted or guaranteed by the federal government, by Vnesheconombank and by other entities legally authorised to borrow on behalf of the government of the former Soviet Union, and excludes undisbursed commitments and public or private sector borrowings not guaranteed by the federal government. External debt comprised approximately 23.7%, 21.6% and 29.3% of total public debt as of 31 December 2012, 2011 and 2010, respectively. External debt as a share of the Russian Federation's total public sector and private sector debt has generally declined since 1999.

The following table sets forth information with respect to the Russian Federation's external public debt as of the indicated dates:

External Debt Stock of the Russian Federation by Creditor[(1)]

	As at 31 December					As at 31 March
	(U.S.$ billion)					
	2008	2009	2010	2011	2012	2013
Total external debt	**39.9**	**36.8**	**39.0**	**34.8**	**39.4**	**38.5**
Multilateral creditors	4.5	3.8	3.1	2.5	2.0	1.9
World Bank	3.8	3.2	2.6	2.1	1.6	1.5
Other	0.7	0.6	0.5	0.5	0.4	0.4
Eurobonds	27.7	26.2	30.5	29.2	34.9	34.3
2010 8.25% Eurobond	1.0	0.3	—	—	—	—
2015 3.625% Eurobond	—	—	2.0	2.0	2.0	2.0
2017 3.25% Eurobond	—	—	—	—	2.0	2.0
2018 11% Eurobond	3.5	3.5	3.5	3.5	3.5	3.5
2020 5% Eurobond	—	—	3.5	3.5	3.5	3.5
2022 4.50% Eurobond	—	—	—	—	2.0	2.0
2028 12.75% Eurobond	2.5	2.5	2.5	2.5	2.5	2.5
2030 7.5% Eurobond	20.8	19.9	19.0	17.7	16.4	15.8
2042 5.625% Eurobond	—	—	—	—	3.0	3.0
Official creditors	4.7	4.1	3.6	3.0	2.4	2.3
of which COMECON, China and former Yugoslavia	1.4	1.3	1.1	1.0	1.0	1.0
Ministry of Finance Hard Currency Bonds	1.8	1.8	1.8	0.0	0.0	0.0
Commercial creditors[(2)]	1.2	0.8	0.1	0.1	0.0	0.0

Notes:

(1) Foreign currency values of outstanding external debt have been converted into dollars at the relevant market exchange rates prevailing at the end of the indicated period. This table does not include amounts representing indebtedness under hard-currency guarantees issued by the Russian Federation, which totalled U.S.$0.6 billion, U.S.$0.9 billion, U.S.$0.9 billion, U.S.$1.0 billion, U.S.$11.4 billion and U.S.$11.3 billion, of which U.S.$10.0 billion represents a guarantee provided to the Russian Export Insurance Agency in 2012, for the years ended 31 December 2008, 2009, 2010, 2011, 2012 and for the three months ended 31 March 2013, respectively.

(2) Includes FTO, London Club and other claims not submitted in previous exchange offers.

Sources: Ministry of Finance; Vnesheconombank.

The Russian Federation has in the past purchased the Russian sovereign Eurobonds and other federal government obligations in the open market and may do so in the future.

External Debt Restructuring

Paris Club

In January 1992, the Government concluded an initial annual rescheduling agreement with the Paris Club of official creditors, followed by three further annual reschedulings in 1993, 1994 and 1995, covering debt service falling due during the period from December 1991 to the end of 1995.

In April 1996, a comprehensive rescheduling was agreed with the Paris Club covering approximately U.S.$33 billion of debt owed to Paris Club creditors, including debt service falling due between the beginning of January 1996 and the end of March 1999 and virtually all the debt rescheduled under the previous agreements.

In August 1999, the Government concluded a further rescheduling agreement with the Paris Club. This agreement provided for the deferral of approximately U.S.$8.3 billion of debts owed to Paris Club creditors, including payment arrears outstanding at the end of June 1999 and debt service falling due between the beginning of July 1999 and the end of December 2000 in respect of both previously rescheduled and non-previously rescheduled Soviet-era obligations.

In May 2005, the 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 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 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 further 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. Accordingly, payments in the amount of approximately U.S.$1 million were made in favour of holders who accepted this offer. Completion of these settlements in December 2009 finalised the process of settlement of debt owed to London Club creditors.

On 24 October 2012, the 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. In December 2002, U.S.$1.19 billion principal amount of 2030 Bonds and U.S.$183.8 million principal amount of 2010 Bonds were issued in exchange for FTO claims and U.S.$171.5 million was paid in cash. An additional U.S.$1.075 billion of FTO claims were exchanged for U.S.$140.5 million principal amount of 2010 Bonds, U.S.$907.8 million principal amount of 2030 Bonds and U.S.$383.4 million in cash in November 2006. In December 2009, a further U.S.$405.5 million of FTO claims were exchanged for U.S.$45.8 million principal amount of 2010 Bonds, U.S.$327.1 million principal amount of 2030 Bonds and U.S.$262.8 million in cash. The bonds that were exchanged in 2009 were previously issued by the Russian Federation and subsequently acquired in the secondary market; no new Eurobonds were issued in connection with the last exchange offer. In December 2012, a further U.S.$0.5 million of FTO claims were exchanged for cash.

As a result of these three exchange offers, 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 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. As of 31 December 2012, debt to the former member countries of the CMEA, China and the former Yugoslavia amounted to U.S.$1.0 billion. A substantial portion of this debt is to be repaid in the form of goods and services, with the balance to be repaid in cash.

The 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. As of 31 December 2012, debt to non-Paris Club official creditors amounted to U.S.$1.1 billion.

In 1993, the federal 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 initially issued in five series, with maturities ranging between one and 15 years. Two additional series were issued in May 1996 with maturities of 10 and 15 years, respectively. All of the MinFins pay a 3% coupon annually until redemption. OVVZs trade in the over-the-counter market. The MinFin Series VII, the last outstanding OVVZs which were issued in 1996, were repaid in 2011. Historically, OVVZs were regarded as domestic public debt. Starting in 2000, they were reclassified as external debt for budgetary purposes.

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. The Ministry of Finance did, however, pay all of the interest accrued on Series III MinFins and announced that interest on these bonds would continue to accrue at the original rate of 3% until they were restructured into new instruments. Following consultations with representative investor groups, the Government made a proposal in November 1999 to exchange all Series III MinFins for (i) new dollar denominated government bonds with an average life of seven and a half years and bearing interest at 3% payable semi-annually or (ii) rouble denominated OFZs with maturities of four years, paying interest semi-annually at 15% in the first year, declining to 10% in subsequent periods. Under the Government's proposal, Series III MinFins were exchanged for new dollar denominated bonds at par, and for new rouble denominated bonds at par at the rate of 26.2 roubles per dollar, that being the average official exchange rate for the first week of November 1999. 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. In accordance with Government Decree No. 387 dated 20 June 2007, additional principal and interest 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. Borrowings by these banks under the Russian Federation's guarantee are included in the external public debt statistics of the Russian Federation.

The provision of state guarantees is strictly regulated by the budget laws of the Russian Federation. State guarantees are provided solely on the basis of a Government resolution or international agreement, the Budget Code and federal budget laws, together with their implementing resolutions, for a particular year and particular target period. The 2013 Budget Law provides for the issuance of foreign currency state guarantees in support of investment projects (up to U.S.$2.4 billion in 2013), the export of industrial products, including guarantees in favour of Roseximbank (up to U.S.$3.5 billion 2013, U.S.$3.0 billion in 2014 and U.S,$3.0 billion in 2015) and other projects with the participation of international financial institutions (up to U.S.$0.5 billion in 2013, U.S.$1.3 billion in 2014 and U.S.$1.6 billion in 2015).

The Russian Federation has fully serviced all of the debt due on borrowings contracted by the federal government since 1 January 1992.

External 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 2013 through 2020, including principal and interest payable on all external debt outstanding as of 1 January 2013, on the basis of the exchange rates and interest rates prevailing as at that date.

This table does not reflect the external debt service (i) on any borrowings by or on behalf of the federal government since 1 January 2013, which have not been significant, (ii) on any new drawdowns on existing borrowings by or on behalf of the federal government during the period covered by the table or (iii) on the Bonds.

External Debt Service Projections by Type of Creditor[(1)]

	2013	2014	2015	2016	2017	2018	2019	2020
	(U.S.$ billion)							
Principal	**2.25**	**2.13**	**3.79**	**1.55**	**3.53**	**4.96**	**1.88**	**5.34**
Multilateral creditors	0.54	0.45	0.26	0.19	0.19	0.15	0.12	0.07
Bonds	1.27	1.27	3.27	1.27	3.27	4.74	1.70	5.20
Official creditors	0.44	0.41	0.25	0.08	0.07	0.07	0.07	0.07
Interest	**2.52**	**2.41**	**2.27**	**2.13**	**2.01**	**1.88**	**1.39**	**1.17**
Multilateral creditors	0.02	0.01	0.01	0.00	0.01	0.00	0.00	0.00
Bonds	2.48	2.39	2.25	2.12	1.99	1.87	1.38	1.17
Official creditors	0.02	0.01	0.01	0.01	0.01	0.01	0.0	0.0
Total	**4.77**	**4.54**	**6.06**	**3.68**	**5.54**	**6.84**	**3.27**	**6.51**

Notes:
(1) External debt service projections are made on the basis of the amount of the government's external debt as at 1 January 2013.

Sources: Ministry of Finance; Vnesheconombank.

Domestic Debt

Domestic Public Debt of the Russian Federation[1]

	As of 31 December					As of 31 March
	2008	2009	2010	2011	2012	2013
			(billions of roubles)			
Total	1,499.8	2,094.7	2,940.4	4,190.6	4,977.9	4,790.2
Domestic bonds	1,421.4	1,837.2	2,461.6	3,546.5	4,064.3	3,883.9
OFZs	1,244.0	1,569.8	2,154.2	2,903.3	3,296.7	3,186.3
OFZs with fixed coupon	328.2	706.4	1,338.6	1,823.7	2,248.2	2,140.3
OFZs with fixed rates	33.8	—	—	—	—	—
Amortising OFZs[2]	882.0	863.4	815.6	1,079.6	1,048.6	1,046.0
State savings bonds (OGSZ, GSO)	177.4	267.4	307.4	553.2	677.6	607.6
OVOZ[3]	—	—	—	90.0	90.0	90.0
State guarantees	72.5	251.4	472.2	637.3	906.6	899.4
Other	5.8	6.1	6.6	6.8	7.0	7.0
			(% of total)			
Total	100.0	100.0	100.0	100.0	100.0	100
Domestic bonds	94.8	87.7	83.7	84.6	81.6	81.1
OFZs	83.0	74.9	73.3	69.3	66.2	66.5
OFZs with fixed coupon	21.9	33.7	45.5	43.5	45.2	44.7
OFZs with fixed rates	2.3	—	—	—	—	—
Amortising OFZs[2]	58.8	41.2	27.7	25.8	21.1	21.8
State savings bonds (OGSZ, GSO)	11.8	12.8	10.5	13.2	13.6	12.7
OVOZ[3]	—	—	—	2.1	1.8	1.9
State guarantees	4.8	12.0	16.1	15.2	18.2	18.8
Other	0.4	0.3	0.2	0.2	0.1	0.1
			(% of GDP)			
Total	3.6	5.4	6.3	7.5	8.0	—
Domestic bonds	3.4	4.7	5.3	6.4	6.5	—
OFZs	3.0	4.0	4.7	5.2	5.3	—
OFZs with fixed coupon	0.8	1.8	2.9	3.3	3.6	—
OFZs with fixed rates	0.1	—	—	—	—	—
Amortising OFZs[2]	2.1	2.2	1.8	1.9	1.7	—
State savings bonds (OGSZ, GSO)	0.4	0.7	0.7	1.0	1.1	—
OVOZ[3]	—	—	—	0.2	0.1	—
State guarantees	0.2	0.6	1.0	1.1	1.5	—
Other	0.0	0.0	0.0	0.0	0.0	—
Memo:						
Exchange rate, rouble/U.S.$, end of period	29.38	30.24	30.48	32.20	30.37	31.08
GDP (billions of roubles)	41,277	38,807	46,309	55,800	62,599	—
Total domestic public debt (U.S.$ billion)	51.0	69.3	96.5	130.1	163.9	154.1

Notes:

(1) Certain data presented in this table differ from previously published data due to changes in the accounting methodology of the Ministry of Finance. This table does not include the obligations of the Russian Federation to make payments relating to the "pre-reform" savings of citizens of the Russian Federation, in existence before the collapse of the Soviet Union. See "Public Finance — State Extra Budgetary Funds".

(2) In accordance with the federal budget law for 2003, non-marketable rouble government bonds (fixed rate OFZs) held by the Bank of Russia were exchanged for amortising OFZs with a total face value of 282.5 billion roubles in February 2003. The goal of this exchange operation was to reinforce liquidity management by the Bank of Russia. Similar exchanges have occurred since 2005.

(3) Rouble denominated Eurobonds placed in the international capital markets.

Sources: Ministry of Finance; Bank of Russia.

Domestic Debt

As of 31 December 2012, the Russian Federation's domestic public debt amounted to 4,977.9 billion roubles (U.S.$163.9 billion), or 8.0% of GDP. This represented an increase in the Russian Federation's domestic public indebtedness from 4,190.6 billion roubles (U.S.$130.1 billion), or 7.5% of GDP for 2011, and 2,940.2 billion roubles (U.S.$96.5 billion), or 6.3% of GDP for 2010. As of 31 March 2013, domestic public debt amounted to 4,790.2 billion roubles (U.S.$154.1 billion).

OFZs are rouble denominated obligations with liquid issues having a maturity of up to 15 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 83.0% (3% of GDP) in 2008, 74.9% (4% of GDP) in 2009, 73.3% (4.7% of GDP) in 2010, 69.3% (5.2% of GDP) in 2011 and 66.2% (5.3% of GDP) in 2012.

There are two types of OFZs in circulation: fixed coupon OFZs and amortising OFZs. Fixed-coupon OFZs, which are currently issued with maturities of three to 15 years, accounted for 21.9%, 33.7%, 45.5%, 43.5% and 45.2% of the Russian Federation's domestic public debt in 2008, 2009, 2010, 2011 and 2012, respectively, and 0.8%, 1.8%, 2.9%, 3.3% and 3.6% of GDP in 2008, 2009, 2010, 2011 and 2012, respectively. Fixed coupon OFZs have replaced amortising OFZs as the federal government's main instrument of domestic borrowing; amortising OFZs accounted for a declining share of domestic public debt (58.8%, 41.2%, 27.7%, 25.8% and 21.1% of domestic public debt in 2008, 2009, 2010, 2011 and 2012, respectively, and 2.1%, 2.2%, 1.8%, 1.9% and 1.7% of GDP in 2008, 2009, 2010, 2011 and 2012, respectively). Historically, the federal government also issued fixed-rate OFZs, though none have been outstanding since 2009. In 2007 and 2008, 5-year and 10-year OFZs offered yields of approximately 6%, before increasing in 2009 up to over 12% for 5-year OFZs and over 14% for 10-year OFZs. Beginning at the end of 2009 and through 2012, yields on both the 5-year and 10-year OFZs declined to approximately 6-7%. In February 2012, the Ministry of Finance auctioned OFZs with a 15-year maturity for the first time. As of 31 December 2012, the weighted average duration of the OFZ portfolio was approximately 4.15 years, an increase of 8.9% from 3.8 years as at 31 December 2011. The Government is targeting a weighted average duration of the OFZ portfolio of five years and, in order to move towards this target, focused OFZ issues during 2012 primarily in the five to 15 year range for maturities and the weighted average duration of auctioned OFZs issued during 2012 was 5.2 years. As of 30 August 2013, the OFZ portfolio yield had tightened to 7.3% and the weighted average duration of OFZs had increased to 4.4 years.

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 11.8% (0.4% of GDP), 12.8% (0.7% of GDP), 10.5% (0.7% of GDP), 13.2% (1% of GDP) and 13.6% (1.1% of GDP) of the Russian Federation's domestic public debt in 2008, 2009, 2010, 2011 and 2012, respectively.

In 2011, the federal government issued rouble denominated Eurobonds, or OVOZs, for the first time, placing 90 billion roubles in the international capital markets. Rouble denominated Eurobonds accounted for 2.1% (0.2% of GDP) of the Russian Federation's domestic public debt in 2011 and 1.8% (0.1% of GDP) of the Russian Federation's domestic public debt in 2012. Rouble denominated Eurobonds are considered to be domestic debt under Russian law.

The federal government also issues rouble denominated state guarantees. State guarantees represented 4.8% (0.2% of GDP) of the Russian Federation's domestic public debt in 2008. As part of its anti-crisis measures, beginning in 2009, the Government significantly expanded in absolute terms the value of state guarantees issued. See "The Russian Economy—General Anti-Crisis Measures" and "Monetary and Financial System—Banking—Anti-Crisis Measures" for a discussion of the measures undertaken by the Government in response to the global financial crisis. In 2009, 2010, 2011 and 2012, rouble denominated state guarantees totalled 12% (0.6% of GDP), 16.1% (1.0% of GDP), 15.2% (1.1% of GDP) and 18.2% (1.4% of GDP), respectively, of the Russian Federation's domestic debt. In 2013, the federal budget anticipates state guarantees amounting to 613 billion roubles and U.S.$6.4 billion, including state guarantees issued in support of investment projects to total up to approximately 217 billion roubles.

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 General Terms of Issuance 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.

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. In July 2012, the FSFM adopted a list of foreign entities entitled to open foreign nominee accounts with the Central Depository. OFZs are now admitted to trading on the main platform of the stock exchange, instead of the more limited "government securities" platform, and as a consequence, the number of trading participants was increased while transaction costs were decreased.

Government Domestic Debt Service

Domestic public debt service equalled 0.2% of GDP for 2008 and 2009, 0.3% in 2010, 0.4% in 2011 and 0.4% in 2012. The domestic public debt to GDP ratio was 3.6% of GDP in 2008, 5.4% in 2009, 6.3% in 2010, 7.5% in 2011 and 8.0% in 2012. The domestic debt to GDP ratio increased in 2010 primarily due to an 89.5% increase in the nominal amount of OFZs with fixed coupon outstanding and an 87.8% increase in the nominal amount of state guarantees outstanding at year end 2010 relative to year end 2009. The domestic public debt to GDP ratio increased in 2011 primarily due to increases in the nominal amounts outstanding of OFZs with fixed coupons, amortising OFZs, state savings bonds and state guarantees, as well as the placement of rouble denominated Eurobonds in the international capital markets. During 2012, the domestic public debt to GDP ratio increased due to increases in the nominal amounts outstanding of fixed coupon OFZs, state savings bonds and state guarantees.

Other Public Sector Domestic Debt

The Russian Federation's total domestic public sector debt includes debt of sub-federal and local governments in the form of bonds, budget loans and bank credits and regional and municipal guarantees. The federal government is not legally responsible for the debts of sub-federal and local governments in the absence of a government guarantee. The aggregate principal amount of domestic public debt of the Russian Federation's subjects and municipalities outstanding as at 1 January 2011, 2012 and 2013 was estimated at 1,233.5 billion roubles (2.7% of GDP), 1,369.5 billion roubles (2.5% of GDP) and 1,579.6 billion roubles (2.5% of GDP), respectively.

External Financial Assets

Following the dissolution of the USSR, the Russian Federation assumed responsibility for the servicing of the external debts of the government of the former USSR to the foreign creditors. 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 foreign states' debts to the Russian Federation under the "soviet" loans were uncollectible. As of 1 June 2013, the total amount of the Russian Federation's external claims on foreign borrowers was approximately to U.S.$66 billion. Cuba and North Korea are Russia's largest debtors, with obligations under state loans and loans provided by USSR corporate entities of 10.3 billion USSR roubles, 10.3 billion transferable roubles and U.S.$2.2 billion (in the aggregate, U.S.$29.6 billion as at 1 June 2013) due from Cuba and 5.1 billion USSR roubles and US$0.02 billion (in the aggregate, U.S.$8.6 billion as at 1 June 2013) due from the North Korea, according to Vnesheconombank.

In September 1997, the Russian Federation became a full member of the Paris Club, and, as a result, the Russian Federation now settles its claims against debtor governments within the Paris Club framework. One of the conditions for accession to the Paris Club for the Russian Federation was provision of an "initial discount" by the Russian Federation in relation to the nominal value of debt owed by Paris Club debtors. Within the framework of multilateral decisions by the Paris Club, the Russian Federation wrote off U.S.$51.5 billion of debt owed to it, including U.S.$12.4 billion owed by Iraq, U.S.$9.8 billion owed by Afghanistan and U.S.$9.0 billion owed by Vietnam. The Russian Federation is also a participant in the international expanded initiative to alleviate the debt of heavily indebted poor countries (the **HIPC Initiative**). Within the framework of the HIPC Initiative, the Russian Federation has written off indebtedness of U.S.$80.5 billion since 2006.

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 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 1 April 2013, the Russian Federation has signed 64 loan agreements with the IBRD (of which 55 are closed and 9 are still active) in the approximate total amount of U.S.$10.4 billion (taking into account repayments of loans in the amount of U.S.$3.5 billion), directed primarily to infrastructure development and modernisation of key sectors of the economy. Under these loan agreements, the IBRD provided U.S.$10.4 billion to the Russian Federation (of which U.S.$0.75 billion represents active projects and U.S.$9.6 billion represents completed projects). Disbursements of loans of up to U.S.$0.23 billion by the IBRD is planned for 2013, aimed at improving public sector management, mitigating social and environmental problems, preserving objects of cultural importance and developing housing and public utility infrastructure. In addition, since 1990, the Russian Federation has signed 15 loan agreements with the EBRD amounting to U.S.$1.2 billion.

In the recent years, the greatest investment by international financial institutions in Russia's private sector (without sovereign borrowings) has been by the EBRD and IFC. The EBRD has invested an aggregate of €23.5 billion in 753 projects since 1991 and the IFC has invested U.S.$11.0 billion in 293 projects since 1992. Other international financial institutions that invest in Russia's private sector include the Eurasian Development Bank, the Black Sea Bank of Trade and Development, the Nordic Investment Bank, the European Investment Bank, the International Investment Bank and IBEC.

"Pre-reform" Savings

Pursuant to Federal Law No. 73-FZ "On Recovery and Protection of Savings of Citizens of the Russian Federation" dated 10 May 1995 and certain other laws and regulations, the Russian Federation has undertook obligations to make payments relating to the "pre-reform" savings of citizens of the Russian Federation, in existence before the collapse of the Soviet Union. The "pre-reform" savings consist primarily of citizens' savings in state savings banks and state insurance institutions of the USSR, as well as small amounts of domestic lottery bonds issued in or after 1982. The Russian Federation makes compensatory payments to restore the effective savings of certain accounts with reference to the purchasing power of the Soviet rouble in 1990. The federal budget includes annual allocations for these payments in an amount consistent with the capacity of the budget. From 1996 to 2012, federal budget appropriations for these payments totalled 465.4 billion roubles. The budget allocates 50 billion roubles annually for these purposes for 2013 to 2015. The Government is considering proposals for establishing an appropriate regime for eligible claimants to recover the "pre-reform" savings within the capacity of the federal budget.

TAXATION

The following discussion summarises certain Russian tax and United States federal income 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 under the tax laws of the country of which they are resident of purchasing Bonds.

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.

Unless specifically indicated otherwise, this summary is limited to the tax treatment of Bonds that are held by foreign legal entities and organisations, otherwise than through a permanent establishment in the Russian Federation (a **non-resident holder**). 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, office, bureau, agency or other separate division or place of economic activity through which it conducts business on a regular basis within the Russian Federation. A Bondholder will not be deemed to have a permanent establishment in Russia solely by virtue of having acquired the Bonds.

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. None of the clarifications included in the Tax Letter is inconsistent with the Tax Code.

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.

Interest on Bonds

The Tax Letter states that no tax is required to be withheld on interest payable on Bonds held by a non-resident holder 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) is (a) deemed to be paying interest on the Bonds and (b) is 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

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 such 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.

The Tax Letter further states that if Bonds are sold or disposed of between Bond interest payment dates by a non-resident holder (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 the proceeds attributable to any accrued but unpaid interest will be treated as Russian source income.

Under these circumstances, the purchaser of the Bonds may be required to withhold 15% of the purchase price attributable to the accrued but unpaid interest from the proceeds payable to the seller. The taxation of accrued interest under these circumstances 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 holder, any tax withheld in respect of accrued interest may potentially be reduced or eliminated under the terms of an applicable double tax treaty.

Disposal or Redemption of Bonds

Gain on the sale, redemption or disposal of Bonds by a non-resident holder from a source within the Russian Federation will not be subject to withholding tax except to the extent attributable to interest accrued but not paid on the Bonds between interest payment dates, as discussed above.

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 holders of Bonds will not incur any federal tax on income or capital gain, stamp duty, registration, transfer or other similar federal taxes by reason only 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 holders 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.

U.S. Federal Income Taxation

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON INVESTORS UNDER THE INTERNAL REVENUE CODE OF 1986; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following summary contains a description of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Bonds by a U.S. holder (as defined below). This summary addresses only U.S. holders that purchase Bonds at their issue price as part of the initial offering and that hold Bonds as capital assets for U.S. federal income tax purposes. It does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular investor. In particular, this summary does not address considerations that may be relevant to an investor that may be subject to special tax rules, such as a bank, thrift, real estate investment trust, regulated investment company, insurance company, tax-exempt organisation, dealer in securities or currencies, trader in securities or commodities that elects mark-to-market treatment, person that will hold the Bonds as a hedge against currency risk or as a position in a "straddle" or conversion transaction, person subject to the alternative minimum tax or the new tax on net investment income, or person whose "functional currency" is not the dollar.

This summary is based upon the U.S. Internal Revenue Code of 1986 (the **Code**), Treasury regulations issued thereunder and judicial and administrative interpretations thereof, each as in effect on the date hereof, as well as on the income tax treaty between the United States and Russia (the **Treaty**), all of which are subject to change, possibly with retroactive effect.

As used herein, a "U.S. holder" means a beneficial owner of a Bond that is, for U.S. federal income tax purposes, (i) a citizen or resident of the United States; (ii) a corporation created or organised in the United States or under the laws of the United States or of any political subdivision thereof; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; and (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a United States person.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds the Bonds, then the tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax advisor as to the tax consequences of acquiring, owning and disposing of the Bonds.

Investors should consult their tax advisors regarding the tax consequences of the acquisition, ownership and disposition of the Bonds, including the application to their particular circumstances of the tax considerations discussed below, as well as the application of U.S. federal estate and gift tax laws, U.S. state and local tax laws, and non-U.S. tax laws.

Payments of Interest

It is anticipated and the following discussion assumes that the Bonds will not be issued with more than a *de minimis* amount of original issue discount (**OID**). If the issue price of a Bond is less than its principal amount by more than a *de minimis* amount, U.S. Holders will be subject to special U.S. federal income tax rules with respect to this OID. OID will be considered to be *de minimis* if it is less than 0.25% of the principal amount multiplied by the number of complete years to maturity. U.S. Holders will be required to include any OID in income for U.S. federal tax purposes as it accrues in accordance with a constant yield method based on a compounding of interest, even though the cash attributable to this income will not be received until a Bond is sold, exchanged, redeemed or otherwise disposed.

Payments of interest on the Bonds will be taxable to a U.S. holder as non-U.S. source ordinary interest income at the time that such payments accrue or are received, in accordance with the U.S. holder's method of accounting for U.S. federal income tax purposes.

In the event that a Russian withholding tax is imposed on the interest payments, then in addition to interest on the Bonds, a U.S. holder generally would be required to include in income any increased amounts received (as described under "Terms and Conditions of the 2019 U.S.$ Bonds—Taxation", "Terms and Conditions of the 2023 U.S.$ Bonds" and "Terms and Conditions of the 2043 U.S.$ Bonds") and any Russian tax withheld from interest payments notwithstanding that the tax withheld was not in fact received by such U.S. holder. A U.S. holder may be entitled to deduct or credit such Russian withholding tax, subject to applicable limitations and conditions under U.S. federal income tax laws. However, the election to deduct or credit foreign taxes applies to all of the U.S. holder's foreign taxes for a particular taxable year. U.S. holders that are eligible for the benefits under the Treaty will not be entitled to a foreign tax credit for the amount of any Russian taxes withheld in excess of the reduced Treaty rate and for which the holder can obtain a refund from the Russian tax authorities, even though a U.S. holder may be required to pay the amount of such refund to the Issuer. Payments of interest on the Bonds generally will constitute foreign source "passive category income" for U.S. foreign tax credit purposes. The calculation and availability of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of such deduction involves the application of complex rules that depend on a U.S. holder's particular circumstances. U.S. holders should consult their tax advisors regarding the availability of foreign tax credits.

Dispositions

A U.S. holder generally will recognise gain or loss on the sale, exchange, redemption or other disposition of the Bonds in an amount equal to the difference between the amount realised on such disposition (less any amounts attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and the U.S. holder's tax basis in the Bonds. A U.S. holder's tax basis in a Bond generally will equal the cost of its initial investment in that Bond. Gain or loss recognised by a U.S. holder on the sale, redemption or other disposition of the Bonds generally will be capital gain or loss, and generally will be long-term capital gain or loss if, at the time of the disposition, the Bonds have been held for more than one year.

The deduction of capital losses is subject to limitations. Gain or loss realised by a U.S. holder on the sale, exchange, retirement or other disposition of a Bond generally will be U.S.-source gain or loss for U.S. federal income tax purposes. Accordingly, if Russian tax is imposed on the sale or disposition of the Bonds, a U.S. holder may not be able to fully utilise its U.S. foreign tax credits in respect of such tax unless such U.S. holder has other foreign-source income. Prospective investors should consult their own tax advisors as to the U.S. tax and foreign tax credit implications of such sale, exchange, retirement or other disposition of a Bond.

Information Reporting and Backup Withholding

Payments in respect of the Bonds that are paid within the United States or through certain U.S.-related financial intermediaries are generally subject to information reporting, unless the U.S. holder is a corporation or other exempt recipient. Such payments to a non-exempt recipient may also be subject to backup withholding, unless the U.S. holder provides a taxpayer identification number and certifies that it has not lost its exemption from backup withholding. The amount of any backup withholding collected from a payment to a U.S. holder will be allowed as a credit against the U.S. holder's U.S. federal income tax liability and may entitle the U.S. holder to a refund, provided that certain required information is timely furnished to the U.S. Internal Revenue Service.

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the **EU Savings Directive**), each Member State of the EU is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or secured by such a person for, an individual beneficial owner resident in, or certain limited types of entity established in, that other Member State. However, for a transitional period, Austria and Luxembourg will instead (unless during such period they elect otherwise) operate a withholding system in relation to such payments. Under such a withholding system, the beneficial owner of the interest payment must be allowed to elect that certain provision of information procedures should be applied instead of withholding. The current rate of withholding is 35%. The transitional period will end at the end of the first full fiscal year following agreement by certain non-EU countries to exchange of information procedures relating to interest and other similar income. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the EU Savings Directive.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted or agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within their respective jurisdictions to, or secured by such a person for, an individual beneficial owner resident in, or certain limited types of entity established in, a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those countries and territories in relation to payments made by a person in a Member State to, or secured by such a person for, an individual beneficial owner resident in, or certain limited types of entity established in, one of those countries or territories.

A proposal to amend the EU Savings Directive has been published, which includes a number of suggested changes that, if implemented, would broaden the scope of the rules described above. Investors who are in any doubt as to their position should consult their professional advisors.

The Proposed Financial Transactions Tax (FTT)

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances. The issuance and subscription of Bonds should, however, be exempt.

Under current proposals 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 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 proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Bonds are advised to seek their own professional advice in relation to the FTT.

FORM AND TRANSFER OF THE BONDS

Form of U.S.$ Bonds

U.S.$ Bonds of each series will be in registered form, without interest coupons attached.

Unrestricted U.S.$ Bonds will each be represented by beneficial interests in an Unrestricted U.S.$ Global Bond, in registered form without interest coupons attached, which will be registered in the name of a nominee for, and shall be deposited on or about the Closing Date with a common depositary for, and in respect of interests held through, Euroclear and Clearstream, Luxembourg.

Restricted U.S.$ Bonds will each be represented by beneficial interests in a Restricted U.S.$ Global Bond, in registered form without interest coupons attached, which will be deposited on or about the Closing Date with the Custodian for, and registered in the name of Cede & Co. as nominee for, DTC.

Beneficial interests in the U.S.$ Global Bonds will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their participants.

A Restricted U.S.$ Global Bond and any U.S.$ Bond Certificate (as defined below) issued in exchange therefor (a **Restricted U.S.$ Bond Certificate**) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Restricted U.S.$ Global Bond and Restricted U.S.$ Bond Certificate as set forth below.

For each series, the Unrestricted U.S.$ Global Bonds and the Restricted U.S.$ Global Bonds will have separate CUSIP and ISIN numbers and separate Common Codes.

The U.S.$ Bonds of each series will initially be in the form of an Unrestricted U.S.$ Global Bond and/or a Restricted U.S.$ Global Bond. U.S.$ Bond Certificates will only be available in certain limited circumstances described below.

Form of EUR Bonds

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

Unrestricted EUR Bonds will each be represented by beneficial interests in an Unrestricted EUR Global Bond and Restricted EUR Bonds will each be represented by beneficial interests in a Restricted EUR Global Bond, in each case in registered form without interest coupons attached, which will be registered in the name of a nominee for, and shall be deposited on or about the Closing Date with a common depositary for, and in respect of interests held through, Euroclear and Clearstream, Luxembourg.

Beneficial interests in the EUR Global Bonds will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg and their participants.

A Restricted EUR Global Bond and any EUR Bond Certificate (as defined below) issued in exchange therefor (a **Restricted EUR Bond Certificate**) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Restricted EUR Global Bond and Restricted EUR Bond Certificate as set forth below.

The Unrestricted EUR Global Bonds and the Restricted EUR Global Bonds will have separate ISIN numbers and separate Common Codes.

The EUR Bonds will initially be in the form of an Unrestricted EUR Global Bond and/or a Restricted EUR Global Bond. EUR Bond Certificates will only be available in certain limited circumstances described below.

Exchange of Interests in U.S.$ Global Bonds for U.S.$ Bond Certificates

Registration of title to U.S.$ Bonds initially represented by a Restricted U.S.$ Global Bond in a name other than DTC or a successor depositary or one of their respective nominees will not be permitted in respect of such U.S.$ Bonds unless (a) such depositary notifies the Russian Federation that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to such U.S.$ Global Bonds or ceases to be a "clearing agency" registered under the United States Securities Exchange Act of 1934 (the **Exchange Act**), or is at any time no longer eligible to act as such, and the Russian Federation is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depositary, or (b) following a failure to pay principal in respect of such Bonds that is due and payable, the Fiscal Agent has received notice from the registered holder of any U.S.$ Global Bond requesting the exchange of such U.S.$ Global Bond for individual Restricted U.S.$ Bond Certificates.

Registration of title to U.S.$ Bonds initially represented by an Unrestricted U.S.$ Global Bond in a name other than the common depositary for Euroclear and Clearstream, Luxembourg or any nominee of such common depositary will not be permitted in respect of such U.S.$ Bonds unless (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) following a failure to pay principal in respect of such U.S.$ Bonds that is due and payable, the Fiscal Agent has received a notice from the registered holder of such Unrestricted U.S.$ Global Bond requesting the exchange of such Unrestricted U.S.$ Global Bond for individual bond certificates (the **Unrestricted U.S.$ Bond Certificates** and, together with the Restricted Bond Certificates, the **U.S.$ Bond Certificates**).

In such circumstances, the relevant U.S.$ Global Bonds will be exchanged in full or in part, as the case may be, for U.S.$ Bond Certificates, and the Russian Federation will, at the cost of the Russian Federation (but against such indemnity as the Registrar or any relevant Transfer Agent 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 U.S.$ Bond Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant holders of such U.S.$ Bonds. A person having an interest in the U.S.$ Global Bonds must provide the Registrar with (a) a written order containing instructions and such other information as the Russian Federation and the Registrar may require to complete, execute and deliver such U.S.$ Bond Certificates and (b) in the case of a Restricted U.S.$ Global Bond only, a fully completed, signed certificate substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of a simultaneous sale pursuant to Rule 144A, that the transfer is being made in compliance with the provisions of Rule 144A. U.S.$ Bond Certificates issued in exchange for a beneficial interest in a Restricted U.S.$ Global Bond will bear the legends applicable to transfers pursuant to Rule 144A, as set out under "Transfer Restrictions" herein. Such transfer restrictions will terminate with respect to such U.S.$ Bonds one year (or such other period as provided by Rule 144) after the date on which U.S.$ Bonds represented by an interest in such Restricted U.S.$ Global Bond were issued, assuming compliance with the relevant Condition 6(b).

The holder of a U.S.$ Bond may transfer such Bond in accordance with the provisions of Condition 2. U.S.$ Bond Certificates may not be eligible for trading in the DTC, Euroclear or Clearstream, Luxembourg systems.

If principal in respect of any U.S.$ Bonds represented by an Unrestricted U.S.$ Global Bond is not paid when due and payable (but subject as provided below), the registered holder of such Unrestricted U.S.$ Global Bond may from time to time elect that direct enforcement rights (**Direct Rights**) against the Russian Federation will come into effect. Thereupon, each relevant holder of an account with Euroclear or Clearstream, Luxembourg shall, at the relevant time, acquire against the Russian Federation all rights (including the right to receive payments due on such U.S.$ Bonds) that such accountholder would have received if it had been the holder of U.S.$ Bond Certificates. Such election shall be made by the holder of an Unrestricted U.S.$ Global Bond by notice to the Registrar and presentation of an Unrestricted U.S.$ Global Bond to or to the order of the Registrar whereupon the Registrar shall reduce the principal amount of U.S.$ Bonds represented by such Unrestricted U.S.$ Global Bond entered on the Register and shall make the appropriate entry or entries on the Register to reflect that such Direct Rights have come into effect. Such Direct Rights may not be eligible for trading in the Euroclear or Clearstream, Luxembourg systems.

No Direct Rights election may be made on or before an Exchange Date (as defined in an Unrestricted U.S.$ Global Bond) unless the registered holder elects in such notice that the exchange in question shall no longer take place.

At the same time that each relevant holder of an account at Euroclear or Clearstream, Luxembourg acquires Direct Rights, each holder of a beneficial interest in a Restricted U.S.$ Global Bond shall have all rights against the Russian Federation which such holder of a beneficial interest would have had if it were the holder of a Restricted U.S.$ Bond Certificate issued immediately before the relevant time in an aggregate principal amount equal to such holder's beneficial interest in such Restricted U.S.$ Global Bond, including, without limitation, the right to receive all payments due at any time in respect of such Restricted U.S.$ Bond Certificate other than payments corresponding to payments already made pursuant to such Restricted U.S.$ Global Bond.

Upon the transfer, exchange or replacement of a Restricted U.S.$ Bond Certificate bearing the legend referred to under **Transfer Restrictions**, or upon specific request for removal of the legend on a Restricted U.S.$ Bond Certificate, the Russian Federation will deliver only Restricted U.S.$ Bond Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Russian Federation and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Russian Federation that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Such transfer restrictions will terminate with respect to such U.S.$ Bonds one year (or such other period as provided by Rule 144) after the date on which Bonds represented by an interest in a Restricted U.S.$ Global Bond were issued, assuming compliance with the relevant Condition 6(b).

The Registrar will not register the transfer of or exchange of interests in U.S.$ Global Bonds for U.S.$ Bond Certificates during the three Business Days (as defined in the U.S.$ Global Bonds) ending on the due date for any payment of principal of the U.S.$ Bonds.

Exchange of Interests in EUR Global Bonds for EUR Bond Certificates

Registration of title to EUR Bonds initially represented by a Restricted EUR Global Bond or an Unrestricted EUR Global Bond in a name other than the common depositary for Euroclear and Clearstream, Luxembourg or any nominee of such common depositary will not be permitted in respect of such EUR Bonds unless (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) following a failure to pay principal in respect of such EUR Bonds that is due and payable, the Fiscal Agent has received a notice from the registered holder of such EUR Global Bond requesting the exchange of such Global Bond for individual bond certificates (in the case of the Unrestricted EUR Global Bond, the **Unrestricted EUR Bond Certificates** and, together with the Restricted EUR Bond Certificates, the **EUR Bond Certificates**).

In such circumstances, the relevant EUR Global Bonds will be exchanged in full or in part, as the case may be, for EUR Bond Certificates, and the Russian Federation will, at the cost of the Russian Federation (but against such indemnity as the Registrar or any relevant Transfer Agent 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 EUR Bond Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant holders of such EUR Bonds. A person having an interest in the EUR Global Bonds must provide the Registrar with (a) a written order containing instructions and such other information as the Russian Federation and the Registrar may require to complete, execute and deliver such EUR Bond Certificates and (b) in the case of a Restricted EUR Global Bond only, a fully completed, signed certificate substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of a simultaneous sale pursuant to Rule 144A, that the transfer is being made in compliance with the provisions of Rule 144A. EUR Bond Certificates issued in exchange for a beneficial interest in a Restricted EUR Global Bond will bear the legends applicable to transfers pursuant to Rule 144A, as set out under "Transfer Restrictions" herein. Such transfer restrictions will terminate with respect to such EUR Bonds one year (or such other period as provided by Rule 144) after the date on which EUR Bonds represented by an interest in such Restricted EUR Global Bond were issued, assuming compliance with the relevant Condition 6(b).

The holder of a EUR Bond may transfer such EUR Bond in accordance with the provisions of Condition 2. EUR Bond Certificates may not be eligible for trading in the Euroclear or Clearstream, Luxembourg systems.

If principal in respect of any EUR Bonds represented by any EUR Global Bond is not paid when due and payable (but subject as provided below), the registered holder of such EUR Global Bond may from time to time elect that direct enforcement rights (**Direct Rights**) against the Russian Federation will come into effect. Thereupon, each relevant holder of an account with Euroclear or Clearstream, Luxembourg shall, at the relevant time, acquire against the Russian Federation all rights (including the right to receive payments due on such EUR Bonds) that such accountholder would have received if it had been the holder of EUR Bond Certificates. Such election shall be made by the holder of a EUR Global Bond by notice to the Registrar and presentation of a EUR Global Bond to or to the order of the Registrar whereupon the Registrar shall reduce the principal amount of Bonds represented by such EUR Global Bond entered on the Register and shall make the appropriate entry or entries on the Register to reflect that such Direct Rights have come into effect. Such Direct Rights may not be eligible for trading in the Euroclear or Clearstream, Luxembourg systems.

No Direct Rights election may be made on or before an Exchange Date (as defined in a EUR Global Bond) unless the registered holder elects in such notice that the exchange in question shall no longer take place.

Upon the transfer, exchange or replacement of a Restricted EUR Bond Certificate bearing the legend referred to under **Transfer Restrictions**, or upon specific request for removal of the legend on a Restricted EUR Bond Certificate, the Russian Federation will deliver only Restricted EUR Bond Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Russian Federation and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Russian Federation that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Such transfer restrictions will terminate with respect to such EUR Bonds one year (or such other period as provided by Rule 144) after the date on which EUR Bonds represented by an interest in a Restricted EUR Global Bond were issued, assuming compliance with the relevant Condition 6(b).

The Registrar will not register the transfer of or exchange of interests in EUR Global Bonds for EUR Bond Certificates during the three Business Days (as defined in the EUR Global Bonds) ending on the due date for any payment of principal of the EUR Bonds.

DTC, Euroclear and Clearstream, Luxembourg Arrangements

So long as DTC or its nominee or Euroclear, Clearstream, Luxembourg or the common depositary or any nominee of such common depositary is the registered holder of a Global Bond, DTC, Euroclear or Clearstream, Luxembourg, the common depositary or such nominee, as the case may be, will be considered the sole owner or holder of the Bonds represented by such Global Bond for the purposes of the relevant Fiscal Agency Agreement and such Bonds. Payments of principal, interest and additional amounts, if any, in respect of Global Bonds will be made to DTC, Euroclear, Clearstream, Luxembourg or such common depositary or nominee, as the case may be, as the registered holder thereof. Neither the Russian Federation nor any affiliate controlled by it for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Holders of book-entry interests in Restricted U.S.$ Global Bonds held through DTC will receive from the Fiscal Agent through DTC, to the extent received by DTC from the Fiscal Agent, all distributions of principal and interest made with respect to book-entry interests in such Restricted U.S.$ Global Bonds.

Distributions of principal and interest with respect to book-entry interests in Unrestricted U.S.$ Bonds and EUR Bonds held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by

Euroclear or Clearstream, Luxembourg from the Fiscal Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg customers in accordance with the relevant system's rules and procedures.

Interest on Bonds (other than interest on redemption) will be paid to the holder shown on the register maintained by the Registrar on the Clearing System Business Day (as defined below) immediately before the due date for such payment so long as such Bonds are represented by a Global Bond, and on the fifteenth day before the due date for such payment if such Bonds are in the form of U.S.$ Bond Certificates or EUR Bond Certificates (the **Record Date**). Trading of Bonds will therefore be net of accrued interest from the relevant Record Date to the relevant interest payment date. **Clearing System Business Day** means Monday to Friday inclusive except 25 December and 1 January.

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in Global Bonds to such persons may be limited. Because DTC, Euroclear and Clearstream, Luxembourg can only act on behalf of direct and indirect participants, the ability of a person having an interest in Global Bonds to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The holdings of book-entry interests in the Bonds through DTC, Euroclear and Clearstream, Luxembourg will be reflected in the book-entry accounts of each institution. The Registrar will adjust the amounts of Bonds on the Register as necessary for the accounts of (a) Cede & Co. and (b) Citivic Nominees Limited to reflect the amounts of Bonds held through DTC and Euroclear and Clearstream, Luxembourg, respectively. Beneficial ownership in Bonds will be held through financial institutions as direct and indirect participants in DTC, Euroclear and Clearstream, Luxembourg.

Interests in the Global Bonds will be in uncertificated book-entry form.

Trading between Euroclear and/or Clearstream, Luxembourg Accountholders in the case of Unrestricted U.S.$ Global Bonds and EUR Global Bonds

Secondary market sales of book-entry interests in Unrestricted U.S.$ Global Bonds and EUR Global Bonds held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in Unrestricted U.S.$ Global Bonds and EUR Global Bonds respectively through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional eurobonds.

Trading between DTC Participants in the case of Restricted U.S.$ Global Bonds

Secondary market sales of book-entry interests in Bonds between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to U.S. corporate debt obligations in DTC's Same Day Funds Settlement System.

Trading between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser in the case of the sale of Restricted U.S.$ Global Bonds

When a book-entry interest in U.S.$ Global Bonds is to be transferred from the account of a DTC participant holding a beneficial interest in a Restricted U.S.$ Global Bond to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in an Unrestricted U.S.$ Global Bond (subject to such certification procedures as are provided in the relevant Fiscal Agency Agreement), the purchaser must send instructions to Euroclear or Clearstream, Luxembourg at least one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will instruct the common depositary to receive the beneficial interest and make payment for it. Payment will include interest accrued on the beneficial interest in such U.S.$ Global Bonds from and including the last interest payment date to and excluding the settlement date. On the settlement date, the common depositary will make payment to the DTC participant's account against delivery of the beneficial interest. After settlement has been completed, the beneficial interest will be credited to the respective clearing system, and by the clearing system, in accordance with its usual procedures, to the Euroclear or Clearstream, Luxembourg accountholder's account. The securities credit will appear the next day, European time. The cash debit will be back-valued to, and interest on an Unrestricted U.S.$ Global Bond will accrue from, the value date, which will be the preceding day when settlement occurs in New York. If settlement is not completed on the intended value date, that is, if the trade fails, the Euroclear or Clearstream, Luxembourg cash debit will be valued instead as of the actual settlement date, whenever that may be.

The Euroclear or Clearstream, Luxembourg accountholder will need to make available to its clearing system the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as it would for any pre-settlement occurring within Euroclear or Clearstream, Luxembourg. Under this approach, the purchasing accountholder may take on credit exposure to Euroclear or Clearstream, Luxembourg until the beneficial interest in an Unrestricted U.S.$ Global Bond is credited to its account one day later. As an alternative, if Euroclear or Clearstream, Luxembourg has extended a line of credit to the purchasing accountholder, it can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, the Euroclear or Clearstream, Luxembourg accountholder purchasing the beneficial interest in an Unrestricted U.S.$ Global Bond would incur overdraft charges for one day, assuming it cleared the overdraft when the beneficial interest was credited to its account. However, interest on an Unrestricted U.S.$ Global Bond would accrue from the value date. Therefore, in many cases, the investment income on an Unrestricted U.S.$ Global Bond earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each accountholder's particular cost of funds.

Because the settlement is taking place during New York business hours, the DTC participant can use its usual procedures for transferring a beneficial interest in the U.S.$ Global Bonds to the common depositary for the benefit of the Euroclear or Clearstream, Luxembourg accountholder. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC participant, a cross market transaction will settle no differently than a trade between two DTC participants.

Day traders that use Clearstream, Luxembourg or Euroclear to purchase interests in the Restricted U.S.$ Global Bonds from DTC participants for delivery to Clearstream, Luxembourg participants or Euroclear participants should note that these trades will automatically fail on the sale side unless affirmative action is taken. At least three techniques should be readily available to eliminate this potential problem:

- Borrowing through Clearstream, Luxembourg or Euroclear for one day, until the purchase side of the day trade is reflected in their Clearstream, Luxembourg or Euroclear accounts, in accordance with the clearing system's customary procedures; or
- Borrowing the interests in the United States from a DTC participant no later than one day prior to settlement, which will give the interests sufficient time to be reflected in their Clearstream, Luxembourg or Euroclear account in order to settle the sale side of the trade; or
- Staggering the value date for the buy and sell sides of the trade so that the value date for the purchase from the DTC participant is at least one day prior to the value date for the sale to the Clearstream, Luxembourg participant or Euroclear participant.

Trading between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser in the case of the sale of Unrestricted U.S.$ Global Bonds

Due to time zone differences in its favour, a Euroclear or Clearstream, Luxembourg accountholder may employ customary transfer procedures when transferring a book-entry interest in an Unrestricted U.S.$ Global Bond to the account of a DTC participant wishing to purchase a beneficial interest in a Restricted U.S.$ Global Bond (subject to such certification procedures as are provided in the relevant Fiscal Agency Agreement). The seller must send instructions to Euroclear or Clearstream, Luxembourg at least one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg will instruct the common depositary to credit the beneficial interest in the Global Bonds to the DTC participant's account and receive payment. Payment will include interest accrued on the beneficial interest in such U.S.$ Bonds from and including the last interest payment date to and excluding the settlement date. Payment will be reflected in the account of the Euroclear or Clearstream, Luxembourg accountholder the following day. Receipt of cash proceeds in the Euroclear or Clearstream, Luxembourg accountholder's account will be back-valued to the value date, which will be the preceding day, when settlement occurs in New York. If the Euroclear or Clearstream, Luxembourg accountholder has a line of credit with its clearing system and elects to draw on such line of credit in anticipation of receipt of sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over that one-day period. If settlement is not completed on the intended value date, that is, if the trade fails, receipt of the cash proceeds in the Euroclear or Clearstream, Luxembourg accountholder's account will instead be valued as of the actual settlement date, whenever that may be.

For a further description of restrictions on the transfer of U.S.$ Bonds, see "Transfer Restrictions" below.

DTC has advised the Russian Federation that it will take any action permitted to be taken by a holder of Bonds (including, without limitation, the presentation of Global Bonds for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in U.S.$ Global Bonds are credited and only in respect of such portion of the aggregate principal amount of the relevant U.S.$ Global Bonds as to which such participant or participants has or have given such direction. In the circumstances described above, DTC will surrender the U.S.$ Global Bonds in exchange for individual U.S.$ Bond Certificates, which will, in the case of Restricted U.S.$ Bond Certificates, bear the legend applicable to transfers pursuant to Rule 144A.

DTC has advised the Russian Federation as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a member of the United States Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and to facilitate the clearance settlement of transactions between its participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. DTC participants include securities brokers and dealers, banks, trust companies and clearing corporations and may in the future include certain other organisations. Indirect access to the DTC system is also available to banks, brokers, dealers and trust companies that clear through, or maintain a custodial relationship with, a participant, either directly or indirectly. DTC is owned by a number of its direct participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers.

Euroclear and Clearstream, Luxembourg have advised the Russian Federation as follows: Euroclear and Clearstream, Luxembourg hold securities for participating organisations and facilitate the clearance and settlement of securities between their respective accountholders through electronic book-entry changes in accounts of such accountholders. Euroclear and Clearstream, Luxembourg provide to their accountholders, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg interface with domestic securities markets. Euroclear and Clearstream, Luxembourg accountholders are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream, Luxembourg accountholder, either directly or indirectly.

Although the foregoing sets out the procedures of DTC, Euroclear and Clearstream, Luxembourg to facilitate transfers of beneficial interests in U.S.$ Global Bonds among participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg, none of DTC, Euroclear or Clearstream, Luxembourg is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Russian Federation nor any agent of the Russian Federation nor any person by whom any of them is controlled for purposes of the Securities Act will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or the sufficiency for any purpose of the arrangements described above.

While a U.S.$ Global Bond is lodged with DTC or the Custodian, U.S.$ Bonds represented by individual U.S.$ Bond Certificates will not be eligible for clearing or settlement through DTC. While a U.S.$ Global Bond is lodged with Euroclear or Clearstream, Luxembourg or the common depository for Euroclear or Clearstream, Luxembourg, U.S.$ Bonds represented by individual U.S.$ Bond Certificates will not be eligible for clearing or settlement through Euroclear or Clearstream, Luxembourg.

TRANSFER RESTRICTIONS

Transfers of interests in Global Bonds within DTC (in the case of the Restricted U.S.$ Global Bonds), Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant system.

A beneficial interest in a Restricted Global Bond may be transferred to a person who wishes to take delivery of such beneficial interest through an Unrestricted Global Bond only upon receipt by the Registrar of a written certification from the transferor (in the applicable form provided in the relevant Fiscal Agency Agreement) to the effect that such transfer is being made to the Russian Federation or an affiliate of the Russian Federation or is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

In respect of any such transfer as is referred to above, the transferee must give details of the accounts at Euroclear, Clearstream, Luxembourg and DTC (in the case of the Restricted U.S.$ Global Bonds only) to be credited or debited, as the case may be, with an interest in the relevant Global Bonds.

With respect to the Restricted Bonds of each series, transfer restrictions will terminate one year (or such other periods as provided by Rule 144) after the date on which such Bonds represented by an interest in a Restricted Global Bond were last issued, assuming compliance with the relevant Condition 6(b).

Any beneficial interest in either a Restricted Global Bond or an Unrestricted Global Bond that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Bond will, upon transfer, cease to be a beneficial interest in such Global Bond and become a beneficial interest in the other Global Bond and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Bond for so long as such person retains such an interest.

The Bonds are being offered and sold in the United States only to QIBs. Because of the following restrictions, purchasers of Bonds offered in the United States are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Bonds.

Each purchaser of Bonds offered hereby other than in reliance on Regulation S will be deemed to have represented, agreed and acknowledged as follows (terms used herein that are defined in Rule 144A are used herein as defined therein):

(a) The purchaser is (1) a QIB and (2) acquiring the Bonds for its own account or for the account of a QIB.

(b) The purchaser understands that the Bonds have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or otherwise transferred except in accordance with the legend set forth below.

(c) The Restricted Global Bond and any Restricted Bond Certificates offered hereby will bear a legend to the following effect, unless the Russian Federation determines otherwise in accordance with applicable law:

THIS BOND HAS 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 AND MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO THE RUSSIAN FEDERATION OR AN AFFILIATE OF THE RUSSIAN FEDERATION, (2) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE

UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS BOND.

The Russian Federation and its affiliates, the Joint Lead Managers and their affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

SUBSCRIPTION AND SALE

Barclays Bank PLC, Deutsche Bank AG, London Branch, GPB-Financial Services Ltd, Renaissance Securities (Cyprus) Limited, The Royal Bank of Scotland plc and VTB Capital plc (together, the **Joint Lead Managers**) have, in a contract with the Issuer (the **State Contract**) expected to be dated 13 September 2013, agreed jointly and severally to subscribe and pay for the 2019 U.S.$ Bonds at their issue price of 99.195 per cent. of their principal amount, the 2023 U.S.$ Bonds at their issue price of 98.162 per cent. of their principal amount, the 2043 U.S.$ Bonds at their issue price of 97.187 per cent. of their principal amount and the EUR Bonds at their issue price of 99.533 per cent. of their principal amount, in each case less a combined management and underwriting commission. Each Joint Lead Manager is entitled in certain circumstances to be released and discharged from its obligations under the State Contract prior to the issue of the Bonds. The Issuer has agreed to indemnify the Joint 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 Joint Lead Managers have agreed to bear certain expenses of the Issuer pursuant to the State Contract.

United States

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Joint Lead Managers have agreed severally and not jointly, nor jointly and severally, to offer the Bonds for resale in the United States initially only to persons they reasonably believe to be qualified institutional buyers in reliance on Rule 144A and outside the United States in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the respective meanings given to them by Regulation S. The Bonds are being offered and sold outside of the United States in reliance on Regulation S. The State Contract provides that the Joint Lead Managers may, through their respective U.S. affiliates, resell a portion of the Bonds within the United States only to qualified institutional buyers in reliance on Rule 144A. In addition, until 40 days after the commencement of the offering, an offer or sale of Bonds within the United States by any dealer (whether or not it is participating in the offering) may violate the registration requirements of the Securities Act if such offer is made otherwise than in accordance with Rule 144A.

United Kingdom

Each Joint Lead Manager has severally and not jointly, nor jointly and severally, represented and agreed that it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

General

Each Joint Lead Manager has severally and not jointly, nor jointly and severally, 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 Bonds or has in its possession or distributes the Prospectus or any other offering material.

Each purchaser of Bonds must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells 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 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 any Joint Lead Manager shall have any responsibility therefor.

Some of the Joint Lead Managers, 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 U.S.$ Bonds will be accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg and will have the CUSIP and ISIN numbers and Common Codes set out below. The EUR Bonds will be accepted for clearance through Euroclear and Clearstream, Luxembourg and will have the ISIN numbers and Common Codes set out below.

2019 U.S.$ Bonds

	Restricted Global Bond	Unrestricted Global Bond
CUSIP	78307A DF7	—
ISIN	US78307ADF75	XS0971721377
Common Code	097194190	097172137

2023 U.S.$ Bonds

	Restricted Global Bond	Unrestricted Global Bond
CUSIP	78307A DG5	—
ISIN	US78307ADG58	XS0971721450
Common Code	097194173	097172145

2043 U.S.$ Bonds

	Restricted Global Bond	Unrestricted Global Bond
CUSIP	78307A DH3	—
ISIN	US78307ADH32	XS0971721963
Common Code	097194211	097172196

EUR Bonds

	Restricted Global Bond	Unrestricted Global Bond
ISIN	XS0971723829	XS0971722342
Common Code	097172382	097172234

2. The listing of the Bonds on the Official List will be expressed in U.S. dollars in the case of the U.S.$ Bonds and euros in the case of the EUR Bonds, as a percentage of their principal amount (excluding accrued interest). Transactions will normally be effected for settlement in dollars or euros, as applicable, and, under current practice, for delivery on the fifth business day after the day of the transaction.

   It is expected that listing on the Official List and admission of the Bonds to trading on the Market will be granted on or about 18 September 2013, subject only to the issue of the Bonds.

   If the Bonds are not issued as mentioned in this document, the listing and admission to trading of the Bonds may be cancelled. Prior to official listing and admission to trading, however, dealings in the Bonds will be permitted by the London Stock Exchange in accordance with its rules. All reasonable efforts will be used to maintain any such listing and admission to trading of the Bonds for so long as any of the Bonds remain outstanding.

   For 12 months starting on the date this Prospectus is made available, the following documents may be inspected during normal business hours (local time) on any weekday (public holidays excluded) at the office of the Paying Agent, namely:

- each Fiscal Agency Agreement, which includes the forms of the Global Bonds and the Bond Certificates; and
- the authorisations referred to in item 4 below. English translations of these authorisations will be available, but in the event of a discrepancy the Russian language versions will prevail.

This Prospectus will be made available free of charge on the website of the London Stock Exchange, being www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

Copies of Russia's federal budget are available free of charge on the website of the Ministry of Finance of the Russian Federation (http://www.minfin.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.

3. 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 and the Fiscal Agency Agreement.

4. The issue of the Bonds and the execution of each Fiscal Agency Agreement were authorised pursuant to Federal Law No. 136-FZ of 29 July 1998 (as amended) "On the Specifics of Issuance and Circulation of State and Municipal Securities"; Federal Law No. 216 FZ of 3 December 2012 "On the Federal Budget for 2013 and for the Planning Period of 2014 and 2015"; Resolution of the Government of the Russian Federation dated 28 December 2012 No. 2585-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 11 September 2013 No. 233; Order of the Ministry of Finance dated 11 September 2013 No. 234; Order of the Ministry of Finance dated 11 September 2013 No. 235; and Order of the Ministry of Finance dated 11 September 2013 No. 236, as amended on 13 September 2013.

5. 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.

6. 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.

7. 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.

8. 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 Bond investors are likely to reside, including the United States and 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 have recently 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 to obtain recognition or enforcement in the Russian Federation of a foreign judgment in respect of the Bonds.

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 legal or arbitration proceedings in the 12 months preceding the date of this document (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. Since 31 December 2012, 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. Certain of the Joint 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 Joint 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. Certain of the Joint Lead Managers or their affiliates routinely hedge their credit exposure consistent with their customary risk management policies. Typically, such Joint 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 Joint 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. The address of the Issuer is 9 Ilyinka Street, Moscow 109097, Russian Federation, and its telephone number is +7 495 987 9242.

ISSUER

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