

# INVESTOR PRESENTATION

September 2016



**BANK  
FOR DEVELOPMENT**

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# VEB AT A GLANCE



Strategic role for the Russian economy

100% state-owned entity with a unique legal status under ad hoc federal law

Supervisory Board represented by top government officials and chaired by Prime Minister

Direct equity contributions from the Federal Budget – proven track record of Government support

Total Assets of the Group represent more than 7%<sup>1</sup> of Russia's GDP

International credit ratings on par with the Russian sovereign

*(1) The percentage is calculated on an annual basis*

# SUPERVISORY BOARD



**Dmitry Medvedev**

Prime Minister of the Russian Federation  
Chairman of the VEB Supervisory Board



**Igor Shuvalov**

First Deputy Prime Minister of the  
Russian Federation



**Arkady Dvorkovich**

Deputy Prime Minister of the  
Russian Federation



**Alexander Khloponin**

Deputy Prime Minister of the  
Russian Federation



**Dmitry Kozak**

Deputy Prime Minister of the  
Russian Federation



**Andrei Belousov**

Aide to the President



**Anton Siluanov**

Minister of Finance of the Russian  
Federation



**Alexei Ulyukayev**

Minister of Economic Development  
of the Russian Federation



**Sergey Gorkov**

VEB Chairman

# VEB ROLE IN THE RUSSIAN ECONOMY



<b>Investments</b>		<p>As at July 1, 2016 VEB financed <b>183 investment projects</b> in total amount of <b>RUB 4,1 trl</b> with VEB share of <b>RUB 2,2 trl</b></p>
<b>Export Support</b>		<p>As at July 1, 2016 within the framework of guarantee support of Russian exporters VEB issued about <b>RUB 1 066,75 bn</b> worth of guarantees in favor of foreign consumers of Russian products</p>
<b>SME Support*</b>		<p>As at April 1, 2016* within the SME Financial Support Program VEB supported over <b>56 thousand SME enterprises</b> in total amount of <b>RUB 610,2 bn</b></p>
<b>Agent of the State</b>		<p>Government Debt and Financial Assets Management, Pension Fund Management and Mortgage Lending Market support. As at June 30, 2016 total funds of the State Pension Fund of the Russian Federation managed by the state management company amounted to <b>RUB 1,87 trl</b> (appr. half of all pension funds)</p>
<b>Financial System</b>		<p>During 2008-09, VEB was chosen by the Russian Government to support the Russian economy and financial system. That support amounted to <b>RUB 579 bn</b></p>

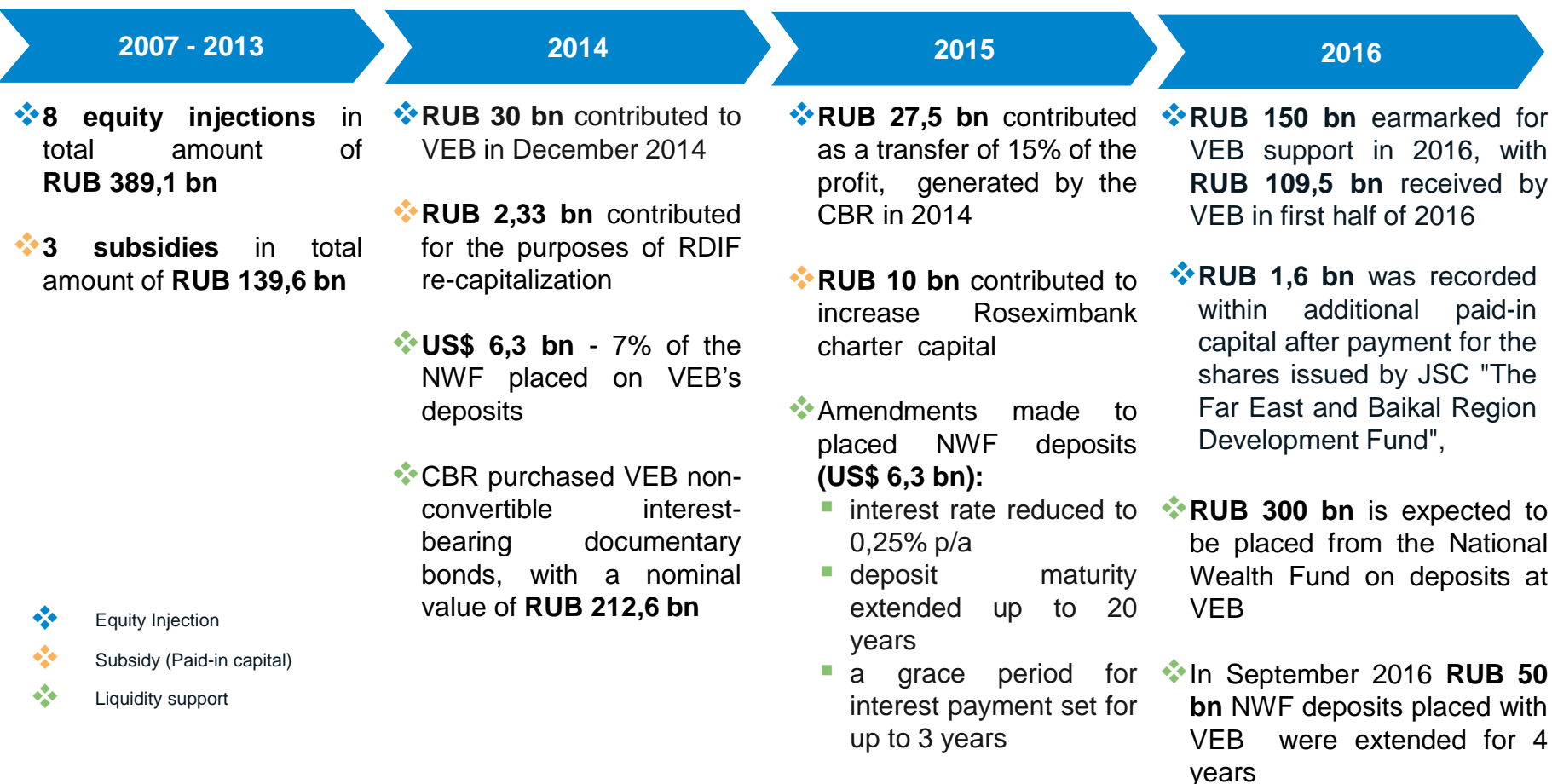
\* In April 2016 Vnesheconombank paid for an additional issue of shares of JSC "Federal Corporation for Development of Small and Medium Enterprises" with the 100% shares of JSC "SME Bank". The Bank's interest in the share capital of JSC SME Corporation is 37.5%.

# VEB HAS A PROVEN TRACK RECORD OF GOVERNMENT SUPPORT

VEB receives target contributions (in the form of loans and deposits) to be used for VEB's various target development programs from:


- / the Federal Budget,
- / Central Bank of Russia,
- / National Wealth Fund.

Since VEB's establishment in 2007 till 2016 there were 17 capital contributions.



Source: Audited IFRS accounts for the year ends 2012 – Q2 2016  
Official CBR RUB/US\$ exchange rates as at respective year end date were used

# PEER ANALYSIS<sup>1</sup>

		China Development Bank	BNDES	Development Bank of Japan	Korea Development Bank
Country	Russia	China	Brazil	Japan	Korea
Total Assets (US\$ bn)	69,1	1 663,3	324,6	136,5	253,0
Ratings <sup>3</sup>	Ba1/BB+/BBB-	Aa3/AA-/A+	Ba2/BB	A1/A+	Aa3/A+/AA-
Ownership	100% State Owned	100% State Owned	100% Federal Republic	100% Government Owned	100% Government Owned
State support	Implicit Support	Implicit Support	Implicit Support	Guarantee Some Obligations <sup>2</sup>	Guarantee Some Obligations <sup>2</sup>
Supervision	Government	State Council	Ministry of Economic Development	Ministry of Finance	Financial Services Commission
Funding Sources <sup>(4)</sup>	Market Instruments (62%)	Market Instruments (97%)	Government Funding (85%)	Market Instruments (75%)	Market Instruments (93%)

(1) Source: Bloomberg, Audited IFRS accounts for the year 2014

(2) In addition to implicit State support some bonds are issued with explicit Government guarantee

(3) Credit ratings according to Moody's/Standard&Poor's/Fitch credit rating agencies

(4) Include only interest-bearing liabilities

## Current functions maintenance

**A leading development institution**

**VEB's core activities include financing of large scale projects, aimed at:**

technological modernization of the Russian economy

import substitution

export support to priority industries

**Comprehensive government support**



## Business model optimization

### Portfolio/Assets

- Disposal of non-core assets
- Securing and partial sale of certain liquid assets of the Group
- Recovery of the loan book
- Restructuring of non-performing loans
- Implementing projects with high value added

### Transformation/Strategy

- Improving internal procedures
  - Risk management
  - Lending
  - Problem loan management
- Cost optimization
- Developing comprehensive Group strategy

### Organization Structure/Efficiency

- Target organization structure
- Enhancing efficiency of in-house procedures
- New risk management Division, Problem loan management Division
- Remuneration Policy



# BUSINESS MODEL IMPLEMENTATION STRATEGY

## 1 Year 2016

### Setting basis for VEB 2.0 launch

- Non-core assets disposal
- New investment process
- Cost optimization

## 2 Years 2017-18

### Building-up

- Launch of industry-based business solutions
- Finalization of non-core assets disposal and restructuring
- New investment projects support

## 3 Years 2019-21

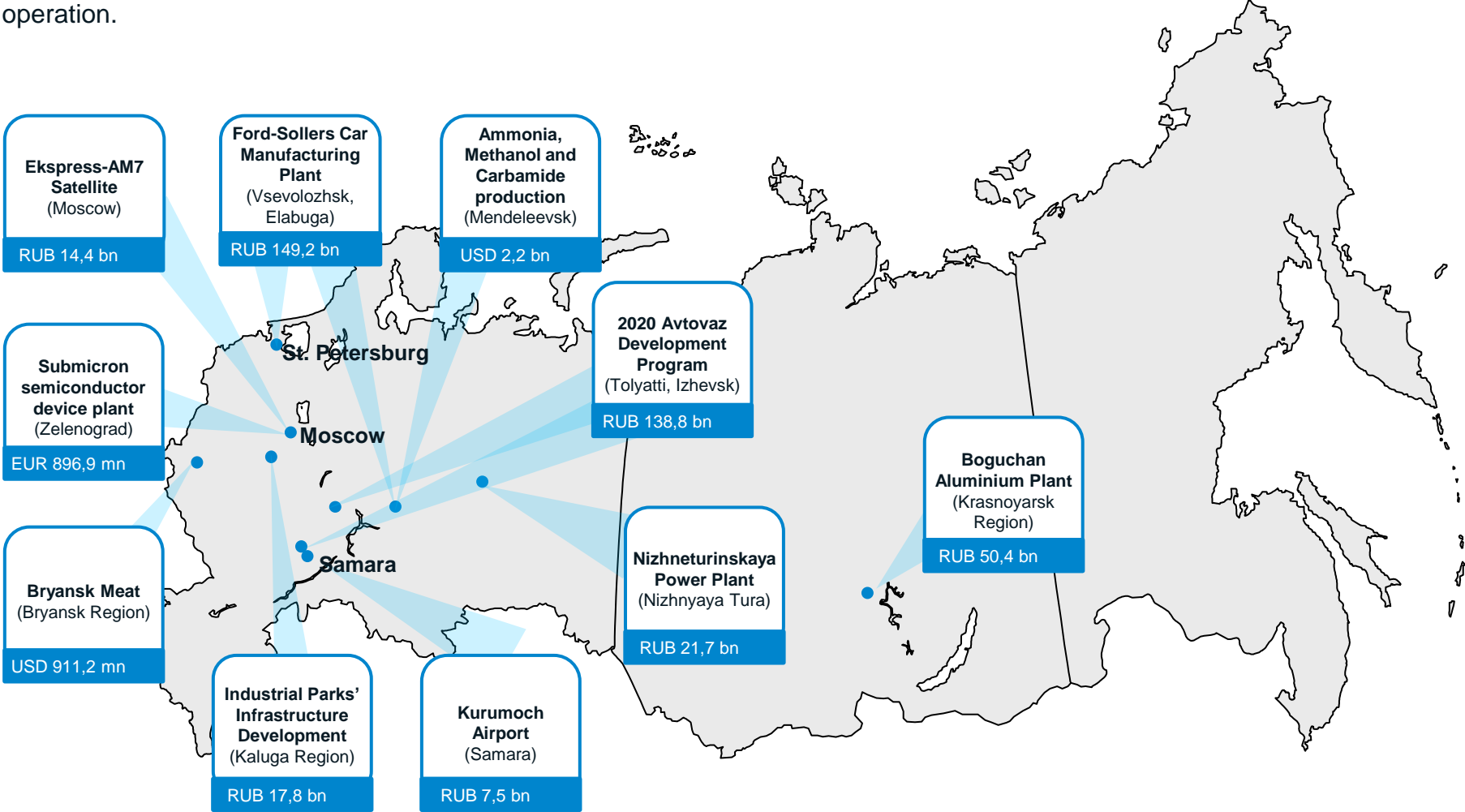
### Scaling

- Expansion of VEB loan portfolio in the target areas
- Multisource fundraising

# SELECTED RECENT PROJECTS LAUNCHED IN 2015

In 2015 VEB witnessed a successful launch of **18 production facilities** in total amount of **RUB 827 bn** with VEB share of **RUB 504 bn**. These projects foresee **33,5 thousand of new workplaces** and budget effect of **RUB 442 bn**.

In its lending policy VEB was mainly guided by a conservative approach, finalizing funding of the projects ready to be put into operation.



# H1 2016 FINANCIAL HIGHLIGHTS

## Sound and Consistent Government Support

In H1 2016, Vnesheconombank received subsidies in the amount of RUB 109.5 bn out of the RUB 150 bn designated for VEB's support in 2016.

## Fulfilling Obligations

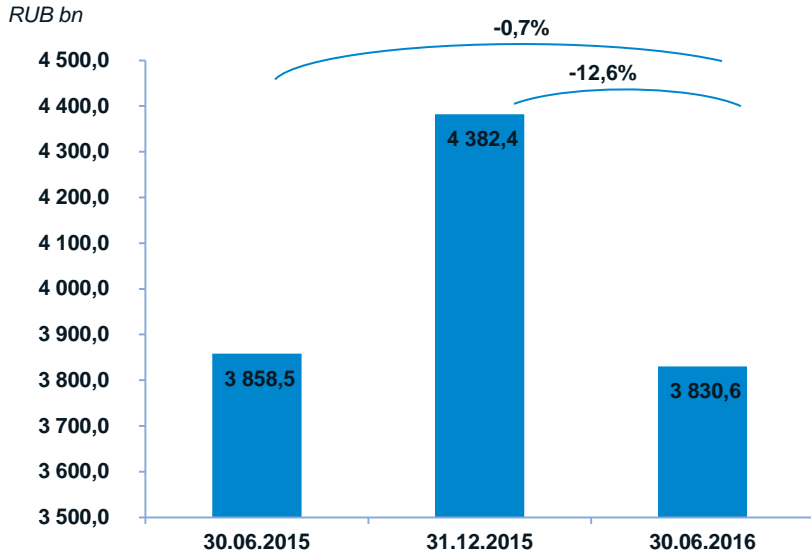
In February 2016, the Bank repaid Eurobonds with a total nominal value of CHF 500 million in accordance with the terms of the issue.

## Loan Portfolio Dynamics

A decrease in the loan portfolio by RUB 445.8 bn was driven by a negative currency revaluation of foreign currency loans in the amount of RUB 156.7 bn, and additional provisions made in the amount of RUB 198.2 bn.

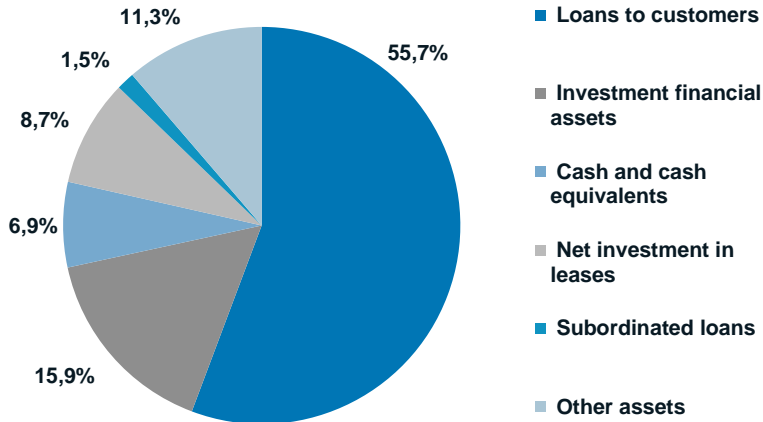
# ASSETS AND LIABILITIES DYNAMICS

## Total Assets

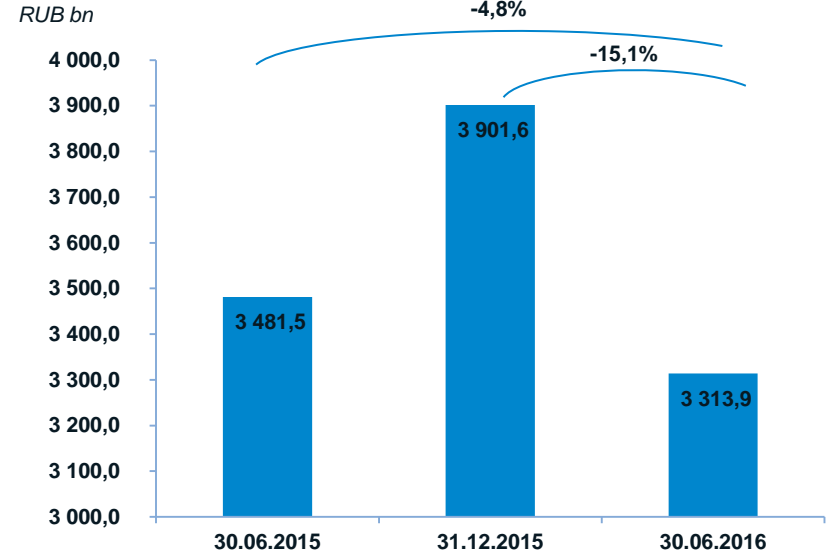


## Total Assets Structure

% of Total Assets

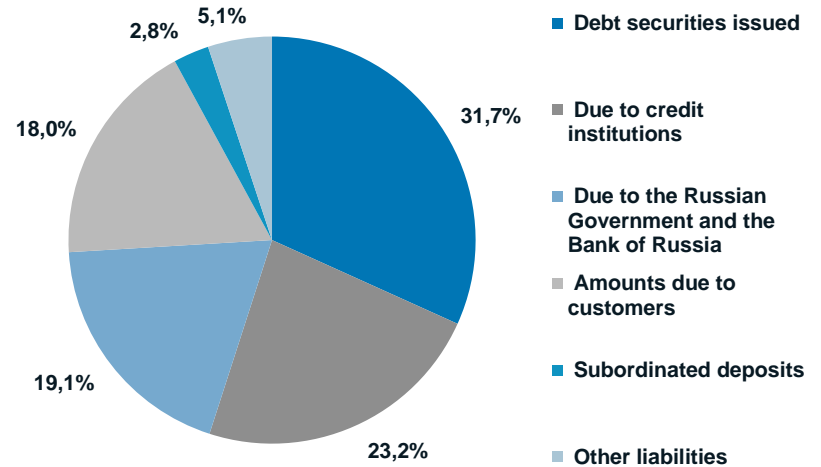


## Total Liabilities



## Total Liabilities Structure

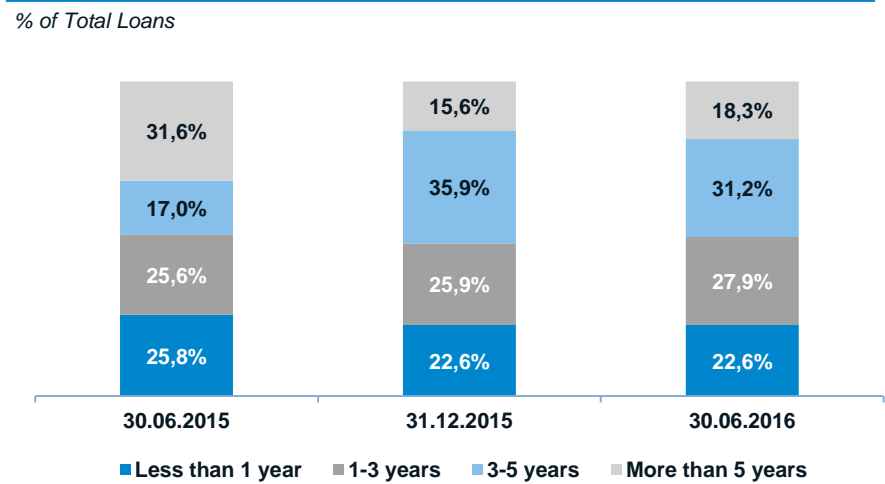
% of Total Liabilities



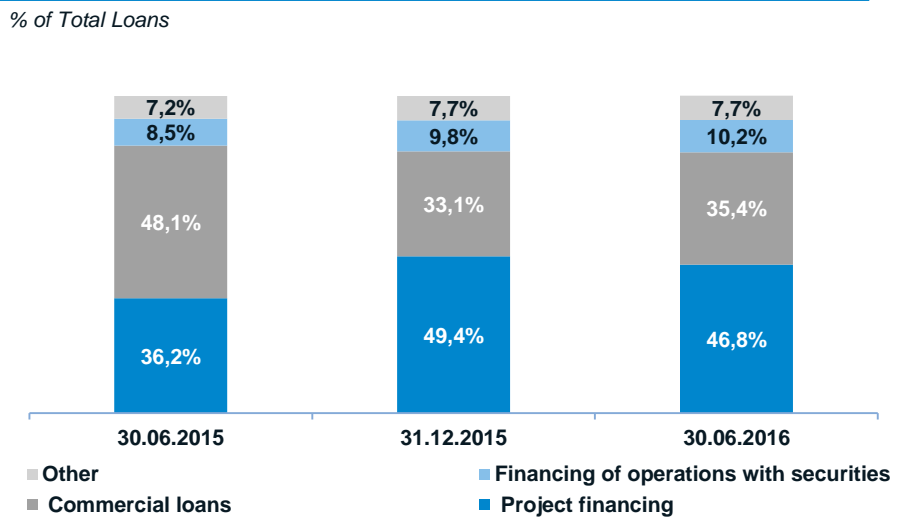
# LOAN PORTFOLIO

- As at 30.06.2016 the share of USD-denominated loans went down from 52% to 46.3% with a simultaneous increase in RUB-denominated loans from 39.5% to 45%. This was primarily brought about by a rouble exchange rate increase and a corresponding decline in the foreign currency loans book value.
- Long term loans (over 75% of total loan portfolio) with maturity of over 1 year prevail in the loan portfolio structure.

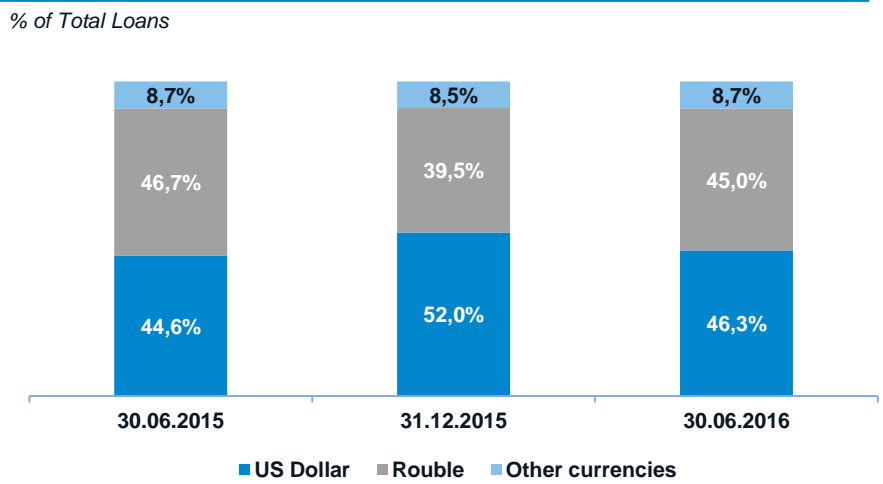
## Loan Portfolio Maturity Breakdown



## Loan Portfolio Structure



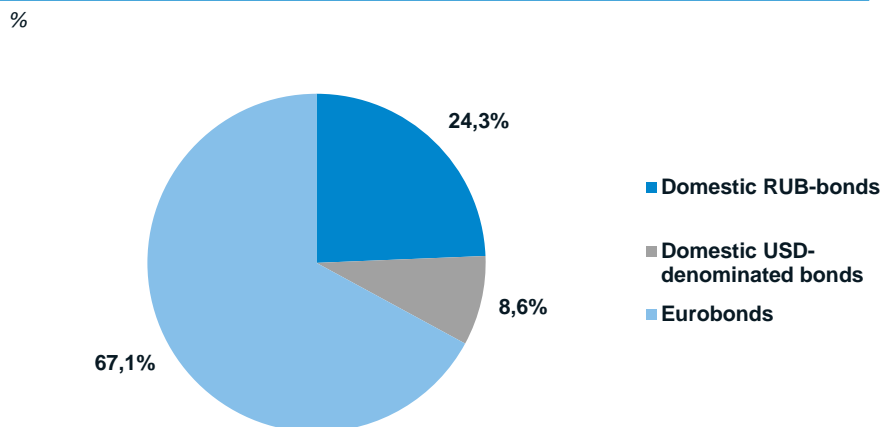
## Loan Portfolio Currency Breakdown



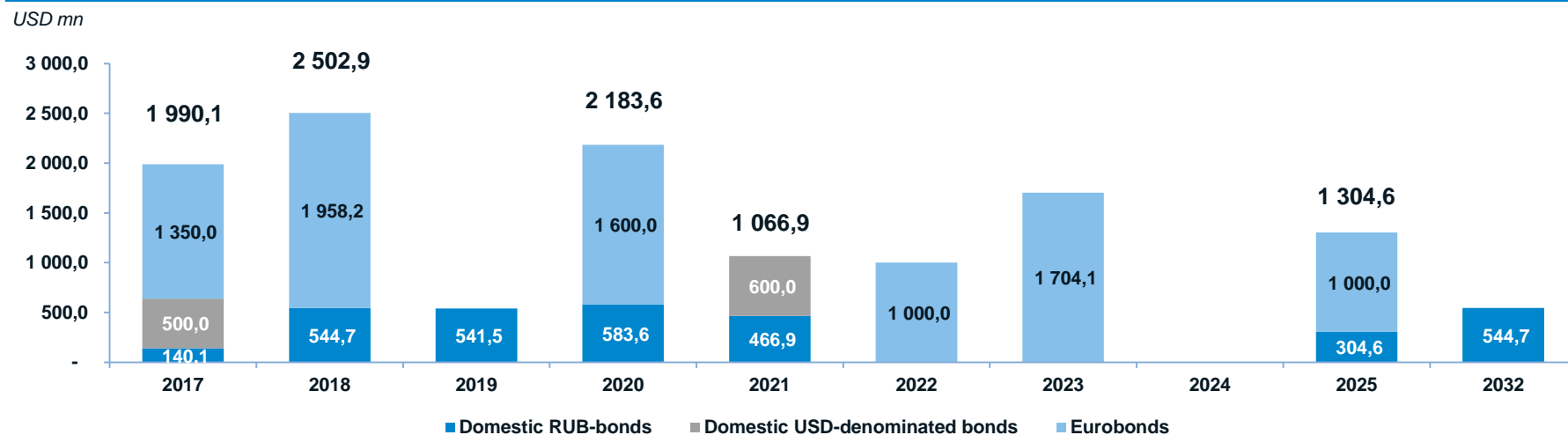
# VEB STANDALONE REPAYMENT SCHEDULE

- In Q1 2016 VEB fully repaid its CHF-denominated 500 mn eurobond issue.
- In July 2016, the Bank issued exchange-traded bonds with a nominal value of US\$ 600 mn maturing in July 2021.
- In July 2016, the Bank issued exchange-traded bonds with a nominal value of RUB 20 billion, maturing in July 2019.

## Public debt diversification by source



## Public Debt Maturity Profile as at 30.06.2016<sup>(1,2,3)</sup>



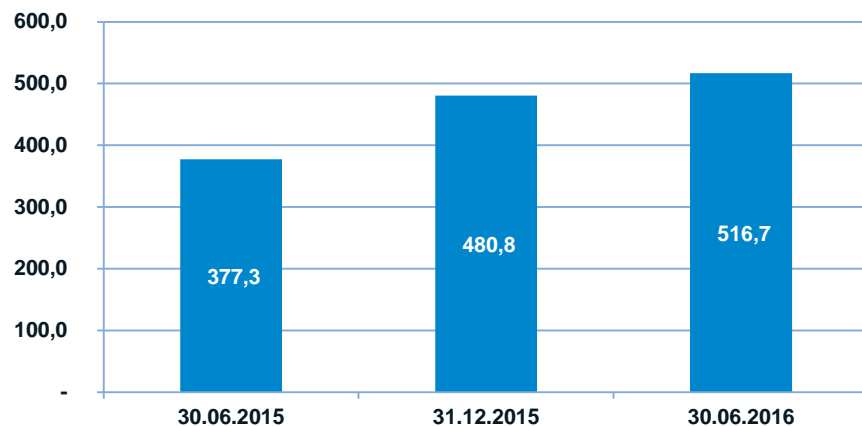
<sup>(1)</sup> RUB and EUR amounts converted into US\$ at official CBR exchange rates as at June 30, 2016

<sup>(2)</sup> After the reporting date Bank placed a series of exchange-traded bonds with a total nominal value of RUB 20 bn and a series of exchange-traded bonds with a total nominal value of US\$ 600 mn

<sup>(3)</sup> RUB amount of domestic RUB-bond maturing in 2019 converted into US\$ at official CBR exchange rates as at July 26, 2016 (Placement Date)

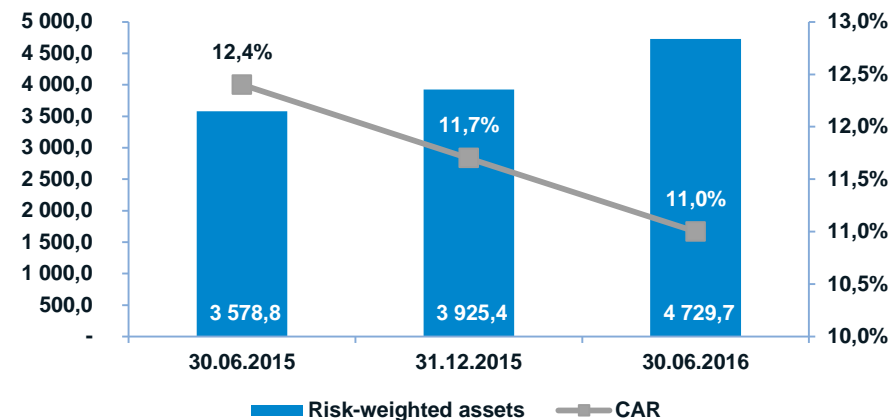
## VEB Group's Equity

RUB bn



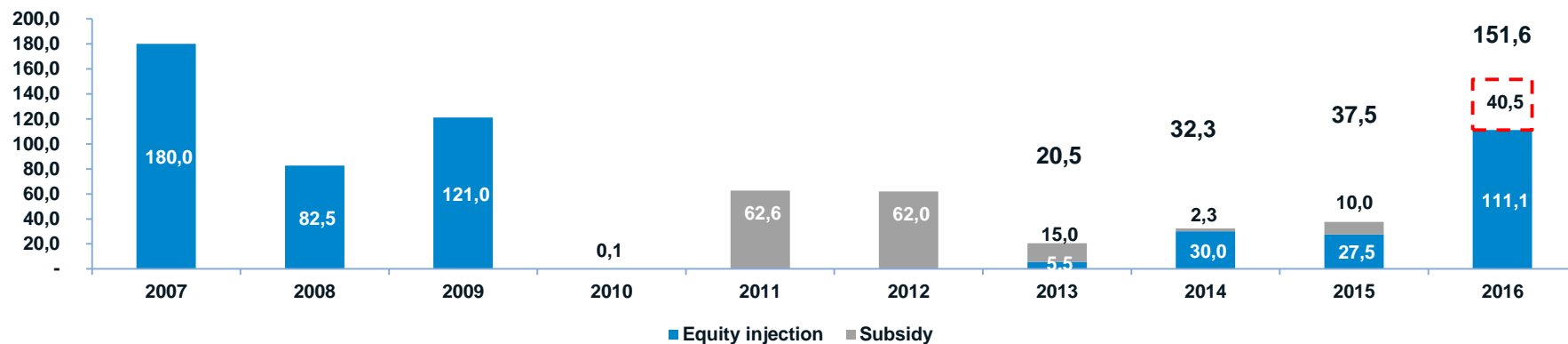
## Risk-Weighted Assets and CAR <sup>(1)</sup>

RUB bn, %



## VEB Equity Injection History

RUB bn



<sup>(1)</sup> Calculated on a standalone basis in accordance with methodology based on CBR requirement

**Thank you !**

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