

# INVESTOR PRESENTATION

January 2017



**BANK  
FOR DEVELOPMENT**

# DISCLAIMER

- / NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AS TO, AND NO RELIANCE SHOULD BE PLACED ON, THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF THE INFORMATION OR THE OPINIONS CONTAINED HEREIN. THIS PRESENTATION IS NOT TO BE RELIED UPON IN ANY MANNER AS LEGAL, TAX OR ANY OTHER ADVICE AND SHALL NOT BE USED IN SUBSTITUTION FOR THE EXERCISE OF INDEPENDENT JUDGMENT AND EACH PERSON MADE AWARE OF THE INFORMATION SET-FORTH HEREOF SHALL BE RESPONSIBLE FOR CONDUCTING ITS OWN INVESTIGATION AND ANALYSIS OF THE INFORMATION CONTAINED HEREIN. EXCEPT WHERE OTHERWISE INDICATED, THE INFORMATION PROVIDED IN THIS PRESENTATION IS BASED ON MATTERS AS THEY EXIST AS OF THE DATE STATED OR, IF NO DATE IS STATED, AS OF THE DATE OF PREPARATION AND NOT AS OF ANY FUTURE DATE, AND THE INFORMATION AND OPINIONS CONTAINED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE. NONE OF THE STATE CORPORATION BANK FOR DEVELOPMENT AND FOREIGN ECONOMIC AFFAIRS (VNESHECONOMBANK) (“VEB”) NOR ANY OF ITS SUBSIDIARIES ACCEPTS ANY OBLIGATION TO UPDATE OR OTHERWISE REVISE ANY SUCH INFORMATION TO REFLECT INFORMATION THAT SUBSEQUENTLY BECOMES AVAILABLE OR CIRCUMSTANCES EXISTING OR CHANGES OCCURRING AFTER THE DATE HEREOF. NONE OF VEB OR ANY OF ITS SUBSIDIARIES OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS SHALL HAVE ANY LIABILITY WHATSOEVER (IN NEGLIGENCE OR OTHERWISE) FOR ANY LOSS HOWSOEVER ARISING FROM ANY USE OF THIS PRESENTATION OR ITS CONTENTS OR OTHERWISE ARISING IN CONNECTION WITH THE PRESENTATION AND ANY AND ALL SUCH LIABILITY IS EXPRESSLY DISCLAIMED. THE INFORMATION CONTAINED HEREIN MUST BE KEPT STRICTLY CONFIDENTIAL AND MAY NOT BE REPRODUCED OR REDISTRIBUTED IN ANY FORMAT WITHOUT THE EXPRESS WRITTEN APPROVAL OF VEB.
- / We have prepared this document solely for informational purposes. You should not definitively rely upon it or use it to form the definitive basis for any decision, contract, commitment or action whatsoever, with respect to any proposed transaction or otherwise. You and your directors, officers, employees, agents and affiliates must hold this document and any oral information provided in connection with this document in strict confidence and may not communicate, reproduce, distribute or disclose it to any other person, or refer to it publicly, in whole or in part at any time except with our prior written consent. If you are not the intended recipient of this document, please delete and destroy all copies immediately.

# VEB at a Glance

US\$ **60,1** bn  
total assets

US\$ **51,4** bn  
total liabilities

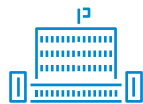
US\$ **33,2** bn  
loan portfolio



Strategic role for the Russian economy



100% state-owned entity with a unique legal status under ad hoc federal law not subordinated to the Bank of Russia



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



VEB is exempt from profit tax



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



Total Assets of the Group represent more than 5.4%<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 in current prices

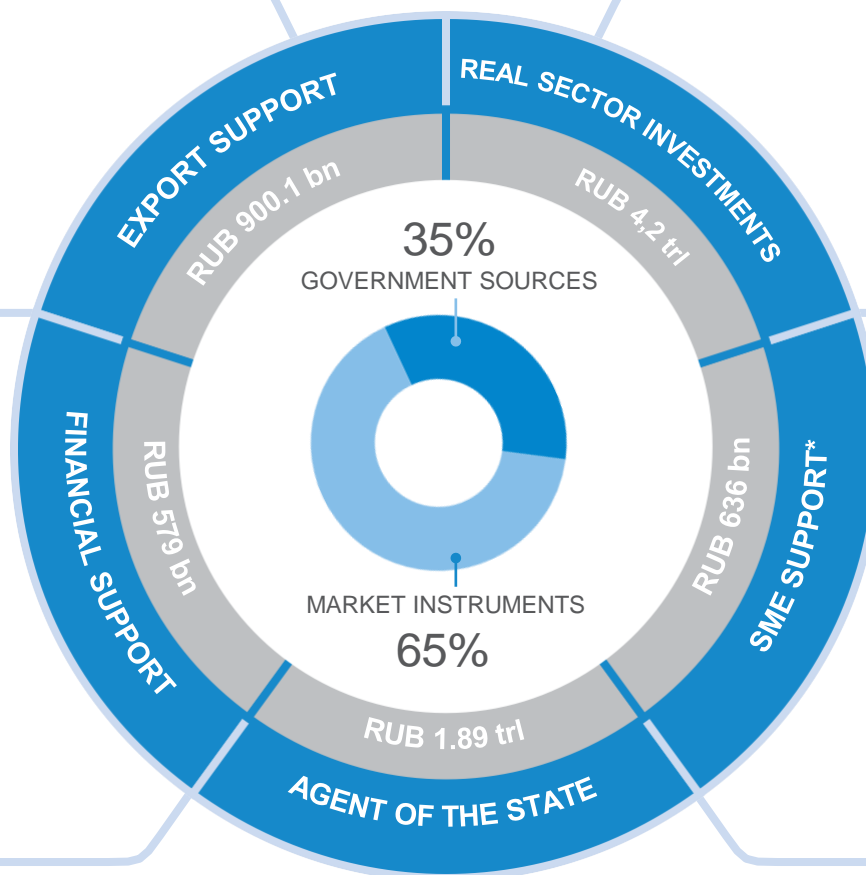
# VEB Role in the Russian Economy

As at October 1, 2016 VEB export finance portfolio (credit and guarantee support including provision of EXIAR obligations) approximated to **RUB 900,1 bn**

As at October 1, 2016 VEB financed **193 investment projects** in total amount of **RUB 4.2 trl** with VEB share of **RUB 2.2 trl**

During 2008-09, VEB was chosen by the Russian Government to support the Russian economy and financial system. That support amounted to **RUB 579 bn**

As at October 1, 2016\* within the SME Financial Support Program VEB Group supported over **58 thousand SME** enterprises in total amount of **RUB 636 bn**



Government Debt and Financial Assets Management, Pension Fund Management and Mortgage Lending Market support. As at September 30, 2016 total funds of the State Pension Fund of the Russian Federation managed by the state management company amounted to **RUB 1.89 trl** (appr. half of all pension funds)

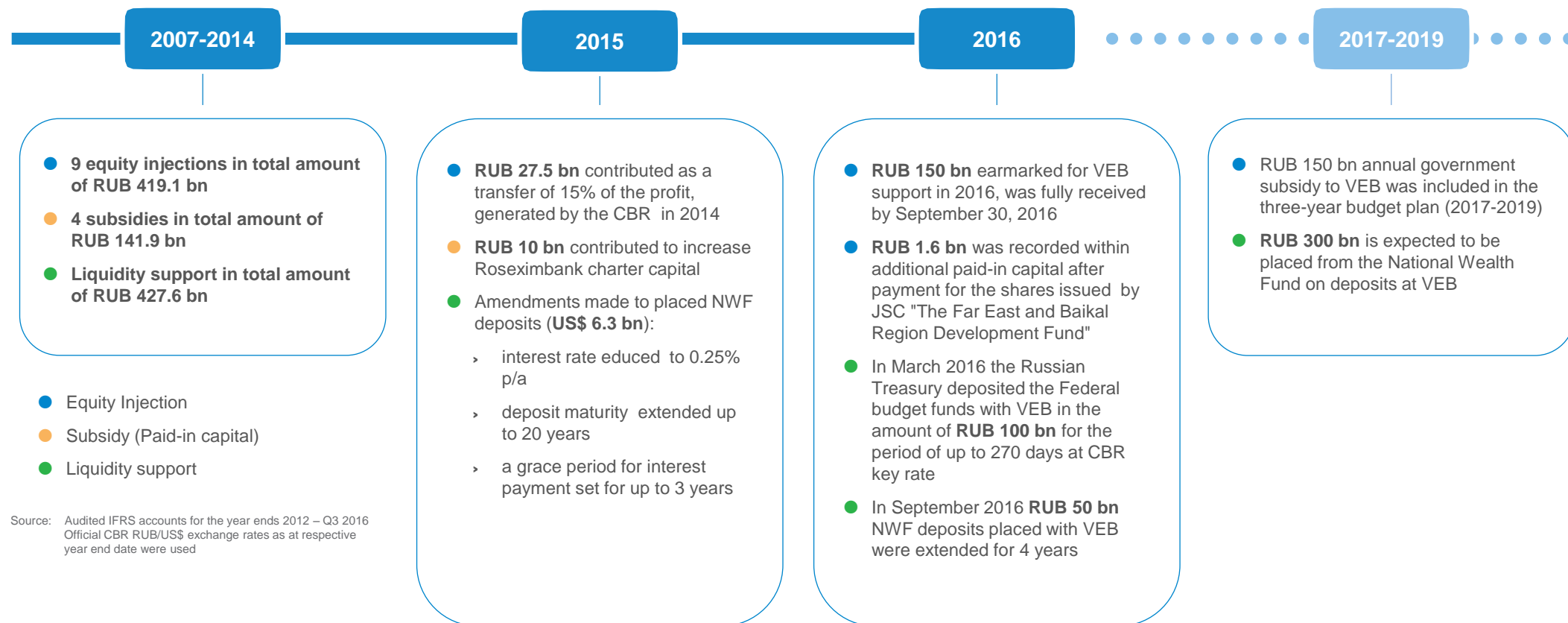
\* In April 2016 Vnesheconombank paid for an additional issue of shares of JSC "Federal Corporation for Development of Small and Medium Enterprises" with the 100% shares of JSC "SME Bank". The Bank's interest in the share capital of JSC "SME Corporation" is 37.5%.

# 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:



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



Source: Audited IFRS accounts for the year ends 2012 – Q3 2016  
Official CBR RUB/US\$ exchange rates as at respective year end date were used

# Peer Analysis<sup>1</sup>

|                                    | <br>Vnesheconombank      | <br>国家开发银行<br>CHINA DEVELOPMENT BANK<br>China Development Bank | <br>BNDES                        | <br>Development Bank of Japan           | <br>Korea Development Bank              |
|------------------------------------|--------------------------|--|----------------------------------|---|---|
| <b>Country</b>                     | <br>Russia               | <br>China  | <br>Brazil                       | <br>Japan                               | <br>Korea                               |
| <b>Total Assets (US\$ bn)</b>      | 60,1                     | 1944,4   | 240,6                            | 136,1                                   | 264,0                                   |
| <b>Ratings<sup>3</sup></b>         | Ba1/BB+/BBB-             | Aa3/AA-/A+   | Ba2/BB                           | A1/A+                                   | Aa3/A+/AA-                              |
| <b>Ownership</b>                   | 100% State Owned         | 100% State Owned   | 100% Federal Republic            | 100% Government Owned                   | 100% Government Owned                   |
| <b>State support</b>               | Implicit Support         | Implicit Support   | Implicit Support                 | Guarantee Some Obligations <sup>2</sup> | Guarantee Some Obligations <sup>2</sup> |
| <b>Supervision</b>                 | Government               | State Council  | Ministry of Economic Development | Ministry of Finance                     | Financial Services Commission           |
| <b>Funding Sources<sup>4</sup></b> | Market Instruments (66%) | Market Instruments (97%)                                       | Government Funding (88%)         | Market Instruments (75%)                | Market Instruments (92%)                |

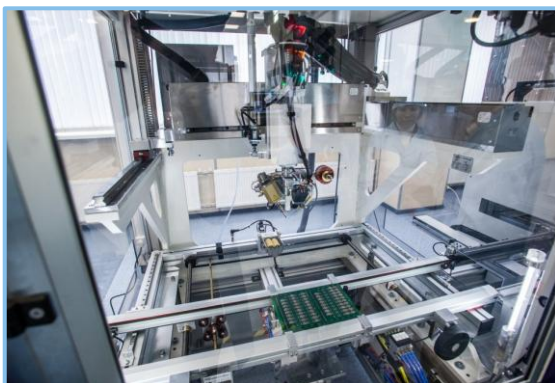
(1) Source: Bloomberg, Audited IFRS accounts for the year 2015

(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

# VEB 2.0 Model: Investment Priorities



## High value added manufacturing

- › Target niches
- › Government technology priorities



## Infrastructure

- › Transport
- › Power generation



## Export

Unique large-scale projects



## Use of defence industry facilities to manufacture civil products

- › New manufacturing facilities
- › Upgrading existing facilities
- › Export



## Innovation and National Technology Initiative projects

Launching and scaling innovative enterprises and services

# Transition to VEB 2.0 Requires New Skills & Competencies



## PRIORITIES COORDINATION WITH THE STATE

Active search for investment projects within the set priorities

## CO-FINANCING

Project structuring  
Syndicated financing and equity raising

## COOPERATION WITH NATIONAL TECHNOLOGY INITIATIVE

High-tech and innovative projects expertise

## STATE SUPPORT AGREGATION

State support programmes awareness  
Use of state support instruments

## INDUSTRIAL BUSINESS SOLUTIONS

Industry expertise and business model fine-tuning

## PROJECT SUPPORT

Active project management  
Common IT space with the customer  
Non-performing assets management

## CUSTOMER SERVICE

Dedicated clients service unit

## PROJECT MANAGEMENT AS PAID SERVICE

Competencies in engineering, procurement and construction management





# VEB 2.0 Model: Risks, Processes, Technologies and Organization



## Withdrawal from non-strategic activities

- Sviaz-bank
- GLOBEX Bank
- Prominvestbank



## New risk management approach

- Integrated lending process and analysis standards
- Integrated system of limits across all instruments
- No undue concentration to a group of related borrowers
- Designated separate units for risk management and recovery management



## New processes and technologies

- Paperless processing, electronic archives, data storages
- New processes based on design thinking, Agile and Lean
- Investment support IT system (including CRM)
- On-line platform for clients
- Cloud-based solutions



## Personnel motivation, organization

- Talent management
- Staff optimization and reduction of number of management tiers
- Competitive remuneration and incentives for overachievement
- Values and competency based framework

# Stages of Implementation of the Target Business Model

# 1

Year 2016

## Crisis Management

- › Withdrawal from non-core assets
- › Portfolio restructuring
- › Cost optimization

# 2

Years 2017-18

## Transformation

- › Withdrawal from non-core assets
- › New investment process and structure
- › Launch of financing of the target industries
- › New projects management

# 3

Years 2019-21

## Roll-out

- › Building up portfolio in the target industries
- › Raising of funding on markets

# Selected Projects Launched in 2016

Regardless the challenging environment and scarce market funding opportunities VEB has maintained its core function of a development institution, finalizing funding of the projects ready to be put into operation and commissioning them.



Member of the Group Orskie Zavody commissioned a facility in Orsk (Orenburg Region) to produce household gas stoves.



A wood-processing complex constructed with VEB's support was put into operation in Boguchansky District, Krasnoyarsk Territory, with the Bank's approved commitment of RUB 17.7 bn.



CSKA stadium, constructed with VEB's support, hosted its first match, with VEB's commitment standing at USD 241 mn.



Put into operation in Q3 2015, a complex to produce ammonia, methanol and granulated carbamide built in the Republic of Tatarstan with the financial support from Vnesheconombank has completed a full year of warranty operation at full designed capacity.



In compliance with the instruction by the Russian President Vladimir Putin to put into operation long-range aircraft to enhance transport accessibility of Russia's Far East, VEB-Leasing (VEB Group) delivered the 4 Boeing aircraft to Rossiya Airlines ahead of schedule.



Further promoting exports of Russian aviation industry products, VEB continues to be active in funding export supplies of Sukhoi Superjet civil aircraft, the deliveries of which were started to the Irish airline CityJet.

## Sound and Consistent Government Support

During the nine-month period of 2016, Vnesheconombank received subsidies in the amount of RUB 150 bn designated for VEB's support in 2016.

## Fulfilling Obligations

In nine-month period of 2016, the Bank duly repaid its long-term debt in the total amount of more than US\$ 2 bn in equivalent.

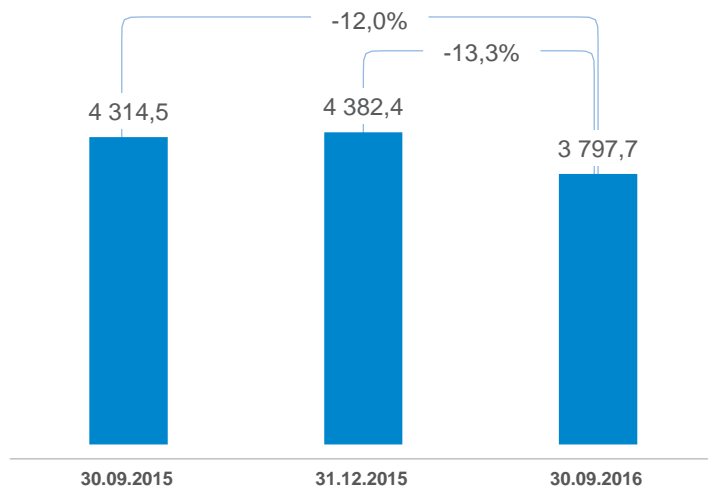
## Loan Portfolio Dynamics

A decrease in the loan portfolio by RUB 482.2 bn was mainly driven by a negative currency revaluation of foreign currency loans in the amount of RUB 178.7 bn, and additional provisions made in the amount of RUB 217.4 bn.

# Assets and Liabilities Dynamics

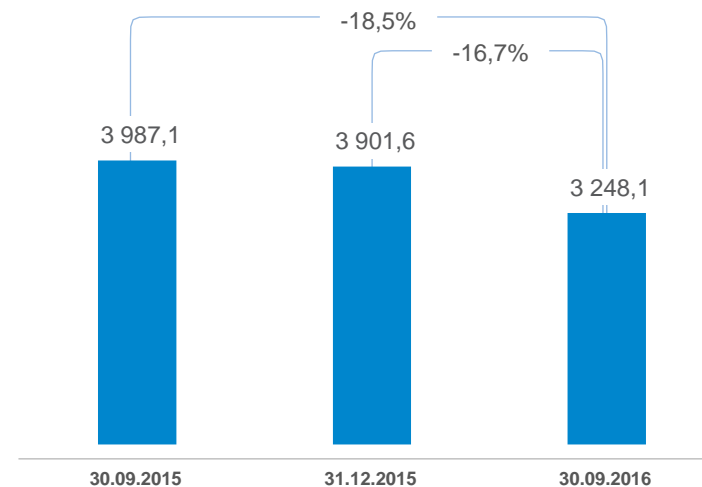
## Total Assets

RUB bn



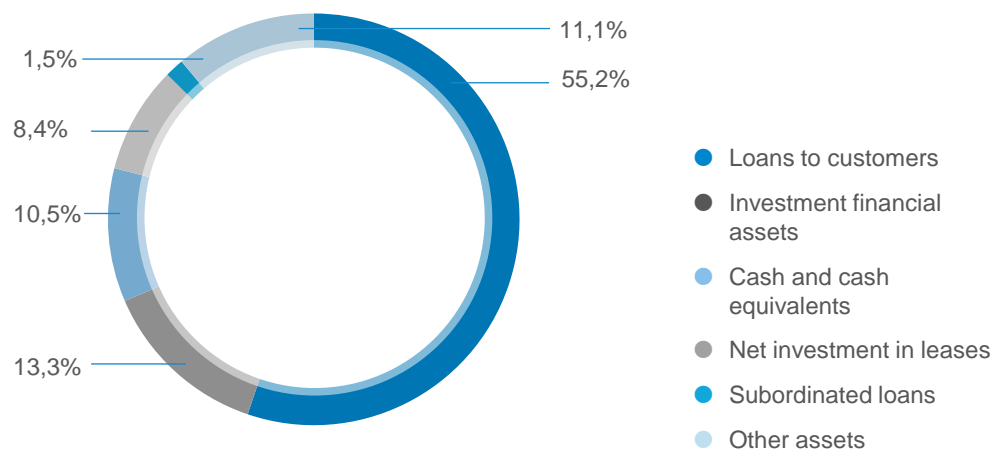
## Total Liabilities

RUB bn



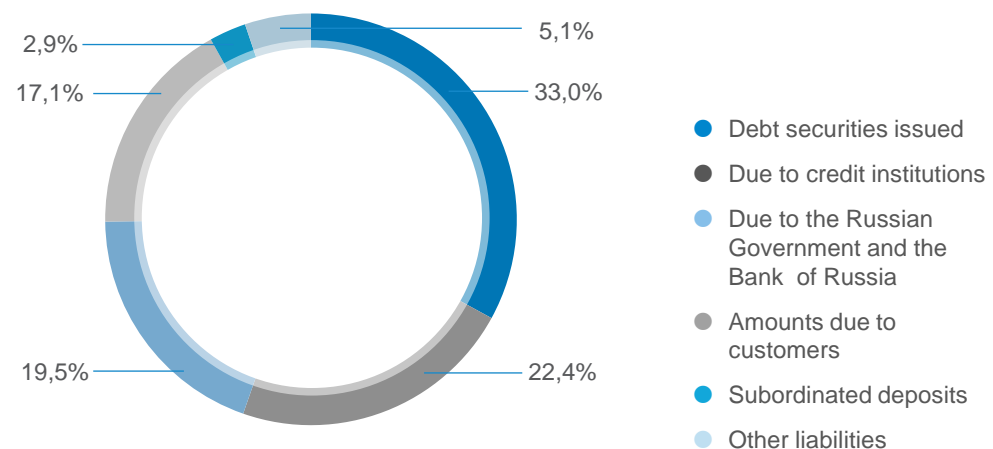
## Total Assets Structure

% of Total Assets



## Total Liabilities Structure

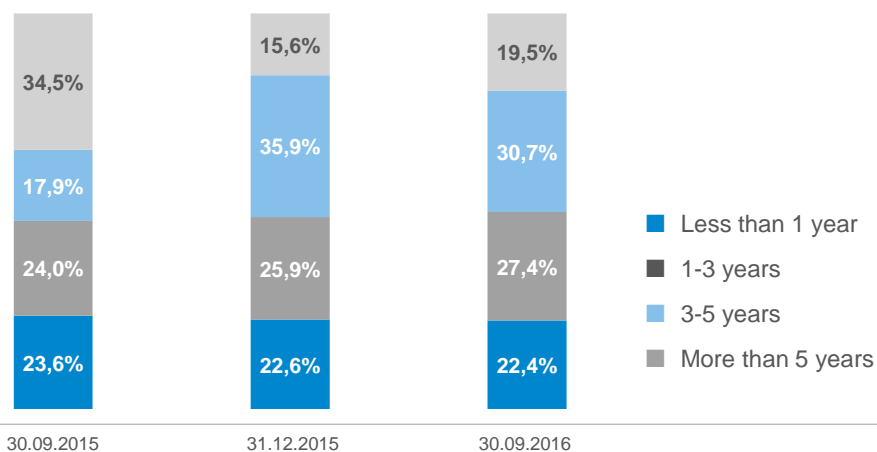
% of Total Liabilities



- As at 30.09.2016 the share of USD-denominated loans went down from 52% to 45.7% with a simultaneous increase in RUB-denominated loans from 39.5% to 45.7%. 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.

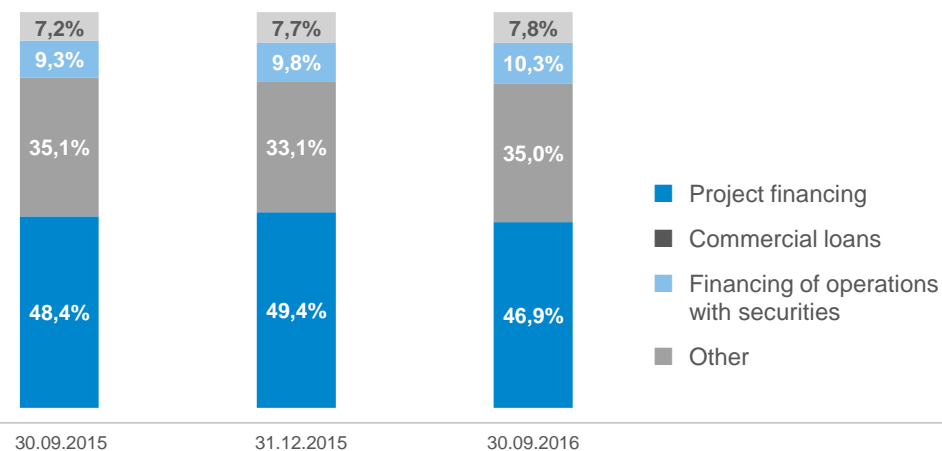
## Loan Portfolio Maturity Breakdown

% of Total Loans



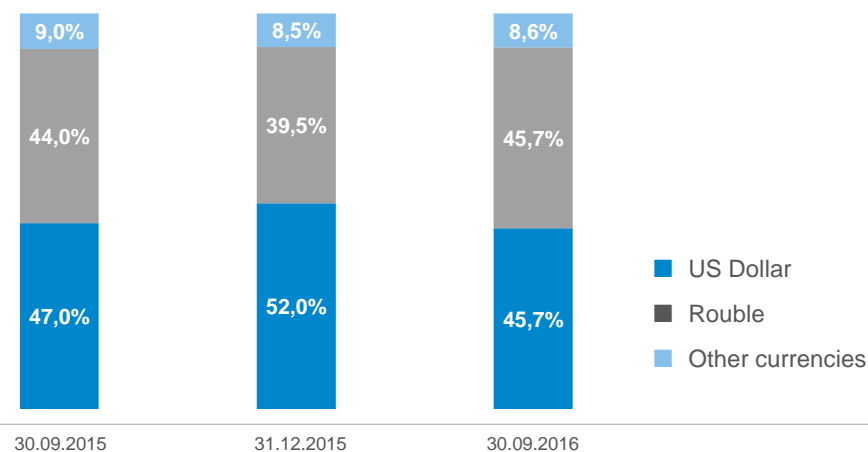
## Loan Portfolio Structure

% of Total Loans



## Loan Portfolio Currency Breakdown

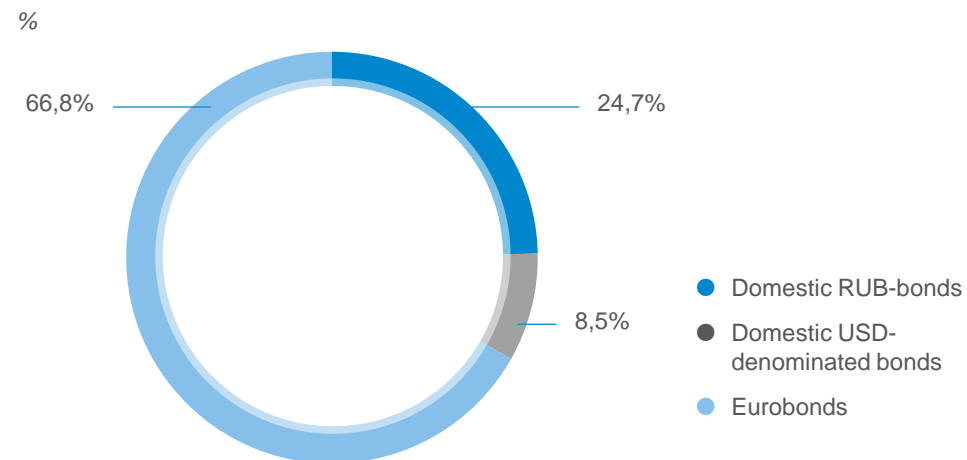
% of Total Loans



# VEB Standalone Repayment Schedule

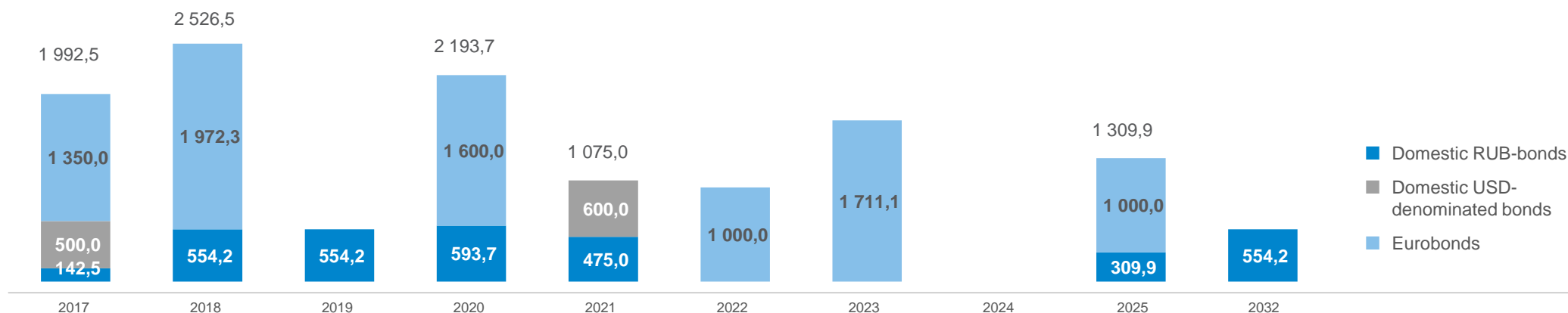
- › In the nine-month period of 2016 VEB fully repaid its CHF-denominated 500 mn eurobond issue as well as RUB-denominated 20 bn bond issue.
- › In the nine-month period of 2016, VEB placed 4 new issues with a total nominal value of nominal value of RUB 54,6 bn and US\$ 600 mn.
- › In the nine-month period of 2016 VEB successfully refinanced its bond liabilities for a total amount of RUB 89 bn and US\$ 500 mn.

## Public debt diversification by source



## Public Debt Maturity Profile as at 30.09.2016<sup>(1)</sup>

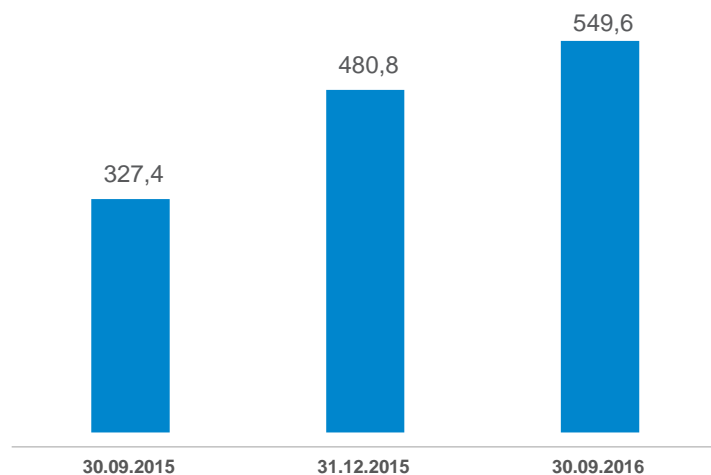
USD mn



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

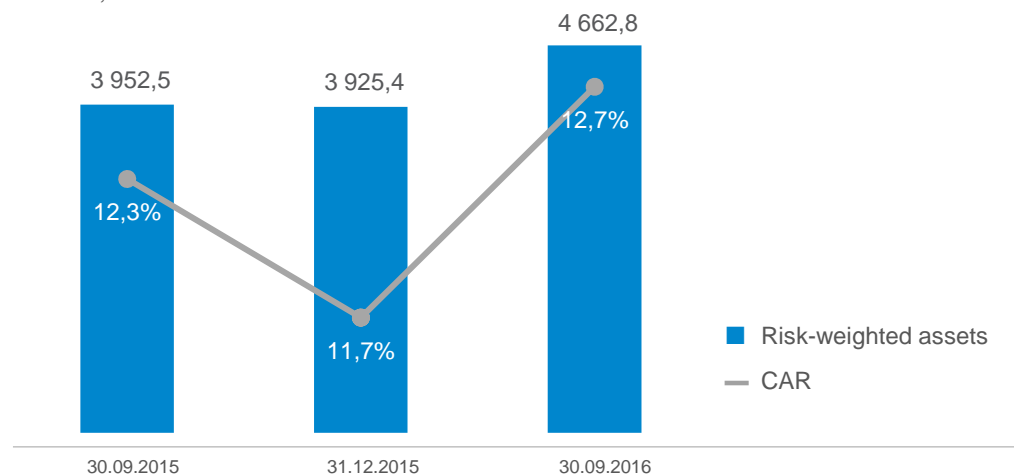
## VEB Group's Equity

RUB bn



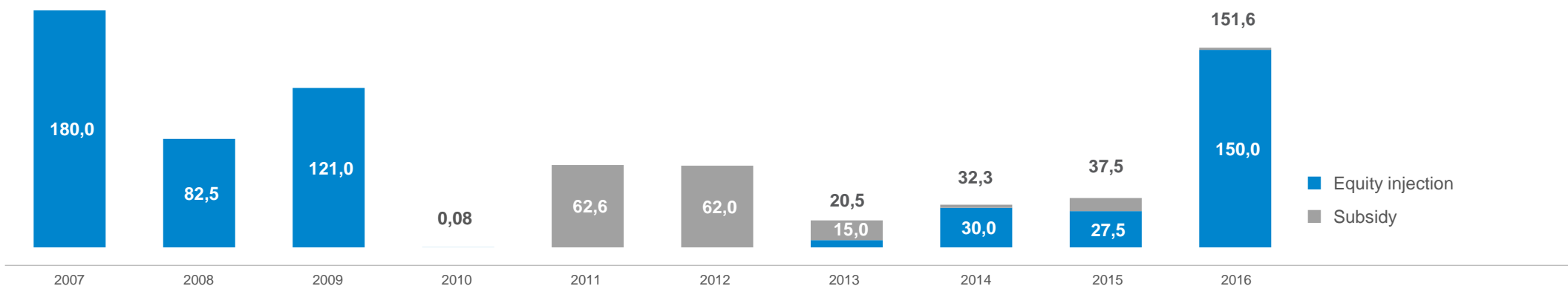
## Risk-Weighted Assets and CAR (1)

RUB bn, %



## VEB Equity Injection History

RUB bn



(1) Calculated on a standalone basis in accordance with methodology based on CBR requirement



# Thank you!

Ksenia Nefedova  
Deputy Director of International Finance  
Department

 9, Akademik Sakharov ave., Moscow, Russia

 tel.: +7 (495) 721 18 63

 fax: +7 (499) 975 21 43

 e-mail: [ir@veb.ru](mailto:ir@veb.ru)

 [www.veb.ru](http://www.veb.ru)