

INVESTOR PRESENTATION

May 2017



**BANK
FOR DEVELOPMENT**

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VEB at a Glance

US\$ **58.9** bn
total assets

US\$ **49.8** bn
total liabilities

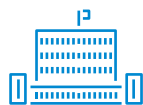
US\$ **44.4** bn
loan portfolio



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 4.2%¹ 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

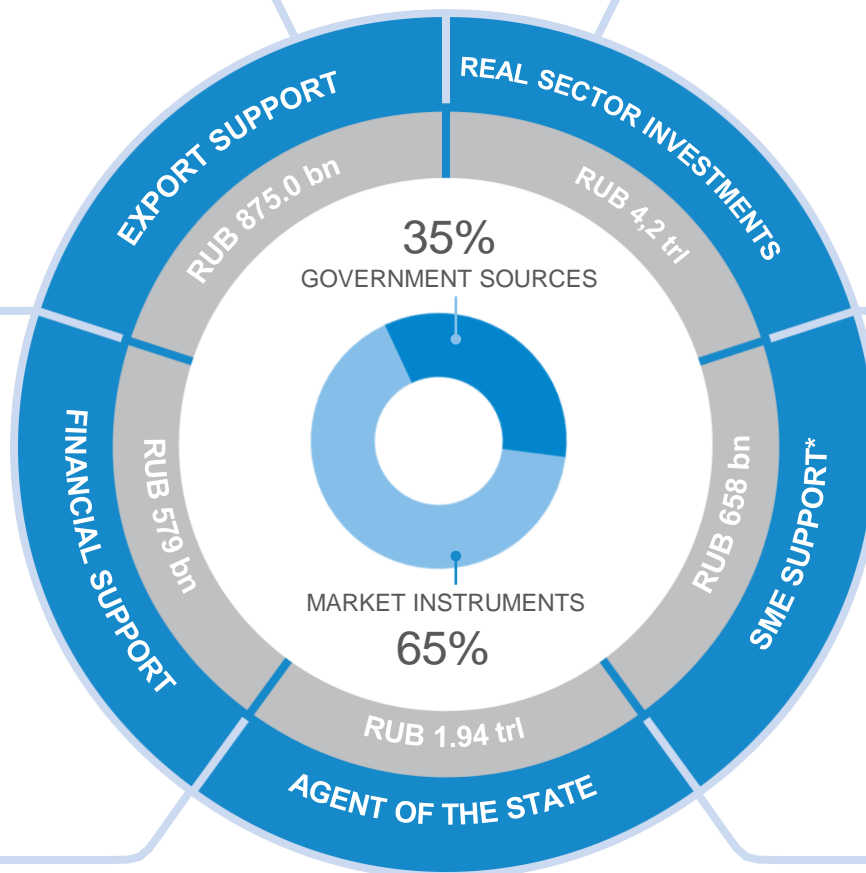
VEB's Crucial Role in Implementing Strategic Initiatives of the Government Thanks to

As at January 1, 2017 within the framework of guarantee support of Russian exporters VEB issued about **RUB 875.0 bn** worth of guarantees in favor of foreign consumers of Russian products

As at January 1, 2017 VEB financed **194 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 January 1, 2017* within the SME Financial Support Program VEB Group supported over **59 thousand SME** enterprises in total amount of **RUB 658 bn**



Government Debt and Financial Assets Management, Pension Fund Management and Mortgage Lending Market support. As at December 31, 2017 total funds of the State Pension Fund of the Russian Federation managed by the state management company amounted to **RUB 1.94 trl** (appr. half of all pension funds)

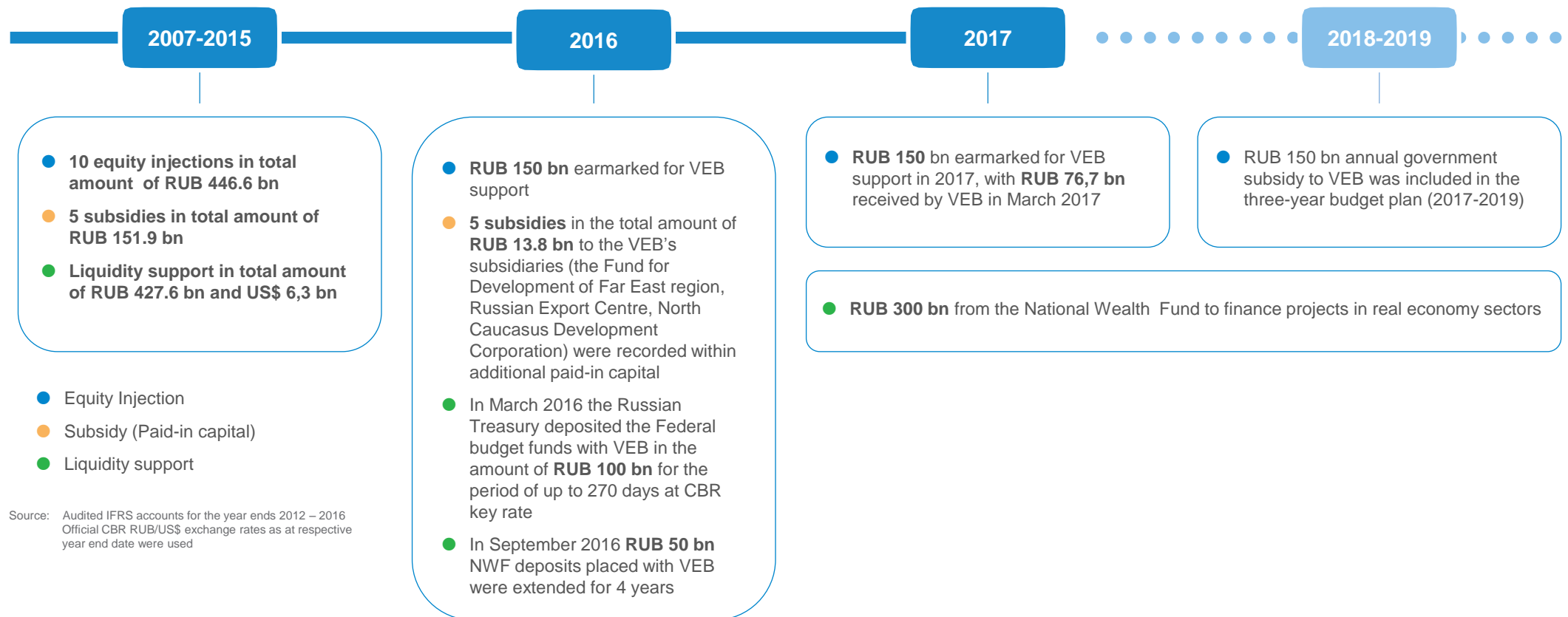
* In April 2016 Vnesheconombank paid for an additional issue of shares of JSC "Federal Corporation for Development of Small and Medium Enterprises" with the 100% shares of JSC "SME Bank". The Bank's interest in the share capital of JSC SME Corporation is 37.5%.

Consistent State 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 2017 there were 21 capital contributions.



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

Peer Analysis¹

	 Vnesheconombank	 国家开发银行 CHINA DEVELOPMENT BANK China Development Bank	 BNDES	 Development Bank of Japan	 Korea Development Bank
Country	 Russia	 China	 Brazil	 Japan	 Korea
Total Assets (US\$ bn)	60,1	1944,4	240,6	136,1	264,0
Ratings³	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 ²	Guarantee Some Obligations ²
Supervision	Government	State Council	Ministry of Economic Development	Ministry of Finance	Financial Services Commission
Funding Sources⁴	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

Investment Priorities/Areas



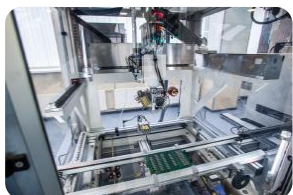
Innovation and National Technology Initiative projects

Launching and scaling innovative enterprises and services



Export

Unique large-scale non-resource export projects



High value added manufacturing

- › Target niches
- › Government technology priorities



Infrastructure

- › Transport
- › Power generation



Use of defence industry facilities to manufacture civil products

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



Project Financing “Factory”

A centre for sectoral and technological expertise with a task of:

- › Comprehensive expert evaluation of business models;
- › Transaction structuring (including syndications, co-financing and equity investments);
- › Project support during its entire life cycle.



The model envisages a syndication/co-financing of 80/20, where:

- › 20% is equity capital
- › 80% borrowed funds, syndicated through tranches to reduce the risks for the project participants

Investment Criteria

- › Volume: from RUB 500 mn (depending on sector)
- › Tenor: 5-10 years

1

Year 2016

Crisis Management

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

Key indicators, RUB bn

	2017	2018	2019	2020	2021
New investment	110	120	160	180	200
Co-investment potential	7	42	96	168	225
State support	150	150	150	150	150

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

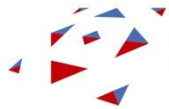
3

Years 2019-21

Roll-out

- › Building up portfolio in the target industries
- › Raising market funding (co-investment, syndicated project financing)

Maintenance in the Group and Use of Synergies



RUSSIAN EXPORT CENTER

- › Centre of non-resource based export support



Innovation

- › Centre for innovative development support, including NTI projects



Federal Center For Project Finance

- › Centre for support of infrastructural and industrial projects at early stages



Engineering

- › Centre for digital technology in engineering and project management support



Capital

- › Centre of excellence on restructuring and operational transformation of troubled assets



Фонд развития моногородов

- › Centre for infrastructural promotion and monocities diversification

Gradual Disposal



Role Fine-Tuning Within the Group



Transformation



VEB 2.0 Model: Risk Management, Processes, Technologies and Organization Enhancement



New Investment process

- Proactive search inline with state priorities
- Sectoral business-solutions
- State support aggregation
- Co-financing (syndications and equity investments)
- Participation of VEB managers in project management



New risk management approach

- Unified risk management
- Integrated lending process and analysis standards
- Integrated system of limits across all instruments
- Designated separate units for risk management and recovery management



New processes and technologies

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



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

VEB Transformation

- › In February 2016 Sergey Gorkov was appointed Chairman of VEB by Presidential Decree. New business focused management team joined.
- › In December 2016, VEB new Strategy to 2021 and business model were approved by the Supervisory Board.

Sound and Consistent Government Support

- › During 2016, VEB received equity injections in the amount of RUB 163.8 bn.
- › RUB 450 bn subsidy included in the three-year budget plan (2017-2019).

Lending Activity

- › The Group performed large-scale work on the loan portfolio which resulted in its quality improvement.
- › Regardless the challenging environment and scarce market funding opportunities VEB has maintained its core function of a development institution.
- › Lending volume amounted to RUB 100 bn.

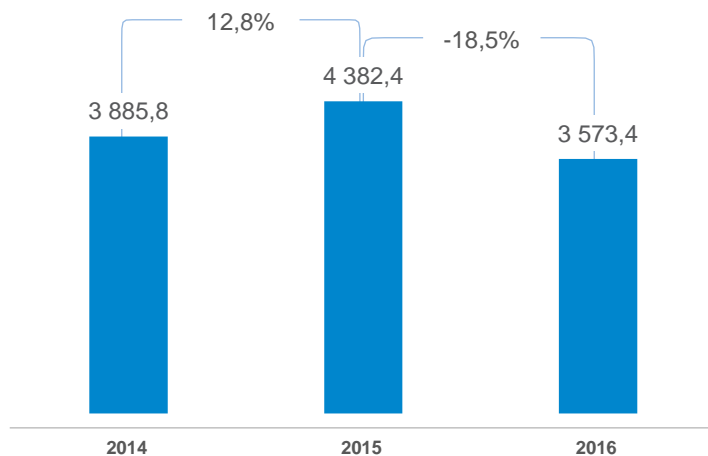
Funding and Fulfilling Obligations

- › In 2016, VEB raised funds in the total amount equivalent of RUB 91 bn on local market.
- › In 2016, VEB duly repaid its long-term debt in the total amount of RUB 175 bn in equivalent.

Assets and Liabilities Dynamics

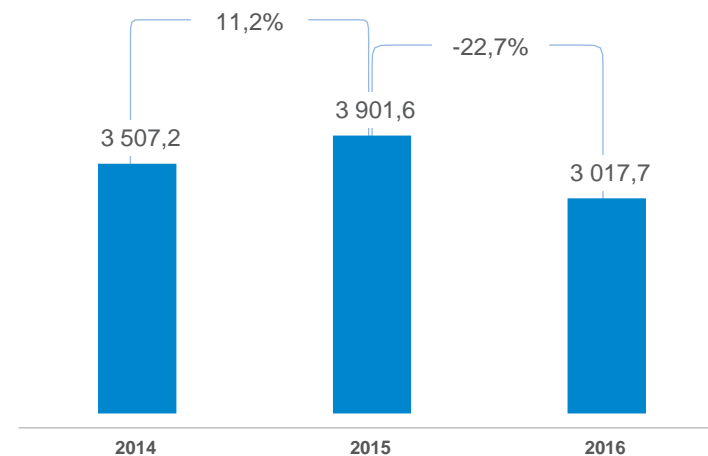
Total Assets

RUB bn



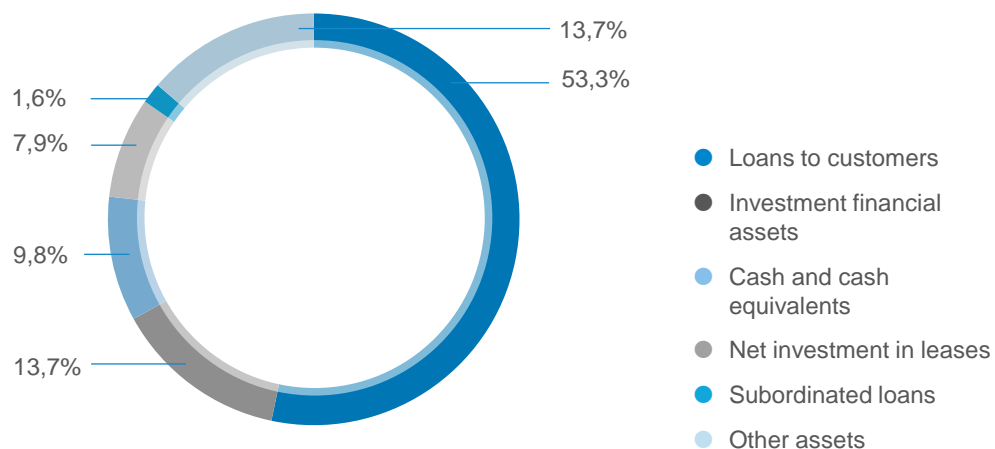
Total Liabilities

RUB bn



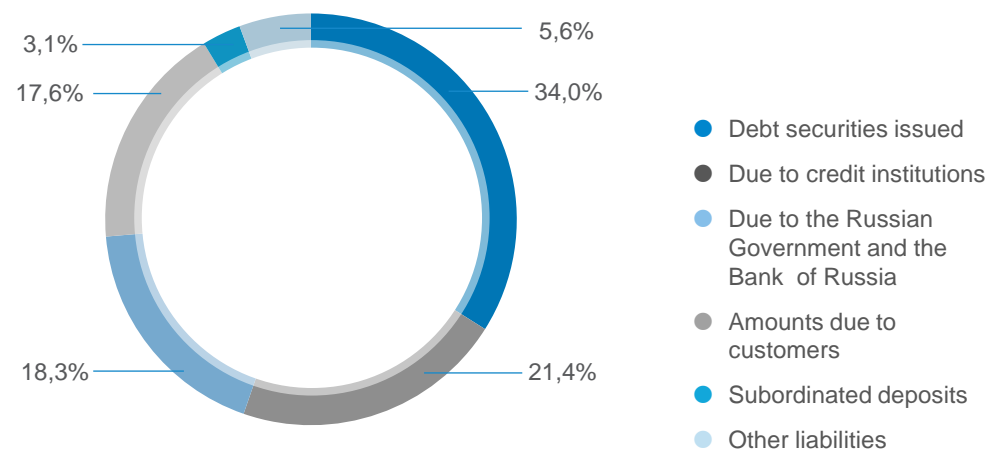
Total Assets Structure

% of Total Assets



Total Liabilities Structure

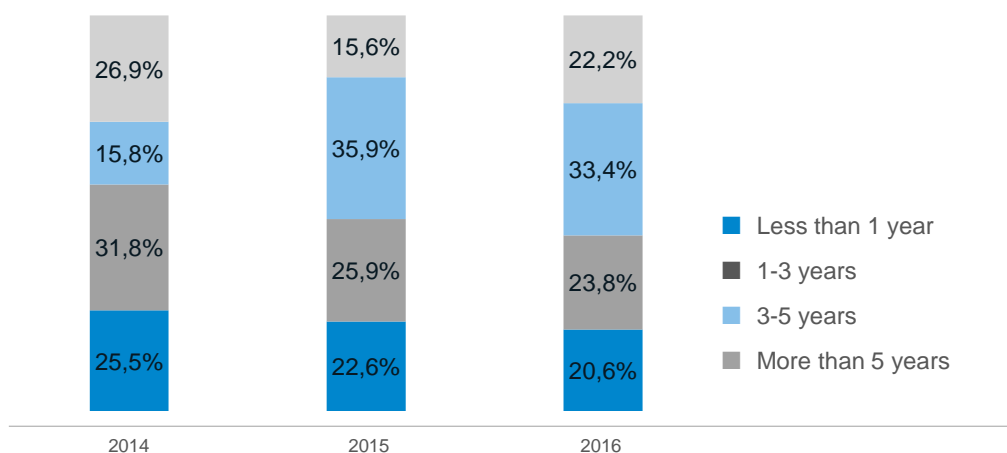
% of Total Liabilities



- › The share of USD-denominated loans went down from 52.0% to 29.3% with a simultaneous increase in RUB-denominated loans from 39.5% to 62.2%. This was primarily brought about by a ruble exchange rate increase and a corresponding decline in the foreign currency loans book value.
- › Major part of the loan portfolio is project financing.
- › Long term loans amount to more than 50% of the loan portfolio.

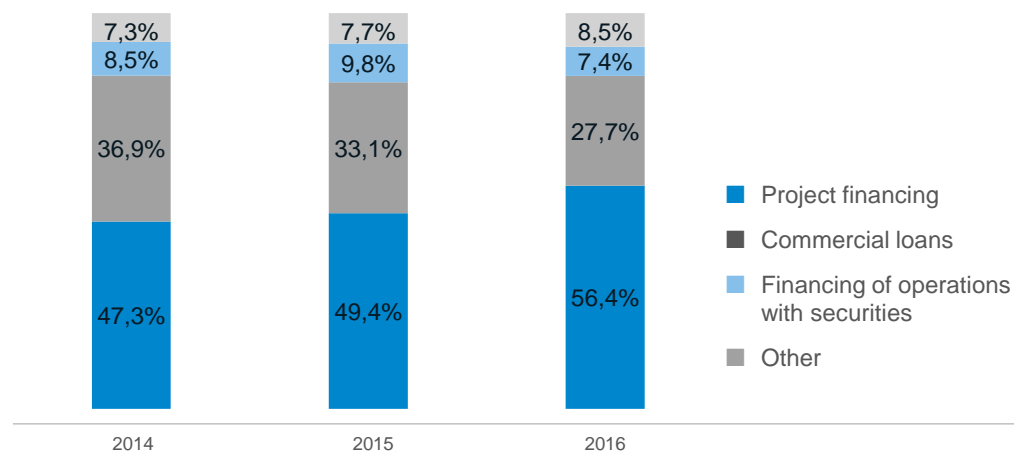
Loan Portfolio Maturity Breakdown

% of Total Loans



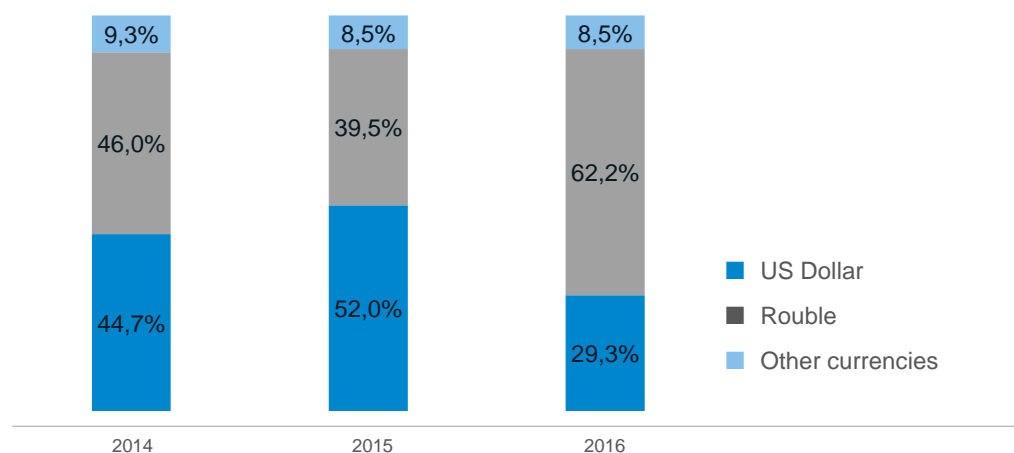
Loan Portfolio Structure

% of Total Loans



Loan Portfolio Currency Breakdown

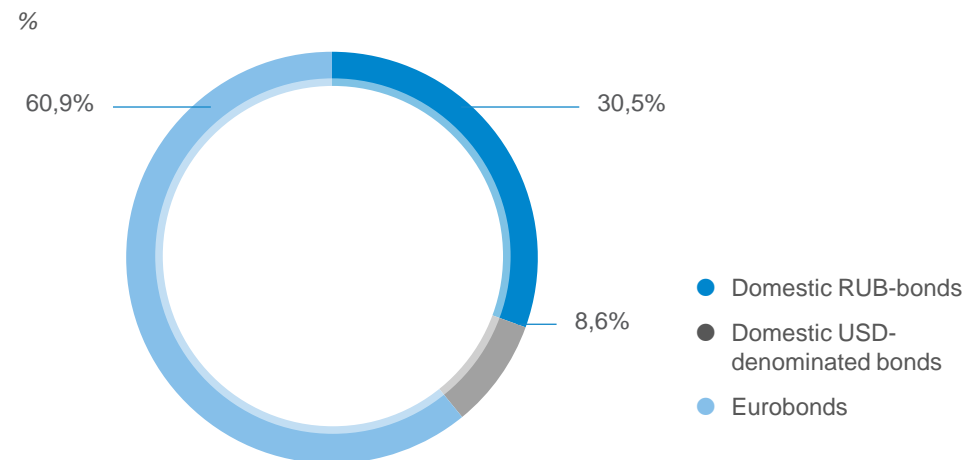
% of Total Loans



VEB Standalone Repayment Schedule

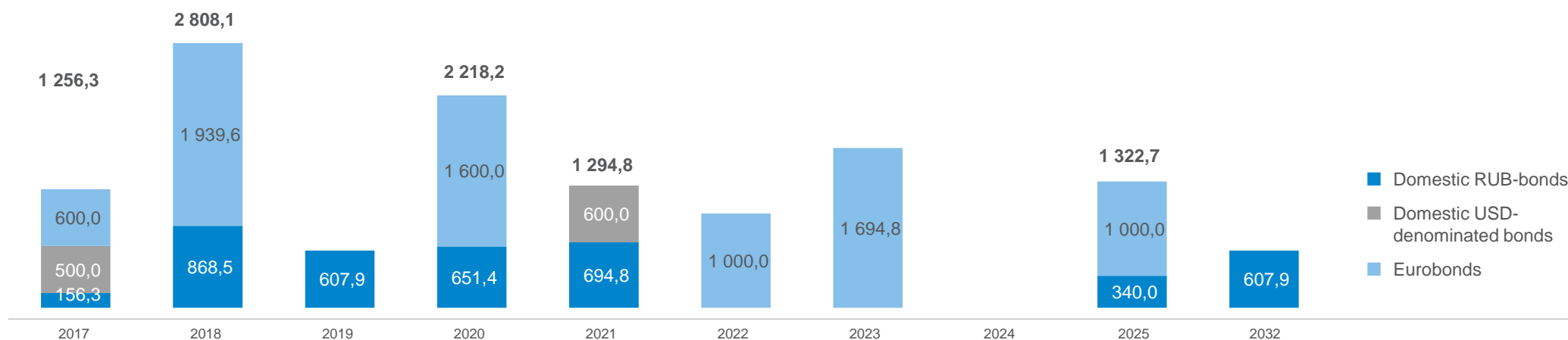
- › VEB fully repaid its CHF-denominated 500 mn Eurobond issue as well as RUB-denominated 20 bn bond issue.
- › VEB placed 4 new issues with a total nominal value of nominal value of RUB 54.6 bn and US\$ 600 mn.
- › VEB refinanced its bond liabilities on the local market with a total amount of RUB 89 bn and US\$ 500 mn.

Public debt diversification by source



Public Debt Maturity Profile as at 05.05.2017⁽¹⁾

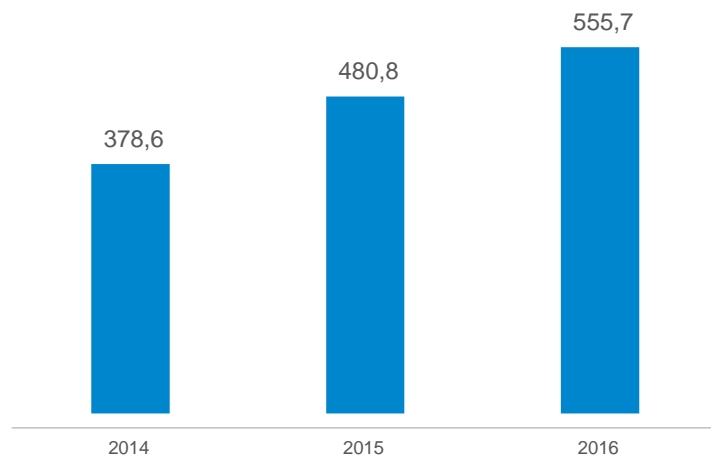
USD mn



(1) RUB and EUR amounts converted into US\$ at official CBR exchange rates as at 05.05.2016

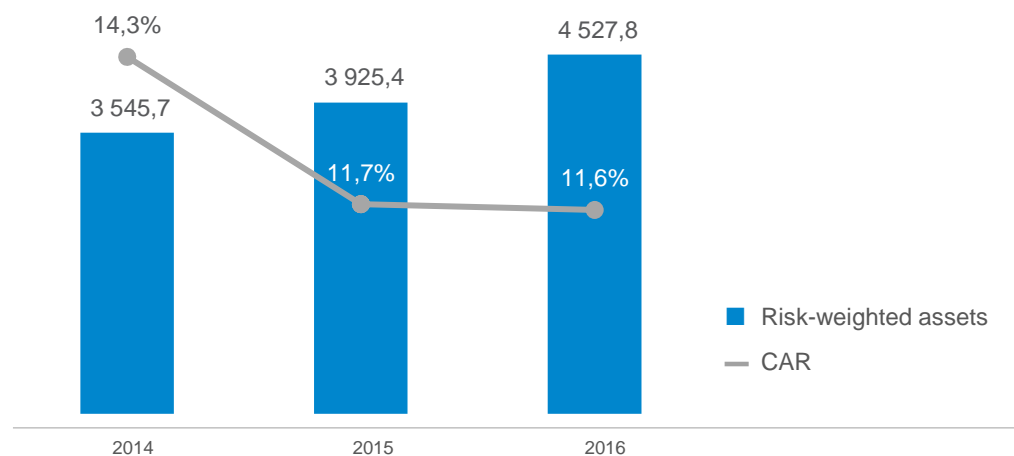
VEB Group's Equity

RUB bn



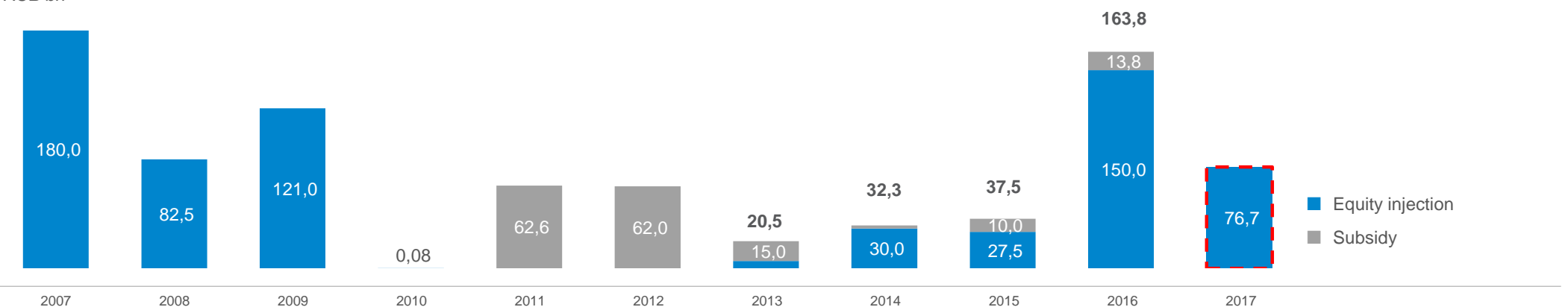
Risk-Weighted Assets and CAR (1)

RUB bn, %



VEB Equity Injection History (2)

RUB bn



(1) Calculated on a standalone basis in accordance with methodology based on CBR requirement
 (2) First tranche of RUB 76.7 bn of the approved RUB 150 bn was received in March 2017 after reporting date

Selected Projects Launched in 2016



The construction of Central Section of Western High-Speed Diameter Highway in St. Petersburg was finalized with VEB support, with the Bank's approved commitment of RUB 25 bn.



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.



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



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.



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.



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.

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

 www.veb.ru