

# INVESTOR PRESENTATION

August 2017



**BANK  
FOR DEVELOPMENT**

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# VEB at a Glance

US\$ **60.3** bn  
total assets

US\$ **49.8** bn  
total liabilities

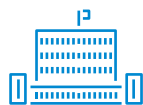
US\$ **45.0** bn  
loan portfolio



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%<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

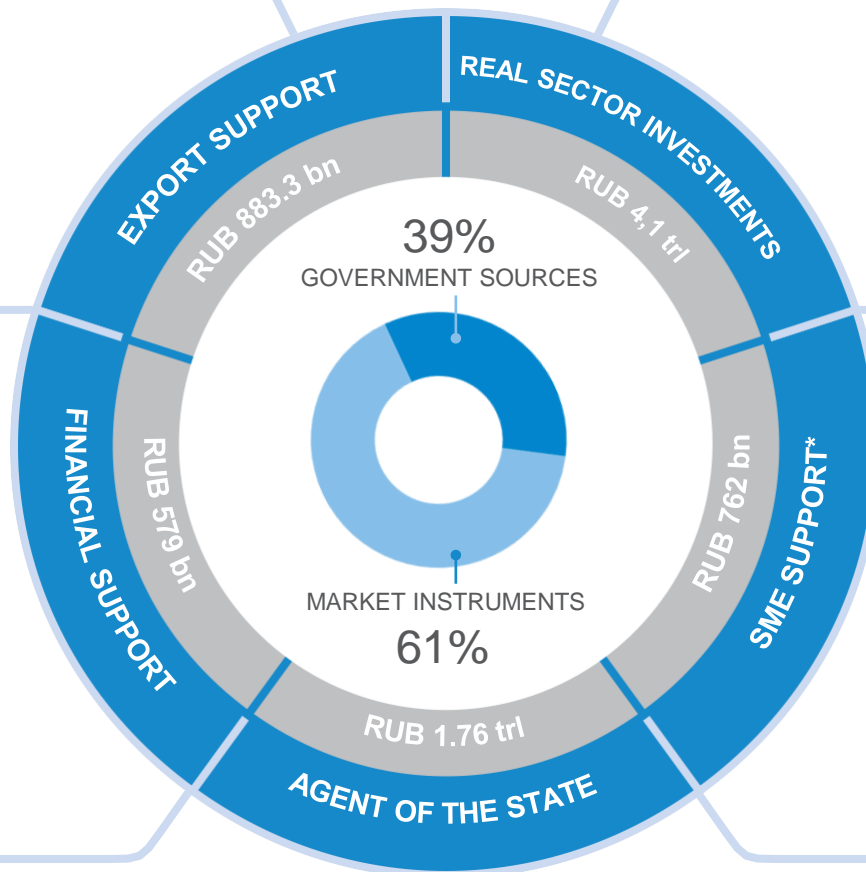
# VEB's Crucial Role in Implementing Strategic Initiatives of the Government Thanks to

As at July 1, 2017 within the framework of guarantee support of Russian exporters VEB issued about **RUB 883.3 bn** worth of guarantees in favor of foreign consumers of Russian products

As at July 1, 2017 VEB financed **188 investment projects** in total amount of **RUB 4.1 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 July 1, 2017\* within the SME Financial Support Program VEB Group supported over **61 thousand SMEs** in total amount of **RUB 762 bn**



Government Debt and Financial Assets Management, Pension Fund Management and Mortgage Lending Market support. As at June 30, 2017 total funds of the State Pension Fund of the Russian Federation managed by the state management company amounted to **RUB 1.76 trl** (appr. half of all pension funds)

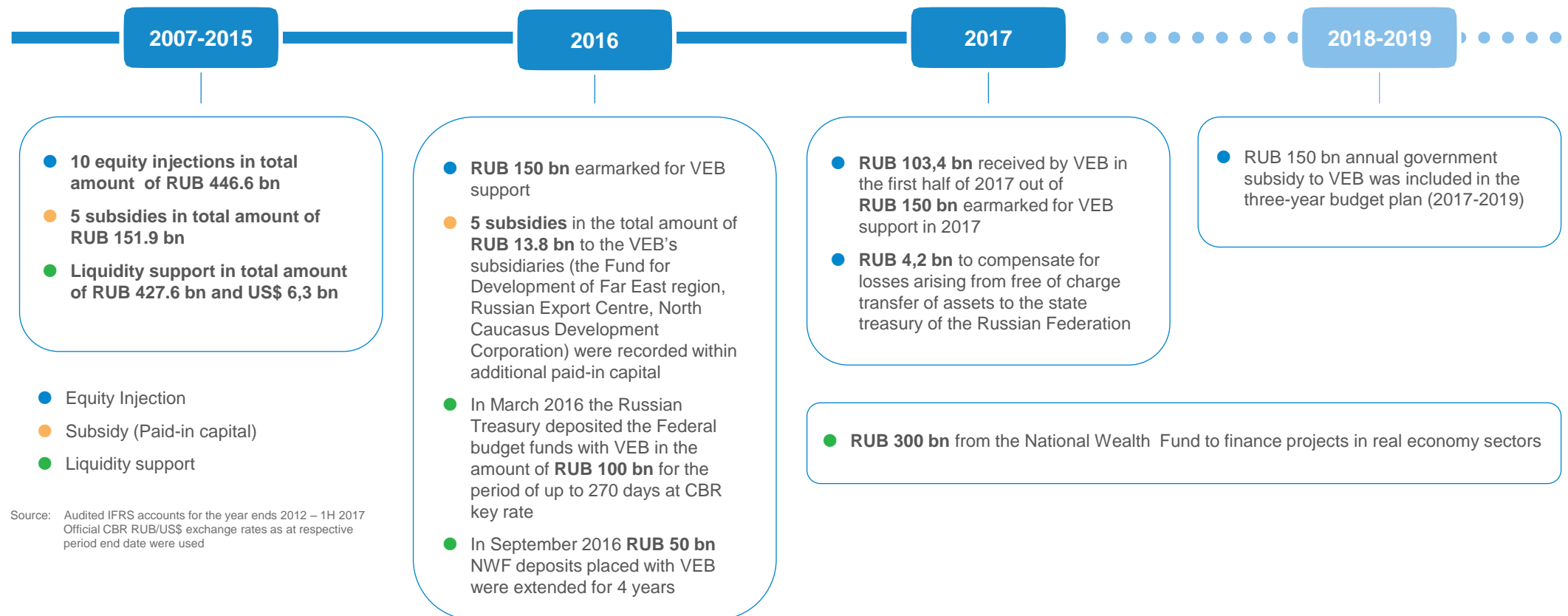
\* In April 2016 Vnesheconombank paid for an additional issue of shares of JSC "Federal Corporation for Development of Small and Medium Enterprises" with the 100% shares of JSC "SME Bank". The Bank's interest in the share capital of JSC SME Corporation is 37.5%.

# 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 23 capital contributions.



Source: Audited IFRS accounts for the year ends 2012 – 1H 2017  
Official CBR RUB/US\$ exchange rates as at respective period end date were used

# Peer Analysis<sup>1</sup>

	 Vnesheconombank	 国家开发银行 CHINA DEVELOPMENT BANK China Development Bank	 BNDES	 Development Bank of Japan	 Korea Development Bank
<b>Country</b>	 Russia	 China	 Brazil	 Japan	 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

## Investment Priorities/Areas



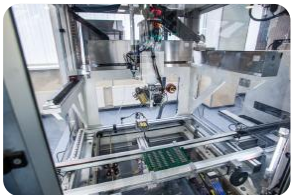
### Innovation and National Technology Initiative projects

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

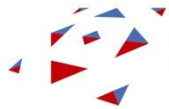
Years 2019-21

### 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

## Sound and Consistent Government Support

- › In H1 2017, Vnesheconombank received subsidies in total amount of RUB 107.6 bn out of the RUB 150 bn designated for VEB's support in 2017.

## Lending Activity

- › In H1 2017, Vnesheconombank granted RUB 69.7 bn of new loans. Total loans to customers (after allowance for impairment) amounted to RUB 1 843.8 bn as at June 30, 2017.

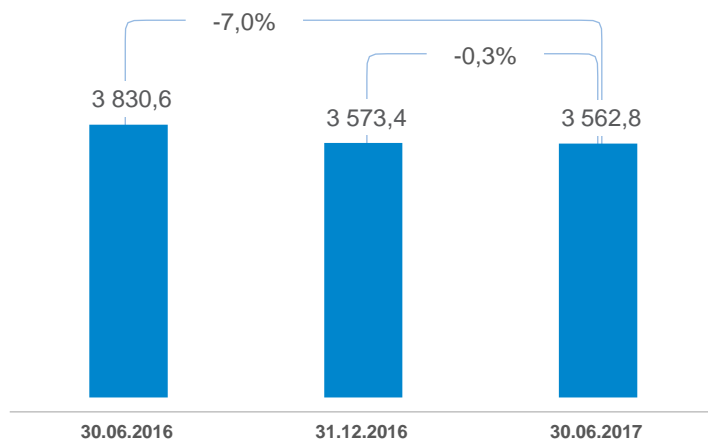
## Funding and Fulfilling Obligations

- › In February 2017, Vnesheconombank repaid Eurobonds with a total nominal value of USD 750 mn in accordance with the terms of the issue.
- › In H1 2017, VEB placed 5 series of domestic bonds with a total nominal value of RUB 80 bn and USD 550 mn with settlement in Russian ruble.

# Assets and Liabilities Dynamics

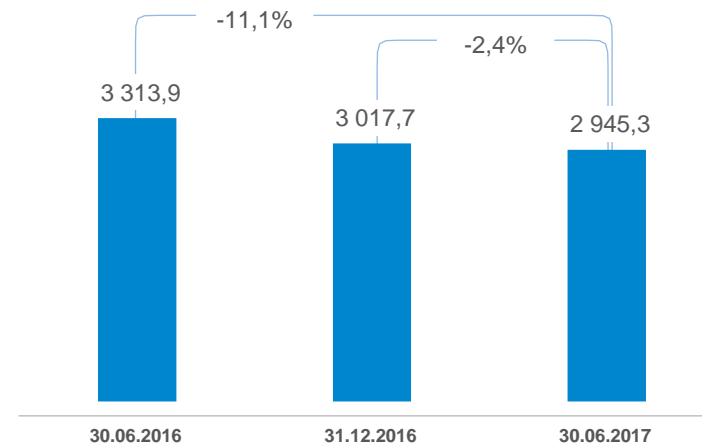
## Total Assets

RUB bn



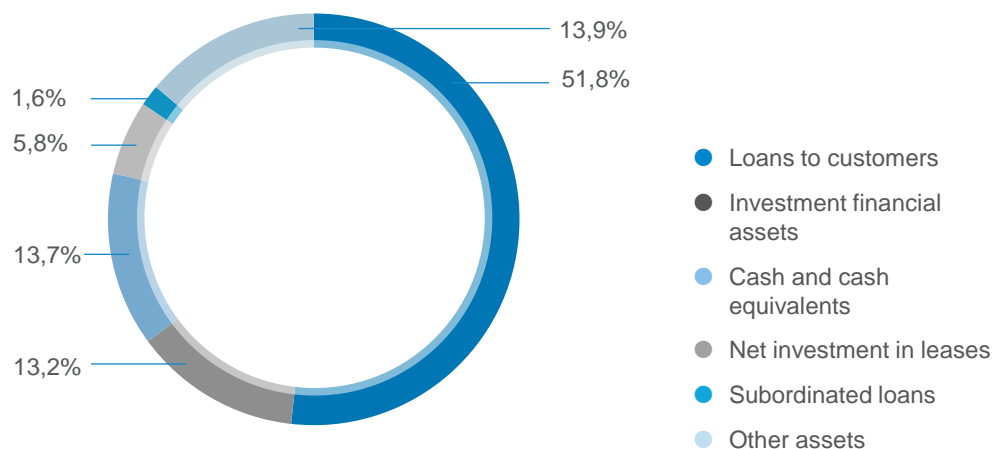
## Total Liabilities

RUB bn



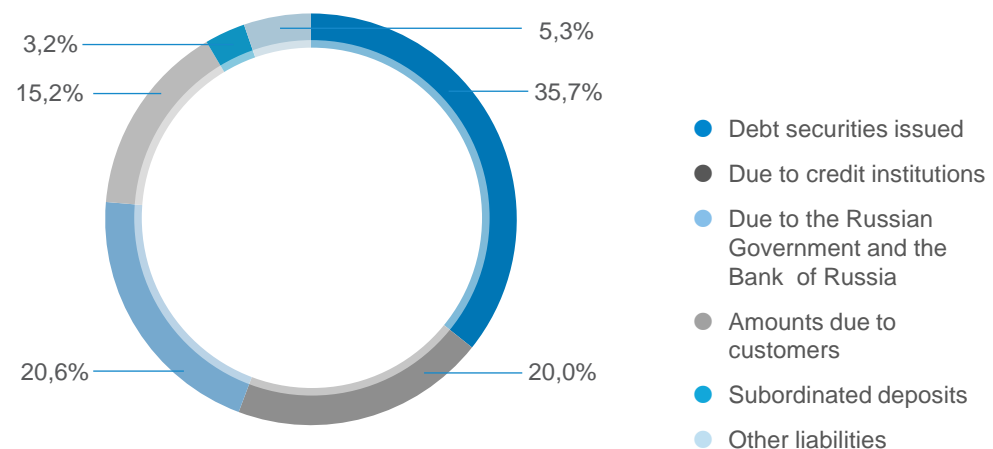
## Total Assets Structure

% of Total Assets



## Total Liabilities Structure

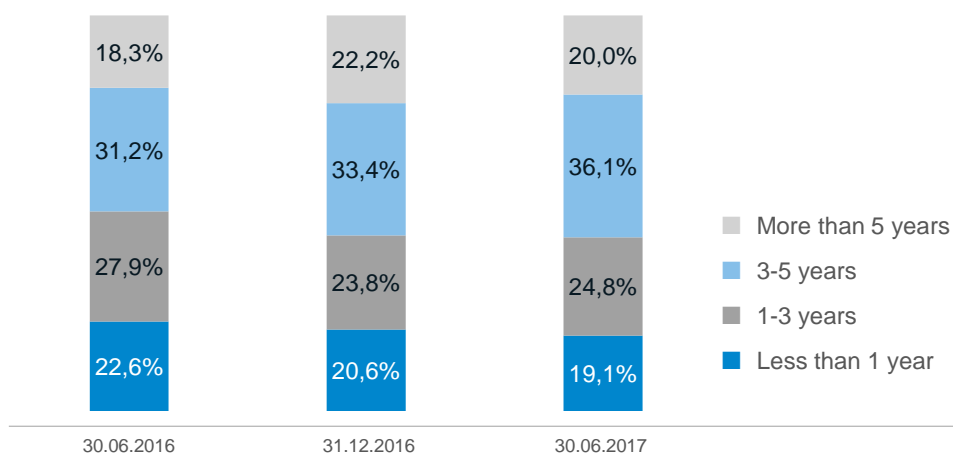
% of Total Liabilities



- › The share of USD-denominated loans went down from 29.3% to 28.8% with a simultaneous increase in RUB-denominated loans from 62.2% to 63.3%. 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 (more than 3 years) amount to more than 50% of the loan portfolio.

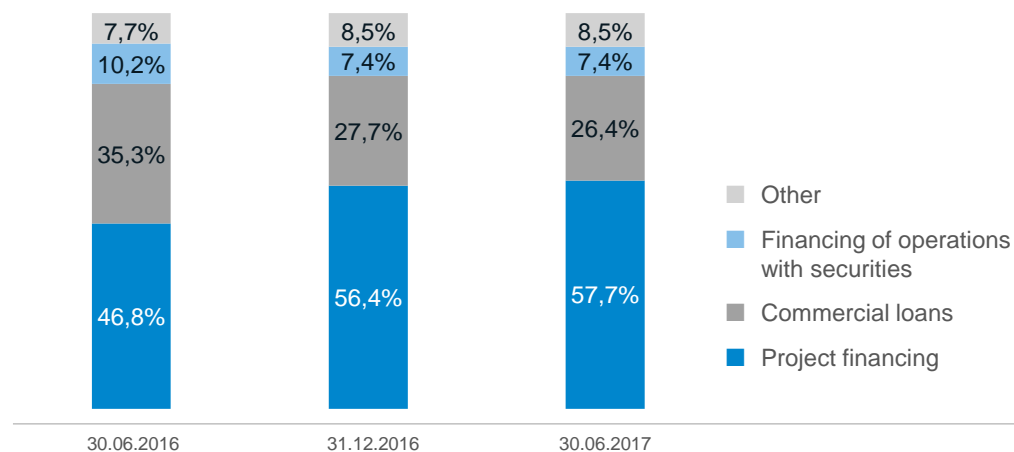
## Loan Portfolio Maturity Breakdown

% of Total Loans



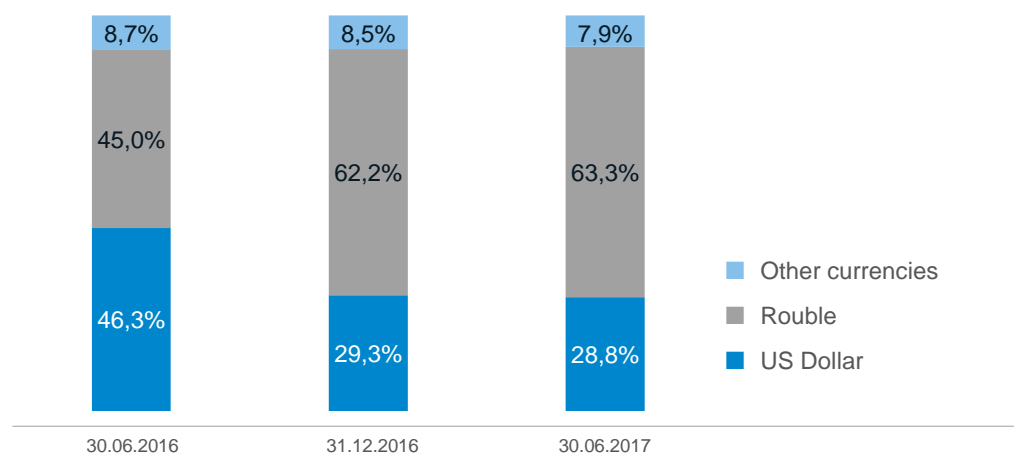
## Loan Portfolio Structure

% of Total Loans



## Loan Portfolio Currency Breakdown

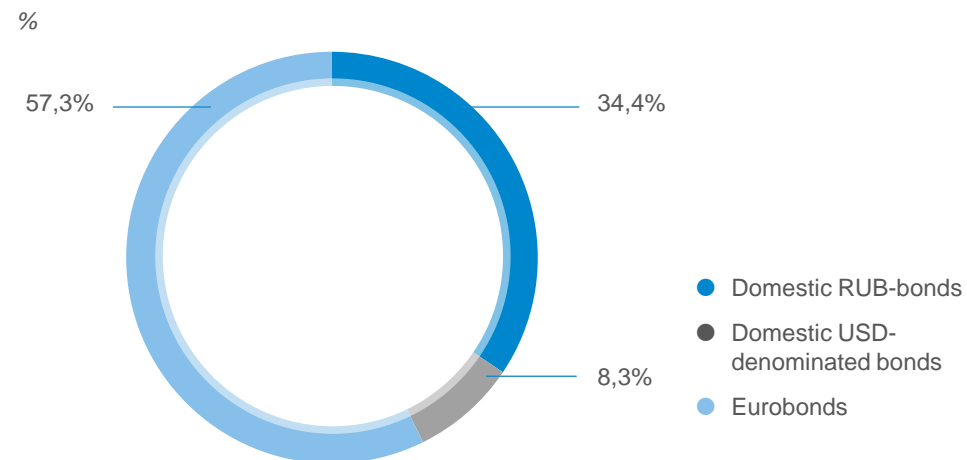
% of Total Loans



# VEB Standalone Repayment Schedule

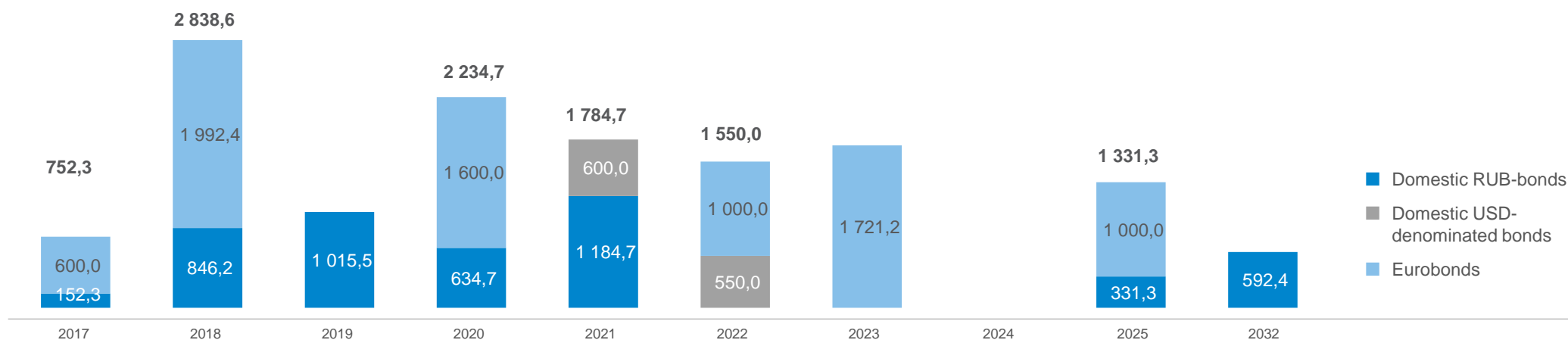
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## Public debt diversification by source



## Public Debt Maturity Profile as at 30.06.2017<sup>(1)</sup>

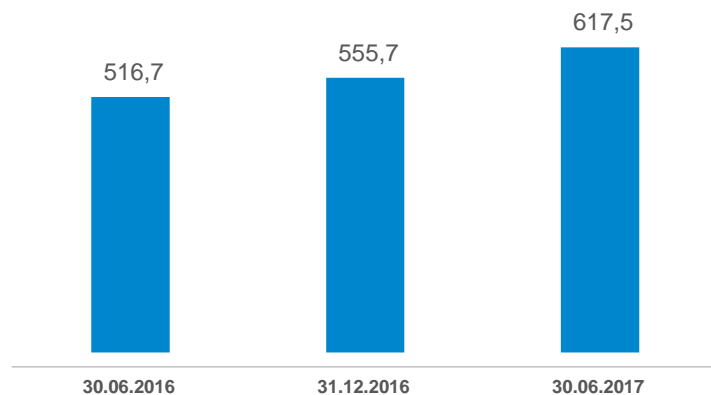
USD mn



(1) RUB and EUR amounts converted into US\$ at official CBR exchange rates as at 30.06.2017

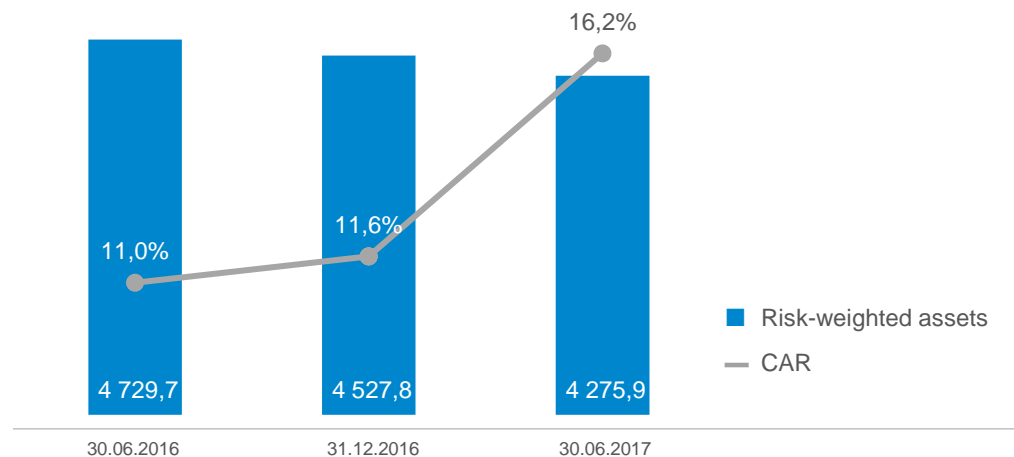
## VEB Group's Equity

RUB bn



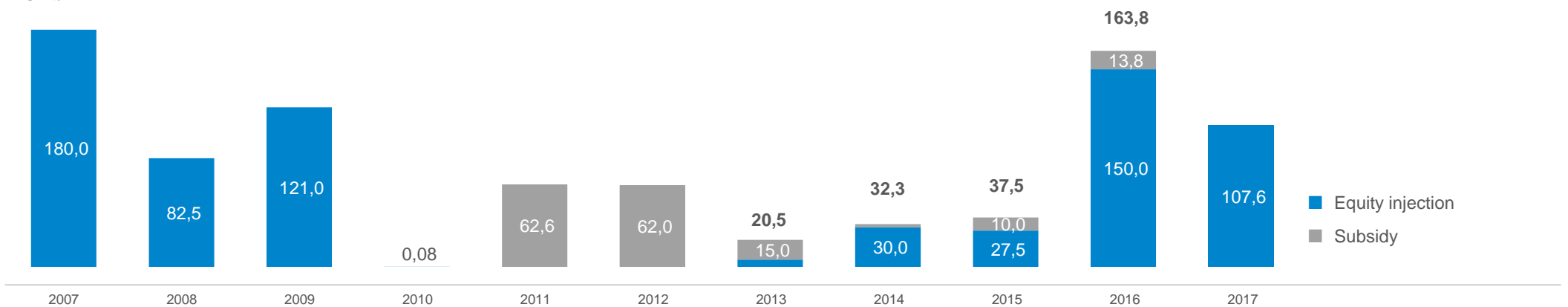
## Risk-Weighted Assets and CAR (1)

RUB bn, %



## VEB Equity Injection History

RUB bn



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

# Thank you!

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