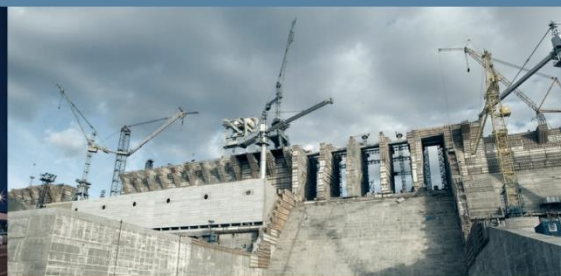




VNESHECONOMBANK

STATE CORPORATION
«BANK FOR DEVELOPMENT AND FOREIGN
ECONOMIC AFFAIRS (VNESHECONOMBANK)»



INVESTOR PRESENTATION

July 2014



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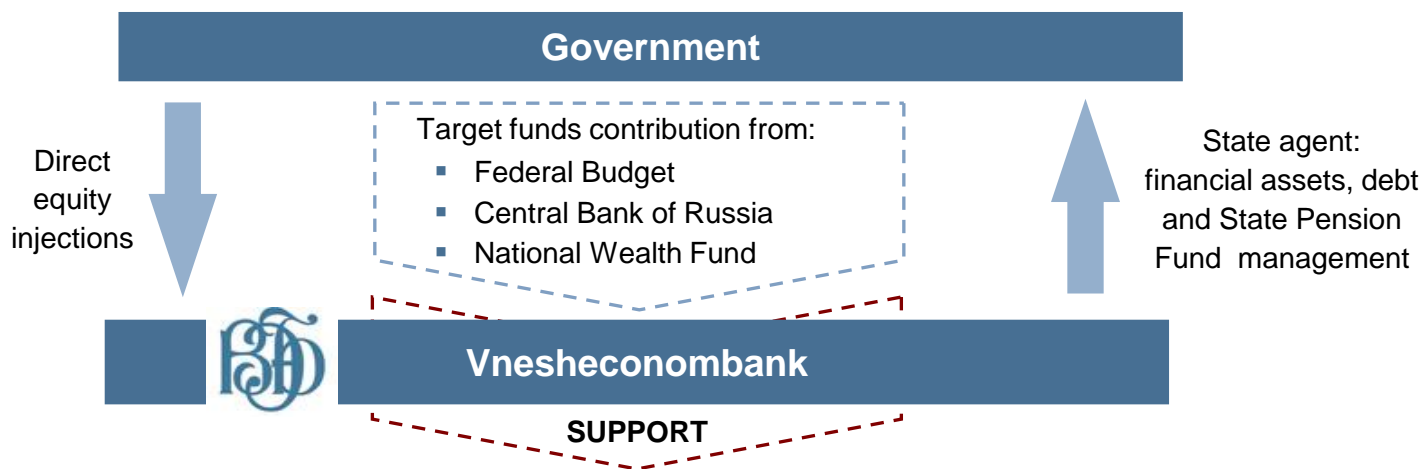


VNESHECONOMBANK AT A GLANCE

- 
- ▶ **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**
 - ▶ **Development vehicle with a mandate similar to KfW**
 - ▶ **Direct equity contributions from the Federal Budget – proven track record of Government support**
 - ▶ **Total Assets of the Group represent more than 5% of Russia's GDP**
 - ▶ **International credit ratings on par with the Russian sovereign**



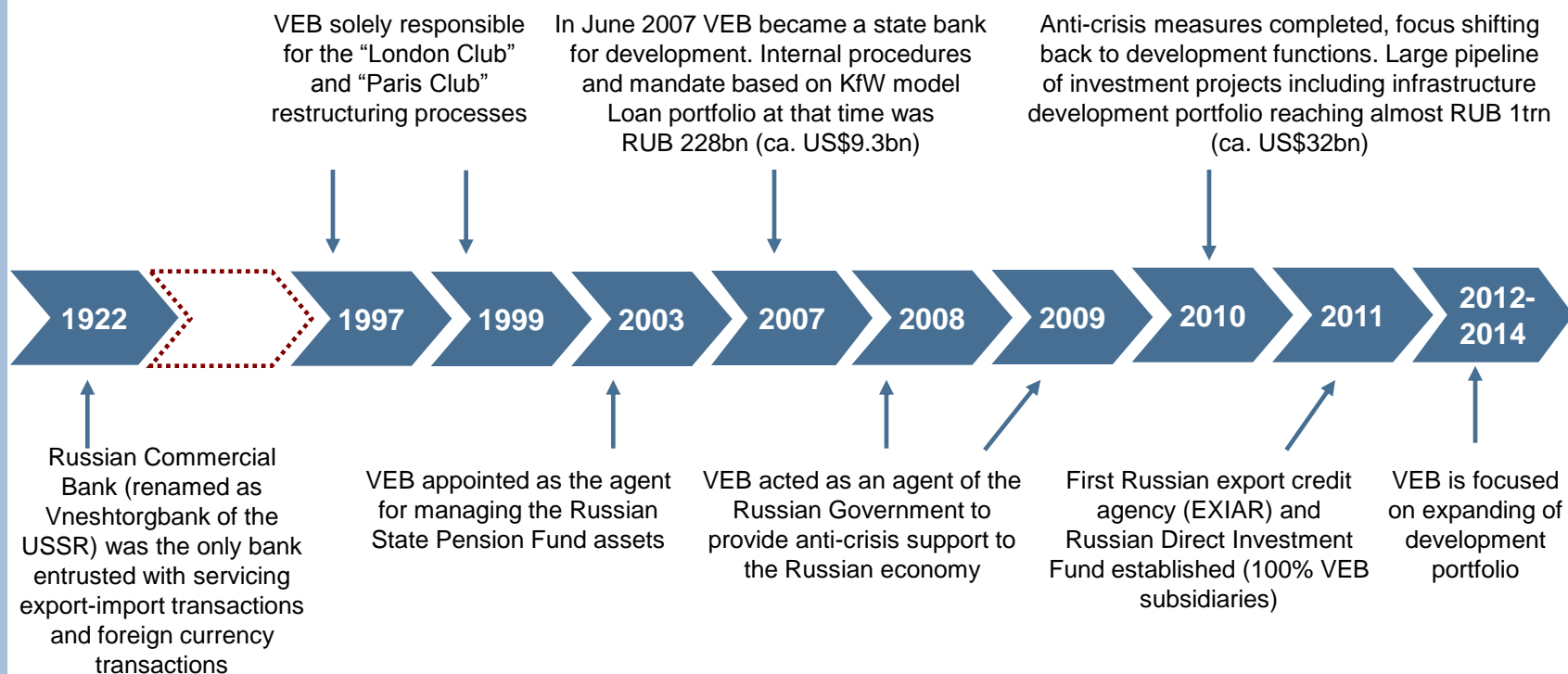
VNESHECONOMBANK ROLE IN THE RUSSIAN ECONOMY



Russian economy			
Financial System	Non-financial Sector	Public Service	Infrastructure
<ul style="list-style-type: none">▪ investment climate improvement▪ support for the stock market▪ foreign debt refinancing▪ subordinated loans to financial institutions	<ul style="list-style-type: none">▪ support of key investment projects of strategic importance▪ support of industrial exports▪ development of SMEs' innovative and industrial potential	<ul style="list-style-type: none">▪ state trust management of pension savings▪ support for mortgage lending market	<ul style="list-style-type: none">▪ credit, investment and guarantee support for infrastructure projects▪ regional development▪ support for single-industry towns



TIME-PROVEN AGENT OF RUSSIAN STATE





RECENT DEVELOPMENTS: SHIFT TO GROWTH

2011

- VEB established **Russian Direct Investment Fund** (RDIF) with a target size of US\$10bn. The fund raises foreign investments in high-tech sectors of the Russian economy.
- Russian government rendered a **subsidy** in the amount of RUB 62.6 bn for **initial capitalization of RDIF**.
- VEB created **Russia's Export Credit Insurance and Investment Agency** (EXIAR) with a charter capital of ca. US\$1bn.
- **Loan portfolio** increased by 49% and reached RUB 1 392 bn as compared to 2010.
- **Development portfolio¹** increased by 45% up to RUB 505.5bn.
- **Export support** comprised RUB 46.9bn.

2012

- The government **expanded major areas of VEB investment activities** with regional development projects, amended with transport, special-purpose and power engineering.
- Russian government rendered a **subsidy** in the amount of RUB 62 bn for **capitalization of RDIF** and RUB 15 bn for investments in Far East and Baikal Region Development Fund.
- **Loan portfolio** increased by 21% and reached RUB 1 691 bn as compared to 2011.
- **Development portfolio¹** increased by 42% up to RUB 720.2bn.
- **Export support** increased by 7% up to RUB 50.5 bn.

2013

- **VEB Asia Ltd** registered in Hong Kong. The company will liaise with Hong Kong financial institutions and operate to encourage Asian investors to finance large-scale projects in Russia.
- According to government decree, VEB shall perform functions of **state trust management company for pension savings** until 01.01.2019.
- **Loan portfolio²** in 2013 increased by 26% and reached RUB 2 139 bn as compared to 2012.
- **Development portfolio¹** for 2013 rose by 35% up to RUB 974.6bn.
- **Export support** for 2013 increased by 137% up to RUB 119.5 bn.

2014

- 7% of the NWF (~RUB 220bn) will be placed on VEB's deposits according to draft law on **the bank's re-capitalization**, approved by the Government at a meeting on May 29, 2014.
- **Loan portfolio** increased by 8% and reached RUB 2 300 bn as compared to 2013.
- **Export support** increased by 34% up to RUB 160 bn.

Note: (1) according to Russian Accounting Standards on a standalone basis

(2) according to consolidated Unaudited Interim Condensed Consolidated Financial Statements



SUPERVISORY BOARD



Dmitry Medvedev

Chairman of the Russian Government
Chairman of the Supervisory Board of Vnesheconombank



Igor Shuvalov

First Deputy Chairman of the
Russian Government



Arkady Dvorkovich

Deputy Chairman of the Russian
Government



Alexander Khloponin

Deputy Chairman of the Russian
Government



Dmitry Kozak

Deputy Chairman of the Russian
Government



Andrey Belousov

Presidential Aide



Anton Siluanov

Finance Minister of the Russian
Federation



Alexei Ulyukayev

Minister of Economic Development
of the Russian Federation




Vladimir Dmitriev

Vnesheconombank Chairman



PEER ANALYSIS¹

	 VNESHECONOMBANK	China Development Bank	KfW Bankengruppe	BNDES	Development Bank of Japan	Korea Development Bank
Country	Russia	China	Germany	Brazil	Japan	Korea
Founded	1922	1994	1948	1952	1951	1954
Ratings	Baa1/BBB/BBB	Aa3/AA-/A+	Aaa/AAA/AAA	Baa1/BBB-/BBB	Aa3/A+	A1/A/A+
Ownership	100% State Owned	100% State Owned	80% Fed. Gov. 20% Fed. States	100% Federal Republic	100% Government Owned	100% Government Owned
State support	Implicit Support	Implicit Support	Guarantee All Obligations	Implicit Support	Guarantee Some Obligations ¹	Guarantee Some Obligations ²
Supervision	Government	State Council	Ministry of Finance	Ministry of Economic Development	Ministry of Finance	Financial Services Commission

Note: (1) In addition to implicit State support some bonds are issued with explicit Government guarantee
(2) Source: Bloomberg



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VEB IS A DRIVING FORCE TO ENSURE ECONOMIC DEVELOPMENT & PRIVATE INVESTMENTS IN RUSSIA

Investments and Development

- **Lending** to top priority industries which are of strategic importance in Russia
- Support for national **infrastructure projects**
- **Subordinated loans** to Russian banks
- **SME support program**¹
- **Attracting direct investments** via co-investment mechanisms through equity funds²

Export Support

- **Export credit finance, insurance and guarantees** (heavy machinery, high tech, equipment, etc)
- **Co-operation agreements** with all major export credit agencies and export-import banks
- **First Russian ECA established** – VEB subsidiary with RUB 30bn in charter capital. All liabilities of the company guaranteed by the State

Agent of the State

- **Government debt management**
- **Government financial asset management**
- **Pension fund management** with dominant market share in Russia
- **Support of the Russian economy** during 2008-2009

Note (1) e.g. VEB and KfW signed a memorandum of understanding regarding the establishment of an International SME Finance Fund and agreed on long-term financing support the development of SME innovation businesses in Russia
(2) e.g. VEB contributed US\$250mm together with IFC (US\$250mm) and the Russian Government (US\$50mm) to the capital of the Russian Bank Capitalization Fund, an investment fund focused on investments in Russian banks.

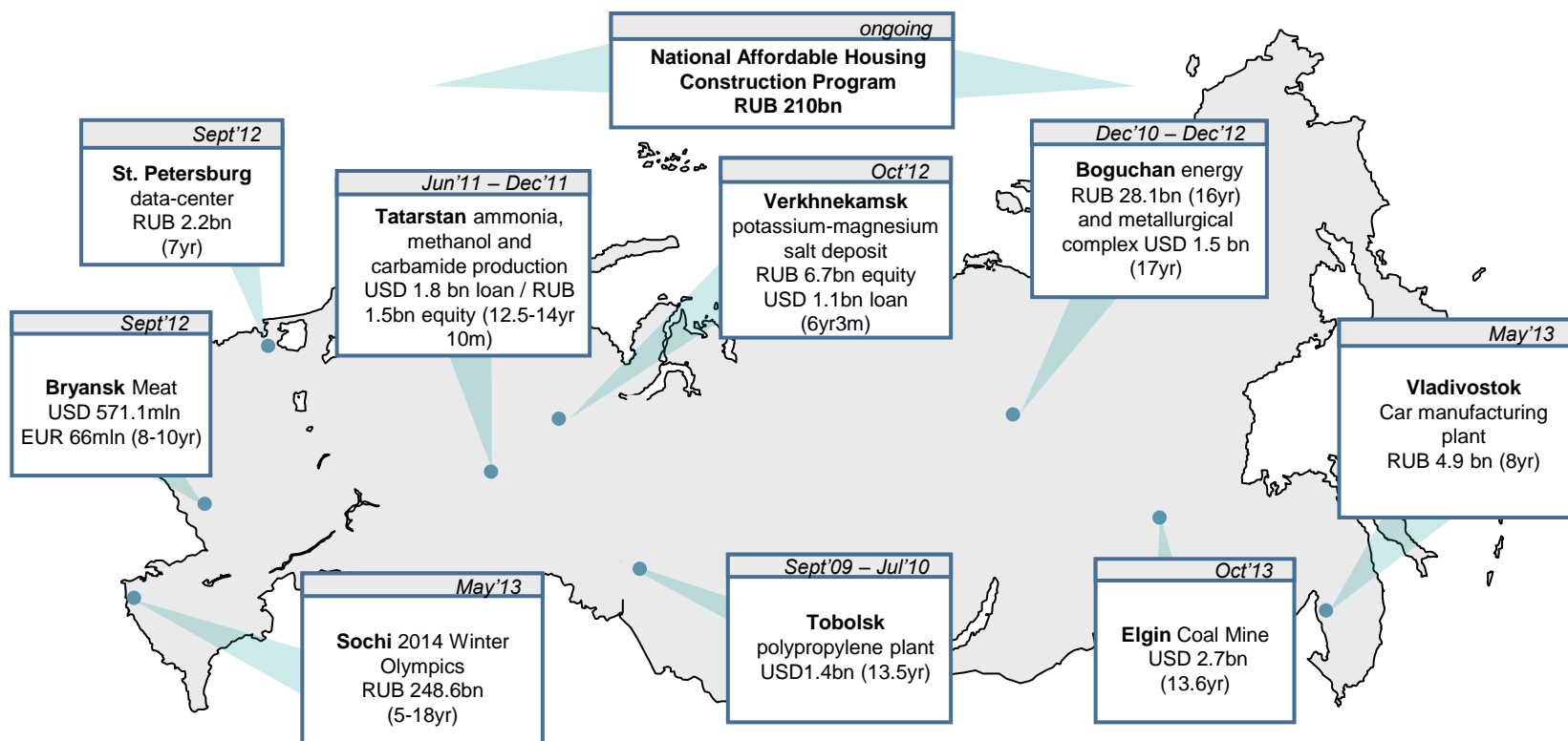


SELECTED RECENT PROJECTS AND PIPELINE

Pipeline currently under review : c.a. RUB 1.1 trl

Pipeline already approved: c.a. RUB 2.4 trl

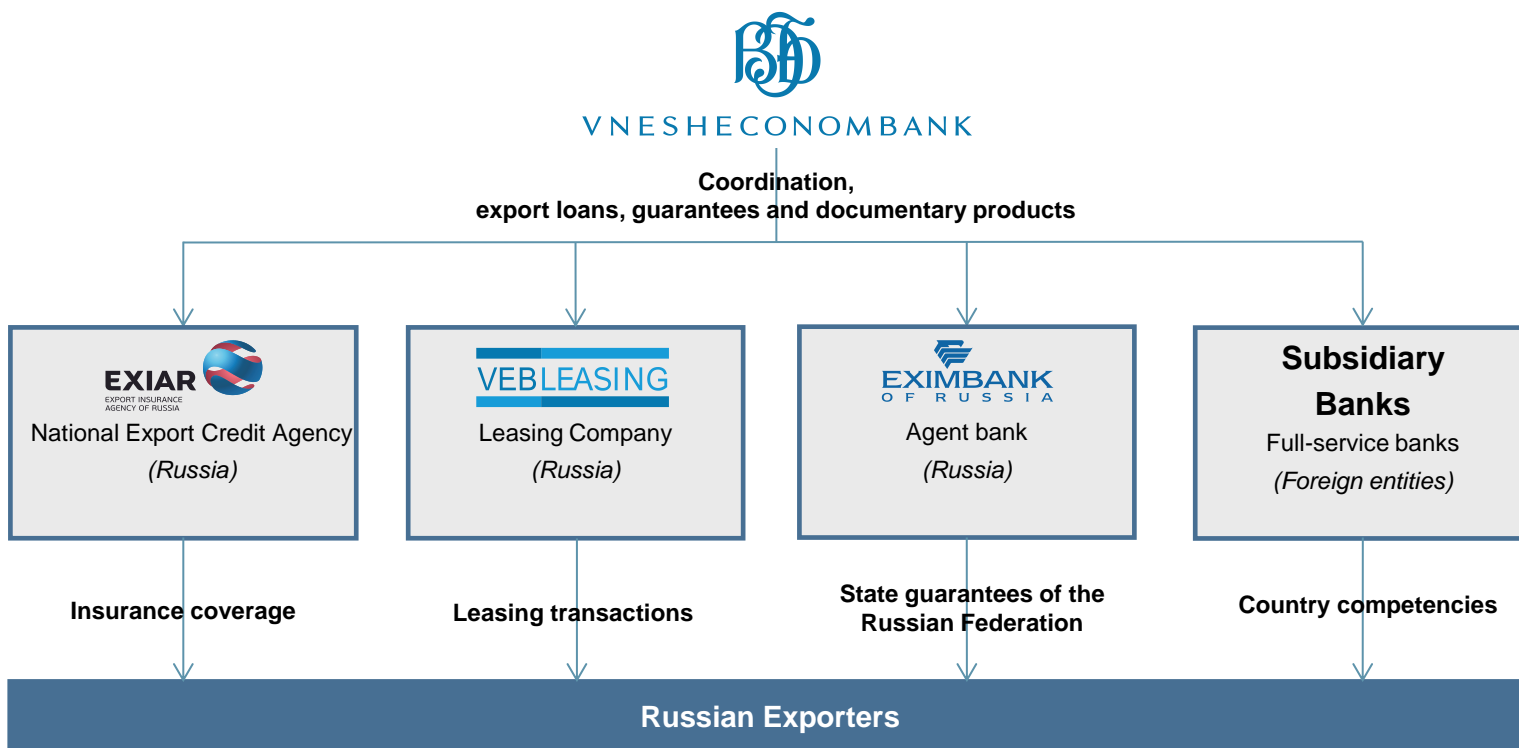
Tenor range for the projects: 6-19 years





VEB PROVIDES FULL-SERVICE EXPORT SUPPORT

- VEB's export finance portfolio as at 31 March 2014 approximated to **USD 4,5bn**.
- From 2007 to December 2013, within the framework of guarantee support for Russian exporters, VEB issued about **USD 7bn** worth of guarantees in favour of foreign consumers of Russian hi-tech products

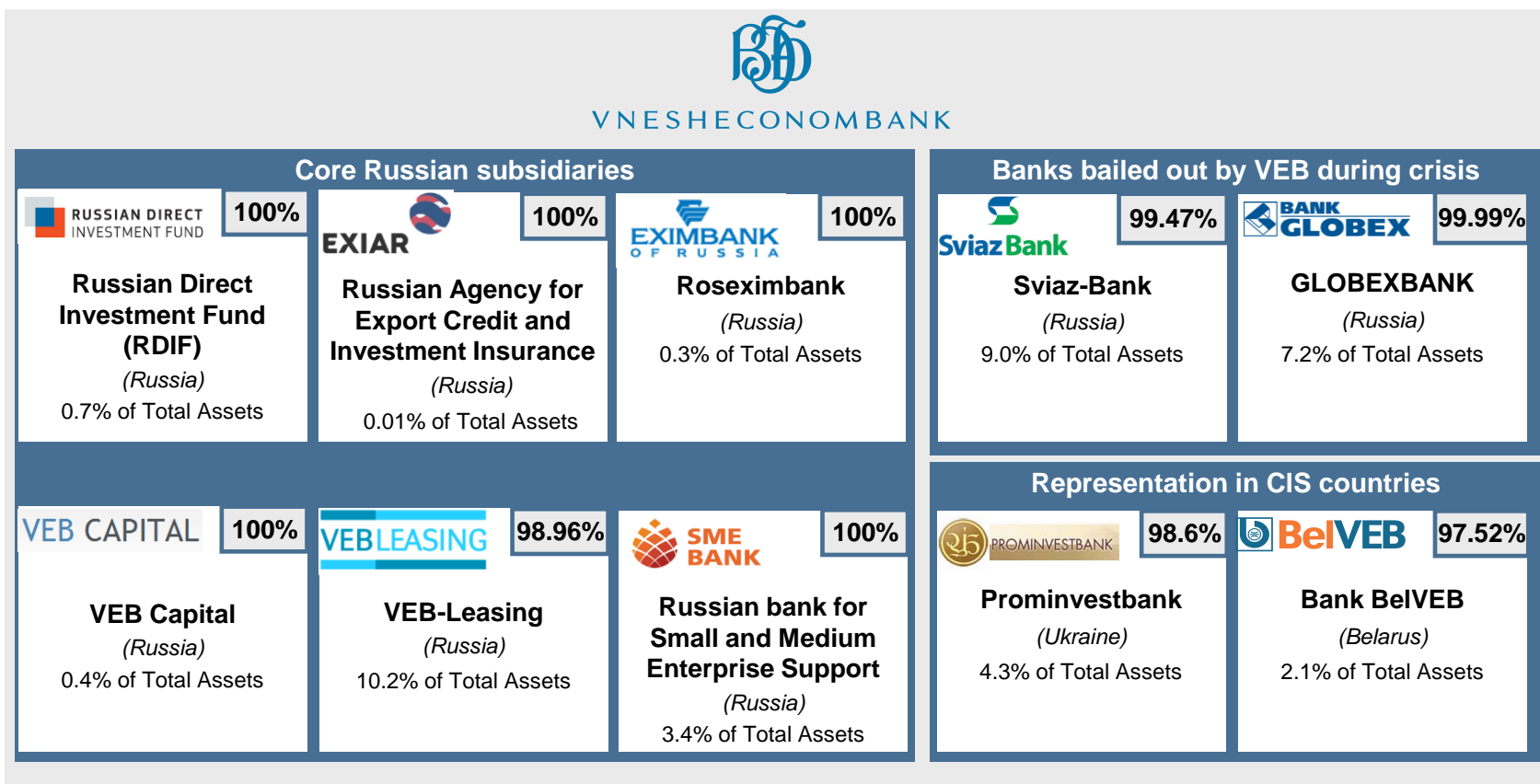




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KEY SUBSIDIARIES¹





VEB IS THE SOLE SHAREHOLDER IN EXIAR

In October 2011 VEB registered Russia's Export Credit Insurance and Investment Agency (EXIAR) with a charter capital of ca. US\$1bn



- **Export financing** for major projects in key economic sectors
- **Government agent** for management of state financial support and guarantees for export



- **Insurance of export credits** against commercial and political risks
 - ✓ Support of Russian technology and equipment export
 - ✓ Provide access to financing
 - ✓ Increase exports to new markets
 - ✓ Support for private banks for financing of Russian exporters

Recent highlights:

- EXIAR has signed cooperation agreements with the leading ECAs and financial institutions including GARANT, SINOSURE, IIB, Atradius, EULER HERMES and COFACE.
- In December 2012, CBR amended its rules on potential loss provisioning to grant more favorable regime to guarantees issued by VEB and / or EXIAR – as a result the required provisions on the loans secured by such guarantees were reduced
- US\$10bn guarantee issued by VEB in 2012 to secure fulfillment of EXIAR's obligations under its insurance business – backed by state guarantee of the Russian Federation



RUSSIAN DIRECT INVESTMENT FUND (RDIF)

Key Highlights

- **VEB holds 100% share** in Management Company RDIF
- **USD 6bn in medium term** is expected to be contributed to the RDIF by the Russian Federation; USD 4bn already provided
- The purpose is to attract up to **USD 50bn of direct investments** to key sectors of the Russian economy through the co-investment mechanism
- **A significant interest in cooperation with RDIF** was expressed by leading sovereign funds, PE funds, pension and insurance companies, direct investment funds

Fund Management System

- **Investment committee** considers and approves investment decisions
- **Supervisory board** is represented by senior government officials. Its role is to develop fund's investment strategy and approve large transactions
- Direct management of the fund is carried out by the **CEO** and **the management board**

Recent Initiatives

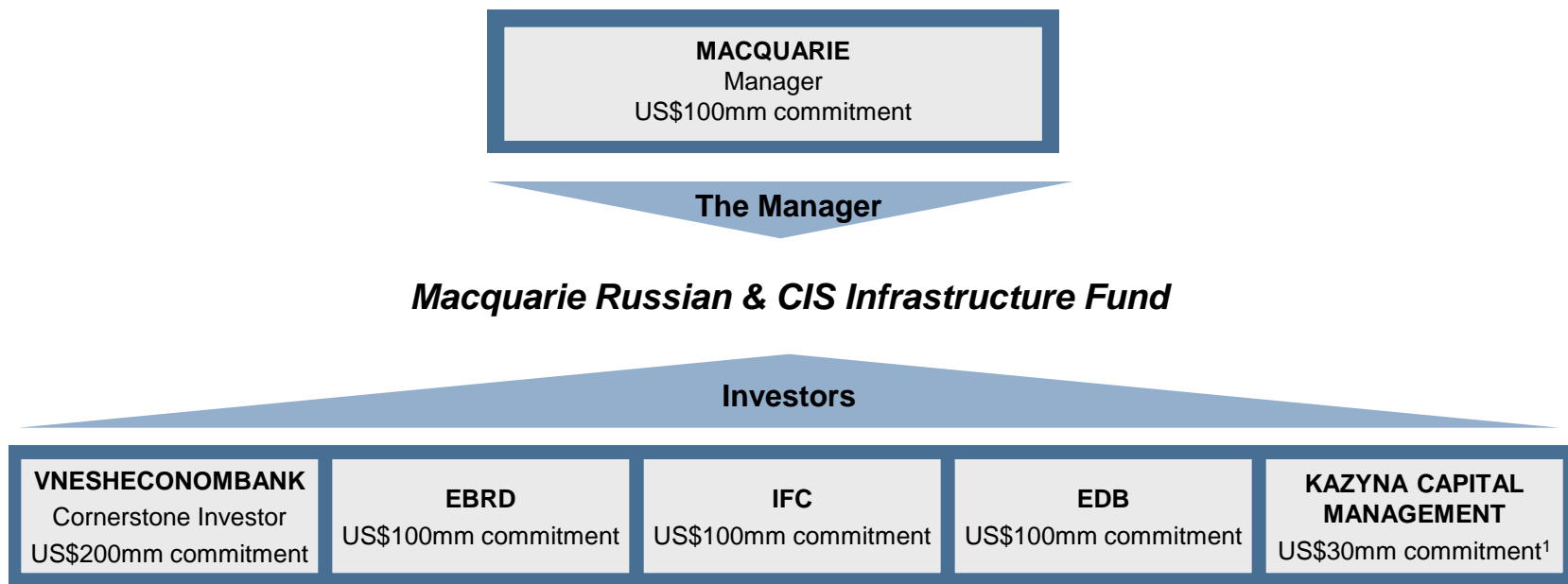
- RDIF and **Abu Dhabi Department of Finance** launched US\$5 bn partnership fund focused on Russian infrastructure projects.
- US\$1bn committed to US\$2 bn joint venture, created with **Mubadala Development Company**.
- RDIF and **Fondo Strategico Italiano** launched € 1bn Russian-Italian investment platform.
- US\$1bn committed to **Russia-China Investment Fund** (target size US\$3-4bn, US\$1bn to be injected by CIC; US\$1-2bn - by 3rd party investors)
- RDIF invests in the **Moscow Exchange IPO** and attracts leading international co-investors from the US and China
- RDIF and Caisse des Depots International launched € 1bn **Russian-French Investment Platform**



VEB IS THE CORNERSTONE INVESTOR IN MRIF

Macquarie Russian & CIS Infrastructure Fund (MRIF) investor commitments of US\$630mm

- The investment objective is to make equity and equity-related investments in a diversified portfolio of infrastructure assets located in the Russian Federation and other CIS countries.
- Target assets include, but not be limited to roads, airports, ports, electricity and gas transmission and distribution networks, heating networks communication infrastructure, rail networks, water and sewerage utilities and social infrastructure.



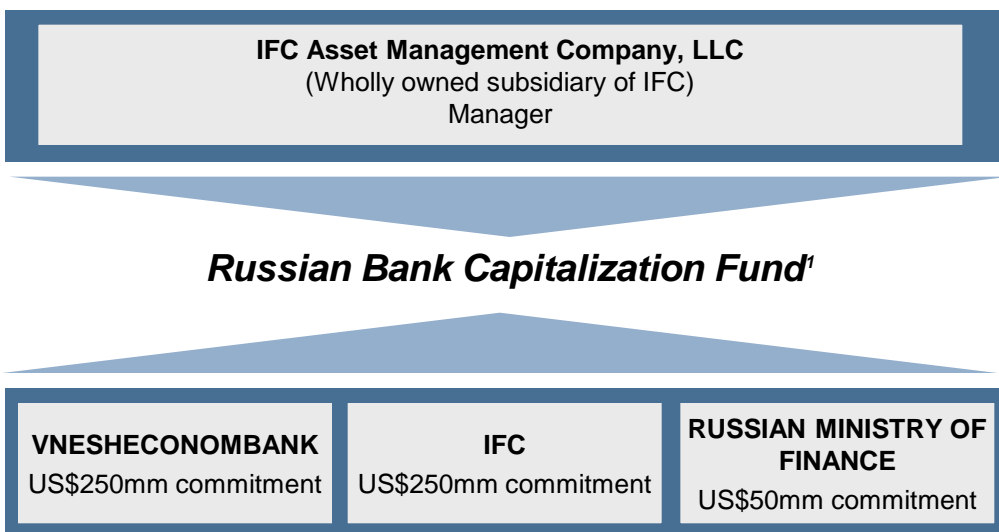
Note: (1) To be increased to US\$50mm when fund reaches US\$750mm



RUSSIAN BANK CAPITALIZATION FUND

Russian Bank Capitalization Fund (RBCF) was set up as a joint initiative of VEB, IFC and Russian Ministry of Finance

- The Fund was established as a mechanism for support of Russian regional banks – leaders of real sector lending viewed as accelerators of banking system growth and consolidation.
- Investment priority is given to universal banks with loan portfolios amounting to 50-70% of the bank's total assets, with significant regional network and operating in SME sector lending. The banks whose main activities consist of financial market transactions are not eligible for the Fund's investment program.



Russian Bank Capitalization Fund was registered on 12 June 2012

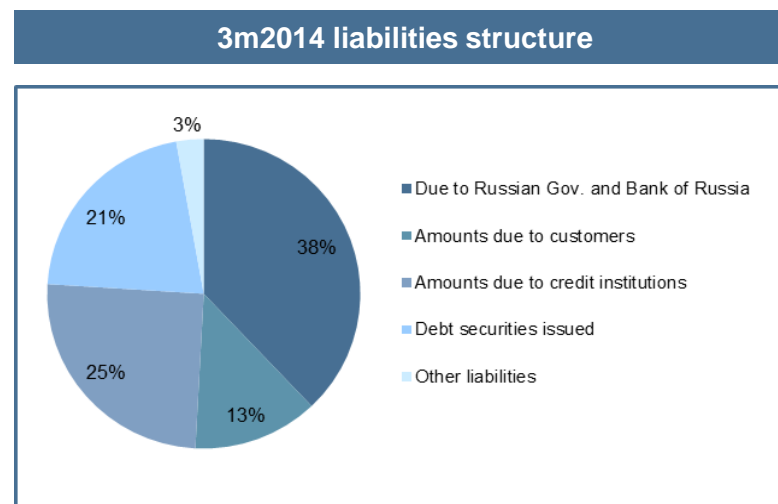
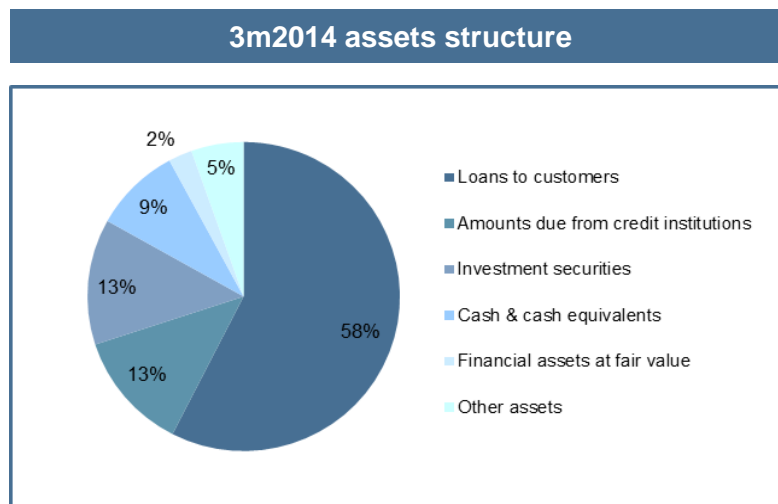
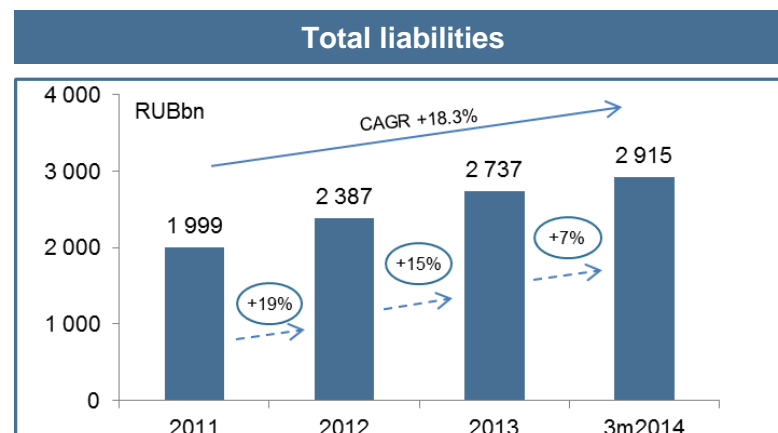
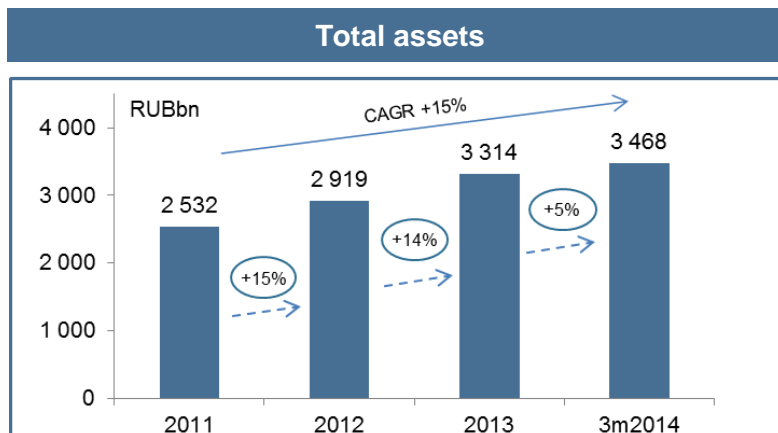
In 2012 the Fund invested into capital of two Russian Banks: Moscow Credit Bank and Orient Express Bank – in the amount of USD 78 mn.



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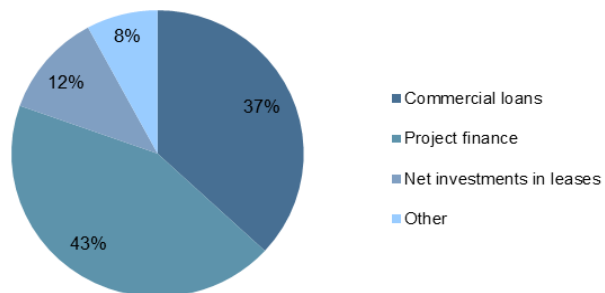
ASSETS AND LIABILITIES DYNAMICS



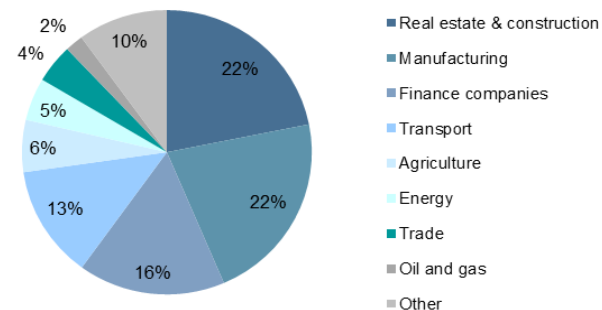


LOAN PORTFOLIO ANALYSIS

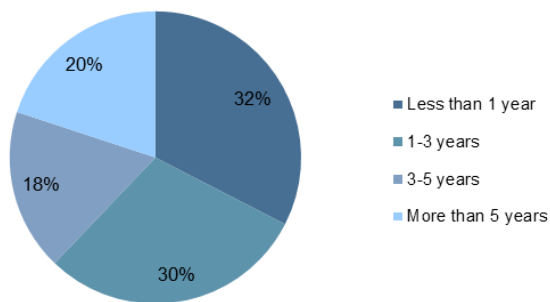
Loan portfolio composition



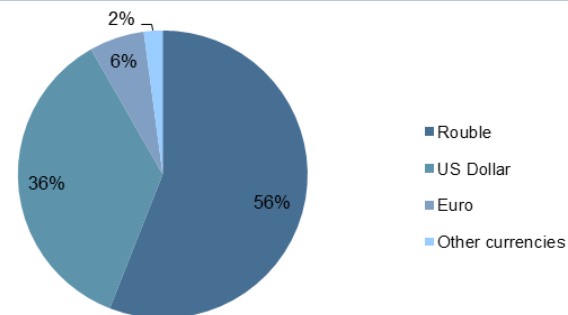
Diversification by industry



Loan portfolio maturity profile¹



Currency breakdown



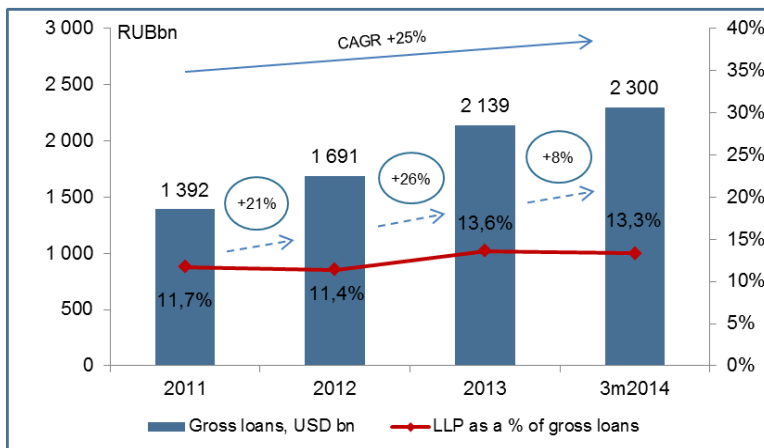
Source: Reviewed IFRS accounts as of March 31, 2014;

Note: (1) Loan portfolio after impairment allowance.

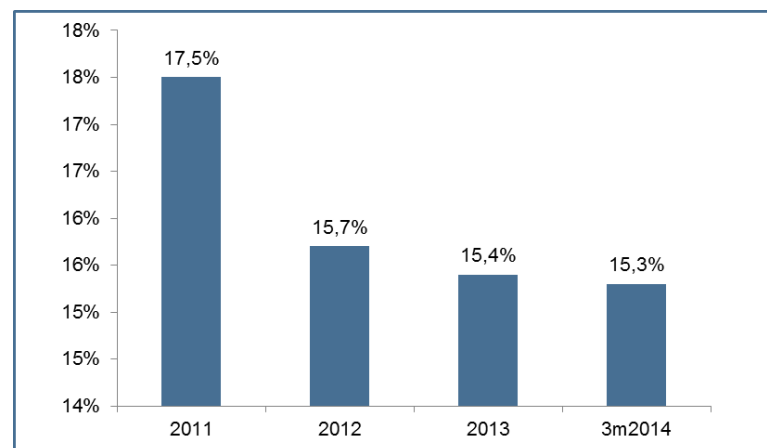
LOAN QUALITY AND CONCENTRATION

- Core business portfolio of VEB is well diversified.
- The growth in VEB's loan portfolio in 2011-2014 was primarily a result of VEB's continued focus on its core development bank activities and the related provision of significant financing for a number large scale infrastructure and investment projects, as well as VEB's strategic investments in Russian banks and corporates.
- Borrower concentration has been gradually falling over time since its peak of 43% at 2008-2009, which happened due to support measures during crisis.
- VEB historically adheres to a strong provisioning policy and high coverage ratio. Current loan loss provisions fully cover non-performing loans (108% as of 31 March 2014).

Loan Portfolio and Provisioning policy



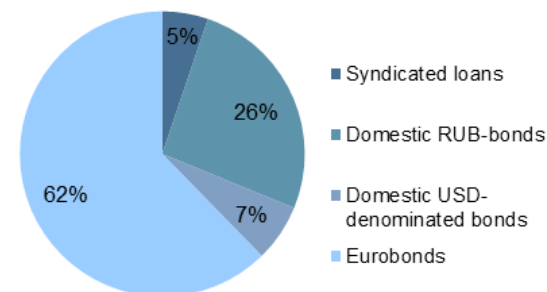
Top 3 borrowers as % of gross loans



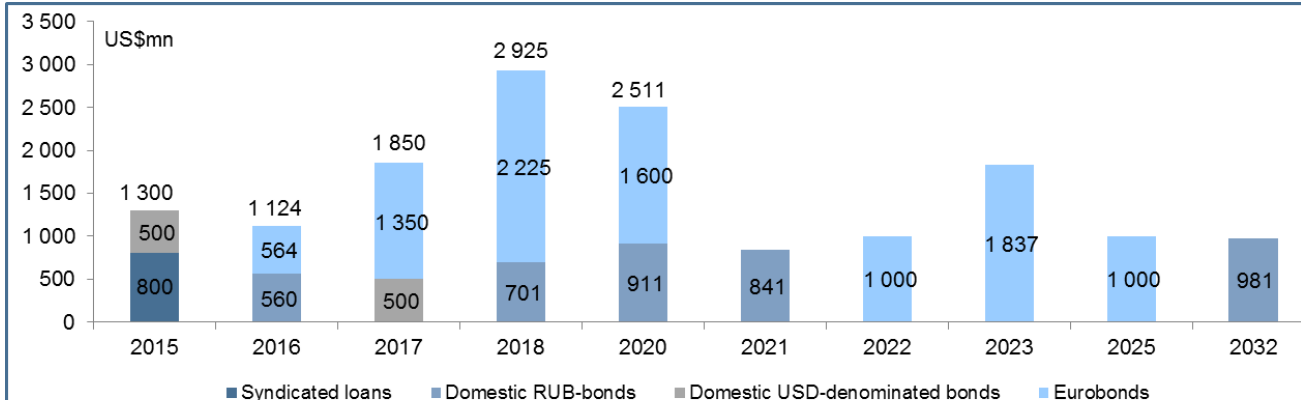
FUNDING STRATEGY – DEBT CAPITAL MARKETS

- VEB's Debt Capital Markets objectives:
 - ✓ Enhance profile in the international capital markets and reach out to new investors globally whilst maintaining conservative leverage policy
- VEB continues the diversification of the funding structure:
 - ✓ VEB's funding strategy is based on debt issuance in the international and local capital markets, attracting bilateral and syndicated loan facilities whilst maintaining conservative leverage policy
 - ✓ The share of debt securities is 21%^{1,2} of total financing
- VEB Eurobonds are included in the list of constituents of JP Morgan and Barclays bond indices.

Public debt diversification by source



Public debt maturity profile ^{2,3,4}



Note:

(1) Calculated as a share of debt securities issued in total liabilities as of March 31, 2014

(2) RUB, EUR and CHF amounts converted into US\$ at official CBR exchange rates as of 31 March 2014

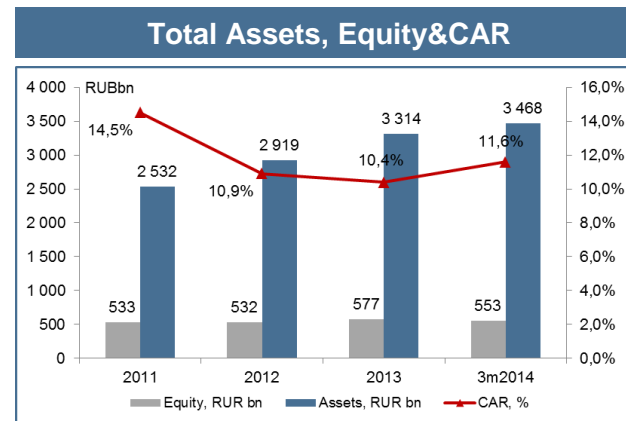
(3) Only VEB excluding public debt of its subsidiaries

(4) US\$ 2,45bn syndicated loan was retired in April 2014



EQUITY CAPITAL

- VEB's equity base grew significantly over past 6 years (grew by 2.6 times since creation in 2007).
- VEB historically maintains very high quality of its Capital:
 - ✓ Sufficient capitalization: CAR (N1) at 11,6% (minimum of 10% set by Supervisory Board)
- The main sources of Capital:
 - ✓ Comprehensive income for the year (non-taxable due to VEB's status of non-commercial organization)
 - ✓ Direct contributions from the Government



History of Government contributions to Capital

- RUB 180Bn pursuant to Federal law
- 100% of shares of "Russian Bank of Development" (now SME Bank)
- 5.2% of shares of EXIMBANK

↓
2007

- ↑
• RUB 75Bn to provide support to the stock market

2008

- RUB 100Bn pursuant to Decree of the Russian Government
- RUB 21Bn for further acquisition of "United Aircraft Construction Corporation"

↓
2009

- ↑
• 100% of state-owned shares of Federal Center for Project Finance

2010

- RUB 62.6Bn for the purposes of creating Russian Direct Investments Fund

↓
2011

- ↑
• RUB 62Bn for investments in Russian Direct Investments Fund
• RUB 15Bn for investments in Far East and Baikal Region Development Fund

2012

- 1.13% of state-owned shares of OJSC Rostelecom amounted to ~ RUB 5.5 bn.

↓
2013

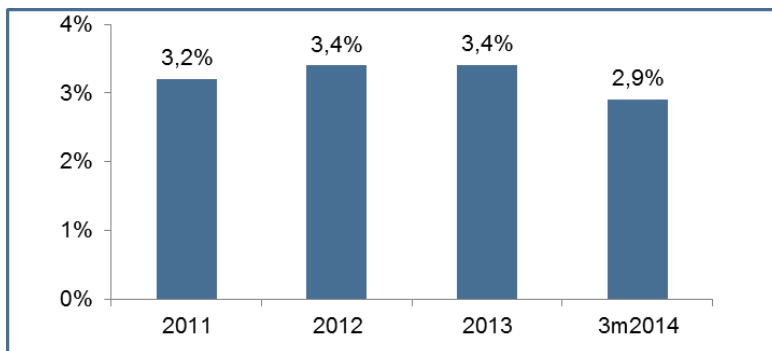
- ↑
• 7% of the NWF (~RUB 220bn) will be placed on VEB's deposits according to draft law, approved by the Government

2014

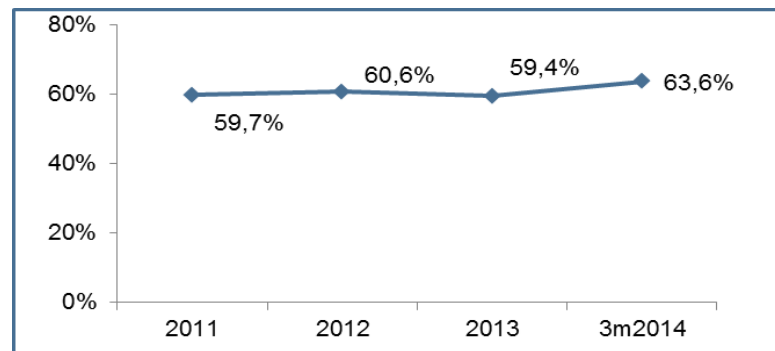
PROFITABILITY

- Profitability is not a goal for VEB due to its non-commercial status.
- VEB strives to facilitate economic growth and development activity in Russia on commercially viable terms:
 - ✓ Healthy net interest margin
 - ✓ The level of NIM is higher than that of the peer group¹
- Controlled by the Russian Government, VEB does not make obligatory reserves with the CBR and is not obliged to comply with usual financial ratios, however reports them for informational purposes.
- VEB is not subject to income tax in Russia.

Net interest margin²



Cost/Income Ratio





VEB CONTRIBUTES TO RUSSIA'S IMPROVING FUNDAMENTALS

Russia is in Top 3
FDI recipients

- **Foreign direct investment** in Russia increased by 83% and reached US\$ 94 bn in 2013 as compared to 2012.

Substantial GDP
per capita
increase

- Since 2000 **GDP per capita** increased 8x times and reached US\$ 14 973. Income growth was accompanied by flat CPI – 6,4% on average for the past three years.

Significant growth
in international
reserves

- **International reserves** increased 17x times and reached RUB 510 bn in 2013 as compared to 2000.

Reduction of
Russian Gov't
debt

- General **government debt** has reduced from 52% of GDP in 2000 to 18% in 2013.

Stable real GDP
growth

- Despite dramatic 7.8% GDP drop in 2009, Russia managed to maintain stable economy growth - **average real GDP** growth since 2000 equals to 4.9% YoY.

Improving results
in business
rankings

- At the beginning of 2014 Russia entered **Bloomberg's 50 best countries for doing business**.
- In 2013 the country rose 20 points up in a **World Bank's Doing Business** rating and showed the best dynamics among BRICS countries.



VNESHECONOMBANK

Thank you !

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