

Development of the Agricultural Industry

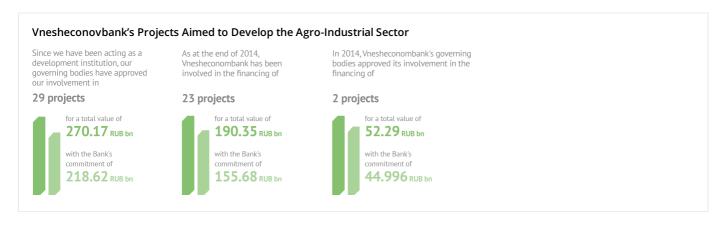
As at the end of 2014, the share of agricultural projects in Vnesheconombank's loan portfolio was 8.6%. Agricultural projects account for 20% in the breakdown of projects approved by the Bank for financing in 2014

We are actively involved in efforts aimed to provide Russian consumers with high quality agricultural products of domestic origin. Under Vnesheconombank's Development Strategy for 2015–2020, agricultural projects will be included in the Bank's investment priorities. These efforts have become particularly important in the light of restrictions on imports of some foods of foreign origin to Russia imposed in 2014. Setting up domestic import-substituting businesses will require considerable investments.

<u>Vnesheconombank's Memorandum on Financial Policies</u> lists the agricultural industry among sectoral priorities of the Bank's investment activities. While acting as the national development institution, we have provided financial support to a number of agricultural businesses in the Bryansk, Tver, Tula, Rostov and Chelyabinsk Regions.

At present, Vnesheconombank considers as one of its most important strategic priorities its involvement in the State Programme for the Development of Agriculture and Regulation of Markets of Agricultural Products, Raw Materials and Food for 2013-2020 including and subject to amendments made to the Programme by Russian Government Regulation No. 1421 dated 19 December 2014. The updated Programme is enhancing government support to the agricultural industry in such areas as development of open and covered ground vegetable planting and potato seed planting, dairy cattle breeding, pedigree work, selective breeding programmes, seed growing, wholesale distribution centres and the social catering system infrastructure, and development of the financial and credit system in the agricultural industry.

The Programme's expansion is driven by the need to ensure the country's food security by building a domestic production framework capable of meeting the growing demand by the Russian population. About RUB 187.9 bn are planned to be allocated from the government budget in 2015 to implement the Programme, while the overall government support to the Programme will be RUB 2,126.2 bn.





Project: Increasing the Capacity of a Highly Productive Beef Cattle Breeding Facility and a Cattle Slaughtering and Primary Processing Facility

Project initiator: Miratorg Agribusiness Holding

Borrower: OOO Bryansk Meat Company

Total project value: RUB 49.0 bn

Vnesheconombank's commitment: RUB 41.7 bn

Expected number of new jobs: 1,577

Project goal: further develop Europe's largest and Russia's unique animal breeding facility.

Vnesheconombank has been supporting Miratorg's animal breeding facility since 2010. The facility produces 60 thousand tonnes of meat every year. As a result of previous successful experience of relations with the company, 33 new farms and an advanced cattle slaughtering and processing plant for 400 thousand heads were built; 112 thousand heads of breeder cattle were purchased; and over 200 thousand hectares of agricultural land were re-cultivated. For its participation in the financing of the facility, Vnesheconombank received the 'Best Deal of 2012' award by British Trade Finance.

As part of the project, the existing capacity of the facility will be built up to 120 thousand tonnes of premium beef per year. The project also provides for 31 new farms to be constructed, another 90 thousand heads of highly productive breeding stock to be acquired, agricultural machinery for fodder conservation to be purchased, an in-house fodder infrastructure to be set up.

This project is of nationwide importance and aims to contribute to the country's food security and import substitution. The Russian Government has instructed the provision to OOO Bryansk Meat Company of a subsidy from the federal budget to reimburse interest payable on investment loans for the period until 2030.