

## Strategic Development Priorities

*The modernisation scenario of Vnesheconombank's Development Strategy for 2015–2020 provides for a twofold increase in the loan portfolio to RUB 2.5–3.0 tn by the end of 2020*

*The approval of a new development strategy for 2015–2020 was the central event of 2014 that guided further operation of Vnesheconombank. As part of the strategy, we are planning to maintain our focus on building up the financing of the real economy sector that is in dire need of long-term investments. The Bank's involvement in ambitious national projects seeks to provide the conditions for the Russian economy to enter a stable development path as soon as possible and to set the stage for future growth.*

Before 2014, Vnesheconombank's Development Strategy for 2011–2015 was carried out in a rather favourable macroeconomic context, which facilitated a rapid growth of the development bank's loan portfolio, a higher share of innovative projects in the portfolio and stronger support to exports. As a result, targets set out in the strategy were achieved as early as in 2013.

In 2014, we had to face new challenges and risks associated with a worsening geopolitical situation, stronger inflation processes and constrained access to debt markets. With the negative trends in the Russian economy getting stronger and the targets of the 2011–2015 strategy achieved ahead of schedule, we needed to work out a new development strategy for the Bank. In preparing the strategy, we were guided by the key parameters of the forecast of socioeconomic development of the Russian Federation for 2015 and the planning period of 2016 and 2017, as well as a forecast of long-term social and economic development for the period until 2030 prepared by the Russian Ministry of Economic Development.

The Development Strategy for 2015–2020 implies a stronger role of Vnesheconombank as a long-term creditor to the national economy in the context of its being shut off global capital markets while facing cash outflow and a liquidity drop in the banking sector. Therefore, the Bank sees its strategic goal in increasing its financial support to the government's priority investment projects while maintaining a high-quality loan portfolio.

In preparing our loan portfolio, we are applying a new approach that breaks the portfolio down into development bank projects and special projects of national importance. Specific tasks for the special projects are outlined in resolutions of Vnesheconombank's Supervisory Board. They are funded on principles different than those used for development bank projects to maintain the quality and target structure of our loan portfolio.

The strategy includes two development scenarios: modernisation and conservative, differing in the loan portfolio growth rates, amount of government securities and borrowings in the debt market. We are currently planning to follow the modernisation development scenario that assumes a considerably stronger role of the Bank in the financing of ambitious investment projects, including innovative, import substitution and infrastructure development projects. With access to debt markets being constrained, the success of the modernisation scenario will hinge on the scale of capital increase and government funding of the

### Strategic performance targets of Vnesheconombank until 2020 (as of the year end, RUB bn)

Item	Actual			Strategic target by the end of 2020	
	2012	2013	2014	Modernisation scenario	Conservative scenario
<b>The Bank loan portfolio</b>	720.2	974.6	1,360	2,500–3,000	1,800–2,000
<b>Loans issued to SME</b>	82.9	96.1	100.89	225–265	125
<b>Support to exports</b>	62.57	122.1	259.9	750	365
✓ loan portfolio to support exports (as part of the Bank loan portfolio)	14.64	22.5	53.4	500	115
✓ guarantee portfolio	47.93	99.6	206.5	250	250

## Vnesheconombank's Strategic Goals for 2015–2020

Under the modernisation development scenario, Vnesheconombank's strategic goals for 2015–2020 are the following:

- ✓ increase lending to investment projects (primarily in infrastructure and knowledge-intensive sectors) while maintaining the required quality of the loan portfolio and capital ratio;
- ✓ build up loans to export projects, including support for supplies of Russian high-tech products to foreign markets;
- ✓ increase access to financing for small- and medium-sized enterprises and assist in setting up the infrastructure to support SMEs;
- ✓ encourage balanced socio-economic development in Russian regions and foster a more diversified economy in single-industry towns;
- ✓ keep growing the investment portfolio managed by the State Management Company and support its growth;
- ✓ retain the status of a debt agent of the Russian Government;
- ✓ cut down the costs of and increase the amount of the Bank's resources, including by attracting substantial government subsidies;
- ✓ keep the Bank financially stable;
- ✓ improve the Bank's business processes to streamline its operations and cut down its costs;
- ✓ develop the IT infrastructure and improve the management of the Bank's IT operations;
- ✓ improve the personnel management system;
- ✓ integrate sustainability and responsible financing principles and best corporate social responsibility practices into the Bank's operations;
- ✓ improve the corporate governance system of Vnesheconombank Group.

## Implementation of Vnesheconombank's Development Strategy for 2015-2020

### Implementation of Vnesheconombank's Development Strategy for 2015-2020 under the modernisation scenario

#### Global risks

- Unstable global economic growth

— Risk of a lower credit rating

#### Country challenges

- Risk that lower economic growth rates will slow down investment rates;

#### Industry challenges

- Risk of changes in the terms of loan repayments in nationally important projects

#### Sanction-related risks for the Bank

- Risk of a lower credit rating of the Bank in the mid-term

— Service cost reduction

## Mechanisms for Embedding Sustainability Principles into Vnesheconombank's Operations

Vnesheconombank's Development Strategy for 2015–2020 provides for further integration of sustainability principles and best corporate social responsibility (CSR) practices into the Bank's operations, among other things, by improving business processes, including corporate governance, personnel management and investment and financial activities. To this end, the Bank is planning to prepare and put in place a sustainability roadmap that will outline the range of initiatives required to embed sustainability principles into operations of the Bank and its subsidiaries.

### Mechanisms for Embedding Sustainability Principles Outlined in the Development Strategy for 2015–2020 into Vnesheconombank's Operations

#### Mechanisms

Embedding the principles of sustainability, CSR and responsible financing into core business processes of Vnesheconombank

#### Measures

- Implement responsible working practices for Vnesheconombank's employees
- Integrate responsible financing principles in lending and investment operations of Vnesheconombank
- Develop a non-financial reporting system for sustainability

