

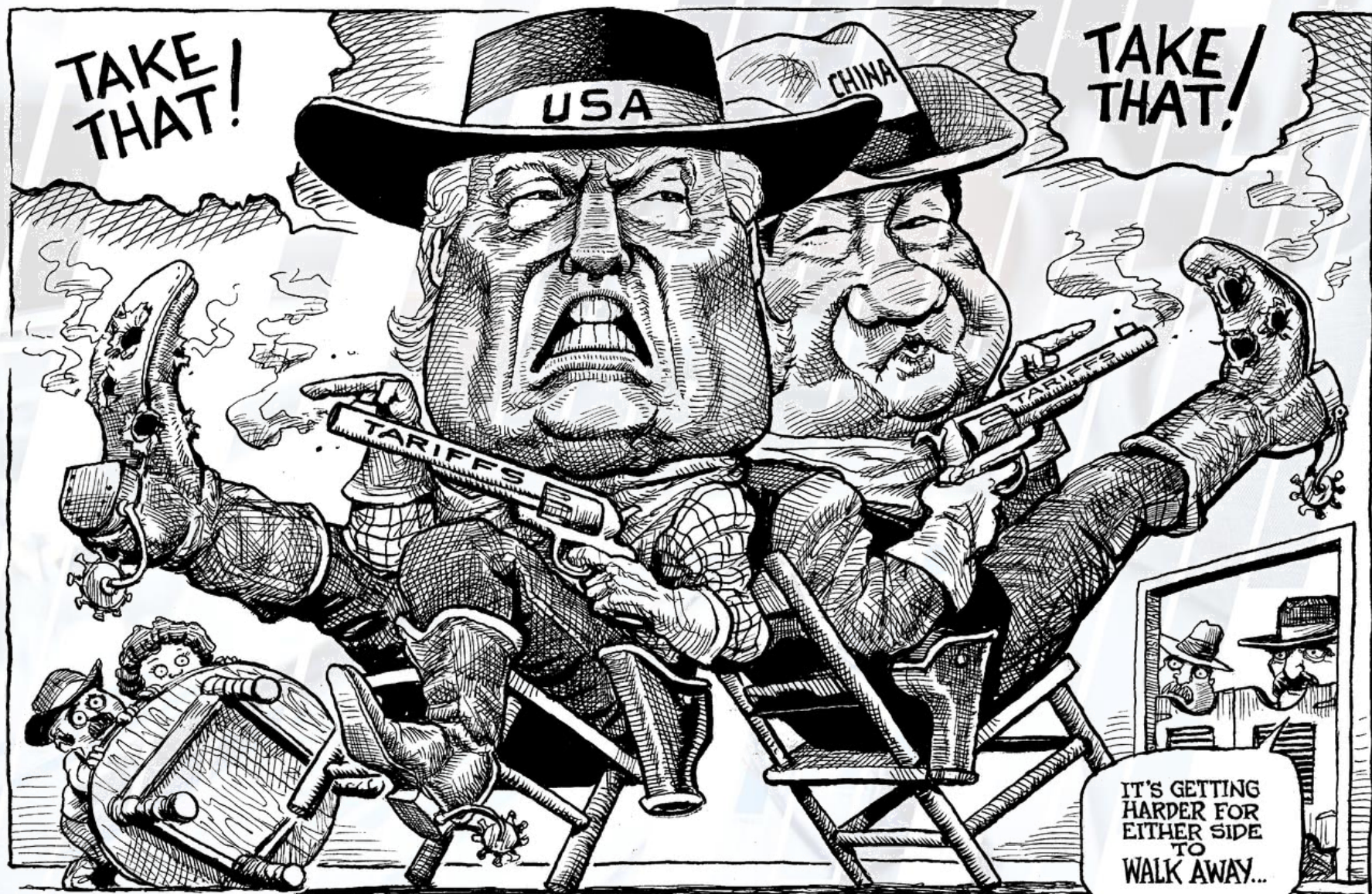


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EASTERN RESPONSE TO WESTERN PRESSURE

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Partner
REGION Group

Verona, 2018



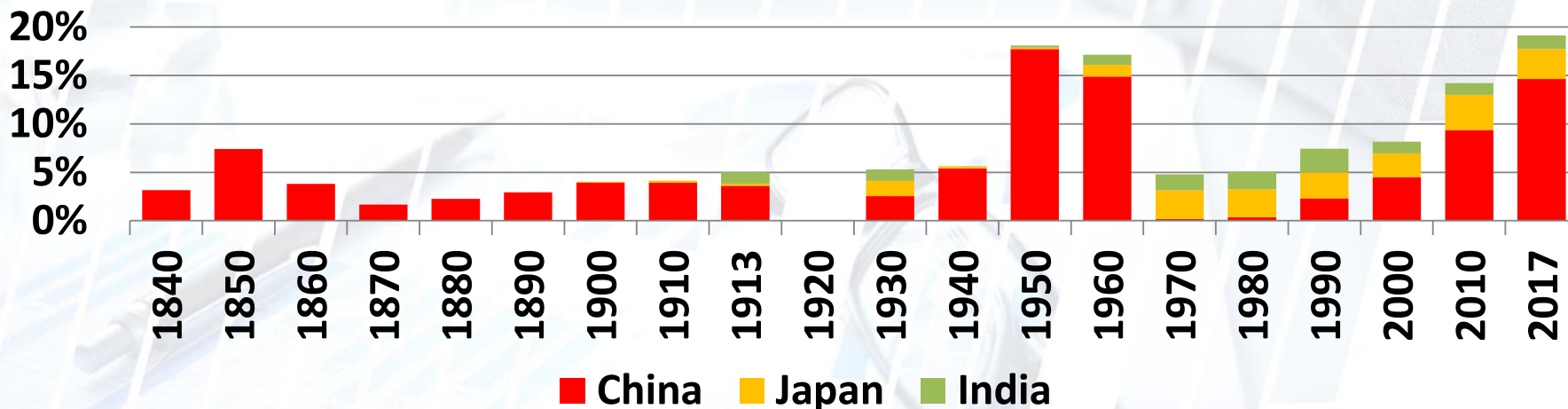
RUSSIA'S TRADE WITH EAST

Late XV century Russian merchant Afanasiy Nikitin made his famous travel to India laying grounds for bilateral trade;

In 1689 the Treaty of Nerchinsk permitted regular caravan trade with China. Thirty years later trading shifted to the border town of Kyachta;

Commercial relations with Japan emerged in XVIII century although Russians have reached Pacific Ocean in 1639.

Share of largest Asian economies in Russian external trade, %



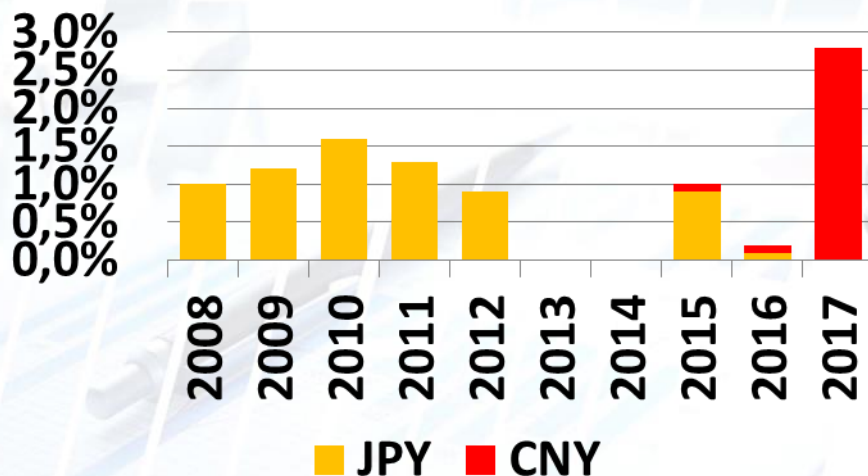
Source: Historical Statistics of the Russian Empire, Statistics Yearbooks "Foreign Trade of the USSR", Federal Customs Service

DE-DOLLARZATION IS ON THE WAY

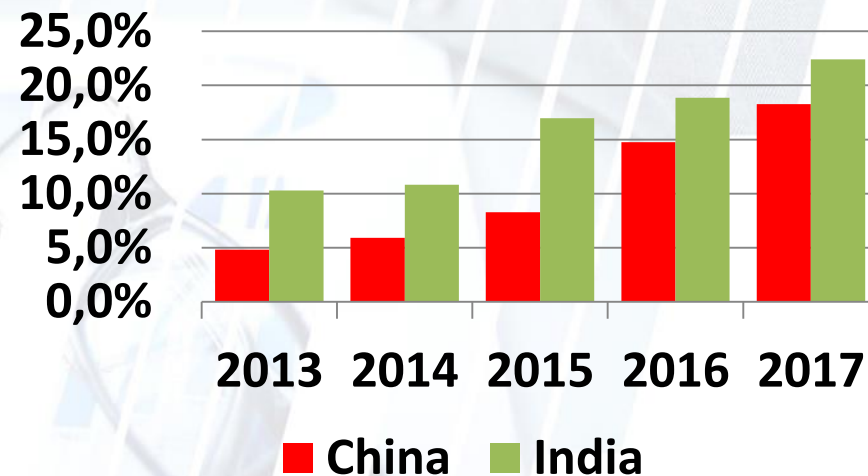
Bank of Russia and People's Bank of China signed a bilateral national currency swap agreement for the purpose of further advancing bilateral trade and mutual investments in October 2014. Twelve months later Bank of Russia included yuan in its reserve assets basket.

Today yuan/rupee and rouble accounts for about 20% of trade between Russia and China/India.

Share of Asian currencies in Russia's international reserves, %



Share of national currencies in bilateral trade in good and services, %



Source: Bank of Russia, Federal Customs Service Of Russia

CONTRIBUTION OF REGION GROUP

Sino-Russian cross-border trade in local currencies, \$ mln

	2016	2017	Q1 2018
Exports	2 011,50	3 993,00	598,6
RUB	1 904,80	3 697,30	572,8
CNY	106,7	295,8	25,8
Imports	913,4	1 562,20	421,5
RUB	798,5	1 345,60	360,6
CNY	115	216,6	60,9
Total trade	2 924,90	5 555,20	1 020,10
RUB	2 703,30	5 042,80	933,4
CNY	221,6	512,4	86,7

Share of PAO Dalnevostochny bank (Member of REGION Group) in CNY settlement of cross-border trade transactions, %

	2016	2017	Q1 2018
Exports	10,3	1,5	6,5
Imports	4,2	1,6	2,1
Total trade	7,2	1,5	3,4

Source: Bank of Russia, Federal Customs Service Of Russia, REGION Group

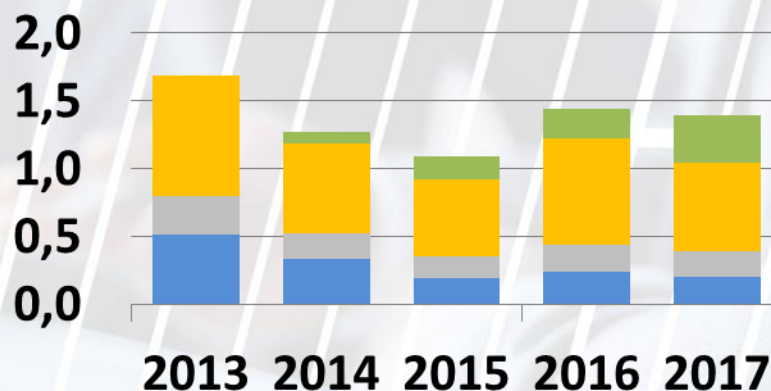
RUBLE DCM FOR FOREIGN ISSUERS

In 2005, European Bank for Reconstruction and Development became the first foreign issuer of domestic Russian ruble bond.

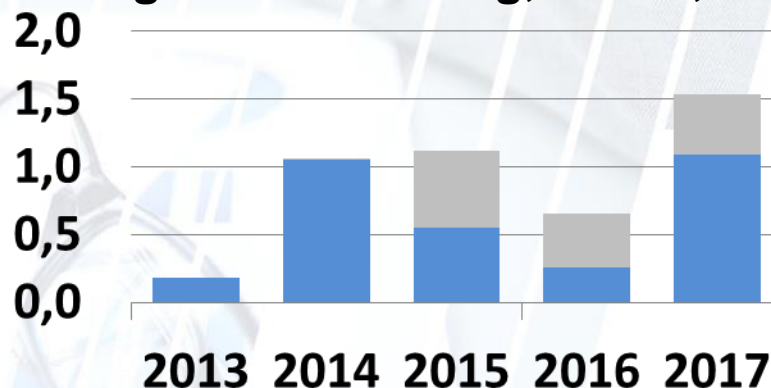
Since then the market for IFO bonds on Moscow exchange has grown significantly thanks to International Financial Corporation, Eurasian Development Bank and International Investment Bank.

Last year JSC KTZ, the national railway company of Kazakhstan, became the first issuer of ruble bond on Moscow exchange via local SPV. This year the company expanded its ruble DCM activity by placing short term promissory notes.

IFO bonds in circulation, EUR bln



Foreign bonds trading, MOEX, EUR bln



Government Corporate

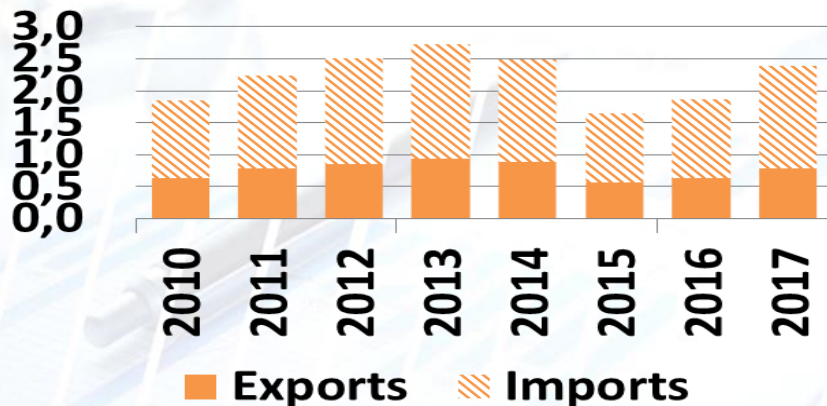
Source: MOEX, Rusbonds

TRAVEL BETWEEN RUSSIA & EAST

About 5 million people a year travel between Russia and China/India/Japan. The main transport modes are air and road.

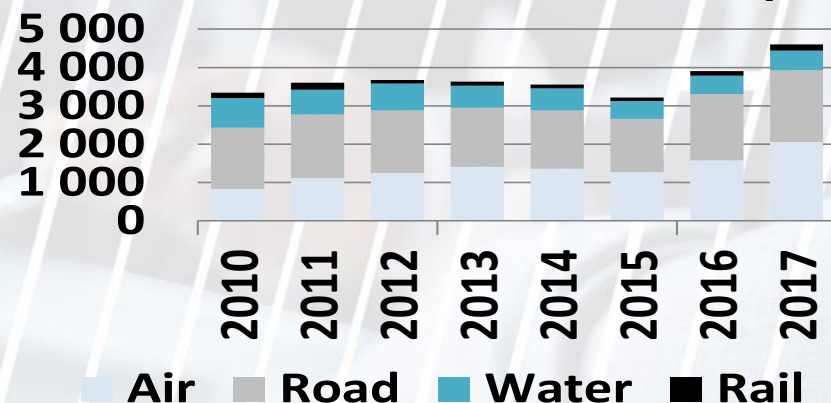
For Russia travel in/out China/India/Japan accounts for about 11% of total number organized trips and 6% of total trade in travel services.

Trade in travel services (\$ billion) between Russia & China/India/Japan

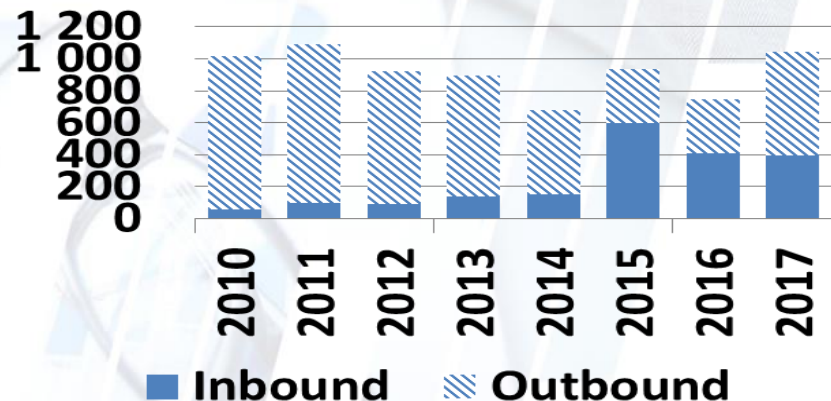


Source: Bank of Russia, Border Service

Total travel by transport modes ('000) between Russia & China/India/Japan



Number of organized trips ('000) between Russia & China/India/Japan



BUILDING BRIDGES

REGION Group has signed an agreement with the government of Amur Oblast to facilitate construction of ropeway between Blagoveshchensk (Russia) and Heihe (China).

The ropeway will serve up to 2,5 million passengers a year and promote inbound travel in Amur Oblast.

We are going to create public-private partnership funded by non-state pension funds.





JCB'S LONG WAY IN RUSSIA

- 1961 Japan Credit Bureau (JCB) established
- 1968 Merger with Osaka Credit Bureau creates Japan's largest credit card issuer
- 1981 JCB started international operation
- 1985 Soviet Intourist agreed to accept JCB cards
- 1989 First JCB card issued in USA
- 1990 First JCB card issued in Europe
- 1994 First cash withdrawal from ATM in Russia using JCB card
- 2014 JCB International (Eurasia) LLC established
- 2015 First JCB card issued in Russia. Four Russian banks have obtained Master License from JCB to date.
- 2018 PAO Dalnevostochny bank (Member of REGION Group) signed Master License Agreement with JCB International**



UNIONPAY'S LEAP FORWARD

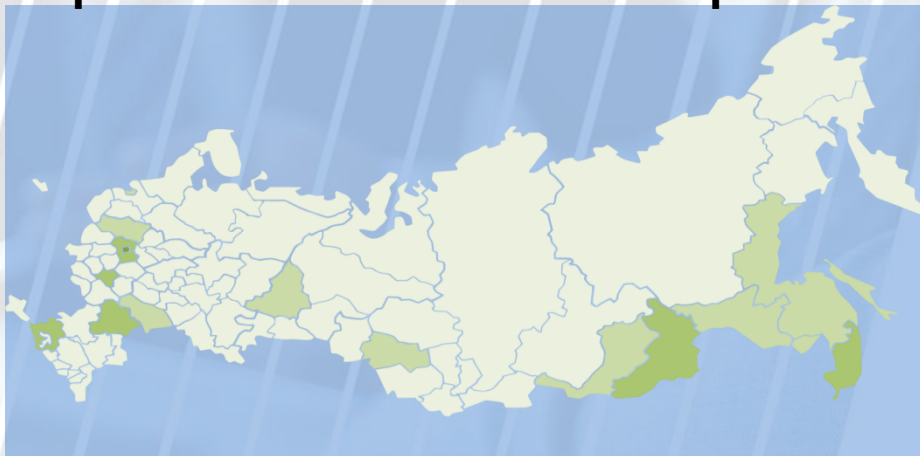
- 2002 UnionPay established established under the approval of the State Council and the People's Bank of China
- 2007 UnionPay entered Russian market
- 2012 With 3,4 billion cards issued UnionPay became the world largest issuer
- 2013 Central Bank of Russia included UnionPay into registry of payment system operators
- 2014 Four Russian banks started to issue UnionPay cards. To date the number has growth to six.
- 2018 **PAO Dalnevostochny bank (Member of REGION Group) became Principal Member of UnionPay International. We're going to start card-acquiring services later this year.**

INVESTMENTS & COOPERATION

State-owned Russian Direct Investment Fund established partnerships with Asia's public and private institutions to facilitate FDI.

Russia-China Business Advisory Committee alone reviews 70+ projects worth \$100+ billion in total.

Map of FDI from China/India/Japan




Recent notable cross-border M&A deals





e-commerce joint venture
2018


100% of Donskoy Tabak
\$1,75 bln
2018


10% of R-Pharm JSC
\$0,2 bln
2017

FOSUN 复星
90% equity interest in Voentorg Store
\$0,1 bln
2017

Source: Bank of Russia, media

NORTHERN SEA ROUTE

The Northern Sea Route (NSR) provides a shorter distance between Polar ports and ports Pacific and Atlantic Oceans that are ordinarily reached via the Suez Canal. Improved ice conditions and sizable investments in infrastructure propelled steady growth of domestic cargo transportation.

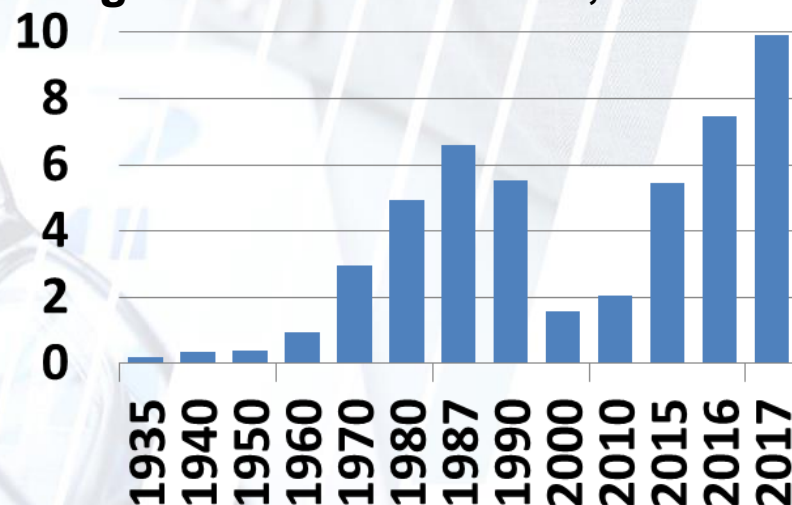
In 2009 NSR was opened for foreign transit. Four years later the first Chinese vessel Yong Sheng delivered a batch of rolled steel to Netherlands.

In 2016 COSCO opened an Arctic voyage program Yong Sheng Plus.

This year NOVATEK started shipping LNG to China via NSR with target volume of 3 million tones a year.



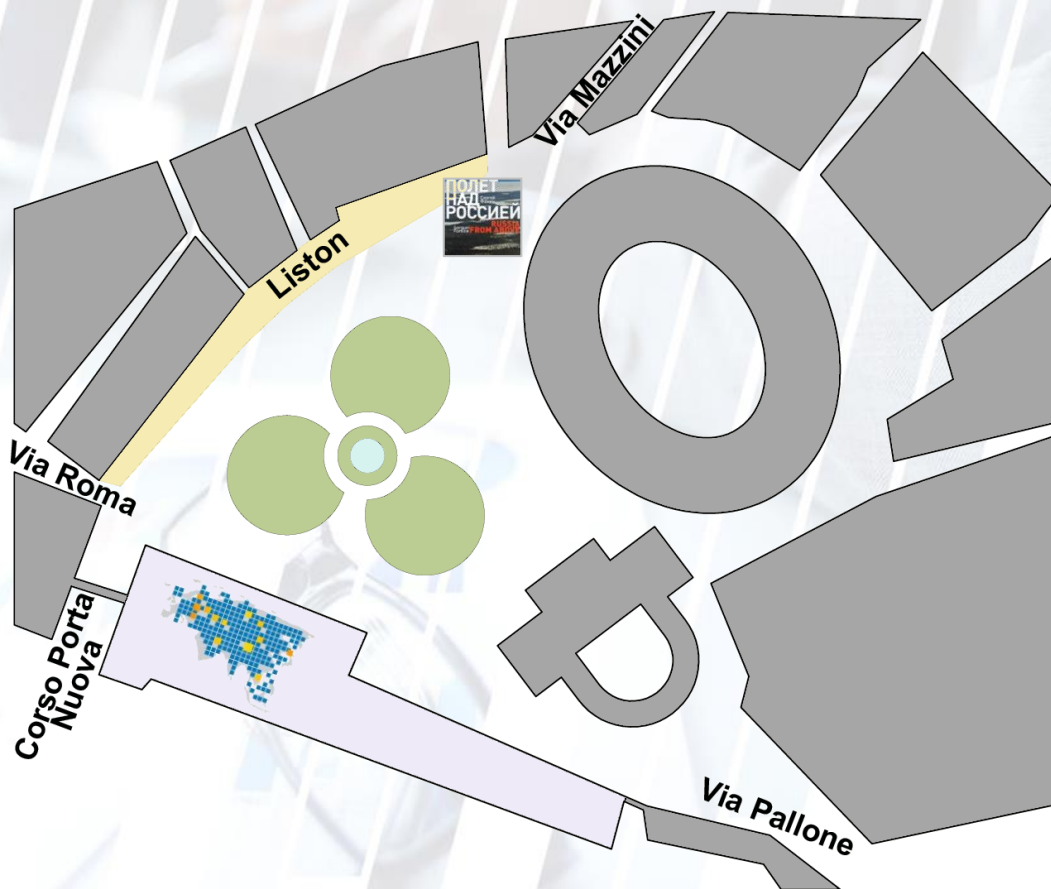
Cargo volumes thru NSR, mln t



Source: Northern Sea Route Administration

THANKS FOR YOUR ATTENTION!

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