

Russia's leading light

Vnesheconombank is pioneering in many ways. A key player in Russia's move toward public-private partnerships, the bank has also negotiated a cheaper rate for borrowing.

At the time of our last interview with Vnesheconombank's (VEB) chairman, Vladimir A. Dmitriev in *FORTUNE* magazine in July, the bank attracted a syndicated credit of US\$500 million on a low interest rate—a first for any Russian bank.

Please comment on the deal.

The syndicated credit is unique, not only in volume, but also in the borrowing rate, which is the lowest ever given to a Russian bank. In reaching this benchmark of LIBOR +0.9%, we paved the way for Russian banks and businesses to borrow cheaper money abroad.

This shows how the rating of Russia, its corporations and banks is improving and that the risk assessment by foreign banks is more favorable. It also gives us a reason to assume that the sovereign rating of Russia will improve as well. It is now essential for government and private businesses to accelerate the new evaluation of the Russian rating according to Organization of Economic Cooperation and Development (OECD) standards. At the moment, we have Category 4, but are hoping to upgrade to Category 3.

Where will the credit be allocated?

It will primarily be used to lend to our corporate clients and to expand our business. What's important in this syndicated deal is that the interest and trust in VEB stretches throughout all regions. A large part of the credit comes from the Asia-Pacific region, which plays a key role in our operations. We maintain close and effective ties with banks in China, Japan and other south east Asian countries. These relationships are based both on traditional links as well as new areas of cooperation.

Your priority this year has been to invest in infrastructure and other innovative projects. What are your key strategies?

We always focus on key government projects, which generally means attracting investments for export-oriented industries. We also allocate investments to import replacement production, with high value-added costs.

Infrastructural development has become one of our priorities and we are currently paying close attention to public-private partnerships in other countries. This is a relatively new area for us—it only began to appear on the agenda two years ago. At the moment, there is no sound legislation in place to support implementation, so we must



Vladimir A. Dmitriev
Chairman
Vnesheconombank

organize a dialog with Western countries and learn from their experience.

VEB will be something of a pioneer for initiating public-private partnerships. We are cooperating with the European Economic Commission of the UN, which understands that we have the know-how needed to play a primary role in developing this system in conjunction with the Russian government. We have to create the system from both practical and legislative angles. We have already signed an agreement with Russia's Free Economic Zones agency, which will allow us to practice the new system.

A number of international agreements have recently been signed across the Asia-Pacific region, South Africa, Europe and the Middle East. Please outline the key developments in international cooperation.

As I mentioned earlier, we are strengthening our ties with China and have undertaken to support Russian industrial export to the region. It began with a US\$1 billion project to construct a nuclear plant in China and our involvement has facilitated the development of a support program for Russian industrial export.

One important milestone has been to sign a credit agreement with the China Development Bank for more than US\$500 million. We believe cooperation with Chinese banks can help finance Russian export to China and allow us to invest together in other countries.

VEB has also recently signed an agreement with South African banking institutions and Russian companies as part of a Russian-South African inter-governmental cooperation program. This allows us to monitor market changes from within the region and assist Russian exporters to those markets.

How is the future looking for VEB?

The bank is very dynamic at the moment. According to all indicators, both qualitative and quantitative, the pace of development is stable. Our client base is growing, as are the volume of credits granted to non-financial institutions. We feel growing support and trust both from within Russia and abroad. The capital of the bank is also growing. Next year will be a turning point for us, as we adjust our status in line with the government's modernization reforms.

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