

## LETTER FROM ORIENT EXPRESS BANK

7 April 2017

Dear Noteholders,

**RE: U.S.\$125,000,000 12 per cent. Loan Participation Notes due 2019 (ISIN: XS0973219495; Common Code: 097321949) (the “Notes”) issued by, but with limited recourse to, SCI Finance B.V. (the “Issuer”) for the purpose of financing a subordinated loan (the “Loan”) to Orient Express Bank (the “Bank” or “Vostochny”)**

A struggling macroeconomic environment caused by a negative political agenda and a sharp drop of oil prices over the period from 2014 to 2016 inclusive had a strong adverse impact on disposable incomes and consumer lending in Russia. As a result of these macroeconomic challenges as well as a number of strategic misjudgments, the Bank had to create significant provisions for loan impairment in respect of its retail portfolio, which, in turn, had a negative impact on the Bank’s capital and results of operations.

The Bank’s shareholders have made a number of capital injections over 2012-2016 in an effort to stabilise and improve the Bank’s capital position and results of operations. At the same time, in 2015 the Bank’s shareholders undertook a complete revision of the Bank’s strategy and an overhaul of the key processes which, in the shareholders’ opinion, has led to a more balanced risk-taking policy and significant improvement in the quality of origination. As a result, the Bank recorded net profit under IFRS for the financial year ended 31 December 2016.

Another major strategic shift in the effort to increase business sustainability was to diversify into the SME lending segment via the merger with Uniastrum Bank. The merger, which was completed in January 2017, is believed by the Bank to be highly synergistic with a potential to unlock significant value from lending and cross selling SME-targeted products and services to small and medium business owners among the Bank’s existing retail clients. Benefiting from Uniastrum’s strong expertise in SME lending and Vostochny’s geographic coverage, the combined bank is well positioned to become the ‘bank of first choice’ for small and medium business owners in Russia.

However, in order to ensure the Bank’s further growth (including, but not limited to, through mergers and acquisitions and implementation of low-risk business lines and products) and positive trends in the Bank’s financial performance, further improvement of its capital position is required. Whilst the Loan has had a positive effect on the Bank’s capital position since 2013 to date, only 45% of its outstanding principal amount is currently recognised as capital for the purposes of capital adequacy ratios due to the phasing out amortisation of the Loan.

The Bank therefore seeks consent of Noteholders to approve the proposals as set out in a consent solicitation memorandum dated 7 April 2017 (the “**Consent Solicitation Memorandum**”).

The proposals set out in the Consent Solicitation Memorandum involve, in particular, modifying certain provisions of a subordinated loan agreement dated 29 November 2013 between the Issuer and the Bank (the “**Loan Agreement**”) in order to ensure the regulatory recognition of 100% the outstanding principal amount of the Loan as Additional Tier 1 Capital under Regulation 395-P of the Central Bank of Russia (the “**Amendments**”). The Bank believes that the Amendments, if passed by the Extraordinary Resolution at the Meeting of Noteholders on 2 May at 10 a.m. (London time) at the offices of Latham & Watkins (London) LLP at 99 Bishopsgate, London EC2M 3XF, will significantly improve the Bank’s capital position and the prospects of the Bank achieving its strategic objectives.

Subject to the passing of the Extraordinary Resolution and the conditions set out in the Consent Solicitation Memorandum, each Noteholder who has delivered (and has not validly withdrawn or revoked) a Consent Instruction in favor of the Extraordinary Resolution (as defined in the Consent Solicitation Memorandum) on or prior to 10:00 a.m. (London time) on 19 April 2017 (the “**Early Consent Deadline**”) will be eligible to receive the early consent fee of U.S.\$40 per U.S.\$1,000 in principal amount of the Notes (the “**Early Consent Fee**”).

Noteholders who submit Consent Instructions after the Early Consent Deadline will not be eligible to receive the Early Consent Fee. Noteholders will not be eligible to receive the Early Consent Fee if they vote against the Extraordinary Resolution, if they vote other than by delivery of a valid Consent Instruction, if they vote after the Early Consent Deadline or Expiration Time, as applicable, if they do not vote at all, if they revoke their Consent Instructions or unblock their Notes, if the Extraordinary Resolution is not passed at the Meeting or if, when submitting the Consent Instruction, such Noteholder is unable to make the representations set out in “*Terms of the Consent Solicitation – The Consent Solicitation – paragraph 6(1)*” of the Consent Solicitation Memorandum.

Please refer to the Consent Solicitation Memorandum available upon request from [exchange.gats@citi.com](mailto:exchange.gats@citi.com) for more details.

Signed for and on behalf of Orient Express Bank

---

Name: Alexey Kordichev

Title: Chairman of the Management Board of Orient Express Bank