I. Executive Summary

Development Institution, Not Commercial Bank. VEB.RF is not a commercial bank. Rather, VEB.RF is a non-profit state development corporation established by Russian federal law for the public good.

VEB.RF is akin to the Export-Import Bank of the United States and KfW of Germany. It is one of the largest development institutions in Russia, and one of the oldest development institutions globally.

Transformation and New Business Model. The imposition of sanctions against VEB.RF in 2014, and the decline in the Russian economy that began at about the same time, and the subsequent deterioration of investment conditions in 2015, forced VEB.RF to more closely examine its mission and purpose. Thus, in mid-2018, VEB.RF embarked on a transformation and new business model. First, the name of Russia’s state development corporation was changed to VEB.RF by federal legislation. Second, VEB.RF was given a new and clear mission, which is to focus solely on improving the quality of life of the Russian people by facilitating financing for infrastructure, technology, ecological, and social welfare projects.

In conjunction with its new mission, VEB.RF also adopted a new business model focusing on the following investment areas: infrastructure (40%), production sector and high technology sphere (30%), and urban economy (30%). VEB.RF also finances the export of Russian products and services.

In the last 12 months, VEB.RF has approved financing of 28 projects with total value of RUB 5.1 trillion (USD 79 billion). VEB.RF’s share in those projects amounts to RUB 802 billion (USD 12.5 billion). These projects represent investments in the production sector (93%), infrastructure (5%), and export development (2%). Geographically these projects are focused on underserved and underdeveloped regions in Russia, including 71% in the Far Eastern Federal District (population of approximately 8.37 million, administrative center in Vladivostok) and 21% in the Siberian Federal District (population of approximately 17.17 million, administrative center in Novosibirsk).

VEB.RF’s current activities facilitate a wide range of socio-economic development goals, including:

- Diversified economy and reduced dependence on raw materials;
- Development of modern urban economies and territorial clusters;
- Import substitution;
- Export development; and
- Innovation support and improved workforce productivity.
VEB.RF’s current activities are aimed at overcoming infrastructure growth constraints, upgrading and promoting the economic sector for non-raw materials, encouraging innovation, exporting high-technology products, carrying out projects in special economic zones, environmental protection projects, and supporting small and medium-sized enterprises. VEB.RF actively participates in large investment projects contributing to the development of infrastructure and high-technology industries, as well as in investment projects aimed at the development of municipalities engaged in a single area of activity.

For example, VEB.RF has selected projects in the 100 largest cities in Russia (with the exception of Moscow and St. Petersburg), involving the construction of treatment facilities, the renewal of urban transport, the creation of a modern housing stock, and the transformation of services in those cities.

VEB.RF also coordinates activities of Russian development institutions in order to ensure the long-term social and economic development of the country.

International Cooperation. VEB.RF is an active member of numerous international development associations (e.g., International Development Finance Club, Long-Term Investors Club) whose members include other development institutions (e.g., JBIC, KfW of Germany, European Development Bank, Inter-American Development Bank).

U.S. Interests. VEB.RF’s current activities substantially touch on U.S. interests. VEB.RF services the foreign public debt of the Russian Federation (approximately USD 41.07 billion as of October 1, 2019), of which U.S. investors hold approximately 41%.

VEB.RF also has issued USD 4.75 billion and EUR 500 million in its own Eurobonds, of which approximately 20% is held by U.S. investors.

VEB.RF subsidiaries have entered into transactions totaling approximately USD 2.2 billion to finance ten Boeing 777-300ER and 22 Boeing 737 MAX. And projects in which VEB.RF is involved also have indirect U.S. interests, including investors, manufacturers, and service providers.

II. What is VEB.RF?

A. VEB.RF Is A Development Institution, Not A Commercial Bank

Contrary to public perception, VEB.RF is not a commercial bank (akin to Sberbank, HSBC, or Bank of America). Rather, it is a development institution (akin to the Export-Import Bank of the United States and KfW of Germany) established by Russian federal law for the public good.

Development institutions, sometimes called development banks, are essentially multi-purpose financial institutions with broad development outlooks. A development institution provides various types of medium- and long-term financial assistance to businesses in the form of loans, underwriting, investment and guarantee operations, and promotional activities. These institutions

1 All figures are subject to analysis limitations, incl. identification depth.
are widely used instruments of funding and assistance for economic development projects that require long-term maturity.

In contrast, a commercial bank is basically a retail business, dealing with individuals and corporations. The basic function of a commercial bank is to accept deposits and extend loans. The loans extended by them are typically short- or medium-term in nature. Generally, commercial banks do not involve themselves in long-term financing.

<table>
<thead>
<tr>
<th>Development Institutions</th>
<th>Commercial Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aim at achieving social profit by undertaking development projects</td>
<td>Aim at profit-making through lending at high interest rates</td>
</tr>
<tr>
<td>Set up under special legislation passed by a government</td>
<td>Set up under the usual processes for forming a business institution</td>
</tr>
<tr>
<td>Source funds by borrowing, selling securities, or grants; does not accept deposits</td>
<td>Raise funds through public deposits that are repayable on demand</td>
</tr>
<tr>
<td>Provide medium- and long-term loans</td>
<td>Provide short- and medium-term loans</td>
</tr>
<tr>
<td>Do not accept deposits or withdrawals</td>
<td>Accept deposits and withdrawals</td>
</tr>
</tbody>
</table>

B. VEB.RF’s History

VEB.RF traces its roots back to Roskombank, which was founded on August 18, 1922. Roskombank became the Joint Stock Bank for Foreign Trade of the USSR (“Vneshtorgbank”) on April 7, 1924. In 1988, Vneshtorgbank was renamed Vnesheconombank of the USSR. On May 17, 2007, the State Corporation Bank for Development and Foreign Economic Affairs (“Vnesheconombank” or “VEB”) was established pursuant to Russian federal law. VEB was the successor to Vnesheconombank of the USSR. VEB’s charter capital was created by pooling assets of Vnesheconombank of the USSR with state-owned shares of OJSC “Russian Bank for Development” (which is now SME Bank) and state-owned shares of the CJSC “State-Specialized Russian Export-Import Bank,” as well as other assets transferred by the Russian Government.

In 2018, VEB changed its name to “State Development Corporation ‘VEB.RF’” as part of the legislative changes implementing its transformation and new mission.

C. VEB.RF’s Legal Status

VEB.RF is a Russian “state corporation,” which is a specific form of legal entity under Russian law. As a state corporation, VEB.RF is a non-profit, non-commercial organization.

State corporations are established to pursue defined objectives for the public good and are assigned specific functions that determine the scope of their business activities and powers. Accordingly, state corporations are permitted to engage in commercial activity only to the extent that such activity is consistent with their purposes and contributes to the accomplishment of their specific
goals. Moreover, as a state corporation, VEB.RF is not governed by standard Russian commercial banking laws and regulations and is instead subject to laws and regulations specific to it, including, in particular, the Federal Law on VEB.RF and the 2018 Memorandum. Importantly, VEB.RF is not licensed by the Central Bank of Russia and is not subject to regulatory oversight by the CBR.

The core business areas and principal policies of VEB.RF are set out in Federal Law No. 82-FZ “On State Development Corporation ‘VEB.RF,’” dated May 17, 2007 (as amended on November 28, 2018) (“Federal Law”), as well as the Memorandum on the Financial Policies approved by Resolution of the Russian Government No. 1510, dated July 23, 2018 (the “2018 Memorandum”). Under the 2018 Memorandum, although VEB.RF’s activities are expected to be commercially viable, the generation of profit is not a primary objective for VEB.RF and VEB.RF may engage in entrepreneurial activities only to the extent such activities help to achieve its business and policy objectives.

D. VEB.RF’s Management Structure

The management bodies of VEB.RF are the Supervisory Board, the Management Board, and the Chairman of VEB.RF.

Supervisory Board. The Supervisory Board is VEB.RF’s highest governing body. The Chairman of VEB.RF’s Supervisory Board is the Prime Minister of the Russian Federation (currently Mikhail Mishustin). The remaining eight members are appointed by the Russian Government, and include the Chairman of VEB.RF (currently Igor Shuvalov), who is ex officio a member of the Supervisory Board and of the Management Board. The members of the Supervisory Board are appointed for a term of five years.

The key powers of the Supervisory Board include, without limitation, the following (see Article 12 of the Federal Law):

- Determining VEB.RF’s main areas of activities and approving VEB.RF’s development strategy;
- Determining the scope of VEB.RF’s investment and lending activities;
- Approving any transaction (or related transactions) involving amounts equal to or exceeding 10% (approximately USD 961 million +) of VEB.RF’s equity;
- Taking decisions to place VEB.RF’s bonds or other issue-grade securities in external and internal financial markets;
- Taking decisions to approve any compensation free partial transfer of VEB.RF’s assets to the treasury of the Russian Federation;
- Approving VEB.RF’s annual report, financial plan of income and expenditure (i.e., budget); and
- Approving an independent external auditor and appointing the head of VEB.RF’s Internal Control Service;
- Taking decisions on the establishment, reorganization and liquidation of non-profit organizations;
- Taking decisions to establish and liquidate branches, approving branch regulations.

**Chairman and Management Board.** VEB.RF’s Management Board is composed of the Chairman (*ex officio*) and eight members appointed by the Supervisory Board from among VEB.RF’s employees based on recommendations of the Chairman.

The Management Board is VEB.RF’s executive body. The Chairman is in charge of the Management Board’s activities.

The key powers of the Management Board include, without limitation, the following (see Article 14 of the Federal Law):

- Preparing and submitting for consideration by the Supervisory Board any proposals relating to key business areas and the scope of VEB.RF’s investment and financing activities and in respect of measures of government support for VEB.RF;
- Preparing and submitting for approval by VEB.RF’s Supervisory Board financial plan of VEB.RF’s income and expenditure (budget);
- Approving any transaction (or related transactions) involving amounts from 2% up to 10% (approximately USD 191 million to USD 956 million\(^2\)) of VEB.RF’s equity;
- Reviewing of VEB.RF’s annual report and submitting it to Supervisory Board for approval;
- Submitting to VEB.RF’s Supervisory Board for approval any proposals for the use of VEB.RF’s profits;
- Taking decisions to open and close representative offices, and approving regulations for representative offices;
- Approving VEB.RF’s organizational structure; and
- Making decisions (within its competence) on financing of investment projects.

**Chairman of VEB.RF.** The Chairman of VEB.RF is appointed by the President of the Russian Federation for a term of up to five years. The Chairman is responsible for the management of VEB.RF’s day-to-day operations, including approving any transaction involving amounts up to 2% (approximately USD 191 million) of VEB.RF’s equity.

**III. What Does VEB.RF Do?**

VEB.RF operates principally in three capacities:

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\(^2\) As per 1.11.2019 the amount of VEB.RF’s capital is 609,9 bln. Rubles which is equal to USD 9.56 bln.
(a) as a development institution;

(b) as an agent of the Russian Government, in particular, in respect of the management of debt obligations of the Russian Government and the former Soviet Union, as well as foreign financial assets comprising obligations owed to the Russian Federation by debtor countries and other borrowers, and the management of certain pension funds through State Trust Management Company (“STMC”), a separate division of VEB.RF; and

(c) as a depositary in the Russian Federation.

A. VEB.RF As A Development Institution

As the principal development institution of the Russian Federation, one of VEB.RF’s key functions is to increase the competitiveness and diversification of the Russian economy. VEB.RF acts as a lender, investor, guarantor, manager, arranger and consultant in connection with its development activities.

VEB.RF’s core operations, investment and financial priorities, borrower limits, and underlying principles for financing activities as the principal development institution of the Russian Federation are principally set forth in the Federal Law on VEB.RF and the 2018 Memorandum. As a development institution, VEB.RF does not compete with commercial lending and financial institutions in providing finance to customers; rather, pursuant to the 2018 Memorandum, VEB.RF gives preference to investment projects such as infrastructure projects and projects focusing on technological and industrial innovation, which are not typically eligible for financing on terms acceptable to commercial banks and other non-specialist market investors.

VEB.RF’s 2024 Business Model. Beginning in mid-2018, VEB.RF embarked on a transformation and a new 2024 business model was developed with the assistance of McKinsey & Company (which was in charge of new strategy formation). This new business model was in response to the decline in the Russian economy that began in the second part of 2014, investment conditions that substantially deteriorated in 2015 (imposed sanctions and blocked access to external capital markets, and sharp depreciation of the Ruble), and the aggravating situation with existing troubled assets, including special projects.

With this new business model, VEB.RF made a decision to focus on the following investment areas (described in greater detail below): infrastructure (40%), production sector and high technology sphere (30%), and urban economy (30%). Financing export of Russian products and services is one of the key priorities of VEB.RF.


The legislation also vested VEB.RF with new powers to organize and coordinate the activities of Russian development institutions in order to ensure the long-term social and economic development of the Russian Federation. The legislation stipulates that VEB.RF will provide
financial support and guarantees to certain development institutions or otherwise ensure that they fulfill their obligations, including the payment of an insurance indemnity or an insurance amount.

The main principles and areas of VEB.RF’s current activity are set out in Federal Law No. 82-FZ “On State Development Corporation ‘VEB.RF,’” dated May 17, 2007 (as amended on November 28, 2018) (“Federal Law on VEB.RF”), as well as the Memorandum on the Financial Policies approved by Resolution of the Russian Government No. 1510, dated July 23, 2018 (the “2018 Memorandum”). The 2018 Memorandum provides for the main areas of VEB.RF’s current investing and financing activities and stipulates quantitative limitations, conditions, and criteria of specific operations.

The 2018 Memorandum also describes the conditions and procedure for VEB.RF’s participation in national projects (programs) to be implemented in areas stipulated by Decree of the President of the Russian Federation No. 204, “On National Objectives and Strategic Development Tasks of the Russian Federation for the Period Up to 2024,” dated May 7, 2018, as well as projects related to the main activities of VEB.RF. VEB.RF is directly involved in multiple priority National Projects, including supporting urban economies, infrastructure, and medical and healthcare projects. These current projects are aimed at improving the public good (e.g., development of depressed regions and cities with populations over 100,000 (in total, approximately 50 million people), development of senior living communities, and cleanup of illegal garbage dumping).

VEB.RF’s 2024 Business Model is based on three main principles:

- Maximizing total funding of development projects in the economy: VEB.RF gives priority to the projects with maximum multiplier effect on the economy (e.g., infrastructure and new industries, increasing competition, and improving quality of urban environment). VEB.RF actively attracts other financial institutions to co-finance projects.

- No competition with commercial banks and other financial institutions: VEB.RF supports projects that can be financed by market financial institutions on their own, but are not currently their priority (e.g., because of the length of investment or the low profitability of the project). VEB.RF does not aim to develop standard banking products (e.g., deposits, working capital financing, etc.) provided by commercial banks. VEB.RF is not a commercial bank.

- Providing financial results: In the target model, break-even results must be ensured across the entire portfolio every three- to four-year cycle, taking into account interest rate changes. VEB.RF minimizes project and financial risks through appropriate project structuring, operational control, and state guarantees or other support.

As part of its 2024 Business Model, VEB.RF has committed to financing priority national objectives in the total amount of approximately RUB 3 trillion (USD 47 billion). This will contribute an additional approximately RUB 8 to 9 trillion (USD 125 to 140 billion) to the Russian economy.

**Funding.** As of 30th June 2019, VEB.RF had $51.9 billion in assets, $46.6 billion in liabilities, and a $28.3 billion loan portfolio.
VEB.RF’s funding pattern represents a mix of both market tools and resources provided by the state, as is common with most development institutions expressly geared to realizing specified objectives. VEB.RF, enjoying consistent state support in different forms and formats, receives its funding inter alia from (i) the Russian Government’s federal budget in the form of capital contributions, which may be utilized for all general corporate purposes; and (ii) the CBR and the Russian Government (principally using funds of the National Wealth Fund) in the form of term deposits, which may be applied only in specific financing programs.

**Investment Priorities.** VEB.RF’s mission is to contribute to long-term socio-economic development of Russia, through the support of downstream industries and projects in the high-technology sphere, export support and infrastructure development ensuring economic growth.

VEB.RF provides long-term financing and export support for those bottlenecks of the economy where market institutions and other development institutions are ineffective, maintaining partnership relations with our clients, financial institutions and the government. In the four selected areas VEB.RF sees a substantial potential for financing—RUB 570-700 billion per annum.

VEB.RF is involved in financing of not only large-scale projects in infrastructure and industry, but also in projects aimed at improving quality of life. A key priority of VEB.RF is the development of modern urban economies.

VEB.RF operates in close contact with the following parties:

- Federal executive authorities responsible for the implementation of Russia’s economic and industrial policy (i.e., Russian Ministry of Economic Development, Russian Ministry of Industry and Trade, Russian Ministry of Transport),

- State-owned corporations and companies responsible for the development of the most important industries; and

- Dedicated funds, development institutions, and commercial banks for the selection of the projects having significance for the development of the corresponding economic sectors and a high socioeconomic and multiplying effect.

**Investment in Infrastructure.** Infrastructure financing is one of the key objectives that VEB.RF has as a development institution, since infrastructure projects require long-term financing and are in many instances impossible without a concessionary interest rate.

VEB.RF’s investment focus in this sector is concentrated on the projects that will bring the maximum benefit for the economy and will ensure the return of the invested funds.
VEB.RF’s niche is middle-sized standard projects that reduce the risk of one-time major loss for VEB.RF. Currently, due to limited financing, VEB.RF is only able to finance megaprojects if it receives dedicated concessional long-term funding from the Russian Government.

In the context of investment projects in the infrastructure development area, VEB.RF’s value proposition features the following:

### INVESTMENT AREAS

#### Transport Infrastructure

<table>
<thead>
<tr>
<th>Area</th>
<th>Niche</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railway infrastructure</td>
<td>Infrastructure of approaches to new/expanded production facilities</td>
</tr>
<tr>
<td></td>
<td>Highways</td>
</tr>
<tr>
<td></td>
<td>Travel corridors</td>
</tr>
<tr>
<td></td>
<td>Railway terminals</td>
</tr>
<tr>
<td>Roads and bridges</td>
<td>Toll motorways</td>
</tr>
<tr>
<td></td>
<td>Motor vehicle infrastructure, including railway crossings</td>
</tr>
<tr>
<td>Port infrastructure</td>
<td>Harbor walls</td>
</tr>
<tr>
<td></td>
<td>Terminal infrastructure</td>
</tr>
<tr>
<td>Infrastructure of airports</td>
<td>Upgrading of large international hub airports, including terminal</td>
</tr>
<tr>
<td></td>
<td>construction and remodeling (without runways)</td>
</tr>
</tbody>
</table>

#### Energy Infrastructure*

<table>
<thead>
<tr>
<th>Area</th>
<th>Niche</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation and distribution of electric</td>
<td>Construction and renovation of facilities</td>
</tr>
<tr>
<td>power</td>
<td></td>
</tr>
</tbody>
</table>

* Except for public utilities infrastructure

#### Other Infrastructure

<table>
<thead>
<tr>
<th>Area</th>
<th>Niche</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-technology healthcare infrastructure</td>
<td>High-technology medical centers, medical research parks, diagnostic</td>
</tr>
<tr>
<td></td>
<td>and rehabilitation centers</td>
</tr>
<tr>
<td>Infrastructure for industrial sites</td>
<td>First phase of land development with possible subsequent refinancing</td>
</tr>
<tr>
<td></td>
<td>by commercial banks</td>
</tr>
</tbody>
</table>
- provision of long-term and, as a rule, Ruble financing;
- assistance in the project offer development;
- structuring of co-financing, obtaining government support;
- project management services based on advanced IT.

**Investment in the Production Sector.** Another priority area for VEB.RF’s investment activities is downstream industries and high-technology production, including:

- Chemical and petrochemical production;
- Digitalization industry; and
- Production of high-tech machinery and equipment.

VEB.RF provides financing for the projects contributing to the development of new technologies, including the priorities of the State Council for Modernization and Technological Development of the Russian Economy, the projects pursuing the objectives of the National Technological Initiative, and supporting the projects for the production of high-technology civilian products by defense industry manufacturers.

In terms of investment projects in the production sector, VEB.RF’s value proposition features the following:

- credits for production scaling;
- credits from RUB 500 million;
- long-term financing;
- mezzanine financing;
- advisory support to clients in the course of sectoral analysis; and
- structuring of co-financing and government support.

**Support of Projects in the High-Technology Sphere.** One of VEB.RF’s objectives is to support high-tech projects, including the projects of the National Technological Initiative. As a part of the National Technological Initiative, VEB.RF performs the following tasks:

- expert support of projects seeking repayable financing and having a commercial potential at the business startup stage and, where the draft project is ready, in order to support the development of the full-fledged business model of the project and ensure its readiness for the receipt of support from VEB.RF;
- accelerator support for the elaboration of business models and preparing the project for market entry, fund raising; and
- financial support for the launch and scaling of innovative production and services.

Following the expert review of a project, VEB.RF prepares an opinion regarding the commercial potential of the project, the availability of financing for the project along with recommendations on further improvement of the business model or the prototype project.

Depending on the product-readiness level, VEB.RF offers the following forms of financing for the NTI projects:

- medium-term loans from VEB-Innovations with the right to acquire a share in the company. The credit amounts from RUB 10 to 500 million for a term from 1 to 5 years (depending on the industry);
- capital investments from VEB-Innovations from RUB 10 to 500 million with a limited size of the maximum interest in the company;
- long-term VEB.RF credits. Credit from RUB 500 million for a term equal to or exceeding 5 years;
- syndicated credits with varying conditions and a VEB.RF share of 30-70% of the project value;
- VEB.RF guarantees for the receipt of credits in commercial banks.

**Urban Economy.** Support projects that improve the public good (e.g., development of depressed regions and cities with populations over 100,000, development of senior living communities, clean-up of illegal garbage dumping, etc.) with the purpose of increasing life spans in Russian single-industry towns (e.g., through facilitating pure water, pure air projects, and improving urban transport facilities).

**Export Support.** Support of Russian non-resource export is one of the key priorities in the activities of VEB.RF through the Russian Export Center (REC). The key strategic goal of the REC is to form a convenient and efficient infrastructure for the export of non-resource products and services, as well as to provide support to the companies considering the export of their products. REC established a comprehensive system of financial and non-financial export support instruments. The REC’s systematic activity is focused both on large-, and medium- or small-sized businesses. The REC’s sphere of responsibility includes the EXIAR company that provides export insurance and the specialized Russian Export and Import Bank (Roseximbank).

VEB.RF has identified the following sectors as priorities for export support for downstream industries:

- aircraft engineering;
- railway machinery;
- automotive industry;
- power engineering industry;
- agriculture and agricultural machine building;
- nuclear industry;
- innovations; and
- export of electric energy.

VEB.RF offers its clients the following financial products for export support:

- **export lending**: financing of commercial exporter credits, financing of trade turnover with foreign buyers, direct foreign buyer credit, credit to the bank of a foreign buyer;

- **insurance of export credits and investments against political and business risks**: buyer credit, supplier credit, export credit, credits for the replenishment of exporter’s working capital, guarantees, factoring, financial lease, investments, confirmed letters of credit; and

- **guarantee support**: tenders, return of advance payment, payments, performance of obligations under an export contract.

**Major Projects.** Selected major investment projects of VEB.RF today include the following:

**Infrastructure:**

- Construction of Sheremetyevo Airport Terminal D (Sheremetyevo 3) – One of four international airports that serves Moscow. USD 1.1 billion investment; USD 0.683 billion commitment by VEB.RF.

- New terminals at Gagarin International Airport near Saratov and Khabarovsk Novy Airport.

- Western High-Speed Diameter – Toll highway in Saint Petersburg. RUB 211 billion investment; RUB 25 billion commitment by VEB.RF.

- Development and extension of the M4-Don Motorway – Major expressway that connects Moscow with Southern Russia (approximately 1517 kilometers), including the Black Sea and the Sea of Azov ports. RUB 5.5 billion total investment; RUB 2 billion commitment by VEB.RF.

**Urban Economy:**

- Providing financing for purchase of train cars for the Moscow Metro;

- Providing financing for purchase of passenger electric trains for Central Exurban Passenger Company;

- Financing construction of Vologda’s thermal power station.
Export Support:

- Financing exports of metro train cars to Belarus, Kazakhstan, Uzbekistan, and Hungary.

Loans are made principally in the following industry sectors:

<table>
<thead>
<tr>
<th>Industry</th>
<th>30 June 2019</th>
<th>%</th>
<th>31 December</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing</td>
<td>660.9</td>
<td>37</td>
<td>680.5</td>
<td>33</td>
</tr>
<tr>
<td>Manufacturing, including heavy machinery</td>
<td>497.3</td>
<td>28</td>
<td>593.4</td>
<td>28</td>
</tr>
<tr>
<td>Agriculture</td>
<td>155.5</td>
<td>9</td>
<td>168.4</td>
<td>8</td>
</tr>
<tr>
<td>Real estate and construction</td>
<td>134.1</td>
<td>7</td>
<td>152.3</td>
<td>7</td>
</tr>
<tr>
<td>Individuals</td>
<td>9.3</td>
<td>1</td>
<td>103.6</td>
<td>5</td>
</tr>
<tr>
<td>Electric energy</td>
<td>62.6</td>
<td>3</td>
<td>68.1</td>
<td>3</td>
</tr>
<tr>
<td>Oil and gas</td>
<td>55.0</td>
<td>3</td>
<td>54.3</td>
<td>3</td>
</tr>
<tr>
<td>Transport</td>
<td>52.4</td>
<td>3</td>
<td>63.3</td>
<td>3</td>
</tr>
<tr>
<td>Trade</td>
<td>33.5</td>
<td>2</td>
<td>52.4</td>
<td>2</td>
</tr>
<tr>
<td>Foreign states</td>
<td>34.8</td>
<td>2</td>
<td>40.5</td>
<td>2</td>
</tr>
<tr>
<td>Mining</td>
<td>27.6</td>
<td>2</td>
<td>38.8</td>
<td>2</td>
</tr>
<tr>
<td>Metallurgy</td>
<td>25.5</td>
<td>1</td>
<td>31.4</td>
<td>2</td>
</tr>
<tr>
<td>Pharmaceutical industry</td>
<td>15.5</td>
<td>1</td>
<td>14.9</td>
<td>1</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>8.7</td>
<td>0</td>
<td>8.7</td>
<td>0</td>
</tr>
<tr>
<td>Science and education</td>
<td>1.4</td>
<td>0</td>
<td>1.4</td>
<td>0</td>
</tr>
<tr>
<td>Logistics</td>
<td>0.3</td>
<td>0</td>
<td>5.1</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>13.1</td>
<td>1</td>
<td>22.7</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td><strong>1,787.5</strong></td>
<td>100</td>
<td><strong>2,099.8</strong></td>
<td>100</td>
</tr>
</tbody>
</table>

Loans have been granted to the following types of customers:

<table>
<thead>
<tr>
<th>Category</th>
<th>30 June 2019</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private enterprises</td>
<td>1,034.4</td>
<td>1,209.8</td>
</tr>
<tr>
<td>State-controlled entities (Russian Federation)</td>
<td>647.2</td>
<td>660.6</td>
</tr>
<tr>
<td>Individuals</td>
<td>9.3</td>
<td>103.6</td>
</tr>
<tr>
<td>Companies under foreign state control</td>
<td>61.3</td>
<td>82.3</td>
</tr>
<tr>
<td>Foreign states</td>
<td>34.8</td>
<td>41.1</td>
</tr>
<tr>
<td>Regional authorities</td>
<td>0.2</td>
<td>1.7</td>
</tr>
<tr>
<td>Individual entrepreneurs</td>
<td>0.3</td>
<td>0.7</td>
</tr>
<tr>
<td></td>
<td><strong>1,787.5</strong></td>
<td><strong>2,099.8</strong></td>
</tr>
</tbody>
</table>

**International Cooperation.** VEB.RF is an active member of the international development community, and has been for many years. For instance, VEB.RF is currently a member of the following international organizations whose members include other development institutions (e.g., JBIC, KfW of Germany, European Development Bank, Inter-American Development Bank):

1. International Development Finance Club (IDFC) – since 2011. The Club unites 24 members representing leading development institutions. The key mission of the Club is to promote and leverage investments in line with the UN Sustainable Development Goals and the Paris Climate Agreement. Since May 2018, representatives of VEB.RF took part in 3 Sherpa meetings, 1 Annual Meeting, and a joint OECD-IDFC Forum;
2. Development 20 – Long-Term Investors Club (D20-LTIC) – since 2012. 18 development institutions are currently members of the Club. Its mandate is aimed at joint efforts in creating stable economic and financial system globally through alignment with the agenda of the G20 and support of long-term investments. A joint statement by the D20 expressing the shared view of development community is annually presented to the G20 Governments. Since May 2018, VEB.RF took part in a knowledge-sharing seminar, 2 Annual Meetings of the Club, and 2 D20-LTIC Financial Forums.

3. Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) – since 2007. The Association unites 131 development institutions. ADFIAP is aimed to promote sustainable economic, environmental and social development in the region. Since May 2018, VEB.RF participated in 2 ADFIAP Annual Meetings and 2 ADFIAP Forums as a speaker, as well as in 2 ADFIAP seminars.

4. Latin American Association of Development Financing Institutions (ALIDE) – since 2010. The Association unites 67 financial development institutions in promoting economic development in the region, assisting in spreading best development practices, including in the area of sustainable finance, coordinating cooperation with global development institutions. VEB.RF took part in ALIDE General Assembly both in 2018 and 2019.

5. Northeast Asia EXIM Banks Association under the Greater Tumen Initiative (GTI) – since 2012. The Association is closely affiliated with the GTI to create a favorable investment climate by enabling sustainable economic and social development in the Northeast Asian region as well as by supporting infrastructure and other projects. Since May 2018, VEB.RF took part in 2 Annual Meetings of the Association.

6. BRICS Interbank Cooperation Mechanism (ICM BRICS) – since 2010. The Mechanism unites 5 development banks of the BRICS countries. The platform seeks to enhance cooperation between member countries, support socially important projects, spread best practices of responsible finance among BRICS development institutions. VEB.RF is an active member of this Mechanism. It regularly participates in Working Group meetings, Technical meetings, Annual Meetings and various ICM BRICS-related Forums. Since May 2018, it participated in 6 ICM BRICS-related events.

7. Shanghai Interbank Consortium (SCO IBC) – since 2005. The Consortium unites 9 permanent members and 5 partner banks. The goal of the Consortium is to support economic and financial investment projects in the country-members of the Shanghai Cooperation Organization. VEB.RF takes an active part in the work of SCO IBC. Since May 2018, it participated in 2 Coordinators and Experts Meetings, 2 meetings of the SCO IBC Council, and 2 SCO IBC Seminars.

When VEB.RF joined these organizations (from 2005 to 2012), its main focus was directed at attracting external funding, supporting industrial exports, and supporting export-oriented industries. But, after enactment of various sanctions measures against the Russian Federation in
March-April 2014, there was substantial deterioration of funding conditions for VEB.RF and the majority of investments arrangements were frozen indefinitely.

Regardless, the evaluation and exchange of best practices for the implementation of public projects in alliance with international financial institutions remains a significant part of VEB.RF’s agenda today. In total these organizations unite over 200 development institutions from all over the world. Although the aims of these organizations might vary by region and particular area of development activities, they are all united in promoting economic growth, sustainable development, socially responsible investments, and cooperation among member institutions and member countries. The level of interaction between participants of these organizations varies from knowledge-sharing and sharing best practices, to the promotion of joint mechanisms for project financing. VEB.RF has been an active member on all of these platforms of development institutions. In total, the representatives of VEB.RF have taken part in over 30 events associated with these organizations.

B. VEB.RF As An Agent Of The Russian Government

VEB.RF manages debt obligations of the Russian Federation and the former Soviet Union, as well as foreign financial assets comprising debt obligations owed to the Russian Federation by sovereign states, financial institutions, and commercial entities. In this capacity, its responsibilities include record-keeping, reconciliation, settlement and redemption activities.

In addition, STMC (a division of VEB.RF) is responsible for managing the pension savings of insured Russian citizens, who have not transferred their savings to private pension funds or private asset management companies, as well as those who have selected VEB.RF as their pension fund manager. Currently, VEB.RF manages the pension funds of approximately 39 million Russian citizens amounting to RUB 1,700 billion (approx. USD 27 billion). STMC is also responsible for managing the payout reserve of the State Pension Fund.

Before 2010, VEB.RF was entitled to invest pension savings in Russian government securities only. Since 2010, the range of assets has widened to include highly rated domestic corporate, mortgage-backed municipal bonds, as well as deposits and accounts in top Russian commercial banks. The purpose of these investments is to safeguard purchasing power of pension savings by generating return that exceeds the inflation rate.

Although the expansion of investment opportunities has so far allowed VEB.RF to protect pension savings from inflation, the investment return has been decreasing over the last 3 years, which is partly due to the lack of geographical diversification.

Declining returns of recent years are results of a strong dependence on the national debt market. To raise the investment return and make the portfolio more resilient to single-market volatility, VEB.RF may use geographical diversification. However, existing sanctions deprive VEB.RF of the opportunity for global diversification. As a result, Russian citizens receive lower profits, and their pension savings are less diversified and more exposed to sovereign and political risks.
C. VEB.RF As A Depositary

VEB.RF acts as a depositary for a broad range of Russian and foreign securities. In this capacity, VEB delivers a range of depositary, settlement, information and custody services for its customers.

IV. How Is VEB.RF Connected To U.S. Interests?

Russian Sovereign Bonds. VEB.RF provides accounting, and servicing for part of the foreign public debt of Russian Federation (approximately USD 41.07 billion as of October 1, 2019). As of October 1, 2019, the investor base of Russian Sovereign Eurobonds is a mix of international investment companies and banks:

- U.S. investors account for approximately 41% of the investor base (including BlackRock, Fidelity, TCW Group Inc., Goldman Sachs, as well as Vanguard Group, Invesco Ltd, JPMorgan, and PIMCO).
- Canadian investors account for approximately 2% of the investor base (including Sun Life Financial Inc., Royal Bank of Canada, as well as CI Investments, Bank of Montreal).
- European investors account for approximately 52% of the investor base (of which approximately 4% is the United Kingdom, represented by Aviva Group, Schroders, Ashmore), including also Intesa Sanpaolo, Credit Agricole Group, UBS, Nordea, Credit Suisse Group.

VEB Eurobonds. Starting in 2010, VEB issued Eurobonds, primarily purchased by investors from the United States and Europe. As of October 1, 2019, five series of VEB Eurobonds remain outstanding. They total USD 4.75 billion and EUR 500 million.

The VEB Eurobond investor base like Russian Sovereign Bonds’ base is a mix of international investment companies and banks:

- 20% U.S. investors (BlackRock, PIMCO, Fidelity, JPMorgan, Vanguard, Prudential);
- 58% European investors (Deutsche Bank, UBS, AcomeA SGR, Credit Suisse, Pictet, Nordea, Danske Bank, Intesa Sanpaolo), including 1% U.K. investors (Ashmore, Schroders, Legal&General). 42% of investments were made via companies registered in Luxembourg and Ireland mostly with managing firms from the USA, the UK and Switzerland.
- 22% Asian investors (Cathay Securities, CTBC, FUH HWA, MIRAE).

Additional U.S. Connections.

- In 2013-14 VEB’s subsidiaries entered into transactions with Apple Bank for Savings, USA as initial guaranteed lender and the U.S. Export-Import Bank for the purpose of financing the lease of ten 777-300ER Boeing aircraft to Russian Aeroflot. Aeroflot and Boeing entered into purchase agreements. VEB acts as guarantor to the security trustee
(Wilmington Trust Company (Delaware, USA) which has an account with U.S. Ex-Im Bank). The total amount of these Boeing transactions is approximately USD 1.2 billion.

- VEB’s subsidiary Timaero Ireland Ltd. has entered into purchase agreements with Boeing for 22 737 MAX aircraft for the total price exceeding USD 1 billion.

- Projects in which VEB.RF is involved also have indirect U.S. interests, including investors, manufacturers, and service providers.