

STATEMENT OF PRESIDENT - CHAIRMAN OF THE MANAGEMENT BOARD



Andrey Kostin

*President and Chairman of the
Management Board, VTB Bank (PJSC)*

Dear Readers,

I am happy to share VTB Group's Sustainability Report for 2020.

This past year was a serious challenge for all of us. By coincidence, it was also a milestone for VTB in its own way: the Bank celebrated its **30th anniversary, a landmark in its development as a systemic financial institution**. Over the past decades, the Group has been actively involved in tackling key issues on the national and global economic and social agendas.

An important reference point in this work is the UN Sustainable Development Goals. They provide a broad framework for our engagement with shareholders, customers, partners, employees, regulators and other stakeholders in implementing the long-term priorities of the economy, state and society.

Despite the difficulties of 2020, VTB made it through with good ease. **The Group proved good operating results**. The aggregate loan portfolio grew by 15%, and the customer funds - by 17%. Key banking income - net interest income and net fee and commission income - respectively grew by 20.7% and 12.5%, in Russia the number of VTB customers increased by 14.9 million.

Alongside strong dynamics of banking income, however, external factors had a significant impact on our financial results. First of all, it was an objective worsening of the economic situation due to volatile oil prices and exchange rates. Like the rest of the sector, we faced a sharp increase in the cost of risk, which forced us to increase by 2.4 times year-on-year expenses for creating reserves of RUB 249.8 billion.

From onset of the pandemic in Russia, taking care of the health and safety of our customers, partners and team has been our number one priority.

All necessary security measures were taken in our branches and offices, and we also organised and provisioned information to our customers regarding the financial services that were available remotely.

VTB has become one of the active participants in government measures to help clients facing financial difficulties due to the pandemic situation. As part of programmes put in place by the Government of the Russian Federation, we provided concessional loans to companies in the systemic sector and businesses in most affected industries, including being able to help them maintain employment and carry on with their operations.

At the same time, **the Bank promptly developed its own**

PRESIDENT - THE MANAGING

programmes to support retail customers, targeting the largest companies along with small and medium businesses.

In the past year, around 400 thousand our retail customers, who were faced with a decline in their income, were able to take advantage of repayment holidays for a total amount of more than RUB 300 billion. **The Group provided financial assistance to approximately one third of systemic enterprises in the Russian Federation.**

In 2020, we expanded our programmes improving housing affordability. The total volume of our mortgage portfolio increased by 18% in 2020 and reached RUB 2 trillion. More than 63 thousand mortgages were issued under the state mortgage support programme worth RUB 198 billion. The Bank launched its own mortgage programme to support families with children.

VTB's effectiveness under COVID-19 restrictions were largely made possible by a profound technological transformation, which was launched in line with the Group's Development Strategy for 2019-2022.

Due to a significant increase in the amount of online transactions the Bank was fully able provide a high-quality remote customer service.

We continued to push innovative products onto the market. During the most severe part of lock-down period, for the first time in Russia, we implemented and continued to scale remote online mortgage transactions, and were the first of the largest banks to provide the possibility of remote account opening by using biometrics. The *VTB My Investments* mobile application demonstrated a five-fold growth in terms of user numbers.

With reference to the aforementioned technical transformation projects in 2020 included the launch of a new version of the retail application and the development of an integrated omni-channel platform that allowed customers to use VTB's services and products without interruption through all the convenient channels.

These innovations allowed us to create more convenient, accessible and reliable products and services for our customers, and to increase the Bank's internal efficiency significantly and to improve the accessibility and quality of banking services available for individuals and businesses.

200

thousand legal entities

employing more than 1 million people received help from VTB under the state programme to resume activities

2330

billion RUB

restructured loans for small and medium businesses

>10

million people

VTB Online users

400

thousand retail customers

used the repayment holidays to the sum of more than RUB 300 billion

THE NUMBER
OF VTB CUSTOMERS IN RUSSIA
INCREASED TO 14.9 MILLION.

Many new digital solutions in 2020 focused on small and medium enterprises. Largely as a result, VTB's customer base in this segment increased by 25%, to almost 640 thousand. We believe that the successful activities of small and medium businesses are a significant factor in the development of our communities, increasing the economic activity of citizens and promoting the wellbeing of society as a whole. Supporting these businesses is one of our main priorities.

In 2020, an important decision was made to transform VTB's sustainability policy from stand-alone projects and initiatives into a fully integrated part of the Group's business: the VTB Bank Sustainability Strategy preparation was almost completed.

Key areas of the Strategy include responsible investment, customer relations with regard to improving the ESG characteristics of their business, customer involvement in ESG projects and initiatives, plus support for socially significant projects, sponsorship and charity, as well as the development of an ESG management model.

Most of the initiatives laid out in the Strategy have been implemented by VTB for some time. These include responsible investment instruments, the financing of renewable energy projects, environmental requirements for infrastructure projects supported by VTB, environmental charity support and environmental initiatives for retail customers.

VTB was the first Russian bank to launch two responsible investment funds and a programme with an embedded charity, under which part of the remuneration paid to the management company was used for charitable purposes.

In 2020, the Bank launched a green pilot lending programme, providing customers with financing for environmental projects and initiatives in order to improve the sustainability parameters of their businesses.

VTB continued its involvement in the conservation of big cats. Since 2016, we have supported WWF Russia's project to protect and monitor the snow leopard, Amur tiger, Amur and Persian leopards, and since 2014 and the Amur Tiger Centre. Together

with the Ministry of Natural Resources and Environment of the Russian Federation in 2020 we prepared to get VTB involved in the implementation of the national project *Ecology*, including the conservation of the Persian leopard in the Caucasus - we started our participation in 2021.

Reducing our own carbon footprint remains an important focus area for us.

In particular, a significant reduction in paper consumption has been achieved due to the Bank's technological transformation, including the *Paperless Bank* programme.

We also consider financial literacy to be an important component of the availability of our financial services. VTB is one of the founding members of the Russian Financial Literacy Development Association. In 2020, we implemented 15 thematic educational projects, including a series of events for schoolchildren and students.

For several years VTB's charitable works were structured around six large-scale targeted programmes to support sports, education, healthcare and culture, and to preserve traditions and improve business environment.

In April 2020, we registered the *VTB-Country Charity Fund* to coordinate the implementation of projects in the regions. The Fund became the main operator of our corporate programme *World Without Tears*, which has been in place since 2003, as well as being a channel for providing aid to medical institutions during the COVID-19 pandemic in the past year.

Through VTB and the *VTB-Country Charity Fund*, hospitals in dozens of Russian regions that have been dealing with coronavirus infection received help worth a total of RUB 326 million.

During the lock-down, it was especially important for us to support our long-term partners in the cultural sector. One of the online events with the cooperation of VTB was an exhibition titled *Artists and Collectors - To the Russian Museum. Gifts* for the 125th anniversary of the State

VTB IS DEVELOPING ITS SUSTAINABILITY STRATEGY, WHICH AIMS TO FORMULATE PERFORMANCE TARGETS FOR RESPONSIBLE BANKING ON THE BASIS OF ESG CRITERIA (ENVIRONMENTAL - ECOLOGY, SOCIAL - SOCIAL DEVELOPMENT AND GOVERNANCE - CORPORATE MANAGEMENT).

¹ ESG in English (environmental - ecology, social - social development and governance - corporate management).

Russian Museum, which received over 11.5 million online walking tour views on social networks.

As a big employer, VTB pays particular attention to the sustainability of its HR policy. The Bank ranks among one of the best employers in Russia. Our strengths include an open, employee-focused corporate culture, a high level of training programmes and attractive employment and social packages.

In 2020, we launched a large-scale *Career Routes* programme focused on the regional network and aimed at creating a comprehensive system of support for personnel growth and promotion within the Bank. Today the total number of employees within the VTB Group is approaching the 75,000 mark.

I am confident that VTB's concerted efforts in the field of sustainable development will allow us to continue to make a significant contribution to meeting national and global challenges, whilst our 30-year history, accumulated expertise and deep involvement in promoting this agenda in Russia will remain a solid foundation for effectively achieving all of our objectives.

Sincerely,



Andrey Kostin

President and Chairman of the Management Board, VTB Bank (PJSC)

80%

of customer transactions

will have been transferred to paperless banking in 2021

15.8.8

billion RUB

was allocated for implementation of sponsorship and charity projects

2.9

billion RUB

allocated for social programmes for Bank employees