

Statement of Andrey Kostin, President and Chairman of the Management Board



Andrey Kostin
President and Chairman
of the Management Board

Dear Reader,

I am pleased to share with you the VTB Group's Sustainability Report for 2019. This is an important document that embraces one of our essential principles, that of responding to national and global challenges in keeping with the Sustainable Development Goals and the interests of all stakeholders – clients, partners, employees, shareholders, the public, and the country as a whole.

The past year was a successful one for VTB. We met all the objectives we sought to achieve, making a net profit of over RUB 200 billion, a record high for VTB. During the year, we served a total of over 14 million clients across Russia.

A major milestone in 2019 was adopting a new Development Strategy for the VTB Group, building on our in-depth analysis of global and industry changes and envisioning a profound transformation of our business model. We pursued our key objective of creating by 2022 a highly effective organisation that has high employee engagement and is attractive to clients and open to change. We estimate that in three years' time, the large-scale efforts we started in 2019 will lead us to a profit of over RUB 300 billion with a ROE of 15%.

Another milestone in 2019 was the merger of VTB Bank's retail and corporate networks effective January 1, resulting from the largest structural transformation seen in Russia's banking system to date.

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This integration dramatically improved our manageability while benefiting clients. Today we offer a full range of standardised services available in any VTB office across our network, covering almost the entire country.

The merger saw the Bank continue to operate keeping in mind the social and economic factors important to a wide variety of stakeholders in the regions and countries served by the Bank. VTB seeks to expand its portfolio of projects that create jobs and improve lives. Traditionally, the Bank placed great emphasis on developing the real economy: agriculture, community and transport infrastructures, and housing construction. A significant event in this context was the construction of the M-11 Neva (Moscow – Saint Petersburg) motorway completed in 2019, an initiative that saw the active involvement of VTB. The opening of the motorway provided a powerful stimulus to the economic activity in several Russian regions.

The amount of housing-construction funding by the VTB Group reached RUB 150 billion in 2019, accounting for about 20% of Russia's total. In 2019, every fourth mortgage loan in Russia was granted by VTB, while VTB's residential loan portfolio grew by 20%, totalling RUB 1.7 trillion.

The Bank takes an active part in programmes improving housing affordability, including mortgage programmes for families receiving maternity capital, large and military families, and residents of the Far Eastern Federal District.

During the year, we worked towards strengthening our position in the SME segment, a field whose success is of great importance for the economy, especially at the municipal and regional levels. In 2019, SMEs accounted for about 34% of corporate loans. The Bank continued to rank among Russia's top three leaders for the volume of loans extended to this segment.

In 2019, VTB launched a digital factory and a product factory to promote working with SMEs. This helped us accelerate targeted product development and expand our remote services, including non-banking ones such as educational programmes geared towards entrepreneurs.

The innovation-based development of remote banking channels is a key driver in meeting the interests of our clients: 60% of them use VTB Online and the Bank's app a lot.

Every year we allocate substantial resources to make our information systems efficient, stable, and reliable.

VTB's most popular digital services include *My Smart City*, an app launched in 2019 to bring Moscow's city services and VTB Bank's services together under one roof in an easy-to-use format. *The Banker* named the app the best technology product of the year.

One of the pillars of the Bank's sustainable development, one that encompasses the broad context of social and economic relations, is our employees' professionalism coupled

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with our highly developed corporate culture. Our comfortable work environment, employee support programmes, and equal opportunities for professional and personal growth all help us remain highly attractive as an employer.

In 2019, VTB put a large project in place to work with our integrated network's leadership pool, involving more than 1,700 participants. The year also saw the Bank's principal training programmes updated with components that help shape a culture of leadership and efficiency in keeping with the highest service standards in interactions with external and internal clients. The employee engagement survey we conducted in 2019 showed that 83% of our employees fully share the VTB Group's mission, vision, values, and strategic goals.

As a large employer interested in developing a quality educational system, VTB makes sustained efforts to support Russia's higher-education system. In 2019 we entered into eight new educational cooperation agreements, bringing the number of our partner schools to 180. One of our educational partners is *St. Petersburg University's Graduate School of Management*, Russia's leading business school. It holds a unique set of international accreditations, enjoying steadily high international rankings. In 2019, Olga Dergunova, VTB's Deputy President and Chairman of the Management Board, was appointed the school's director.

A Group-wide process was started in 2019 to develop a comprehensive approach to green financing and to assessing the environmental impact of loan-supported projects. The main objective was to increase the effectiveness of VTB's participation in promoting the global and national climate agenda. The year's major projects included VTB Capital taking part as a co-organiser in the first placement of *Russian Railways'* green bonds for a total of EUR 500 million as well as VTB Bank financing the construction of solar and wind power facilities in several Russian regions.

The Bank also continued to work on reducing its environmental impact. This included starting a big project to switch from physical to electronic documents, with a view to processing 80% of client transactions electronically in all 1,500 of our offices by 2022.

An important objective VTB pursues in sustainable development is preserving the ecosystem of the Arctic. Since 2014, VTB Bank has acted as the Russian Executive Agency for the Arctic Council Project Support Instrument, a fund that aims to finance projects reducing pollution in the Arctic. In 2019, VTB Bank joined the working group for Ecology, a national project of Russia's *Ministry of Natural Resources and Environmental Protection* to preserve biodiversity across designated natural areas of federal importance.

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The Bank continued to donate to major non-profit organisations that work to preserve Russia's nature and biodiversity, including the *Worldwide Fund for Nature and the Amur Tiger Centre*. Donations to environmental projects totalled about RUB 143 million.

The VTB Group's charity and sponsorship activities in 2019 focused on six programmes in place since the previous year:

- A Sporting Country;
- Patriotism and a Country of Traditions;
- A Cultural Country;
- An Educated Country;
- A Country for Business;
- A Healthy Country.

This approach proved efficient and contributed to implementing the UN Sustainable Development Goals. As part of the comprehensive improvement of our sponsorship and charity management system in 2019, we updated the Bank's key regulations governing these activities.

In 2019, the Bank spent a total of RUB 16.3 billion on 562 projects. These included the *VTB Kremlin Cup Tennis Tournament* (with an audience of over 60,000),

an Ilya Repin exhibition (over 600,000 attendees in Moscow and 300,000 in Saint Petersburg), and the seventh season of Moscow's Velobike bikesharing service (five million bicycle rentals).

VTB continued to run *World without Tears*, a corporate charitable programme to purchase equipment for children's hospitals. Since the programme's launch, more than 100 hospitals in 52 regions across Russia have received financial support to purchase high-tech equipment. The total amount granted stands at RUB 400 million (with more than RUB 75 million provided in 2019).

VTB is turning 30 in 2020. I am confident that the success we have achieved thus far and our team's concerted efforts will let the Group maintain and strengthen its position as a leading Russian financial institution during this anniversary year while living up to the expectations of clients, shareholders, partners, and all other stakeholders and making a new contribution to solving national and global sustainability problems.

Sincerely,
Andrey Kostin

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