

The total amount of dividend payments amounted to RUB 73.5 billion, or 61.2% of the Group's consolidated IFRS net profit for 2017 (72.6% of the Bank's net profit under RAS), while dividends on ordinary shares amounted to 37% of the Bank's consolidated net profit under IFRS (or 44% of the Bank's net profit under RAS).

The amount of dividend payments for 2017 complies with the Bank's Regulation on the Dividend Policy, approved by the Bank's Supervisory Council (Minutes No. 2 of 29 January 2016), which provides for the payout in dividends of at least 25% of the Bank's consolidated net profit under IFRS.

Dividend payments for each type of Bank share for 2017 were calculated based on the principle of the equalisation of returns for all three types of Bank shares; the dividend yield for each type of share was 5.51% (for each ordinary share, this was calculated based on their average market value on Moscow Exchange for 2017; for preference shares, it was based on the par value of each type of share).

A portion of the net profit was allocated to the Reserve Fund, since in accordance with the Federal Law on Joint-Stock Companies and the Charter, the Bank must make annual payments to the Reserve Fund in the amount of at least 5% of net profit until the Reserve Fund reaches 5% of the charter capital. As a result of the increase in the Bank's charter capital in 2015, it became necessary to make contributions to the Bank's Reserve Fund in the amount of 5% of the Bank's net profit for the relevant reporting year. Contributions to the Bank's Reserve Fund for 2017 amounted to RUB 5.1 billion (compared to RUB 3.5 billion for 2016).

The Bank's retained net profit, which amounted to RUB 22.7 billion as of the end of 2017, is used to ensure the growth of the Bank's business and to cover finance capital expenditures and other goals as part of the implementation of VTB Group's strategy for 2017–2019.

SUPERVISORY COUNCIL

Scope of Responsibilities

The Supervisory Council is one of the most important elements of VTB's corporate governance system. The Council is guided in its activities by the interests of the Bank and its shareholders. Acting in accordance with Russian legislation, the Bank's Charter, the Regulation on the Supervisory Council and the Corporate Governance Code, it provides general oversight over the Bank's operations.

The main tasks of the Supervisory Council are the elaboration and adoption of the Bank's development strategy, as well as the formation of the Bank's executive bodies and oversight over their activities, organising assessments of the performance of the internal control and risk management system, determining the Bank's personnel policy, including remuneration of executive bodies and Bank management, and participation in decision-making on issues pertaining to Bank management.

The Supervisory Council determines the rules for the functioning of the Bank's corporate governance system through the adoption of bylaws that regulate the principles and procedures of its individual elements and oversight over the effectiveness of the corporate governance system as a whole.

The Supervisory Council is entrusted with the function of managing conflicts of interest between the Bank's management bodies, shareholders and employees.

Members of the Supervisory Council are elected by the General Meeting of Shareholders for a term of one year. Shareholders holding at least 2% of the Bank's voting shares have the right to nominate candidates to the Supervisory Council. Members of the Supervisory Council are elected by means of a cumulative ballot at the General Meeting of Shareholders.

The Supervisory Council in place at the end of 2018 was elected at the AGM on 23 May 2018. As of 31 December 2018, the Supervisory Council consisted of 11 members, 10 of whom were non-executive directors, and three were independent directors. This combination of directors is in line with international best practices and ensures that all shareholders' interests are represented on the Supervisory Council. The composition of the Supervisory Council is reviewed annually to ensure the right level of professionalism, experience and effectiveness, and to ensure that it is in line with VTB's strategic objectives.

VTB places great importance on the appointment of independent directors. These directors' effective work on the Supervisory Council strengthens shareholders' and investors' trust in the Bank and ensures a high level of transparency for its governance system and the objectivity of the Supervisory Council's decision-making. The independent directors play an active role in Supervisory Council discussions and the decision-making process. Together, they monitor the Bank's performance and its competitive position, analyse the performance of the management team, assess mechanisms and systems of internal control and risk management, and settle corporate conflicts.

According to the Bank's Corporate Governance Code, the Supervisory Council should include at least three directors who meet the independence criteria established by the listing rules of the exchange whose quotation list includes the Bank's securities. The independent members of the Supervisory Council must not have any relationship with the Bank that would prevent them from fairly and impartially making decisions with regard to VTB's strategy and ongoing activities. In determining the independence criteria for the members of the Supervisory Council, VTB Bank is guided by the requirements of current legislation, the listing rules of the stock exchange whose quotation list includes the Bank's securities and the Bank's Charter.

The Regulation on the Supervisory Council of the Bank specifies the rights and obligations of members of the Supervisory Council.

The Regulation can be viewed here - www.vtb.com/akcionery-i-investory/raskrytie-informacii/ustav-i-vnutrennie-dokumenty/#tab_0_1#

Liability Insurance for Supervisory Council Members

Supervisory Council members are insured under the director's liability insurance programme (Director's and Officer's Liability, D&O). In accordance with the D&O insurance programme, compensable losses (including legal expenses) incurred due to unintentional wrongful acts, negligence or omission on the part of members of the Supervisory Council related to the Bank's financial operations are reimbursed in relation to claims filed during the insurance period by investors, shareholders or government bodies. The grounds for a claim may be the personal liability of members of the Supervisory Council for mistakes made during the decision-making process, shortfalls in financial control and risk management leading to losses, a reduction in share price or asset value or damages caused to third parties.

In 2018, a contract for directors' liability insurance was signed for a new term. The feasibility of the extension was approved by VTB Bank's Committee on Operational and Regulatory (Compliance) Risks, as well as by VTB Group's Risk Management Committee.

Composition of the Supervisory Council

The Supervisory Council provides strategic direction; determines VTB's long-term priorities; approves its development strategy and long-term development programme; determines the key principles and overall approach to risk management and internal control, remuneration policy and compensation paid to members of the Supervisory Council, executive bodies and other key executives; and exercises oversight over the activities of executive bodies and corporate governance. The Supervisory Council plays a key role in the Bank's main corporate activities.

The main functions of the Supervisory Council are specified in the Charter and the Regulation on VTB Bank's Supervisory Council

These documents can be viewed on the Bank's website at: https://www.vtb.com/akcionery-i-investory/raskrytie-informacii/ustav-i-vnutrennie-dokumenty/#tab_0_1#

Chairman of the Supervisory Council

The Chairman of the Supervisory Council is elected by majority vote of the members of the Supervisory Council.

The Supervisory Council has the right to re-elect its Chairman at any time by majority vote.

The Chairman is not permitted to combine this role with the position of President and Chairman of the Management Board. The Chairman of the Supervisory Council may not also be a member of the VTB Bank Management Board, nor may he or she have any type of employment relationship with the Bank.

The Chairman organises the work of the Council, convenes and chairs its meetings, ensures that minutes are kept and presides over General Meetings of Shareholders. In the absence of the Chairman, his or her duties are assumed by a Supervisory Council member as decided by the Supervisory Council.

Anton Siluanov has been the Chairman of VTB's Supervisory Council since 28 April 2017.

Supervisory Council Composition

On 23 May 2018, the AGM elected Mikhail Zadornov, Alexander Sokolov, Igor Repin and Mukhadin Eskindarov as new members of the Supervisory Council. Sergey Galitsky, Valery Petrov, Nikolai Podguzov and Andrey Sharonov left the Supervisory Council.

Corporate governance in partially state-owned companies differs as a result of the special status of their major shareholder, the Russian Federation. VTB Bank's Supervisory Council includes one representative of state interests who is a civil servant – Anton Siluanov – as well as several other representatives of the state: Sergei Dubinin, Matthias Warnig, Andrey Kostin, Vladimir Chistyukhin and Mukhadin Eskindarov.

In carrying out their functions on the Supervisory Council, the representatives of state interests must take into account the position of the shareholder and vote on certain issues as directed by the shareholder on the basis of the directives of the Russian Federation.

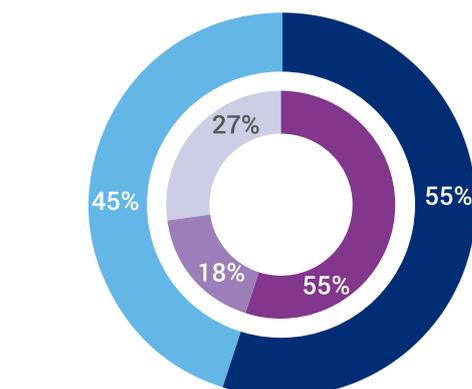
The Supervisory Council includes representatives of minority (institutional and individual) shareholders (professional directors): Mikhail Zadornov, Alexander Sokolov, Shahmar Movsumov (independent director) and Igor Repin (independent director).

In accordance with the Regulation on the Supervisory Council of the Bank, a Senior Independent Director has been elected since 2015 from among the members of the Council serving as independent directors. The Senior Independent Director acts as an adviser to the Chairman of the Supervisory Council and coordinates interactions between the independent directors. The Senior Independent Director also interacts with Bank's shareholders. If a dispute arises, the Senior Independent Director should undertake measures to resolve the dispute through cooperation with the Supervisory Council Chairman, the other members of the Supervisory Council and the Bank's shareholders to ensure the smooth operation of the Supervisory Council.

Yves Thibault de Silguy has been the Senior Independent Director since 23 May 2018.

The Staff and Remuneration Committee regularly assesses the independence of candidates for the Supervisory Council and considers issues related to the independence of independent directors.

Structure of the Bank's Supervisory Council



- Representatives of the majority shareholder
- Representatives of minority shareholders and independent directors
- Representatives of the state
- Professional directors
- Independent directors