

VTB EUROPE STRATEGIC INVESTMENTS LIMITED

Registered No. 5099766

**DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2021**



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OFFICERS AND REGISTERED OFFICE

DIRECTORS

N. Hutt – resigned 25 March 2022

J. S. Klus

SECRETARY

R. Munger – resigned 25 March 2022

REGISTERED OFFICE

14 Cornhill
London
EC3V 3ND

VTB EUROPE STRATEGIC INVESTMENTS LIMITED

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DIRECTORS' REPORT

The directors have pleasure in presenting the Directors' Report and Accounts of VTB Europe Strategic Investments Limited (the "Company") for the year ended 31 December 2021.

Since 1 January 2015, the financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). The transition to IFRS had no impact upon the comparative data reported in respect of the preceding financial periods.

The Company is exempt from the requirement to prepare a Strategic Report, under Section 414A (2) of the Companies Act 2006.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company was incorporated on 13 April 2004. The principal activity of the Company is to hold investments of a strategic nature for VTBC Capital plc ("VTBC") the immediate parent undertaking, a bank incorporated in England (see note 16).

VTBC's ultimate parent company is VTB Bank (public joint-stock company), short name VTB Bank (PJSC), ("VTB" and together with its subsidiaries the "VTB Group").

The Company's principal activity is to operate as a vehicle for strategic investments. The Company held no such investment at the balance sheet date.

RESULTS, KEY PERFORMANCE INDICATORS AND DIVIDENDS

Directors do not make use of any specific key performance indicators other than those set out in the Directors' Report and Accounts of VTBC. The directors consider the disclosures in these financial statements to be sufficient for an understanding of the Company's business.

PRINCIPAL RISK AND UNCERTAINTIES

The Company's principal risks and uncertainties are managed within the control framework of the VTBC Group, and are therefore not managed separately. The principal risks and uncertainties of the VTBC Group, which include those of the Company, are explained in the VTBC Group's Annual Report and Accounts, which does not form part of this report.

GOING CONCERN

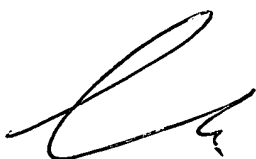
As explained in Note 6, Events after the Statement of Financial Position Date, the Company has become subject to sanctions in various jurisdictions. As part of the VTB Group, Russia's 2nd largest financial services group, these include being sanctioned under The Russia (Sanctions) (EU Exit) Regulations 2019 (SI 2019/855) of the United Kingdom and under Executive Order 14024 of the Office of Foreign Assets Control ('OFAC') in the United States of America.

Given the above, the fact that the Company remains dormant and that the directors propose to liquidate the Company in the near future, it is not appropriate to prepare these accounts on a going concern basis. However, it is the directors' opinion that the realisation values and the carrying values reflected in the financial statements are not materially different, especially due to the fact that all known debtors, creditors and shareholders are part of the same VTB Group).

DIRECTORS

The directors, who held office during the financial year ended 31 December 2021 and at the date of the report, unless otherwise indicated, are listed on page 1 of these financial statements.

By order of the Board



Jonathan Klus
Director,
23 September 2022

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT
OF THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Directors' Report and the accounts in accordance with applicable law and regulation. Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'). The financial statements are required by law to give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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BALANCE SHEET **AT 31 DECEMBER 2021**

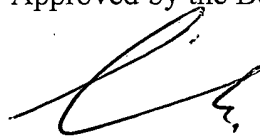
	Notes	2021 US\$	2020 US\$
ASSETS			
CURRENT ASSETS			
Cash	6	1	6,194,893
NET CURRENT ASSETS		1	6,194,893
NET ASSETS		1	6,194,893
CAPITAL AND RESERVES			
Called up share capital	10	1	144,345
Retained Earnings	10	10,180,883	16,231,431
Currency translation reserve	10	(10,180,883)	(10,183,883)
TOTAL SHAREHOLDERS' FUNDS	10	1	6,194,893

For the year ending 31st December 2021, the Company was entitled to an exemption from audit under section 477 of the Companies Act 2006 relating to small companies and qualified as a small company under section 382 of the Companies Act 2006.

Directors' responsibilities:

- the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476;
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Approved by the Board of Directors on 23 September 2022, and signed on their behalf by:



J. Klus – Director

The notes on pages 6 to 11 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

Since 1 January 2015, the financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). The transition to IFRS had no impact upon the comparative data reported in respect of the preceding financial periods.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Company is exempt under section 400 (for EEA immediate parents) of the Companies Act 2006 from the requirements to prepare consolidated financial statements on the grounds that it is a wholly-owned subsidiary of VTBC, a company registered in England and Wales (see Note 14), the consolidated financial statements of which include the results of the Company, its subsidiaries and its associated undertakings and are publicly available. These financial statements, therefore, present information about the Company as an individual undertaking and not as a group.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Investment in subsidiary undertakings

Subsidiaries are all entities (including special purpose entities) which are controlled by the Company. Control is the power to govern the financial and operating policies of an entity, and is generally presumed to exist when an investor owns more than 50% of the voting rights of an entity.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Investments in subsidiary undertakings are stated at cost less impairment.

(b) Investment in associated undertakings

Associated undertakings are those entities over which the Company has significant influence and which are neither subsidiaries nor joint ventures. Investments in associated undertakings are stated at cost less impairment.

NOTES TO THE FINANCIAL STATEMENTS (continued)**2. PRINCIPAL ACCOUNTING POLICIES (continued)****(c) Deferred Taxation**

Deferred tax is provided to the extent that it is regarded as probable that it is recoverable (or payable) in the foreseeable future, using the liability method, on temporary timing differences arising from the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates and legislation enacted or substantially enacted by the statement of financial position date. The principal timing differences arise primarily from tax losses carried forward, provisions for pensions, depreciation of tangible assets and the revaluation of certain financial assets and derivative contracts. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits.

(d) Foreign currency translation

The financial statements are prepared in US\$, the functional currency of the Company. Foreign currency transactions are translated into US\$ using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than US\$ are retranslated at the rate prevailing at the balance sheet date and any exchange differences arising are taken to the profit and loss account.

(e) Dividends from associates

Dividends are recognised in the profit and loss account in the year in which the Company has a right to receive such consideration. No such dividends were received in the year (2020: Nil).

(f) Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. Impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events having occurred after the initial recognition of the asset and prior to the balance sheet date ('a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset and can be reliably estimated.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. OPERATING PROFIT/(LOSS)

The directors consider that there is no amount in the context of the Company's business which reasonably corresponds to turnover.

There was no auditors' remuneration incurred in 2021. No employees are employed by the Company. Administration expenses are borne by the immediate parent company.

The emoluments of the directors are paid and borne by the immediate parent undertaking. The directors' services to this Company are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the immediate parent undertaking. Accordingly, no emoluments have been included here in respect of the directors. No contributions were made, by the Company, under defined benefit or defined contribution pension schemes, on behalf of its directors.

3. TAX ON ORDINARY ACTIVITIES

There was no tax charge in the current or prior year.

On 6 September 2016, the government substantively enacted Finance Act 2016 that reduced the tax rate to 17% effective from 1 April 2020. On 11 March 2020, the UK Government announced (and substantively enacted on 17 March 2020) its intention to reverse the planned rate reduction and to maintain the current rate of 19%. The unrecognised deferred tax balances included within the accounts have been measured at the rate of 19%.

In the Finance Budget 2021, on 3 March 2021, the UK Government announced its intention to increase the corporation tax rate to 25% from 1 April 2023. This rate was not substantively enacted at the balance sheet date and therefore was not used to measure the unrecognised deferred tax balances. The Finance Bill 2021 was enacted on 24 February 2022 and the deferred tax balances will in future be measured at 25%.

There is an unrecognised deferred tax asset of US\$119,541 (2020: US\$119,541) in respect of excess management expenses carried forward.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

4. INVESTMENT IN ASSOCIATED UNDERTAKING

	2021 US\$	2020 US\$
At beginning of financial year	-	2,878
Additions/disposals	-	(2,878)
At end of financial year	-	-

5. CASH

Following the dividend payment and share capital repayment on 16th June 2021, the Company's cash balance is £1; prior to this date, balances were held within a non interest bearing account with the Company's immediate parent, VTBC.

6. CALLED UP SHARE CAPITAL

	2021 US\$	2020 US\$
Authorised, allotted, called up and fully paid ordinary shares of £1 each:		
At beginning of financial year	144,345	144,345
Share repayment	(144,344)	-
At end of financial year	1	144,345

On 16th June 2021, the directors approved the reduction of the issued share capital of the Company from 100,000 ordinary share of £1 each to one ordinary share of £1 by cancelling and extinguishing 99,999 ordinary shares of £1 each in the company, each of which was fully paid up through the repayment by the company of USD 144,344 (being £99,999 at the exchange rate of 1.44345) to the Company's sole shareholder VTBC.

7. PROFIT AND LOSS ACCOUNT

	2021 US\$	2020 US\$
At beginning of financial year	16,231,431	16,179,147
Dividend payment during the year	(6,050,548)	-
Retained profit for the financial year	-	52,284
At end of financial year	10,183,883	16,231,431

NOTES TO THE FINANCIAL STATEMENTS (continued)**8. CURRENCY REVALUATION RESERVE**

	2021 US\$	2020 US\$
At beginning of financial year	(10,180,883)	(10,180,883)
At end of financial year	<u>(10,180,883)</u>	<u>(10,180,883)</u>

The currency revaluation reserve represents the difference between the retained earnings of the Company at historic US\$ average rates against the year-end actual rate on conversion of its functional currency from GBP to US\$ in 2009.

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2021 US\$	2020 US\$
Opening shareholders' funds	6,194,893	6,142,609
Dividend payment during the year	(6,050,548)	-
Capital repayment to shareholder	(144,344)	-
Retained profit for the financial year	-	52,284
Closing shareholders' funds	<u>1</u>	<u>6,194,893</u>

On the 16th June 2021 the directors declared and approved:

- an interim dividend of USD 6,050,548 from distributable reserves.
- the reduction of the issued share capital of the Company from 100,000 ordinary share of £1 each to one ordinary share of £1 by cancelling and extinguishing 99,999 ordinary shares of £1 each in the company, each of which was fully paid up through the repayment by the company of USD 144,344 (being £99,999 at the exchange rate of 1.44345) to the Company's sole shareholder VTBC.

10. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

Due to the events of 24 February 2022 (and continuing hostilities between the Russian Federation and Ukraine), VTBC, the Company's sole shareholder was made subject to sanctions in various jurisdictions. As part of the VTB Group, Russia's 2nd largest financial services group, these include being sanctioned under The Russia (Sanctions) (EU Exit) Regulations 2019 (SI 2019/855)

NOTES TO THE FINANCIAL STATEMENTS (continued)

of the United Kingdom and under Executive Order 14024 of the Office of Foreign Assets Control ('OFAC') in the United States of America.

Pursuant to the sanctions, VTBC and its subsidiaries are also the subject of an asset freeze which has the effect of prohibiting transfers of funds or economic resources to or from them.

On 1 March 2022 (as amended on 1 April 2022) the Office of Financial Sanctions Implementation of HM Treasury in the United Kingdom ('OFSI') issued us a licence (appended) permitting certain activities in relation to VTBC's and its subsidiaries basic needs, routine holding and maintenance, the payment of professional fees and insolvency related payments.

11. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE (continued)

On 31 March 2022, the VTBC Board resolved to place it and its subsidiaries into administration. Despite having sufficient liquidity and being balance sheet solvent, VTBC was not able to settle its outstanding debts as they fell due as it had lost access to our correspondent banking services. As a result, VTBC filed an application to enter administration at UK High Court on 1 April 2022 with Teneo Financial Advisory Limited ('Teneo') as the proposed administrators. The Court approved the application at the Hearing on 6 April 2022 with Mr Justice Fancourt's Order remaining unsealed pending Teneo receiving the necessary OFSI and OFAC licences. While the necessary OFSI licence was granted on 1 April 2022, Teneo are still awaiting receipt of the required OFAC licence.

It is proposed that as part of the administration process, the Company is liquidated and struck off the Companies House Register.

12. ULTIMATE HOLDING COMPANY

The Company is a direct subsidiary of VTBC, a bank incorporated in England and authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulatory Authority. A copy of the consolidated financial statements of VTBC may be obtained from 14 Cornhill, London, EC3V 3ND.

VTBC's ultimate parent company and ultimate controlling party is VTB Bank (public joint-stock company) which is incorporated in the Russian Federation. The Annual Report and Accounts of VTB Bank are available on its website, www.vtb.ru